



The ASEAN Economic Community

The way forward

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Introduction

The ASEAN Economic Community (AEC) was formally launched on 31 December 2015, marking ASEAN's further consolidation since its creation in 1967. This is a major milestone in the regional economic integration agenda in ASEAN.

The AEC aims to create a single market and production base with minimal economic barriers, thereby easing the movement of goods, services, investment, capital and skilled labor. In addition, the 10 member countries aim to jointly realize the development of a competition policy, the protection of intellectual property, the facilitation of e-commerce, and the introduction of a more comprehensive investment protection and dispute resolution system.

As a single market, the 10 members' combined gross domestic product stands at US\$2.57 trillion, making AEC the seventh-largest economic zone in the world. And being home to a population of more than 620 million, it has the third largest labor force in the world after

China and India. The potential market is larger than the European Union or North America¹.

At the 27th ASEAN Summit in Kuala Lumpur, the ASEAN Leaders also simultaneously endorsed the AEC Blueprint 2025 that provides broad strategic directions for the AEC from 2016 to 2025. It succeeded the AEC Blueprint (2008-2015), which was adopted in 2007. Along with the ASEAN Community Vision 2025, and the ASEAN Political-Security Community (APSC) Blueprint 2025 and the ASEAN Socio-Cultural Community (ASCC) Blueprint 2025, the AEC Blueprint 2025 forms part of ASEAN 2025 "Forging Ahead Together".

Numerous challenges remain, even though six of the 10 member countries have achieved almost all of the tariff cuts envisaged in the AEC's 2015 Blueprint. The remaining members aim to do so by 2018. Other regional issues, such as transboundary haze and refugee flows, may likely remain as sources of intra-ASEAN tension.



Warrick Cleine

Regional Head of Tax – Asia Pacific and
Chairman and CEO, KPMG in Vietnam and Cambodia
T: +84 8 3821 9266
E: warrickcleine@kpmg.com.vn



Vinod Kalloe

Head of International Tax Policy KPMG Meijburg & Co and
Tax Policy Advisor – KPMG Asia Pacific Tax Centre
T: +66 2677 2587
E: vkalloe@kpmg.co.th

¹ <http://www.asean.org/storage/2012/05/56.-December-2015-Fact-Sheet-on-ASEAN-Economic-Community-AEC-1.pdf>

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ASEAN Economic Community

The Association of Southeast Asian Nations (ASEAN)², established on 8 August 1967 in Bangkok, launched the ASEAN Economic Community (AEC) at the end of 2015. Although as at 31 October 2015, only 79.5 percent of all 611 AEC measures had been reached, it is still a huge achievement for all countries involved. It is also a stepping stone for

further integration in the years after 2015.

The 'Kuala Lumpur Declaration on ASEAN 2025: Forging Ahead Together'³ covers three pillars of the ASEAN Community:

1. The ASEAN Economic Community (AEC)
2. The ASEAN Political-Security Community (APSC) and

3. The ASEAN Socio-Cultural Community (ASCC).

AEC Blueprint 2025 is a roadmap to create a networked, competitive, innovative, and highly integrated and contestable ASEAN.

AEC 2025: The Way Forward

Building on the 2015 blueprint, AEC Blueprint 2025 consists of five interrelated and mutually reinforcing characteristics, namely:

(i) A highly integrated and cohesive economy

Facilitates the seamless movement of goods, services, investment, capital, and skilled labor within ASEAN in order to enhance ASEAN's trade and production networks, as well as to establish a more unified market for its firms and consumers.

In addition, in KPMG member firms' experience, US, EU and APAC multinationals' interest is noted in benefiting from the facilitated movement for optimizing supply chains.

(ii) A competitive, innovative, and dynamic ASEAN

Focus on elements that increase the region's competitiveness and productivity by

- a) engendering a level playing for all firms through effective competition policy;
- b) fostering the creation and protection of knowledge;
- c) deepening ASEAN participation in Global Value Chains (GVCs); and
- d) strengthening related regulatory frameworks and overall regulatory practice and coherence at the regional level.

(iii) Enhanced connectivity and sectoral cooperation

Through the involvement of various sectors, namely, transport, telecommunication and energy, in line with and in support of the vision and goals of the Master Plan on ASEAN Connectivity (MPAC) and its successor document, as well as to further integrate and cooperate in key sectors that complement existing efforts towards creating an integrated and sustainable economic region, with the aim to maximize their contribution in improving the overall competitiveness of ASEAN and strengthening soft and hard networks in the region.

(iv) A resilient, inclusive, people-oriented, and people-centered ASEAN

By significantly enhancing the third characteristic of the AEC Blueprint 2015 on "Equitable Economic Development" by deepening existing elements and incorporating other key elements.

(v) A global ASEAN

By continuing to develop a more coherent and strategic approach towards external economic relations with a view to adopt a common position in regional and global economic fora.

KPMG's network of firms support wider global initiatives, such as the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP) where the ASEAN Member States could strengthen their position in the global economy and international business could be facilitated on cross-border trade and investments.

These characteristics support the vision for a stronger AEC as envisaged in the ASEAN Community Vision 2025.

To operationalize the Blueprint's implementation, strategic measures under each of the five characteristics of AEC 2025 will be further elaborated on and implemented through the work plans of various sectoral bodies in ASEAN.

The sectoral work plans will be reviewed and updated periodically to ensure their relevance and effectiveness. Partnership arrangements with the private sector, industry associations and the wider community at the regional and national levels will also be actively sought and fostered to ensure an inclusive and participatory approach to the integration process.

Institutions will be strengthened and enhanced approaches to monitoring and public outreach will likewise be developed to support the effective implementation of the Blueprint.

Still, the immediate priority is to implement all remaining measures under the AEC Blueprint 2015 by end-2016.

² Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

³ <http://www.asean.org/storage/2015/12/ASEAN-2025-Forging-Ahead-Together-final.pdf>

Over the next decade, emphasis will also be placed on developing and promoting micro, small and medium enterprises (MSMEs). MSMEs are the backbone of the ASEAN economies but are at risk of being left behind by globalization, advances in technologies and communications, trade liberalization and the evolution of the production processes. These challenges need to be better addressed as ASEAN continues to deepen its economic integration.

Concurrently, ASEAN will leverage on technology to enhance trade and investments, provide a digital platform for businesses and support the use of green technology and energy. There is a need to continue prioritising the bridging of the digital gap and ensure that all communities and businesses can benefit from information and communications technology adoption.

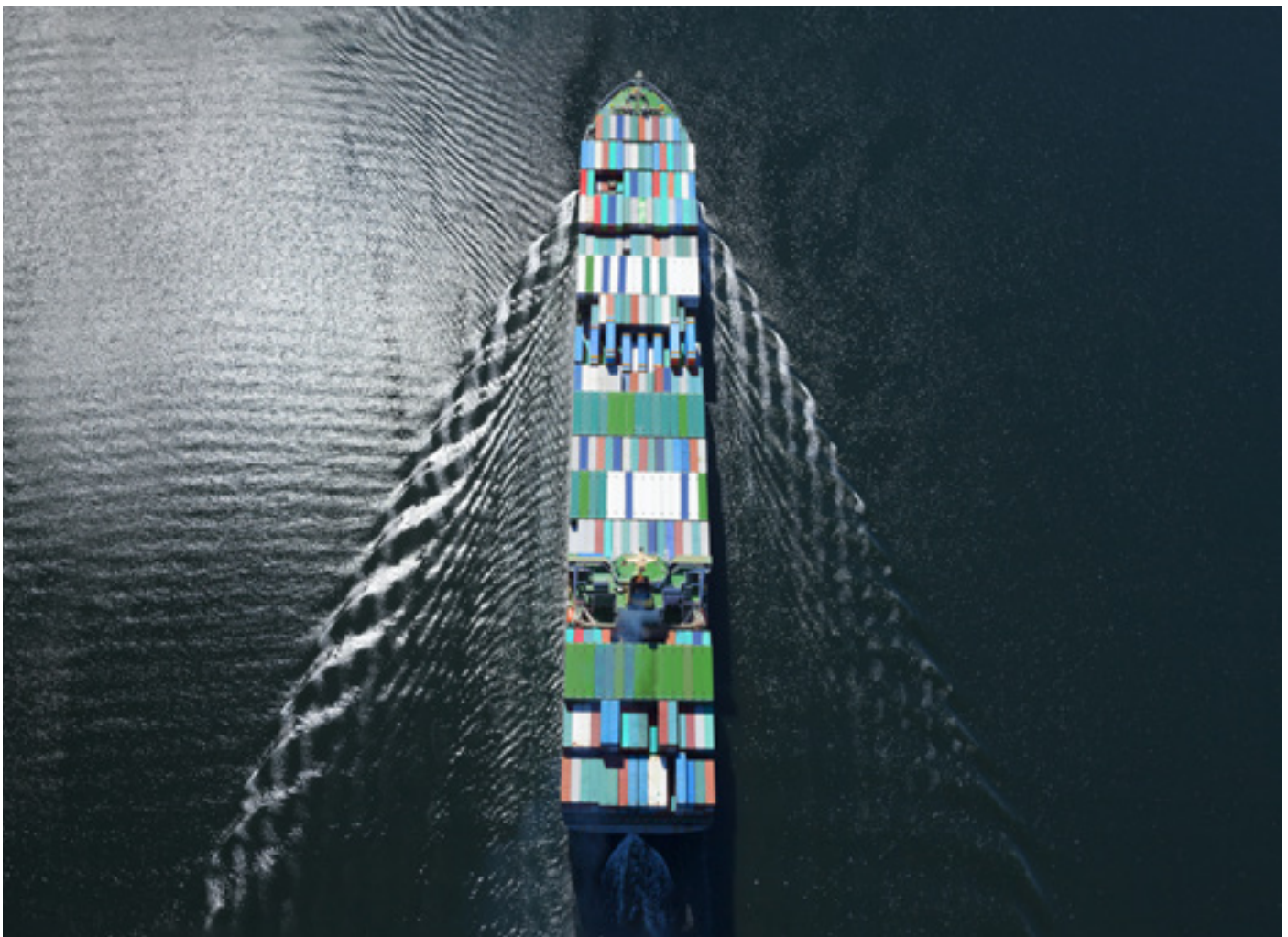
AEC will also promote good governance within the ASEAN Community, including to improve professional skills of public entities on good governance.

The AEC Blueprint 2025 will lead towards an ASEAN that is more proactive, having had in place the structure and frameworks to operate as an economic community, cultivate its collective identity and strength to engage with the world, respond to new developments, and seize new opportunities.

The revised AEC Blueprint recognizes that the AEC is still work-in-progress and concurrently requires updating to be in line with the global and regional trends and developments that have occurred since the original blueprint was published.

Some key examples of such trends and developments include:

- Focus on RCEP agreement to entrench ASEAN centrality in view of TPP developments
- Implement its trade facilitation initiatives that are aligned with the World Trade Organization (WTO) Trade Facilitation Agreement
- Emphasis on furthering regional implementation of Authorised Economic Operators (AEO) programs and self-certification programs (for preferential FTA origin claims)
- Greater taxation cooperation to prevent tax collection losses through Base Erosion and Profit Shifting (BEPS). More sharing of intelligence between ASEAN tax authorities including customs authorities is expected which may lead to more tax and customs audits / investigations going forward.



Going forward, clearer and closer monitoring of progress and identification of challenges faced by the ASEAN member states in the implementation of

the various AEC initiatives will be critical in continual engagement with businesses and reinforcement of the AEC attractiveness for business investments.

The AEC Blueprint 2025 at a glance is shown in Table 1.

Table 1: AEC Blueprint 2025 at a glance

A highly integrated and cohesive economy	A competitive, innovative, and dynamic ASEAN	Enhanced connectivity and sectorial cooperation	A resilient, inclusive and people-oriented, people-centered ASEAN	A global ASEAN
<ul style="list-style-type: none"> • Trade in Goods • Trade in Services • Investment Environment • Financial Integration, Financial Inclusion, and Financial Stability • Facilitating Movement of Skilled Labor and Business Visitors • Enhancing Participation in Global Value Chains 	<ul style="list-style-type: none"> • Effective Competition Policy • Consumer Protection • Strengthening Intellectual Property Rights Cooperation • Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialization • Taxation Cooperation • Good Governance • Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice • Sustainable Economic Development • Global Megatrends and Emerging Trade-related Issues 	<ul style="list-style-type: none"> • Transport • Information and Communications Technology • E-commerce • Energy • Food, Agriculture, and Forestry • Tourism • Healthcare • Minerals • Science and Technology 	<ul style="list-style-type: none"> • Strengthening the Role of MSMEs • Strengthening the Role of the Private Sector • Public-Private Partnership • Narrowing the Development Gap • Contribution of Stakeholders on Regional Integration Efforts 	<ul style="list-style-type: none"> • More strategic and coherent approach towards external economic relations • Review and improve ASEAN FTAs and CEPs • Enhance economic partnerships with non- FTA Dialogue Partners by upgrading and strengthening trade and investment work programs/plans • Continue strongly supporting the multilateral trading system and actively participating in regional fora • Continue to promote engagement with global and regional institutions

Source: <http://www.asean.org/asean-economic-community/>

Integrating AEC into the global economy

Much has been said about the importance of ASEAN Economic Community as a regional block. The combined ASEAN GDP of US\$2.57

trillion leaving three out of the four BRIC countries, namely Brazil, Russia, India and China, behind in size. The Organisation for Economic Co-operation

and Development (OECD) has forecast GDP growth for the combined ASEAN community to be approximately 5.2 percent per year from 2016 to 2020⁴.

Table 2: Selected basic ASEAN indicators

Country	Gross domestic product at current prices	Gross domestic product per capita at current prices		International merchandise trade			Foreign direct investments inflow	
				Exports	Imports	Total Trade		
	US\$ million	US\$	US\$ PPP	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
	2014	2014	2014	2014	2014	2014	2013	2014
Brunei Darussalam	17,108.28	41,424.42	82,849.94	10,584.14	3,596.56	14,180.70	725.47	568.18
Cambodia	16,771.44	1,104.54	3,334.10	10,681.40	18,973.20	29,654.60	1,274.90	1,726.53
Indonesia	983,570.79	3,900.51	11,498.30	176,292.66	178,178.82	354,471.48	18,443.84	22,276.32
Lao PDR	11,777.22	1,729.65	5,095.93	2,639.89	2,748.90	5,388.79	426.67	913.24
Malaysia	326,345.59	10,784.11	24,606.75	234,161.21	208,918.16	443,079.36	12,297.38	10,714.03
Myanmar	65,785.26	1,277.73	4,923.18	11,030.64	16,226.07	27,256.71	2,620.90	946.22
Philippines	284,910.07	2,816.02	6,846.33	61,809.93	67,756.94	129,566.87	3,859.79	6,200.53
Singapore	307,871.91	56,286.80	82,714.38	409,768.66	366,247.31	776,015.97	56,138.30	72,098.30
Thailand	373,225.10	5,436.08	14,332.63	227,573.58	227,952.30	455,525.88	12,999.77	11,537.92
Viet Nam	186,223.61	2,054.77	5,644.26	148,091.50	145,685.58	293,777.08	8,900.00	9,200.08
ASEAN	2,573,589.27	4,135.94	10,699.55	1,292,633.60	1,236,283.83	2,528,917.44	117,687.01	136,181.36

Source: <http://www.asean.org/news/item/selected-key-indicators>

⁴ OECD's Economic Outlook for Southeast Asia, China and India 2016

The importance of the ASEAN integration as a single market and production base, for other international businesses originating from the United States, China, India, Japan and the European Union, gains in strength due to the fact that the ASEAN member countries as a block already have concluded free trade agreements within the Asia Pacific region (APAC)⁵. Many individual ASEAN countries are also involved in bilateral free trade negotiations with the European Union.

Furthermore, the ASEAN countries are also part of negotiations on multilateral free trade agreements such as the TPP⁶ and the RCEP⁷. This comprehensive network of bilateral and multilateral free trade agreements with the biggest economies in the world provides for a legal highway for trade and investment with the AEC. The TPP, for example, represents more than 40 percent of the world GDP and covers a wide range of free trade and investment principles such as the elimination of tariff and non-tariff

barriers for goods and investments, rules of origin, opening service sectors including financial services, telecom, e-commerce and investment protection⁸. The RCEP with the major Asia Pacific economies would be the world's largest trade bloc in terms of population.

Some updates about TPP and RCEP can be found in Table 3.

Table 3: Updates on TPP and RCEP

Free trade agreements under negotiation	Size	Date launched	Latest development
Trans-Pacific Partnership (TPP)	Parties together represent around 40 percent of the global economy, a quarter of world trade and encompassing 3.4 billion people	June 2005	October 2015: 12 countries across the Asia-Pacific region (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam) concluded the TPP after 5 years of negotiation.
Regional Comprehensive Economic Partnership (RCEP)	Combined GDP of US\$17 trillion, almost 30 percent of the world's gross domestic product (GDP). In 2014, trade among RCEP countries was valued at US\$260 billion	November 2012	August 2015: ASEAN and its partners (Australia, China, India, Japan, Korea and New Zealand) have agreed to 65 percent of tariff lines being eliminated once the RCEP comes into force, and it is hoped that number would go up to 80 percent in 10 years' time.

Source: KPMG research

⁵ ASEAN–Australia–New Zealand Free Trade Area (AANZFTA) effective 1 January 2010. ASEAN–China Free Trade Area (ACFTA), effective 1 January 2010. ASEAN–India Free Trade Area (AIFTA), effective 1 January 2010. ASEAN–Korea Free Trade Area (AKFTA), effective of 1 January 2010. ASEAN–Japan Comprehensive Economic Partnership (AJCEP) gradually entering into force since 2009

⁶ Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, Vietnam. Several other countries including other ASEAN countries have expressed interest in joining.

⁷ All 10 ASEAN member countries and Australia, China, India, Japan, New Zealand, South Korea.

⁸ At the same time the US and the EU member states are negotiating the Transatlantic Trade and Investment Partnership (TTIP)

⁹ <http://www.channelnewsasia.com/news/asiapacific/asean-partners-make/2073038.html>

ASEAN countries ready for implementation of AEC?

To date, ASEAN governments have been focusing on reaching the AEC 2015 targets and engaging with stakeholders about sensitivities and perhaps protecting certain domestic interests. Nevertheless, there are much benefits and opportunities that AEC could bring for cross-border trade and investment, in particular for small and medium-sized enterprises in the region.

Given the wide range of topics to be implemented on the AEC roadmap, ASEAN countries need to have the administrative capacity and procedures to implement all the necessary changes.

An indication of the wide differences in stages of economic development can be seen by the GDP per capita for all 10 ASEAN countries (see Table 2),

which range from US\$1,278 per year for Myanmar and US\$56,287 per year for Singapore. ASEAN countries also widely vary in terms of providing a business friendly environment as highlighted by the ASEAN country rankings on the World Bank's Ease of Doing Business in Table 4.

Table 4: World Bank's Ease of Doing Business

Country	Ease of Doing Business Rank (out of 189)	Starting a Business	Protecting Investors	Trading Across Borders
Singapore	1	10	1	41
Malaysia	18	14	4	49
Thailand	49	96	36	56
Brunei Darussalam	84	74	134	121
Vietnam	90	119	122	99
Philippines	103	165	155	95
Indonesia	109	173	88	105
Cambodia	127	180	111	98
Lao PDR	134	153	178	108
Myanmar	167	160	184	140

Source: <http://www.doingbusiness.org/rankings>, rankings for all economies are benchmarked to June 2015.

The ASEAN Trade in Goods Agreement (ATIGA) has played a significant role in facilitating goods to trade within ASEAN at a preferential duty. One of the key achievements from this is the introduction of two pilot self-certification projects. Self-certification allows qualified ASEAN manufacturers and exporters to claim preferential duty and expedite cargo clearance. Such initiatives reduce lead time and invariably translating into costs savings for businesses.

Another initiative that is likely to reduce costs for businesses is the ASEAN

Single Window. A "Single Window" is a trade facilitation mechanism designed to create a single electronic clearinghouse for all import, export, and trade-related documentation. The main goals of the ASEAN Single Window (ASW) initiative are simpler and faster processing time, and a more transparent way of doing business. The objective is to expedite cargo clearance within the context of increased economic integration in ASEAN. A step towards ASW is the harmonization of Customs Procedures and Standards to facilitate the movement of goods within members.

ASW implementation ensures compatibility of Member States National Single Window (NSWs) with international open communication standards. It also ensures that each of those Member States can then exchange data securely and reliably with any trading partners that use international open standards.

Each individual ASEAN country is currently preparing for the opportunities and assessing risks in the AEC integration process. The next step for ASEAN-6 is to work towards the ASW based on the current individual NSW.

Singapore is the regional hub for inbound foreign direct investment and for outbound ASEAN investment. Singapore is the first ASEAN country to have concluded a free trade agreement with the European Union, giving it a competitive edge.

Singapore has long been a preferred regional hub for businesses operating in the ASEAN and wider Asia region in various capacities such as distribution logistics, shared services, R&D facilities, upstream manufacturing etc. Some reasons include:

- Extensive FTA network on top of the ASEAN and the six ASEAN-plus-one FTAs. Singapore also has an extensive bilateral and multilateral FTA network– 14 in force and three awaiting ratification after conclusion of negotiations (as of Feb 2016).
- Established trading infrastructure such as a fully-fledged NSW in the form of the TradeNet system for electronic customs declarations as well as efficient logistics connections.
- Attractive corporate tax jurisdiction and largely a free port with very limited dutiable goods.

Malaysia announced the implementation of a NSW environment through trade facilitation portal “myTRADELINK” in 2012. It is currently gearing up preparations for connection to the ASW initiative via UCustoms project, a massive project started in 2013 to build a new Customs Online System that will replace the Sistem Maklumat Kastam (SMK). UCustoms took effect in stages beginning 2016 and is expected to be fully in place in 40 Customs stations around Malaysia by 2017. UCustoms project is intended to eliminate the need to process and submit the same information numerous times to different government entities, including some that are automated and others that still rely heavily on paper. The catalyst for this project was discussed in 2005 and gained momentum resulting from a 2012 Government study that showed Customs needed to revamp their systems to include a Risk Management Engine and

an Auto Approval process to further facilitate trade.

Thailand’s NSW started in July 2008 as “e-Logistics,” and was revamped as “National Single Window” in July 2011. Customs declaration service is available at 660 Customs Offices all over the country (seaports, airports, container yards, freezone, bonded manufacturing plants, warehouses). In 2002, the Electronic Transaction Act of 2001 was promulgated. Now, commercial transactions carried out by means of electronic documents, are guaranteed to have the same effectiveness as the ones carried out by means of paper documents. At present, digital signature is normally required for the use of the Thai NSW.

Indonesia’s President issued a Decree No. 10 Year 2008 dated 28 February 2008 regarding The Use of Electronic System in National Single Window Framework. The goal of this Indonesia National Single Window (INSW) is to achieve a transparent, consistent, efficient and simple logistic system in order to support the national logistic cost decrease efforts of customs release and clearance of cargoes through an integrated public service system. Since implementation in 2010, INSW has integrated 18 institutions from 16 Ministries and Government Institutions by processing more than 2 million approval documents and processing more than 3 million import and export document. INSW has been implemented to 16 locations, consisting of 11 major ports and 5 airports, running on a 24 hours and 7 days a week real time basis by serving importer, exporter, customs agent, Ministry/Government Institution, Banks, Shipping Lines, Airlines and also Customs Bonded Zone/ Warehouse entities.

Philippines’ services sector is expected to benefit from the integration in 2015 based on a high proficiency in English as a business language relevant for information technology and business process outsourcing. Furthermore, countries such as Spain are interested

in strengthening its trade relations with the Philippines, which it sees as an investment hub for Spanish companies that are keen to invest in the ASEAN region.

Cambodia, as with Laos and Myanmar, should be supported to reach their targets. To a certain extent Cambodia may need to protect its vulnerable domestic sectors with transitional arrangements as was done in the European experience before.

Vietnam implemented its Vietnam Automated Cargo and Port Consolidated System/Vietnam Customs Information System (VNACCS / VCIS), the largest IT project for the Vietnam Customs in April 2014. In September 2015, it made further inroads towards regional integration by becoming the 5th ASEAN Member State to join the ASW live operation. It was said to have implemented almost 66 percent of all the measures required to comply with the AEC. A review in October 2015 revealed that 66,000 businesses declared goods through VNACCS / VCIS with 11.4 million declarations on exported and imported goods with turnover of US\$471.7 billion. By end of 2015, customs clearance time for Vietnamese export and import goods should have reach the average level of the 6 best ASEAN. In 2016, this will reach the average level of ASEAN- 4 group with less than 10 days for exported goods and under 12 days for imported goods.

Myanmar has been in the limelight since the easing of international restrictions. There are opportunities through business partnerships, mergers and acquisitions, joint-ventures or strategic alliances that could be a driver for business expansion in Myanmar going forward into 2015. KPMG was the first among the Big 4 that officially re-entered Myanmar after the easing of international sanctions and has seen with confidence the enactment of the Foreign Investment Law, the Special Economic Zone law and are monitoring the rapid pace of change in Myanmar.

Laos has increased investment interest from countries such as Japan in order to expand its economic presence, particularly in the manufacturing, transport, agribusiness, and construction sectors. Vietnamese, Thai, and Chinese investors are also expected to remain key investors in Laos, particularly in the country's main economic sectors of mining and hydropower.

The 2015 deadline should not be viewed as a finish line for the AEC but a milestone. The AEC is a myriad of many individual agreements with different

implementation timelines. Rather than waiting for all AEC initiatives to be implemented, companies should keep a lookout for opportunities available to their industry and business operations.

For example, companies can take advantage of customs duty eliminations and reductions across most product categories that are largely completed in the ASEAN free trade agreement. The rules of origin to qualify under the ASEAN free trade agreement have also been established. Companies can start redefining and optimizing their regional

supply chains to enjoy customs duty savings, and to drive efficiency.

Post AEC, ASEAN will continue to work on the aims of AEC to achieve greater harmonization and standardization of Customs procedure. With the projected growth in the ASEAN region, efforts to address key areas such as removing Non-Tariff Barriers, streamlining customs procedures and implementing measures to increase transparency and predictability of rules and regulations will be necessary to support the growth.



ASEAN Tax Guide

The AEC approach places no restrictions on national tax policies where governments are responsible for raising taxes and setting tax rates. By looking at the ASEAN corporate tax rates and tax incentives granted to attract FDI, it seems evident that in the past decade, rates are going down and incentives are being widened. This observation finds support at the track record of ASEAN member states which dramatically lowered their corporate income tax rates following the signing of the ASEAN Blueprint in 2007.

The current tax situation per ASEAN country can be found in Table 5 and the ASEAN Tax Guide hereunder where ASEAN members offer corporate tax rates ranging from 17 percent in Singapore to 30 percent in the Philippines. As it now stands, the average corporate income tax rate in ASEAN member countries is around

23 percent. It is predicted that there might be a possible convergence of rates at 20 percent.

All ASEAN member countries have also continued to improve their tax competitiveness by providing more targeted tax policies such as long term tax holidays, specific (R&D) tax incentives, the establishment of foreign direct investment promotion agencies, programs to reduce the tax compliance and administrative burden and the conclusion of international tax treaties to avoid double taxation. With an ASEAN single market in goods and services, taxation becomes one of the policy tools still available for national governments to compete for investment. Of course, equally important are non-tax elements such as legal and physical infrastructure, political climate, corruption, investment and intellectual property protection in attracting FDI.

The AEC Blueprint 2025 states, "Tax cooperation serves as one of the key elements to support regional competitiveness in ASEAN by addressing the issue of fiscal barriers." In this sense, tax cooperation includes a network of bilateral tax treaties and improved exchange of information in accordance with international standards. An intriguing element recently added to the 2025 Blueprint is a commitment to "discuss measures to address the issue of base erosion and profit shifting to ensure fiscal health".

By including this statement in the AEC Blueprint 2025, the ASEAN tax administrations are opening a door to future discussions about the potentially detrimental effects of tax competition within the region.



Table 5: Overview

Countries	Standard corporate income tax rate	Top personal income tax rate	Non-resident withholding tax rates			Indirect Tax (i.e. VAT / GST) Standard rate	Capital gains
			Dividend	Royalty	Interest		
Brunei	18.5 percent	No personal tax on individuals	None	10 percent	15 percent	No VAT or consumption based tax system	No capital gains tax
Cambodia	20 percent	20 percent	14 percent	14 percent	14 percent	10 percent	No separate capital gains tax. Capital gains are treated as taxable income and subject to 20 percent profit tax.
Indonesia	25 percent	30 percent	20 percent	20 percent	20 percent	10 percent	Subject to tax
Laos	24 percent	24 percent	10 percent	5 percent	10 percent	10 percent	Subject to tax
Malaysia	25 percent for YA2015. Reduces to 24 percent from YA 2016.	25 percent. Increases to 28 percent from YA 2016.	None	10 percent	15 percent	6 percent	No capital gains tax other than RPGT on the disposal of interests in Malaysian real property or shares in a real Property Company.
Myanmar	25 percent	25 percent	None	20 percent	15 percent	5 percent	Capital gains tax is levied on gains from the sale, exchange or transfer of capital assets exceeding certain amount.
Philippines	30 percent	32 percent	30 percent	30 percent	30 percent	12 percent	Capital gains imposed on the disposal, sale, or exchange of shares, land and buildings
Singapore	17 percent	20 percent. Increases to 22 percent from YA2017.	None	10 percent (for residents)/22 percent (for non-resident individuals) and prevailing corporate tax rate (for other than individuals)	15 percent (for residents)/22 percent (for non-resident individuals) and prevailing corporate tax rate (for other than individuals)	7 percent	No capital gains tax
Thailand	20 percent	35 percent.	10 percent.	15 percent	15 percent	10 percent, although a reduced 7 percent rate applies to 30 September 2016	No separate capital gains tax. Capital gains are treated as taxable income.
Vietnam	22 percent for YA2015. Reduces to 20 percent from YA2016.	35 percent	None for corporate investors. 5 percent for individual investors.	10 percent	5 percent	10 percent	Capital gains tax is applied to both corporate and individual investors.

	Tax losses	R&D Incentives	Other incentives	Transfer Pricing regime	Thin Capitalization regime
Brunei	Can be carried forward for 6 years and back 1 year	R&D activities may be classified as qualifying activities for pioneer service companies, which are provided certain tax exemptions. Certain approved R&D expenditure is allowed as deductible expenditure.	Pioneer industry tax exemption; Tax relief for capital expenditure in excess of BND 1 million; withholding tax exemptions for interest on certain loans from non-residents.	Yes	None
Cambodia	Can be carried forward for 5 years subject to continuity of ownership provisions. Cannot be carried back.	None	Tax on Profits exemption; Accelerated depreciation on manufacturing assets; Import duty exemption on production equipment, raw materials and inputs to manufacturing; right to employ foreign labor.	None. However, it is generally accepted that cross-border transactions must be arm's length.	None. However, interest expenditure allowable as a deduction is subjected to a cap.
Indonesia	Can generally be carried forward for 5 years (not subject to continuity of ownership). Cannot be carried back	R&D expenditure undertaken in Indonesia is deductible expenditure.	Incentives are available for certain entities in specific industries.	Yes	Indonesia has set a Debt to Equity Ratio maximum of 4:1, effective for Fiscal Year 2016 onwards.
Laos	May be carried forward for 3 years. Cannot be carried back	Tax incentives under the Law on Investment Promotion may apply to scientific research and development expenditure.	The Law on Investment Promotion provides tax incentives for certain investors.	None	None
Malaysia	Can be carried forward indefinitely, provided the company is not dormant (in which case the continuity of ownership test must be met). Cannot be carried back.	R&D tax incentive scheme includes tax exemptions and double deductions for certain R&D expenditure incurred in Malaysia.	Tax incentives are available for a wide range of companies and industries, as well as specific activities promoted by the Malaysian Government.	Yes	Malaysia has thin capitalization legislation, but implementation of the regime has been deferred to 1 January 2018.
Myanmar	Can be carried forward for 3 years, but cannot be carried back. Losses from capital assets cannot be carried forward or offset against gains from other sources of income.	None, except deductions for certain R&D expenditure under the Myanmar Foreign Investment Law (see right).	Companies registered under the Myanmar Foreign Investment Law can be granted a wide range of tax incentives. Incentives are also available to foreign investors carrying out business in a Special Economic Zone.	None	None. However, the deductibility of interest is limited.

	Tax losses	R&D Incentives	Other incentives	Transfer Pricing regime	Thin Capitalization regime
Philippines	Can be carried forward for three consecutive years, subject to continuity of ownership. For mines, other than oil and gas wells, loss may be carried forward for 5 years. Cannot be carried back.	A multinational company may establish a regional Operating Headquarters (ROHQ) to render R&D services and product development to affiliates, branches or subsidiaries. The ROHQ may be entitled to certain tax incentives (e.g. 10 percent preferential tax rate, tax exemption)	Incentives are available for enterprises engaged in preferred areas of investment and registered with the Board of Investments or the Philippine Economic Zone Authority. Further, tax incentives are available for regional headquarters, enterprises operating in developing regions and special economic zones.	Yes	None. However, guidelines which identify thin capitalization and earning stripping have been issued.
Singapore	Losses can be carried forward indefinitely, subject to the continuity of ownership test. Limited losses can be carried back 1 year.	An R&D tax incentive regime provides for enhanced R&D deductions.	Tax incentives granted for activities that enhance the economic or technological development.	Yes	None
Thailand	Can be carried forward for 5 years. Cannot be carried back.	Tax exemptions on license fees, and a double deduction for qualified R&D expenses.	Tax-related relief and other incentives are granted to Thai and foreign companies investing in Board of Investment promoted projects.	Yes	None. However, if a tax incentive has been granted by the Board of Investment, the thin capitalization ratio cannot exceed 3:1.
Vietnam	Can be carried forward continuously and entirely for 5 years. Cannot be carried back.	Corporate taxpayers incorporated under Vietnamese Laws can set aside a fund of up to 10 percent of its annual taxable income for R&D purposes and deduct the same amount from its taxable income.	Incentives are available for encouraged sectors including health care, education, high-tech, infrastructure development, and software. Other preferential tax treatments are limited to encouraged projects, encouraged special economic zones, or areas with difficult socio-economic conditions.	Yes	None. However, certain restrictions to the same effect can be found in the regulations on foreign loans and corporate income tax.

Source: 2016 Country tax profiles by the KPMG member firms in ASEAN



Corporate income tax	
Tax rate	The tax rate for resident and non-resident companies is 18.5 percent.
Minimum Tax	None
Residence	<p>A company, whether incorporated locally or abroad, is considered to be resident in Brunei Darussalam for tax purposes if the control and management of its business are exercised in Brunei Darussalam. The control and management of a company are vested in its directors and a company is normally regarded as resident in Brunei Darussalam if, among other things, its directors' meetings are held in Brunei Darussalam.</p> <p>A resident company is taxed on its income that is accrued in, derived from or received in Brunei, whereas a non-resident company is taxed solely on income that has a source in Brunei Darussalam or on profits from business(es) in Brunei operated through a branch or permanent establishment.</p>
Compliance Requirements	<p>From the 2012 year of assessment, the assessment system is self assessment.</p> <p>All filing is required to be done online under a system introduced by the Revenue Division of the Ministry of Finance known as The System for Tax Administration and Revenue Services (STARS). STARS was introduced in 2012.</p> <p>Filing due date: 30 June of the year of assessment.</p>
International withholding tax rates	<p>Dividends are not subject to withholding tax in Brunei Darussalam.</p> <p>Royalties paid to a non-resident are subject to withholding tax at a rate of 10 percent. This may be reduced under a tax treaty.</p> <p>Interest payments made to a non-resident are subject to withholding tax at a rate of 15 percent. This may be reduced under a tax treaty.</p> <p>Other withholding tax rates on payments to non-residents include technical assistance and service fees (20 percent), management fees (20 percent), rent of movable property (10 percent) and director's remuneration (20 percent).</p>
Holding Rules	<p>Dividends accruing in, derived from, or received in Brunei Darussalam by a corporation are included in its taxable income, with the exception of dividends received from a corporation taxable in Brunei Darussalam. No tax is deducted at source on dividends paid by a Brunei Darussalam corporation (i.e. Brunei Darussalam does not impose any withholding tax on dividends).</p> <p>There are currently no dividend stripping rules or participation exemption rules in Brunei Darussalam.</p> <p>There is no capital gains tax in Brunei Darussalam. However, where it can be established by the tax authority that the gains form part of the normal trading activities of the business, the gains become taxable as revenue gains.</p>
Tax losses	<p>Tax losses can be carried forward for 6 years and the loss offset is not restricted to the same trade.</p> <p>Unabsorbed capital allowances can be carried forward indefinitely, but must be offset against income from the same trade. There is no requirement regarding continuity of ownership of the company.</p> <p>Tax losses can be carried back 1 year.</p>
Tax consolidation / group relief	There are no provisions in the existing tax legislation for the filing of group tax returns or group relief.



Transfer of shares	Stamp duty is required to be paid for share transfers in accordance with the Stamp Act. This is ad-valorem and is payable at 10 cents for every BND100 or part thereof when the name of the transferee is filled in prior to execution of the transfer; or 30 cents for every BND100 or part thereof when the name of the transferee is not filled in prior to execution of the transfer.
Transfer of assets	Stamp duty is applicable for transfer of property. The rate of stamp duty varies depends on the nature of the asset.
CFC rules	There is no CFC regime in Brunei Darussalam.
Transfer pricing	Transactions involving related resident and non-resident entities must be conducted on an arm's length basis.
Thin capitalization	There is no thin capitalization regime in Brunei Darussalam.
General anti-avoidance	There is currently no legislation on general anti-avoidance in Brunei Darussalam. As there is no personal income tax in Brunei Darussalam, there are obvious advantages for directors, who are also shareholders, to receive generous salaries and benefits. However, the tax authority will attempt to disallow payments which it considers excessive, as being not wholly and exclusively incurred in producing income.
Anti-treaty shopping	There is no legislation regarding anti-treaty shopping in Brunei Darussalam.
Rulings	There are no formal or published rulings in Brunei Darussalam.
Intellectual property incentives	There are currently no intellectual property incentives available in Brunei Darussalam.
R&D incentives	The Investment Incentive Order, 2001 has a provision for R&D activities to be classified as qualifying activities for pioneer service companies (see below). Under the Income Tax Act, approved R&D expenditure (subject to certain conditions), is allowed as a deduction in deriving chargeable income.
Other incentives	Pioneer status is an incentive allowing tax holidays to be granted for between five and 20 years, dependant on certain criteria being met. Brunei tax law also provides the following tax incentives: <ul style="list-style-type: none"> • Pioneer industry tax exemption • Tax relief for capital expenditure in excess of BND 1 million • Withholding tax exemptions for interest on certain loans from non-residents
Hybrid instruments	There is no legislation regarding hybrid instruments in Brunei Darussalam.
Hybrid entities	There is no legislation regarding hybrid entities in Brunei Darussalam.
Special tax regimes for specific industries or sectors	Special legislation exists in respect of income from petroleum operations, which is taxable under the Income Tax (Petroleum) Act 1963. This legislation follows the general pattern of most Middle East oil-producing countries. The petroleum tax rate is a fixed rate of 55 percent. Insurance companies (other than life companies), are taxed on a different basis, under the Income Tax Act.



Income Tax Treaties for the Avoidance of Double Taxation

In Force	Bahrain, China, Hong Kong, Indonesia, Japan, Kuwait, Laos, Malaysia, Oman, Pakistan, Singapore, Tajikistan, United Kingdom, Vietnam
Negotiated, not yet in force at time of publication	Treaties with The State of Qatar, the United Arab Emirates, South Korea and Luxembourg have been signed but at the time of writing are not yet in force. <i>Source: Revenue Division, Ministry of Finance, Brunei Darussalam</i>

Indirect Tax (i.e. VAT/GST)

Indirect tax	There is currently no VAT or equivalent consumption based tax in Brunei Darussalam.
Further information	For information relating to indirect taxes operating in various jurisdictions in Asia Pacific, refer to KPMG's 2016 Asia Pacific Indirect Tax Guide

Personal Taxation

Income tax	There is no personal tax on individuals in Brunei Darussalam (residents and non-residents).
Social security	There are no social security taxes in Brunei Darussalam. However, all citizens and permanent residents of Brunei Darussalam must contribute 5 percent of their salary to a State managed provident fund (Tabung Amanah Perkerja (TAP)). The employer will have to also contribute the same amount for its employees to the provident fund. In addition to the above, all citizens and permanent residents of Brunei Darussalam must also contribute 3.5 percent of their salary to a Supplemental Contributory Pension Scheme (SCP). The employer will have to also contribute the same amount for its employees to the Scheme. However, both the employer's and employee's monthly contributions are capped up to a salary of BND2,800 per month.
International social security agreements	None
Further information	For more information regarding the personal tax regimes relevant to various countries around the world, see KPMG's Thinking Beyond Borders

Other taxes

Customs duty	Import duties vary depending on the nature of the goods. In general, basic foodstuffs and goods for industrial use are exempt from import duties. Motor vehicles are subject to import duty depending on the vehicle's capacity. Brunei has no export duty.
Excise duty	The Excise Act covers retail sale of liquor, cigarettes and manufactured tobacco. Importers of cigarettes and manufactured tobacco will have to pay more than 200 percent duty for these items. However, as Brunei Darussalam prohibits the sale of any form of alcohol, there are no excise duties on alcohol.
Stamp duty	Stamp duties are levied on a variety of documents. Certain types of documents attract an ad valorem duty, whereas with other documents, the duty varies with the nature of the documents.
Property taxes	Properties under commercial use are subject to property tax based on the estimated value of the property. The rate is decided by the local municipal board.
Estate duty	With effect from 1 January 2013, estate duties have been abolished.



Free Trade Agreements

In force	<p>ASEAN Free Trade Agreements Brunei-Japan Economic Partnership Agreement (BJEPA) ASEAN-Japan Comprehensive Economic Partnership (AJCEP) ASEAN-China Free Trade Area (ACFTA) ASEAN-Korea Free Trade Area (AKFTA) ASEAN-India Free Trade Area (AIFTA) ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) Trans-Pacific Strategic Economic Partnership Agreement (TPSEP/P4)</p> <p><i>Source: Ministry of Foreign Affairs and Trade, Brunei Darussalam</i></p>
Tax Authority	
Tax authority	Collector of Income Tax, Ministry of Finance
Tax audit activity	The tax authority can audit every company annually. It is the current practice of the Collector of Income Tax to request information and clarification without commencing a formal audit process. It is often the case that such enquiries can be resolved or addressed without the need for a formal audit process. KPMG in Brunei Darussalam is not aware of any company being subject to a formal tax audit.
Appeals	All appeals can be made to the Collector of Income Tax. If no agreement can be reached, further appeals can be made at the High Courts of Brunei Darussalam.



Corporate income tax

Tax rate	<p>Corporate Income Tax (CIT) / Tax on Profit (ToP) rate is 20 percent, with the exception of:</p> <ul style="list-style-type: none"> • 30 percent for the profit realized under an oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold and precious stones. • 0 percent for the profit of Qualified Investment Project (QIP) during the tax exemption period as determined by Council for the Development of Cambodia (CDC). • 5 percent on gross premiums received in Cambodia for insurance companies engaged in the insurance or reinsurance of life, property or other risks and 20 percent on non-insurance income of such businesses. 								
Minimum Tax	<p>Minimum tax is a separate and distinct tax to ToP, and is payable by taxpayers (with certain exceptions) regardless of whether they are in a profit or loss situation. Minimum tax is calculated at 1 percent of annual turnover inclusive of all taxes, except VAT.</p> <p>If the ToP liability exceeds the minimum tax liability, the minimum tax will not be applicable. In contrast, if the minimum tax liability exceeds the ToP liability, the minimum tax will be payable.</p>								
Residence	<p>A resident taxpayer is primarily an enterprise that is organized and managed in Cambodia or its principal place of business is Cambodia.</p> <p>A non-resident taxpayer is an enterprise that derives Cambodia sourced income, but does not have a place of management in Cambodia. A non-resident taxpayer will be deemed to be a Cambodian resident for tax purposes if it is found to have a permanent establishment in Cambodia.</p> <p>A resident taxpayer is subject to CIT/ToP on income derived from both Cambodian and foreign sources, whereas, a non-resident taxpayer is subject to CIT/ ToP in respect of its Cambodian sourced income only.</p>								
Compliance Requirements	<p>Cambodia has a self assessment system for the filing of CIT/ToP returns.</p> <p>CIT/ToP returns are filed annually, and are due three months after the end of the tax year.</p>								
International withholding tax rates	<p>Dividends, royalties (including rent and other payments connected with the use of property) and interest paid to a non-resident are subject to withholding tax of 14 percent.</p> <p>Other non-resident payments include compensation for management or technical services, and are also subject to withholding tax of 14 percent.</p> <p>Cambodia is not yet a party to any double tax agreements, except for a DTA with Singapore that has just been signed on 20 May 2016. However, this DTA requires ratification to be effective. As of 6 June 2016 it is not yet ratified. Under this DTA with Singapore the WHT rate on the above payments will be reduced to 10 percent.</p>								
Holding Rules	<p>Dividends received from resident companies are not subject to income tax. Dividends received from non-resident companies are subject to income tax in Cambodia. However, a credit for tax paid overseas on foreign source income is generally allowed.</p> <p>Additional Profit Tax on Dividend Distribution (APTDD) is applicable on the distribution of retained earnings/annual profit after tax that were subject to the following rates:</p> <table border="1" data-bbox="547 1733 1489 1868"> <thead> <tr> <th>Tax on Profit Rate</th> <th>Additional Profit Tax on Dividend Distribution</th> </tr> </thead> <tbody> <tr> <td>0 percent</td> <td>20 percent</td> </tr> <tr> <td>9 percent*</td> <td>12 percent*</td> </tr> <tr> <td>20 percent - 30 percent</td> <td>0 percent</td> </tr> </tbody> </table> <p>Dividend distributions to Cambodian resident taxpayers, after payment of the APTDD are exempt income in the hands of the Cambodian resident taxpayer.</p> <p>* The 12 percent rate is applicable to only a Company which had its profit taxed at 9 percent ToP. The 9 percent rate expired in 2010.</p>	Tax on Profit Rate	Additional Profit Tax on Dividend Distribution	0 percent	20 percent	9 percent*	12 percent*	20 percent - 30 percent	0 percent
Tax on Profit Rate	Additional Profit Tax on Dividend Distribution								
0 percent	20 percent								
9 percent*	12 percent*								
20 percent - 30 percent	0 percent								



Tax losses	<p>Losses can be carried forward for a maximum of 5 years. Tax losses may be forfeited upon a change in ownership of the business or if there is a change in the business activity. Tax losses will also be forfeited in the event a taxpayer is subject to a unilateral tax assessment.</p> <p>There is no restriction on the amount of taxable income that can be offset by tax losses – all of the tax losses available can be used to offset against the taxable income of 1 year.</p> <p>Losses cannot be carried back to prior periods.</p>
Tax consolidation / group relief	There are no grouping provisions in Cambodia.
Transfer of shares	All realized gains (including capital gains) are treated as income. Registration tax (stamp duty) of 0.1 percent applies to the value of shares transferred.
Transfer of assets	<p>Cambodia does not impose a separate tax on capital gains. Gains arising from the disposal of real property and other assets are treated as ordinary income and are therefore subject to tax at the prevailing CIT/ToP rate.</p> <p>In addition, there is a four percent property transfer tax on the transfer of title of certain assets, such as land, buildings and all kinds of means of transportation and vehicles. The four percent tax is imposed on the transferred value and payable by the party acquiring the asset (within three months from the date of execution of the agreement to transfer the title).</p>
CFC rules	There is no CFC regime in Cambodia.
Transfer pricing	<p>There is no specific Transfer Pricing legislation in Cambodia.</p> <p>However, the related party provision gives wide power to the tax authority to re-determine related party transactions. This provision is generally applied to impose pricing that “arm’s length” parties would have contracted for in the transaction.</p> <p>A related party relationship is one where the entities have commonality of shareholding of 20 percent or more.</p> <p>Cambodia has no Advance Pricing Agreement (APA) or Mutual Agreement Procedures (MAP) regime.</p>
Thin capitalization	<p>Cambodia has no specific thin capitalization legislation.</p> <p>However, the allowable interest deduction on loan is as follows:</p> <ol style="list-style-type: none"> 1) For loans from a non-related party, the interest expense shall not exceed 120 percent of the market interest rate, and 2) For loans from a related party, the interest expense shall not exceed the market interest rate. <p>The General Department of Taxation will issue the applicable market interest rate annually.</p> <p>The amount of interest expenditure permitted under point (1) and (2) is further limited by the following rule.</p> <p>Interest expenditure allowed as a deduction is limited to an amount equal to the total interest income plus 50 percent of net non-interest profit earned for the year. Net non-interest profit is the gross income, other than interest income, less allowable non-interest expenses. The excess interest expense can be carried forward to future years.</p>
General anti-avoidance	There is no general anti-avoidance provision contained in Cambodian tax law.
Anti-treaty shopping	Cambodia is not a party to any double tax agreements, except for the DTA signed with Singapore as indicated above.



Rulings	<p>There is no formal or binding ruling system in Cambodia.</p> <p>A taxpayer can submit a letter seeking a ruling, but the Tax Office is usually reluctant to respond, or does not respond at all. Obtaining a ruling request from the Tax Office is likely to be a time consuming process.</p> <p>Likewise, the tax authority is reluctant to give an informal opinion or ruling.</p> <p>There is no public ruling system in Cambodia.</p>
Intellectual property incentives	There are no intellectual property incentives available in Cambodia.
R&D incentives	There are no R&D incentives available in Cambodia.
Other incentives	<p>Cambodia provides a number of investment incentives. These incentives are available to all sectors, except those that are included on the “negative list”, and generally include:</p> <ul style="list-style-type: none"> • ToP exemption for up to nine years (specific conditions apply) • Accelerated depreciation on manufacturing assets • Import duty exemption on production equipment, raw materials and inputs to manufacturing • Right to employ foreign labor
Hybrid instruments	There are no special rules applicable to hybrid instruments.
Hybrid entities	There are no special rules applicable to hybrid entities.
Special tax regimes for specific industries or sectors	<p>There are currently no special tax regimes for specific industries or sectors.</p> <p>Petroleum and mining tax laws are currently being drafted, however further delays are expected.</p>

Income Tax Treaties for the Avoidance of Double Taxation

In Force	Cambodia does not have any bilateral or multilateral international double tax treaties currently in force at the time of writing.
Negotiated, not yet in force at time of publication	<p>Treaty negotiations are anticipated between Cambodia and a number of the other ASEAN countries, with the status of negotiations is unknown. However, as of 20 May 2016, a double taxation agreement between Singapore and Cambodia has been signed; pending ratification for force of law.</p> <p><i>Source: IBFD and the Cambodia Tax Office</i> <small>AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SINGAPORE AND THE ROYAL GOVERNMENT OF CAMBODIA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME</small></p>

Indirect Tax (i.e. VAT/GST)

Indirect tax	Value Added Tax (VAT)
Standard rate	<p>The standard rate of VAT is 10 percent.</p> <p>Zero rating applies to export of goods and services and certain charges in relation to international transport of people and goods. Also, this zero rating is applicable for any goods and services supplied by supporting industries’ Qualified Investment Project (QIP)/contractors to particular export industries.</p> <p>VAT on certain supply and import of certain products shall be borne by the State (i.e. State Charges) and the notable exemptions and incentives include:</p> <ul style="list-style-type: none"> • For supporting industries and contractors, who supply for the manufacturing of garments, clothing, shoes, bags and hats for export; <ul style="list-style-type: none"> - Their imports of products and equipment in order to make those supplies, the VAT on the import shall become a State Charge - Their supplies to support the manufacturing industries shall be subject to a 0 percent VAT rate. • For VAT on the imports and supplies to agricultural products (i.e. fertilizers, seeds, animal feeds, lives stocks, farm vehicles). • For contractor’s importing products and equipment in order to make supplies to rice productions for exports, the VAT on the import shall become a State Charge. Their supplies to rice productions for exports shall be subject to a 0 percent VAT rate



Further information	For more detailed indirect tax information across various countries, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide
Personal Taxation	
Income tax	Personal tax / tax on salary.
Top rate	20 percent (residents and non-residents).
Social security	National Social Security Fund (NSSF). Every month, an employer (with eight or more staff) shall report the number of workers they employ, and pay a contribution of 0.8 percent of the average monthly wage of the workers to the NSSF, by the 15th of the following month. An employee is not required to make contributions to the NSSF.
International social security agreements	Cambodia has no such agreements.
Further information	For more detailed personal taxation information across various countries, refer to: KPMG's Thinking Beyond Borders
Other taxes	
Resident withholding tax	A resident taxpayer is required to withhold tax from certain payments of Cambodian sourced income to a resident entity, including: <ul style="list-style-type: none"> • Payment for services to a physical person (15 percent) • Payments of royalties for intangible assets and interests in minerals, oil, or natural gas (15 percent)* • Interest payments (various rates depending on the recipient) • Income from rental of moveable or immovable property (10 percent) <p>* <i>Interest paid to domestic banks or saving institutions is exempt from withholding tax.</i></p>
Patent tax	Patent tax is an annual business registration tax which all enterprises carrying on business activities in Cambodia are required to pay by 31 March each year. A "patent tax certificate" will be issued by the Tax Office upon registration. If an enterprise carries out different types of businesses, a separate patent tax certificate is required for each distinct business activity. Likewise, if a taxpayer carries out business in different cities or provinces, a separate patent tax certificate is required for each location. In accordance with the Law on Financial Management for year 2016 and subsequent Prakas issued by the MoEF in relation to the change of classification of Taxpayers in the Self-Assessment Regime as well as for the management of Patent Tax collection, Patent tax payable has been revised and will now be payable depending on form of the business as well as type of business activity and the level of turnover of taxpayer: <ul style="list-style-type: none"> • Small Taxpayers: KHR400,000 (~US\$100). • Medium Taxpayers: KHR1,200,000 (~US\$300). • Large Taxpayers*: either KHR3,000,000 (~US\$750), if annual turnover is between KHR2,000 million and KHR10,000 million; or KHR5,000,000 (~US\$1,250) if annual turnover is over KHR10,000 million.
Customs duty	Customs duty is levied on certain goods entering Cambodia. The rates vary depending on the type of goods. Currently, the duty rates are 0 percent, 7 percent, 15 percent, and 35 percent. Exemptions can also be obtained as part of the tax incentives offered in Cambodia. As a member of the ASEAN, Cambodia is party to the ATIGA, which aims at reducing customs duty of most goods to 0 percent - 5 percent by 2015.



<p>Specific tax regime</p>	<p>Specific tax on certain merchandises and services (STCMS) is a form of “excise tax” that applies to the importation or domestic production and supply of certain goods and services, including:</p> <ul style="list-style-type: none"> • Domestic and international telephone services (3 percent) • Domestic and international air ticket (10 percent) • Entertainment services (10 percent) • Cigarettes of all kinds (20 percent) • Beer of all kinds (30 percent) • Wine of all kinds (35 percent) <p>For domestically produced goods the basis for STCMS's calculation is 90 percent of the selling price disclosed on the invoice exclusive of VAT and STCMS.</p>
<p>Registration tax</p>	<p>Registration tax (Stamp Duty) of 0.1 percent applies to a transfer of shares. 0.1 percent registration tax also applies on the government contract value related to the supply of goods/services that are used under the state budget.</p> <p>Registration tax applies to the following legal documents at a flat rate of KHR1,000,000 (approximately US\$250):</p> <ul style="list-style-type: none"> • Company formation • Company merger • Dissolution of a “Company”
<p>Tax on unused land</p>	<p>A tax is levied on unused land and the registered owner of the land is responsible for the payment of the tax. Tax on unused land is based on two percent of the market price per square meter as determined by the Committee for the Valuation. Tax on unused land is due to be paid annually by 30 September. However, unused land on which 'Tax on immovable property' (TIP) has been paid on it, is not subject to tax on unused land, effective from 2011 onwards.</p>
<p>Tax on immovable property (TIP)</p>	<p>TIP was created in the 2010 Law on Financial Management (LFM) and is imposed on certain immovable properties. The term “immovable property” is defined as land, houses, buildings and construction that are built on the land.</p> <p>TIP will be collected annually at the rate of 0.1 percent on the value of immovable property that is more than the threshold of KHR100,000,000 (approximately US\$25,000). The value of the immovable property is assessed by the Assessment Committee, which is set up by the MEF.</p> <p>The deadline for paying the TIP is on 30 September each year.</p>
<p>Free Trade Agreements</p>	
<p>In force</p>	<p>Cambodia is a member of the ASEAN Free Trade Area Trade Agreement</p> <p>Member countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam</p> <p>Cambodia is party to bilateral agreements with the following jurisdictions: China, Germany, Indonesia, Japan, Korea (Republic), Laos, Malaysia, Singapore, Switzerland, Thailand, Vietnam</p> <p><i>Source: WTO International Center</i></p>



Tax Authority	
Tax authority	General Department of Taxation
Tax audit activity	<p>A tax audit can be conducted within 3 years of the date a tax declaration was required to be submitted, or within 10 years of the date the tax declaration was required to be submitted if there is evidence of the “obstruction” of the implementation of tax provisions. The Tax Office defines “obstruction” very broadly, and the practical reality is that a 10 year time frame for tax audit activity is enforced.</p> <p>The majority of companies can expect to be audited by the tax authority every 2 or 3 years of business operations.</p> <p>There are three types of tax audits; desk audit, limited audit, and comprehensive / final tax audit.</p> <p>Desk and limited tax audits</p> <p>The desk and limited audits should be conducted on limited certain items of a particular tax year. However, this may not be the case in practice as what is audited by the desk and limited audits is often out of the scope of what is supposed to be audited.</p> <p>In our experience, if a desk audit is conducted on a particular tax year, the limited audit will not be conducted in that tax year and vice versa. The tax year which has already been audited by the desk or limited audit is still subject to be audited by a comprehensive tax audit.</p> <p>Comprehensive / final tax audit</p> <p>A final audit is conducted to review the detail of the Company’s transactions and would “close off” the tax year. A comprehensive or final audit can include 2 or 3 years of prior returns in one audit. In our experience, the Tax Office predominantly adopts a risk based approach, and the size of the Company’s operations as criterion on which the Tax Office determines whether to conduct a tax audit.</p> <p>A tax year which has been audited by the comprehensive/ final tax audit is considered as “closed”.</p> <p>Audit process</p> <p>A typical audit commences with a notification to conduct the tax audit from the Tax Office, together with a list of the required documents. Taxpayers are advised to contact their tax advisor immediately when a tax audit commences or any audit related correspondence is received from the tax authority. There will be an audit visit at the taxpayers’ office to discuss and obtain documents in relation to the tax audit. Thereafter, there will be a discussion or clarification from the taxpayers to the tax authority either at the Company’s office or Tax Office after the review of the documents. Each audit can take up to one or 2 years.</p> <p>Key focus areas for the tax authority in tax audits conducted in recent years have included:</p> <ul style="list-style-type: none"> • Related party transactions • Salary tax of expatriates • Withholding tax obligations – particularly on cross border payments for management and technical services • Income recognition per accounts and tax declaration purposes
Appeals	<p>Rules and procedure for administrative protest against the Tax Office reassessments have recently been set out in Prakas 1470 GDT issued in November 2015, where an Appeal Office will be responsible for processing taxpayers’ protest but the ultimate decision lies with the GDT’s Director General. On the other hand a somewhat independent “Committee for Tax Arbitration” has also been officially set up, for taxpayers who are dissatisfied with the GDT’s resolution, to further protest, however currently the committee has not been physically set up yet.</p>



Corporate income tax

Tax rate	<p>The corporate tax rate is 25 percent.</p> <p>Listed companies which meet certain conditions are eligible for a five percent reduction in the corporate tax rate.</p> <p>A company with gross turnover of less than IDR50 billion (approximately US\$5.5 million) is eligible for a 50 percent reduction in the corporate tax rate on the proportion of taxable income which results when IDR4.8 billion is divided by the gross annual turnover. Where gross turnover is below IDR4.8 billion, the reduction applies on all taxable income.</p>
Minimum Tax	<p>None</p>
Residence	<p>A company will be resident in Indonesia if it is incorporated in Indonesia.</p> <p>Non-resident companies are those which are incorporated overseas, but receive or accrue income from Indonesia. Non-residents are obliged to register for tax purposes if they have a permanent establishment (PE) in Indonesia.</p> <p>Representative Offices of foreign companies are also required to register as taxpayers, even though they may not be a PE. This is necessary as the Representative Office will have to withhold tax on payments to employees and third parties and lodge relevant tax returns.</p>
Compliance Requirements	<p>Companies are required to self-assess and lodge annual corporate income tax returns. The annual corporate tax returns must be lodged with the relevant Tax Office within four months after the end of the calendar year or tax year, and this deadline may be extended for two months by notifying the Director General of Taxation.</p>
International withholding tax rates	<p>Withholding tax is imposed at 20 percent on various amounts payable to non-residents (e.g. dividends, interest and royalties), unless the non-resident has a permanent establishment in Indonesia, whereby the rates applicable to payments to residents apply.</p> <p>The withholding tax rate may be reduced where the foreign resident is exempt or eligible for a reduced rate by virtue of a tax treaty. In order to qualify for any relief under a relevant tax treaty, non-residents must provide a certificate from the tax authority in their country of residence (Form DGT1 for most taxpayers and Form DGT-2 for banks). In most cases, the withholding liability arises when the expense is incurred, not when the payment is made.</p> <p>Permanent Establishments of foreign enterprises are also subject to an additional 20 percent Branch Profits tax on their after-tax income, unless eligible for a reduced rate by virtue of a tax treaty.</p>
Holding Rules	<p>Dividends paid from an Indonesian resident subsidiary to a non-resident parent will be subject to 20 percent withholding tax or a reduced rate if the non-resident parent resides in a tax treaty country and can meet the requirements to utilize the tax treaty provisions.</p> <p>Capital gains, regardless of the reason for the disposal of the asset, are taxable.</p> <p>Certain tax treaties provide an exemption on capital gains on the sale of unlisted shares by the non-resident shareholders, provided that Form DGT-1 is available. In the case that no exemption is available, the sale of unlisted shares is subject to five percent withholding tax on the total transaction value (gross proceeds) and in this case, an independent appraisal report is required to demonstrate that the transaction value is an arms-length price.</p>



Tax losses	<p>Losses can be carried forward for a period of 5 years. However, in certain circumstances this may be extended to 10 years under special facilities available for certain regions and/or industries.</p> <p>Changes in shareholders do not affect the validity of the carried forward losses. Capital losses are treated the same as operating losses provided that the losses are reasonable based on sound market practice. No foreign losses can be included in the tax computation.</p> <p>There are no loss carry back provisions in Indonesian tax law.</p>
Tax consolidation / group relief	No provision exists for grouping or consolidation under Indonesian law.
Transfer of shares	Transfers of shares listed on the Indonesian stock exchange are subject to a final transfer tax of 0.1 percent. Founder shares are subject to an additional final tax of 0.5 percent on listing.
Transfer of assets	On the transfer of title of land and buildings, five percent income tax (final) for the seller and five percent title transfer tax for the buyer will apply.
CFC rules	<p>Indonesia has a CFC regime.</p> <p>A CFC is defined as a foreign unlisted corporation in which an Indonesian resident individual or corporate shareholders, either individually or as a group, hold 50 percent or more of the total paid in capital. Listed corporations are not CFCs. The Indonesian shareholders shall be deemed to receive dividends within four months after filing the tax return; or seven months after the end of the fiscal year where there is no obligation to file an annual tax return, or there is no specific deadline of filing in the country of residence of the CFC.</p>
Transfer pricing	<p>Indonesia has transfer pricing provisions.</p> <p>Where the tax authority considers that transactions have not been conducted at arm's length due to the existence of a "special relationship" between the parties, the consideration paid may be adjusted. The tax authority's power extends to all domestic and cross border transactions.</p> <p>The limited regulations/guidelines which have been issued with regard to transfer pricing are now largely in line with the 2010 OECD Transfer Pricing Guidelines, although guidance to auditors and the rules prior to November 2011 suggest that a hierarchical approach should be taken to the selection of methodology, and the limited nature of the OECD Guidelines allows for broad interpretations.</p> <p>The Indonesian Tax Office (ITO) may enter into APA on prices with companies and other tax jurisdictions under certain cases and requirements.</p> <p>MAP applications can be processed simultaneously with a taxpayer's submission of an objection, appeal, or application for the reduction or cancellation of a tax assessment notice.</p>
Thin capitalization	<p>Where a "special relationship" exists between parties, interest may be disallowed as a deduction where such charges are considered excessive, such as interest rates in excess of commercial rates. Interest-free loans from shareholders may, in certain cases, create a risk of deemed interest being imposed, giving rise to withholding tax obligations for the borrower.</p> <p>The law allows the tax authority to issue a decree defining the maximum ratio of debt to equity in determining deductible interest. The Minister of Finance on 9 September 2015 issued the "thin capitalization" rules. In this regulation, the MoF has set a Debt to Equity Ratio ("DER") maximum of 4:1, effective for Fiscal Year 2016 onwards. Special rules on tax deductibility of interest apply in the mining, and oil and gas sectors in accordance with the contracts.</p>
General anti-avoidance	No general anti-avoidance rules apply other than mentioned above.



Anti-treaty shopping	To utilize the tax treaty provisions, a non-resident must confirm in Form DGT-1 (for non-resident banks, they must use Form DGT-2) that the transaction has economic substance and is not solely designed to take advantage of tax treaty benefits.
Rulings	Indonesia has a ruling system in place. However, tax rulings are not generally published, and are only applicable to the relevant tax payer that requested such ruling.
Intellectual property incentives	None
R&D incentives	Research and development undertaken in Indonesia is deductible expenditure.
Other incentives	Other tax incentives are available for certain entities in specific industries, including: <ul style="list-style-type: none"> • Tax holidays • Tax exemptions for certain transactions, e.g. merger and spin-off, and newly established foreign owned company • Income tax relief on investment in certain business and/or certain regions in the form of additional deductions, accelerated tax depreciation, and extended loss carry forward periods.
Hybrid instruments	The treatment of hybrid instruments for tax purposes will generally follow the accounting treatment, and the related tax obligations will be determined based on such accounting treatment.
Hybrid entities	There are no specific rules that apply to hybrid entities in Indonesia.
Special tax regimes for specific industries or sectors	As of May 2015, income tax relief is available for investments in 24 selected sectors (66 sub-sectors) and/or 16 selected sectors in selected locations (77 sub-sectors). The selected business sectors are economic sectors that have high priority on a national scale, particularly in respect of boosting exports. The selected regions are remote regions, which are economically potentially worthy of development, but whose economic infrastructure is generally inadequate, and where access by public transport is difficult.

Income Tax Treaties for the Avoidance of Double Taxation

In Force	Algeria, Australia, Austria, Bangladesh, Belgium, Brunei, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hong Kong, Hungary, India, Iran, Italy, Japan, Jordan, Korea (Democratic People's Republic), Korea (Republic of), Kuwait, Luxembourg, Malaysia, Mexico, Mongolia, Morocco, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russia, Seychelles, Singapore, Slovak Republic, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syria, Taiwan, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Venezuela, Vietnam <i>Source: http://www.pajak.go.id/</i>
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Indirect Tax (i.e. VAT/GST)

Indirect tax	Value Added Tax (VAT)
Standard rate	The standard rate of VAT in Indonesia is 10 percent and applies to goods, services and imports into Indonesia. Exports of goods are subject to zero percent VAT, however only certain exports of services are entitled to zero percent VAT, i.e. subcontracting services, repair and maintenance services attached to movable goods utilized outside of the Indonesian customs area and construction services attached to immovable goods situated outside of the Indonesian customs area.
Further information	For more detailed indirect tax information across various countries, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide



Personal Taxation	
Income tax	Personal tax
Top rate	The top marginal personal tax rate is 30 percent and applies to taxable income exceeding IDR 500 million.
Social security	<p>Healthcare Insurance, managed by the newly established Healthcare and Social Security Agency (Badan Penyelenggara Jaminan Sosial Kesehatan or "BPJS Kesehatan"), previously Social Security Agency (Jamsostek), requires the following contributions:</p> <ul style="list-style-type: none"> • Employer's contribution: 4 percent up to maximum IDR320,000 • Employee's contribution: 1 percent up to maximum IDR80,000 <p>The above rates are applied to basic salary and fixed allowances up to a maximum of IDR8,000,000 per month and applicable to expatriates also.</p>
International social security agreements	None
Further information	For more detailed personal taxation information across various countries, refer to: KPMG's Thinking Beyond Borders
Other taxes	
Customs duty	<p>Customs duties are imposed on items imported into Indonesia, generally on an ad valorem basis.</p> <p>Duties are payable based on the Harmonized System (HS) classification. Duties are based on the cost, insurance and freight (CIF) value of the imported item and, in general, are imposed at rates of zero percent to 20 percent for most goods, 25 percent to 80 percent for cars, and 170 percent for alcoholic drinks. The Indonesian customs procedures are based upon General Agreement on Tariffs and Trade (GATT) principles.</p>
Excise duty	Excise duties are levied on specific products whose consumption is restricted or controlled, namely alcoholic beverages and tobacco products.
Stamp duty	A stamp duty tax of either IDR 3,000 or IDR 6,000 is charged on certain documents such as receipts, agreements, powers of attorney and other legal documents.
Tax on land and buildings	<p>This is a tax levied on the holding of land or buildings within Indonesia. The tax authority, or in practice - delegated regional authorities, will initially determine who the taxpayer is and issue a 'report on the tax object' to that property. Normally, the owner is responsible for paying the tax due.</p> <p>Tax is currently imposed at 20 percent or 40 percent of the full statutory rate, which is 0.5 percent of the sales value of the tax object. Thus, the actual tax rate is 0.1 percent or 0.2 percent. The sales value is the actual transaction price or, in the absence of a transaction, the price of a similar object can be used. The law provides that the sales value is to be fixed every 3 years, except for certain areas where it is fixed annually.</p>
Property title transfer tax	<p>A transfer tax is payable on every transfer of title of land, or land and buildings. The taxpayer is the recipient of the rights. The tax is five percent of the transfer price and there is a non-taxable amount of IDR 60 million. The amount to be taxed is the acquisition cost. If the deemed sale value determined for land and buildings tax purposes is higher, that amount will be used as the basis for the transfer tax.</p> <p>Certain reductions and exemptions apply.</p>
Regional and local taxes	Regional and local taxes include: entertainment tax, advertisement tax, motor vehicle taxes, hotel and restaurant tax, street lighting tax, and tax on the use of underground and surface water.



Free Trade Agreements

In force	<ul style="list-style-type: none"> • The ATIGA • ASEAN – Australia New Zealand Free Trade Agreement • ASEAN – China Free Trade Agreement • ASEAN – India Free Trade Agreement • ASEAN – Republic of Korea Free Trade Agreement • Indonesia – Japan Free Trade Agreement / Indonesia – Japan Economic Partnership Agreement (IJEPA) • Indonesia – Pakistan Free Trade Agreement
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Tax Authority

Tax authority	Direktorat Jenderal Pajak
Tax audit activity	<p>The tax authority predominantly adopts a risk based approach to the selection of returns for audit, and can also select candidates for audit by random selection. Refunds of tax will usually result in a tax audit being opened. Most listed companies are subject to an annual tax audit.</p> <p>A typical tax audit commences with a site visit followed by submitting all the required information. The tax auditor will also ask questions and require additional documents for the taxpayer's response, including reconciliations between the tax returns and the financial statements. Audits into any given return generally last 12 months.</p> <p>The tax authority's approach to tax audits is largely a manual approach, including detailed consideration of invoices and key documents.</p> <p>Key focus areas for the tax authority in tax audits conducted in recent years have included:</p> <ul style="list-style-type: none"> • Transfer pricing • Deductibility of expenses and taxability of income • Compliance with withholding tax obligation • Compliance with VAT obligation
Appeals	<p>If there is any dispute with the tax assessments, a taxpayer is allowed to file an objection. A taxpayer can then submit an appeal to the Tax Court on the disputed tax audit results. Each process will take 12 months to complete, but an appeal process can be extended further.</p>



Corporate income tax	
Tax rate	<p>A 24 percent profit tax rate applies to both domestic and foreign businesses, except for companies registered in the Lao Stock Exchange, which benefit from a five percent reduction of the normal rate for a period of 4 years from the date of registration in the Stock Exchange. After this period, the normal profit tax rate applies.</p> <p>A 26 percent profit tax rate applies to companies whose business is to produce, import, and supply tobacco products. Two percent of the tax paid by tobacco companies shall contribute to the Cigarette Control Fund (Article 46 of the Law on Tobacco Control).</p> <p>Small and medium enterprises that are not registered under the VAT system pay lump-sum tax at progressive rates between three percent and seven percent, depending on the nature of the business and its revenue.</p>
Minimum Tax	None
Residence	There is no definition of residence for tax purposes in Laos. All companies (i.e. all forms of legal entity) that are registered under Lao law, or that are incorporated under foreign law and are carrying on business in Laos, are subject to Lao profit tax.
Compliance Requirements	<p>Profit tax payments shall be made on a quarterly basis as follows:</p> <ul style="list-style-type: none"> • 1st Quarter: on or before 10 April – based on self-assessment by the entity submitted to tax authority • 2nd Quarter: on or before 10 July – based on self-assessment by the entity submitted to tax authority • 3rd Quarter: on or before 10 October – based on self-assessment by the entity submitted to tax authority • 4th Quarter: on or before 10 January of the following year – based on self-assessment (tax return) by the entity submitted to tax authority or assessment by tax authority <p>The quarterly liability for profit tax is calculated based on one of the following:</p> <ul style="list-style-type: none"> • The profit tax paid during the previous year • The actual profit during the current year • The profit of a project as stated in the tax payment plan. <p>If the profit tax paid within the year is not calculated based on the actual current year profit, and exceeds the actual annual profit tax payable, the excess profit tax shall be offset against profit tax payable in the following year. If the amount paid during the year is less than the actual amount due, the extra will be added to the year-end assessment.</p>
International withholding tax rates	<p>Dividends paid to individuals or legal entities that are registered abroad are subject to withholding tax at the rate of 10 percent.</p> <p>Royalties paid to individuals or legal entities that are registered abroad are subject to withholding tax at the rate of five percent.</p> <p>Interest paid to individuals or legal entities that are registered abroad is subject to withholding tax at the rate of 10 percent.</p> <p>These withholding tax rates may be reduced under an applicable tax treaty. As there is limited outward investment from Laos, the tax treaty provisions for relief tend to follow the approach taken by the other country that is a party to the tax treaty.</p>
Holding Rules	<p>Dividends for residents and individuals or legal entities that are registered abroad are subject to income tax at the rate of 10 percent of the gross dividend received.</p> <p>There is no separate capital gains tax in Laos.</p>



Tax losses	<p>Losses (which are agreed to by the National Audit Authority or an independent audit company, with acknowledgment of the tax authorities) may be carried forward for 3 years.</p> <p>Losses cannot be carried back.</p>
Tax consolidation / group relief	There are no grouping provisions in Laos.
Transfer of shares	<p>Share sale and purchase agreements are subject to stamp duty at a rate ranging from LAK 15,000 to LAK 100,000 depending on the purchase value.</p> <p>Income from the sale of shares is subject to income tax at the rate of 10 percent if relevant supporting documents can be provided. Otherwise, a tax rate of 0.2 percent will be imposed on the sale value if relevant supporting documents can not be provided.</p> <p>However, profits from sale of shares in a stock market are exempt from income tax.</p>
Transfer of assets	<p>Agreements for the transfer of assets are subject to stamp duty. The rates vary depending on the asset type and the purchase value.</p> <p>Income from the transfer of land and buildings is subject to income tax at the rate of five percent.</p>
CFC rules	There are no CFC rules in Laos.
Transfer pricing	There are no transfer pricing rules in Laos.
Thin capitalization	<p>Laos does not have a thin capitalization regime.</p> <p>All interest payments must be supported by relevant documentation showing that the payments are made for business purposes. Otherwise, the tax authorities may disallow an element of the interest expense.</p>
General anti-avoidance	There are no general anti-avoidance provisions under Lao tax law.
Anti-treaty shopping	There is no anti-treaty shopping provision in Laos.
Rulings	<p>There is no formal ruling system in Laos.</p> <p>A taxpayer who seeks clarification regarding tax payments or tax law may submit a proposal letter for clarification to the tax authority. A clarification letter from the tax authority may be given on a case by case basis. A clarification letter is not binding, but the letter can be used in future negotiations with the authority.</p> <p>Clarification letters from the tax authority, given to a particular taxpayer, are not made publicly available.</p>
Intellectual property incentives	There are no intellectual property incentives available in Laos.
R&D incentives	Tax incentives under the Law on Investment Promotion (discussed in the 'Other Incentives' section below) may apply to scientific research and development expenditure.
Other incentives	<p>The Law on Investment and Promotion provides special tax incentives for investors in Laos. These incentives are summarized below:</p> <ul style="list-style-type: none"> • Reduced tax rates for a company that has an investment agreement with the Government of Laos. • Certain investment incentives may be made available to investors where the relevant project relates to encouraging specific sectors or is located in certain regions. • If a foreign enterprise is granted an initial tax exemption period of 2 to 4 years and suffers losses in that period, it may be permitted to carry the losses forward. The losses may then be deducted from taxes levied on profits in the following year, or carried forward up to 3 years. • Raw materials and intermediate components that are imported in order to achieve import substitution are eligible for special duty reductions.
Hybrid instruments	There is no concept of hybrid instruments in Laos.
Hybrid entities	There is no concept of hybrid entities in Laos.



Special tax regimes for specific industries or sectors	A special tax regime applies to entities in the high capital intensive sector which are able to be granted a Concession Agreement with the Government. A Concession Agreement allows entities to receive tax holidays based on negotiation.
Income Tax Treaties for the Avoidance of Double Taxation	
In Force	Brunei, China, Korea (Republic of), Luxembourg, Malaysia, Myanmar, Thailand, Vietnam
Negotiated, not yet in force at time of publication	Treaties with Indonesia, Kuwait, and Russia have been negotiated but are not in force at the time of writing. <i>Source: IBFD</i>
Indirect Tax (i.e. VAT/GST)	
Indirect tax	Value Added Tax (VAT)
Standard rate	The standard rate of VAT is 10 percent. VAT applies to a wide range of products, including electricity, water, fuel, and all imported products, unless they receive an exemption from the Government of Laos.
Further information	For more detailed indirect tax information on various countries, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide
Personal Taxation	
Income tax	Income tax
Top rate	The top rate of income tax is 24 percent. Employees whose employer has a contract signed with the Government of Laos (e.g. investors with concession agreements) shall apply the Personal Income Tax rate as agreed in that contract.
Social security	The Law on Social Security No 34/NA and the Instruction on Social Security Law (which has been enforced from 1 January 2015) apply. There are requirements for compulsory and voluntary registration for the Social Security Fund. Those compulsorily required to register are as follows: <ul style="list-style-type: none"> • Lao Front for National Construction, mass organizations and civil society; • Government officers, civic servants, soldiers, police, retired employees, disabled people and their family members; • state-owned enterprises, private enterprises, banks, financial institutions, educational institutions, private hospitals, factories, those working with machinery, hotels, department stores, restaurants, farms, and other investment projects; • Employees who receive salary and wages; • Local employees working in embassies, consulars, Intentional organizations, and NGOs based in Lao P.D.R; and • Expatriates receiving salary or wages. Those voluntarily able to register are individuals who are working as farmers, merchants, service providers, free lancers and others who wish to be involved in SSO. The Law requires a deduction from gross salary as follows: <ul style="list-style-type: none"> • 6 percent to be paid by the employer • 5.5 percent to be paid by the employee. Any salary monies over LAK 2,000,000 per month are not taken into account when calculating Social Security payments. As a result, the maximum monthly social security payment will be LAK 120,000 per month for employers and LAK 110,000 per month for employees.
International social security agreements	Laos has no international social security agreements.
Further information	For more detailed personal taxation information for various countries, refer to: KPMG's Thinking Beyond Borders



Other taxes	
Customs duty	Duties are levied on all types of imported and exported commodities at varying rates from 5 percent to 40 percent. Administrative fees are levied at 5 percent ad valorem on equipment and materials.
Excise duty	Excise tax is collected on certain types of goods, including fuel (5 percent to 35 percent), alcohol (25 percent to 70 percent), carbonated drinks and invigorating drinks (5 percent to 10 percent), tobacco products (15 percent - 30 percent for 2016-2017, 25 percent - 45 percent for 2018-2019 and 35 percent - 60 percent for 2020 onwards) and cosmetics (20 percent). Imports of equipment, means of production, spare parts, and other materials used in the operation of foreign investors' projects or in their productive enterprises are taxed at a uniform flat rate of one percent of the imported value. Raw materials and intermediate components, imported for the purpose of processing and then exported, are exempt from such import duties with approval from relevant ministries.
Stamp duty	Stamp duty rates vary depending on the type of instrument.
Property tax	Land taxes vary depending on the location and the type of the land. The calculation of land tax is based on both the location and the size of the land and is levied at annual rates per square meter. Land tax is payable in the first quarter of the relevant calendar year.
Inheritance tax	There is no inheritance tax in Laos.
Prize or lottery	Prizes or lottery wins in Laos exceeding LAK5million are subject to income tax at the rate of 10 percent.
Tax on natural resources	Natural resources tax applies to the oil and gas industry and businesses involved in the exploitation of rare and precious resources, including oil shale/petroleum and natural gas, metallic/non-metallic minerals, construction materials, peat, anthracite, hydro-electric power and land concessions. Tobacco, coffee, tea, and flower seeds are also subject to natural resources tax. The applicable rates vary from 5 percent to 25 percent of the sale or export price or are based on a tax per cubic meter. For wood, the taxes vary depending upon the type of wood.
Environment Tax	Applies to individuals, legal entities, and organizations licensed to conduct activities deemed to be damaging to the environment, ecology, or people's health. Details are to be announced.



Free Trade Agreements

In force

- ASEAN: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
- ASEAN – China
- ASEAN – India
- ASEAN – Japan
- ASEAN – South Korea
- ASEAN – Australia – New Zealand

Tax Authority

Tax authority

Ministry of Finance – Tax Department, Tax Division of Vientiane Capital and Tax District
[Ministry of Finance – Tax Department Website](#)

Tax audit activity

The tax authority predominantly adopts a risk based approach to the selection of returns for audit. As a matter of practice, larger entities are generally audited annually.

A tax audit may be opened into any tax return filed. In our experience, the majority of companies can expect to be audited by the tax authority each year.

A typical tax audit commences with an official letter requesting provision of supplementary analysis or information. The audit will include a site visit to inspect records, including the abovementioned supplementary information, and to enquire about any unclear issues or possible disagreements.

Taxpayers are advised to contact their tax advisor immediately when a tax audit commences or any correspondence is received from the tax authority. Audits into any given return generally last 10 days but it can take longer to reach a resolution in more complex cases.

Key focus areas for the tax authority in tax audits conducted in recent years have included:

- Revenue and expenses per tax calculation
- Tax deductible and non deductible expenses
- VAT for construction, import-export goods and services
- All Income and benefits of outsourced labor.

The tax authority's approach to tax audits is largely manual, including detailed consideration of invoices and key documents.

Appeals

There is no formal tax appeal process in Laos. However, a taxpayer who does not agree with the tax audit by the officer may submit a proposal letter to the tax authority for reinvestigation.



Corporate income tax											
Tax rate	<p>Corporate tax rates for companies resident in Malaysia:</p> <ul style="list-style-type: none"> • 25 percent (24 percent from Year of Assessment (YA) 2016) <p>Special tax rates apply for companies resident in Malaysia with an ordinary paid-up share capital of MYR2.5 million and below at the beginning of the basis period for a year of assessment (provided not more than 50 percent of the ordinary paid-up share capital of the company is directly or indirectly owned by (or linked to) a related company which has an ordinary paid-up share capital of more than MYR2.5 million at the beginning of the basis period for a year of assessment):</p> <ul style="list-style-type: none"> • 20 percent on the first MYR500,000 (19 percent from YA 2016) • 25 percent on every ringgit exceeding MYR500,000 (24 percent from YA 2016) 										
Minimum Tax	None										
Residence	A company will be a Malaysian tax resident if, at any time during the basis year, the management and control of the company's business or any one of its businesses are exercised in Malaysia.										
Compliance Requirements	<p>Assessment system – Self assessment.</p> <p>Estimate of tax payable must be made one month before the commencement of a year of assessment.</p> <p>Monthly instalments must be paid based on the estimate of tax payable.</p> <p>Filing due date – seven months from the date following the close of the accounting period.</p>										
International withholding tax rates	<p>Dividends paid to non-residents are not subject to withholding tax.</p> <p>Royalties paid/credited to non-residents are subject to withholding tax at 10 percent. The rate may be reduced by the relevant Double Taxation Agreement (DTA).</p> <p>Interest paid/credited to non-residents is subject to withholding tax at 15 percent. The rate may be reduced by the relevant DTA.</p>										
Holding Rules	<p>From 1 January 2014, dividends paid by companies resident in Malaysia are exempt from Malaysian tax in the hands of shareholders.</p> <p>There is no capital gains tax in Malaysia. However, there is real property gains tax (RPGT). RPGT is levied on the disposal of real property situated in Malaysia as well as the disposal of shares in a Real Property Company (RPC). A RPC is a controlled company which owns real property, shares in another RPC, or both which has a defined value of not less than 75 percent of the value of its total tangible assets.</p> <p>RPGT rates for companies:</p> <table border="1"> <thead> <tr> <th>Date of disposal from date of acquisition</th> <th>Rates</th> </tr> </thead> <tbody> <tr> <td>Within 3 years</td> <td>30 percent</td> </tr> <tr> <td>In the 4th year</td> <td>20 percent</td> </tr> <tr> <td>In the 5th year</td> <td>15 percent</td> </tr> <tr> <td>In the 6th and subsequent years</td> <td>5 percent</td> </tr> </tbody> </table>	Date of disposal from date of acquisition	Rates	Within 3 years	30 percent	In the 4th year	20 percent	In the 5th year	15 percent	In the 6th and subsequent years	5 percent
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In the 5th year	15 percent										
In the 6th and subsequent years	5 percent										
Tax losses	<p>Current period offset – business losses may be set off against income from other sources for that year. Tax losses may be carried forward indefinitely to set off against future business income only, unless the company is dormant and does not satisfy the continuity of ownership test.</p> <p>Losses cannot be carried back, although a limited form of carry back was allowed in certain circumstances in the 2009 and 2010 years of assessment.</p>										
Tax consolidation / group relief	There are no consolidation provisions in Malaysia. However, resident companies within a 70 percent owned group can surrender up to 70 percent of their current year's adjusted business losses to other related resident companies, provided certain conditions are met.										



Transfer of shares	<p>Stamp duty of 0.3 percent (of the price or value of the shares, whichever is higher) is payable on the transfer of shares.</p> <p>Stamp duty relief is available in certain circumstances, such as transfers within 90 percent groups, provided certain conditions are met.</p>
Transfer of assets	<p>On the transfer of land and buildings, ad valorem stamp duty at rates from 1 to 3 percent on the transfer consideration or the market value of the property, whichever is higher, is payable.</p> <p>Stamp duty relief is available in certain circumstances, such as transfers within 90 percent groups, provided certain conditions are met.</p>
CFC rules	There is no CFC regime in Malaysia.
Transfer pricing	<p>Malaysia's transfer pricing regime is largely based on OECD guidelines. Effective from YA 2014, corporate taxpayers are required to declare in their tax returns whether transfer pricing documentation has been prepared. Documents pertaining to transfer pricing do not need to be submitted with a taxpayer's annual income tax return, but they should be made available to the tax authority upon request.</p> <p>APA are governed by the Income Tax (Advance Pricing Agreement) Rules 2012. The Rules establish the process and expected timeline for the application of unilateral, bilateral and multilateral APAs.</p>
Thin capitalization	Malaysia has thin capitalization legislation. However, the Ministry of Finance announced that the implementation of the regime will only take effect from 1 January 2018.
General anti-avoidance	There are general anti-avoidance rules in Malaysia which allow the tax authority to disregard, vary or make any adjustment deemed fit, if there is reason to believe that any transaction has the effect of evading, avoiding or altering the incidence of tax.
Anti-treaty shopping	There are no specific anti-treaty shopping provisions. However, the general anti-avoidance provisions can be used.
Rulings	Private rulings can be obtained from the Malaysian tax authority.
R&D incentives	Malaysia's R&D tax incentive scheme includes tax exemptions and double deductions for certain R&D expenditure incurred in Malaysia.
Other incentives	<p>Tax incentives are available for a wide range of companies in Malaysia, such as Treasury Management Centers and Principal Hubs operating in Malaysia. The incentive for the establishment of a Principal Hub replaces the incentives for International Procurement Centers, Regional Distribution Centers and Operational Headquarters with effect from 1 May 2015.</p> <p>Additionally, incentives are available in Malaysia for investments in promoted activities in the manufacturing, agricultural, hotel and tourism industries as well as training activities and specific business activities promoted by the Malaysian Government. Generally, the incentives provide for partial or total relief from income tax or an incentive based on capital expenditure, for a duration of five or ten years.</p>
Hybrid instruments	None
Hybrid entities	None
Special tax regimes for specific industries or sectors	Foreign-sourced income received in Malaysia by a resident company (other than a resident company carrying on the business of banking, insurance, shipping, or air transport) is exempt from tax.



Income Tax Treaties for the Avoidance of Double Taxation

In Force	Albania, Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium, Bosnia & Herzegovina, Brunei, Canada, Chile, China, Croatia, Czech Republic, Denmark, Egypt, Fiji, Finland, France, Germany, Hong Kong, Hungary, India, Indonesia, Iran, Ireland, Italy, Japan, Jordan, Kazakhstan, Korea, Republic, Kuwait, Kyrgyzstan, Laos, Lebanon, Luxembourg, Malta, Mauritius, Mongolia, Morocco, Myanmar, Namibia, Netherlands, New Zealand, Norway, Pakistan, Papua New Guinea, Philippines, Poland (1978), Qatar, Romania, Russia, San Marino, Saudi Arabia, Seychelles, Singapore, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, Turkmenistan, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Venezuela, Vietnam, Zimbabwe.
Negotiated, not yet in force at time of publication	<p>Double tax agreements with Poland (2014), Senegal and Slovak Republic have been gazetted but at the time of writing are not yet in force.</p> <p>Protocols which amend limited articles of the treaties with Belgium, Indonesia, Kuwait, New Zealand, Seychelles and Turkey have been gazetted but at the time of writing are not yet in force.</p> <p><i>Source: IRB's website</i></p>

Indirect Tax (i.e. VAT/GST)

Indirect tax	<p>Goods and Services Tax (GST) has been implemented with effect from 1 April 2015. GST replaces the service tax and sales tax regime.</p> <p>A person* must be registered for GST where the annual taxable turnover is in excess of RM 500,000. Businesses below the threshold may register on a voluntary basis.</p> <p>*A person includes an individual, sole proprietor, partnership, corporation, Federal Government, State Government, statutory body, local or public authority, society, club, trade union, co-operative, trustee and any other body, organization, association or group of persons whether corporate or unincorporated.</p>
Standard rate	<p>GST is levied at a standard rate of 6 percent.</p> <p>Some supplies are zero rated or exempt</p>
Further information	For more detailed indirect tax information across various countries, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide

Personal Taxation

Income tax	Personal income tax
Top rate	The maximum income tax rate is 25 percent, and applies to an adjusted chargeable income of MYR 400,000 or more (28 percent from YA 2016, which applies to an adjusted chargeable income of MYR1,000,001 or more). Non-residents are taxed at a flat rate of 25 percent (28 percent from YA 2016) on gross income from all sources.
Social security	There is no general social security framework in Malaysia. However, mandatory contributions are made monthly by both the employer and the employee to the Employees' Provident Fund, which serves as a compulsory savings and retirement plan. In addition, where an employee earns less than MYR3,000 per month, both the employer and the employee must make monthly contributions to the Social Security Organization which serves to provide certain benefits to employees in cases of employment injury.
International social security agreements	None
Further information	For more detailed personal taxation information, refer to: KPMG's Thinking Beyond Borders



Other taxes	
Property taxes	<p>Local councils may impose a levy rate (commonly known as 'assessment tax') on residents in respect of services provided by the local council. The amount varies from council to council and is dependent on the value of the property.</p> <p>Quit rent is a form of tax imposed by the State Government. It is imposed on owners of landed property (as opposed to units in high-rise buildings). The amount of quit rent imposed varies from state to state and will depend on the locality and category of land use.</p>
Import duty	<p>Import duty is generally payable on imported goods at the time of clearance from Customs' control. The rates of import duty generally ranges from 0 percent to 60 percent depending on the category of goods imported.</p> <p>Malaysia is committed to ASEAN and as such, import duties imposed on most manufactured goods of ASEAN origin have been reduced to a range of 0 percent to 5 percent.</p>
Export duty	Export duty is generally imposed on depletable resources to discourage export of such commodities.
Excise duty	Excise duty is imposed on a limited range of locally manufactured goods or goods imported into Malaysia. The rate of tax to be levied varies and would depend on the nature of the goods manufactured or imported. Excise duty is generally levied on alcoholic beverages, tobacco products and motor vehicles.
Inheritance / gift tax	There is no inheritance or gift tax in Malaysia.
Free Trade Agreements	
In force	<p>Bilateral agreements:</p> <ul style="list-style-type: none"> • Australia • Chile • India • Japan • New Zealand • Pakistan • Turkey <p>Multilateral agreements:</p> <ul style="list-style-type: none"> • ASEAN-Australia and New Zealand • ASEAN-China • ASEAN-India • ASEAN-Japan • ASEAN-Korea
In negotiation	<ul style="list-style-type: none"> • Malaysia-European Union Free Trade Agreement (MEUFTA) • TPP in the process of ratification by the 12 signing parties • Trade Preferential System-Organization of Islamic Conference (TPS-OIC) • Developing Eight (D-8) Preferential Tariff Agreement (PTA) <p>Source: Malaysian Ministry of International Trade and Industry (MITI)</p>



Tax Authority	
Tax authority	Inland Revenue Board of Malaysia (IRBM) and Royal Malaysian Customs
Tax audit activity	<p>Audit cases can be selected based on a number of factors, such as:</p> <ul style="list-style-type: none"> • Risk analysis criteria • Information received from a third party • Industry type • A specific issue concerning a certain group of taxpayers • Location <p>There are two types of audit – a desk audit which is carried out at the IRBM's office, and a field audit which is carried out at the taxpayer's business premises.</p> <p>A typical tax audit commences with a letter of notification of an audit, which will indicate the records that should be made available for audit, the years of assessment to be audited, and the names of the relevant audit officers. This is followed by an examination of the relevant documents. The IRBM will issue an audit findings report, which will contain details of any proposed tax adjustments and the rationale for those adjustments. If the taxpayer disagrees with the adjustments, an official objection must be submitted. If there are no objections to the adjustments made, the IRBM will issue a notice of additional assessment.</p> <p>The timeframe for settlement of a tax audit should be three months from the commencement of the audit, but it can take longer to reach a resolution in more complex cases.</p> <p>Key focus areas for the IRBM in tax audits conducted in recent years have included transfer pricing and tax incentives.</p>
Appeals	A taxpayer can appeal against an assessment as a result of a tax audit. The appeal must be made within 30 days after the service of the notice of additional assessment.



Corporate income tax	
Tax rate	All enterprises that do not enjoy tax incentives are subject to income tax at 25 percent.
Minimum Tax	None
Residence	<p>The residence status of a company is determined by the place of its incorporation. Companies incorporated in Myanmar are treated as residents of Myanmar for tax purposes. Companies incorporated outside Myanmar are treated as non-residents of Myanmar for tax purposes.</p> <p>Companies resident in Myanmar are subject to income tax on their worldwide income. However, companies established under the MFIL and non-resident companies are taxed only on income accrued or derived in Myanmar.</p>
Compliance Requirements	<p>The tax year follows the fiscal year, starting 1 April and ending 31 March. The annual tax return must be filed with the Internal Revenue Department by 30 June of the following income year. If a business is dissolved, an income tax return must be filed within one month from the time the business was discontinued.</p> <p>Tax returns for capital gains under the income tax law are to be submitted within one month after the capital asset was disposed of.</p> <p>In addition tax payers are required to file tax returns for withholding tax, commercial tax and individual income tax on a monthly or quarterly basis.</p>
International withholding tax rates	<p>Dividends are not subject to withholding tax, regardless of the residence status of the recipient. Interest paid to a non-resident of Myanmar is subject to withholding tax of 15 percent.</p> <p>Royalties paid to a non-resident of Myanmar are subject to withholding tax of 20 percent.</p> <p>The withholding tax rates on interest and royalty payments made to non-residents of Myanmar may be reduced by an applicable income tax treaty.</p>
Holding Rules	<p>Under Myanmar Income Tax Law, dividends received are not subject to income tax.</p> <p>Capital gains tax is levied on gains from the sale, exchange or transfer of capital assets. However, no capital gains tax will be levied if the total value of such capital assets within a year does not exceed 10 Million MMK. Capital gains are taxable at 10 percent for resident and non-resident taxpayers. Capital gains for taxpayers in the oil and gas industry are subject to capital gains tax at between 40 percent and 50 percent. The rights for Myanmar to impose capital gains tax on non-resident investors are limited in several of Myanmar's income tax treaties.</p> <p>The taxable capital gain is calculated based on the difference between the sales proceeds and the cost of the asset, less the accumulated tax depreciation allowed under the Myanmar Income Tax Law.</p>
Tax losses	<p>Tax losses, which are not capital losses, can be set off against other income in the same income year. Any unabsorbed tax losses can be carried forward for a maximum of 3 years. Tax losses cannot be carried back.</p> <p>Capital losses cannot be carried forward and cannot be offset against other sources of income.</p>
Tax consolidation / group relief	There is no tax consolidation or grouping relief provisions in Myanmar.
Transfer of shares	Gains from the transfer of shares will be subject to capital gains tax. Stamp duty is also applicable at 0.3 percent of the value of shares sold or transferred.



Transfer of assets	<p>All assets that meet the definition of a capital asset, including land, buildings, vehicles and any other capital assets of an enterprise will be subject to income tax on capital gains derived from the sale, exchange, or transfer of these assets. Intangible assets may also be seen as a capital asset for tax purposes.</p> <p>Stamp duty is applicable on a number of transactions. The sale of immovable property can be subject to 5 or 7 percent tax on the value of the property, depending on the location of the land and/or building.</p> <p>Due to the restrictions on foreign ownership of land, these taxes are usually not a direct issue for foreign investors.</p>
CFC rules	There is no CFC regime in Myanmar.
Transfer pricing	Myanmar has no formal transfer pricing regulations.
Thin capitalization	<p>There is no specific thin capitalization regime in Myanmar, although capitalization of a company might be covered in the licences granted to the company. However, there may be restrictions to the deductibility of interest if the loan is not approved.</p> <p>Interest on a foreign-sourced loan that is approved by the Myanmar Investment Commission and the Central Bank of Myanmar is deductible for income tax purposes.</p>
General anti-avoidance	There is no general anti-avoidance rule in Myanmar.
Anti-treaty shopping	There are no specific anti-treaty shopping rules. Please refer to section 2 comments on the application of income tax treaties.
Rulings	There are no specific legal grounds to request an advanced ruling from the tax authorities. Still, it is possible to request such rulings, which are not legally binding.
Intellectual property incentives	There are currently no intellectual property incentives in Myanmar.
R&D incentives	There are currently no specific R&D incentives in Myanmar except deductions for certain R&D expenditure under the Myanmar Foreign Investment Law (see 'Other incentives' below).
Other incentives	<p>Companies registered under the Myanmar Foreign Investment Law can be granted a wide range of tax incentives, including all of the following:</p> <ul style="list-style-type: none"> • Tax holiday from corporate income tax of 5 years or more for enterprises engaged in the production of goods or services • Tax exemption for profits maintained in a reserve fund and reinvested within 1 year • Accelerated depreciation on certain assets • Customs duty relief and/or exemption for certain imports • Deductions for certain research and development expenditure • Relief from income-tax up to 50 percent on the profits for goods produced and exported <p>Further incentives may be available for foreign investors carrying out business in one of the Special Economic Zones.</p>
Hybrid instruments	In general the Myanmar tax laws provide little guidance on taxation of hybrid instruments. Such instruments are not widely used in Myanmar.
Hybrid entities	None
Special tax regimes for specific industries or sectors	Entities in the oil and gas sector will be subject to an increased level of capital gains, with rates ranging from 40 percent to 50 percent.



Income Tax Treaties for the Avoidance of Double Taxation

In Force	India, Laos, Malaysia, Singapore, South Korea, Thailand, United Kingdom, Vietnam In general it is advisable to confer with the Myanmar tax authority before arranging structures which may rely on income tax treaty application.
Negotiated, not yet in force at time of publication	Not applicable

Indirect Tax (i.e. VAT/GST)

Indirect tax	Commercial Tax is a turnover tax levied on goods and services.
Standard rate	Commercial tax for goods and services is generally applied at 5 percent of gross sales, except for specified goods and services that are not subject to commercial tax.
Further information	For more detailed indirect tax information on various countries, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide

Personal Taxation

Income tax	Individual income tax
Top rate	Myanmar has a progressive tax system with the top personal tax rate of 25 percent for resident citizens and resident and non-resident foreigners of Myanmar. Employers are required to withhold income tax from employees' salaries, with the tax being payable to the tax authority in monthly instalments.
Social security	Employers with five employees or more are required to provide social security benefits to employees, such as general benefit insurance and insurance against employment-related injuries. Employees are required to contribute 2 percent of their salary or wages, with the employer's contribution of 3 percent of the employee's salary or wages. The maximum contribution is currently MMK15,000 per employee per month.
International social security agreements	None
Further information	For more detailed personal taxation information, refer to: KPMG's Thinking Beyond Borders

Other taxes

Customs duty	Most imported goods, with a few exceptions, are subject to customs duties on importation and are required to be declared to the Myanmar Customs Department accordingly. Currently, the customs duties levied on the import of machinery, spare parts, and inputs generally range from nil to 40 percent of the value of the goods imported. For exports of goods, export duty is levied on certain commodities.
Property tax	Immovable property situated in Yangon is subject to property taxes, covering general tax, lighting tax, water tax, and conservancy tax. Due to the restrictions on foreign ownership of land, these taxes are usually not a direct issue for foreign investors.



Stamp duty	<p>Stamp duty applies to a number of transactions. Some of the most relevant stamp duties are as follows:</p> <ul style="list-style-type: none"> • Sale or transfer of immovable property (outside Yangon) – 5 percent of the value.* • Sale or transfer of immovable property (inside Yangon) – 7 percent of the value.* • Rental of immovable property (contract for between 1 year and 3 years) – 1.5 percent of the annual average rent. • Rental of immovable property (contract for more than 3 years) – 3 percent of the annual average rent. • Sale or transfer of shares – 0.3 percent of the value. <p><i>*It is important to note that foreign investors would not be able to take title to land.</i></p>
Free Trade Agreements	
In force	None
Tax Authority	
Tax authority	Internal Revenue Department (IRD)
Tax audit activity	<p>In recent years there have been limited tax audits in Myanmar.</p> <p>With the establishment of the large tax payer’s office within the IRD, this is expected to change going forward.</p>
Appeals	There are some recent changes in relation to the appeals process. Tax payers should continue to monitor how the appeals process would be implemented.



Corporate income tax	
Tax rate	The corporate income tax rate for both resident and nonresident companies is 30 percent (except for certain items of passive income which may be taxable at a different rate). However, beginning on the 4th taxable year immediately following the year in which such corporation commenced its business operations, the tax rate shall be the higher of the 30 percent which is based on net income (regular corporate income tax) or 2 percent based on gross income (minimum corporate income tax).
Residence	<p>An entity is regarded as a resident of the Philippines if it is carrying on business in the Philippines. This includes any entity that is incorporated in the Philippines or a foreign resident corporation that is licensed to do business in the Philippines. Generally, the tax authorities rely on the incorporation or registration as an indication of Philippine tax residence.</p> <p>A domestic corporation is taxable on its worldwide income. However, a foreign corporation, whether engaged or not in trade or business in the Philippines, is taxable only on Philippine-sourced income. Income is considered to be sourced in the Philippines if the income is derived from property or activities within the Philippines.</p>
Compliance Requirements	<p>Payment of corporate income tax is made through a self-assessment system where the taxpayer files a tax return reflecting the revenues, deductions and the tax due.</p> <p>The annual income tax return is due on the 15th day of the 4th month following the close of the calendar or fiscal year.</p>
International withholding tax rates	<p>The following items can be subject to withholding tax at 30 percent:</p> <ul style="list-style-type: none"> • Interest • Rent • Royalties • Salaries • Dividends • Premiums (except reinsurance premiums) • Annuities • Emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except capital gains on sale of shares stock • The exceptions to this are: <ul style="list-style-type: none"> • interest on foreign loans, subject to withholding tax at 20 percent • income of a non-resident cinematographic film owner, lessor or distributor which is subject to withholding tax at 25 percent • income of a non-resident owner or lessor of vehicles which is subject to withholding tax at 4½ percent; and • income of a non-resident owner or lessor of aircraft, machinery and other equipment which is subject to withholding tax at 7½ percent. <p>These rates may be reduced if a relevant tax treaty applies.</p> <p>The withholding tax on dividends paid to a non-resident foreign corporation may be reduced to a lower rate if the country in which the corporation is domiciled allows a credit for taxes deemed paid in the Philippines (tax sparing).</p>



<p>Holding Rules</p>	<p>Dividends received by a domestic corporation or a resident foreign corporation from another domestic corporation are not taxable. Cash and/or property distributions paid by a domestic corporation to non-resident corporate shareholders are subject to 30 percent income tax, except where the recipient is a resident of a country that either has entered into a tax treaty with the Philippines or allows a credit for taxes paid in the Philippines.</p> <p>Profits of a Philippine branch remitted to its parent company are subject to 15 percent branch profits remittance tax. A lower rate may be provided under the applicable tax treaty. Philippine branches whose activities are registered with the Philippine Economic Zone Authority (PEZA) are not subject to branch profit remittance tax.</p> <p>Net capital gains realized during the taxable year from the sale, exchange or other disposition of shares of stock in any domestic corporation (not sold through the stock exchange) are taxed at the following rates:</p> <ul style="list-style-type: none"> • First PHP100,000, taxed at 5 percent • In excess of PHP100,001, taxed at 10 percent <p>Losses from sales or exchanges of capital assets shall be allowed only to the extent of the gains from such sales or exchanges.</p> <p>A final tax of 6 percent (on the higher of the gross selling price or fair market value) is imposed on the gain of a domestic corporation presumed to have been realized on its sale, exchange or disposition of land and/or buildings that are not actually used in business and are treated as capital assets.</p> <p>Income from the sale of capital assets other than shares of stocks, land and buildings not used in the course of business are treated as an ordinary income and subject to the normal corporate income tax.</p>
<p>Tax losses</p>	<p>Operating losses incurred in a tax year may be carried over as a deduction from gross income for three consecutive years immediately following the year of such loss, provided that there is no substantial change in the ownership of the business or enterprise. Such loss incurred shall not be allowed as deduction in a year in which the taxpayer was exempt from income tax. For mines, other than oil and gas wells, the net operating loss without the benefit of incentives incurred in any of the first 10 years of operation may be carried over as a deduction from taxable income for the next 5 years immediately following the year of such loss, and any portion of such loss which exceeds the taxable income of such first year shall be deducted in like manner from the taxable income of the next remaining 4 years.</p>
<p>Tax consolidation / group relief</p>	<p>There are no group relief provisions for losses in the Philippines. Each company within a corporate group is taxed as a separate entity.</p>
<p>Transfer of shares</p>	<p>Transfer of shares shall be subject to capital gains tax at the rate of 5 percent for the first PHP100,000, and 10 percent in excess thereof.</p> <p>Stamp duty will also apply to the transfer of shares at a rate of PHP0.75 on each PHP200, or fractional part thereof, of the par value of such stock.</p>
<p>Transfer of assets</p>	<p>Sale of real property is subject to capital gains tax at the rate of six percent (on the higher of the gross selling price or fair market value).</p> <p>Stamp duty of PHP15 for every PHP1,000 will apply to the transfer of real property.</p>
<p>CFC rules</p>	<p>No CFC regime exists in the Philippines.</p>
<p>Transfer pricing</p>	<p>The tax authority has the power to allocate income and expenses between or among related parties, in order to prevent the evasion of taxes or to clearly reflect the income among related parties. The “arm’s length” test is used to evaluate transactions between related taxpayers and the guidelines follow OECD guidelines.</p>



Thin capitalization	<p>The Philippines has no formal thin capitalization laws or regulations. However, the tax authority has issued guidelines which identify thin capitalization and earning stripping as among the tax avoidance schemes between related companies.</p> <p>The 'tax arbitrage rule' reduces the allowable deduction for interest expenses by 33 percent of the interest income subjected to final tax.</p>
General anti-avoidance	<p>The Philippines does not have a general anti-avoidance clause within its tax code. However, any person who wilfully attempts in any manner to evade or defeat any tax imposed under the Tax Code shall, in addition to other penalties provided by law, upon conviction thereof, be punished by a fine of not less than PHP30,000 but not more than PHP100,000 and suffer imprisonment of not less than 2 years but not more than 4 years. (Sec. 254, Tax Code)</p>
Anti-treaty shopping	None
Rulings	<p>Taxpayers may seek clarification with the tax authority by submitting a letter-request for ruling containing full disclosure of all material facts, including the documents needed for substantiation. Once issued, this ruling is applicable to all future transactions referred to in the ruling. Rulings may only be relied upon by the taxpayer to whom they are issued.</p> <p>Taxpayers may also approach the tax authority to clarify proper tax treatment, especially uncertain provisions of tax laws and regulations. This is done on an informal and "no-name" basis. This type of clarification is non-binding and is only based on facts and circumstances represented during the inquiry.</p>
Intellectual property incentives	None
R&D incentives	<p>A multinational company may establish a Regional Operating Headquarters (ROHQ) to render R&D services and product development to affiliates, branches or subsidiaries. The ROHQ shall be subject to a 10 percent preferential tax rate on taxable income, and shall be exempted from all kinds of local taxes, fees and charges imposed by the local government. Gross income received by an alien individual employed by ROHQ established in the Philippines shall be subject to a tax of 15 percent of such gross income.</p> <p>R&D expenses are deductible if they are paid or incurred during the taxable year as ordinary and necessary expenses of the business, and not charged to capital account. At the taxpayer's election, development R&D expenses may be treated as a deferred expense, in lieu of a tax deduction, provided that it shall be amortized over a period not less than 60 months.</p>
Other incentives	<p>A number of other tax incentives are available in the Philippines for enterprises engaged in preferred areas of investment and registered with the Board of Investments (BOI) or the Philippine Economic Zone Authority (PEZA), including tax holidays/exemptions, tax credits, additional tax deductions and simplification of customs procedures.</p> <p>Further, tax incentives are available for regional headquarters, enterprises operating in developing regions and special economic zones.</p>
Hybrid instruments	None
Hybrid entities	None
Special tax regimes for specific industries or sectors	<p>BOI/PEZA-registered activities with pioneer status – 6 years income tax holiday (ITH)</p> <p>BOI/PEZA-registered activities with non-pioneer status – 4 years ITH</p> <p>PEZA-registered activities after the lapse of income tax holiday – 5 percent gross income tax regime</p> <p>Regional Operating Headquarters – 10 percent preferential rate on taxable income</p>



Income Tax Treaties for the Avoidance of Double Taxation

In Force	Australia, Austria, Bahrain, Bangladesh, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Korea (Republic of), Kuwait, Malaysia, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Poland, Qatar, Romania, Russia, Singapore, Spain, Sweden, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom, United States, Vietnam <i>Source: BIR – International Tax Affairs Division</i>
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Negotiated, not yet in force at time of publication	New treaties and protocols have been negotiated with Finland, Italy, Sri Lanka, Taiwan and Thailand at the time of writing are not yet in force. <i>Source: IBFD</i>
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Indirect Tax (i.e. VAT/GST)

Indirect tax	Value Added Tax (VAT)
Standard rate	The standard rate of VAT is 12 percent which is imposed on the sale, in the course of trade/business, of goods, services and property in the Philippines as well as the importation of goods to the Philippines. Certain sales or services are subject to 0 percent VAT.
Further information	For more detailed indirect tax information, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide

Personal Taxation

Income tax	Individual income tax
Top rate	Individuals, depending on the tax status, are subject to progressive tax rates. The maximum rate is 32 percent. Individuals classified as non-resident alien not engaged in trade or business in the Philippines are subject to 25 percent flat income tax rate on compensation/earnings/salary earned from Philippine sources.
Social security	Every employer is required to deduct an amount from the salary of each employee premium contributions remitable to a social security fund and medicare system to finance the retirement, sickness, disability, health and other social security benefits of the employee. The employer is also required to remit a counterpart contribution for the employee. The amount of premium contributions by the employer and employee depends on the salary bracket of each employee, based on a pre-calculated table of contributions.
International social security agreements	Austria, Belgium, Canada, France, Greece & Israel (under negotiation), Korea, Netherlands, Portugal (for ratification), Quebec, Spain, Switzerland, United Kingdom & Northern Ireland.
Further information	For more detailed personal taxation information, refer to: KPMG's Thinking Beyond Borders

Other taxes

Customs duty	Generally, customs duties are levied on all articles imported into the Philippines. The rates vary depending on the classification and country of origin of the imported goods. If it originates from a country which is a member of the General Agreement of Tariffs and Trade (GATT) or Association of South East Asian Nations (ASEAN), the goods may be subject to preferential tariff treatment under the Generalized System of Preference or the ASEAN Common Effective Preferential Tariff. Customs duties are payable at the time of release or withdrawal of the goods from the customs house or bonded warehouse.
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Excise duty	<p>Excise tax is levied on certain goods locally manufactured or produced in the Philippines for domestic sale or consumption or for any other disposition, and on certain goods imported to the Philippines (in addition to VAT and customs duties).</p> <p>Generally, the excise tax is payable before products are removed from the place of production. For imported items, the tax is payable before the release of articles from customs warehouse.</p> <p>Items subject to excise tax include (amongst others); alcohol, tobacco products, petroleum, mineral products and miscellaneous articles such as fireworks, certain cinematographic films, certain non-essential goods and motor vehicles.</p>
Stamp duty	<p>The 'documentary stamp duty' is an excise tax and is imposed on documents, instruments, loan agreements and acceptances, assignments, sales or transfers of obligations, rights or property and other business instruments. The rate of tax depends on the nature of the document and transaction.</p> <p>Documentary stamp duty applies to transactions effected and consummated outside the Philippines and documents signed abroad where the obligation or right arises from Philippine sources or the property is located within the Philippines.</p>
Property taxes	<p>Property taxes imposed by the local government units include:</p> <ul style="list-style-type: none"> • Transfer tax on real property ownership; and • Real property taxes are levied on the assessed value of the property and improvements. Each local unit may provide for the rate of tax to be imposed, but shall not exceed two percent of the assessed value of the property if located in a city or municipality within Metro Manila, or one percent if located in a province or municipality outside of Metro Manila. In addition to the basic tax, a levy of one percent based on the assessed value of the property is also imposed to accrue to the Special Education Fund.
Inheritance tax	<p>Estate tax is imposed upon the transfer of the net estate of every decedent. The tax is computed on the graduated rates from 5 percent to 20 percent. The first PHP200,000 of the net estate is exempt from tax and the maximum rate is applicable to the net estate in excess of PHP10 million.</p>
Gift tax	<p>Gift tax is levied on the transfer by any person (resident or non-resident) of property by donation and is imposed even if the transfer is in trust or otherwise (direct or indirect), and the property is real or personal, tangible or intangible.</p> <p>The rates of tax are progressive from 2 percent to 15 percent based on the net gifts. The first PHP100,000 of the net gifts is exempt from tax and the maximum rate is applicable on the net gifts in excess of PHP10 million. When the donee is a stranger, the tax payable by the donor is 30 percent of the net gifts. The 30 percent gift duty rate also applies to corporations.</p> <p>Certain gifts are exempt from tax.</p>
Percentage tax	<p>Percentage tax is a business tax that is based on gross sales or receipts of the taxpayer. The tax rate depends on the type of establishment or business. A person who is exempt from VAT and is not a VAT-registered person or entity is subject to percentage tax of 3 percent. However, the person may apply for optional registration as a VAT-registered person and shall be liable to the VAT. This includes persons whose annual sales or receipts do not exceed PHP1,919,500 and have not elected to register for VAT.</p>
Stock transaction tax	<p>A stock transaction tax of 0.5 percent on gross selling price is imposed on the sale, barter, exchange or other disposition of shares through the stock exchange. A tax is also imposed on the sale, barter, exchange, or other disposition of shares of stock in closely held corporations through IPO.</p>
Other taxes	<p>Home Development Mutual Fund; National Health Insurance; Local taxes.</p>



Free Trade Agreements	
In force	<ul style="list-style-type: none"> • ASEAN Free Trade Agreement ASEAN-China Free Trade Area ASEAN-India Free Trade Agreement • Japan-Philippines Economic Partnership Agreement • ASEAN-Korea Free Trade Agreement • ASEAN-Australia/New Zealand Free Trade Agreement
Tax Authority	
Tax authority	Bureau of Internal Revenue (BIR)
Tax audit activity	<p>Under the law, the tax authority has 3 years from the last day prescribed by law for the filing of a return, or the date the return is filed, whichever is later, to examine a company's books and issue deficiency tax assessment. No proceeding in court without assessment for the collection of such taxes shall begin after the expiration of the three-year period.</p> <p>In the case of a false or fraudulent return with intent to evade payment of tax or of failure to file a return, the tax may be assessed, or proceeding in court for the collection of such tax may be filed without assessment at any time within ten years from the discovery of the falsity, fraud, or omission.</p> <p>The tax bureau has implemented a benchmarking system whereby taxpayers are classified based on tax returns filed. Those classified as high or medium risk taxpayers shall be prioritized in audit. The tax authority uses information generated by the Reconciliation of Listings for Enforcement (RELIEF) as well as third party information in order to enhance the targeting and focus of their tax audit activity.</p> <p>The tax audit starts with the service of a Letter of Authority duly signed by the Commissioner or his duly authorized representative to the taxpayer. The approach to tax audits is largely a manual approach including detailed consideration of invoices and key documents.</p> <p>While the BIR's audit activity can generally be seen to target all areas of taxation in the Philippines, we have seen in recent years an increasing focus by the BIR on:</p> <ul style="list-style-type: none"> • Tax evasion by individuals engaged in the practice of their professions • Cross-border transactions • Tax reporting and compliance • The Withholding tax system
Appeals	<p>If a Final Assessment Notice (FAN) is not acceptable to a taxpayer, a protest must be filed within 30 days from the date of receipt of the assessment notice, otherwise the assessment becomes final, executory and demandable.</p> <p>Within 60 days from filing of the protest, all relevant supporting documents should be submitted; otherwise, the assessment shall become final.</p> <p>If the protest to the FAN is denied in whole or in part, the taxpayer must then appeal to the Court of Tax Appeals within 30 days from receipt of the said decision, otherwise the decision becomes final, executory and demandable.</p>



Corporate income tax

Tax rate	<p>The tax rate is 17 percent.</p> <p>Companies are entitled to a 30 percent corporate income tax (CIT) rebate capped at SGD30,000 per Year of Assessment (YA) for YA 2013 to 2015 and 50 percent CIT rebate capped a SGD20,000 per YA for YA 2016 and 2017. There is a partial tax exemption of 75 percent on the first SGD10,000 and 50 percent on the next SGD290,000 of the company's income. Start-up tax exemption can be granted on the regular income of a qualifying company up to SGD100,000, for any of its first three consecutive years of assessment. A 50 percent partial tax exemption applies to the next SGD200,000.</p>
Minimum Tax	<p>None</p>
Residence	<p>A company, whether incorporated in Singapore or otherwise, is considered a resident of Singapore for tax purposes if the place of control and management of its business is exercised in Singapore. Generally, a company is treated as a resident of Singapore if, among other things, its directors' meetings are held in Singapore.</p>
Compliance Requirements	<p>In Singapore, income is generally subject to tax on a territorial and remittance basis. Every company is required to file an income tax return on income derived from, accrued in, or received in Singapore from outside Singapore, although certain qualifying foreign-sourced income is exempt from income tax.</p> <p>Income chargeable to Singapore tax is assessed on a preceding year basis and the due date for companies for filing the income tax return is 30 November (for paper file) or 15 December (for e-file) of the year following the financial year. As an example, income derived by a company in its accounting year ended on 30 June 2015 would be assessed in YA 2016. The deadline to file its income tax return for that assessment year is on 30 November 2016 (for paper file) or 15 December 2016 (for e-file).</p> <p>Mandatory e-filing of income tax returns will be implemented in stages as follows :-</p> <ol style="list-style-type: none"> a) YA 2018 – companies with turnover of more than \$10m in YA 2017 b) YA 2019 – companies with turnover of more than \$1m in YA 2018 c) YA 2020 – all companies are required to e-file their income tax returns.
International withholding tax rates	<p>Dividends are not subject to withholding tax whether paid to a resident or non-resident.</p> <p>Withholding tax, at the appropriate rate, is payable if the following payments are made to non-residents:</p> <ul style="list-style-type: none"> • Royalties or other payments for the use or right to use any movable property, scientific, technical, industrial or commercial knowledge or information - 10 percent. This is the case if the income is not derived by a non-resident through operations carried out in Singapore; otherwise the withholding tax rate is 22 percent (for individuals) and prevailing corporate tax rate (for other than individuals). • Interest, commissions, fees or any other payments in connection with or relating to any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness, where such arrangements, management, guarantees or services are rendered in Singapore - 15 percent. This is the case if the income is not derived by a non-resident through operations carried out in Singapore; otherwise the withholding tax rate is 22 percent (for individuals) and prevailing corporate tax rate (for other than individuals). • Any payment for assistance or services rendered in Singapore in connection with the application or use of scientific, technical, industrial or commercial knowledge or information - subject to withholding tax at the prevailing corporate tax rate. • Any payment for the management or assistance in the management of any trade, business or profession where the services are rendered in Singapore - subject to withholding tax at the prevailing corporate tax rate.



	<ul style="list-style-type: none"> • Rent or other payments under any agreement or arrangement for the use of any movable property - 15 percent on the gross payment, if the income is not derived by a non-resident through operations carried out in Singapore. Otherwise, the withholding tax rate is 22 percent (for individuals) and prevailing corporate tax rate (for other than individuals). • Director's remuneration - 22 percent. • Any payment for services rendered in Singapore by non-resident professionals - 15 percent on gross income, or 22 percent on net income, depending on which option is exercised. • Payment to a non-resident public entertainer for services performed in Singapore - 10 percent for income due and payable during the period from 22 February 2010 to 31 March 2020. • Proceeds from sale of real property by a non-resident property trader - 15 percent. • Distribution of taxable income made during the period from 18 February 2005 to 31 March 2020 by real estate investment trust (REIT) to non-resident unit holder (other than an individual) - 10 percent. <p>The rate of withholding tax on the above mentioned payments may be reduced in accordance with the provisions of the respective tax treaties.</p>
<p>Holding Rules</p>	<p>Singapore adopts a one-tier corporate tax system whereby tax at the corporate level (i.e. any underlying tax) is the final tax. Accordingly, dividends paid by Singapore resident companies are exempt from further Singapore tax in the hands of shareholders, irrespective of whether underlying tax has been suffered on the profits out of which the dividends are paid.</p> <p>Generally, foreign dividends received in Singapore by a Singapore holding company would be taxable in Singapore upon remittance into Singapore at the prevailing corporate income tax rate (with credit given for the withholding tax suffered, but capped at the amount of tax payable in Singapore), or may be tax-exempt in Singapore provided certain conditions are met.</p> <p>There is no capital gains tax in Singapore. However, where a gain is considered to be revenue in nature, such gain could be subject to tax if it is sourced in Singapore or in the case of foreign-sourced gain, if it is remitted into Singapore.</p> <p>Notwithstanding the above, gains derived from equity investments disposed of by a company during the period 1 June 2012 to 31 May 2022 would not be taxed, provided certain conditions are met.</p>
<p>Tax losses</p>	<p>'Trade losses' can be carried forward to offset against the income of the person for subsequent years of assessment, subject to the "continuity of ownership" test.</p> <p>Any capital allowances in excess of the income from all sources of a person (i.e. unutilized capital allowances) for any YA can be carried forward to offset against income of that person for subsequent years of assessment, subject to the satisfaction of both the continuity of ownership and the same business tests.</p> <p>Businesses (including sole-proprietors) can also elect to carry back their current year unutilized trade losses and capital allowances of up to SGD 100,000 to the immediate YA preceding the current YA. Any unutilized capital allowances and trade losses in excess of the SGD 100,000 limit would continue to be available for carry-forward under normal rules.</p>
<p>Tax consolidation / group relief</p>	<p>Currently, group relief is available in Singapore, but not tax consolidation. Under the group relief system, a loss making company within a group is, subject to satisfaction of certain conditions, allowed to transfer its current year unutilized losses, capital allowances, and donations to offset the taxable profits of other companies in the same group.</p> <p>Two Singapore companies are members of a group if one is at least 75 percent owned by the other or if both are at least 75 percent owned by another Singapore company.</p>



Transfer of shares	Ad valorem stamp duty is payable at the rate of 0.2 percent on the value of the shares or the consideration, whichever is the higher.
Transfer of assets	A buyer's ad valorem stamp duty is payable at the graduated rates of 1 percent to 3 percent on the market value of the real property or the consideration, whichever is higher. Additional buyer's stamp duty of up to 15 percent may apply to residential properties acquired by foreigners, companies, and Singapore permanent residents, as well as Singapore citizens. In addition, seller's stamp duty of up to 16 percent may be imposed where residential properties are sold within 4 years of purchase. Seller's stamp duty of up to 15 percent also applies to industrial properties sold within 3 years of purchase.
CFC rules	There is no CFC regime in Singapore.
Transfer pricing	<p>Singapore's transfer pricing requirements, as set out in the 'e-Tax Guide: Transfer Pricing Guidelines (Third Edition)', issued by the Inland Revenue Authority of Singapore (IRAS), has strong parallels to the OECD transfer pricing principles. IRAS endorses the arm's-length principle, and this is reinforced in Section 34D (Transactions not at arm's length) of the Singapore Income Tax Act (SITA).</p> <p>IRAS requires taxpayers to prepare contemporaneous transfer pricing documentation to support the arm's-length nature of their related-party transactions. Documentation will be considered "contemporaneous" if it is prepared prior to or at the time of undertaking the transactions.</p> <p>As an administrative concession by IRAS, such documentation must be in existence no later than the time of completing and filing the tax return for the financial year in which the related-party transaction takes place. Exemption from documentation (but not from the arm's-length principle) is possible for transactions whose value falls below certain low thresholds, as specified by IRAS.</p> <p>Scant documentation may be viewed as non-compliance with Section 34D, and this may lead to potential upward adjustments to taxable income and penalties for tax undercharged. In addition, there are also potential penalties for failure to maintain adequate documentation under Section 94(2) of the SITA. IRAS does not allow year-end adjustments and self-initiated retrospective downward adjustments to taxable income, in the absence of contemporaneous transfer pricing documentation.</p> <p>Mutual Agreement Procedure (MAP) and Advance Pricing Arrangement (APA) processes are available to taxpayers (i.e. with jurisdictions with which Singapore has a tax treaty).</p> <p>However, IRAS has warned that it may not support taxpayer MAP and APA applications in the absence of contemporaneous documentation.</p>
Thin capitalization	There is no thin capitalization regime in Singapore.
General anti-avoidance	<p>The IRAS may disregard or vary an arrangement and make adjustments (including the computation or re-computation of gains or profits or imposition of liability to tax) to counteract any tax advantage obtained or obtainable by a person, where the IRAS is satisfied that the purpose or effect of any arrangement is to directly or indirectly:</p> <ul style="list-style-type: none"> • alter the incidence of any tax that is payable or would otherwise have been payable by any person; • relieve any person from any liability to pay tax or to make a return under the Singapore Income Tax Act; or • reduce or avoid any tax liability imposed or that would otherwise have been imposed on any person by the Singapore Income Tax Act. <p>The above does not apply to any arrangement carried out for bona fide commercial reasons and that does not have tax avoidance or reduction as one of its main purposes.</p>
Anti-treaty shopping	The IRAS can attack any attempts to take advantage of beneficial withholding tax rates under any relevant tax treaty provisions by applying the general anti-avoidance provision as explained above.



Rulings	Taxpayers can obtain advance rulings from the IRAS. Such rulings are private and confidential.
Intellectual property incentives	<p>For the YA 2011 to 2018 , companies can claim enhanced tax allowances / deductions for acquisition or licensing costs (from YA 2013), or costs for protection of intellectual property as follows:</p> <ul style="list-style-type: none"> • 400 percent tax allowance / deduction for the first SGD400,000 of qualifying expenditure incurred per YA. • 100 percent tax allowance / deduction for the balance of expenditure. <p>The PIC+ scheme for small and medium enterprises (SMEs) grants a qualifying SME an additional SGD200,000 to the qualifying expenditure cap for each assessment year from YA 2015 to 2018, subject to meeting certain conditions.</p>
R&D incentives	<p>Singapore has an R&D tax incentive regime which provides for enhanced R&D deductions. The R&D incentive regime applies to all industry sectors and businesses of all sizes (regardless of ownership) provided that they can demonstrate that the projects meet the definition of 'R&D' for tax purposes.</p> <p>For YA 2011 to 2018, companies can claim enhanced tax deduction for qualifying expenditure on R&D as follows:</p> <ul style="list-style-type: none"> • 400 percent tax deduction for the first SGD400,000 of qualifying expenditure incurred per YA • 150 percent tax deduction for the balance of expenditure. <p>Under the PIC+ scheme, a qualifying SME is granted an additional SGD200,000 to the qualifying expenditure cap for each assessment year from YA 2015 to 2018 subject to meeting certain conditions.</p>
Other incentives	<p>Singapore grants tax incentives for activities that enhance its economic or technological development. The incentives are available to a wide spectrum of industries and cover the main areas of manufacturing and services, shipping, trading, investment and financial services. The incentives are usually in the form of an exemption from tax or a reduction in the rate of tax applicable.</p> <p>In addition, Singapore offers international and regional headquarter tax incentives .</p>
Hybrid instruments	Generally, the tax treatment of a hybrid instrument is determined by examination of the characteristics of the hybrid instrument. For an instrument that is regarded as debt, the distribution is deductible for the issuer (subject to the deductibility rules) and taxable for the investor (unless specifically exempted from tax). For an instrument that is regarded as equity, the distribution made by a Singapore tax resident company is not deductible for the issuer and the dividend is exempted from tax for the investor.
Hybrid entities	There are no special rules applicable to hybrid entities.
Special tax regimes for specific industries or sectors	<p>Singapore has special tax regimes to provide tax exemptions or reduced tax rates for some industries or sectors including:</p> <ul style="list-style-type: none"> • Banking • Shipping • Fund Management • Leasing • Insurance

Income Tax Treaties for the Avoidance of Double Taxation

In Force	Albania, Australia, Austria, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Brunei, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Ecuador, Egypt, Estonia, Fiji, Finland, France, Georgia, Germany, Guernsey, Hungary, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Kazakhstan, Korea (Republic of), Kuwait, Latvia, Libya, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mauritius, Mexico, Mongolia, Morocco, Myanmar, Netherlands, New Zealand, Norway, Oman, Pakistan, Panama, Papua New Guinea, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Rwanda, San Marino, Saudi Arabia, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, Uzbekistan, Vietnam.
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Negotiated, not yet in force at time of publication	New treaties and protocols have been negotiated and signed with Cambodia, Laos, Russian Federation, Sri Lanka, and Uruguay but are not in force at the time of writing. <i>Source: IRAS</i>
Indirect Tax (i.e. VAT/GST)	
Indirect tax	Goods and Services Tax (GST)
Standard rate	7 percent. Certain goods and services are zero-rated or exempt from GST.
Further information	For more detailed information regarding Singapore's GST, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide
Personal Taxation	
Income tax	Personal income tax
Top rate	A resident is taxed on chargeable income (assessable income less personal relief) at graduated rates ranging from zero percent to 20 percent. With effect from YA 2017, the new graduated rates range from zero percent to 22 percent. Employment income of a non-resident is taxed at a flat rate of 15 percent or at resident tax rates, whichever is higher. Other income of a non-resident individual is generally taxed at 20 percent unless specifically exempt or subject to a reduced treaty rate.
Social security	There is no social security tax in Singapore.
	Central Provident Fund (CPF) The CPF was introduced as a compulsory retirement benefit scheme for employees in Singapore, but it has since been extended to enable members to use the scheme to purchase residential and commercial properties, gold and shares in approved companies, and to pay for certain medical and educational fees. Only Singapore citizens and Singapore permanent resident employees are required, along with their employers, to contribute to the CPF. The tax advantages of the CPF include deductions for statutory contributions.
International social security agreements	None
Further information	For more detailed personal taxation information, refer to: KPMG's Thinking Beyond Borders
Other taxes	
Customs / excise duty	Singapore is effectively a duty-free port with import duties only on a limited number of items, being petroleum products, motor vehicles, tobacco products, and liquors. The rates of duties are either specific or ad valorem. No duties are imposed on exports from Singapore.
Stamp duty	Stamp duty is payable on documents relating to immovable properties and shares, as described in the Stamp Duties Act. The rate of ad valorem duty imposed depends on the nature of the documents. For residential properties, buyer's stamp duty applies at 1 to 3 percent, and additional buyer's stamp duty of up to 15 percent may also apply to buyers of residential properties with effect from 12 January 2013. Seller's stamp duty applies to the following type of immovable property: <ul style="list-style-type: none"> • Residential properties purchased on or after 14 January 2011 and disposed of within one (16 percent), two (12 percent), three (8 percent), or four (4 percent) years of purchase • Industrial properties purchased on or after 12 January 2013 and disposed of within one (15 percent), two (10 percent) or three (5 percent) years of purchase.



<p>Property tax</p>	<p>Property tax is assessed on immovable property and is payable by the owner.</p> <p>It is computed as a percentage of the annual value of all houses, land, buildings and tenements. The current rate of property tax is 10 percent.</p> <p>From 1 January 2015, the following progressive tax rates apply to residential properties (excluding residential land and owner-occupied residential properties):</p> <table border="1"> <thead> <tr> <th>Annual Value (SGD)</th> <th>Effective 1 Jan 2015</th> </tr> </thead> <tbody> <tr> <td>First 30,000</td> <td>10 percent</td> </tr> <tr> <td>Next 15,000</td> <td>12 percent</td> </tr> <tr> <td>Next 15,000</td> <td>14 percent</td> </tr> <tr> <td>Next 15,000</td> <td>16 percent</td> </tr> <tr> <td>Next 15,000</td> <td>18 percent</td> </tr> <tr> <td>In excess of 90,000</td> <td>20 percent</td> </tr> </tbody> </table> <p>From 1 January 2015, the following progressive tax rates apply for owner-occupied homes:</p> <table border="1"> <thead> <tr> <th>Annual Value (SGD)</th> <th>Effective 1 Jan 2015</th> </tr> </thead> <tbody> <tr> <td>First 8,000</td> <td>0 percent</td> </tr> <tr> <td>Next 47,000</td> <td>4 percent</td> </tr> <tr> <td>Next 15,000</td> <td>6 percent</td> </tr> <tr> <td>Next 15,000</td> <td>8 percent</td> </tr> <tr> <td>Next 15,000</td> <td>10 percent</td> </tr> <tr> <td>Next 15,000</td> <td>12 percent</td> </tr> <tr> <td>Next 15,000</td> <td>14 percent</td> </tr> <tr> <td>In excess of 130,000</td> <td>16 percent</td> </tr> </tbody> </table>	Annual Value (SGD)	Effective 1 Jan 2015	First 30,000	10 percent	Next 15,000	12 percent	Next 15,000	14 percent	Next 15,000	16 percent	Next 15,000	18 percent	In excess of 90,000	20 percent	Annual Value (SGD)	Effective 1 Jan 2015	First 8,000	0 percent	Next 47,000	4 percent	Next 15,000	6 percent	Next 15,000	8 percent	Next 15,000	10 percent	Next 15,000	12 percent	Next 15,000	14 percent	In excess of 130,000	16 percent
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<p>Inheritance / gift tax</p>	<p>There is no inheritance or gift tax in Singapore.</p>																																
<p>Free Trade Agreements</p>																																	
<p>In force</p>	<p>Australia, China, Costa Rica, India (CECA), Japan (JSEPA), Jordan, Republic of Korea, New Zealand (ANZSCEP), Panama, Peru, Switzerland, United States</p> <ul style="list-style-type: none"> • European – Iceland, Liechtenstein, Norway, Switzerland • Gulf Co-operation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates) • Trans-Pacific SEP – Brunei, Chile, New Zealand • ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Vietnam • ASEAN – Australia – New Zealand • ASEAN – China • ASEAN – India • ASEAN – Japan • ASEAN – Korea 																																
<p>Concluded / signed (pending domestic ratification)</p>	<ul style="list-style-type: none"> • European Union • Turkey • Trans-Pacific Partnership – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Vietnam, United States of America 																																
<p>In negotiation</p>	<ul style="list-style-type: none"> • Canada, Mexico, Pakistan, Ukraine • ASEAN – India (Services and Investment) • ASEAN – Japan (Services and Investment) • Regional Comprehensive Economic Partnership – Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Korea (Republic of), Laos, Malaysia, Myanmar, New Zealand, Philippines, Thailand, Vietnam <p><i>Source: International Enterprise Singapore</i></p>																																



Tax Authority	
Tax authority	Inland Revenue Authority of Singapore (IRAS)
Tax audit activity	<p>The IRAS adopts a risk-based approach to the selection of returns for audit. The focus of the IRAS is on improving the compliant behaviour of taxpayers and the IRAS selects companies that pose higher risk of non-compliance. The IRAS has a systematic method of selecting companies for audit.</p> <p>A typical tax audit process starts with the tax authority contacting the taxpayer by telephone or correspondence to inform that the taxpayer has been selected for an audit. This is followed by an interview for the tax authority to get a better understanding of the taxpayer's business operations and accounting systems. Examination of books and records is done either at the taxpayer's premises or the tax authority's office. The scope of the audit is usually on the current YA but may be extended to cover earlier years.</p> <p>Upon completion of the audit, the taxpayer will be informed of any adjustments to be made to the tax assessments and the respective notices of assessment, if any, will be issued to the taxpayer. The taxpayer will also be advised on the areas which need improvement so as to better comply with the tax laws.</p> <p>Depending on the seriousness of errors or omissions discovered during tax audit, the IRAS can impose penalties of two or three times of the tax amount undercharged. In the case of serious fraudulent tax evasion, penalties of four times of the tax undercharged can be imposed. Taxpayers can also be prosecuted for fraudulent tax evasion with imprisonment terms of up to 5 years.</p>
Appeals	A taxpayer has up to two months from the date of service of the Notice of Assessment to file a Notice of Objection.
Tax governance	The IRAS has ongoing education campaigns and enforcement programs to help taxpayers comply with tax obligations. One such program is the GST Assisted Compliance Assurance Programme (ACAP), a compliance initiative for businesses to set up a robust GST Control Framework as part of good corporate governance. The IRAS also has a Voluntary Disclosure Programme that is aimed at encouraging taxpayers that have made errors in their tax returns to voluntarily disclose their errors and rectify those errors at reduced penalties.



Corporate income tax	
Tax rate	Standard rate is 20 percent.
Minimum Tax	None
Residence	<p>All companies, including other forms of legal entities, that are registered under Thai law, or that are incorporated under foreign law and carry on business in Thailand, are subject to corporate income tax.</p> <p>All income of companies registered under Thai law is subject to corporate income tax. Companies registered under foreign law and carrying on business in Thailand are taxed on their net profits arising from their business activities in Thailand.</p>
Compliance Requirements	<p>Thailand operates a self-assessment system for filing income tax returns, with significant penalties for non-compliance.</p> <p>Corporate income tax is payable in two instalments each year. Half-year corporate income tax returns must be filed by the end of the eighth month of the accounting year. Annual corporate income tax returns must be filed within 150 days following the end of accounting year.</p>
International withholding tax rates	<p>Dividends paid to non-residents will be subject to withholding tax at 10 percent.</p> <p>Royalties paid to non-residents, who do not carry on any business in Thailand, will be subject to withholding tax at 15 percent. However, this rate may be reduced by an applicable tax treaty.</p> <p>Interest paid to non-residents is subject to withholding tax at 15 percent. This rate may be reduced to 10 percent if the interest payment is made to a financial institution and a tax treaty is applied.</p> <p>Non-residents are liable to 15 percent tax on capital gains realized on the disposal of Thai shares if acquired by a Thai resident. This tax may be reduced or eliminated by an applicable tax treaty.</p>
Holding Rules	<p>Generally, dividends are fully taxable.</p> <p>Dividends received from a Thai subsidiary by a Thai company which is not listed on the Security Exchange of Thailand (SET) are subject to a 50 percent exemption. The exemption is increased to 100 percent if the recipient of the dividend is a Thai company which is listed on the SET; or owns at least 25 percent of the issued shares of the Thai subsidiary with no cross-shareholding (i.e. the company paying the dividend must not hold shares in the recipient company). A Thai company shall be eligible for these 50 percent and 100 percent tax exemptions only if it holds shares in the Thai subsidiary that pays the dividend for three months prior to the dividend being paid and for three months after.</p> <p>Dividends received from non-Thai subsidiaries are fully exempt if at least 25 percent of the voting rights in the subsidiary have been held for six months prior to the dividend being paid, and the dividend is paid from a net profit which has been subject to income tax or profit tax at the rate of 15 percent or more.</p> <p>Thailand does not impose a separate tax on corporate capital gains. Any gains arising from the disposition of assets, regardless of the purpose for which the assets were acquired, are treated as ordinary income subject to corporate income tax.</p>
Tax losses	<p>Current period offset – there is no limitation to the amount of losses able to be offset. Tax losses may be carried forward for 5 years.</p> <p>No carry-back of tax losses is permitted in Thailand.</p>



Tax consolidation / group relief	There is no tax consolidation regime in Thailand, nor is there provision for corporate group relief of losses.
Transfer of shares	The transfer of shares is subject to stamp duty of 0.1 percent.
Transfer of assets	No stamp duty applies for companies on the transfer of land and buildings. However, the transfer may be subject to Special Business Tax at 3.3 percent and a land transfer government fee of two percent. Other transfers of tangible assets and intangible assets are subject to normal tax implications (i.e. VAT at seven percent and corporate income tax on the gain of the transfer of the assets).
CFC rules	There is no CFC regime in Thailand.
Transfer pricing	Thailand's transfer pricing regime is consistent with the OECD model (i.e. arm's length basis). Thai businesses are required to ensure that the pricing of transactions with related parties is based on one of the accepted methodologies and that the process of establishing transfer prices is appropriately documented. The Thai Revenue Department accepts both APAs and MAPs.
Thin capitalization	Thailand has no thin capitalization regime. However, if a tax incentive has been granted by the Board of Investment (BOI), the thin capitalization ratio cannot exceed 3:1.
General anti-avoidance	Thailand does not have general anti-avoidance provisions.
Anti-treaty shopping	Thailand does not have specific provisions related to anti-treaty shopping.
Rulings	Rulings may be requested from the Thai tax authority. Most of the rulings are published on the Revenue Department's website.
Intellectual property incentives	Thailand has no specific intellectual property (IP) incentives, but IP is tied to R&D incentives (see below).
R&D incentives	There are tax exemptions on license fees, and a double deduction for qualified R&D expenses.
Other incentives	Tax-related relief and other incentives are granted to Thai and foreign companies investing in BOI promoted projects. However, the BOI does not grant promotional incentives to a branch office of a foreign company. Activities eligible for promotion are specified in guidelines issued by the BOI. Activities not specifically listed in the BOI guidelines may nevertheless still be eligible for promotion if considered to be of benefit to the Thai economy and are in accordance with national development objectives. Examples of BOI tax incentives include: <ul style="list-style-type: none"> • Import duty exemptions • Enhanced deductions • Tax holidays • Tax-exempt dividends • Tax rate reductions <p>In addition, Thailand offers a regional operating headquarters tax incentive, provided certain conditions are met. These incentives include a reduced corporate tax rate, reduced tax rate on interest and royalties and an exemption on dividends.</p>
Hybrid instruments	There are no specific rules applicable to hybrid instruments, and generally, the tax treatment follows the contractual arrangement and accounting treatment.
Hybrid entities	There are no specific rules applicable to hybrid entities, and generally, the tax treatment follows the legal classification under the Thai Revenue Code and the accounting treatment.



Special tax regimes for specific industries or sectors	<ul style="list-style-type: none"> • Petroleum industry (oil and gas exploration/exploitation companies): a 50 percent petroleum income tax is imposed on profits earned from petroleum sales. • SME (company with no more than THB5million of paid up capital and turnover from sales or services of not more than THB 0million): progressive CIT rate starting with a zero percent tax bracket scaling up to a highest bracket of 20 percent. • Foreign juristic corporations carrying on the business of international transportation: 3 percent tax on their gross incomes before deduction of expenses. • Banking companies are generally subject to 3.3 percent Specific Business Tax in lieu of 7 percent VAT.
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Income Tax Treaties for the Avoidance of Double Taxation

In Force	Armenia, Australia, Austria, Bahrain, Bangladesh, Belarus, Belgium, Bulgaria, Canada, Chile, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Korea (Republic of), Kuwait, Laos, Luxembourg, Malaysia, Mauritius, Myanmar, Nepal, Netherlands, New Zealand, Norway, Oman, Pakistan, Philippines, Poland, Romania, Russia, Seychelles, Singapore, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Vietnam
Negotiated, not yet in force at time of publication	Treaties with Egypt, Kenya, and Mongolia have been negotiated but are not in force at the time of writing.

Indirect Tax (i.e. VAT/GST)

Indirect tax	Value Added Tax (VAT)
Standard rate	The standard VAT rate is 10 percent. Current applicable VAT rate is 7 percent until 30 September 2016.
Further information	For more detailed indirect tax information on various countries, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide

Personal Taxation

Income tax	Personal income tax
Top rate	Net taxable income is taxed at progressive rates up to 35 percent. The maximum current tax rate applies to income exceeding THB4million in the case of both residents and non-residents.
Social security	Resident and non-resident employees are required to make contributions to Thailand's social security fund. Contributions to the social security fund are made by employers and employees in equal proportions. The current rate of contribution by each party is 5 percent, up to maximum amount of THB750.
International social security agreements	There is a treaty between the Netherlands and Thailand on the transfer of social security benefits.
Further information	For more detailed personal taxation information, refer to: KPMG's Thinking Beyond Borders



Other taxes

Specific business tax (SBT)	<p>Certain Thai businesses are excluded from the VAT system and are, instead, subject to SBT. SBT is calculated as a percentage of gross receipts and the rate varies between 2.75 percent and 3.3 percent. SBT applies to the following businesses:</p> <ul style="list-style-type: none"> • Banking and similar • Finance, security and credit • Factoring • Life insurance • Pawnshop brokerage • Sale of securities in stock market (although these are currently exempt from SBT) • Trading in immovable property
Customs duty	<p>Customs duty is levied on both imports and some categories of exports. Import duties are levied on a specific, ad valorem or compound basis. The compound basis is a combination of the specific and ad valorem basis (whichever is higher). The duty rates generally range between one percent and 20 percent, except for some luxury products (e.g. cigarettes, liquor and vehicles) which may be as high as 60 percent.</p> <p>Export duties are generally imposed on only two groups of commodities, comprising rawhide and wood.</p>
Excise duty	<p>Excise duty is imposed on commodities based on a specific, ad valorem or compound basis. The compound basis is a combination of the specific and ad valorem basis (whichever is higher). The excise tax is applied to a range of products whether manufactured locally or imported. The tax liability arises on locally manufactured goods when the products are shipped from the factory. On imported goods, excise tax is imposed on importation.</p> <p>In addition to excise duty, interior tax at the rate of 10 percent is imposed on the excise duty amount for all the above products, except tobacco and cards.</p>
Stamp duty	<p>A number of documents and transactions are subject to stamp duty. Rates depend upon the class of instrument, but in general are between 0.1 percent and 1 percent, although for certain instruments the stamp duty is capped (e.g. for loan documents stamp duty is capped at THB10,000).</p>
Property taxes	<p>A house and land tax is levied at the rate of 12.5 percent of the assessed rental value of the property. It is levied on the owner of the building, but does not apply to owner-occupied residences.</p>
Inheritance tax	<p>There is no inheritance tax in Thailand.</p>
Gift tax	<p>There is no gift tax in Thailand.</p>

Free Trade Agreements

In force	<ul style="list-style-type: none"> • Australia, India, Japan, New Zealand, Peru • ASEAN - Brunei Darussalam, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam • ASEAN – China • ASEAN – India • ASEAN – Japan • ASEAN – South Korea • ASEAN – Australia – New Zealand
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Tax Authority

Tax authority	The Revenue Department
Tax audit activity	<p>The tax authority predominantly adopts a risk based approach to the selection of returns for audit. A tax audit will be performed for every tax refund requested. In the past few years, the tax authority has begun to implement a routine tax review, where an audit may be performed regularly, between 1 to 3 years, depending on the taxpayer's size or operating results.</p> <p>A typical tax audit commences with a letter requesting the provision of supplementary analysis or information. Taxpayers are advised to contact their tax advisor immediately when a tax audit commences or any correspondence is received from the tax authority.</p> <p>The typical length of an audit period varies on a case by case basis, and the more complex cases may take a substantial length of time before a resolution is reached.</p> <p>Generally, the tax authority focuses on income tax in tax audits; however this can be expanded to cover other taxes including VAT and withholding tax. A transfer pricing audit may be conducted separately by the transfer pricing team in the tax authority.</p>
Appeals	<p>If the original assessment is conducted by the District Revenue Offices, the taxpayer must appeal the assessment within 15 days from the date of receipt of the assessment notification.</p> <p>If the original assessment is conducted by other Revenue Offices, the taxpayer must appeal the assessment within 30 days from the date of receipt of the assessment notification.</p> <p>It should be noted that an appeal does not defer payment of taxes and duties.</p>



Corporate income tax

Tax rate	<p>From 1 January 2016, the standard corporate tax rate is 20 percent.</p> <p>Preferential tax rates can be obtained for encouraged projects. See “Other incentives” section for further details.</p> <p>Certain industries may have a higher tax rate applied (e.g. oil and gas operations and natural resources industry - 32 percent to 50 percent).</p>
Minimum Tax	<p>There is no minimum tax in Vietnam.</p>
Residence	<p>Corporate income tax applies to all domestic and foreign entities that invest in Vietnam - i.e. companies incorporated under Vietnamese laws and those which are incorporated under foreign laws and carry on a business in Vietnam.</p>
Compliance Requirements	<p>Assessment system: generally self-assessment.</p> <p>There are three types of filing, as follows:</p> <ul style="list-style-type: none"> • Annual return (i.e. the 90th day following the end of the calendar year or fiscal year) Note: provisional quarterly corporate income tax returns are no longer required. Companies will instead be required to make quarterly provisional corporate income tax payments based on estimates. If the provisional quarterly corporate income tax payments account for less than 80 percent of the total corporate income tax liability per annual return, the shortfall in excess of 20 percent is subject to late payment interest (currently calculated at 0.03 percent per day), counting from the deadline for payment of the fourth quarter corporate income tax liability. • Ad hoc (transaction based) returns (i.e. the 10th day following the date of incurrence of tax liability) • Return for cessation of business, completion of contract, change of ownership, or re-organization (i.e. the 45th day following the event or completion of the transaction)
International withholding tax rates	<p>Dividends paid to non-resident corporate investors are not subject to withholding tax.</p> <p>Royalties paid to a foreign party for the right to use or license of patents, inventions, industrial property, designs, trademarks, copyright, and technical knowhow (broadly referred to as “transfer of technology”) are subject to withholding tax of 10 percent. Where a tax treaty provides for a lower rate and conditions are met, the tax treaty rate should apply.</p> <p>Withholding tax of 5 percent is applicable to interest and any other amounts charged by the offshore lender in connection with the loan agreement. An offshore loan provided by certain government or a semi-government institution may be eligible for an exemption, where a tax treaty applies.</p> <p>Vietnam has a “foreign contractor tax” regime. The regime covers the taxation of outbound cross-border remittance of contract payments by a resident entity to overseas goods and services providers. Refer to the “Other Taxes” section for further details.</p>



<p>Holding Rules</p>	<p>Distributions repatriated abroad by foreign invested enterprises are not subject to withholding tax. A foreign investor generally may repatriate its after-tax dividends out of Vietnam after fulfilling all tax and financial obligations towards the Vietnamese Government.</p> <p>Dividends (after tax) received from a domestic business by another domestic business are also not subject to further tax; however, gross dividends (before tax) received by a domestic business from a foreign business are treated as taxable income of the domestic business. Any foreign tax which is paid on the part of income out of which dividends are paid will be deductible against the corporate tax payable in Vietnam (up to the equivalent of Vietnamese corporate tax payable on that income).</p> <p>Vietnam does not have a separate “capital gains tax” regime. Capital gains made by an enterprise in Vietnam will form part of the taxable income of the enterprise and will be taxed at the prevailing standard corporate tax rate. There are specific rules for corporate income tax imposed on the transfer of capital in an enterprise or sale of securities by investors. The purchase price and transfer expenses are generally deducted from the transfer price in order to calculate the taxable capital gain.</p>
<p>Tax losses</p>	<p>Tax losses of business establishments may be carried forward fully and consecutively and offset against the profits of subsequent years for a maximum of 5 years. Carry back of tax losses is not allowed.</p> <p>Losses from activities of real property assignments are also allowed to be offset against income from activities of production and business, or from other income.</p>
<p>Tax consolidation / group relief</p>	<p>The current corporate tax provisions do not address the concept of grouping/consolidation. The prevailing regulations do not allow profits and losses to be offset between companies within a group.</p>
<p>Transfer of shares</p>	<p>Generally, gains from transfer of shares are taxed at the prevailing standard corporate tax rate.</p> <p>Currently there is no registration fee on the transfer of shares.</p>
<p>Transfer of assets</p>	<p>Gains from the transfer of assets should be subject to the prevailing standard corporate tax rate.</p> <p>Where a registerable asset (such as houses, land, ships, cruisers and boats, automobiles, motorcycles, aircrafts etc.) is transferred, the new owner will be required to pay registration fees. Registration fee rates vary from 0.5 percent to 20 percent depending on the asset transferred.</p>
<p>CFC rules</p>	<p>Vietnam does not have specific “CFC” rules. However, a Vietnamese enterprise, which derives income from an investment project in a foreign country must declare and pay corporate tax in respect of the foreign income, including the case where it enjoys tax reduction or exemption under the law of the foreign country. The foreign income will be taxed at the prevailing standard corporate tax rate, even if the Vietnamese enterprise enjoys an exemption or a reduced tax rate pursuant to the current law on corporate tax.</p> <p>Where foreign income has been subject to any foreign tax, which is “similar” to Vietnamese corporate tax, the Vietnamese enterprise, in principle, may claim a foreign tax credit up to the equivalent of the tax pay-able under Vietnamese corporate tax law.</p>



<p>Transfer pricing</p>	<p>Transfer pricing has become one of the tax authorities' priorities in relation to tax administration in recent years. The latest regulations place emphasis on the need for taxpayers to adhere to the transfer pricing guidelines and clearly defines (amongst others), related party transactions which are subject to the transfer pricing rules, transfer pricing methods and compliance requirements.</p> <p>The tax authorities are given power to make transfer price adjustments, with respect to non-arm's length related party transactions, where taxpayers fail to comply with the transfer pricing requirements.</p> <p>Taxpayers are required to disclose their related party transactions when filing their annual corporate tax return. In addition, the burden of proof is on taxpayers to demonstrate that related party transactions are carried out on arm's length terms. Therefore, taxpayers are required to prepare and maintain contemporaneous transfer pricing documentation.</p> <p>Guidance on Advanced Pricing Agreements (APAs) is available.</p>
<p>Thin capitalization</p>	<p>Currently, there are no specific tax-driven thin capitalization rules in Vietnam. However, certain restrictions to that effect can be found in the regulations on foreign loans and corporate income tax (i.e. permitted borrowing capacity and excessive interest rates).</p>
<p>General anti-avoidance</p>	<p>There are no specific anti-avoidance rules in Vietnam. However, the regulations on tax administration have a provision which generally requires all transactions to be in line with market rate, otherwise the tax authorities will have the right to re-assess for taxation purposes.</p>
<p>Anti-treaty shopping</p>	<p>Domestic law contains provisions to limit treaty benefits where the main purpose of an agreement is to obtain tax treaties' entitlements, or where the recipient is not the beneficial owner.</p>
<p>Rulings</p>	<p>Formal rulings are allowed and relatively common in Vietnam. Official letters issued by Ministry of Finance, General Department of Taxation and local tax departments are applicable to all relevant taxpayers or a specific organization/individual and can be used as a reference.</p>
<p>Intellectual property incentives</p>	<p>Newly established enterprises involving certain high technology projects; scientific research and technology development projects; and software production projects may be eligible for incentives.</p>
<p>R&D incentives</p>	<p>Tax law allows corporate taxpayers incorporated under Vietnamese laws to set aside a fund of up to 10 percent of its annual taxable income for research and development (R&D) purposes and deduct the same amount from its taxable income. Taxpayers self-determine the rate to be provided for R&D and are required to report details of their R&D expenditure to the tax authority together with their annual tax return.</p> <p>The R&D provision may only be utilized for R&D activities in Vietnam within 5 years and must be substantiated by proper invoices and supporting documentation.</p>
<p>Other incentives</p>	<p>Preferential tax rates can be obtained for encouraged projects:</p> <ul style="list-style-type: none"> • A 20 percent rate is applicable to relevant enterprises with total annual revenue not exceeding VND20billion. • Incentives rates may decrease to 17 percent from 1 January 2016 if certain conditions are met. • A 10 percent rate is applicable to relevant enterprises implementing projects on investment trading of social housing. <p>Preferential tax treatments such as tax exemption, tax reduction, and preferential rates are limited to:</p> <ul style="list-style-type: none"> • Encouraged sectors including: healthcare, education, high-tech, infrastructure development, and software; • Encouraged special economic zones or areas with difficult socio-economic conditions. <p>The taxpayer must self-assess the applicable incentives in accordance with the current tax regulations.</p>



Hybrid instruments	There are no special rules related specifically to hybrid instruments in Vietnam.
Hybrid entities	There are no special rules applicable to hybrid entities in Vietnam.
Special tax regimes for specific industries or sectors	There are some specific tax rules that apply to the Oil and Gas, Mining, and Real Estate industries.

Income Tax Treaties for the Avoidance of Double Taxation

In Force	Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Brunei, Bulgaria, Canada, China, Cuba, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Korea (Republic of), Kazakhstan, Korea (Democratic People's Republic), Kuwait, Laos, Luxembourg, Malaysia, Mongolia, Morocco, Mozambique, Myanmar, Netherlands, New Zealand, Norway, Oman, Pakistan, Palestine, Philippines, Poland, Qatar, Romania, Russia, San Marino, Saudi Arabia, Serbia, Seychelles, Singapore, Slovak Republic, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Tunisia, Ukraine, United Arab Emirates, United Kingdom, Uzbekistan, Venezuela
Negotiated, not yet in force at time of publication	Income Tax Treaties with Algeria, Belgium, Egypt, Estonia, Macedonia, Portugal, Turkey, United States and Uruguay Income Tax Treaties with Argentina, Cambodia, Costa Rica, Croatia, Estonia, Kyrgyzstan, Latvia, Lithuania, Mauritius, Panama, South Africa, Sudan and United States <i>Source: IBFD</i>

Indirect Tax (i.e. VAT/GST)

Indirect tax	Value Added Tax (VAT)
Standard rate	10 percent Zero rate – exported goods or services; construction and installation in overseas and in non-tariff zones; international transportation; and certain airline and marine services. Exempt – there are 26 categories of VAT exempt supplies including, but not limited to, certain agricultural products; salt products; transfer of land use rights; life insurance, financial, medical, public postal, telecommunications; construction work related to cultural work; education and vocational training; radio and television broadcasting; publication; and public transportation; temporary imported goods for re-export; technology transfer. 5 percent – The provision of certain essential goods and services including, but not limited to, clean water; fertilizer; agricultural activities, products and equipment; fresh foodstuffs; medical and education equipment; and scientific and technology service VAT ignorable transactions There are also some transactions whereby the supplier is not required to charge VAT but is generally allowed to claim the input VAT associated with such transactions. These transactions include, but are not limited to, payments of indemnities, bonuses; financial assistance or other financial receipts, some services rendered by foreign contractors such as repair of means of transportation, advertising, brokerage services; disposal of assets owned by non VAT-registered owners; certain intercompany transfer of fixed assets; capital contributions in the form of assets; receipts from insurance claims against a third party; receipts on behalf of a third party.
Further information	For more detailed indirect tax information, refer to: 2016 KPMG Asia Pacific Indirect Tax Guide



Personal Taxation	
Income tax	Personal income tax
Top rate	<p>For tax residents, there is a unified progressive tax rates applicable to (worldwide) employment and business income, with a top tax rate of 35 percent.</p> <p>For non-residents, a flat tax rate of 20 percent is applicable to Vietnam-sourced employment income. For non-residents Vietnam-sourced business income is taxed at 1 percent, 2 percent, or 5 percent depending on the business activities.</p> <p>Other income items e.g. dividends, capital gains etc. are subject to flat rates.</p>
Social security	<p>Social, health, and unemployment insurance contributions are compulsory in respect of Vietnamese employees. Health insurance is also applicable to foreigners working in Vietnam under labor contracts. These contributions provide the employees with entitlement to various benefits such as retirement, maternity and healthcare under the public social security and healthcare systems.</p> <p>The total contribution rates (i.e. social, health and unemployment insurance) are 22 percent for employers and 10.5 percent for employees, based on gross salary.</p>
International social security agreements	Vietnam has not entered into any international social security agreements or treaties.
Further information	For more detailed personal taxation information, refer to: KPMG's Thinking Beyond Borders
Other taxes	
Foreign contractor tax (FCT)	<p>FCT is a system of withholding tax with wide application in Vietnam. It is applicable to foreign entities or individuals derive income from carrying on business in Vietnam or engaging in a transaction with a Vietnamese contracting party, regardless they do have or do not have any legal entity in Vietnam (in one of the forms prescribed in the Enterprise Law - a permanent establishment).</p> <p>Foreign contractors are taxed through a withholding mechanism, comprising two components: CIT and VAT. FCT rates vary depending on whether the foreign contractor has a permanent establishment in Vietnam, is registered for Vietnamese Accounting System (VAS), the length of time the services are provided, as well as the nature of supplies.</p>
Special sales tax (SST)	<p>SST is a form of excise tax that applies to the production or import of certain goods including cigarettes, cigars, spirits, beer, certain automobiles, assorted types of petrol, air conditioners and the provision of certain services including dance halls, massage parlors, casinos, golf clubs and lotteries.</p> <p>SST rates range from 10 percent to 75 percent. Exported goods are not subject to SST.</p>
Stamp duty	<p>Stamp duty (formally known in Vietnam as a "Registration Fee") only applies on the required registration of ownership of certain assets, including buildings/land, transportation vehicles and guns.</p> <p>Rates vary between 0.5 percent and 20 percent.</p>
Inheritance/gift tax	The income from inheritance or gifts in excess of VND10 million/per receipt is subject to personal income tax at the rate of 10 percent except for inheritances, or gifts of real property between specified family members or next-of-kin.



<p>Property taxes</p>	<p>Property tax in Vietnam is levied in the form of three taxes: land-use fee, land rental and non-agricultural land-use tax.</p> <p>The land-use fee applies to organizations which are allocated land by the State to develop infrastructure for sale or for lease. The duration of land usage under this category should be “long term stable use”.</p> <p>Land rental is the amount an investor may pay to lease (or rent) land in Vietnam. The amount varies depending on a number of factors including location of the land and the value of the land. Payment of the lease can be for a long and fixed period of time or annually.</p> <p>Non-agricultural land-use tax applies to residential land in rural/urban areas and non-agricultural land used for business purposes. The calculation of tax liability is based on the land area, price of land and tax rate.</p>
<p>Natural resource tax (NRT)</p>	<p>NRT (also known as production royalty tax) is imposed on the exploitation and use of natural resources including metallic or non-metallic minerals, crude oil, natural gas, coal gas, natural forest products, natural marine products, natural water, swallow’s nests, and other natural resources. The applicable tax rates vary from 3 percent to 35 percent depending on the specific classification of natural resources and/or production output.</p>
<p>Business license tax (BLT)</p>	<p>BLT is imposed on economic organizations in accordance with the registered capital in the business registration license or the investment license, ranging from VND1million to VND3million per year.</p> <p>Payment of BLT is due upon registration of business for tax purpose and subsequently on an annual basis.</p>
<p>Environment protection tax and fee</p>	<p>Vietnam introduced Environment Protection Tax (EPT) in 2012, which is aimed to impose tax on goods, which may cause damage to the environment, such as gasoline, oil and grease, coal and certain chemicals.</p> <p>Besides EPT, Vietnam has also introduced Environment Protection Fee (EPF). EPF is aimed at businesses engaging in mining natural resources including crude oil, natural gas, coal gas, and both metallic and non-metallic minerals. Rates vary depending on the type of mineral.</p>



Free Trade Agreements

In force	<p>Bilateral agreements:</p> <ul style="list-style-type: none"> • Canada • Chile • European Union (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom) • Israel • Switzerland • United States of America <p>Bilateral Free Trade Agreements (FTAs):</p> <ul style="list-style-type: none"> • Vietnam-Chile Free Trade Agreement (VCFTA) • Vietnam-Japan Economic Partnership Agreement (VJEPA) • Vietnam-Korea Free Trade Agreement (VKFTA) • Vietnam-Eurasian Economic Union Free Trade Agreement (VEEUFTA) <p>ASEAN FTAs:</p> <ul style="list-style-type: none"> • ATIGA • ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) • ASEAN-China Free Trade Area (ACFTA) • ASEAN-India Free Trade Area (AIFTA) • ASEAN-Japan Comprehensive Economic Partnership (AJCEP) • ASEAN-Korea Free Trade Area (AKFTA)
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Tax Authority

Tax authority	General Department of Taxation , which is directly under the Ministry of Finance.
Tax audit activity	<p>A tax audit may be opened into any tax return filed. The tax authority generally takes a risk based approach to the selection of returns for tax audit. However, some tax audits are opened based simply on random selection. In our experience, the majority of companies can expect to be audited by the tax authority approximately every 3-5 years, although some companies are audited every year.</p> <p>The tax authority's approach to tax audits is largely a manual approach including detailed consideration of invoices and key documents. A typical tax audit commences with a site visit, questionnaire, or letter requesting provision of supplementary analysis or information. Taxpayers are advised to contact their tax advisor immediately when a tax audit commences or any correspondence is received from the tax authority.</p> <p>Key focus areas for the tax authority in tax audits conducted in recent years have included:</p> <ul style="list-style-type: none"> • Transfer pricing • Corporate income tax • Value added tax • Personal employment income tax • Foreign contractor tax <p>The tax authority sometimes uses data analysis technology in order to enhance the targeting and focus of their tax audit activity.</p>
Appeals	Upon the receipt of a tax audit report, a company is entitled to appeal against the tax authority or directly bring the matter to the court. The former option is politically more preferred than the latter.

Contact us

For further information, please contact:



Vinod Kalloe

Tax Policy Advisor – KPMG Asia Pacific Tax Centre
Head of International Tax Policy
KPMG Meijburg & Co
T: +66 2677 2587
E: vkalloe@kpmg.co.th



Angelia Chew

Asia Pacific Trade and Customs Leader
Partner, Indirect Tax
KPMG in Singapore
T: +65 6213 3768
E: angeliachew@kpmg.com.sg

KPMG Regional Leaders for Asia Pacific



Warrick Cleine

Regional Head of Tax – Asia Pacific
Chairman and CEO
KPMG in Vietnam and Cambodia
T: +84 8 3821 9266
E: warrickcleine@kpmg.com.vn



Brahma Sharma

KPMG Asia Pacific Tax Centre Leader
Regional Partner
KPMG in Singapore
T: +65 6597 5083
E: brahmasharma@kpmg.com.sg

KPMG Asia Pacific Heads of Tax

David Linke

KPMG in Australia
T: +61 2 9335 7695
E: davidlinke@kpmg.com.au

Choi Jeong Wook

KPMG in Korea
T: +82 221 120 990
E: jeongwookchoi@kr.kpmg.com

Tay Hong Beng

KPMG in Singapore
T: +65 6213 2565
E: hongbengtay@kpmg.com.sg

Khoon Ming Ho

KPMG in China
T: +86 10 8508 7082
E: khoonming.ho@kpmg.com

Laikok Tai

KPMG in Malaysia
T: +60 377 213 388
E: LTAI1@kpmg.com.my

Stephen Hsu

KPMG in Taiwan
T: +88 62 8101 6666
E: stephenhsu@kpmg.com.tw

Girish Vanvari

KPMG in India
T: +9 122 3090 1910
E: gvanvari@kpmg.com

Ross McKinley

KPMG in New Zealand
T: +64 9367 5904
E: rdmckinley@kpmg.co.nz

Benjamas Kullakattimas

KPMG in Thailand
T: +66 2677 2426
E: benjamas@kpmg.co.th

Abraham Pierre

KPMG in Indonesia
T: +62 215 704 888
E: Abraham.Pierre@kpmg.co.id

Maria Carmela Peralta

KPMG in the Philippines
T: +63 2885 7000
E: mperalta@kpmg.com

Warrick Cleine

KPMG in Vietnam and Cambodia
T: +84 8 3821 9266
E: warrickcleine@kpmg.com.vn

Yuichi Komakine

KPMG in Japan
T: +81 3 6229 8190
E: yuichi.komakine@jp.kpmg.com

The material contained within draws on the experience of KPMG tax personnel and their knowledge of local tax law in each of the countries covered. While every effort has been made to provide information current at the date of publication, tax laws around the world change constantly. Accordingly, the material should be viewed only as a general guide and should not be relied on without consulting your local KPMG tax adviser for the specific application of a country's tax rules to your own situation.

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