REANDA

TAX YEAR BOOK 2015/16

PREFACE

The Reanda International Tax Year Book 2015/ 2016, a biyearly tax publication of Reanda International, aims to be a tax handbook for providing the tax rates, main reliefs and exemptions for countries where Reanda International has established its presence.

On a country-by-country basis, each summary is divided into 6 sections, addressing the country's 1) corporate, 2) personal tax regime, 3) statutory requirement on social security and retirement contribution, 4) GST/VAT, 5) Double Tax Treaty as well as 6) other significant taxes in the country that need readers' attention.

The Tax Year Book only contains general information of the taxation issues in each country for the broad guidance of readers only. It is NOT intended to offer specific and universal explanation or advices in the tax fields. Readers shall take the Tax Year Book as first point of reference and should they need specific information and advice, please contact the respective Reanda International network firm for professional services and advices addressing to their particular situation.

The electronic version can be downloaded from the Reanda International website at www.reanda-international.com.

REANDA INTERNATIONAL

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Australia continues to attract high levels of foreign investment through its abundant natural resources which includes extensive reserves of coal, iron ore, copper, gold, natural gas, uranium and renewable energy sources. Australia also has a large services sector and is a significant exporter of food and agriculture products. Australia will continue to grow at a steady rate.

1.6 National tax authority

Name: Australian Taxation Office
Website: www.ato.gov.au

CORPORATE INCOME TAX

2.1 Basis of taxation

The residence of a company and the source of its income are both important elements in calculating income tax payable. If a company is a resident of Australia, the company's assessable income includes income derived from all sources whether in or out of Australia. If, on the other hand, the company is not a resident of Australia, the company's assessable income includes income derived from all sources in Australia.

A company is a resident of Australia if it is incorporated in Australia or carries on business in Australia and has either its central management or control in Australia or is controlled by shareholders who are residents of Australia.

2.2 Rates of tax

Companies are subject to a 30% flat rate of tax on taxable income with no tax free threshold.

From 1 July 2015, the company tax rate will reduce from 30% to 28.5%.

2.3 Year of assessment

The income tax year for most companies commences on 1 July and ends the following 30 June. However, in certain circumstances, a substituted accounting period of twelve months ending on a date other than 30 June may be adopted.

2.4 Profits deemed to be taxable

For Australian resident companies, assessable income includes income derived from all sources whether in or out of Australia.

For non-resident companies, assessable income includes income derived from Australian sources only.

For the purpose of income tax, assessable income includes income according to ordinary concepts as well as statutory income that are amounts included as assessable income under a specific provision of the income tax legislations.

2.5 Taxation of dividends

Resident individual shareholders who receive franked distributions from a company are entitled to a tax credit (franking credit) for the tax paid by the company on its income.

For non-residents, the franked distribution would be exempt from withholding tax to the extent that it is franked and therefore exempt from income tax.

Generally a non-resident receiving an unfranked distribution is subject to withholding tax.

2.6 Taxation of capital gains

Net capital gains from the disposal of assets acquired after 19 September 1985 are included in a company's assessable income.

Capital gains and capital losses that occur during a year are offset. If a net capital gain arises, the net capital gain is included in assessable income. If a net capital loss arises, it is not deducted from assessable income but carried forward to offset future capital gains.

2.7 Taxation of interest income

Interest is included in a company's assessable income and is subject to the company tax rate.

2.8 Utilization of tax losses

Revenue losses can be carried forward to offset future income if the company satisfies either:

- the continuity of majority beneficial ownership test; or
- the continuity of business test.

Company are also allowed to carry-back tax losses to receive a refund against previously paid tax. The loss carry-back tax offset for the income year in which you carry back tax losses is the lowest of:

- the sum of the loss carry-back tax offset components for the earliest year and the middle year;
- $1,000,000 multiplied by the corporate tax rate for the year you make a claim; or
- Your franking account balance at the end of the income year you make a claim.

2.9 Key tax incentives

A research and development (R&D) tax incentive provides refundable or non-refundable tax offsets to encourage more companies to engage in R&D. The R&D tax incentive applies to expenditure incurred and the use of depreciating assets in an income year commencing on or after 2 July 2011.

A 43.5% refundable tax offset is available to eligible small companies with an annual aggregate turnover of less than $20 million, provided they are not controlled by income tax exempt entities. A 38.5% non-refundable tax offset is available to eligible companies with an annual aggregate turnover of $20 million or more. Unused offset amounts may be carried forward for use in future income years.

This tax incentive is available to corporations that are Australian residents, foreign corporations that are resident of a country with which Australia has a double tax agreement and carry on business through a permanent establishment in Australia, and to public trading trusts with a corporate trustee.

2.10 Withholding tax

Where there is no Double Tax Agreement between Australian and the other States, the following withholding tax rate will apply:

Interest – 10%

Royalties – 30%

Unfranked Dividends – 30%

Withholding tax does not apply to the franked portion of a dividend. Where the recipient is a resident of a country that has a double tax agreement with Australia, the rates may vary,

2.11 Transfer pricing

Transfer pricing rules are a critical element in the integrity of the Australian tax system.

The new transfer pricing legislation introduced in Australia adopted the OECD transfer pricing model. This new legislation is contained in subdivision 815A of the Income Tax Assessment Act 1997 (Cth):

- Ensures that the tax treaty transfer pricing rules are ale to be applied independently of existing "domestic" transfer pricing rules and should provide a separate assessment authority;
- Requires the arm's length principle to be interpreted as consistently as possible with relevant guidance issued by the OECD – by providing direct access to OECD guidance material when interpreting Australia's enacted transfer pricing rules; and
- Clarifies how the transfer pricing rules will interact with Australia's thin capitalisation rules.

2.12 Filing requirements of tax return

Filing due dates

Existing large companies (including public companies and companies with turnover exceeding AUD $10 million) – within 5 months after closing the company's year end.

New large and medium companies – within 8 months after closing the company's year end.

Medium companies (turnover AUD $2 million to AUD $10 million) – within 9 months after closing the company's year end.

Small companies (turnover less than AUD $2 million) – within 10 ½ months after closing the company's year end.

Penalties

Shortfall Penalties

Penalties may apply where a taxpayer or their tax agent, makes a false or misleading statement to the Commissioner, including where there is an omission from the statement, about a tax law that results in a shortfall amount. The severity of penalties is based on the culpability of the taxpayer or their agent. The more culpable the behavior the more severe the rate of the penalty applied to the shortfall amount. Under the Tax Agent Services regime that commenced on 1 March 2010, a taxpayer who engages a registered Tax or BAS agent will not be liable for a penalty if the taxpayer provided the agent with all relevant tax information and that any false or misleading statement subsequently provided to the ATO did not result from the agent's intentional disregard of a tax law or recklessness.

Administrative Penalties

Failure to lodge penalties and other administrative penalties may also be imposed.

Payment of profit tax and application of holdover

Existing large companies (including public companies and companies with turnover exceeding AUD $10 million) – within 5 months after closing the company's year end.

New large and medium companies – within 8 months after closing the company's year end.

Medium companies (turnover AUD $2 million to AUD $10 million) – within 9 months after closing the company's year end.

Small companies (turnover less than AUD $2 million) – within 10 ½ months after closing the company's year end.

An instalment system for provisional tax known as Pay As you go instalments collects company income tax instalments during the income year based on the previous year's income tax assessment.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Resident individuals are subject to Australian income tax on income derived from all sources whether in or out of Australia.

Non-resident individuals are subject to Australian income tax on income derived from Australian sources.

The primary tax residency definition in Australia is based on whether the individual is ordinarily residing in Australia. The basic tests of tax residency for an individual in Australia are:

1. Primary test – resides – if you reside in Australia in accordance to the ordinary meaning of the word, you don't need to apply any of the other three tests;
2. Statutory tests – if you don't satisfy the "resides test', you may still be considered an Australian resident if you satisfy of one of the following three statutory tests:

   (a) Domicile;

   (b) 183 day rule; and

   (c) Superannuation.

3.2 Rates of tax

Income tax rates for resident individuals from 1 July 2014

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $80,000	$3,572 plus 32.5c for each $1 over $37,000
$80,001 – $180,000	$17,547 plus 37c for each $1 over $80,000
$180,001 and over	$54,547 plus 45c for each $1 over $180,000

Income tax rates for non-resident individuals from 1 July 2014

Taxable income	Tax on this income
0 – $80,000	32.5c for each $1
$80,001 – $180,000	$26,000 plus 37c for each $1 over $80,000
$180,001 and over	$63,000 plus 45c for each $1 over $180,000

3.3 Year of assessment

The income tax year for individuals commences on 1 July and ends the following 30 June.

3.4 Allowances and deductions

In general terms, expenses are deductible to the extent to which they are incurred in gaining or producing assessable income.

Careful consideration and analysis is required for deductions due to the complex legislation and case law.

3.5 Taxation of dividends

Resident individual shareholders are assessable on distributions. Resident individual shareholders who receive assessable distributions from a company are entitled to a tax credit (franking credit) for the tax paid by the company on its income. Only Australian resident taxpayers can claim a tax credit attached to a distribution. For non-residents, the distribution would be exempt from withholding tax to the extent that it is franked and therefore exempt from income tax. A non-resident receiving an unfranked distribution is subject to withholding tax.

3.6 Taxation of capital gain

A comprehensive capital gains tax commenced in Australia on 19 September 1985. In board terms, resident individuals are assessable on net capital gains from the disposal of assets acquired after 19 September 1985, whether in or out of Australia. Non-resident individuals are assessable on net capital gains from the disposal of their Australian assets acquired after 19 September 1985.

Capital gains and capital losses that occur during a year are offset. If a net capital gain arises, it is included in assessable income. If a net capital loss arises, it is not deducted from assessable income but carried forward to offset future capital gains.

Net capital gains derived by resident individuals from assets held for at least twelve months are eligible for a 50% discount. Non-residents are not eligible for a 50% discount.

3.7 Taxation of interest income

Interest derived by Australian resident individuals is assessable income.

Interest derived by non-resident individuals from Australian sources is subject to withholding tax. Where the recipient is a resident of a country that does not have a double tax agreement with Australia, the withholding tax rate is 10%. The withholding tax rate varies where there is a double tax agreement with Australia.

3.8 Personal assessment and utilization of losses

Under the self assessment system that applies in Australia, tax returns are not subject to technical or other scrutiny before assessment. The Taxation Commissioner is authorised to accept, without examination, statements made by a taxpayer. The information provided in a return is generally a minimal amount sufficient to ascertain the taxpayer's taxable income and tax payable. Records and statements must be retained by the taxpayer and may have to be produced if the taxpayer is selected for audit.

In general, revenue losses can be carried forward to offset future income. However, careful consideration and analysis is required due to complex legislation such as the non-commercial loss provisions.

3.9 Withholding tax

Employer must withhold income tax from payments made to employees, company directors, certain contractors and other businesses that do not quote their ABN if required.

The reporting and payment of all amounts withheld occurs under the PAYG withholding system.

3.10 Statutory obligation of employers

Employer's obligation of employer, include:

Superannuation contributions

Superannuation contributions must be paid to the correct superannuation fund by the cut-off dates for all eligible employees. Choice of superannuation fund must be offered to eligible employees including individual contractors.

Fringe benefits tax

Fringe benefits tax is payable on non-cash and in-kind benefits provided to an employee or their associate. Examples of fringe benefits include payments of an employee's personal expenses and when an employee is allowed to use a work car for private purposes.

Payroll tax

All Australian States and Territories have a payroll tax, which is calculated on wages paid or payable by employers. For payroll tax purposes wages includes salaries, allowances, director's fees, superannuation and the 'grossed-up' value of fringe benefits. Employers are required to self-assess their liability on a monthly basis, with an annual adjustment reconciliation.

3.11 Filing requirement of tax return

Filing due dates

- 31 October for taxpayers with one or more prior year income tax returns outstanding at the preceding 30 June and for taxpayers not filing with a registered tax agent
- 1 April for individual taxpayers with higher tax payable
- 15 May for all other individual taxpayers

Penalties

Shortfall Penalties

Penalties may apply where a taxpayer or their tax agent, makes a false or misleading statement to the Commissioner, including where there is an omission from the statement, about a tax law that results in a shortfall amount. The severity of penalties is based on the culpability of the taxpayer or their agent. The more culpable the behavior the more severe the rate of the penalty applied to the shortfall amount. Under the Tax Agent Services regime that commenced on 1 March 2010, a taxpayer who engages a registered Tax or BAS agent will not be liable for a penalty if the taxpayer provided the agent with all relevant tax information and that any false or misleading statement subsequently provided to the ATO did not result from the agent's intentional disregard of a tax law or recklessness.

Administrative Penalties

Failure to lodge penalties and other administrative penalties may also be imposed.

Application of holdover

An instalment system for provisional tax known as Pay As You Go instalments, collects income tax instalments during the income year based on the previous year's income tax assessment.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organisation

The superannuation guarantee scheme, administered by the Australian Taxation Office, requires all employers to contribute a prescribed minimum level of superannuation support in each financial year for their employees.

4.2 Basis of contribution

Contributions are calculated by multiplying an employee's "ordinary time earning" by the superannuation guarantee charge percentage. The charge percentage applies to all employers. Contributions for each employee are measured on a quarterly basis. A maximum contribution base applies to limit the minimum contributions required for high salary employees.

4.3 Contribution rate

Period	Super guarantee charge (%)
1 July 2002 – 30 June 2013	9
1 July 2013 – 30 June 2014	9.25
1 July 2014 – 30 June 2015	9.5
1 July 2015 – 30 June 2016	10
1 July 2016 – 30 June 2017	10.5
1 July 2017 – 30 June 2018	11
1 July 2018 – 30 June 2019	11.5
1 July 2019 – 30 June 2020 and onwards	12

4.4 Exemption from tax

Contributions paid by employers are generally tax deductible. Contributions received by complying superannuation funds are generally subject to a 15% contributions tax.

GST/VAT

5.1 Basis of tax

A 10% broad-based good and services tax (GST) applies to most goods, services and other items sold or consumed in Australia. Subject to limited exceptions, businesses registered for GST include GST in the price of sales to their customers and claim credits for the GST included in the price of their business purchases. While GST is paid at each step in the supply chain, businesses generally do not actually bear the economic cost of the tax. The cost of GST is borne by the final consumer, he is unable to claim GST credits .

5.2 Rate of tax

10%

5.3 Registration

GST registration is compulsory for business or other enterprises whose GST turnover is AUD $75,000 or more. For non-profit organizations, the threshold is AUD $150,000 or more.

5.4 Filing requirements

GST collected and GST paid are reported in business Activity Statements that are typically filed on a quarterly basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign tax paid may be offset against Australian income tax payable on the foreign income. The foreign income tax offset is limited to the Australian income tax payable on the foreign income and is not refundable in Australia.

6.2 List of double tax treaties signed

Australia has signed double tax agreements with the following States:

Argentina	Ireland	Singapore
Austria	Italy	Slovakia
Belgium	Japan	South Africa
Canada	Kiribati	South Korea
Chile	Malaysia	Spain
China	Malta	Sri Lanka
Czech Republic	Mexico	Sweden
Denmark	Netherlands	Switzerland
Fiji	New Zealand	Taipei
Finland	Norway	Thailand
France	Papua New Guinea	Turkey
Germany	Philippines	United Kingdom
Hungary	Poland	United States
India	Romania	Vietnam
Indonesia	Russia	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Australia has eight separate States and Territories. Stamp duty is a State and Territory tax administered by eight separate legislatures and imposed either at a fixed rate or at an “ad valorem” rate on the value of transactions such as real estate conveyances, certain insurance policies, motor vehicle transfers, unlisted security transfers and deeds relating to trusts.

7.2 Real property tax

Land tax is a State and Territory tax administered by each State and Territory with the exception of the Northern Territory which does not impose land tax. In general terms, exemptions apply to land used and occupied by a natural person as their principal place of residence, land used principally in agriculture, land used for retirement and aged care, land owned by religious, charitable, or educational institutions and non-profit organizations.

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

N/A.

Consumption tax, etc.

N/A.

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CAMBODIA

GENERAL INFORMATION

1.1 **Country**: Cambodia

1.2 **Currency**: Riel (KHR)

1.3 Principal business entities

In accordance with the Law on Commercial Enterprise, LCE, the following types of business entities are available in Cambodia.

- Sole trader/Partnerships
- Limited Liability Company
- Representative Office
- Branch

Before commencement of a business, all the enterprises are required to be registered with Ministry of Commerce and then register with General Department of Tax for the Real Regime Tax System and VAT.

1.4 Foreign exchange control

There are currently no restrictions on the repatriation of profits or capital derived from investments made in Cambodia. The 2003 Investment Law guarantees the rights of foreign investors to remit foreign currencies abroad for:

- the payment of imports and repayment of principal and interest on foreign loans
- the payment of royalties and management fees
- the remittance of profits and
- the repatriation of invested capital on dissolution of an investment project.

1.5 Current economy climate (Industry overview/encouraged business development)

Cambodia shifted to a free market economy and welcomed FDI in 1989. While Cambodia has adopted a competitive investment strategy, it still lags behind Asia-Pacific countries in terms of investment facilities and other factors such as roads, ports and other infrastructure developments.

Cambodia joined ASEAN in 1999 and WTO in 2004 and has experienced an economic boom over the last fifteen years with average annual growth of 8%. However, GDP contracted slightly in 2009 as a result of global economic slowdown but climbed more than 6% in 2010 and steadily grew to 7.2% in 2012. Cambodia's economic growth remains strong with 7.4% in 2013. Consequently, it is forecasted to be 7.2% for the year 2014 before picking up to 7.3% in 2015.

1.6 National tax authority

Name: General Department of Taxation Cambodia, GDT

Website: http://www.tax.gov.kh/

CORPORATE INCOME TAX

2.1 Basis of taxation

Any income received by resident companies accruing in or derived from Cambodia or foreign is taxable. For non-resident, this tax is liable on income from Cambodian sources only.

2.2 Rates of tax

The following table shows the applicable corporation profit tax rate:

Profit realized by a legal person/ Standard rate	20%
Oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold and precious stones	30%
Profit of QIP during the tax exemption period as determined by CDC.	0%
Insurance companies insuring Cambodian risk	5% (on gross premium)

2.3 Year of assessment

Each tax year or year of assessment is calendar year. However, it may not necessary be the calendar year, i.e. if a company would like to be consistent with its parent company/ if the foreign parent company owns more than 51% equity shares.

2.4 Profits deemed to be taxable

A company, except those subject to zero percent profit tax rate, are subject a monthly pre-payment of tax on profit, PTP during the year, which is self-accessed at 1% on monthly turnover inclusive of all taxes except VAT. Payments at PTP are due by the 15th day of the following month and are offset against the tax on profit due at the annual tax liquidation.

2.5 Taxation of dividends

Dividends received from resident companies are exempted from income tax. However, dividends received from non-resident companies are subject to income tax in Cambodia. A credit is allowed for tax paid overseas on foreign source income, subject to certain conditions.

2.6 Taxation of capital gains

All realized gains (including capital gains) are treated as income. However, Cambodia does not impose a separate tax on capital gains. Gains on disposal of real property and other assets are treated as ordinary income and are subject to profit tax.

2.7 Taxation of interest income

The interests below are subjected to withholding tax:

- interest paid by a domestic bank or savings institution to a resident taxpayer:

  i. having a fixed deposit accounts is 6%

  ii. having a saving accounts is 4%

- Interest paid to foreign parties is 14%

2.8 Utilization of tax losses

Losses can be carried forward for a maximum of 5 years. Losses cannot be carried back.

However, losses may be forfeited:

1. upon a change in ownership of the business or
2. if there is a change in business activity or in the event a taxpayer is subject to a unilateral tax reassessment.

2.9 Key tax incentives

Investors are required to submit an Investment Proposal to either the Council for the Development of Cambodia, CDC or the Provinces-Municipalities Investment Sub-committees, PMIS to obtain a Qualified Investment Project (QIP) status depending on capital level and location of the investment project in question.

The investment incentives (generally) available to QIPs are:

a.	Exemption from tax on profit imposed by the Law on Tax. The tax on profit exemption consists of a Trigger Period (of up to 3 years), 3 years automatic exemption, plus a Priority Period that will be provided for in the Law on Financial Management. In effect, the tax exemption period could be maximum up to 9 years.
b.	Accelerated depreciation on manufacturing assets (however, this is not available if the QIP elects to take the profit tax exemption in point a)
c.	Exemption from import duty on production equipment, construction materials and inputs to manufacture and
d.	The right to employ foreign labour.

Investment incentives would be available to all sectors not included in the negative list.

On an annual basis, the CDC requires all QIPs to apply for a Certificate of Compliance (CoC), to enable QIPs to continue to receive the investment incentives granted under the investment license.

2.10 Withholding tax

A. Resident Taxpayer

1.	- Income received from the performance of services including management, consulting, and similar services; - Royalties for intangibles and interests in minerals, oil or natural gas; - Interest payments to a physical person or enterprise other than interest paid to a domestic bank or saving institution.	15%
2.	Rental of movable and immovable property	10%
3.	Interest paid by a domestic bank or savings institution to a resident taxpayer : a. having a fixed deposit accounts. b. having a saving accounts.	 6% 4%

CAMBODIA

B. Non Resident Taxpayer

Any resident taxpayer carrying on business and who makes any of the following payments to a non-resident taxpayer shall withhold, and pay as tax, an amount equal to 14% of the amount paid.

1. Interest;
2. Royalties, rent, and other income connected with the use of property;
3. Management or technical services;
4. Dividends.

2.11 Transfer pricing

Currently, there is no directive or ruling issued by Cambodia tax office in respect of transfer pricing regulation. However, the related party provision of the 1997 Law on Taxation, LoT (Article 18) gives wide power to the GDT to re-determine related party transactions.

The GDT may re-determine related party transactions to impose pricing that the GDT considers "arm's length" parties would have undertaken in the transactions. A related party relationship is one where there is a 20% or more shareholders relationship.

2.12 Filing requirements of tax return

Filing due dates

The annual tax return must be filed within 3 months following the tax balance sheet date.

Penalties

If the taxpayer is considered negligent, being underpayment by less than 10%, or if the taxpayer fails to file a tax declaration or to pay tax by the due date	10%
If the taxpayer is considered seriously negligent, being underpayment by more than 10% or taxpayer has failed to settle for liabilities by the due date	25%
Where the taxpayer receives a unilateral tax assessment	40% of the unpaid tax
Late payment of taxes and late submission of returns	2% per month together with interest

Payment of profit tax and application of holdover

N/A.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Income of Resident Individuals derived from Cambodia and foreign source outside Cambodia are subject to the Cambodia income tax (Personal tax/ tax on Salary). Whereas non resident are subject to income tax on Cambodian source income only. Resident individuals are taxed at progressive rates ranging from 0% to 20%. Non residents are taxed at a flat rate of 20%. Employers are required to withhold income tax from salaries and other benefits paid to employees.

3.2 Rates of tax

a. Residents :

Taxable Income for the Month (KHR)	Progressive Tax
Up to 500,000	0
From 500,001 – 1,250,000	5
From 1,250,001 – 8,500,000	10
From 8,500,001 – 12,500,000	15
Over 12,500,000	20

b. Non-residents:

Flat rate of 20% on income from Cambodian source.

3.3 Year of assessment

Employers must make monthly tax on salary declarations and payments for each of their staff no later than the 15th day of the following month.

3.4 Allowances and deductions

An individual resident is allowed for the following personal relief:

a. KHR 75,000 for each child.

b. KHR 75,000 for dependent spouse (must be housewife)

3.5 Taxation of dividends

14% withholding tax on non residents only.

3.6 Taxation of capital gain : N/A

3.7 Taxation of interest income

Please refer to the Taxation of interest income mentioned under item 2.7.

3.8 Personal assessment and utilization of losses : N/A

3.9 Withholding tax

Please refer to the withholding tax rate mentioned under item 2.10.

3.10 Statutory obligations of employers

N/A.

3.11 Filing requirement of tax return

Filing due dates

Employers must file salary and fringe benefit tax return and payment to GDT by the 15th day of the following month.

Penalties

N/A.

Application of holdover

The monthly salary tax deduction is considered to be a final tax for individuals, and do not require to submit annual return to the GDT.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

National Social Securities Fund (NSSF). NSSF is a fund established for well-being and protection of employees and workers.

4.2 Basis of contribution

An employer whose has 8 staff or more is obliged to register with NSSF.

4.3 Contribution rate

The contribution is a uniform rate applied to all risk class or industry. All employers pay 0.8% of the assumed wage based on the employee's monthly wage before taxation.

4.4 Exemption from tax

N/A.

GST/VAT

5.1 Basis of tax

VAT is levied on a wide range of importation of goods and almost all supply of goods and services in Cambodia and on each stage of production, VAT is imposed allowing each supplier credit for the tax paid, hence VAT eventually impacts on the end consumer only.

5.2 Rates of tax

The supply is subject to VAT at either the zero rate or standard rate:

1.	0%	Export of goods and services, and certain charges in relation to international transport of people and goods.
2.	standard rate of 10%	Including importation of goods and almost all supply of goods and services

5.3 Registration

Any person having businesses with providing taxable supplies of goods and services are required to be registered under VAT if they meet the criteria below:

a.	Corporations, importers, exporters and investment companies
b.	Taxpayers with taxable turnover in any period of 3 consecutive months that exceeds or expect to exceed in the coming period of 3 consecutive months of : i. goods sold exceeding KHR125 million; or ii. services provided exceeding KHR60 million
c.	Taxpayers undertaking government contracts with a total taxable turnover exceeding KHR30 million.

A person who is liable to be registered for VAT shall apply to the GDT at the commencement of business operations or within 30 days, after the point at which tax payer become a taxable person.

5.4 Filing requirements

Returns and payment have to be filed and paid to the GDT by the 20th day of the following month.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Tax paid overseas on foreign source income is available as a tax credit, subject to the taxpayer providing sufficient evidence to substantiate the foreign tax paid. The tax credit is calculated separately for each foreign country and is the lower of the foreign tax paid or Cambodian tax payable on foreign source income.

6.2 List of double tax treaties signed

Currently, there are no double-taxation agreements with Cambodia. However, Cambodia has made investment and trade agreements with a number of countries such as Malaysia, Singapore, Indonesia, Thailand, Brunei, Vietnam, Laos, Philippines, China, Germany, Switzerland, France, Russia, United States of America, Korea, India, Bangladesh and Uganda.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp Tax is levied on administration documents, court documents, non-court document. Ministry of Economy and Finance shall determine the scope of implementation and stamp tax table in the sub-decree. All unpaid documents which are subject to stamp tax will not be received or issued by the competent authority. Each stamp has value of 100 riel, 200 riel, 500 riel, 1,000 riel, 2,000 riel. Ministry of Economy and Finance is the only competent authority to print the stamp.

7.2 Immovable property tax

Property tax shall be imposed on the properties located in the municipality and provinces of the Kingdom of Cambodia. This tax shall be collected annually at a rate of 0.1% on the value of the property. Its applied to immovable properties valued in excess of 100,000,000 riels. The term "Property" is referred to lands, houses, buildings and other constructions that are built on the land, and the value of property shall be determined based on the market price by the property evaluation committee which is established by the Prakas of the Minister of Economy and Finance. The deadline for paying the Property tax is on 30 September each year.

7.3 Unused land tax

The unused land tax is levied on unused land which are located in the cities and areas which are levied by Unused Land Appraisal Committee (ULAC). The unused land tax is paid by owners. Tax on unused land is based on 2% of the market price per square meter as determined by ULAC.

7.4 Patent tax

All enterprise carrying on business activities in Cambodia must register annually with tax authorities and pay a standard patent tax of KHR1,140,000 per year and payment remit by 31 March at the relevant ensuing fiscal year.

7.5 Accommodate tax (AT)

AT is a tax imposed on the provision of hotel accommodation service. AT is levied at a rate of 2% on hotel accommodation services, inclusive of other services charge and all kind of taxes, but exclusive of the AT itself and VAT.

7.6 Property transfer tax

The transfer of ownership at immovable property and certain vehicles (including ships, trucks, car and motorbikes) under the form of sales, exchange, gift or share capital contribution, is subject to a 4% transfer tax of the transferred value. The tax must be paid by the transferee within 3 months of the transfer date.

7.7 Registration Tax

Registration tax of 0.1 % applies to a transfer of any or all parts of the company's shares. 0.1% registration tax also applies on the government contract value related to the supply of goods/ services that are used under the state budget.

The following legal documents are subject to a registration tax (stamp duty) of KHR1,000,000:

- Document on establishing company
- Document on merging the companies
- Document on resolving the company.

7.8 Others

Business tax: N/A

Consumption tax, etc. : N/A

POINT OF CONTACT

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GENERAL INFORMATION

1.1 Country : The People's Republic of China

1.2 Currency : Renminbi (RMB)

1.3 Principal business entities

- Structures Used by Domestic Entities
  - State-owned Enterprises (SOEs)
  - Private or individually owned enterprises
- Joint Stock Companies
  - Limited Liability Companies
  - Companies Limited by Shares
- Foreign Investment Enterprises
  - Equity Joint Ventures
  - Wholly Foreign-Owned Enterprises
  - Cooperative Joint Ventures
- Foreign Enterprise and Other Arrangements
  - Representative Offices
  - Branch Offices

1.4 Foreign exchange control

The State Administration of Foreign Exchange (hereinafter referred to as "SAFE") is an administrative agency tasked with managing the State foreign exchange (hereinafter referred to as "forex") in China. It is responsible for administering the forex matters of current account items and capital account items as well as managing the forex business affairs of financial institutions. With the globalization of China's economy, the State forex management policy has been adjusted accordingly. Major changes worthy of attention include:

In July 2013, the SAFE issued Hui Fa [2013] No. 30 ("hereinafter referred to as Circular 30"), titled Notice Releasing the Regulations Regarding Foreign Exchange Administration for Service Trade. This important document consolidates, repeals and standardizes the existing regulations on forex administration associated with service trade. Circular 30 makes major milestone changes by improving the forex administration of service trade and facilitating investing in service trade.

Circular 30 brought the following major changes, effective from 1 September 2013:

(1) China's restrictions on international payments under service trade items are eliminated and the approval requirement for forex purchases and payments under service trade is abolished. This simplifies the SAFE's approval process. Administration of forex purchases and payments under service trade will be mainly transferred to banks.

(2) Documentation verification procedures are simplified and document verification for transactions with an amount under the minimum threshold is cancelled. Forex receipt and payment under service trade could be processed directly at banks. For a single forex receipt and payment transaction under service trade in the amount of less than or equivalent to USD50,000, it could be generally processed by banks without document verification. For a single transaction in the amount of more than USD50,000 that are still subject to verification, the documentation verification procedures at banks are simplified. In addition, according to Public Notice (2013) No. 40 ("Notice 40") jointly issued by the State Administration of Taxation and SAFE, a tax record filing requirement will replace the current tax clearance certificate requirement for outward forex remittances under service trade, effective from 1 September 2013. The tax record filing requirement is waived for a forex payment less than or equivalent to USD50,000 as well as certain other items.

(3) Regulations on service trade forex income deposited overseas are relaxed. Circular 30 relaxes the requirement on forex income derived from service trade and retained by domestic companies and, subject to certain conditions, allows corporate groups to consolidate and deposit such forex income overseas.

Circular 30 simplifies the procedural and documentation requirements of forex purchases and payments under service trade, making it much easier for companies to make outward remittances. In administering forex control matters, there is a shift from upfront approval to a post-remittance supervision system, placing emphasis on the self-compliance of companies as well as the authenticity of transactions.

Companies should also be aware of the strict procedures of post-transaction penalty on forex matters. For instance, the related detailed implementation rules (attached as an appendix to Circular 30) specifically stipulate that splitting transactions on purpose to avoid forex administration will be penalized in accordance with the relevant provisions of the Administrative Regulations of the PRC on Foreign Exchange.

1.5 Current economy climate (Industry overview/encouraged business development)

In recent years, China has emerged as a major global economic and trade power. It is currently the world's second-largest economy, largest merchandise exporter, second-largest merchandise importer, second-largest destination of foreign direct investment

(FDI), largest manufacturer, largest holder of foreign exchange reserves, and largest creditor nation.

China has ample space and many projects to upgrade its industries, construct its infrastructures and improve its social welfares, and with the sufficient financial power and huge economic demand, it is quite possible for China to maintain a steady and high-speed economic growth for quite a long period in the future.

1.6 National tax authority

Name: State Administration of Taxation of the People's Republic of China

Official website: www.chinatax.gov.cn

CORPORATE INCOME TAX

2.1 Basis of taxation

Enterprises and other organizations that obtain income within the PRC (hereinafter referred to as "Enterprises") shall pay corporate income tax in accordance with the provisions of the Corporate Income Tax Law of the PRC (hereinafter referred to as "CIT Law").

This Law shall not apply to wholly individually-owned enterprises and partnership enterprises.

Concept of "Resident Enterprise"

The CIT Law introduced the concept of "Resident Enterprise", which refers to an enterprise established under the PRC law or enterprise established under foreign laws but has its effective management located in China. Resident enterprises are subject to corporate income tax on worldwide income while non-resident enterprises only on China sourced income. Enterprises registered in China are always resident enterprises. A foreign enterprise that has effective management in China may also be regarded as a resident enterprise.

2.2 Rates of tax

The corporate income tax rate for the general enterprises is 25%. Qualified enterprises are eligible for reduced tax rates (please refer to "Tax incentive policies" below).

For non-resident enterprises that have obtained income in accordance with the provisions of the Corporate Income Tax Law of the PRC, the applicable tax rate shall be 20%.

Small-scale enterprises with minimal profits that are qualified are subject to the reduced corporate income tax rate of 20%.

High and new technology enterprises that are qualified are subject to the reduced corporate income tax rate of 15%.

2.3 Year of assessment

Corporate income tax shall be computed on a tax year basis. The tax year shall begin on 1 January and end on 31 December of a calendar year. Where an enterprise commences or ceases its business operation during the tax year and the actual business operation period is less than 12 months, the actual business operation period shall be regarded as one tax year. Where an enterprise is being liquidated according to the law, the liquidation period shall be regarded as one tax year.

2.4 Profits deemed to be taxable

The taxable income of an enterprise in a tax year shall be the balance derived from the total income, after deduction of non-taxable income, tax-exempt income, other deductions and allowable unutilized losses of previous years.

The total income of an enterprise comprises monetary and non-monetary forms of income received by the enterprise from various sources, which include:

1. income from sale of goods;
2. income from provision of labor services;
3. income from transfer of property;
4. dividends, profit distributions or other returns on equity investment;
5. interest income;
6. rental income;
7. income from royalties;
8. income from gifts and donations; and
9. other income.

The following income out of the total income is deemed as non-taxable income:

1. financial allocation;
2. government administrative charges and contributions to government reserve funds lawfully collected and subject to government's financial administration;
3. other non-taxable income stipulated by the State Council.

Reasonable and business-related expenses that are actually incurred by an enterprise, including costs, expenses, tax payments, losses and other expenses, are deductible in calculating the taxable income.

For charitable donations made by an enterprise for public welfare, the portion within 12% of the total annual profit can be deducted from the taxable income.

The following expenses are not deductible in calculating the taxable income:

1. income from equity investment paid to investors such as dividend and profit distributions;
2. payment of corporate income tax;
3. late payment charges on tax underpayment;
4. fines, penalties and losses resulting from confiscated property;
5. donations other than those prescribed in Article 9 of the CIT Law;
6. sponsorship expenses;
7. unapproved provisions; and

8. other expenses that are irrelevant to the earning of income.

In calculating its taxable income, an enterprise can deduct depreciation charges on its fixed assets where such charges are calculated in accordance with the relevant provisions.

No depreciation may be deducted for the following fixed assets:

1. fixed assets (other than premises and buildings) not in use;
2. fixed assets leased from another party under an operating lease;
3. fixed assets leased to another party under a finance lease;
4. fixed assets that have been fully depreciated but are still in use;
5. fixed assets that are irrelevant to business activities;
6. land appraised independently and booked as fixed assets;
7. other fixed assets on which depreciation charges are not allowed to be deducted.

In calculating its taxable income, an enterprise can deduct amortization charges of its intangible assets where such charges are calculated in accordance with the relevant provisions.

Amortization on the following intangible assets are not deductible:

1. expenses incurred by an enterprise in the development of its own intangible assets that have already been deducted in calculating the taxable income of the enterprise;
2. self-created goodwill;
3. intangible assets that are irrelevant to business activities; and
4. other intangible assets on which amortisation charges are not allowed to be deducted.

In calculating its taxable income, an enterprise can deduct the following expenses where such expenses are treated as long-term deferred expenses and amortized in accordance with the relevant provisions:

1. expenses incurred for the alteration of fully depreciated fixed assets;
2. expenses incurred for the alteration of fixed assets leased from another party;
3. expenses incurred for the overhaul of fixed assets; and
4. other expenses that shall be treated as long-term deferred expenses.

During the period of overseas investment, the cost of the investment assets of an enterprise shall not be deducted in calculating the taxable income.

In calculating its taxable income, the cost of inventories used or sold by an enterprise, which is computed in accordance with the relevant provisions, is allowed to be deducted.

Where an enterprise transfers its assets, the net asset value of such assets is allowed to be deducted in calculating its taxable income.

Where an enterprise calculates its corporate income tax on a consolidated basis, losses incurred by its overseas business establishments shall not be offset against the profits from its business establishments in the PRC.

Losses incurred by an enterprise in a tax year are allowed to be carried forward and utilized against the income of subsequent years. However, the loss carry-forward period shall not exceed 5 years.

The taxable income of a non-resident enterprise as described in paragraph 3 of article 3 of the CIT Law shall be calculated according to the following methods:

1. For dividends, profit distributions and other returns on equity investments, interest, rentals and royalties, the taxable income shall be the entire amount of revenue;
2. For gains from transfer of properties, the taxable Income shall be the entire amount of revenue less net property value;
3. For other income, the taxable income shall be calculated by reference to the two methods mentioned above.

Detailed measures regarding the specific scope of, and the standards for, revenue and deductible expenses, and detailed measures on the tax treatment of assets as stipulated in the CIT Law, shall be provided by the departments in charge of finance and taxation under the State Council.

In calculating its taxable income, where the financial and accounting treatment adopted by an enterprise are inconsistent with the provisions of the tax law and regulations, the taxable income shall be calculated in accordance with the tax law and regulations.

2.5 Tax treaty network and the applicable withholding tax rates withholding tax rate

Withholding tax (hereinafter referred to as "WHT") rate for passive income derived by non-residents is 20% under the CIT Law and is reduced to 10% under the Detailed Implementation Regulations of the CIT Law. This unilateral concessionary WHT rate is applicable to dividend, interest, rental, royalty, and other passive income such as the gains from the sale or transfer of real estate property, land use right and shares in a PRC company. Dividends distributed by a foreign investment enterprise out of its pre-2008 profit can be exempted from WHT.

WHT rates for passive income may be lower than 10% or exempted under a tax treaty.

Where the provisions of the tax treaty entered into between the PRC and any foreign country or the tax arrangement made between the PRC and Hong Kong or Macau conflicts with provisions of the tax law of the PRC, the provisions of the tax treaty or the tax arrangement shall prevail.

2.6 Taxation of capital gains

There is no separate capital gains tax. Capital gains and losses of enterprises generally are combined with other operating income and taxed at the normal corporate income tax rate of 25%.

2.7 Taxation of interest income

According to the CIT Law, the interest income shall be included into the total taxable income except for the interest income from state treasury debts.

2.8 Utilization of tax losses

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(1) Losses incurred by an enterprise in a tax year are allowed to be carried forward and utilized against the income of subsequent years. However, the loss carry-forward period shall not exceed 5 years.

(2) The trading profit obtained from the tax exempted/reduced projects may not be offset against current year's trading loss as well as carried backward for trading losses. In addition, the trading loss arose from the tax exempted/reduced projects may not be offset against current year's trading profit and carried forward against future gains.

(3) In the year when the enterprise starts to trade, trading loss shall be computed on a tax year basis.

(4) The trading profit from domestic activities shall not be allowed to offset against the trading loss from oversea. However, the trading profit from oversea activities would be allowed to offset against the domestic trading loss.

2.9 Key tax incentives

Tax-exempt income

1. interest income from state treasury debts;
2. qualified dividends, profit distributions and other returns on equity Investments derived by a resident enterprise from another resident enterprise;
3. dividends, profit distributions and other returns on equity investments derived by a non-resident enterprise from another resident enterprise, to the extent that the dividends, profit distributions and other returns are effectively connected with the establishment or place of business in the PRC of the non-resident enterprise;
4. income of qualified non-profit organizations.

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Tax incentive policies

1. Tax reduction and exemption

Corporate Income Tax (hereinafter referred to as "CIT") may be reduced or exempted on income derived from the following projects/industries:

Projects/industries	CIT incentive (see Note below)
Agriculture, forestry, animal-husbandry and fishery projects	Exemption or 50% reduction
Specified basic infrastructure projects	3+3 years tax holiday
Environment protection projects and energy/water conservative projects	3+3 years tax holiday
Qualified high and new technology enterprises established in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Pudong New Area of Shanghai newly established after 1 January 2008	2+3 years tax holiday
Software enterprises	2+3 years tax holiday
Integrated circuits design enterprises	2+3 years tax holiday
Integrated circuits production enterprises with a total investment exceeding RMB8 billion, or which produce integrated circuits with a line-width of less than 0.25um provided that its operation period exceeds 15 years	5+5 years tax holiday
Integrated circuits production enterprises which produce integrated circuits with a line-width of less than 0.8um	2+3 years tax holiday
Qualified energy-saving service enterprises	3+3 years tax holiday
Encouraged enterprises in underprivileged areas of Xinjiang	2+3 years tax holiday

Note

"2+3 years tax holiday" refers to two years of exemption from CIT followed by three years of 50% reduction of CIT; similarly, "3+3 years tax holiday" refers to three years of exemption plus three years of 50% reduction of applicable CIT.

For income derived by a resident enterprise from the transfer of qualified technology in a tax year, the portion that does not exceed RMB5 million shall be exempted from CIT; and the portion that exceed RMB5 million shall be allowed 50% reduction of CIT.

2. Reduced tax rate

Qualified high and new technology enterprises are eligible to a reduced CIT rate of 15%.

Integrated circuits production enterprises with a total investment exceeding RMB8 billion, or which produce integrated circuits with a line-width of less than 0.25um are eligible to a reduced CIT rate of 15%.

Key software enterprises and integrated circuits design enterprises are eligible for a reduced CIT rate of 10%.

Qualified technology-advanced service enterprises in 21 cities (such as Beijing, Shanghai, Tianjin, Guangzhou, Shenzhen, etc.) are eligible to a reduced CIT rate of 15%, effective from 1 January 2009 to 31 December 2018.

Enterprises established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone are eligible to a reduced CIT rate of 15% provided that the enterprise is engaged in projects that fall within the Catalogue for CIT Preferential Treatments of the zone.

Enterprises established in Zhuhai's Hengqin New Area are eligible to a reduced CIT rate of 15% provided that the enterprise is engaged in projects that fall within the Catalogue for CIT Preferential Treatments of the area.

Enterprises established in the Pingtan Comprehensive Experimental Zone of Fujian Province are eligible to a reduced CIT rate of 15% provided that the enterprise is engaged in projects that fall within the Catalogue for Encourage Industries of the zone.

Encouraged enterprises in the Western Regions are eligible for a reduced CIT rate of 15%, effective from 1 January 2011 to 31 December 2020.

Qualified small and thin-profit enterprises are eligible to a reduced CIT rate of 20%. If the annual taxable income is less than RMB100,000, the CIT rate is further reduced to 10% from 1 January 2014 to 31 December 2016.

2.10 Withholding tax

Dividends

Dividends paid to a non-resident enterprise are subject to a 10% withholding tax (the statutory rate is 20%), unless the rate is reduced under a tax treaty.

Interest

Interests paid to a non-resident are subject to a 10% withholding tax (the statutory rate is 20%), unless the rate is reduced under a tax treaty. A 5% Business Tax will also be applicable.

Royalties

Royalties paid to a non-resident are subject to a 10% withholding tax (the statutory rate is 20%), unless the rate is reduced under a tax treaty. A 5% Business Tax is also imposed, but may be waived when royalties are paid for the transfer of qualified technology.

Technical service fees

Technical service fees paid to a non-resident company are subject to the statutory income tax rate (i.e. 25%) on a net-profit basis to the extent the relevant services are derived within China, unless the rate is reduced under a tax treaty.

2.11 Transfer pricing

Transfer pricing is the transactions between the related parties.

Where business transactions between enterprises and their affiliates that reduce the taxable income or income of such enterprises and their affiliates are not in compliance with the independent transaction principle, the tax authority has the right to make an adjustment in accordance with reasonable methods.

The cost incurred in joint development and transfer of intangible assets, or joint provision and acceptance of labour services by enterprises and their affiliates shall be shared under the independent transaction principle in computing the taxable income.

Enterprises may report to the tax authority the pricing principle and calculation method of the transactions between their affiliates. Upon negotiation and confirmation with the enterprises, the tax authority may reach an advance pricing arrangement with the taxpayer.

In the beginning of 2012, the government has issued two documents which are Guo Sui Fa (2012) No.13 "Internal Working Procedures for Special Tax Adjustments (Trial)" and Guo Sui Fa (2012) No. 16 "Work Statutes for Special Tax Adjustment of Important Case Review". Those documents have further regulated the management of transfer pricing between the related parties.

2.12 Filing requirements of tax return

Filing due dates

The tax return of CIT shall be submitted within 15 days from the first day of the following quarter; and final settlement of CIT shall be submitted within 5 months from the first day of the following year. If enterprises have ceased to operate, they shall submit the declaration form within 60 days from the day it ceased to operate.

Penalties

Failure to submit the tax return of CIT on time would attract a penalty of 50 Yuan per day with a surcharge fine for the overdue amount (total corporate income tax payable x 0.05% x days)

Payment of profit tax and application of holdover

According to the Article 27 of Law of the PRC to administer the levying and collection of taxes and the Article 37 of detailed rules for the implementation of the law of the PRC to administer the levying and collection of taxes, if an enterprise has difficulties to submit the tax return on time, it shall submit a formal application form for delaying in advance. After approved by the tax authority, it shall be allowed to delay but the tax return shall be submitted as soon as possible.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

An individual having residence in China or having resided in China for one year or more although without a permanent residence therein shall pay individual income tax on income from inside and outside China in accordance with the provisions of Individual Income Tax Law of the PRC.

An individual who neither has residence nor lives in China or who has no residence and has lived in China for less than one year shall pay individual income tax on income from inside China in accordance with the provisions of this Law.

Individual income tax shall be levied on the categories of personal income listed below:

1. Wages and salaries,
2. Income derived by individual industrialists and merchants from production and business,
3. Income from subcontracting or leasing operations,
4. Compensation for personal services,
5. Income from authorship,
6. Royalties,
7. Interests and dividends,
8. Income from the lease of property,
9. Income from the transfer of property

3.2 Rates of tax

Seven progressive tax rates ranging between 3 % and 45 % are levied on wages and salaries.

Dividends, interest, royalties income from leasing property, income from the transfer or assignment of property, income from manuscripts and contingency income are taxed at 20%.

Interest income on bank deposits is temporarily exempt from individual income tax.

Income from production and business, income derived from contracting or leasing operations are taxed at progressive rates between 5 % and 35%.

Income from personal services is subject to progressive rates up to 40 %.

Schedule 1 - Individual Income Tax Rates

(Applicable to income from wages and salaries)

Tax Grade	Monthly Taxable Income (RMB)	Rate
1	RMB <= 1500	3%
2	1500 < RMB <= 4500	10%
3	4500 < RMB <= 9000	20%
4	9000 < RMB <= 35000	25%
5	35000 < RMB <= 55000	30%
6	55000 < RMB <= 80000	35%
7	RMB > 80000	45%

3.3 Year of assessment

Usually, except income from production or business operation, other personal income tax should be paid on monthly basis.

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3.4 Allowances and Deductions

China's legislature has approved an increase in the individual income tax free threshold to RMB3,500 for Chinese nationals and a new streamlined schedule of tax brackets, down from nine to seven. The new rates effect from 1 September 2011. Foreigners will also be subject to the new rates; however, the tax free threshold for foreign workers will remain at RMB 4,800.

3.5 Taxation of dividends

The tax rate of income from dividend shall be 20%.

3.6 Taxation of capital gain

Gains derived from the sale of property, net of relevant expenses and taxes, are subject to tax at a rate of 20%. Individuals generally are exempt from tax on gains from the sale of their sole private dwelling if they have occupied the residence for five years.

3.7 Taxation of interest income

The tax rate of interest income shall be 20%.

3.8 Personal assessment and utilization of losses

N/A.

3.9 Withholding tax

According to Interim Measures of Withholding Individual Income Tax, all units including enterprises (companies), institutions, agencies, organizations, armed forces, foreign organizations in China, private businessmen and individuals paying taxable income are withholding agents, and it is the obligation of those agents to withhold individual income tax.

3.10 Statutory obligation of employers

Withholding agents, when making payments (including cash, property and securities) that are subject to tax, must withhold the individual income tax regardless of the fact whether the taxpayers belong to the paying units or not.

3.11 Filing requirement of tax return

Filing due dates

Individual income tax on wages and salaries is calculated and levied on a monthly basis. Withholding agents and individuals who file returns personally must submit a tax return to the tax authorities and make the tax payment to the State Treasury within 15 days after the end of the month in which the income was derived.

Annual filing is required within three months of the end of the tax year for individuals with annual income exceeding RMB 120, 000.

Penalties

A late payment surcharge will be imposed on a daily basis at the rate of 0.05% of the amount of underpaid tax. Penalties may be imposed in addition to the late payment surcharge.

Application of holdover

Taxpayers who have difficulties to submit the tax return on time shall submit in advance a formal application form for deferment.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

1. Social Insurance agency.
2. Labor and Social Security Department.

4.2 Basis of contribution

Chinese nationals employed by China entities are eligible for the social security system in China. The New PRC Social Security Law took effect on 1 July 2011 and the Provisional Measures for Foreigners Working in the PRC regarding Participation in the Social Insurance Scheme ("The Provisional Measures") also became effective on 15 October 2011. Foreign individuals who work in the PRC and their employers in China are now required to make PRC social security contributions which include pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

4.3 Contribution rate

Social security tax rates vary among cities. Employers and employees are subject to social security taxes at an average rate of 30% and 11% of gross income, respectively. For this purpose, the amount of gross income is capped at three times the average salary in the city for the preceding year as published by the local government.

4.4 Exemption from tax

The expenditures of social contributions shall be deducted from the taxable income when calculated the corporate income tax and individual income tax.

VAT (value-added tax)

5.1 Basis of tax

VAT applies on the supply of goods, the provision of processing, repair or replacement services, and on the import of goods.

The pilot VAT reform program launched in Shanghai in 2012 and expanded nationwide on 1 August 2013 aims to transition service industries from liability to Business Tax to liability to VAT. The reform applies to the transportation industry, certain modern service sectors (e g. R&D and technology services, leasing of moveable and tangible goods etc.) and postal services.

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5.2 Rates of tax

1. For taxpayers selling or importing goods, other than those stipulated in items (2) and (3), the tax rate shall be 17%.
2. For taxpayers selling or importing the following goods, the tax rate shall be 13%:

   I. Food grains, edible vegetable oils;

   II. Tap water, heating, air conditioning, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;

   III. Books, newspapers, magazines;

   IV. Feeds, chemical fertilizers, agricultural chemicals, agricultural machinery and covering plastic film for farming;

   V. Other goods as regulated by the State Council.
3. For taxpayer providing transportation and modern services, tax rates are as follows :

   I. for tangible personal property leasing services, the tax rate is 17%.

   II. for transportation services, the tax rate is 11%.

   III. for modern services (except the rental of tangible personal property), the tax rate is 6%.

   IV. for the taxable service stipulated by the Ministry of Finance and the State Administration of Taxation, the tax rate is zero.
4. VAT rate of 3% applies under the small scale taxpayer scheme
5. For exporting goods, the tax rate shall be 0%, except as otherwise stipulated by the State Council.
6. For taxpayer providing processing, repairs and replacement services, the tax rate shall be 17%.

5.3 Registration

A company is required to register with the local tax authorities at the time of incorporation to have Its status recognized. If the taxpayer's status is approved, VAT taxpayers (other than small-scale VAT taxpayers) must register for VAT purposes with the tax authorities. A non-resident company is not required to register for VAT.

5.4 Filing requirements

The VAT assessable period shall be one day, three days, five days, ten days, fifteen days or one month.

The actual assessable period of the taxpayer shall be determined by the tax authorities according to the magnitude of the tax payable of the taxpayer; tax that cannot be assessed in regular periods may be assessed on a transaction-by-transaction basis.

Taxpayers that adopt one month as an assessable period shall report and pay tax within ten days following the end of the period. If an assessable period of one day, three days, five days, ten days or fifteen days is adopted, the tax shall be paid within five days following the end of the period and a monthly return shall be filled with any balance of tax due settled within ten days from the first day of the following month.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

The foreign tax credit is the income tax the resident company or individual has paid overseas and it is deductible from the tax payable when it is to calculate the income tax payable in China. But the credit is limited to the amount of China tax payable on the same trading income.

6.2 List of double tax treaties signed

China has signed the following 99 double tax treaties:

JAPAN	CANADA	MONGOLIA
U.S.A.	FINLAND	BULGARIA
FRANCE	SWEDEN	PAKISTAN
U.K.	NEWZEALAND	KUWAIT
BELGIUM	THAILAND	SWITZERLAND
GERMANY	ITALY	CYPRUS
MALAYSIA	THE NETHERLANDS	SPAIN
NORWAY	CZECHOSLOVAKIA	ROMANIA
DENMARK	POLAND	AUSTRIA
SINGAPORE	AUSTRALIA	BRAZIL
YUGOSLAVIA (BOSNIA AND HERZEGOVINA)		ICELAND
HUNGARY	CROATIA	LITHUANIA
MALTA	BELARUS	LATVIA
UNITED ARAB EMIRATES	SLOVENIA	UZBEKISTAN
LUXEMBOURG	ISRAEL	BANGLADESH
KOREA	VIETNAM	SUDAN
RUSSIA	TURKEY	MACEDONIA
PAPUA NEW GUINEA	UKRAINE	EGYPT
INDIA	ARMENIA	PORTUGAL
MAURITIUS	JAMAICA	ESTONIA
YUGOSLAVIA (SERBIA AND MONTENEGRO)		LAOS
SEYCHELLES	KAZAKHSTAN	SRILANKA
THE PHILIPPINES	INDONESIA	TRINIDAD AND TOBAGO
IRELAND	OMAN	ALBANIA
SOUTH AFRICA	NIGERIA	BRUNEI
BARBADOS	TUNIS	AZERBAIJAN
MOLDOVA	IRAN	GEORGIA
QATAR	BAHRAIN	MEXICO
CUBA	GREECE	SAUDI ARABIA
VENEZUELA	KYRGYZSTAN	ALGERIA
NEPAL	MOROCCO	TAJIKISTAN
ETHIOPIA	ZAMBIA	BOTSWANA
TURKMENISTAN	SYRIA	ECUADOR
CZECH	UGANDA	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

1) Basis of taxation

Stamp duty is a tax that is levied on certain legal business transaction, such as the transfer of a property.

The following categories of documents shall be taxable:

i. contracts or documents in the nature of a contract with regard to: purchases and sales, the undertaking of processing, contracting for construction projects, property leasing, commodity transport, warehousing, loans, property insurance, technology;

ii. documents for transfer of property rights;

iii. business account books;

iv. certificates evidencing rights or licenses; and

v. other documents that are taxable as determined by the Ministry of Finance.

2) Tax Rates

- Purchase and sales contract is 0.3‰
- Processing contract is 0.5‰
- Construction Survey and Design Contract is 0.5‰
- Construction and installation engineering contract is 0.3‰
- Property lease contracts is 1‰, if the amount less than 1 Yuan, it decals 1 Yuan.
- Goods carriage contract is 0.5‰
- Storage contract is 1‰
- Loan contract is 0.05‰
- Property and casualty insurance contracts is 1‰
- Technology contract is 0.3‰
- Transfer of property rights is 0.5‰
- Accounting book is 0.5 ‰ of the total amount of paid-in capital and capital surplus for the funding Books and others are 5 Yuan per book
- Rights or licenses is 5 Yuan

7.2 Real property tax

1) Basis of taxation

The owner of property shall be liable for the payment of real estate tax. Where the property is subject to a mortgage, the mortgagee shall be liable for payment. Where the owner and the mortgagee are not present at the locality in which the property is situated, where ownership of the property has not been established or where disputes in connection with the tenancy and mortgage of the property have not been resolved, the tax shall be paid by the custodian or the user of the property on behalf of the owner or mortgagee.

2) Tax rate

Purpose of the property	Tax base	Rate
Self-used	The balance after deducted 10%-30% of the original value	1.2%
Leasing	Rental	12%

CHINA

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

In addition to Value Added Tax, China imposes two other notable indirect taxes: Business Tax and Consumption Tax.

Business Tax

Business Tax is a turnover tax imposed on the provision of certain services, the assignment of intangible assets and the sale of immovable property within China.

The pilot VAT reform program launched in Shanghai in 2012 and expanded nationwide on 1 August 2013 aims to transition service industries from liability to Business Tax to liability to VAT. The reform applies to the transportation industry, certain modern service sectors (e g. R&D and technology services, leasing of moveable and tangible goods etc.) and postal services.

Business Tax rates are 3% or 5% for most taxable items (except entertainment), although a 5% to 20% rate applies to entertainment as determined by the local tax authorities.

Once a taxpayer's tax status has been approved by the tax authorities, the company should register as a Business Tax payer. Returns generally should be filed each calendar month and submitted before the 15th of the following month.

Consumption Tax

Consumption Tax applies to alcohol, cosmetics, diesel fuel, fireworks, jewelry, motorcycles, motor vehicles, petrol, luxury watches, tobacco, tires, golf equipment, yachts, etc., at rates ranging from 1% to 45% of the value of the goods.

Once the taxpayer's tax status has been approved by the tax authorities, the vendor should register as a Consumption Tax payer. Returns generally should be filed each calendar month and submitted before the 15th of the following month.

POINT OF CONTACT

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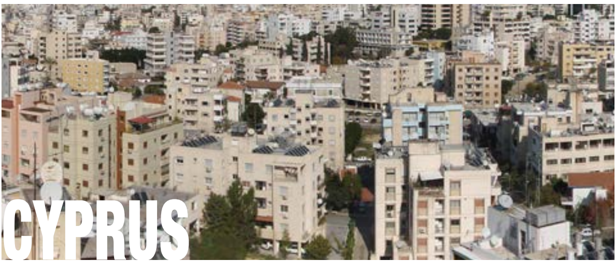

CYPRUS

GENERAL INFORMATION

1.1 Country : Cyprus

1.2 Currency : Euro - €

1.3 Principal business entities

- Public Companies – unlimited number of shareholders and no restrictions on transfer of shares
- Private Companies – limited number of shareholders and possible restrictions on transfer of shares
- Partnerships
- Branches of foreign companies
- Trusts
- Funds
- Investment Firms
- SE Companies – Societas Europaea

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/encouraged business development)

Cyprus is an island lying at the south-eastern corner of the Mediterranean. It is the third largest island in the Mediterranean. The geographical position of the island played a significant role in rendering it into an international business centre, as it is in the crossroads of three continents (Europe, Asia, Africa) and the Middle East.

The Cyprus economy is based mainly on professional services and tourism.

There are more than 268,000 companies registered in Cyprus, evidence of the attractiveness of Cyprus' taxation system benefits and international investors' confidence in Cyprus economy.

The banking system in Cyprus is capable of providing fast and effective services worldwide. The system is under the supervision of the Central Bank of Cyprus (www.centralbank.gov.cy) which controls all businesses carried out by commercial banks and other financial institutions.

All financial institutions provide a wide range of services and they are all subscribers to the SWIFT system (Society for World

Interbank Financial Telecommunications).

Operating through a company registered in Cyprus can significantly reduce the tax liability of the business and the ultimate shareholders, thus increasing the net return on the investment.

Cyprus has been a full member of the European Union since 2004 and adopted the Euro as its official currency since the beginning of 2008.

The strategic position and time-zone of Cyprus, enables comfortable connections between Europe, Middle East, Africa and Asia and make the island a natural hub for business and trade.

Cyprus is an established and reputable business and financial center supported by an advanced legal, accounting and banking system, highly skilled and multilingual workforce, excellent telecommunication systems and convenient year round flight connections.

In addition, due to the great numbers of international businesses already situated in Cyprus, there are outstanding networking possibilities for all of new entrants.

The local governments have traditionally been promoting Cyprus as an international business center, through the enactment of favorable tax laws, which are in full compliance with EU directives and the reduced paperwork and costs necessary to register a Cyprus company.

1.6 National tax authority

Name:

The Inland Revenue Department (IRD)

Website

http://www.mof.gov.cy/mof/ird/ird.nsf/dmlindex_en/dmlindex_en

CORPORATE INCOME TAX

2.1 Basis of taxation

Trading profits of a Cyprus tax resident company are taxed on their income accrued or derived out of sources in Cyprus and abroad. A unilateral tax credit is given for income taxed abroad. A company is considered to be tax resident in Cyprus, if its management and control is exercised in Cyprus.

2.2 Rates of tax

The corporation tax for all companies is the flat rate of 12.5%, among the lowest tax rate within Europe. Income from dividends, gains on trading and valuation of securities and gain on disposal of shares in subsidiaries and associates is tax exempt. 80% of income generated out of Intellectual Property registered in Cyprus is also exempt.

2.3 Year of assessment

The tax year of each company covers the year from 1st of January to 31st of December.

2.4 Profits deemed to be taxable

- Business profits
- Interest income
- Income from intangible assets (e.g. royalties)
- Rental income
- Grants and subsidies
- Income from disposal of immovable property situated in Cyprus

2.5 Taxation of dividends

Dividends received from abroad are tax exempt unless both of the following conditions are not satisfied, in which case they are taxed to Special Contribution for Defence (SCD) at 17%:

(1) The company paying the dividend must not engage directly or indirectly more than 50% in activities which lead to passive income (non-trading income), and

(2) The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (an effective tax rate higher than 5% in the country paying the dividend satisfies this condition).

A tax credit will be afforded according to the Double Taxation Agreements concluded by Cyprus. In the absence of a Double Taxation Agreement, Cyprus unilaterally affords a credit for the foreign tax paid on such income. For dividends received from EU Member States, Cyprus adopts the EU Parent-Subsidiary Directive.

Dividends paid from one Cyprus tax resident company to another are exempt from any tax in Cyprus.

2.6 Taxation of capital gains

Capital gains are not included in the ordinary trading profits of a business, but instead are taxed separately under the Capital Gains Tax (CGT) Law. Capital gains from the sale of immovable property situated in Cyprus as well as from the sale of shares in companies (other than quoted shares) in which the underlying asset is immovable property situated in Cyprus, are taxed at a flat rate of 20% after allowing for indexation. Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies which may have as an underlying asset immovable property held outside Cyprus, are completely exempt from capital gains tax.

2.7 Taxation of interest income

There are two types of taxes that may apply to interest income earned by a Cypriot company: income tax at 12.5% levied on interest derived, less any allowable expenses or Special Defence Contribution (SDC) at 30% applied to gross interest income. Interest earned by a Cypriot tax resident company derived in the ordinary course of business or closely connected thereto is only subject to income tax. Interest income by all other companies is subject to SDC.

2.8 Utilization of tax losses

Income tax losses are carried forward for five years. Capital gains tax losses are carried forward indefinitely.

Group relief is allowed for at least seventy-five percent (75%) group structures and is applicable only on yearly results, if claimants are Cyprus tax resident companies and are members of the same group for the whole tax year. Losses incurred from business carried outside Cyprus through a Permanent Establishment (PE) are allowed as a deduction against other taxable profits generated by the Cyprus Company.

2.9 Key tax incentives

Royalties

There is an 80% exemption on the net income generated from the utilization of patent, trademark or any other intellectual property (IP) rights. This exemption results in an effective tax rate of 2.5% from the utilization of Cyprus registered IP.

Gross amounts of royalties from sources within Cyprus by a company which is not a tax resident of Cyprus are liable to 10% (unless a Double Tax Treaty exists, where tax credit might be available) withholding tax at source. If the intangible property right, however, is granted to a Cyprus company for use outside Cyprus, then there is no withholding tax and the corporate rate is applied only on the profit margin left in the Cyprus company.

Trading In Titles

Gains from trading and disposal of securities are tax free. The term 'Titles' includes:

- ordinary and preference shares;
- founder's shares;
- options on titles;
- debentures;
- bonds;
- short positions on titles;
- futures / forwards on titles;
- swaps on titles;
- depositary receipts on titles;
- rights of claims on bonds and debentures;
- index participations (if they result in titles);
- repurchase agreements or Repos on titles;
- participations in companies; and
- units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS) and Undertakings for Collective Investments in Transferable Securities (UCITS).

Cyprus Holding Company

Cyprus companies have been traditionally used by experienced and sophisticated investors as holding companies for international investments (subsidiaries, associates and other), since Cyprus provides an extensive range of tangible and intangible advantages in comparison with other international investment hubs and financial centers.

Cyprus is not considered to be an offshore, but rather onshore European Union jurisdiction and companies registered in the island enjoy the same status as any other E.U. companies. Cyprus has adopted the E.U. Parent-Subsidiary Directive, which prohibits withholding taxes on dividends flowing between E.U. companies when the shareholding is greater than 10%. In addition, Cyprus has in place more than 50 Double Taxation Avoidance Agreements (DTAA) with countries covering more than 80% of the global GDP like China, Russia, United States, U.K., India, Canada, Germany, Ukraine and United Arab Emirates. On the other hand, Cyprus has in effect DTAAs with a number of offshore jurisdictions like Mauritius and Seychelles, which may facilitate the flow of funds for investments between onshore and offshore jurisdictions.

Furthermore, Cyprus unilaterally does not withhold taxes on outbound dividends and dividends coming from abroad are exempted from tax irrespective of the county of origin, unless both of the following conditions are not satisfied, in which case they are taxed to Special Contribution for Defence (SCD) at 20%:

(1) The company paying the dividend must not engage directly or indirectly more than 50% in activities which lead to passive income (non-trading income), and

(2) The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (an effective tax rate higher than 5% in the country paying the dividend satisfies this condition).

As a result, an investor from any country in the world can make an investment within E.U. or any other country and receive the return (dividend) suffering only the withholding tax on the outbound dividend towards the Cyprus company from the end investment, if any. And in that case, a tax credit will be allowed by Cyprus tax authorities according to the DTAA in force. In the absence of a DTAA, Cyprus unilaterally grants a credit for the foreign tax paid on such income.

Besides the tax advantages in relation to the annual return/dividend stream, the Cyprus holding company offers a great investment exit route as well, since the gain on disposal of shares is exempt from taxation, unless the company of which shares are disposed maintains immovable property in Cyprus. Therefore, disposing any type of international investment held under a Cyprus company is virtually tax free.

Given the fact that Cyprus holding companies are used to facilitate international investments, the tax residency status of those companies becomes of crucial importance. The company needs to be a tax resident of Cyprus in order to enjoy the rights of the local taxation system, but most importantly the rights derived under DTAAs. The main determining factor for establishing management and control in Cyprus is to ensure that all board of directors meetings take place in Cyprus. Minutes of such meetings should be prepared and maintained at the company's registered office in Cyprus. In addition, the majority of the board members should be Cyprus tax residents. If the local tax authorities get satisfied by the evidence provided by the company then a tax residency certificate is issued.

Cyprus financing companies and minimum acceptable profit margins

A Cyprus company that earns interest in the normal course of its business/ operations, including interest closely associated with its normal business/ operations, is subject to income tax at the rate of 12.5%. Due to the beneficial corporate tax rate, a large number of Cyprus companies have been traditionally used in international tax structures for providing financing to other group companies. The Institute of Certified Public Accountants of Cyprus has recently reached an agreement with the local tax authorities in relation to the minimum acceptable profit margins regarding transactions of a tax resident company in Cyprus, in respect of the raising and the granting of loans from and to associated companies. Profit Margin in this case represents the difference between the interest rate on the loan granted from the interest rate on the loan received. Based on this development, investors that choose Cyprus companies for their group financing needs may end up being taxed with a rate lower than 2% (margin 0.125% X 12.5% tax rate).

Specifically, the following minimum profit margins have been agreed in the case of back to back loans:

Loan amount (in millions)	Minimum acceptable profit margin
Up to €50	0.35%
€50 to €200	0.25%
Over €200	0.125%

There are some minimum conditions in order for the above rates to be allowed, such as:

1. The time interval between the time the company receives the loan and the date it grants the loan cannot exceed 6 months.
2. The said profit margins will apply for each separate loan the Cyprus resident company receives and grants.
3. In case there is a non-interest bearing amount within the transaction, the minimum acceptable profit margin is 0.35%, irrespective of the loan amount.
4. A loan write off (receivable or payable) cannot result, directly or indirectly, in any tax liability or benefit. In case a Cyprus company writes off a loan receivable the only implication will be that any interest expense on the loan received to grant the specific loan written off will not be allowed for tax computation purposes.
5. The acceptable profit margins need to take into account charges related to the loans under the scheme in a way that the resulting taxable income will be net at the above rates.
6. Foreign exchange differences will not be taken into account for

company tax computation purposes.

7. The above provisions also apply in cases where the Cyprus tax resident company receives a loan from a third party (e.g. a bank institution) and then finances a group company.

Practical example

A Cyprus company receives a Euro20 million loan from a group company with an interest rate of 5% per annum. The loan is granted 1 January 2013. The Cyprus company then lends the Euro20 million to another group company at the same day. The company has no other transactions.

The Cyprus tax authorities will accept a rate as low as 0.35% for the loan receivable even if the loan agreement states a lower rate, meaning that the net profit to be taxed for 2013 is Euro70.000 (Euro20m X 0.35%) and tax payable will be Euro8.750 (Euro70.000 X 12.5%).

Other considerations – Withholding taxes

Understanding the implications of cross border transactions and withholding taxes involved (where applicable) is essential in international tax planning. The application of Double Taxation Avoidance Agreements and the relevant EU directives (if the transaction is within the European Union) are additional factors that need to be analyzed and taken into account for each scenario.

Shipping Companies

The new tonnage tax system for Cyprus merchant shipping was approved by the European Commission on 24th March 2010 (case N. 37 / 2010), as compatible with the requirements of the EU acquis, in accordance with the relevant guidelines on State Aid to Maritime Transport. This simplified tonnage tax system is approved for the first time for an EU Member State, a state with an open registry. It extends the favorable benefits applicable to owners of Cyprus flag vessels and ship managers to owners of foreign flag vessels and charterers. It also extends the tax benefits that previously covered only profits from the operation of vessels in shipping activities, to cover profits on the sale of vessels, interest earned on funds used other than for investment purposes and dividends paid directly or indirectly from shipping related profits.

The Merchant Shipping (Fees & Taxing Provisions) Law was enacted in May 2010 and introduces a new tonnage tax system in Cyprus, applicable as from the fiscal year 2010.

The new tonnage tax system contains most of the favorable features found in tonnage tax systems in other EU countries, and more. The system, therefore, provides Cyprus with a competitive advantage and is expected to significantly contribute to the improvement of the already strong position of the country in the shipping world.

Beneficiaries

The tonnage tax system is available to any owner, charterer or ship manager who owns, charters or manages a qualifying ship in a qualifying shipping activity. The tonnage tax is calculated on the net tonnage of the ship according to a broad range of bands and rates prescribed in the legislation. The rates applicable to ship managers are 25% of those applied for ship owners and charterers.

Tonnage Tax Rates

The following table summarizes the applicable rates for the tonnage tax calculation:

Net Tonnage				
0 - 1.000	1.001 - 10.000	10.001 - 25.000	25.00 - 40.000	> 40.000
€ 36,50 per 100 NT	€ 31,03 per 100 NT	€ 20,06 per 100 NT	€ 12,78 per 100 NT	€ 7,30 per 100 NT

Note: The rates applicable to ship managers are 25% of the above.

CYPRUS

2.10 Withholding tax

There are no withholding taxes on payments to non-tax resident persons (companies or individuals) in respect of dividends and interest.

2.11 Transfer pricing

Transactions between 'related parties' must be in accordance with the 'arm's length principle'. The Cyprus tax legislation adopted the OECD model and guidelines to determine whether a transaction is at arm's length.

2.12 Filing requirements of tax return

Filing due dates

15 months after the year end

Penalties

€100 for late submission

Payment of profit tax and application of holdover

Income tax is paid provisionally based on estimated income in 2 installments (by 31 July and 31 December of the current year). If the final assessment is lower than 75% of the estimated taxable profits, a 1.25% additional tax is paid on the balance. The final balancing payment is due by August of the following year.

The annual tax return of each tax year must be submitted electronically by the next following end of March (i.e. Annual tax return for 2013 must be submitted by 31 March 2015).

Application of holdover: Not applicable under Cyprus tax.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Cyprus tax residents are taxed on their chargeable income as derived or being accrued from all sources in Cyprus and abroad. On the other hand, individuals that are not tax residents are taxed on their income accrued or derived only in Cyprus.

An individual is considered to be Cyprus tax resident if he/she resides more than 183 days in the Republic within one calendar year. The following rules are applied for calculating the exact number of days in the Republic:

- The day of the departure from the Republic is considered to be a day outside of Cyprus.
- The day of the arrival to the Republic is considered to be a day in Cyprus.
- Arrival and departure on the same day is considered to be a day in Cyprus.
- Departure and arrival on the same day is considered to be a day outside Cyprus.

Any foreign taxes paid can be credited against income tax liability.

3.2 Rates of tax

Chargeable Income (€)	Tax Rate (%)	Accumulated Tax
0 - 19,500	Nil	Nil
19,500 - 28,000	20	1,700
28,001 - 36,300	25	3,775
36,301 - 60,000	30	10,885
over 60,000	35	

Special Contribution of private sector employees, pensioners and self-employed individuals

As of 1st January 2012 and for a period of five years (1 January 2012 to 31 December 2016) a special contribution is imposed on gross emoluments, pensions and income of self-employed individuals and employees (50% contributed by the employer) in the private sector. The calculation of special contribution for years 2014- 2016 is based on the rates below:

Gross Monthly Emoluments €	Contribution %	Total Special Contribution €
0-1,500	0	0
1,501-2,500*	2.5	25
2,501 – 3,500	3.0	55
Over 3,500	3.5	

**Minimum amount of Special Contribution €10*

3.3 Year of assessment

The tax year of each individual covers the year from 1st of January to 31st of December.

3.4 Allowances and deductions

The following types of income are exempted from Income Tax:

- Interest, except for interest derived out of ordinary business activities – it is subject to Special Defence Contribution.
- Dividends – subject to Special Defence Contribution (section 2.5).
- 50% of income/remuneration of an individual is exempted, if and only if, the individual was not a Cyprus tax resident for a period of 5 years prior to his/her employment commencing on 1st of January 2012 in relation to income/remuneration

exceeding €100.000.

- 20% of income/remuneration of an individual is exempted (with a maximum amount of €8.550 annually), if and only if, the individual was not a Cyprus tax resident for a period of 3 years prior to his/her employment starting on 1st of January following the year of the commencement of his employment.
- Profits from a permanent establishment.
- Profits as derived out of the sale of securities.
- Capital/lump sum as derived out of approved provident funds, retiring gratuity and/or compensation for death or injuries.

The following deductions are permissible:

- Contributions to trade unions and/or other professional bodies.
- Loss of current and previous years.
- 20% of annual rental income.
- Donations to approved institutions.
- Expenditure incurred for the maintenance of preserved buildings – up to €1.200, €1.100 or €700 depending on the size of the building.
- Social Insurance, provident fund and pension fund contributions – up to 1/6 of the annual chargeable income.
- Medical fund contributions with maximum of 1% of remuneration and up to 1/6 of the annual chargeable income.
- Life insurance premiums with maximum of 7% of the insured amount and up to 1/6 of the annual chargeable income.
- Special Contribution, which is payable according to monthly income.

3.5 Taxation of dividends

Dividends (from Cyprus and non-Cyprus resident companies) are taxed to Special Contribution for Defence (SCD) at 17%.

3.6 Taxation of capital gain

Capital gains are not included in the ordinary trading profits of a business, but instead are taxed separately under the Capital Gains Tax (CGT) Law. Capital gains from the sale of immovable property situated in Cyprus as well as from the sale of shares in companies (other than quoted shares) in which the underlying asset is immovable property situated in Cyprus, are taxed at a flat rate of 20% after allowing for indexation. Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies which may have as an underlying asset immovable property held outside Cyprus, are completely exempt from capital gains tax.

Individuals are entitled to a general life time exemption of €17,086 (€85,430 for principal private residence and €25.629 for agricultural land).

3.7 Taxation of interest income

Special Defence Contribution (SDC) at 30% applied to gross interest income.

3.8 Personal assessment and utilization of losses

Allowable expenses and deductions can never exceed 1/6 of income, therefore there are no taxable losses created for physical persons, hence no utilization of losses.

3.9 Withholding tax

It is the responsibility of the banking institutions to withhold SDC on behalf of their clients receiving interest income. The same applies to companies distributing dividends.

3.10 Statutory obligation of employers

The employers are responsible for withholding social insurance contributions and income tax from their employees on a monthly basis.

3.11 Filing requirement of tax return

Filing due dates

31 July of the year following the year of assessment

Penalties

€100 for late submission

Application of holdover

N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Department of Social Insurance Services under the Ministry of Labor and Social Insurance.

4.2 Basis of contribution

Social insurance contributions (SICs) are mandatory requirement and comprise of savings for retirement scheme introduced by the Republic. The SICs are suffered equally by the employer and the employee and are deductible from the taxable income of the employee/employer accordingly.

SICs are restricted to a maximum amount of €54,396 (weekly €1.046, monthly €4.533) and might be reviewed and adjusted annually depending on inflation rates.

Other than the above, the employer makes the following additional contributions as a percentage of employee’s remuneration:

- Social Cohesion Fund
- Redundancy Fund
- Industrial Training Fund
- Holiday Fund

Special Contributions is another type of social security contribution, calculated based on the monthly income of each individual.

The contributions of self-employed depend on the type of profession or trade of each individual.

4.3 Contribution rate

- Social Insurance – 7.8% and 7.8%
- Social Cohesion Fund – 2%
- Redundancy Fund – 1.2%
- Industrial Training Fund – 0,5%
- Holiday Fund – 8% (if not exempted)

4.4 Exemption from tax

All of the abovementioned contributions are tax allowable for a Cyprus Company.

GST/VAT

5.1 Basis of tax

In accordance with the Cyprus legislation every corporation must be registered in the Value Added Tax (VAT) Register provided that they have an annual turnover exceeding €15.600. Voluntary registration is also possible.

Where the exclusive purpose of a holding company is the acquisition and holding of interest in shares in other companies, with the intention of deriving dividend income, such a company is not considered to be performing an economic activity for VAT purposes and consequently it does not have the status of a taxable person.

Companies which are not performing economic activities have neither the liability nor the right to register for VAT purposes and consequently they cannot claim input VAT. However, holding companies may be liable to register for VAT where, in addition to the holding of investments, they also have taxable or exempt activities such as:

- Supply management services at a consideration to subsidiaries;
- Supply finance to subsidiaries;
- Trade in shares i.e. purchase and sell shares on a frequent basis with the intention to profit from the fluctuations of the share price.

Where a holding company is registered for VAT purposes, it may claim input VAT on goods and services acquired in Cyprus and other EU Member States. The right to claim input VAT depends on which type of the holding company's activities the acquired goods or services, directly or indirectly relate.

5.2 Rates of tax

The following VAT rates are currently applicable:

- Zero rated – 0%
- Reduced rate of 5% – 5%
- Reduced rate - 9%
- Standard rate – 19%

Supply of certain goods and services is exempted from VAT as follows:

- Letting of immovable property
- Banking, financial and insurance services
- Medical care services
- Betting

5.3 Registration

Registration is compulsory when the turnover (subject to VAT) of the business exceeded €15.600 the prior 12 months or expected to exceed this threshold within the next 30 days. Voluntary registration is also available.

CYPRUS

5.4 Filing requirements

VAT returns must be submitted quarterly and the payment for the VAT must be made 40 days after the end of the particular quarter.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Unilateral tax credit is granted for taxes suffered abroad or according to the Double Tax Treaty in place.

6.2 List of double tax treaties signed

Armenia	France	Moldova	Slovakia
Austria	Germany	Montenegro	Slovenia
Belarus	Greece	Norway	South Africa
Belgium	Hungary	Poland	Spain
Bulgaria	India	Portugal	Sweden
Canada	Ireland	Qatar	Syria
China	Italy	Romania	Tadzhikistan
Czech Republic	Kuwait	Russia	Thailand
Denmark	kyrgyzstan	San Marino	Ukraine
Egypt	Lebanon	Serbia	United Kingdom
Estonia	Malta	Seychelles	United States
Finland	Mauritius	Singapore	United Arab Emirates

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is enforced on written documents which deal with Cyprus situated property or matters that will be performed in Cyprus, irrespective of where the agreement is signed. Stamp duty on agreements ranges between 0,15% - 0,20% depending on the amount of the contract, with a maximum duty of €17.086. The duty is payable within 30 days from the signing of the agreement.

Contracts with a fixed amount:

- The first €5.000: 0‰
- €5.001- €170.000: 1.5‰
- more than €170.000: 2‰ *

**Capped at a maximum of €20.000*

Contracts without fixed amount - €35

7.2 Real property tax

Under the new tax legislation for IPT, the owners of immovable property situated in Cyprus must pay to the Inland Revenue Department the relevant taxation based on the following percentages:

Estimated value of immovable property according to prices of 1980	Percentage IPT
€0 - €5,000	€0
€5,001 - €40,000*	0.6%
€40,001 - €120,000	0.8%
€120,001 - €170,000	0.9%
€170,001 - €300,000	1.1%
€300,001 - €500,000	1.3%
€500,001 - €800,000	1.5%
€800,001 - €3,000,000	1.7%
€3,000,000 and up	1.9%

7.3 Estate duty

There are no inheritance or estate taxes on shares held in a Cyprus company.

7.4 Net wealth/net worth tax

Cyprus imposes no tax on wealth.

7.5 Others

Business tax

All companies are liable for paying a €350 annual levy fee to the Cyprus government.

Consumption tax, etc.

N/A

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GERMANY

GENERAL INFORMATION

1.1 Country : Federal Republic of Germany

1.2 Currency : Euro

1.3 Principal business entities

- Civil Law Partnership
- Registered Commercial Businesses:
- General Partnership
- Limited Partnership
- Limited Liability Company
- Joint-Stock Company
- Limited Partnership on Shares
- Sole Proprietorship
- Entrepreneurial Company at Limited Liability

1.4 Foreign exchange control

No foreign exchange control, however a customs declaration must be filed for transfers of more than Euro 10 000.

1.5 Current economy climate (Industry overview/encouraged business development)

Germany has experienced a prospering economic development for the last decades.

Traditionally, the manufacturing sector and its related services are the most important catalyst for economic growth. Germany is not only home of global players but also to a large number of small and medium sized companies being world market leaders in their respective field.

Furthermore, the economic environment is characterised by export-orientation, legal security and constant growth rates.

1.6 National tax authority

Name

Federal Central Tax Office (Bundeszentralamt für Steuern)

and local Tax Administrations in each state

Website

http://www.bzst.de/EN/Home/home_node.html

CORPORATE INCOME TAX

2.1 Basis of taxation

Basis of taxation is the firm's net profit, as shown in the financial statements produced according to German Commercial Law (accrual basis of accounting). However taxable income differs from the profit under commercial law.

Tax deductible expenses are specified by Income Tax Law and Corporate Income Tax Law.

Generally, normal and reasonable business expenses are tax-deductible from the corporation's gross income. Personal taxes, fines and half of the supervisory board compensation are not deductible.

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All types of limited companies, joint-stock companies and other corporations such as cooperatives, associations and foundations are subject to corporate income tax. Corporation tax is not charged on partnerships and sole proprietorships. These companies have to pay Income Taxes with tax rates similar to those for individuals and are subject to a trade tax (trade tax reduces the Income Tax payment as the paid trade tax is credited) .

Resident corporations having either their management or registered office within the country have full tax liability.

2.2 Rates of tax

At corporate level a flat tax rate of 15% on retained and distributed profits is charged.

On top of that, a Solidarity Surcharge of 5.5% of corporate tax payable is levied.

Furthermore, there is a municipal trade tax of 14% to 17%. Hence, effective corporation tax rate amounts to approximately 30%.

2.3 Year of assessment

Period of assessment is the calendar year, a financial year differing from the calendar year might be adopted.

2.4 Profits deemed to be taxable

Resident corporations who are subject to unlimited taxation are taxed on their globally generated income,

Non-resident corporations who neither have their management nor registered office in Germany are subject to taxation of their German-source income only.

2.5 Taxation of dividends

Dividends received by resident corporations are 95% tax exempt, the remaining 5% qualify as non-deductible business expenses leading to an approximate tax rate of 1,5% including municipal trade tax.

2.6 Taxation of capital gains

There is no explicit capital gains tax since capital gains are included in taxable business income.

Capital gains generated from the selling shares, however, are 95% tax exempt. The remaining 5% qualifies as non-deductible business expenses.

2.7 Taxation of interest income

See under" Withholding Tax".

2.8 Utilization of tax losses

Losses can be offset against profits in the same year, remaining losses can be carried back or forward. Loss carry back is granted for one year, loss carry forward is indefinite.

For the purpose of minimum taxation, losses might be carried back up to a maximum of EUR 1 million. Losses can be carried forward up to EUR 1 Million without restriction, 60% of income exceeding 1 Million can be offset against remaining loss carry forward. A direct or indirect change in ownership of a corporation might lead to a complete or partial loss of future loss carry forwards.

2.9 Key Tax incentives

Various incentive programmes have been introduced, mainly in favour of the economic promotion of Eastern Germany, the foundation of new business and the spread of new energies.

2.10 Withholding tax

Withholding tax is charged on dividends, interests on deposits from German financial institutions and royalties paid to non-resident recipients.

For dividends and interest income, the tax rate amounts to 26,675% including solidarity surcharge. Deducting a possible 40% refund on tax withheld on dividends for non- resident companies, the effective tax rate is 15,825% (not considering a further possible reduction on basis of a Double Taxation Agreement).

On royalties, a statutory tax rate of 25% is applied.

Dividends paid are not subject to a withholding tax within the European Union (substance requirement for foreign Holding companies have to be meet). Furthermore no withholding tax will be levied, if foreign recipients are from countries with Double Taxation Agreements.

2.11 Transfer Pricing

Transactions between related entities must satisfy the arm's length principle: An independent third party would have agreed on the exact same transaction. Administrative instructions provide standard transfer pricing methodologies which are accepted by German tax authorities. Affected taxpayers have a duty to cooperate and document all important information.

Cross-border transfers of functions among affiliates are taxed with an exit tax on "profit potential" that is transferred abroad.

Generally a documentation has to be submitted within 60 days after a Tax Auditor has requested a submission during a Tax Audit.

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2.12 Filing requirements of tax return

Filing due dates

The final corporate tax return must be filed by 31st May of the following year (this dead line can be extended, if the company consults a tax advisor: in this case the tax return must be filed by 31st December of the following year). Corporate income tax and municipal trade tax must be filed electronically.

Penalties

For late filing: up to 10% of the tax payable, maximum EUR 25 000

For late payment: 1% of the overdue tax per month

Taxes assessed in succession of an audit: no penalty, but interest of 0,5% per month, beginning 15 months after the calendar year in which the assessment became effective

Transfer pricing documentation:

No or insufficient documentation: punitive fine of 5 to 10% of any transfer pricing adjustment, minimum EUR 5000

Late submission of documentation: charge of at least EUR 100 per day, up EUR 1 million

Payment of profit tax and application of holdover

Corporate tax is assessed yearly but quarterly advance payments must be made in March, June, September and December

Municipal trade tax is due in February, May, August and November.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

An individual is resident if he/she is domiciled in Germany or has his/her habitual residence within the country. Any individual having spent at least six months inland has a habitual residence in Germany. A domicile can be any permanent accommodation that is at the individual´s disposal.

Residents are taxable on their worldwide income whereas non-residents are taxed on basis of their German-source income.

Taxable income is the sum of income from employment, from trade or business, from agriculture and forestry, from independent work, from rent or leasing, from capital and other income.

3.2 Rates of tax

Tax rates are progressive from 14% for income exceeding 8,354 Euro to 45% for income exceeding 250,731 Euro.

A solidarity surcharge of 5,5% on income tax payable is levied as well as a church tax of 9%.

3.3 Year of assessment

Tax year is the calendar year.

3.4 Allowances and Deductions

Any taxpayer is granted a personal exemption of currently 8,354 Euro as well as a deduction for children. Additionally, within the range of further restrictions, one may deduct contributions to certain insurances, costs of professional training, donations, alimony paid and church tax.

Generally, expenses related to the generation of income are deductible.

3.5 Taxation of dividends

Income from private capital investment is taxed by means of a withholding tax at the source (25%,/ 26,275% including solidarity surcharge). Dividends are taxed with a flat rate of 25 % plus 5.5% solidarity surcharge.

Gains from the sale of minor shareholdings (<1% of share capital) also fall within the scope of this withholding tax.

3.6 Taxation of capital gain

Sales of private property rights and real estate is taxable if the seller has owned the property for less than ten years, all other assets must be held for at least one year before resale.

3.7 Taxation of interest income

"See under withholding tax" Also Interest Income is taxed with a flat rate of 25 % plus 5.5% solidarity surcharge.

3.8 Personal assessment and utilization of losses

Losses can be offset against profits in the same year, remaining losses can be carried back or forward. Loss carry back is granted for one year, loss carry forward is indefinite.

For the purpose of minimum taxation, losses might be carried back up to a maximum of Euro 1 million (2 Million for spouses with joint assessment). Losses can be carried forward up to EUR 1 Million (2 Million) without restriction, 60% of the income exceeding 1 Million can be offset against remaining loss carry forward.

3.9 Withholding tax See under "Withholding tax" (2.10) above.

3.10 Statutory obligation of employers

Employers have the obligation to withhold salaries tax on a monthly basis. The salaries tax has to be declared and paid monthly.

3.11 Filing requirement of tax return

Filing due dates

Tax returns must be filed by 31st May of the following year (this dead line can be extended, if the individual´s tax declarations is filed by a tax advisor; in this case the declaration has to be submitted by 31st December of the following year). If a taxpayer receives income apart from income from employment, quarterly advance payments must be made.

Penalties

For late filing: up to 10% of the tax payable.

For late payment: 1% of the overdue tax per month.

Application of holdover

See under "Penalties".

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Federal Ministry of Health, Federal Ministry of Labour and Social Affairs.

4.2 Basis of contribution

The German social security system is based on five branches: unemployment insurance, pension insurance, health insurance, accident insurance and long-term care insurance. Both, employer and employee are obliged to contribute with (mostly) an equal share.

The employee's contribution is deducted directly from the gross wage by the employer and, together with the employer's contribution, is transferred to the insurance company responsible for the collection.

Employers bear 50% of their total contribution to pension, health and unemployment insurance.

4.3 Contribution rate

Employer's contribution:

Pension Insurance: 9.45%

Health Insurance: 7.3%

Unemployment insurance: 1.5%

Long-term care insurance: 1.025%

Accident insurance: 1.6%

Employee's contribution:

Pension Insurance: 9.45%

Health Insurance: 8.2%

Unemployment insurance: 1.5%

Long-term care insurance: 1.025%

4.4 Exemption from tax

For the contributions made by an employee, tax deduction can be claimed. If the maximum lump-sum deduction amount of 1.900 Euro is not reached by the employee´s health and long-term care insurance contribution, a deduction for other insurance payment can be applied.

GST/VAT

5.1 Basis of tax

VAT is levied on all stages of the production of goods and services. Only the value-added on each production state is taxed (net-all phase principle).

More precisely, the supply of goods and services accomplished by a VAT entrepreneur as well as intra-Community acquisitions and imports of goods are taxable activities.

The VAT entrepreneur calculates the amount of output VAT charged to his/ her customers and then deducts the total input VAT paid to suppliers; resulting in a sum of value added tax payable or a refund.

Hence, the final burden is passed to the consumers, who are not entitled to deduct VAT.

5.2 Rates of tax

19%, reduced rate of 7% for “necessities”.

Exempt transactions:

Export of goods, intra-community supplies, financial and insurance services, medical services, social welfare activities, cultural and educational activities.

5.3 Registration

A registration is compulsory for resident and non-resident entrepreneurs with turnovers exceeding the 17500 Euro threshold in the previous calendar year and with an estimated turnover higher than 50000 Euro in the current year.

5.4 Filing requirements

Entrepreneurs must file a quarterly turnover tax advance return and pay the respective amount of tax due. If VAT payable in the previous year exceeds Euro 7 500 the advance return must be filed monthly. Also start-up entrepreneurs have to submit VAT declarations on a monthly basis. The preliminary returns are to be filed electronically within 10 days after the end of the reporting period. If a prepayment is made, this deadline can be extended; in this case the returns have to be submitted within 10 days after the end of the following month.

An annual VAT return must be filed by the 31st May of the following calendar year.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Double tax treaties ensure the relief of double taxations regarding taxes on all types of income and protect against discriminatory taxation in any of the involved countries.

Taxes paid abroad on foreign-source income might be credited against tax payable according to German law.

Generally, foreign withholding taxes might be offset.

Otherwise, the amount of tax paid abroad might be deducted as business expenses.

6.2 List of double tax treaties signed

Double Tax Treaties with respect to taxes on income		
Albania	Ireland	Philippines
Algeria	Israel	Poland
Argentina	Italy	Portugal
Armenia	Ivory Coast	Romania
Australia	Jamaica	Russia
Austria	Japan	Serbia
Azerbaijan	Jersey	Singapore
Bangladesh	Kazakhstan	Slovakia
Belarus	Kenya	Slovenia
Belgium	Kosovo	South Africa
Bolivia	Korea (ROK)	Spain
Bosnia-Herzegovina	Kuwait	Sri Lanka
Bulgaria	Kyrgyzstan	Sweden
Canada	Latvia	Switzerland
China	Liberia	Syria
Croatia	Liechtenstein	Taiwan
Cyprus	Lithuania	Tajikistan
Czech Republic	Luxembourg	Thailand
Denmark	Macedonia	Trinidad & Tobago
Ecuador	Malaysia	Tunisia
Egypt	Malta	Turkey
Estonia	Mauritius	Turkmenistan
Finland	Mexico	Ukraine
France	Moldova	United Arab Emirates
Georgia	Mongolia	United Kingdom
Ghana	Montenegro	United States
Greece	Morocco	Uruguay
Hungary	Namibia	Uzbekistan
Iceland	Netherlands	Venezuela
India	New Zealand	Vietnam
Indonesia	Norway	Zambia
Iran	Pakistan	Zimbabwe

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

None.

7.2 Real property tax

Real property tax is charged on the owner of any land or buildings in Germany. The tax rate depends on the type of real property. This is sorted into two categories:

- Real property used for agriculture and forestry
- Constructible real property or real property with buildings.

The real property tax rate depends on the type of real property. The tax rate is e.g. 0.26% for property used for (semi-) detached houses with a value of up to EUR 60,000 and 0.35 % for all remaining types of real property (including commercially used real property).

The amount from multiplying the Value of the property and the tax rate has to be multiplied with an municipal multiplier. This municipal multiplies is stipulated by each municipality (e.g. 350 %).

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7.3 Estate duty

Gift and Inheritance Tax: tax rates vary according to degree of kinship between testator(donor) and heir (done), from 7% to 50%;

Numerous exemptions for businesses

7.4 Net wealth/net worth tax

N/A.

7.5 Others

Business tax

N/A

Consumption tax, etc.

Real estate transfer tax: Real estate transfer tax is levied by the municipality, total level of the tax varies (between 3,5 and 6,5% of the basis of assessment) on basis of the purchase price.

POINT OF CONTACT

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HONG KONG

GENERAL INFORMATION

1.1 Country : Hong Kong

1.2 Currency : Hong Kong Dollar (HKD)

1.3 Principal business entities

- Public company
- Private company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/encouraged business development)

In 2013, the overall GDP growth in Hong Kong was approximately 2.9% which showed a modest improvement in the economy. Based on The 2014-15 Budget announced on 26 February, the forecast GDP growth of Hong Kong is between 3% and 4%. The average rate of headline inflation for the year is estimated at 4.6%, and the underlying inflation is 3.7%.

In order to attract more multinational enterprises to set up their global or regional treasury platform in Hong Kong, The government has proposed in The 2014-15 Budget to review the requirements under the Inland Revenue Ordinance for interest deductions in the taxation of corporate treasury activities, and clarify the criteria for such deductions.

The government also proposed to Waive stamp duty on the trading of all ETFs to lower transaction costs in order to promote the development, management and trading activities of ETFs in Hong Kong.

In The 2013-14 Budget, The government has proposed to allow private equity funds also to enjoy tax exemption for offshore funds to attract them to expand their business in Hong Kong. The related industry consultation was completed and will carry out the legislative work soon. Furthermore, it proposed to extend the allowance to open-ended fund company structure to attract more funds to establish in Hong Kong.

Moreover, the new Companies Ordinance (Cap. 622) and the subsidiary legislation have commenced operation on 3 March 2014. The new Companies Ordinance, which consists of 921 sections and 11 schedules, provides a modernised legal framework for the incorporation and operation of companies in Hong Kong. It aims to achieve four main objectives, namely, to enhance corporate governance, ensure better regulation, facilitate business and modernise the law.

Based on the free market economic policy, together with a sound legal system, Hong Kong has developed into a modern, energetic international services economy, and facilitates a flexible business environment for global commercial activities. In additions, the sound simple tax system and the low tax rate environment enhance Hong Kong to be a place for professionals to make business and maintain its competitiveness among other developed cities.

1.6 National tax authority

Name: The Inland Revenue Department ("IRD")

Official website: www.ird.gov.hk

CORPORATE INCOME TAX

2.1 Basis of taxation

A person who carries on a trade, profession or business in Hong Kong is chargeable to profits tax on the profits from that trade, profession or business (excluding profits arising from the sale of capital asset) that arise in or are derived from Hong Kong. Foreign-sourced income is not taxed even if it is remitted to Hong Kong. The tax residence of a person is generally irrelevant for profits tax purposes.

Territorial concept is the fundamental concept on the taxation of profits in Hong Kong adopted by the Hong Kong IRD.In determining whether profits arise in or are derived from Hong Kong, one looks to see what the taxpayer has done to earn the profits in question and where he has done it. If the profits are generated from operations in Hong Kong, the profits are subject to Hong Kong profits tax. The IRD has issued Departmental Interpretation and Practice Notes ("DIPN") No. 21 "Locality of profits" stating the IRD's interpretation and practice in respect of this area.

2.2 Rates of tax

	Y/A 2014/15	Y/A 2013/14
Companies	16.5%	16.5%
Unincorporated businesses	15%	15%

2.3 Year of assessment

From 1 April to 31 March of the following year or where the annual accounts are made up to any day other than 31 March, the year ended on that day in the relevant year.

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2.4 Profits deemed to be taxable

- The assessable profits or adjusted loss are the net profits or loss, except for the capital gain or loss, for the basis period, arising in or derived from Hong Kong.
- Particularly, certain sums received from the use of intellectual properties, such as royalty, trademarks, patent, are deemed as receipts arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong. The effective profits tax rates are as follows:

Sums not from an associate	4.95% on such income
Sums from an associate	16.5% on such income

- Grants, subsidies or similar financial assistance in carrying on a trade, profession or business in Hong Kong;
- Consideration for the transfer of certain rights to receive income from property;
- Profits made by a financial institution through or from the carrying on of its business in Hong Kong from the sale or on the redemption on maturity or presentment of any certificate of deposit or bill of exchange;
- Hong Kong sourced profits from the sale or on the redemption on maturity or presentation of a certificate of deposit or bill of exchange except for individuals in a non-business capacity

2.5 Taxation of dividends

Generally not subject to Hong Kong profits tax and no withholding tax thereon.

2.6 Taxation of capital gains

N/A.

2.7 Taxation of interest income

Interest income derived from any deposits placed in Hong Kong with a financial institution on or after 22 June 1998 is exempted but not apply to:

- interest income received by financial institutions
- interest income from deposits pledged as collateral for financing facilities.

2.8 Utilization of tax losses

- Time limit – Tax loss can be carried forward indefinitely
- Loss relief among group companies – Not allowed. The IRD restricts the use of tax losses by changing shareholding for the purpose of utilizing the losses to obtain a tax benefit.

2.9 Key Tax incentives

a) Capital allowance

Includes industrial building allowance, commercial building allowance, depreciation allowance for plant and machinery and refurbishment allowance.

b) Offshore funds

Offshore funds with Hong Kong fund managers and investment advisors with full discretionary powers are exempted, whereas they are derived in Hong Kong from six categories of transactions which are carried out or arranged by "specified persons".

c) Quality debit instrument ("QDI)
– minimum demonstration of HKD50,000

Interest income and trading profits from a QDI with an original maturity of 5 years or more are subject to 50% of the normal profits tax rate. From 2003 / 04, this concession is further cover a "medium term debt instrument" issued on or after 5 March 2003 having an original maturity of 3 years to 7 years. For interest income and trading profits from a "long term debt instrument" issued on or after 5 March 2003 with an original maturity of 7 years or more are fully exempted from Hong Kong profits tax.

d) Expenditure on research and development

Allowable deduction on expenditure on research and development is granted for payments to an approved research institute and development related to that trade, profession or business.

From 25 March 2011 onwards, the 50% tax concession further extends to cover interest income and trading profits derived from a short term debt instrument issued on or after that date with a tenor of less than 3 years.

e) Environmental protection facilities

Tax deduction is provided for capital expenditures incurred in relation to environmental protection facilities. For machinery and plant, includes environment-friendly petrol private cars, 100% deduction of cost will be allowed in the year of purchase. For installations forming part of a building or structure, the cost will be allowed for deduction over a 5-year period starting from the year of purchase. No deduction is provided for capital expenditure incurred under hire purchase arrangements.

2.10 Withholding tax

Dividends	N/A
Interests	N/A
Royalties	Effective rate of 4.95% for royalty to non-associate and effective rate of 16.5% for royalty to associate.
Technical service fee	N/A

2.11 Transfer Pricing

The IRD mainly rely on case laws that are relevant to transfer pricing and S16(1) of IRO to govern transfer pricing transactions. S.16 (1) allows deductions of expenses only if they are incurred in the production of assessable profits. In addition, the IRD issued DIPN 45 to 48 to deal with transfer pricing and double taxation relief of transfer pricing adjustments. The arm's length principle is adopted for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a guideline to determine how profits and expenses of the transactions should be allocated between associated enterprises. Alternatively, IRD introduces advance rulings services. A taxpayer may apply for a ruling on how the sections of the IRO apply to the case or state the arrangement in its application. It provides the taxpayer with a degree of certainty about the tax treatments under the current tax legislation for seriously contemplated transfer pricing arrangements.

2.12 Filing requirements of tax return

Filing due dates

Normal profits tax return issue date: 1 April

Normal due date: 2 May

If the tax payer appointed a tax representative, the due dates can be extended as follows:

For accounting year end dates	Normal filing date for cases with tax representative
1 April to 30 November	2 May
1 December to 31 December	15 August
1 January to 31 March	15 November

Penalties

Penalties may be imposed for failure to submit tax return to the IRD on time. The Commissioner of IRD has authority to institute prosecution, to compound or to assess additional tax (in a form of penalty) in respect of an offense.

Payment of profit tax and application of holdover

Surcharges of 5% or 10% will be imposed for overdue payment of tax, depending on the length of time of late payment. Provisional profits tax for the following year of assessment has to be charged and estimated by the assessable profits of the preceding year. If the estimated profits are less than 90% of that previously assessed, an application for holdover of provisional tax can be lodged to the IRD in writing. The application should be lodged not later than:

- 28 days before the due date for payment of the provisional tax,

or

- 14 days after the date of issue of the notice for payment of the provisional tax, whichever is later.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Salaries tax shall be charged on every person in respect of his income arising in or derived from Hong Kong from any office or employment of profit; and any pension. Income from any office or employment includes

- wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite, or allowance

- certain pension or provident fund
- the rental value of any place of residence provided rent-free by the employer or an associated corporation or relevant rental subsidies
- rights to acquire shares or stock in a corporation

Directors' fee is subject to salaries tax if the company is managed and controlled in Hong Kong

According to DIPN 10, the Inland Revenue Department (IRD) generally accepts that an employment is a non-Hong Kong employment if: (1) the contract of employment was negotiated and entered into, and is enforceable outside Hong Kong; (2) the employer is a resident outside Hong Kong; and (3) the employee's remuneration is paid outside Hong Kong. Only an employment with all three above factors will be treated as a non-Hong Kong employment.

If an employee paid tax outside Hong Kong on income from employment which is chargeable to Hong Kong salaries tax, he could apply exemption on payments of Hong Kong salaries tax on such income, provided that such income has been charged and the employee has paid salaries tax in the territory he rendered services and a double tax arrangement has been signed with that territory.

3.2 Rates of tax

Tax payable is calculated at progressive rates on the net chargeable income or at standard rate on the net income (before deducting allowances), whichever is lower. Net chargeable income refers to the income less deduction and allowance.

	Y/A2014/15	Y/A2013/14
First HK$40,000 at	2%	2%
Next HK$40,000 at	7%	7%
Next HK$40,000 at	12%	12%
On the remainder at	17%	17%
Standard rate of tax	15%	15%

The maximum tax payable is limited to tax at the standard rate of 15% on the person's income from employment less allowable deductions and charitable donations, but without deducting personal allowances. A married couple may opt for joint or separate assessment.

3.3 Year of assessment

From 1 April to 31 March of the following year.

3.4 Allowances and Deductions

a) Allowances

	Y/A2014/15 (HK$)	Y/A2013/14 (HK$)
Basic allowance	$120,000	$120,000
Married person's allowance	$240,000	$240,000
Child allowances – 1st to 9th child (each) • In the year of birth • In the following years	 $140,000 $70,000	 $140,000 $70,000
Dependent parent and grandparent allowance – Aged 60 or above • not living with taxpayer • living with taxpayer throughout the year – Aged 55 to 59 • not living with taxpayer • living with taxpayer throughout the year	 $40,000 $80,000 $20,000 $40,000	 $38,000 $76,000 $19,000 $38,000
Dependent brother or sister allowance Single parent allowance Disabled dependent allowance	$33,000 $120,000 $66,000	$33,000 $108,000 $60,000

b) Deductions

Allowable deduction includes expenses that must be wholly, exclusively and necessarily incurred in the production of the assessable income.

3.5 Taxation of dividends

N/A.

3.6 Taxation of capital gain

N/A.

3.7 Taxation of interest income

N/A.

3.8 Personal assessment and utilization of tax losses

A Hong Kong resident may elect for personal assessment if himself is a sole proprietor, a partner in a business or a property owner. By aggregating the assessable income under salaries tax, profits tax and property tax, adjusting by certain deductions, the overall tax assessment may be reduced. The balance after deducting allowances and deductions are taxed at the same rates as salaries tax. Personal assessment allows a taxpayer to deduct loan interest incurred for rental properties or/ and off-set loss from the business of sole proprietor or partnership.

3.9 Withholding tax

Employer does not have the obligation to withhold salaries tax for its employee except:

- For payments made to a non-resident, an employer has an obligation to withhold an amount from that is sufficient to produce the amount of tax due

- For employee about to leave Hong Kong more than 1 month, an employer should withhold all amounts due to be paid to him until such time the employee has made tax clearance.

3.10 Statutory obligation of employers

Statutory obligations of an employer to report remuneration paid to an employee

- For commencement of employment, need to notify the IRD in 3 months
- For continuance employment as at 31 March, need to notify the IRD in 1 month from 1 April of the following year of assessment
- For cessation of employment, need to notify the IRD not later than 1 month before cessation
- For departure from Hong Kong, need to notify the IRD not later than 1 month before departure and withhold money for tax clearance

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3.11 Filing requirement of tax return

Filing due dates

Employer's return	
Due date	1 April
Filing deadline	2 May
Individual return	
Date of issue	2 May
Normal due date	2 Jun
With sole-proprietors due date businesses	2 August

An extension of one extra month will be granted automatically if the return is filed electronically. If the tax payer has appointed a tax representative, a further extension of one month is granted.

Penalties

Penalties may be imposed for failure to submit tax return to the IRD on time.

Payment of salaries tax and application of holdover

Surcharges of 5% or 10% will be imposed for overdue payment, depending on the length of time of late payment.

Provisional salaries tax for the following year of assessment has to be charged and estimated by net chargeable income of the preceding year.

If the net chargeable income for the year of assessment for which provisional tax was charged is likely to be less than 90% of the net chargeable income for the preceding year, or the tax payer becomes entitled to an allowance, an application for holdover of provisional tax can be applied to the IRD in writing not later than:

- 28 days before the due date for payment of the provisional tax, or

- 14 days after the date of issue of the notice for payment of the provisional tax, whichever is later.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

The Mandatory Provident Fund Schemes Authority

- To regulate and supervise the operations of Mandatory Provident Fund ("MPF") schemes and occupational retirement schemes.

4.2 Basis of contribution

- The Mandatory Provident Fund Schemes Authority
- To regulate and supervise the operations of Mandatory Provident Fund ("MPF") schemes and occupational retirement schemes.

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4.3 Contribution rate

Employees and employers each are required to make mandatory contributions to a MPF scheme. It is 5% of the employee's relevant income. For monthly-paid employees, the minimum and maximum relevant income levels are $7,100 (effective from 1 November 2013) and $30,000 (effective from 1 June 2014) respectively. For employee's monthly relevant income which is less than $7,100, the employee is not required to make the contribution but the employer is still required to pay.

4.4 Exemption from tax

For the mandatory contributions made by an employee to a MPF scheme, tax deduction can be claimed as follows:

	Y/A 2014/15	Y/A 2013/14	Y/A 2012/13	Prior to Y/A 2012/13
Maximum deduction amount	HK$17,500	HK$15,000	HK$14,500	HK$12,000

Voluntary contributions made by an employee are not deductible. The severance payments or long service payments made in accordance with the provisions of the Employment Ordinance are not subject to salaries tax.

GST/VAT

5.1 Basis of tax

N/A

5.2 Rates of tax

N/A

5.3 Registration

N/A

5.2 Filing requirements

N/A

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Where there is a double tax agreement, foreign tax paid may be credited against profits tax on the same profits, but the credit is limited to Hong Kong tax payable on the same income.

6.2 List of double tax treaties signed

As of 27 February 2014, Hong Kong has signed comprehensive double tax agreements/arrangement on income with the following jurisdictions:

Agreements signed and effective		
Belgium (2004/05)	Thailand (2006/07)	Mainland China (2007/08)
Luxembourg (2008/09)	Vietnam (2010/11)	Brunei (2011/12)
United Kingdom (2011/12)	Austria (2012/13)	France (2012/13)
Hungary (2012/13)	Ireland (2012/13)	Japan (2012/13)
Liechtenstein (2012/13)	Netherlands (2012/13)	New Zealand (2012/13)
Malta (2013/14)	Czech Republic (2013/14)	Indonesia (2013/14)
Portugal (2013/14)	Spain (2013/14)	Malaysia (2013/14)
Switzerland (2013/14)		
Agreements signed but not effective		
Jersey (2014/15)	Kuwait (2014/15)	Canada (2014/15)
Guernsey (2014/15)	Mexico (2014/15)	Italy
Qatar (2014/15)		

Note: The years of assessment from which the agreements / arrangement are effective or will be effective are indicated in brackets. Those without indication are pending ratification.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

a) Basis of tax

The Stamp Duty Ordinance imposes duty on certain types of documents, which include

- conveyance on sale of immovable property in Hong Kong
- agreement for sale of immovable property in Hong Kong
- lease of immovable property in Hong Kong
- transfer of Hong Kong stock
- issue of Hong Kong bearer instruments.

Stamp duty of HK$5 is payable on duplicates or counterparts of documents chargeable to stamp duty provided that the original document has been duly stamped.

For immovable property in Hong Kong, or Hong Kong stock, is transferred at less than its market value, stamp duty may be imposed based on the market value at the date of transfer.

b) Rates of tax

Immovable property

(i) Ad Valorem Stamp Duty

Property consideration	After 23 February 2013		Before 23 February 2013
	Scale 1 rates	Scale 2 rates	
Up to $2,000,000	1.50%	$100	$100
$2,000,001 – $3,000,000	3.00%	1.50%	1.50%
$3,000,001 – $4,000,000	4.50%	2.25%	2.25%
$4,000,001 – $6,000,000	6:00%	3.00%	3.00%
$6,000,001 – $20,000,000	7.50%	3.75%	3.75%
$20,000,001 and above	8.50%	4.25%	4.25%

Notes:

1. *Marginal relief is available upon entry into each higher value band.*
2. *The Scale 2 rates apply to residential property acquired by a Hong Kong permanent resident (HKPR) who does not own any other residential property in Hong Kong at the time of acquisition. The Scale 1 rates apply to all other cases.*

(ii) Special Stamp Duty ("SSD") on disposal of residential properties

For residential property acquired on or after 20 November 2010, either held by an individual or a company , but resold within 36 months, the transfer will be subject to SSD unless they are exempted. The SSD is imposed on top of the ad valorem stamp duty payable on the sale of residential property with a few exemptions. The SSD is calculated at the purchase consideration or at the market value (whichever is higher) of the resold property at the rates stated below.

Holding period	Duty rate
From 27 October 2012	
Held for six months or less	20%
Held for more than six months but for 12 months or less	15%
Held for more than 12 months but for 36 months or less	10%

(iii) Buyer's Stamp Duty ("BSD") on acquisition of residential properties

BSD is payable on an agreement for sale or a conveyance on sale for the acquisition of any residential property if the residential property is acquired by any person (including limited company) on or after 27 October 2012, except a Hong Kong permanent resident acquiring the property on his/her own behalf. The person is both the legal and beneficial owner. BSD is charged at a flat rate of 15% on all residential property in addition to the ad valorem stamp duty and SSD, if applicable.

Lease of immovable property in Hong Kong

For leases, stamp duty is calculated at a specified rate of the annual rental that varies with the term of the lease as indicated in following table:

Lease period	Y/ A2014/15	Y/A2013/14
Where the lease term is not defined or is uncertain	0.25%	0.25%
Not more than one year	0.25%	0.25%
More than one year but does not exceed three	0.50%	0.50%
More than three years	1.00%	1.00%

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Hong Kong stock

The rate of stamp duty on stock transactions is 0.2% of the consideration ($2 per $1,000) per transaction. Stamp duty is not payable on stock lent under certain stock lending agreements. Certain stock transactions carried out by market markers for the purpose of hedging options transactions or directly arising out of options transactions entered into in the course of acting as a market maker are exempt from ad valorem stamp duty. A specific exemption applies for transactions in regional derivative options and convertible bonds or notes.

Hong Kong bearer instrument

Duty of 3% of the market value is charged for any Hong Kong bearer instrument issued in respect of any stock.

7.2 Contribution rate

Basis and rate of tax

Property tax is charged on the owner of any land or buildings in Hong Kong at the standard rate (15%) on the net assessable value of such land or buildings. The assessable value of a property is the consideration, in money or money's worth, payable in that year of assessment to the owner for the right to use the land or buildings, less any consideration that becomes irrecoverable during that year of assessment.

Net assessable value is the assessable value less rates paid by the owner and a 20% allowance for repairs and outgoings (no matter there is actual incurred during the year of assessment) on the value after deduction for rates paid. Actual expenses and outgoings incurred exceed the 20% allowance are not deductible. Furthermore, deduction is allowed for the assessable value of a property, which is proven to be irrecoverable during that year of assessment. Consideration previously deducted as irrecoverable and recovered during any year of assessment shall be treated as assessable value in the year of assessment in which the recovery is made.

S.5(2)(a) allows a corporation to apply in writing for an exemption from property tax provided that the rental income from the property will be assessable under profits tax . If no exemption is applied, the property tax paid can be used to offset profits tax payable by the company provided that the profits derived from the property are part of the profits of the trade, profession or business; or the property is occupied or used by the owner for the purposes of producing profits assessable to profits Tax. The excess portion of property tax paid over corresponding profit tax payable, shall be refunded.

Filing due date

Normally, property tax return for a year of assessment is issued on the first working day in April of the following year of assessment. Taxpayers have to submit the property tax return within one month from the date of issue. If the due date falls on a public holiday, it will be postponed to the following day. The normal filing date is within one month from the date of issue.

Normal filing date	Due date for tax payment
2 May	As stipulated in the notice of assessment, generally in or after November of the year in which the return is issued.

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Payment of property tax and application of holdover

Due dates for payments of property tax are various case by case and they are stated in the assessment issued to taxpayers. Surcharges of 5% or 10% will be imposed from overdue payment, depending on the length of time of late payment.

Together with the payment of property tax, the taxpayer has to pay a provisional property tax for the following year of assessment. The provisional property tax payable is estimated by the assessable value of the preceding year of assessment.

Provisional property tax payments are used to off-set the payment of property tax when the amount of the net assessable value finalized. Over payment will also be refunded when the assessable value become final and conclusive.

If the estimated assessable value are less than 90% of that previously assessed, an application of holdover of provisional tax can be applied to the IRD in writing. The application should be lodged not later than:

- 28 days before the due date for payment of provisional tax, or
- 14 days after the date of the notice for payment of the rovisional tax, whichever is later.

7.3 Estate duty

With effect from 11 February 2006, estate duty was abolished. No estate duty will be imposed on the value of an individual's Hong Kong property passing on death.

7.4 Net wealth/net worth tax

N/A.

7.5 Others

Business tax: N/A

Consumption tax, etc.: N/A

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INDONESIA

GENERAL INFORMATION

1.1 Country : Indonesia

1.2 Currency : Indonesian Rupiah (IDR)

1.3 Principal business entities

The limited liability company (Perseroan Terbatas or “PT”) is the most common form of business entity in Indonesia. Foreign companies are allowed to set up a PT or representative office. Branches of foreign corporations normally are not permitted except for constructions, oil and gas and banking services. Foreign companies should refer to the negative investment list for the list of sectors that are partially or wholly closed to foreign investment.

1.4 Foreign exchange control

Foreign exchange rate operates on a managed-float regime against a market rate. The Central Bank (“Bank Indonesia”) supports the overall macroeconomic objective of maintaining monetary and financial stability while safeguarding the balance of payments position. Furthermore, the rupiah is freely convertible. However, approval of Bank Indonesia (central bank) must be obtained before taking IDR 100 million (or its equivalent in foreign currency) or more out of the country. A person carrying IDR 100 million (or its equivalent in foreign currency) or more into the Indonesia customs territory must verify the authenticity of the funds with Indonesia customs upon arrival. Indonesia does not restrict the transfers of funds to or from foreign countries, but banks must report transfers of funds to foreign countries to Bank Indonesia. There is no set minimum transfer amount for reporting purposes.

Based on the Currency Law stipulated by the Indonesian government, IDR must be used in all transactions that have a purpose of payment, settlement of obligations that have to be satisfied with a cash payment and other financial transactions conducted in Indonesia. Exemptions are provided for the following transactions: certain transactions related to the implementations of the State budget; receipt or grant of offshore grant; international commercial transactions; bank deposits in foreign currency; or offshore loan transactions.

1.5 Current economy climate (Industry overview/encouraged business development)

Indonesia is one of many countries in the world which have stable economy in the last five years. Indonesia is much less affected by global economy crisis if it is compared to the neighboring countries. The GDP growth moderated to 5.8% in 2013, and Indonesia's economy grew by 5.7% in 2014 and estimated will reach 6% in 2015. It assumes the presidential election result will be smoothly and strengthening the economy stabilization.

The debt to GDP ratio has significantly declined from 83% in 2001 to be less than 26% by the end of 2013. It is the lowest among the ASEAN countries after Singapore which has no government debt.

According to the Investment Coordinating Board of Republic Indonesia ("BKPM"), the Domestic and Foreign Direct Investment realization progress in 2012 and 2013 were amounting to IDR 313,2 Trilion and IDR 398,6 Trilion respectively. In 2013, it consisted of Foreign Direct Investment (FDI) in the amount of IDR 270,4 T (67,8%) and Domestic Direct Investment (DDI) in the amount of IDR 128,2 T (32,2%). Furthermore, Japan and Singapore are the biggest of FDI realization during 2013 in Indonesia.

In 2013, the major sectors which contributed the significantly FDI, are the mining industry, transport and equipment industry, Metal, Machinery and Electronics industry, Chemical and Pharmaceutical industry, and also Electricity, Water and Gas supply industry. However, the mining sector is not encouraged enough as the Government extended the forest moratorium through the issuance of Presidential Instruction No. 6 year 2013.

1.6 National tax authority

Name: Directorate General of Taxation (DGT)

Website: www.pajak.go.id

CORPORATE INCOME TAX

2.1 Basis of taxation

Resident companies are taxed on worldwide income. Non resident companies are taxed only on income sourced in Indonesia including income attributable to a permanent establishment in the country.

Taxable net income is defined as assessable income less tax-deductible expenses.

Taxable business profits are modified by certain tax adjustment. Generally, a deduction is allowed for all expenditures incurred to obtain, collect, and maintain taxable business profits. A timing difference may arise if an expenditure recorded as an expense for accounting cannot be immediately claimed as a deduction for tax.

A company is treated as a resident of Indonesia for tax purposes by virtue of having its establishment or its place of management in Indonesia. A foreign company carrying out business activities through a permanent establishment in Indonesia will generally have to assume the same tax obligations as a resident taxpayer.

2.2 Rates of tax

Generally, a flat rate of 25% applies. Variations apply as part of the incentives scheme (please see point 2.9).

Companies engaged in upstream oil and gas and geothermal industries typically have to calculate CIT in accordance with their production sharing contracts (PSCs). Certain companies engaged in metal, mineral and coal mining are governed by a contract of work (CoW) for the CIT calculation. Different provisions may apply to them pertaining to corporate tax rates, deductible expenses and how to calculate taxable income.

2.3 Year of assessment

Generally the calendar year although a corporate tax payer can elect to file a corporate tax return based on the book year.

2.4 Profits deemed to be taxable

The following business have deemed profit margins for tax purposes:

	Deemed Profit on Gross Revenue	Effective Income Tax
Domestic shipping operations	4%	1.20%
Domestic airline operations	6%	1.80%
Foreign shipping and airline operations	6%	2.64%
Foreign oil and gas drilling operations	15%	3.75%
Certain Ministry of Trade representative offices	1% of export value	0.25%

2.5 Taxation of dividends

Tax is withheld from dividends as follows:

a. Resident recipients

Dividends received from an Indonesian company by a limited liability company incorporated in Indonesia (Perseroan Terbatas/PT), a corporate, or a state-owned company, are exempt from income tax if the following conditions are met:

- The dividends are paid out of retained earnings; and
- The company earning the dividends holds at least 25% of the paid-in capital in the company distributing the dividends.

If these conditions are not met, the dividends are assessable to the company earning the dividends at the ordinary tax rate alongside the company's other income. Upon declaration, dividends are subject to withholding tax at 15%. The amount withheld constitutes a prepayment of the CIT liability for the company earning the dividends.

Dividends received by resident individual taxpayers are subject to final income tax at a maximum rate of 10%.

b. Non-resident recipients :

20% (or lower for treaty countries) final withholding tax is due on dividends paid to a non-resident recipient.

2.6 Taxation of capital gains

Capital gains are taxable as ordinary income and capital losses are tax-deductible. Gains from certain transactions are taxed under a special regime (e.g. gains from the disposal of land and/or buildings are subject to a final 5% tax of the transaction value).

2.7 Taxation of interest income

Interest on time or saving deposits and on Bank Indonesia certificates (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

2.8 Utilization of tax losses

Losses may be carried forward for 5 years following the year the loss was incurred (this period may be extended to 10 years on certain industries and for operations in remote areas). Losses are not allowed to be carried back.

2.9 Key Tax incentives

a. Tax cut for public companies

   5% tax cut, giving an effective rate of 20%, can be granted to public companies which satisfy the following conditions:

   - At least 40% of their paid-in shares are publicly owned;
   - The public should consist of at least 300 individuals, each holding less than 5% of the paid-in shares;
   - These two conditions are maintained for at least 6 months (183 days) in a tax year.

b. Income Tax for small enterprises

   2 different schemes are applied for small enterprises:

   - Effective 1 July 2013, companies (exclude permanent establishments) with an annual turnover less than 4.8 billion are subject to 1% final income tax.
   - Companies with an annual turnover of not more than Rp50 billion, are entitled a 50% discount of the standard tax rate which is imposed proportionally on taxable income of the part of gross turnover up to Rp4.8 billion.

c. Tax holiday

   New corporate taxpayers in certain pioneer industries may enjoy a CIT exemption for a period of five to ten years from the start of commercial production. After the end of the CIT exemption, the company will receive a 50% CIT reduction for two years.

   To be eligible for the above facilities, taxpayers should be newly incorporated in Indonesia (not earlier than 14 August 2010), should have a legalized new capital investment plan of a minimum IDR 1 trillion, should deposit a minimum of 10% of their planned investment value in banks located in Indonesia, and should not withdraw the deposit prior tho the realization of the investment plan.

Tax holiday proposals may be submitted to the MoF only until 15 August 2014.

Tax holiday may be available for significant investments in the following "pioneer" industries:

1. Basic metals industry;
2. Petroleum refining industry and/or organic basic chemicals derived from petroleum and natural gas;
3. Industrial machinery;
4. Renewable resources industry; and/or
5. Telecommunication equipment

d. Direct tax incentives for new enterprises

Under the Capital Investment Law, the new Enterprises may apply for an exemption from the income tax payable on the importation of capital goods and raw materials. The exemption is granted for capital goods indicated in the Master list and must be applied for each year. Furthermore, new Enterprises should secure an exemption certificate from the DGT where the new enterprise is registered.

e. Tax facilities on investment in certain business and or certain regions

Income tax facilities are available for investment in 25 selected sectors (52 sub-sectors) and/or 15 selected locations (77 sub-locations), effective December 22, 2011.

The tax facilities for the selected sectors/regions comprise of 4 incentives:

1. Additional tax deduction of 5% of the realized capital investment (depreciable and non-depreciable assets) each year up to 6 years (revoked if assets are transferred during facility period)
2. Option to use accelerated tax depreciation at double normal rates
3. The period for tax loss carry forward may be extended to 10 years (instead of 5 years)
4. Withholding tax on dividends to non-resident shareholders is reduced to 10% (or a lower DTA rate)

2.10 Withholding tax

Dividends - Dividends paid by a domestic corporate taxpayer to a non resident are subject to a final 20% withholding tax (or a reduced treaty rate). A 10% final withholding tax is imposed on dividends paid to a resident individual.

Interests - Interest paid to a nonresident is subject to a 20% withholding tax (or a reduced treaty rate). Interest paid by a domestic taxpayer to a resident is subject to a 15% withholding tax, which represents an advance payment of tax liability.

Royalties - A 20% withholding tax is imposed on royalties remitted abroad (or a reduced treaty rate). For tax purposes, royalties refer to any charge for the use of property or know-how in Indonesia, as well as the transfer of a right to use property or know-how in Indonesia.

Royalties paid by a domestic taxpayer to a resident are subject to a 15% withholding tax, with the payment representing an advance payment of tax liability.

Technical service fees and rental - A 2% withholding tax applies on gross payments made by a domestic taxpayer to a resident taxpayer for technical, management and consulting services and rentals (except for land and building rentals). For the land and building rental is subject to 10% Final Income Tax.

Under the domestic tax law, a 20% withholding tax (or a reduced treaty rate) is imposed on technical service fees remitted abroad.

Branch remmitance tax - Permanent establishments are subject to a 20% branch profits tax (or a reduced treaty rate) on after-tax profits.

2.11 Transfer Pricing

Transactions between parties that have a special relationship must be carried out in a "commercially justifiable may" and on an arm's length basis. Documentation is required, which at a minimum should cover an overview of the taxpayer's business operation and structure, its transfer pricing policy, comparability analysis, selected comparables and an explanation of how the arm's length price or profit was determine (including the transfer pricing methodology). In 2013, the authorities have issued detailed transfer pricing guidelines, which, in principle, are in line with the OECD's approach.

2.12 Filing requirements of tax return

Filing due dates

The monthly income tax returns must be filed by the 20th of the following month.

Annual corporate tax returns must be filed within 4 months of the end of the book year.

Penalties

Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid with a maximum of 48%.

Late filings are subject to the following penalties:

- Monthly income tax return: IDR 100,000
- Annual corporte income tax return: IDR 1,000,000

Payment of profit tax and application of holdover

The monthly tax installment operates under a self-assessment system, with tax due on the 15th day of the calendar month, following the tax-assessment month. Corporate income tax is due at the end of the fourth month after the book year end before filling the tax return.

For annual income tax returns, taxpayers may extend the filling deadline by up to 2 months.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Individual residents in Indonesia are taxed on their wordwide gross income less allowable deductions and non taxable income.

An individual is a tax resident if he/she fulfils the following conditions:

- He/she resides in Indonesia;
- He/she is present in Indonesia for more than 183 days in any 12-month period (the provisions of tax treaties may overried this rule);
- He/she is present in Indonesia during a fiscal year and intends to reside in Indonesia.

Taxable income of individuals includes profits from a business, employment income, capital gains, etc.

3.2 Rates of tax

For resident tax payers: most income is subject to the normal rates of 5% on the first IDR 50 million of annual taxable income; 15% on amounts exceeding IDR 50 million up to IDR 250 million; 25% on amounts exceeding IDR 250 million up to IDR 500 million; and 30% on amounts exceeding IDR 500 million.

Effective 1 July 2013, incentives applied for small individual tax payers (see also 2.9 for the same incentives applied for corporate tax payers) with an annual gross turnover of no more than Rp4.8 billion of which their income is subject to 1% final income tax rate. This threshold excludes income from independent personal services such as doctors, lawyers, and notaries, and income that is already subject to final income tax such as construction services and rental or sale of assets, land and buildings.

For non-resident tax payers: 20% withholding tax rate on Indonesia-sourced income.

3.3 Year of assessment

The calendar year (January to December)

3.4 Allowances and Deductions

An individual who conducts a business may deduct expenses from business income. Expenses generally are deductible if they are incurred for the purposes of generating income. Allowance are provided for the taxpayer, the taxpayer's spouse and up to 3 dependent children.

	Rp
Taxpayer	24,300,000
Spouse	2,025,000
Each dependant (max of 3)	2,025,000
Occupational expenses (5% of gross income, max Rp 500,000/month)	6,000,000
Employee contribution to jamsostek or "BPJS" for old age security savings (2% of gross income)	Full amount
Pension maintenance expenses (5% of gross income, max Rp 200,000/month)	2,400,000

3.5 Taxation of dividends

Dividends received by resident individual tax payers are subject to final income tax at a maximum rate of 10%. If received by non-resident recipients, they are subject to final withholding tax of 20% (or lower for treaty countries).

3.6 Taxation of capital gain

Capital gains derived by an individual are taxed as income at the normal rates; gains on shares listed in Indonesia are taxed at 0.1% (final tax) of the transaction value (an additional tax of 0.5% applies to the share value of founder shares at the time of an initial public offering). Gains on the disposal of land and/or buildings are taxed at 5% (final tax) of the transaction value.

3.7 Taxation of interest income

Interest income on time or saving deposits and on Bank Indonesia (SBIs) other than that payable to banks operating in Indonesia and to goverment-approved pension funds is subject to 20% final tax.

Interest on bonds others than that payable to banks operating in Indonesia and goverment-approved pension funds is subject to 15% finanl tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

3.8 Personal assessment and utilization of losses

Personal tax is self-assessed. There are no utilization of losses for deemed income.

3.9 Withholding tax

Employers are required to withhold Article 21 income tax from the salaries payable to their employees and pay the tax to the State Treasury on their behalf. The same withholding tax is applicable to other payments to non-employee individuals (e.g. fees payable to individual consultant or service providers). Resident individual taxpayers without an NPWP are subject to a surcharge of 20% in addition to the standard withholding tax.

Non-resident individuals are subject to withholding tax of 20% (unless treaties apply) in respect of the following payments:

a. On gross amounts:
   - Dividends;
   - Interest, including premiums, discounts and guarantee fees;
   - Royalties, rents and payment for the use of assets;
   - Fees for services, work, and activities;
   - Prizes and awards;
   - Pensions and any other periodic payments;
   - Swap premiums and other hedging transactions;
   - Gains from debt write-offs;
   - After-tax profits of a branch of PE

b. On Estimated Net Income (ENI), being a specified percentage of the gross amount:

	ENI	Effective tax rate
Insurance premiums paid to non-resident insurance companies: by the insured by Indonesian insurance companies by Indonesian reinsurance companies	50% 10% 5%	10% 2% 1%
Sale of non-listed Indonesian company shares by non-residents	25%	5%
Sale by non-resident of a conduit company where this company serves as an intermediary for the holding of Indonesian company shares or a PE	25%	5%

3.10 Statutory obligation of employers

Employers are required to withhold, remit, and report income tax on the employment income of their employees.

3.11 Filing requirement of tax return

Filing due dates

Monthly employee tax return must be filed by an employer by 20th of the following month. Individual must file his/her annual individual income tax return by the end of the third month after the year end.

Penalties

Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid with a maximum of 48%.

Late filings are subject to the penalties of IDR 100,000.

Application of holdover

For annual income tax returns, taxpayers may extend the filling deadline by up to 2 months.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Badan Penyelenggara Jaminan Sosial or "BPJS" (Formerly PT Jamsostek (Persero))

4.2 Basis of contribution

Indonesia does not have a comprehensive social security system; however, there is a worker's social security program (BPSJ or Jamsostek) which provides compensation in the event of working accidents, deaths, and old age (55 years) as well as sickness or hospitalization. The program is maintained by a designated state-owned company, PT Jamsostek.

Employees contributions are collected by the employer through payroll deductions. These must be paid to BPJS or PT Jamsostek together with the contributions borne by the employers.

Expatriates need not be enrolled in BPJS or Jamsostek if they can provide evidence that they are covered by social security programs of the same type in their home country. A company which provides better company health insurance to its employees can choose not to join health care program under Jamsostek.

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4.3 Contribution rate

Areas covered	As a percentage of regular salaries/wages	
	Borne by employers	Borne by em-ployees
Working accident protection	0.24-1.74%	-
Death insurance	0.3%	-
Old age saving	3.7%	2%
Health care*	3%	-

**) Maximum Rp 60,000/month for a married employee and Rp 30,000 for a single employee*

4.4 Exemption from tax

Working accident protection, death insurance and health care borne by employers are taxable in an employee's income while the old age saving borne by employers is exempted from tax. Old age savings borne by employees are tax deductible from an employee's income.

GST/VAT

5.1 Basis of tax

VAT is levied on the "delivery" of taxable goods and the provision of taxable services. In general, delivery means sale, but this is not always the case. VAT also applies to intangible goods (including royalties) and to virtually all services provided outside Indonesia to Indonesian business. VAT applies equally to all manufactured goods, whether produce locally or imported. Manufacturing is defined as any activity that changes the original form or nature of a good, creates a new good or increases its productivity. Certain goods and services are non-taxable for VAT purposes.

5.2 Rates of tax

The standard rate is 10%. VAT on exports of taxable goods and certain taxable services are zero rated. Zero-rate export services are limited to toll manufacturing services; repair and maintenance services attached to or for movable goods utilized outside the Indonesia customs area; and construction services attached to or for immovable goods located outside the Indonesia customs area.

5.3 Registration

Entrepreneurs exceeding a certain amount in annual sales of taxable goods and/or taxable services are required to register for VAT purposes and issue a VAT invoice on the delivery of taxable goods and/or taxable services.

5.4 Filing requirements

A monthly VAT return must be filed by the end of the following month, while payment must be made prior to the tax return filing deadline.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Resident companies deriving income from foreign sources are entitled to a unilateral tax credit with respect to foreign tax paid on the income. The credit is limited to the amount of Indonesian tax.

6.2 List of double tax treaties signed

		Notes	Dividends		Interest	Royalties	Branch Profit Tax
			Portfolio	Substantial holdings			
1.	Algeria		15%	15%	15/0%	15%	10%
2.	Australia		15%	15%	10/0%	15% / 10%	15%
3	Austria		15%	10%	10/0%	10%	12%
4	Bangladesh		15%	10%	10/0%	10%	10%
5	Belgium		15%	10%	10/0%	10%	10%
6	Brunei		15%	15%	15/0%	15%	10%
7	Bulgaria		15%	15%	10/0%	10%	15%
8	Canada		15%	10%	10/0%	10%	15%
9	China		10%	10%	10/0%	10%	10%
10	Croatia		10%	10%	10/0%	10%	10%
11	Czech Republic		15%	10%	12.5/0%	12.5%	12.5%
12	Denmark		20%	10%	10/0%	15%	15%
13	Egypt		15%	15%	15/0%	15%	15%
14	Finland		15%	10%	10/0%	15%/10%	15%
15	France		15%	10%	15/10/0%	10%	10%
16	Germany	1	15%	10%	10/0%	15%/10%	10%
17	Hong Kong		10%	5%	10/0%	5%	5%
18	Hungary	3	15%	15%	15/0%	15%	20%
19	India		15%	10%	10/0%	15%	10%
20	Iran		7%	7%	10/0%	12%	7%
21	Italy		15%	10%	10/0%	15/10%	12%
22	Japan		15%	10%	10/0%	10%	10%
23	Jordan	3	10%	10%	10/0%	10%	20%
24	Korea (North)		10%	10%	10/0%	10%	10%
25	Korea (South)	2	15%	10%	10/0%	15%	10/0%
26	Kuwait		10%	10%	5/0%	20%	10%
27	Luxembourg	1	15%	10%	10/0%	12.5%	12.5%
28	Malaysia	4	10%	10%	10/0%	10%	10%
29	Mexico		10%	10%	10/0%	10%	10%
30	Mongolia		10%	10%	10/0%	10%	10%
31	Morocco		10%	10%	10/0%	10%	10%
32	Netherland		10%	10%	10/0%	10%	10%
33	New Zealand	3	15%	15%	10/0%	15%	20%
34	Norway		15%	15%	10/0%	15/10%	15%
35	Pakistan	1	15%	10%	15/0%	15%	10%
36	Papua New Guinea	1	15%	15%	10/0%	10%	15%
37	Philippines		20%	15%	15/10/0%	15%	20%
38	Poland		15%	10%	10/0%	15%	10%
39	Portugal		10%	10%	10/0%	10%	10%
40	Qatar		10%	10%	10/0%	5%	10%

		Notes	Dividends		Interest	Royalties	Branch Profit Tax
			Portfolio	Substantial holdings			
41	Romania		15%	12.5%	12.5/0%	15/12.5%	12.5%
42	Russia		15%	15%	15/0%	15%	12.5%
43	Seychelles	3	105	10%	10/0%	10%	20%
44	Singapore		15%	10%	10/0%	15%	15%
45	Slovakia		10%	10%	10/0%	15/10%	10%
46	South Africa	3	15%	10%	10/0%	10%	20%
47	Spain		15%	10%	10/0%	10%	10%
48	Sri Lanka		15%	15%	15/0%	15%	20%
49	Sudan		10%	10%	15/0%	10%	10%
50	Suriname		15%	10%	10/0%	15%	15%
51	Sweden		15%	10%	10/0%	15/10%	15%
52	Switzerland	1	15%	10%	10/0%	10%	10%
53	Syria		10%	10%	10/0%	20/15%	10%
54	Taiwan		10%	10%	10/0%	10%	5%
55	Thailand		20%	15%	15/0%	15%	20%
56	Tunisia		12%	12%	12/0%	15%	12%
57	Turkey		15%	10%	10/0%	10%	10%
58	Ukraine		15%	10%	10/0%	10%	10%
59	United Arab Emirates		10%	10%	5/0%	5%	5%
60	United Kingdom		15%	10%	10/0%	15/10%	10%
61	United States of America		15%	10%	10/0%	10%	10%
62	Uzbekistan		10%	10%	10/0%	10%	10%
63	Venezuela	1	15%	10%	10/0%	20%	10%
64	Vietnam		15%	15%	15/0%	15%	10%
65	Zimbabwe	1	20%	10%	10/0%	15%	10%

Notes:

1. Service fees including for technical, management and consulting services rendered in Indonesia are subject to withholding tax at rates of 5% for Switzerland, 7.5% for Germany, 10% for Luxembourg, Papua New Guinea, Venezuela and Zimbabwe, and 15% for Pakistan.

2. VAT is reciprocally exempted from the income earned on the operation of ships or aircraft in international lanes.

3. The treaty is silent concerning the branch profit tax rate. The ITO interprets this to mean that the tax rate under Indonesia Tax Law (20%) should apply.

4. Labuan offshore companies (under the Labuan Offshore Business Activity Tax Act 1990) are not entitled to the tax treaty benefits.

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Certain documents are subject to stamp duty at a nominal amount of IDR 3,000 or IDR 6,000.

7.2 Real property tax

Land and building tax is payable annually on land, buildings and permanent structures. The rate is typically not more than 0.3% of the sale value of the property.

7.3 Estate duty

No estate duty will be imposed on the value of an individual's property passing on death. However, further distributions which require a change in certificates of ownership are subject to duty on the acquisition of land and building rights with 5% rate to the relevant tax object acquisition value, minus an allowable non-taxable threshold.

7.4 Net wealth/net worth tax

N/A.

7.5 Others

Business tax:

N/A

Consumption tax, etc.:

Provincial tax is charged mostly at 10% e.g hotel and restaurant services.

INDONESIA

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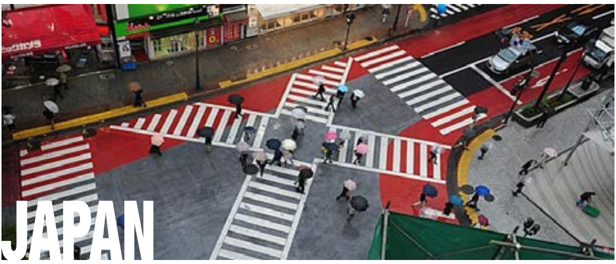

JAPAN

GENERAL INFORMATION

1.1 Country : Japan

1.2 Currency : Yen (JPY)

1.3 Principal business entities

Representative office, branch office, corporation and partnership with or without legal personality.

1.4 Foreign exchange control

Controlled by Foreign Exchange and Foreign Trade Control Law

1.5 Current economy climate (Industry overview/encouraged business development)

Japan saw an unexpected surge in capital spending in its first quarter growth of 2014. The world's third-biggest economy is in better shape to weather a hit to consumption from the consumption tax hike in April 2014. Capital spending, a weak link in the economy, is a key focus in Japan, especially Tokyo's campaign to engineer a revival after two decades of sub-par growth and grinding deflation. Japanese consumer confidence rose for the first time in six months in May 2014. The service-sector sentiment index also edged up. It is anticipated that year 2014 is the year that the Japanese economy will continue growth above its potential rate as a trend as exports turn up and domestic demand remains firm.

1.6 National tax authority

Name: National Tax Agency (NTA)

Website: www.nta.go.jp

CORPORATE INCOME TAX

2.1 Basis of taxation

A) Domestic Corporations

Domestic Corporations are subject to Japanese corporation tax on their worldwide income.

The tax base is the corporation's taxable income for each business year. In general, taxable income is calculated by a certain adjusting based on annual profits and losses according to Japanese generally accepted accounting principles on an accrual basis.

B) Foreign Corporations

Foreign corporations are taxed only on Japanese-source income. In this regard, taxable income depends on whether they have PE or not, and (if they have,) what kind of PE they have, and whether or not tax treaties are concluded.

On the other hand, Japan has concluded tax treaties with many countries. Under the tax treaties, foreign corporations are subject to corporation taxes only on the Japanese-source income which is attributable to their PE in Japan.

Corporations which don't have PE in Japan are only subject to withholding tax in principle.

2.2 Rates of tax

Corporate income tax consists of the following 3 taxes.

(A) Corporation tax (National Tax)

(B) Prefectural and Municipal Inhabitant Tax (Local Tax)

(C) Business Tax (Local Tax)

(A) Tax rate for Corporation Tax

	Taxable income up to JPY8M in a year	Taxable income in excess of JPY8M in a year
Small and medium-sized corporations(1)	19% (15%) (*)	25.50%
Other than Small and medium-sized corporations	25.50%	

(*1) A corporation whose paid-in capital is JPY100 million or less, except for either of the following cases:

- where 100% of the shares of the corporations are directly or indirectly held by one large sized company (whose paid-in capital is JPY500million or more)
- where 100% of the shares of the corporations are directly or indirectly held by one large sized companies in a 100% group.

(*2) 15% is applied to business years beginning between 1 April 2012 and 31 March 2014.

In addition to the above corporation tax, the special reconstruction corporation tax is levied.

For two years from the business year beginning between 1 April 2012 and 31 March 2014, 10% of its corporation tax must be additionally paid as the special reconstruction corporation tax.

(B) Tax rate for Prefectural and Municipal Inhabitant Tax

Prefectural and Municipal Inhabitant Tax consists of two types. One is an income tax calculated based on the corporation tax, and the other is a per capita tax. The tax rate for income tax is from 5% through 6 % for prefectural tax, from 12.3 % through 14.7% for municipal tax which is at the local government's discretion.

(C) Tax rate for Business Tax

Business Tax is a local tax imposed by prefectures. The tax rate is at the local government's discretion under the range between the standard rate and the maximum rate, which is 1.2 times as high as that of the standard rate.

It has two types depending on the paid-in-capital.

1) Corporations with paid-in-capital up to 100 million yen

Only income tax is imposed. Tax basis is same as a corporation tax.

2) Corporations with paid-in-capital exceeding 100 million yen

In addition to income tax, Corporations with paid-in capital exceeding 100 million yen are also subject to a size-based business tax. Size-based business tax has two types. One is added value tax calculated based on the total of labor costs, net interest payment, net rent payment and income/loss for the business year. The other is capital tax calculated based on the capital plus capital surplus.

The tax rate for Business Tax is as follows.

From 1 October 2008				
			Standard rate (%)	**Maximum rate (%)**
Paid-in-capital up to JPY100 million	Taxable Income (JPY)	up to 4 million	2.7	3.24
		4-8 million	4	4.8
		over 8 million	5.3	6.36
Paid-in-capital exceeding JPY 100 million	Taxable Income (JPY)	up to 4 million	1.5	1.8
		4-8 million	2.2	2.64
		over 8 million	2.9	3.48
	added value		0.48	0.576
	capital		0.2	0.24

Special local corporate tax

Special local corporate tax is not a local tax but a new national tax which is imposed for business years beginning on or after 1 October 2008, in order to reduce gap in tax revenue between urban and rural areas. This tax is levied with the reduction in the business tax rates, In order not to increase the total tax burden.The tax rate is as follows.

Tax base	**Paid-in-capital**	
	up to JPY 100 million	**exceeding JPY 100 million**
Taxable income x Standard rate of business tax	81	148

2.3 Year of assessment

The business year for tax purposes (taxable period) is the same as the accounting period provided for in the articles of incorporation.

2.4 Profits deemed to be taxable

In general, profits for accounting purposes is recognized as a taxable income. However, for example, if a corporation obtains a valuable asset for free and does not recognized their income for accounting purposes, such an economical benefit must be recognized as a taxable income.

2.5 Taxation of dividends

Dividend from domestic corporation

In order to avoid double taxation between corporations which pay dividend and which receive dividend, dividends received by corporate shareholders are excluded from taxable income.

The amount which is excluded from gross revenue/taxable income depends on how many shares and how long they have.

a) A shareholder owning 25% or more of the outstanding shares directly for at least 6 months :

   100% of the net amount of dividends less interest expense is exempt from gross revenue.

b) A shareholder owning less than 25% or A shareholder owning 25% or more but for less than 6 months:

   50%of the net amount of dividends received less interest expense is exempt

c) A shareholder from the same consolidated group(holding shares all the business year of payment corporation):

   All dividends received are exempt.

Foreign Dividend Exclusion Rule

When a Japanese corporation receives a dividend from a foreign subsidiary, in which 25% or more of the outstanding shares or voting rights are held directly by the Japanese corporation continuously at least 6 months, 95% of the dividend is excluded from the taxable income of the Japanese corporation.

2.6 Taxation of capital gains

There is no separate tax on capital gains from the sale of land, securities, etc. Corporations are subject to ordinary corporation taxes on capital gains in the same way as ordinary income.

2.7 Taxation of interest income

Interest income is subject to normal corporate income taxes in the same manner as ordinary income.

2.8 Utilization of tax losses

If the ordinary income for a given business year shows a net loss, the net loss may be carried forward or carried back.

a) Tax losses carry-forward

   If the corporation files a blue tax return (See 2.9) for the business year in which the loss was incurred and has continued to file blue tax returns, the net loss can be utilized against profits for succeeding 9 years.

By virtue of the 2011 tax reform, the limit of the deductible amount of tax losses (the deductible amount) was changed as below.

i) Small and medium-sized companies(*)

Up to the total amount of taxable income for the business year

ii) Companies other than small and medium-sized companies

Up to 80% of taxable income for the business year

(*) A small and medium-sized company for the purpose of this rule is the same as that defined in 2-2.

b) Tax losses carry-back

If the corporation files a blue tax return for the business year in which the loss has been incurred and the previous business year, the tax loss can be carried back for 1 year.

This provision is only applied to small and medium-sized companies (the definition is same as 2.2)

2.9 Key Tax incentives

JAPAN

A corporation filing a blue tax return is granted privileges in the calculation of income; (*).

- Tax losses carry-forward (see 2.8)
- Tax losses carry-back (see 2.8)
- Special depreciation and special tax credits

(*) A corporation may file a blue tax return with the approval of the tax office.

A blue corporation must keep a journal, a general ledger and other necessary books, and record all transactions clearly and in good order according to the principles of double entry. If a corporation meets these requirements, it can file a blue return. If not, it can only file a white return.

2.10 Withholding tax

Dividends from a listed Company	15.315% (+Inhabitant tax 5%)
Dividends from private Company	20.42%
Interest on bank deposits and company/government bonds	15.315% (Inhabitant tax 5%)

The withholding tax is generally creditable against the corporation income tax . Excess payments are refundable.

2.11 Transfer Pricing

The transfer pricing legislation is set out in order to prevent the tax avoidance by corporations through transactions with their Related Overseas Companies.

When a Japanese corporation transacts business with foreign corporations which have special relationships with it, and if its taxable income is less than the amount calculated on arm's length principles, these transactions will be deemed to have been conducted at an arm's length price and the differential amount will be included in (or not be deductible from) the taxable income of the corporation.

A corporation can select best method of the following five to calculate arm's length prices.

- Comparable uncontrolled Price method
- Resale Price Method
- Cost-Plus Method
- Profit Split Method
- Transactional Net Margin Method

2.12 Filing requirements of tax return

Filing due dates

A corporation is required to file a final return within two months after the end of its business year, whether or not it has a positive income for the business year.

One month extension is allowed with the approval of the tax office .

Penalties

Penalties may be levied in some case, such as failure to pay tax by the payment due date, failure to file a tax return by the filing due date.

There are three kinds of penalties as follows.

A) Delinquency tax (overdue tax)

When tax is not paid by the payment due date, when a return is filed after the due date, or when an amended return is filed after the due date, delinquency tax is imposed.

Tax rate is as follow;

- If paid within 2 months after the payment due date: 2.9%
- If not paid within 2 months of the payment due date: 9.2%

B) Additional Tax

i) due to short payment

In case the amount is short though a return is filed by the due date

10% or 15% of the short tax is imposed.

ii) due to non-filing

In case a return is filed after the due date or a return is not filed,

15% of the corporate tax is imposed (5% if self-filed).

iii) due to non-payment

When withholding tax is not paid by the due date

10% of non-payment tax is imposed (5% if notification from tax office was not anticipated).

iv) due to disguise or obscure the facts

Tax rate is 35% instead of i), iii), and 40% instead of ii).

C) Interest Tax

When tax liability is not paid by the payment due date but the tax return's filing extension is already approved, interest tax is imposed. Tax rate is 2.9%.

Payment of profit tax and application of holdover
In general, Japanese tax offices assess an interim tax on coporate taxpayers whose corporation income tax amount of the previous fiscal year is over JPY 100,000.

The amount of the interim tax is calculated as follows;

The amount of an interim tax = an annual tax of the previous fiscal year x 6 months / the number of months of the previous fiscal year

However, in spite of the assessed interim tax amount noticed by the tax office, a corporate taxpayer can pay an interim tax amount which is calculated on a basis of a provisional taxable income for the first 6 months of a current fiscal year by a filing an interim tax return.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

A) Residence

Residents are individuals that either have an address (*1) within Japan, or have had a domicile in Japan continuously for a year or more.

Non-residents are individuals who are not residents.

Residents are further classified into permanent and non-permanent residents, depending on their length of residence in Japan and their intentions toward permanent residence in Japan.

Non-permanent residents are those residents who do not possess Japanese citizenship, and whose total period of possession of an address or domicile in Japan is 5 years or less within the past 10 years. Permanents residents are those residents who are not non-permanent residents.

The range of income tax differs among non-residents, permanent residents, and non-permanent residents, as indicated by the following table.

<table>
<tr><th colspan="2" rowspan="3">Income category
Residence status</th><th colspan="2">Income withheld at source (in Japan) *1</th><th colspan="3">Income withheld at source (outside Japan) *2</th></tr>
<tr><th rowspan="2">Paid in Japan</th><th rowspan="2">Paid outside Japan</th><th rowspan="2">Paid in Japan</th><th colspan="2">Paid outside Japan</th></tr>
<tr><th>Component remitted within Japan</th><th>Component remitted outside Japan</th></tr>
<tr><td rowspan="2">residents</td><td>Permanent residents</td><td colspan="5">Subject to taxation</td></tr>
<tr><td>Non-permanent residents</td><td colspan="3"></td><td colspan="2" rowspan="2">Not subject to taxation</td></tr>
<tr><td colspan="2">Non-residents</td><td colspan="2"></td><td></td></tr>
</table>

*1 *Domestic source income is income derived from Japan (regardless whether it is paid within Japan or not)*

*2 *Foreign source income is income other than income withheld at source (in Japan).*

B) Income category

Individual's taxable income is defined as assessable income less allowances and deductions. Assessable income is composed of 10 categories.

3.2 Rates of tax

A) Tax Rate on Ordinary Income

The ordinary income is taxed at the following progressive tax rates.

<table>
<tr><th colspan="2">Taxable income</th><th colspan="2">Income tax (national tax)</th><th rowspan="2">Inhabitant tax (local tax)</th></tr>
<tr><th>From</th><th>But not over</th><th>Tax rate applicable to taxable income band</th><th>Deduction</th></tr>
<tr><td>-</td><td>1,950,000</td><td>5%</td><td>-</td><td rowspan="7">10%</td></tr>
<tr><td>1,950,000</td><td>3,300,000</td><td>10%</td><td>97,500</td></tr>
<tr><td>3,300,000</td><td>6,950,000</td><td>20%</td><td>427,500</td></tr>
<tr><td>6,950,000</td><td>9,000,000</td><td>23%</td><td>636,000</td></tr>
<tr><td>9,000,000</td><td>18,000,000</td><td>33%</td><td>1,536,000</td></tr>
<tr><td>18,000,000</td><td>40,000,000</td><td>40%</td><td>2,796,000</td></tr>
<tr><td>40,000,000(*)</td><td></td><td>45%</td><td>4,796,000</td></tr>
</table>

(*) From January 2015

B) Tax Rate on Capital Gains

Capital gains from real estate and stocks are taxed at different tax rates separately from ordinary income.

Applicable tax rate for capital gains from sales of real estate is 39%(income tax 30%, inhabitant tax 9%) or 20%(income tax 15%, inhabitant tax 5%), which depends on the period of possession as at 1 January in the year of disposal.

Basically, capital gain from sales of stocks is taxed at 20% (income tax 15%, inhabitant tax 5%).

C) Tax Rates on Dividends

In principle, Dividend income is included in the ordinary income, and taxed at the rate of ordinary income.

However, in a certain conditions, a taxpayer can elect a separate assessment taxation system or final settlement by the withholding income tax. When an individual elects these options, dividend income is taxed at 20%.

D) Special Reconstruction Income Tax

In addition of the above, special reconstruction income tax is imposed at 2.1% on the income tax liability from 2013 to 2037.

3.3 Year of assessment

The tax years starts on 1 Jan and ends on 31 December of every year.

3.4 Allowances and Deductions

A) Allowance

The allowances described below are available to reduce taxable income for income tax and inhabitant tax purposes.

JAPAN

Allowance	Income tax	Inhabitant tax
Basic deduction for taxpayer	380,000	330,000
Spouse – younger than 70 years	380,000	330,000
Spouse – 70 years of older	480,000	380,000
Dependent - 16-18 years of age	380,000	330,000
Dependent - 19-22 years of age	630,000	450,000
Dependent - 23-69 years of age	380,000	330,000
Dependent – 70 years or older	480,000	380,000
Parent, 70 years old or older, of the taxpayer or his or her spouse living under the same roof	580,000	450,000

B) Deductions

Some deductions are allowable such as medical expenses, social insurance premiums etc.

3.5 Taxation of dividends

As mentioned in the above, in general, dividend income is included in the ordinary income and taxed at the tax rate for the ordinary income. However, with regard to dividends from listed companies etc, under the certain conditions, taxpayer can select a separate assessment taxation system or a final settlement by the withholding income tax.

See "3.2 Rates of tax" for applied tax rate.

3.6 Taxation of capital gain

In general, capital gain income derived from the transfer of assets is included in the ordinary income and taxed at the tax rate for the ordinary income. However, with regard to the transfer of the land, building and stock etc, a separate assessment taxation system is applied.

See “3.2 Rates of tax” for applied tax rate.

3.7 Taxation of interest income

In general, interest income is included in the ordinary income and taxed at the rate for the ordinary income. However, with regard to interest on bank deposit etc, a final settlement by the withholding income tax is applied.

3.8 Personal assessment and utilization of losses

In determining the amount of real estate income, business income, forestry income or capital gain(excluding capital gains on land etc. and stock) respectively, if one or more of these categories of income result in loss, the amount of loss may be deducted from other income.

3.9 Withholding tax

The employer is required to withhold income tax from salaries etc to the employee monthly. The employer must pay withholding income tax until the 10th of the following month.

3.10 Statutory obligation of employers

A) Withholding tax

See 3.9 withholding tax.

B) Year-end adjustment

The employer (except for certain workers) is required to make year-end adjustments of withholding income tax on employment income.

C) Submit a report to the appropriate offices of municipalities

The employer is required to submit a report on the employee’s income to the municipalities in which employee resides as at 1 January.

3.11 Filing requirement of tax return

Filing due dates

A final income tax return must be filed by 15 March of the following year.

Penalties

Same as “2.12 Filing requirement of tax return”.

Application of holdover

An individual taxpayer whose income tax is over a certain amount on his/her income tax return for the previous year is required to make a provisional tax payment by 2 installments (July and November). However, if the taxpayer expects his/her income will be reduced, the taxpayer can submit an application of a holdover of the provisional tax for the tax office’s approval.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Japan Pension Service Authority

- To regulate and supervise the entire operation of Japanese National Pension Fund ("NPF") schemes and additional Employees' Pension Insurance ("EPI") schemes.

Japan Health Insurance Association

- To regulate and supervise the operation of Japanese Health and Medical Insurance Fund ("HMIF") schemes.

4.2 Basis of contribution

Japanese National Pension Fund ("NPF") and Employees' Pension Insurance ("EPI") system are both basic saving for retirement pension scheme. The former covers all Japanese adults, over the age of 20. The latter is designed as an employment based system. Both NPF and EPI contributions are invested in independent funds supervised by the government officials. Both contributions can be withdrawn only until the qualified person or employee reach the age of 65 or under circumstances, including :

- early retirement at the age of 60 up to 64
- permanent departure from Japan(for foreigners who received a lump-sum refund)
- partial or total incapacity
- death(the family of the deceased can be qualified as a recipient of survivor's pension)

Japanese Health and Medical Insurance Fund ("HMIF") provides universal medical compensation scheme both domestic and internationally for Japanese employees. Self-employed person and retired person can be covered by the Provincial Medical Insurance Fund ("PMIF") run by the local government officials.

4.3 Contribution rate

Mandatory contribution for the EPI is calculated at 17.12% of the employee's relevant monthly income. The contribution for the EPI is equally shared by Employees and its employer. Eventually, the mandatory contributions of every employee come down to 8.56%.

Mandatory contribution for the NPF is defined as a fixed amount each year. Monthly contribution is 15,250 JPY (in the year of 2014) each person.

Mandatory contribution for the HMIF is calculated at 9.85% up to 10.16% of employee's relevant monthly income. The rate defers from provincial competent authorities.

4.4 Exemption from tax

For the mandatory contributions made by an employee to each scheme, tax deduction can be claimed. The tax deduction can be applied as follows :

- Mandatory contributions can be subtracted from monthly taxable income in advance

GST/VAT

5.1 Basis of tax

The consumption tax is levied on the supply of goods and services in Japan.

The following transactions are taxable;

i) the supply of goods and services in Japan

ii) the sales or leases of an assets in Japan

iii) the removal of foreign goods from a bonded area(i.e. import of goods)

Certain transactions are not taxable, such as sales of land, securities etc.

Consumption tax on importation is imposed on any importer regardless of whether the importation is carried out for business purposes. Thus, individuals importing goods as consumers can be an import consumption taxpayer.

5.2 Rates of tax

Although the current consumption tax rate is 8%, it will be increased to 10% on 1 October 2015.

5.3 Registration

A certain business operator (there are some conditions; such as taxable sales of business year, etc) is a non-taxpayer status.

However, by submitting the notice on election for consumption taxpayer status, he can become a taxpayer.

5.4 Filing requirements

A taxpayer has to submit its consumption tax return and pay tax due within 2 months after the end of the taxable period.

The taxable period is generally the business year for a corporate taxpayer and the calendar year for an individual taxpayer. However, the taxpayer can elect the taxable period as a quarterly or monthly basis rather than an annual basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign taxes levied on Japanese domestic corporation may be credited against Japanese corporation tax in order to avoiddouble taxation. The principle is the same in the case of individual.

6.2 List of double tax treaties signed

As of October 2012, Japan has concluded 53 tax treaties with following 64 countries/regions.

Australia	Finland	Malaysia	South Korea
Austria	France	Mexico	Spain
Bangladesh	Germany	Netherlands	Sri Lanka
Belgium	Hungary	New Zealand	Sweden
Brazil	Hong Kong	Norway	Switzerland
Brunei Darussalam	India	Pakistan	Thailand
Bulgaria	Indonesia	Philippines	Turkey
Canada	Ireland	Poland	UK
China(RPC)	Israel	Portugal	US
Czechoslovakia(*1)	Italy	Romania	USSR(*2)
Denmark	Kazakhstan	Saudi Arabia	Vietnam
Egypt	Kuwait	Singapore	Zambia
Fiji	Luxembourg	South Africa	

*(*1)Covers Czech Republic and Slovakia*

*(*2)Covers Russia, Georgia, Kyrgyz, Tajikistan, Uzbekistan, Ukraine, Turkmenistan, Armenia, Moldova, Azerbaijan and Belarus*

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is a kind of national tax incurred when certain documents are created for economic transactions, such as various kinds of contracts, receipts, and similar items. Stamp duty is paid by affixing a revenue stamp directly to the taxable document or contract.

7.2 Real property tax

1) Real estate acquisition tax

Real estate acquisition tax is generally levied at 4% of the appraised value of the real property. However, a reduced tax rate 3% is applied for land and residential building until March 2015.

2) Registration tax

When a transfer of ownership of real estate is made, registration tax is imposed.

For transfer of ownership of land by sales transaction, a tax rate is 2%, although 2% is applied until 31 March 2015.

For transfer of ownership of buildings by sales transaction, 2% is applied.

3) Fixed assets tax

Fixed assets tax is assessable on real property. The tax is levied at 1.4% of the assessed value of real estate.

In addition, city planning tax is assessable on the real property at 0.3% of the assessed value.

7.3 Estate duty

In Japan, Estate duty means Inheritance tax and gift tax.

The Japanese Inheritance Tax Law has two types of taxes, inheritance tax and gift tax.

Inheritance tax is levied on an individual who acquires property by inheritance upon the death of the decedent.

Gift tax is levied on an individual who acquires properties by gift (or economic benefit by deemed gift). Gift tax is a tax supplementary to inheritance tax.

Although current rates of both tax range from 10% to 50%, the maximum tax rate will be increased to 55% from January 1, 2015.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax:	See 2.2
Consumption tax, etc.:	See 5

POINT OF CONTACT

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MACAU

GENERAL INFORMATION

1.1 Country : Macau

1.2 Currency : Macau Patacas (MOP)

1.3 Principal business entities

- Limited company by share (SA)
- Private limited company by quotas
- Partnership
- Sole proprietorship
- Branch of a foreign corporation

1.4 Foreign exchange control

No control

1.5 Current economy climate (Industry overview/encouraged business development)

Macau has shifted from a light industrial-based economy, which placed great emphasis on the garment sector, to a service and tourist economy that focuses on the gaming and tourism sectors. In 2012, gambling activities contributed to over half of Macau's Gross Domestic Product and gaming taxes accounted for over 90% of the government's revenue.

1.6 National tax authority

Name : Financial Services Bureau

Website : www.dsf.gov.mo

CORPORATE INCOME TAX

2.1 Basis of taxation

Individuals and corporations, regardless of the residence or location of their domicile or head offices, once they carry on commercial or industrial activities in Macau, are subject to COMPLEMENTARY TAX on profits earned in or derived from Macau. Complementary tax is similar to the business profits tax as commonly seen in other places which is charged on the tax adjusted profits obtained from commercial or industrial activities.

Taxpayers liable to Complementary Tax are divided into two groups, A and B. Group A taxpayer is an individual or a collective body with complete and appropriate accounting records. Meanwhile, any collective body with capital not less than MOP1,000,000 or on yearly average taxable profit for the last three years of over MOP500,000 will also be classified as a Group A taxpayer. All tax group A taxpayer has to submit annual tax compliance audit return certified by a Macao registered accountant. Any other taxpayers not fulfilling such criteria are regarded as Group B taxpayers.

Macao Offshore company is fully exempted from Complementary Tax, and Business Tax.

2.2 Rates of tax

Exemption allowance for Complementary Tax assessment in 2013/14 is MOP300,000. The taxable profit over MOP300,000 will be taxed at 12%.

2.3 Year of assessment

The basis period of tax computation is commencing on 1 January and ending on 31 December.

2.4 Profits deemed to be taxable

In the case of Group A, annual financial statements are required to be compliance checked and signed by taxpayers and accountants or auditors registered with the Macau Finance Services Bureau while Group B filings are reported by taxpayers without accountant certification.

The reporting of Complementary Tax of Group A taxpayers' profits is similar to other places. Basically, a taxpayers 'accounting profit should be calculated based on generally accepted accounting principles. Then this accounting profit is subject to adjustments due to the specific requirements or provisions as stated in the Regulation of Complementary Tax and other related statutes. Usually, the tax adjustments include deduction of the nontaxable income and adding back nondeductible expenses from the accounting profit. Since Macau is a Civil Law jurisdiction, all adjustments should follow strictly the statutes which set out in detail what items are taxable, nontaxable, deductible or nondeductible. This is different from the common law approach in which, for example, the deductibility of a certain expenses is often dependent on allowed percentages.

On the other hand, Group B taxpayers will be taxed on estimated profits deemed or adjusted by the Finance Services Bureau based on the type of industry that the particular taxpayer is in, the performance of the industry and taxpayer in recent years and other relevant factors. Well-documented procedures for re-assessment, objection, and appeal are available in case the taxpayer does not concur with the initial estimated assessment.

Macao offshore company can be exempted from all Macao profit tax providing a valid offshore operating permit can be granted from Macao authority. But all such Macao offshore company has to be pre-approval by Macao Investment and Promotion Institution. Such company has to actually operating in Macao territory and file annual statutorial audit report.

2.5 Taxation of dividends

It is no tax if the dividend was paid out of profit after taxation.

2.6 Taxation of capital gains

No special capital gain tax but it has to be included as income item except rental income generated from properties investment.

2.7 Taxation of interest income

It is treated as normal income item.

2.8 Utilization of tax losses

For Group A taxpayers, and net loss incurred in any year of assessment can be deducted from the taxable profit of the one or more subsequent years but limited to a maximum of three years. For other taxpayers, any net loss can only be deducted from the current year of operation, no carried forward is allowed.

2.9 Key Tax incentives

Macao government allow profit tax exemption for assessed profit under MOP300,000 for the year of 2013.

2.10 Withholding tax

Not applicable

2.11 Transfer pricing

Not applicable

2.12 Filing requirements of tax return

Filing due dates

All taxpayers are required to submit complementary tax returns in respect of the preceding fiscal year within prescribed periods. The tax filing period for Group A taxpayers is between April and June while Group B taxpayers file between February and March each year

Penalties

1. Absence of or inaccuracy in the declarations which the taxpayers are obliged to submit according to the terms of this regulation, as well as the verified omissions in them, will result in a fine of MOP100 to MOP10,000.
2. If the absence, inaccuracy or omission is verified to be deliberate, a fine of MOP1,000 to MOP20,000 will result.

Payment of profit tax and application of holdover

Profit tax is payable on September and November of coming year. No hold over is allowed.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Personal tax in Macau is named as Professional Tax. It is applied to the income derived from services rendered for others or for individual professional.

According to the Regulations, taxpayers subject to professional tax are classified into two groups.

Group 1 taxpayers are those who render work for others. They are further classified into two types, namely employees and casual workers. The former perform intellectual work and are paid monthly, while the latter perform physical and handicraft work and are paid on a daily basis.

Group 2 taxpayers are those who are self-employed and exercise professional activities. They are obliged to issue tax receipts on the date of collection for all amounts received from their clients under the titles of remuneration, provisions, prepayments or any others. Their respective tax numbers should also been mentioned in that receipt which was pre-printed by the Macau Finance Services Bureau.

3.2 Rates of tax

Sliding scale tax rates is shown as follows:

From	To	Tax Rate
0.00	144,000.00	0%
144,000.01	164,000.00	7%
164,000.01	184,000.00	8%
184,000.01	224,000.00	9%
224,000.01	304,000.00	10%
304,000.01	424,000.00	11%
Above 424,000.00		12%

3.3 Year of assessment

The basis period of tax computation is commencing on 1 January and ending on 31 December.

3.4 Allowances and deductions

1/4 of the total gross amount of income can be allowed as deductibles.

3.5 Taxation of dividends

Not applicable.

3.6 Taxation of capital gain

Not applicable.

3.7 Taxation of interest income

Not applicable.

3.8 Personal assessment and utilization of losses

As for Group 1 taxpayers, professional tax is collected on a Pay as You Earn ("PAYE") basis where employers are required to deduct the tax from their payments to employees at source. Professional tax collected is then payable to the tax authority by the employer on a quarterly basis. By the end of February each year, employers are also obliged to lodge the annual professional tax returns M3/M4 with the tax authority in respect of the preceding year for all of their employees.

Group 2 taxpayers are primarily self-employed professionals. Those with appropriate accounting books and records are required to submit their personal tax returns not later than 15 April each year. Taxpayers without appropriate accounting books and records are required to submit their personal tax returns annually by the end of February each year for tax calculation according the official tax receipt pre-printed by Macau Government.

3.9 Withholding tax

All professional tax payable money shall be withheld by employer and submitted to Finance Services Bureau by seasons.

3.10 Statutory obligation of employers

All employees shall be registered under professional tax within 15 days of services commenced. Any withheld professional salary tax shall reimbursed to the Finance Services Bureau tax each seasons due on Apr. Jul, Oct and Jan each year.

3.11 Filing requirement of tax return

Filing due dates : End of February

Penalties

1. The absence of or inaccuracy in the declaration of tax return, as well as omissions verified in them will result in a line of MOP500 to MOP5,000.
2. In case such absences, inaccuracies or omissions are made deliberately, the fine will be from MOP1,000 to MOP10,000.

Application of holdover : N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Fundo de Segurança Social do Governo da RAEM (Social Security Funds)

4.2 Basis of contribution

After the working relation is established between employer and employee, the Social Security Fund System should also been mandated to set up within 15 days.

4.3 Contribution rate

MOP45 per month(MOP30 by employers, MOP15by employees) for resident employees;

MOP200 per month (fully by employers) for non-resident employees

4.4 Exemption from tax

No exemption.

GST/VAT

5.1 Basis of tax

Not applicable.

5.2 Rates of tax

Not applicable.

5.3 Registration

Not applicable.

5.4 Filing requirements

Not applicable.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Not applicable.

6.2 List of double tax treaties signed

1. China
2. Portugal
3. The Republic of Mozambique
4. Belgium
5. The Republic of Cape Verde

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Currently there are 43 items subject to stamp duty including transfers of property ownership, advertisements, private contracts, capital registration of companies and amusement entrance tickets. The rates of such duties vary from 0.1% to 10%.

However, the 2013 tax relief measures regarding stamp duty is shown as follows:

1. Exemption of stamp duty on insurance contracts and banking service charges;
2. Exemption of stamp duty on all admissions of performance, exhibition or any kind of entertainment.
3. Exemption of stamp duty on putting up or placement of advertisements, signboards and publicity materials.

7.2 Real property tax

Property tax is levied on revenues from urban properties through leasing or self-accommodation. Taxpayers may be the registered owners or tenants physically occupying the properties. Taxes are generally levied on two categories. The first category refers to leased properties from which the owner receives rental income and the tax rate is 10%. The second category covers those properties not rented to a third party, ie where the owner occupies the property for self usage. The tax rate for this category is 6% on the deemed rental value of the property.

For the 2013 tax relief measures, a standard deduction of property tax for MOP 3,500 is levied on each unit.

7.3 Estate duty

Not applicable.

7.4 Net wealth/net worth tax

Not applicable.

7.5 Others

Business tax

Not applicable.

Consumption tax, etc.

Charged on fuel and lubricants, tobacco, alcohol. The tax on some alcoholic drinks is levied ad valorem according to the CIF/Macau value; the remainder is specified by the Government.

POINT OF CONTACT

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GENERAL INFORMATION

1.1 Country : Malaysia

1.2 Currency

Ringgit Malaysia (RM) which is divided into 100 sen (cent).

1.3 Principal business entities

There are generally three types of business entities operating in Malaysia:

Sole proprietorships are basically one-owner businesses. Before commencement of a business under a sole proprietorship, an interested person must seek registration with the Companies Commission of Malaysia (CCM).

Partnerships are business concerns consisting of not less than 2 and not more than 20 partners. Registration must be formalised at the CCM. Partners in partnership business entities are also bounded by unlimited liability. Whereas a Limited Liability Partnership (LLP) consists of 2 or more partners.

Limited Liability Partnership (LLP) is an alternative business vehicle to carry out business which combines the characteristics of a private company and a conventional partnership. LLP provides limited liability status to its partners and offers the flexibility of internal arrangement through an agreement between the partners. It provides the flexibility of controlling the business operation in accordance with the partnership agreement whilst enjoying the limited liability status compared to a company which is subject to strict compliance requirements under the Companies Act, 1965 in most of its affairs.

A “Sdn Bhd” is a private limited company which prohibits any invitation to the public to subscribe to any of its shares. Minimum members in a private limited company are 2 and maximum is 50.

Whereas a “BHD” is a public limited company where its shares can be offered to the public for fixed periods.

1.4 Foreign exchange control

The ringgit exchange rate operates on a managed-float regime against a trade-weighted basket of currencies. Malaysia maintains a liberal foreign exchange administration (FEA) policy which are mainly prudential measures to support the overall macroeconomic objective of maintaining monetary and financial stability while safeguarding the balance of payments position.

1.5 Current economy climate (Industry overview/encouraged business development)

The Malaysian economy, which recorded a stronger than expected growth of 6.3% in first half of 2014, with domestic demand continuing to be a major driver of the growth, albeit at a more moderate rate, but strong recovery in exports.

The economic growth momentum in 2014 is expected to continue in 2015 driven by improving external demand and resilient domestic economic activity. Hence, the economy is projected to grow 5%-6% in 2015.

All sectors of the economy are expected to record positive growth in 2015, with the services and manufacturing sectors remaining as the main contributors to the growth, supported by the improvement in global economic environment.

In addition, Malaysia's business-friendly policies, strategic and cost-competitive location, sound financial system, developed infrastructure and multi-lingual workforce have attracted many multinational companies (MNCs) to set up their regional or global operations in the country.

In 2015, the implementation of the GST on 1st April 2015 will have a transitory impact on the cost of goods and services. However, GST will enable the broadening of the tax base in line with the overall Government initiative to strengthen its fiscal position.

1.6 National tax authority

Name : Inland Revenue Board of Malaysia "IRB"
Website : www.hasil.gov.my

CORPORATE INCOME TAX

2.1 Basis of taxation

Income is taxable on modified territorial basis. Generally, any income accruing in or derived from Malaysia is taxable locally notwithstanding the fact that the income may not have been received in Malaysia. However, a foreign source income received will be exempted from income tax with the exception of those resident companies carrying out a business of sea/ air transport, banking or insurance which are assessable on a world income scope.

2.2 Rates of tax

	2015	2016
Corporate income tax rates: • Resident company with paid up capital of RM2.5 million or less o On first RM500,000 o Subsequent Balance	 20% 25%	 19% 24%
• Resident company with paid up capital more than RM2.5 million • Non-resident company	25% 25%	24% 24%

2.3 Year of assessment

Each tax year or year of assessment begins on 1 January and ends on 31 December. However, for companies, the basis period will be the financial year of the company which not necessary be the calendar year.

2.4 Profits deemed to be taxable

Certain Income deemed to be derived from Malaysia

Gross income in respect of :

1. interest or royalty,
2. special classes of income (e.g. technical assistance, rent of moveable property, etc) shall be deemed to be derived from Malaysia,
3. Other income such as commission, guarantee fee, agency fees and etc:
    a. if responsibility for payment lies with the government or state government; or
    b. if responsibility for payment lies with a person who is resident for that basis year; or
    c. if the payment of the above or other payments is charged as an outgoing or expense in the accounts of a business carried on in Malaysia.

2.5 Taxation of dividends

Malaysia adopted a single-tier tax system. Under this system, corporate income is taxed at corporate level and this is a final tax. Companies may declare single tier exempt dividend that would be exempt from tax in the hands of their shareholders.

2.6 Taxation of capital gains

Capital gains are not taxed in Malaysia, except for the Real Property Gains Tax (RPGT).

2.7 Taxation of interest income

With effect from Year of assessment (Y/A) 2004, companies, trusts and co-operatives will have their interest income to be assessed in accordance with their financial year-end, which may be 31 December or non 31 December year-end. The interest income would be assessed under S.4(a) of the Act as business income if:

a. it is received from trading debts;

b. it is received in the ordinary course of business, which includes adventure in the nature of trade;

c. it is earned by specialised industries like bank or insurance company.

2.8 Utilization of tax losses & capital allowances

A company is entitled to carry forward business losses incurred in one assessment year for deduction against its statutory income in any of the following years. Unabsorbed business losses cannot be set off against future income from sources other than business sources.

Capital allowances in respect of one business cannot be set off against the profits of another business. Thus, if a business ceases permanently any unabsorbed allowances in relation to that business will be lost forever. Where the allowances claimed and due cannot be fully set off against income in any year of assessment, they are carried forward for set-off against future profits from the same business source.

However, with effect from Y/A 2006, any unabsorbed losses and capital allowances will only be allowed to be carried forward and set off against future income where the IRB is satisfied that more than 50% of the shareholders of the company on the last day of the basis period are the same as on the first day of the basis period in which such losses and capital allowances are to be utilised.

Ministry of Finance had on 7 December 2007 issued a notification that the guidelines have been revised and it provides that carry forward of unabsorbed losses and capital allowances of a company with a substantial change in ownership is permitted as long as the company is not a dormant company. The revised guidelines took effect from Y/A 2006.

Group relief is available to all locally incorporated resident companies having paid up capital in respect of ordinary shares of more than RM2.5million at the beginning of the basis period for that YA and at least 70% of the paid-up capital in respect of ordinary shares of the surrendering company is directly or indirectly owned by the claimant company and vice-versa; or 70%of the paid up capital in respect of both surrendering and claimant company are owned by another company.

The amount of relief is limited to 70% of current year adjusted loss to be offset against the total income of another company within the same group.

2.9 Key tax incentives

A variety of tax incentives are available pending the types of industries (e.g. manufacturing, IT services, biotechnology, Islamic finance, energy conservation and environment protection etc) and eligibilities. Available incentives include Pioneer Status of tax holidays up to 10 years; investment Tax Allowances (i.e. 100% allowance on capital investments made up to 10 years);

Accelerated Capital Allowances; Double Deductions; Reinvestment Allowances (i.e. 60% allowance on capital investments made in connection with approved projects) and others.

2.10 Withholding tax

Non-residents are subject to the following withholding tax:-

Non-residents (type of income)	WT Rate %
Royalties	10
Rental of moveable properties	10
Technical or management service fees	10
Interest	15
Public entertainer	15
Contract Payment on:- - account of contractor - account of employee	 10 3
Other income such as commission, guarantee fee, agency fees and etc (w.e.f 1.1.2010)	10

Where the recipient is a resident of a country which has a double tax treaty with Malaysia, the above said tax rates may be reduced.

2.11 Transfer pricing

Income Tax (TP) Rules 2012 and TP Guidelines 2012 were issued on 11 May 2012 and 20 July 2012 respectively but are deemed to be effective retrospectively from 1 Jan 2009. The TP Rules cover the application of Section 140A whereas the Guidelines help to explain the administrative aspects of it. The TP Guidelines are applicable on business with gross income exceeding RM25 million and the total amount of related party transactions exceeding RM15 million. As for persons providing financial assistance exceeding RM50 million, they would be required to comply with it too.

A penalty of 35% of the tax understated will be imposed if there is no contemporaneous TP documentation. Where TP documentation is prepared but not in accordance with the guidelines, a 25% penalty of the tax understated will be imposed.

The Ministry of Finance has informed the professional bodies that the implementation of the Thin Capitalisation Rules has been further deferred to 31 December 2015.

2.12 Filing requirements of tax return

Filing due dates

Companies are placed on self-assessment from the Y/A 2001. Under self-assessment, a company is required to submit only the tax return (Form C) within 7 months after closing the company's year-end.

With effect from Y/A 2014, a company shall file its tax return by electronic filing and has to be based on accounts audited by a professional accountant.

Penalties

a. Failure to submit a tax return

Upon conviction, the taxpayer will be liable to a fine ranging from RM200 to RM20,000 or face imprisonment for a term not exceeding 6 months or both. If no prosecution is initiated, a penalty equal to treble the amount of tax and /or additional tax which is payable (before any set-off, repayment or relief) for that year. As a matter of practice, with effect from 1 October 2011, the IRB will impose penalties ranging from 20% to 35% of the tax payable for late filing of tax returns.

b. Failure to remit tax payable

A penalty equivalent to 10% on the balance of tax payable and if the tax is still not paid after 60 days, a further 5% penalty will be imposed.

c. Under-estimation of Tax

If the difference between the actual tax payable and the estimated tax payable (if the revised estimate is not furnished) is more than 30 % of the actual tax payable, a 10% increase in tax will be imposed on that difference.

d. Instalment payment for tax estimated

If a company fails to pay the monthly instalment on the tax estimate by the stipulated date, a late payment penalty of 10% will be imposed on the balance of tax instalment not paid for the month.

Penalties at various rates apply for failure to comply with various sections of the tax laws. There can be imprisonment and fine or both upon conviction.

Payment of profit tax and application of holdover

Under the Self Assessment System (SAS), every company is required to determine and submit in a prescribed form (Form CP204) an estimate of its tax payable (ETP) for a year of assessment (Y/A), 30 days before the beginning of the basis period. However, when a company first commences operations, the ETP must be submitted to the IRB within 3 months from the date of commencement of its business. The ETP submitted for a particular year cannot be less than 85% of the estimate/revised ETP for the immediate preceding Y/A.

A company is still required to submit the Form CP204 within the stipulated deadline even if it expects its ETP is to be Nil. With effect from Y/A 2008, where a SME first commences operations in a Y/A, the SME is not required to furnish an ETP or make instalment payments for a period of 2 years beginning from the Y/A in which the SME commences operations.

With effect from Y/A 2011, where a company first commences operations in a year of assessment and the basis period for that year of assessment is less than 6 months, that company is not required to furnish an ETP or make instalment payments for that year of assessment.

With effect from YA 2014, SME first commences operation in a year of assessment and the SME has no basis period for that year of assessment and for the immediate following year of assessment, the SME is not required to furnished an estimate of tax payable in Form CP204 for that year of assessment and for the immediate 2 following years of assessments.

SMEs are defined as companies incorporated in Malaysia and tax resident with a paid-up capital in respect of ordinary shares of

RM2.5million and below at the beginning of the basis period for the relevant years of assessment. In order to further assist our SMEs, the government allows them to be waived from paying the tax instalments at the beginning of both years of assessment.

A SME which is exempted from furnishing an ETP mentioned above is advised to submit Form CP204 notifying the IRB of its SME status without having to state the amount of ETP for that particular year of assessment to avoid any penalty for under-estimation of tax or penalty for non-submission being wrongly imposed by the IRB.

All companies must file the tax return Form C and pay the balance of tax payable within 7 months from the end of the accounting period from Y/A 2003 onwards.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Income derived from Malaysia is subject to the Malaysian income tax whereas income derived from foreign sources outside Malaysia is not taxable. Resident individuals are taxed at progressive rates ranging from 0% to 26% (Y/A2013 to 2014) and 0% to 25% (Y/A 2015) respectively after deducting personal reliefs. Whereas non-residents are taxed at a flat rate of 26%(Y/A2013 to 2014) and 25%(Y/A 2015). Basically, an individual is considered a tax resident if he/she is in Malaysia for 182 days or more in a calendar year, however, there are also 3 other qualifying conditions.

3.2 Rates of tax

Income tax rates for resident individuals, clubs and trade associations or similar institutions, estates (domiciled in Malaysia), Hindu joint family.

Chargeable income		Y/A 2010 to Y/A 2012		Y/A 2013 to Y/A 2014		Y/A 2015	
		tax rate (%)	tax payable (RM)	tax rate (%)	tax payable (RM)	tax rate (%)	tax payable (RM)
On the first	2,500	0	0	0	0	0	0
On the next	2,500	1	25	0	0	0	0
	5,000		25		0		0
On the next	5,000	3	150	2	100	1	50
	10,000		175		100		50
On the next	10,000	3	300	2	200	1	100
	20,000		475		300		150
On the next	15,000	7	1,050	6	900	5	750
	35,000		1,525		1,200		900
On the next	15,000	12	1,800	11	1,650	10	1,500
	50,000		3,325		2,850		2,400
On the next	20,000	19	3,800	19	3,800	16	3,200
	70,000		7,125		6,650		5,600

Chargeable income		Y/A 2010 to Y/A 2012		Y/A 2013 to Y/A 2014		Y/A 2015	
		tax rate (%)	tax payable (RM)	tax rate (%)	tax payable (RM)	tax rate (%)	tax payable (RM)
On the next	30,000	24	7,200	24	7,200	21	6,300
	100,000		14,325		13,850		11,900
On the next	50,000	26	13,000	26	13,000	24	12,000
	150,000		27,325		26,850		23,900
On the next	100,000	26	26,000	26	26,000	24	24,000
	250,000		53,325		52,850		47,900
On the next	150,000	26	39,000	26	39,000	24.5	36,750
	400,000		92,325		91,850		84,650
Exceeding	400,000	26		26		25	

3.3 Year of assessment

The tax years starts on 1 Jan and ends on 31 December of every year.

3.4 Allowances and deductions

In the case of an individual resident for the basis year for a year of assessment, there shall be allowed for that a year of assessment personal deductions/reliefs. For e.g.:-

(a) RM 9,000 for that individual in respect of himself and dependent relatives

(b) RM 5,000 for parents medical treatment, special needs or care expenses

(c) Child reliefs:

- i. RM1,000 per child (below 18 years old)
- ii RM6,000 per child (over 18 years old)
  - local (Diploma and above)
  - Overseas (Degree and above)

(d) RM1,000 for purchase of books, journals, magazines

(e) RM3,000 for purchase of a computer (every 3 years)

3.5 Taxation of dividends

With effect from 1 January 2008, company is effectively placed on single tier dividend system. Any dividend paid out under single tier dividend system will be tax-exempt in the hand of shareholders.

3.6 Taxation of capital gain

Capital gains are not taxed in Malaysia, except for the Real Property Gains Tax (RPGT).

3.7 Taxation of interest income

Interest is assessable to tax under S.4(c) of the Act if interest falls within investment income. The basis of assessment for interest income in relation to non-companies, trusts, or co-operative societies is on current calendar year basis. Any person receiving interest income will be subject to tax in Malaysia if the interest income is derived from Malaysia. With effect from 30 August 2008, interest received from moneys deposited in all approved institutions is exempted from tax.

3.8 Personal assessment and utilization of losses

Where allowable expenses exceed gross income of a source, adjusted income is deemed to be nil. The deficit is known as "adjusted loss". The Act permits only adjusted loss from business source to be set off against "aggregate income". For non-business income, adjusted loss would be a permanent loss.

Where the adjusted business loss cannot be fully utilized in the current basis year at the "aggregate income" level, the balance (known as unabsorbed business loss) can be carried forward to the next Y/A to be set off against the aggregate statutory income from business source(s) only. The business source(s) need not be the same as the business source(s) that had incurred the loss.

3.9 Withholding tax

An employer is not obliged to withhold salaries tax from the remuneration paid to employees except for the compliance of Monthly Tax Deduction (MTD) Scheme. In certain circumstances, however, an employer may be required to withhold payments from an employee who is about to leave Malaysia. Non-resident individuals are subject to withholding tax in respect of payments mentioned under the withholding tax section above (Corporate Income Tax).

3.10 Statutory obligations of employers

The Inland Revenue Board imposes the following obligations on employers, the major ones are:

1. Commencement of Employment

An employer who commences to employ an individual likely to be chargeable to tax is required to notify the IRB by completing Form CP22 within 1 month from date of commencement of employment. An individual who first arrives in Malaysia and is chargeable to tax have to notify the IRB within 2 months from date of arrival.

2. Cessation of Employment

An employer is required to notify the IRB of the cessation of employment of an employee by the completion of Form CP22A unless the employee is on the Monthly Tax Deduction (MTD) Scheme or whose income is below the minimum amount for the MTD Scheme, and the employee is not retiring from employment permanently. The due date is not less than 1 month before the date of cessation.

3. Departure from Malaysia for a Period Exceeding 3 months

An employer is required to notify the IRB of departure of an employee from Malaysia for a period of more than 3 months by the completion of Form CP21 not less than 1 month before the expected date of departure.

4. Moneys to be withheld on Cessation of Employment and Departure from Malaysia

Employers are required to withhold payment of any moneys payable to employees who have ceased or about to cease to be employed, or who are about to leave Malaysia for a period exceeding 3 months for 90 days or until tax clearance is received, whichever is earlier.

5. Filing of Return by Employer

Under S. 83(1) and 83(1A) of the Income Tax Act 1967, every employer must furnish the Return of its employees' employment income no later than 31 March for each year. In addition, the employer must also prepare and deliver to his employee the statement of remuneration on or before the last day of February for each year.

6. Deductions from Remuneration

Employers must remit to the IRB the tax deducted from employees' remuneration:

- As directed by IRB
- Under the monthly tax deduction (MTD) Scheme

By the 10th day of the following month.

3.11 Filing requirement of tax return

Filing due dates

Every Individual must file a tax return by 30 April of the following year unless that individual with no chargeable income, receives a waiver from IRB or has business income. The tax filing deadline for a person carrying on a business, such as sole proprietor, partnership, club, association and Hindu joint family, is 30 June of the following year.

Effective Y/A 2014, taxpayers who are under employment may not need to file their personal tax returns, rendering the amount of monthly tax deduction as the final tax.

Penalties

a. Failure to submit a Tax Return

b. Failure to remit tax payable

c. Under-declaration of income or excessive claim on deductions or expenses

Please refer to the penalties rates mentioned under item 2.12 for the above said offences. Penalties at various rates apply for failure to comply with various sections of the tax laws. There can be imprisonment and fine or both upon conviction.

Application of holdover

N/A

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

a. Social Security Organisation (SOSCO)

b. Employees Provident Fund (EPF)

4.2 Basis of contribution

a. Social Security Organisation (SOSCO)

Under these schemes, employees are given coverage against job-related injury and disability, workplace accidents, occupational diseases and death. Among the many functions undertaken by SOCSO is registering employer/employees, collection of employers/employee contributions, processing and disbursing claims made by salaried employees and their dependents. In addition SOCSO also provides physical and vocational rehabilitation benefits to claimants and promotes occupational safety and health awareness.

b. Employees Provident Fund (EPF)

The EPF is a social security institution formed which provides retirement benefits for members through management of their savings. The age for withdrawing one's retirement savings is at 55 years.

4.3 Contribution rate

a. Social Security Organisation (SOSCO)

Employers and employees are required to make social security contributions to the SOSCO. Generally, an employer contributes 1%-1.25% of an employee's remuneration.

b. Employees Provident Fund (EPF)

A contribution constitutes the amount of money credited to members' individual accounts in the EPF. The amount is calculated based on the monthly wages of an employee. For employees who receive wages/salary of RM5,000 and below, the portion of employee's contribution is 11% of their monthly salary while the employer contributes 13%. For employees who receive wages/salary exceeding RM5,000 the employee's contribution of 11% remains, while the employer's contribution is 12%.

4.4 Exemption from tax

With effect from Y/A 2012, the relief of RM6,000 is applicable to contributions made for life Insurance premium and/ or approved scheme (EPF) other than a private retirement scheme.

GST/VAT

5.1 Basis of tax

GST is to be implemented in Malaysia effective 1 April 2015.

Goods and Services Tax (GST) shall be levied and charged on the taxable supply of goods and services made in the course or furtherance of business in Malaysia by a taxable person. GST is also charged on the importation of goods and services. A taxable supply is a supply which is standard rated or zero rated. Exempt and out of scope supplies are not taxable supplies. GST is to be levied and charged on the value of the supply. Supplies are classified as follows:

Standard-rated supplies are goods and services that are charged GST with a standard rate. (e.g. sales of commercial properties, medical equipment, textiles and furniture)

Zero-rated supplies are taxable supplies that are subject to a zero rate. Businesses are eligible to claim input tax credit in acquiring these supplies, and charge GST at zero rate to the consumer (e.g. basis food items, piped water supply and first 200 units of electricity and services provided by the Government)

Exempt supplies are non-taxable supplies that are not subject to GST. Businesses are not eligible to claim input tax credit in acquiring these supplies, and cannot charge output tax to the consumer. (e.g. domestic transportation of passengers for mass public transport, toll highway, private education and private health services, residential properties and selected financial services.

Out of scope supply is a supply which is not within the ambit or boundary of GST. Thus, GST is not applicable on such supply. (e.g. non business supply, supply of goods made outside Malaysia, business below threshold and government supply except selected prescribed.)

5.2 Rates of tax

It is levied at a standard rate of 6%.

5.3 Registration

A person is required to be registered for GST if he makes taxable supplies exceeds RM500,000 In the past 12 months or currently making taxable supplies and expect the value of taxable supplies is exceeds RM500,000 in the next 12 months. The effective date of mandatory registration is on the first day of the month following the month he is required to notify his liability to be registered.

Voluntary Registration

A person can apply for voluntary registration even though the value of his taxable supplies does not exceed the prescribed threshold (RM500,000). A person can be registered if he intends to make any taxable supplies provided he can satisfy the Director General.

5.4 Filing requirements

The GST return is required to be furnished to the Director General not later than the last day of the month following the end of the taxable period.

Any tax due in respect of a taxable period becomes payable not later than the last day on which the taxable person is required to furnish the GST return

5.5 INDIRECT TAXES

INDIRECT TAXES	
Sales tax	5%-20%*
Service tax	6%*

(The sales tax rates may be much lower than the said maximum rates pending on the specific types of products)

** Sales Tax and Service Tax will be replaced by Goods and Services Tax (GST). The GST rate is fixed at 6% and to be effective from 1 April 2015.*

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign tax paid may be credited against Malaysian tax on the same profits (limited to 50% of foreign tax in the absence of a tax treaty), but the credit is limited to the amount of Malaysian tax payable on the foreign income.

6.2 List of double tax treaties signed

EFFECTIVE DOUBLE TAXATION AGREEMENT			
Albania	Germany	Mongolia	Singapore
Australia	Hungary	Morocco	South Africa
Austria	Hong Kong	India	Myanmar
South Korea	Bahrain	Indonesia	Namibia
Spain	Bangladesh	Iran	Netherlands
Sri Lanka	Belgium	Ireland	New Zealand
Sudan	Brunei	Italy	Norway
Sweden	Canada	Japan	Pakistan
Syria	Chile	Jordan	Papua New Guinea
Switzerland	China	Kazakhstan	Thailand
Croatia	Kyrgyz Republic	Philippines	Turkey
Czech Republic	Kuwait	Poland	Turkmenistan
Denmark	Laos	Qatar	United Arab Emirates
Egypt	Lebanon	Romania	Fiji
Luxembourg	Russia	United Kingdom	Finland
Malta	San Marino	Uzbekistan	France
Mauritius	Saudi Arabia	Venezuela	Seychelles
Vietnam	Zimbabwe		

(i) There is no withholding tax on dividends paid by Malaysia companies.

(ii) To claim the DTA rate, please attach the Certificate of Tax Residence from the country of residence.

(iii) Where the rate provided in the ITA 1967 is lower than the DTA rate, the lower rate shall apply.

GAZETTE DOUBLE TAXATION AGREEMENTS

- Bosnia and Herzegovina
- Senegal

LIMITED AGREEMENTS

- Argentina
- United States of America

** The withholding tax rate on interest, royalties and fees for technical services is as provided in the ITA 1967.*

INCOME TAX EXEMPTION ORDER

- Taiwan

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty is chargeable on certain instruments or documents. The rate of duty varies according to the nature of the instruments/documents and transacted values. Exemption of stamp duty is given on certain instruments and documents. The following are rates of stamp duty for some more common instruments and documents.

Conveyance, assignment or transfer

	Value RM	Rate	Duty Payable RM
i. Properties			
On the first	100,000	RM1 per RM100 or part thereof	1,000
On the next	400,000	RM2 per RM100 or part thereof	8,000
	500,000		9,000
In excess of	500,000	RM3 per RM100 or p art thereof	
ii. stock, shares or marketable securities		RM3 per RM1,000 or part thereof	

7.2 Real property tax

Real Property Gains Tax (RPGT) is charged on gains arising from the disposal of real property, and any interest, option, or other right in or over such land or shares in real property companies (RPC). A RPC is a controlled company holding real property or shares in another RPC of which the defined value is not less than 75% of the value of its total tangible assets.

Real Property Gains Tax Table

w.e.f 24.10.86 RPGT%	27.10.95-31.03.07 RPGT %	01.04.07-31.12.09 (exemption Period) RPGT %	w.e.f 01.01.10 RPGT%	w.e.f 01.01.12 RPGT%	w.e.f 01.01.13 RPGT%	w.e.f 01.01.14 RPGT%
Disposal within 2 years after date of acquisition						
20	30	NIL	5	10	15	30
Disposal in the 3rd year after date of acquisition						
15	20	NIL	5	5	10	30
Disposal in the 4th year after date of acquisition						
10	15	NIL	5	5	10	20/30#
Disposal in the 5th year after date of acquisition						
5	5	NIL	5	5	10	15/30#
Disposal in the 6th year and thereafter date of acquisition						
5*/NIL	5*/NIL	NIL	NIL	NIL	NIL	5*/NIL

All RPGT rates are applicable to both companies and persons other than companies.

**** is applicable to disposal by companies and individuals who are not Malaysia citizens***

 # is applicable to disposal by individuals who are not Malaysia citizens.

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7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax: N/A

Consumption tax, etc.

Please refer to the GST mentioned under item 5

POINT OF CONTACT

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MAURITIUS

GENERAL INFORMATION

1.1 Country : Mauritius

1.2 Currency : Rupees (Rs) which is divided into 100 cents

1.3 Principal business entities

- Public company
- Private company
- Partnership
- Limited partnership
- Foundation
- Trust
- Societe

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/encouraged business development)

- Conducive to foreign investment
- No exchange control
- Low tax jurisdiction
- Encourage clean global business

Mauritius is conveniently located allowing for the conduct of business in the Far East in the morning, Europe during the early afternoon and the USA, later in the day.

Well regulated legislative framework, highly skilled professional, international standard banking sector and the continuous expansion of the double taxation treaty network have led to the success of the Mauritian global business sector.

The island offers great opportunities to plan investment through the use of the Mauritian global business vehicles.

The treaties provide attractive concessions for tax planning opportunities:

- Elimination of double taxation through tax credit
- Reduction in withholding taxes on dividends, interests and royalties
- Exemption from capital gains

African Perspective

Africa is becoming increasingly attractive as an investment destination. Mauritius currently has tax treaties with Botswana, Lesotho, Madagascar, Mozambique, Namibia, Rwanda, Senegal, Seychelles, South Africa, Swaziland, Tunisia, Uganda, Zambia and Zimbabwe and is in negotiation with other states

There are special advantages for investment in Africa through Mauritius:

- Capital gains tax minimization and minimization of withholding tax on dividend through the use of DTA
- Free repatriation of investment capital and returns & Guarantee against expropriation under the Investment Promotion and Protection Agreements (IPPAs)
- No exchange control restrictions
- Access to foreign currency loans and advances

IPPAs signed by Mauritius with 15 African member states offer the right incentive and guarantee to investors targeting investment into Africa.

Mauritius is a member of:

- the South African Development Community (SADC),
- the Common Market for Eastern and Southern Africa (COMESA) and
- the Indian Ocean Rim association for the regional Cooperation (IOR-ARC)
- Being a signatory to major African conventions Mauritius is the best offshore financial service centre for establishing any Fund or Investment Holding Company.

Asian Perspective

With DTAs in place with the 2 largest emerging countries namely India and China, the Mauritian global business platform is being widely used for

- Structured Trade Finance between Asia, Africa and Middle-East
- Investment into India

1.6 National tax authority

Name : Mauritius Revenue Authority (MRA)

Website : www.mra.mu

CORPORATE INCOME TAX

2.1 Basis of taxation

Self assessment system subject to review by the MRA

Bodies of persons subject to corporate tax are

- Companies,
- Trusts,
- Trustees of Unit Trust Schemes
- Non-resident Sociétés (Partnerships)

Trusts, Trustees of Unit Trust Schemes and Non-resident Sociétés are treated as companies for tax purposes.

2.2 Rates of tax

Domestic companies are taxed at 15%

Corporate holding a GBL 1 licence pays tax at 15% but is entitled to a tax rebate of 80% thus reducing the tax rate to 3%.

Freeport companies are tax free

Corporate social responsibility: -

- 2% on chargeable income of domestic companies
- 2% of adjusted net profit for income tax (excluding exempt income) for societes

Where the normal tax payable for an income year by a company is less than 7.5% of its book profit, the company should pay either 7.5% of its book profit or 10% of dividends declared in respect of that year, whichever is lesser. This is not applicable for GBL companies.

2.3 Year of assessment

Each tax year or year of assessment begins on 1 January and ends on 31 December.

2.4 Profits deemed to be taxable

All income received except for gains on securities/disposal of assets.

2.5 Taxation of dividends

Dividends received from a domestic company is not subject to tax;

Dividends received from overseas corporation are taxable.

Exempt dividends are as follows:-

Dividends paid by a company resident in Mauritius,

Dividends paid by a co-operative society,

Dividends paid by a company holding a GBL 2.

2.6 Taxation of capital gains

No capital gains tax.

2.7 Taxation of interest income

Domestic company	15%
GBL 1 and GBL 2	exempt

2.8 Utilization of tax losses

Losses are carried forward and set off against the income derived in the following 5 income years.

2.9 Key tax incentives

Freeport companies are tax exempt except for income derived from operations on local market which is taxed at 15%

GBL 2 are tax exempt.

GBL 1 are taxed at 3% after foreign tax credit.

2.10 Withholding tax

As per prevailing DTAs

Deduction of tax at source (TDS) is an advance payment of taxes and would be offset against the income tax liability of the payee The tax to be withheld by any person, other than an Individual is as per table below:

Amount or sum made available to the payee by way of -

	Rate of tax (%)
Interest payable by any person, other than by a bank or non-bank deposit taking institution, under the Banking Act, to a non-resident	15
Royalties payable to	
A resident	10
A non-resident	15
Rent	5
Payments to contractors and sub contractors	0.75
Payments to providers of services (architect, engineer, land surveyor, project manager in the construction industry, property valuer, quantity surveyor, attorney/solicitor, barrister, medical service provider, legal consultant)	3
Payment made by Ministry, Government department, local authority, statutory body or the Rodrigues Regional Assembly on contracts, other than payments to contractors and sub-contractors and payments to providers of services specified in the Fifth Schedule -	
(a) for the procurement of goods and services under a single contract, where the payment exceeds 300 000 rupees	1
(b) for the procurement of goods under a contract, where the payment exceeds 100 000 rupees	1
(c) for the procurement of services under a contract, where the payment exceeds 30 000 rupees	3
Payment made to the owner of an immovable property or his agent	5
Payments made to a non resident for any services in Mauritius	10

The Tax withheld shall be remitted to the Director General of the MRA within 20 days from the end of the month in which the deduction was made.

TDS retention is not required where the TDS to be deducted is below MUR500.

2.11 Transfer pricing : No transfer pricing.

2.12 Filing requirements of tax return

Filing due dates

Every company, whether or not it is a taxpayer, is required to file its annual return not later than six months from the end of the month in which its accounting year ends

Besides the annual return, companies are also required to file, under the Advance Payment System (APS), quarterly APS statements and to pay tax in accordance thereof.

All companies deriving gross income and exempt income exceeding Rs 30 million have the legal obligation to file annual returns and pay tax electronically. Failure to file electronic returns carries a penalty of 20 per cent of the tax payable (maximum Rs 100 000) or Rs 5 000 where no tax liability is declared in the return

The payer shall issue a statement of income tax deduction in respect of the preceding income year, to the payee by 15thFebruary every year showing the total gross payment made to the payee and the tax deducted there from.

Penalties

Late submission of return – a penalty of Rs 2,000 per month or part of the month up to a maximum of Rs 20,000

Late payment of tax – a penalty of 5% of the amount of tax excluding any penalty and interest at the rate of 1% per month or part of the month during which the tax remains unpaid.

Payment of profit tax and application of holdover

Taxpayers are expected to compute their own tax liability based on the tax laws, guidelines and rulings issued by the MRA. The MRA carries out tax audit to check the returns of companies.

The due dates for the payment of corporate tax are six months from the end of the month in which its accounting year ends.

Every taxpayer who has paid corporate tax in an income year, has to file an APS (Advance Payment System) statement and pay a provisional tax for the following year of assessment. The provisional tax payable is estimated by the assessable profits of the preceding year of assessment.

All companies that had a chargeable income or paid tax under "Alternative Minimum Tax" (AMT) in respect of the preceding accounting year should file an APS Statement.

Companies that had tax losses carried forward in respect of the preceding year and did not pay tax under AMT in respect of that year of assessment may opt not to file an APS Statement.

The chargeable income of a company in respect of an APS quarter may, at the option of the company, be computed in accordance with either Method A or Method B if applicable:

Method A: The chargeable income is deemed to be 25% of the chargeable income of the company for the accounting year ending on the date immediately preceding the commencement of that quarter.

Method B: The chargeable income is the difference between the gross income and the allowable deductions for that quarter including any loss brought forward from the previous quarter of the accounting year immediately preceding that quarter. Where the company opts for Method B and the calculated value is negative, the value should be entered as zero. The company will then deduct that loss in the APS Statement of the next quarter of the accounting year

The income tax payable in respect of an APS Quarter is calculated, at the option of the company, at the rate of :

(i) 15% on the chargeable income arrived at under either Method A or Method B; or

(ii) 25% of the tax paid as Alternative Minimum Tax (AMT) in respect of the preceding accounting year.

The amount of TDS to which the company has been subject in respect of payments received during the current quarter should be deducted from the tax payable for that quarter

Under the current regime companies are required to file quarterly APS Statements and to pay tax, if any, in accordance thereof except where the company's gross income did not exceed MUR 4 Million or did not have chargeable income.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

All emoluments are subject to tax, except those specified in law to be exempt income.

Emoluments means any advantage in money or in money's worth

- Resident individuals are subject to Income Tax in Mauritius on income except on exempt Income which is derived from Mauritius.
- Income derived by a resident individual from outside Mauritius is taxable in Mauritius on money remitted to Mauritius.
- A resident individual is defined as one who has his domicile in Mauritius, but does not include an individual who is only here for temporary purpose nor does it include an individual who is not present in Mauritius for more than 183 days in the relevant income –year or for more than 270 days over 3 consecutive fiscal years
- Non Residents will only be subject to Income Tax on Income other than exempt income, derived from or accruing in Mauritius.

3.2 Rates of tax

15% on chargeable income after deduction of personal allowance.

3.3 Year of assessment

Calendar year – 1 January to 31 December.

3.4 Allowances and deductions

An individual is entitled to the Income Exemption Threshold which corresponds to the category he falls in as below :

Category Description

1. Category A individual with no dependent – Rs 275,000
2. Category B individual with 1 dependent – Rs 385,000
3. Category C individual with 2 dependents – Rs 445,000
4. Category D individual with 3 dependents – Rs 485,000
5. Category E Retired person with no dependent – Rs 325,000
6. Category F Retired person with 1 dependent - Rs 435,000

In order to qualify for Category E and F deduction above, the retired person should have attained the age of 60 before 1 January of the current income year and should derive solely income from employment (i.e. excluding any business, trade / profession or other income).

"Dependent" means either:

- a spouse;
- a child under the age of 18; or
- a child over the age of 18 and who is pursuing full-time course at an educational institution or a training institution or who cannot earn a living.

Relief for medical/health insurance premium

A taxpayer is entitled to claim a deduction in respect of premium paid for medical or health insurance policy contracted for himself and his dependents as follows:-

Category of income taxpayer	Up to MUR
A (no dependent)	12,000
B (one dependent)	12,000 for self + 12,000 for dependent
C (2 dependents)	12,000 for self + 12,000 for first dependent + 6,000 for second dependent
D (3 dependents)	12,000 for self + 12,000 for first dependent + 6,000 for second dependent + 6,000 third dependent
E (retired person with no dependent)	12,000
F (retired person having one dependent)	12,000 for self + 12,000 for dependent

3.5 Taxation of dividends

Exempt if received from a Mauritian company.

3.6 Taxation of capital gain: No capital gains tax.

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3.7 Taxation of interest income

Interest payable on a balance maintained in a bank by an individual who is not resident in Mauritius is exempt interest

Interest payable to a non-resident, not carrying on any business in Mauritius, by a corporation holding a GBL1, GBL2 or a Bank holding a banking licence under the Banking Act 2004 is also exempt.

Other interests are taxed at 15%.

3.8 Personal assessment and utilization of losses

Losses carried forward can only be offset against business income.

3.9 Withholding tax

Every employer is required to withhold tax from the emoluments of his employees at the time the emoluments are received by or made available to the employees. This is called PAYE (Pay As You Earn).

The amount of tax to be withheld from the emoluments of each pay period is calculated on a cumulative basis by cumulating both the emoluments and the Income Exemption Threshold pertaining to the current and previous pay periods in the income year concerned

Workers receiving their pay daily after each day's work are excluded from the operation of the PAYE system.

3.10 Statutory obligation of employers

The tax withheld from the emoluments of the employees in the preceding month must be remitted to the Mauritius Revenue Authority (MRA) within 20 days from the end of the month in which the deduction was made.

Every employer has to file a return of employees with the Mauritius Revenue Authority at latest by 15 February of the following year when he has:

(i) Withheld tax under PAYE during the income year

(ii) one or more employees who derived emoluments exceeding Rs 275 000 during the income year.

3.11 Filing requirement of tax return

Filing due dates

A return of Income should be submitted to the Director General-MRA by every person who:

1. has a Chargeable Income
2. has been allotted a Tax Account Number;

Other conditions apply.

Due Date for submission of Return and for payment is 31 March following the Income Year ending 31 December.

A CPS Statement of Income should be submitted to the Director General, MRA by every individual deriving business income (Including Income from Profession, Vocation or Occupation) and rental Income in a CPS quarter where the gross income falling under CPS exceeds Rs 2 million per annum.

The Current Payment System(CPS) for self employed people is on a quarterly basis.

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In respect of CPS quarter	Due date for submission of CPS Statement and payment of tax
1 Jan to 31 March	30 June
1 April to 30 June	30 September
1 July to 30 September	2 days, excluding Saturdays and public holidays, before the end of December

There is no need to submit CPS for the 4th quarter, since the taxpayer is required to submit an Annual Return on 31 March.

Penalties

Late/Non-Submission of return.

Rs2,000 per month or part of the month up to a maximum of Rs 20,000.

Late/Non-Payment of tax.

Late payment of tax carries a penalty of 5% of the amount of tax unpaid and interest at the rate of 1% per month.

Submission of return of employees

In case of late submission, a penalty of Rs 5,000 per month or part of a month up to a maximum of Rs 20,000 is applicable.

Application of holdover

TDS 5% on rent.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

National Pension Fund

4.2 Basis of contribution

Contribution is calculated as a percentage of the basic salary. Presently the maximum ceiling is Rs 14,805

For employees who are above 60 but below 65 years or who have not reached the effective retirement age, normal contribution is made.

For employees who are above 65 years, only the employer contributes to the National Pension Fund and levy.

4.3 Contribution rate

	Employee	Employer
National Pension Fund	3%	6%
National Solidarity Fund	1%	2.5%
Levy	0%	1.5%

4.4 Exemption from tax

Contributions made by the employees to the National Pension Fund are not a deductible expense for tax purpose.

The first Rs 1,500,000 of the aggregate amount received as lump sum by way of commutation of pension, death, gratuity, retiring allowance and severance allowance, received in an income year is exempt from tax.

GST/VAT

5.1 Basis of tax

VAT is chargeable on all taxable supplies of goods and services made in Mauritius by a taxable person in the course or furtherance of any business carried on by him. VAT is also payable on the importation of goods into Mauritius, irrespective of whether the importer is a taxable person or not..

5.2 Rates of tax

Exempt
Zero-rated
Taxable – 15%

5.3 Registration

Compulsory registration if turnover of taxable supplies exceeds Rs 4.0 million.

Compulsory registration are required for certain trade/profession.

5.4 Filing requirements

If turnover is less than Rs 10.0 million – quarterly return to be filed at latest on the 20th of the month following the end of the quarter

If turnover exceeds Rs 10.0 million monthly return to be filed at latest on the 20th of the month following the end of the preceding month.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

As per The Income Tax (Foreign Tax Credit) Regulations 1996

Where there is a double tax agreement,credit shall be allowed for foreign tax on the foreign source income of a resident of Mauritius against Mauritius tax computed by reference to the same income.

6.2 List of double tax treaties signed

So far Mauritius has concluded 38 tax treaties and is party to a series of treaties under negotiation. The treaties currently in force are:

Australia (partial)	Nepal
Barbados	Oman
Belgium	Pakistan
Botswana	People's Republic of Bangladesh
Croatia	People's Republic of China
Cyprus	Senegal
Democratic Socialist Republic of Sri Lanka	Seychelles
France	Singapore
Germany	South Africa
India	State of Qatar
Italy	Swaziland
Kuwait	Sweden
Lesotho	Thailand
Luxembourg	Tunisia
Madagascar	Uganda
Malaysia	United Arab Emirates
Monaco	United Kingdom
Mozambique	Zambia
Namibia	Zimbabwe

9 treaties awaits ratification: Congo, Egypt, Gabon, Guernsey, Kenya, Nigeria, Russia, Rwanda and South Africa

5 treaties await signature: Burkina Faso, Cape Verde, Ghana, Morocco and Malta

15 treaties are being negotiated: Algeria, Canada, Czech Republic, Greece, Hong Kong, Lesotho, Malawi, Montenegro, Portugal, Republic of Iran, Saudi Arabia, St. Kitts & Nevis, Tanzania, Vietnam and Yemen

Tax Information Exchange Agreements (TIEAs)

In Force

Australia	Norway
Denmark	States of Guernsey
Finland	Iceland

Signed:

Faroe Island, Greenland and US

Await signature:

Greece, India, Isle of Man and Korea

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

In accordance with land, duties and registration Act.

7.2 Real property tax

Land transfer tax - 5%

Registration duty – 10%

Exemption for first time buyer if cost of bare land does not exceed Rs 1.0 million and building Rs 4.0 million

7.3 Estate duty: No estate duty.

7.4 Net wealth / net worth tax: None.

7.5 Others

Business tax

Corporate social responsibility – 2% on chargeable income of domestic companies.

Environment protection fee for hotels.

Solidarity levy for mobile operators and bank.

Consumption tax, etc.

Pet tax

POINT OF CONTACT

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New Zealand

GENERAL INFORMATION

1.1 Country : New Zealand

1.2 Currency : New Zealand Dollar (NZD)

1.3 Principal business entities

- Public Listed Companies
- Close (Private) Companies
- State Owned Enterprises
- Corporate Unit Trusts
- Trading Trusts
- General Partnerships
- Limited Liability Partnerships
- Joint Ventures
- Sole Proprietors
- Superannuation Funds
- Charities and Donee Organizations
- Clubs and Incorporated Societies

1.4 Foreign exchange control

No exchange control.

1.5 Current economy climate (Industry overview/encouraged business development)

New Zealand has an open economy that works on free market principles. Over the last 29 years New Zealand's economy has gone from being one of the most regulated in the OECD to one of the least regulated. Between 2000 and 2007, the New Zealand economy expanded by an average of 3.5% each year as private consumption and residential investment grew strongly. Annual inflation averaged 2.6%, inside the Reserve Bank of New Zealand's 1% to 3% target range, while the current account deficit averaged 5.5% of GDP. The New Zealand Treasury and Reserve Bank forecast that New Zealand's economy can expect to grow 2 to 3% per year over the four years 2012-16.

1.6 National tax authority

Name : The New Zealand Inland Revenue Department

Website : www.ird.govt.nz

1.7 New Zealand Unique Tax Structures

- Foreign trust, settled by a non-resident, is taxed only on New Zealand source income.
- Look through companies are given pass through tax treatment as a hybrid.
- Comprehensive international tax regime applying to controlled foreign corporations (CFC) and foreign investment funds (FIF).
- Approved charities are exempt from tax on their investment and business income.

CORPORATE INCOME TAX

2.1 Basis of taxation

The residence of a company and the source of its income are both important elements in calculating income tax payable. If a company is a resident of New Zealand, the company's assessable income includes income derived from all sources whether in or out of New Zealand. If, on the other hand, the company is not a resident of New Zealand, the company's assessable income includes income derived from all sources in New Zealand. A company is a resident of New Zealand if it is incorporated in New Zealand or has either its central management or head office in New Zealand.

2.2 Rates of tax

The company tax rate is 28% of total taxable income. All companies, whether resident or non-resident, are taxed at the same rate.

2.3 Year of assessment

The income year generally consists of the 12-month period ending 31 March. When a taxpayer has a balance other than 31 March they can elect, with the consent of the Commissioner of Inland Revenue (the Commissioner), to file returns to their annual balance date. In such cases income derived during the year ending with the annual balance date is treated as being derived during the year ending on the nearest 31 March.

2.4 Profits deemed to be taxable

The worldwide income of New Zealand resident companies is generally subject to New Zealand income tax. Non-resident companies are subject to tax only on New Zealand sourced income, although a double tax agreement may reduce the tax liability.

2.5 Taxation of dividends

The withholding tax rate on dividend income paid to a New Zealand shareholder is 33% less attached imputation credits. With the reduction in the corporate tax rate to 28% with effect from the 2011/2012 income year, the maximum imputation credit ratio changed to 28/72 when New Zealand resident companies pay dividends to shareholders. When a dividend is fully imputed at 28%, RWT is payable at 5%. Dividends from a wholly owned subsidiary are tax exempt.

2.6 Taxation of capital gains

New Zealand does not have a capital gains tax as such. However, gains from the sale of real property (land and buildings) and personal property (including shares) where the property is acquired for the purpose of resale, or as part of a dealing operation, or business of trading of those assets, are subject to income tax at normal rates.

2.7 Taxation of interest income

Interest is included in a company's assessable income and subject to a 28% flat rate of tax.

2.8 Utilization of tax losses

In calculating taxable income, losses from prior years may be carried forward and deducted when, in broad terms, at least 49% continuity of ultimate ownership has been maintained. Companies are assessed for income tax separately from other companies included in the same group. To share losses between group companies, certain requirements must be satisfied:

- 49% continuity of ownership in the loss company; and
- 66% commonality of ownership in the group companies.

Group companies may share losses by the profit company making a subvention payment to the loss company or by simple loss offset election. The payment or offset is deductible to the profit company and taxable to the loss company.

2.9 Key Tax incentives

There is no research and development, accelerated plant depreciation or small business tax incentive. Film production grants: 20-40% of expenditure

2.10 Key Tax incentives

Withholding tax on schedular payments

Description of Payment	Tax rate
Direct's fees	33%
Non-resident entertainer	20%
Sales person commission	20%
Non-resident contractor payments	15%

1. Withholding tax is an interim tax, not final tax. Can apply for lower special rate certificate or exemption

Non-resident withholding tax on New Zealand source income paid to non-resident

Interest	Royalties	Dividend
15%	15%	0%, 15%, 30%

1. For certain loans, NRWT can be substituted by a levy of 2% interest paid.
2. Non-resident portfolio investors may receive supplementary

dividend to offset NRWT deducted from imputed dividend.

3. NRWT is a minimum tax and non-resident's net income may be subject to tax at full rates unless a DTA limits the liability

2.11 Transfer Pricing

The transfer pricing rules are based on OECD principles and require taxpayers to value for tax purposes all cross-border transactions with associates on an arm's length basis.

The transfer pricing rules apply to arrangements for the acquisition or supply of goods, services, money, intangible property and anything else (other than non-fixed rate shares), when the supplier and acquirer are associated persons. Similar rules apply to the apportionment of branch profits. Various methods are available for determining the 'arms length consideration'. The taxpayer is required to use the method that produces the most reliable measure of the amount that independent parties would have paid or received in respect of the same or similar transactions. Inland Revenue has published guidelines that make it clear that documentation is required to support a taxpayer's transfer prices.

2.12 Filing requirements of tax return

Filing due dates

The due date of filing income tax return depends on the balance date of the business.

- For a balance date between 1 October and 31 March (inclusive), the due date of filing income tax return is 7 July. This is the due date for most businesses.
- For a balance date between 1 April and 30 September (inclusive), the due date of filing income tax return is 7th day of the fourth month after the balance date.
- If a tax agent completes your return there may be an extension of time for filing it.

Penalties -

Administrative Penalties

- Late filing of tax return

$50 for small taxpayer (total income < $100,000)

$250 otherwise, $500 (total income > $1,000,000)

- Late payment of tax

5% but reduced to 1% if paid with 7 days

1% for each month thereafter

Shortfall Penalties

	Standard	Maximum
Failure to take reasonable care	20%	$50,000
Unacceptable tax position	20%	
Gross carelessness	40%	
Abusive tax position	100%	
Evasion	150%	

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Payment of profit tax and application of holdover

Provisional income tax is payable for current year in either 2 or 3 instalments by prescribed dates depending on balance date. The quantum is either safeharbour 105% of prior year residual tax or a lower estimate filed by due date. Voluntary payments can be made to reduce impost of interest charged on terminal tax that exceeds $2,500 for companies and trustees, $50,000 for individuals.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Resident individuals are subject to New Zealand income tax on income derived from all sources whether in or out of New Zealand. Non-resident individuals are subject to New Zealand income tax on income derived from New Zealand sources. An individual is a New Zealand tax resident if he or she:

- has a permanent place of abode in New Zealand, even if they also have a permanent place of abode overseas; or
- is personally present in New Zealand for more than 183 days in total in any 12-month period.

Transitional resident exemption

A big attraction if you are considering living in New Zealand is the tax exemption on overseas investment income and pensions that applies for your first four years of residence here. While there is no general capital gains tax on New Zealand investments, after the four year exemption period, tax can apply to realized and non-realized gains on overseas equities, including foreign exchange gains on "financial arrangements". You might find yourself a tax resident in New Zealand as well as in another country or territory. In that case, if both countries tax their residents' worldwide income, there is a possibility your income could be taxed twice. New Zealand minimizes that possibility by unilaterally providing credits for tax paid overseas on foreign source income that is also subject to New Zealand tax. In addition, New Zealand has agreements with 39 of our main trading and investment partners which eliminate double taxation, but also provide the revenue authorities to actively exchange information.

3.2 Rates of tax

Income tax rates for individuals from 1 April 2014

Taxable iincome	Tax rate	Cumulative tax
$0 - $14,000	10.5%	$1,470
$14,001 - $48,000	17.5%	$7,420
$48,001 - $70,000	30.0%	$14,020
$70,001 and over	33.0%	

1. The above rates do not include the ACC earners' levy of 1.45%.
2. Maximum liable earnings for ACC earners' levy are $118,191 from 1 April 2014. Maximum levy payable is $1,713.76.

3. ACC earners' levy rate for the tax year 1 April 2014 to 31 March 2015 is 1.45% ($1.45 per $100).

3.3 Rates of tax

The income tax year ends 31 March. Application may be made for approval by Commissioner of Inland Revenue of alternate balance date. In such cases, income derived during the substituted year is treated as being derived during the year ending on the nearest 31 March.

3.4 Allowances and Deductions

Expenses are deductible to the extent to which they are incurred in gaining gross income. Expenses of a capital nature are not deductible. Employees are not entitled to deductions except tax return preparation fees and income insurance premiums.

3.5 Taxation of dividends

The withholding tax rate on dividend income paid to a New Zealand shareholder is 33% less attached imputation credits. With the reduction in the corporate tax rate to 28% with effect from the 2011/2012 income year, the maximum imputation credit ratio changed to 28/72 when New Zealand resident companies pay dividends to shareholders. When a dividend is fully imputed at 28%, RWT is payable at 5%. Dividends from a wholly owned subsidiary are tax exempt.

3.6 Taxation of capital gain

New Zealand has no capital gains tax per se but any gain realized from the sale of personal property is taxable as income if the intention at the time of purchase was for resale, the sale is made by the dealer or part of a profit making scheme. In addition a gain derived from land sales may be taxed in certain circumstances. For a tax resident, gains and losses from the holding or disposal of "financial instruments" are taxable as income on an unrealized or realized basis depending on the total value. Also taxable are gains deemed to be derived from the holding of "foreign investment funds" and passive income of "controlled foreign companies".

3.7 Taxation of interest income

The RWT rates on interest income for individuals are 10.5%, 17.5%, 30% and 33%. The applicable rate of RWT on interest income depends on whether the recipient has supplied an IRD number to the payer and whether an election has been made to apply a certain rate to a particular source of interest income.

3.8 Personal assessment and utilization of losses

New Zealand operates under a self-assessment tax regime, whereby taxpayers are responsible for calculating their own tax obligations, paying the tax to the Inland Revenue and filing their tax returns. The self-assessment regime is buttressed by audit activity, and a stringent penalties regime (including penalties for late payment of tax, not taking sufficient care and having technically incorrect tax positions). It is critical that productions undertaken in New Zealand get their tax obligations correct to avoid unexpected additional costs. Losses can be carried forward from tax year to tax year until fully used, subject to certain conditions. If the amount of your loss brought forward is greater than your income in the current year, the excess can be carried forward to the next tax year.

3.9 Withholding tax

Payers must withhold tax at prescribed rate from "schedular" payments made to sales agents, self-employed contractors, company directors but not to companies and account for deductions with their PAYE returns.

Payments to non-resident contractors for contract services performed in New Zealand are subject to withholding tax unless the recipient has an IRD certificate of exemption. This is an interim tax not a final or maximum tax.

Withholding tax at various rates is deducted from interest and dividend receipts paid to residents.

3.10 Statutory obligation of employers

Employers are required to deduct PAYE tax at prescribed rates from employees' gross wages and must pay the amounts to Inland Revenue Department by the due dates.

Superannuation contributions

Employer contributions to superannuation funds are deductible but are subject to employer superannuation contribution tax (ESCT). The ESCT rates are based on the

Employees' marginal tax rates and therefore:

Income levels	Rate of tax
$0 - $16,800	10.5%
$16,801 - $57,600	17.5%
$57,601 - $84,000	30%
$84,001 and over	33%

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Fringe benefits tax

Fringe benefit tax (FBT) is payable by employers on non-cash or in-kind benefits provided to employees. Examples of fringe benefits include provision or availability of motor vehicle for private use, low interest loans and medical insurance premiums, but not housing or share/stock option benefits which are taxed to the individuals. The FBT rates are (effective from 1 April 2012):

Income range	Tax rate
$0 - $12,530	11.73%
$12,531 - $40,580	21.21%
$40,581 - $55,980	42.86%
$55,981 and over	49.25%

1. Single rate option: From 1 October 2010 pay 49.25% on all fringe benefits for each of the four quarters.
2. Alternate rate option: From 1 October 2010 pay 43% at each of the first three quarters. In quarter four perform attribution

calculation based on rates shown above.

3.11 Filing requirement of tax return

Filing due dates

- 7 July or date prescribed for alternative balance dates;
- 31 March of following year when filing through an approved tax agent and prior year tax return has been filed by due date.

Penalties

Administrative Penalties

- Late filing of tax return

  $50 for small taxpayer (total income < $100,000)

  $250, otherwise $500 (total income > $1,000,000)
- Late payment of tax

  5% but reduced to 1% if paid with 7 days

  1% for each month thereafter

Shortfall Penalties

	Standard	Maximum
- Failure to take reasonable care	20%	$50,000
- Unacceptable tax position	20%	
- Gross carelessness	40%	
- Abusive tax position	100%	
- Evasion	150%	

Application of holdover

Provisional income tax is payable for current year in either 2 or 3 instalments by prescribed dates depending on balance date. The quantum is either safeharbour 105% of prior year residual tax or a lower estimate filed by due date. Voluntary payments can be made to reduce impost of interest charged on terminal tax that exceeds $2,500 for companies and trustees, $50,000 for individuals.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

KiwiSaver is a voluntary savings scheme available to individuals who are either New Zealand citizens or permanent residents.

4.2 Basis of contribution

Employers must contribute to KiwiSaver for those of their employees who are KiwiSaver members. The Taxation Act 2012 raised the minimum employee and employer contribution rates from 2% to 3% of an employee's gross salary or wages from 1 April 2013.

4.3 Contribution rate

Employer contributions to superannuation funds are deductible but are subject to employer superannuation contribution tax (ESCT). The ESCT rates are based on the

Employees' marginal tax rates and are therefore:

Income levels	Rate of tax
$0 - $16,800	10.5%
$16,801 - $57,600	17.5%
$57,601 - $84,000	30%
$84,001 and over	33%

4.4 Exemption from tax

All contributions paid by employers to a NZ registered fund are subject to contributions withholding tax at the employee's marginal tax rate, up to 33%.

Contributions paid to a non-resident or non-complying fund are subject to fringe benefits tax at employee's engrossed marginal tax rate, up to 49.25%.

GST/VAT

5.1 Basis of tax

A 15% broad-based goods and services tax (GST) applies to the supply of most goods, services and other items sold or consumed in New Zealand. Subject to limited exceptions for financial services and residential dwellings, businesses registered for GST include GST in the price of sales to their customers and claim credits for the GST included in the price of their business purchases. While GST is paid at each step in the supply chain, businesses generally do not actually bear the economic cost of the tax. The cost of GST is borne by the final consumer, who is unable to claim GST credits.

5.2 Rates of tax

15%.

5.3 Registration

GST registration is compulsory for business or other enterprises whose annual taxable supplies is NZD$60,000 or more or has an expected turnover of $60,000 or more for the next 12 months.

5.4 Filing requirements

Monthly.

2-monthly.

6-monthly Filing threshold < $500,000 in annual turnover.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Foreign tax paid may be offset against New Zealand income tax payable on the foreign income. The foreign income tax offset is limited to the New Zealand income tax payable on the foreign income and is not refundable in New Zealand.

6.2 List of double tax treaties signed

Countries or territories with DTAs with New Zealand		
Australia	India	Russian Federation
Austria	Indonesia	Singapore
Belgium	Ireland	South Africa
Canada	Italy	Spain
Chile	Japan	Sweden
China	Korea	Switzerland
Czech Republic	Malaysia	Taiwan
Denmark	Mexico	Thailand
Fiji	Netherlands	Turkey
Finland	Norway	United Arab Emirates
France	Papua Guinea	United Kingdom
Germany	Philippines	United States of America
Hong Kong	Poland	Vietnam

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Nil.

7.2 Real property tax

Local authorities, including cities, levy taxes on real property owners to fund local infrastructure.

7.3 Estate duty

Nil.

7.4 Net wealth/net worth tax

Nil.

7.5 Others

Gift duty: Nil.

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Russia

GENERAL INFORMATION

1.1 Country : Russia

1.2 Currency : Russian ruble (RUR)

1.3 Principal business entities

- Open Joint Stock Company
- Closed Joint Stock Company
- Limited liability company
- Branch of a foreign corporation
- Private entrepreneur
- Federal or municipal company

1.4 Foreign exchange control

Currency restrictions in Russia play an important role as the economy continues to develop. They are primarily designed to support economic security, achieve sustainable economic growth, control inflation, and ultimately strengthen the country's international position. Major currency restrictions are listed below:

- With some exceptions, payments in foreign currency between residents are prohibited;
- Residents are required to notify tax authorities of opening foreign bank accounts and crediting funds to such accounts is limited;
- Residents, except individuals and certain other categories of residents, are required to provide to tax authorities updates on the status of their foreign bank accounts;
- Residents, with a limited number of exceptions, are required to ensure that payments due to them from non-residents are credited to the residents' bank accounts opened with authorized Russian banks, and that funds paid to non-residents for goods and services that have not been provided to residents are credited back to their bank accounts with authorized Russian banks;
- Residents are required to prepare and file with their banks so-called "transaction passports" for certain transactions with non-residents, such as loans, international sales of goods and services, regardless of the currency of payment; and
- Payments between non-residents in Russia can be made only through accounts with authorized Russian banks.

On the whole, a favorable economic situation in the country, including growth of gold and foreign exchange reserves, stability of the rouble and other macroeconomic indicators, allowed the Russian government to give up stringent currency regulations. Potential investors in Russian companies have benefited from the liberalization of the Russian currency regulation and currency control, and the importance of these developments in helping make Russia an attractive market cannot be overemphasized.

1.5 Current economy climate (Industry overview/encouraged business development)

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems, which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside of the country, currency controls, low liquidity levels for debt and equity markets, and continuing inflation. As a result operations in the Russian Federation involve risks that are not typically associated with those in more developed markets.

Stability and success of the Russian economy depends on the efficacy of the government economic policies and the continued development of legal and political systems.

1.6 National tax authority

Name : Federal tax service of Russia (“FNS”)

Website : http://eng.nalog.ru/

CORPORATE INCOME TAX

2.1 Basis of taxation

“Tax Code of the Russian Federation” is called “profits tax”. Taxable profit of Russian companies is determined as gross income earned less tax-deductible expenses incurred. Taxable profit of foreign organizations is defined as income received through a permanent establishment reduced by expenses incurred by the foreign organization in relation to the permanent establishment’s activities and certain types of income received from other sources in Russia.

Taxable profit is normally determined on an accrual basis. Taxpayers are allowed to use the cash basis method only if their quarterly sales proceeds (excluding VAT) do not exceed RUB 1 million (approximately US$33,125) on average for the prior four quarters.

2.2 Rates of tax

The profits tax rate is 20%. This rate is split into two components payable to different budgets: Federal budget 2%; Regional budget 18%. The regional authorities may reduce their component of the tax rate down to 13.5%, making the lowest possible total tax rate 15.5%. Some regions have effectively adopted a reduced tax rate for certain categories of taxpayers under certain conditions (e.g., Leningrad region, Vologda Region, Kaluga Region, Krasnoyarsk Territory, Khanty-Mansisk region, etc.).

Different rates apply for specific types of income such as dividends.

2.3 Year of assessment

From 1 January to 31 March of the following year or where the annual accounts are made up.

2.4 Exempt income

The Tax Code provides a list of income which is not taken into account in determining the tax base.

The most significant exemption provided by the Tax Code is the exemption for funds received by Russian organization without consideration (gratuitous financing) from its parent (an entity or a physical person), if the parent owns more than 50% of charter capital of the Russian organization, or from its subsidiary, if the Russian organization owns more than 50% of this subsidiary. This exemption applies unless the assets received are transferred to third parties within one year from the day of receipt (this exemption does not apply to monetary resources received).

Other exemptions provided by the Tax Code include, in particular, an exemption for contributions to the charter capital, credit facility or loans received, reimbursement of agent's expenses, and assets received as a pledge or deposit as security for an obligation, as well as other specific exemptions.

2.5 Deductible expenses

Generally, expenses are considered to be deductible for profits tax purposes if they are "economically justified" and supported by proper documentation (drawn up in accordance with the laws of the Russian Federation), unless specifically disallowed by the Tax Code. The Tax Code contains a list of tax-deductible expenses, but this list is explicitly open and is secondary to the primary business purpose criteria. However, it is more difficult in practice to take a deduction for expenses which are not explicitly listed in the Tax Code.

In practice, form over substance has been the standard approach by the tax authorities, and the inability to support an expense by contract and invoice (plus other supporting documentation for certain expenses) tends to result in a non-deductible expense.

2.6 Taxation of dividends

Dividends received by Russian companies are subject to a 9% tax rate. In order to prevent double taxation of dividends, the tax base on domestic dividends paid is determined as the difference between dividends paid to Russian organizations by the taxpayer and dividends received from Russian organizations; i.e., further distribution of dividends received by Russian organizations from other Russian organizations to their own Russian investors is not taxable.

2.7 Taxation of capital gains/losses

Gains on the sale of capital assets are taxed at the standard profits tax rate. Capital gains are computed as gross proceeds less net tax book value (for depreciable assets) or acquisition cost (for other assets and property rights). Incidental costs of disposal are also deductible. Capital losses on the disposal of assets and property rights are deductible. For depreciable assets, the deduction should be taken evenly over the residual useful life of the property.

2.8 Taxation of interest income

Interest expense deductibility is subject to arm's length and thin capitalization tests.

Thus, interest on any type of loan taken to finance business-related expenses (current or capital expenses) is in principle fully tax-deductible provided the interest charged is at an arm's length rate, i.e., does not deviate more than 20% from the interest charged for comparable loans as defined by the Tax Code.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Personal income tax in Russia has a quite low flat rate and doesn't depend on income amount. This makes Russia a good place for highly-qualified specialists. Russian tax residents and non-residents are differently taxed in Russia. An individual is considered a Russian tax resident on a specific date if he/she is physically present in Russia for 183 or more days during a period of 12 consecutive months preceding the specific date. Final tax liabilities for a reporting calendar year are determined based on a tax residence status for this year. In particular, if an individual spent at least 183 calendar days in Russia in the reporting year, he/she is considered as a tax resident with regard to the entire reporting year. If the individual leaves Russia for less than six months for medical treatment and/or educational purposes, such days out of Russia can also be counted as Russian days. For the purpose of calculation of days of presence in Russia, both days of arrival and departure should be taken into account.

3.2 Rates of tax

Detailed rates for different types of residents and non-residents income are presented in a table below.

Income type	Tax rate for residents	Tax rate for non-residents
Dividend income from Russian companies	9%	15%
Dividend income from foreign companies	9%	n/a
Prizes received during advertising events	35%	35%
Deemed income resulting from loans received from organizations and individual entrepreneurs at a preferential interest rate (e.g., at a rate below 2 percent per annum for non-rouble loans)	35%	35%
All other income if non-resident employed in Russia under a "highly qualified specialist"	n/a	13%
Other types of income	13%	30%

3.3 Year of assessment

From 1 January to 31 March of the following year.

3.4 Allowances and Deductions

Following types of income are non-taxable:

- reimbursement by an employer in Russia of employees' business trips expenses within certain limits, provided these expenses are properly documented in accordance with Russian legislation.
- fees paid by an employer in Russia from its after-tax-profits for medical treatment of its employees, their spouses, parents, and children in licensed medical centers.
- state pensions awarded in accordance with the statutory procedure established by Russian law.
- certain state benefits (such as unemployment allowance, maternity allowance within certain limits, etc.) payable in accordance with Russian law.
- compensation of injuries paid in accordance with Russian legislation.
- contributions of organizations under private medical insurance contracts in favour of individuals.
- employer contributions to properly licensed Russian non-state pension funds.
- fees paid by an organization for education of an individual (e.g., employer paid children education) in licensed educational organizations.

There are 3 general types of deductions: standard deductions, social deductions and property-related deductions.

Standard deductions apply if an individual have one or more children. Deduction of RUB 1,400 per month for first and second child and RUB3,000 per month for third and each next child.

Social deductions apply if an individual have spent a part of his/her income for some kind of social expenses, such as medical treatment, education or donations to charitable organizations. For example, qualified medical expenses, cost of medical insurance, pension contributions and tuition fees own education – up to RUB120,000 per year.

Property related deductions apply up to RUB2,000,000 (approx.. 57'000 USD) of expenses on the construction or purchase in Russia of a residential houses, apartments, rooms and land plots for residential construction and up to RUB3,000,000 (approx.. 86'000 USD) of interest paid on loans used for such construction or purchase.

RUSSIA

3.5 Taxation of dividends

All dividends received by residents are subject to personal income tax at the rate of 9 percent. Dividends received by non-residents from Russian legal entities are taxed at the rate of 15 percent.

Special rules are established for taxation of dividends paid by Russian organizations to foreign nominal shareholders. If the ultimate shareholder is not disclosed, the tax should be withheld at a rate of 30 percent.

3.6 Taxation of capital gain

Losses and gains from sales of listed securities within one calendar year can be netted subject to certain limits. Losses from sales of listed securities can be carried forward to next years (up to 10 years).

3.7 Taxation of interest income

Interest (coupon income) received by residents is subject to personal income tax at the rate of 13 percent. Interest income received by non-residents from a Russian legal entity, Russian individual entrepreneur, or from a foreign legal entity in connection with activities of its division(s) in Russia are taxed at the rate of 30 percent.

Interest on deposits in Russian banks is tax-exempt within established limits (e.g., up to 9 percent of annual interest rate for deposits in foreign currencies). Interest exceeding the limits is taxable at a rate of 35 percent in the hands of tax residents (30 percent in the hands of tax non-residents).

3.8 Personal assessment and utilization of tax losses

Nil

3.9 Withholding tax

Tax agents which pay income (exceptions apply to some types of income) to individuals are required to withhold income tax and remit it to the Russian finance authorities. Tax agents include individual entrepreneurs, Russian legal entities, and Representative offices/ Branches of foreign legal entities registered in Russia. Individuals who receive remuneration from outside Russia are personally responsible for income tax compliance and pay tax from such income on a self assessment basis.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Pension Fund of Russian Federation, Fund of Medical & Social security of Russian Federation

4.2 Basis of contribution

The base for calculation of payroll tax is earnings of each individual. It's calculated on cumulative basics starting from the beginning of the year. Payroll taxes are accrued on top of earnings. It means these taxes are not withheld from person's salary. The obligation to pay tax is on enterprise.

4.3 Contribution rate

Current payroll tax rate in Russia is 30%. However, it is not a flat rate andit's regressive and depends of cumulative earnings of individual. That is a complex tax which consist of payments to pension fund (22%), payments to social security fund (2,9%) and payments to medical fund (5,1%). For each part of tax there are some exceptions and special rates for certain categories of individuals.

Cumulative earnings of individual starting from the beginning of year	Pension fund tax rate	Social security fund tax rate	Medical fund tax rate
Up to 624 000 RUR (approx. $18.000)	22% *	2,9%	5,1%
Over 624 000 RUR (approx. $18.000)	10%	0%	0%

**Additional contributions for certain categories of workers may apply*

4.4 Exemptions and additional charges

Additional pension insurance contributions will apply for workers employed in unsafe, hazardous and difficult conditions. E.g. for employees working underground or high-temperature conditions, they were set at 6% in 2014 and 9% in 2015. It means that for such categories of workers pension fund tax rate will increase from 22% to 28% (22 +6) in 2014 and 31% (22+9) in 2015.

Each year the limit for regressive scale of payroll tax is varied. This limit increased from RUR 463.000 in 2011 to RUR 624.000 in 2014 due to inflation. Also the strategy of long-term development of Russian pension system includes future indexation of this amount till year 2021 (see table below).

	2015 year	2016 year	2017 year	2018 year	2019 year	2020 year	2021 year
Indexation ratio for payroll tax regressive scale limit	1,7	1,8	1,9	2,0	2,1	2,2	2,3.

The scale means that in 2015 the regressive scale limit will increase from 624.000 RUR to 1.060.800 RUR at least. Additional increase can happen due to inflation.

GST/VAT

5.1 Basis of tax

The following operations are VAT-able: sales of goods (work, services) in the territory of Russia, transfers of goods (work, services) in the territory of Russia for own needs, expenses of which are not deductible for profits tax purposes, performance of construction and installation work for own consumption, and importation of goods into the customs territory of Russia.

The transfer of ownership of goods (or the results of work or services) without consideration is regarded as a sale for VAT purposes.

Goods are deemed to be sold in Russia if either the goods are situated in Russia and are not shipped or transported or the goods are situated in Russia at the time of the commencement of shipment or transportation.

Services are deemed to be provided in Russia in the following seven situations:

the services (work) are directly connected with immovable property situated in Russia;

the services (work) are connected with movable property situated in Russia;

the services are actually rendered in Russia in the sphere of culture, art, education, tourism, leisure, or sport;

the purchaser of the services (work) carries out activities in Russia;

transportation services and related services provided by Russian organizations or private entrepreneurs, where the point of departure and/or destination point are in the territory of Russia;

services (work) which are directly connected with transportation of goods placed under the international customs transit regime and are provided by organizations or private entrepreneurs whose place of activity is deemed to be the territory of Russia;

the activities of the organization or a private entrepreneur which performs the work (renders the services) are carried out in the territory of Russia (with respect to the performance of work (rendering of services) not envisaged in points above.

The point concerning "purchaser of the services (work) carries out activities in Russia" relates to the following types of services: the transfer and licensing of intangible property; the provision of consulting, legal, accounting, advertising, marketing, engineering, and information processing services; the provision of personnel secondment services (where the staff works in Russia); the rent of movable property (with the exception of land motor vehicles); the provision of services related to the development of computer programs and databases (computer software and information products) as well as their adaptation and modification; and certain other types of services.

5.2 Rates of tax

VAT is levied at a general rate of 18% on taxable supplies, which include the majority of domestic sales of goods and services. Certain basic food products, children's goods, certain medical products, medicines, drugs, newspapers, and magazines are subject to a reduced rate of 10%. Exported goods and some other specified supplies (e.g., sales to diplomatic missions) are subject to VAT at a zero rate. Supplies to the CIS member states are treated as exports.

5.3 Registration

Taxpayers for VAT purposes are organizations, private entrepreneurs, and persons who are deemed to be taxpayers of VAT in connection with the conveyance of goods across the customs border of Russia.

Taxpayers cannot elect to register separately for VAT purposes. Tax registration is for the purposes of all corporate taxes.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Where there is a double tax agreement, foreign tax paid may be credited against profits tax on the same profits, but the credit is limited to Russian tax payable on the same income.

6.2 List of double tax treaties signed

	Country	Effective date
1.	Albania	1 January 1998
2.	Algeria	1 January 2009
3.	Argentina	1 January 2013
4.	Armenia	1 January 1999
5.	Australia	1 January 2004 (Russia); 1 July 2004 (Australia)
6.	Austria	1 January 2003
7.	Azerbaijan	1 January 1999
8.	Belarus	1 January 1998
9.	Belgium	1 January 2001
10.	Botswana	1 January 2010 (Russia); 1 July 2010 (Botswana)
11.	Bulgaria	1 January 1996
12.	Canada	1 January 1998
13.	Chile	1 January 2013
14.	China (People's Rep.)	1 January 1998
15.	Croatia	1 January 1998
16.	Cyprus	1 January 2000
17.	Cuba	1 January 2011
18.	Czech Republic	1 January 1998
19.	Denmark	1 January 1998
20.	Egypt	1 January 2001
21.	Finland	1 January 2003
22.	France	1 January 2000
23.	Germany	1 January 1997
24.	Greece	1 January 2008
25.	Hungary	1 January 1998
26.	Iceland	1 January 2004
27.	India	1 January 1999 (Russia); 1 April 1999 (India)
28.	Indonesia	1 January 2003
29.	Iran	1 January 2003
30.	Ireland	1 January / 6 April 1996 (Ireland); 1 January 1996 (Russia)
31.	Israel	1 January 2001

32.	Italy	1 January 1999
33.	Japan	1 January 1987
34.	Kazakhstan	1 January 1998
35.	Korea (Dem. People's Rep.)	1 January 2001
36.	Korea (Rep.)	1 January 1996
37.	Kuwait	1 January 2004
38.	Kyrgyzstan	1 January 2001
39.	Latvia	1 January 2013
40.	Lebanon	1 January 2001
41.	Lithuania	1 January 2006
42.	Luxembourg	1 January 1998
43.	Macedonia	1 January 2001
44.	Malaysia	1 January 1989
45.	Mali	1 January 2000
46.	Mexico	1 January 2009
47.	Moldova	1 January 1998
48.	Mongolia	1 January 1998
49.	Morocco	1 January 2000
50.	Namibia	1 January 2001
51.	Netherlands	1 January 1999
52.	New Zealand	1 January 2004 (Russia); 1 April 2004 (New Zealand)
53.	Norway	1 January 2003
54.	Philippines	1 January 1998
55.	Poland	1 January 1994
56.	Portugal	1 January 2003
57.	Qatar	1 January 2001
58.	Romania	1 January 1996
59.	Saudi Arabia	1 January 2011
60.	Serbia, Montenegro	1 January 1998
61.	Singapore	1 January 2010
62.	Slovak Republic	1 January 1998
63.	Slovenia	1 January 1998
64.	South Africa	1 September 2000 (South Africa); 1 January 2001 (Russia)
65.	Spain	1 January 2001
66.	Sri Lanka	1 January 2003 (Russia); 1 April 2003 (Sri Lanka)
67.	Sweden	1 January 1996
68.	Switzerland	1 January 1998
69.	Syria	1 January 2004
70.	Tajikistan	1 January 2004
71.	Thailand	1 January 2010

72.	Turkey	1 January 2000
73.	Turkmenistan	1 January 2000
74.	Ukraine	1 January 2000
75.	United Kingdom	1 January 1998 (Russia); 1 April / 6 April 1998 (United Kingdom)
76.	United States of America	1 January 1994
77.	Uzbekistan	1 January 1996
78.	Venezuela	1 January 2010
79.	Vietnam	1 January 1997

OTHER SIGNIFICANT TAXES

7.1 Special tax regimes

Special tax regime is a system of special rules of taxation which can be applied for some categories of companies permanently or temporary according to tax code of Russian Federation. Management of companies usually has a choice whether to apply these rules or use a standard system of taxation. If the company apply special rules of taxation, automatically it receives exemption from some taxes, which are mandatory in a context of standard tax system (for example exemption from income tax, VAT or property tax).

There are 5 special tax regimes in Russia. They are: simplified taxation system, unified agricultural tax, unified imputed earnings tax, patent tax system and production sharing agreements.

First regime is called simplified taxation system. It can be applied by small and medium enterprises in order to stimulate it's growth and development. Tax rules of this regime is much softer then standard tax system, but there are lots of restrictions and criteria which company should maintain in order to use it.

Here is brief overview of this regime.

1. Company gets full exemption of VAT, income tax, payroll taxes, transport tax, excise duty, land tax.

2. Company pays only 6% tax from all its revenues or 15% tax from profit, the management should decide which one is better for the company. If the company will choose to pay 15% from profit then minimal mandatory tax cannot be less then 1% or revenue. This 1% tax should be paid even if company generates loss.

3. In order to apply for it, company's revenue for last 9 month should be less then 45 million rubles (1.5 million dollars approximately). The are lots of other restrictions. Most significant are: organization should have less then 100 employees, net book value of fixed assets should be less then 100 million rubles , organization should be 75% controlled by physical persons (25% can belong to other organizations). So such organization cannot be a subsidiary, but can be an associate of foreign corporation.

Second tax regime is called unified agricultural tax. It can be used by organizations in case they produce or process grain, milk or other agricultural production. Company size or capital structure

RUSSIA

is not sharply defined, main restrictions concerning number of employees (less than 300) and revenue structure (70% of revenue should be generated from sale of own agricultural produce). The term 'own agricultural produce' means that it should be produced as a result of biotransformation of assets controlled by company, but not purchased and resaled.

Here is brief overview of this regime.

1. Company gets full exemption of VAT, income tax, property tax.

2. Company pays only 6% tax from all its profits. In case of loss company can accumulate it for tax purposes and subtract from future profits during 10 years.

3. Company can be a subsidiary of foreign enterprise

Third and fourth tax regimes (unified imputed earnings tax and patent tax system) are actual only form small business enterprises of certain kind of business activity. These include taxi drivers, professional teachers, cleaning services, guide services etc. Such businesses get exemption of all taxes but pay a tax from maximal potential income so called 'imputed earnings' which is defined statistically. Patent tax system and unified imputed earnings tax principally differs by types of business activity and ways of calculating of so called 'imputed earnings'. Tax rate is also different: 6% of so called 'imputed earnings' in a patent system and 15% of it in a unified imputed earnings tax regime.

Last tax regime is called product sharing agreements (PSA). This tax regime can be applied only by foreign companies which business activity is exploration and development of mineral recourses in Russia. In order to apply for this tax regime the foreign company should conclude special agreement with a government of Russian Federation, which suppose incorporation of new business entity jointly controlled by Russian government from one side and foreign investor – from the other. Such business entity will receive a lot of tax preferences. Exact tax rates, tax base calculation methods and exemptions are usually described exactly in the agreement.

7.2 Property tax

Taxpayers

Property tax is paid by the following taxpayers: Russian organizations, foreign organizations carrying out activities in Russia through a permanent establishment or owning immovable property in Russia.

Tax rates

The assets tax rate is determined by the regional authorities but cannot exceed 2.2%.

Certain regions provide full exemptions from assets tax to taxpayers performing certain investment projects.

Tax base

For Russian and foreign organizations carrying out activities in Russia through a permanent establishment, assets tax is levied on movable and immovable property, which is recorded as fixed assets in their accounts maintained under Russian accounting principles.

The tax base is the average annual value of the assets, calculated on the basis of the net book value of the fixed assets period by period (three months, six months, nine months, and calendar year).

Tax exemptions

Certain assets are excluded from the tax base, in particular land plots and other natural resource sites, certain historical and cultural monuments, public railway tracks, federal public roads, pipelines and electricity lines.

7.3 Other taxes

Excise tax

Excise tax is payable on domestic sales of certain goods produced in Russia and on imports thereof. The list of goods subject to excise includes alcohol, beer, tobacco, cars, motorcycles, petrol, diesel fuel, motor oil and straight-run petrol. The rates are ordinarily established in rubles per unit or in percentages of value and vary significantly. Imported alcohol and tobacco are cleared through customs only if these goods bear excise stamps. With some exceptions, export sales are exempt from excise tax. Excise tax is deductible for profits tax purposes.

Transport tax

Transport tax applies to both legal entities and physical persons who register vehicles. For most types of vehicles, tax rates vary from RUB 5 to RUB 50 (US$0.16 to US$1.65) per horsepower of the engine capacity of the vehicle. Regional authorities are entitled to increase or decrease the tax rates, but not more than fivefold.

Mineral extraction tax

Tax rates for oil and gas represent fixed duty rates based on physical volume or quantity, but are subject to variation in line with changes in world prices. Other minerals are subject to tax based on the value of extracted commercial minerals.

Other taxes

Other taxes payable by companies include personal income tax, social contributions (see section on Individuals), water tax, gambling tax, pollution tax, land tax, and various licensing fees.

7.4 Future tax changes 2015/16

The Ministry of Finance has recently published a draft of "The Main Directions of Russian Tax Policy for 2015-2016". The main aspects of this document are as follows:

Creation of Favourable Tax Conditions for Investment Activity

The document proposes the introduction of a new category of taxpayer, an investment project participant. These will be companies operating in the Far East Region, Trans-Baikal Territory, Buryat Republic or Irkutsk Region and carrying out investment activity there (subject to certain restrictions). The profits tax payable to the federal budget by an investment project participant is proposed to be fixed at 0% for the first 10 years. The regional authorities will be allowed to decide to reduce the profits tax payable to the regional budget to 0% during the first 5 years and for the following 5 years by up to 10%. If the regional authorities agree to provide such tax relief to investment project participants at a regional level, this will be one of the most significant tax benefits available under Russian tax legislation.

Tax Avoidance Involving Tax Havens

In order to combat tax avoidance involving the use of low-tax jurisdictions, the document proposes to amend legislation regulating controlled foreign companies and beneficial owners. It is expected that a model intergovernmental agreement on tax information exchange with offshore and low-tax jurisdictions will also be developed. This model agreement will serve as a basis for concluding numerous agreements in order to prevent the use of tax minimization schemes.

Dealing with "Fly-by-Night companies"

The document proposes granting the tax authorities the right to obtain information from banks about accounts, deposits, account and deposit balances, and statements of account and deposit operations of certain individuals linked to suspect companies when conducting tax audits.

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SINGAPORE

GENERAL INFORMATION

1.1 Country : Singapore

1.2 Currency : Singapore Dollars ("SGD")

1.3 Principal business entities

- Limited liability company;
- Limited liability partnership;
- Partnership;
- Sole proprietorship;
- Branch of a foreign corporation

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview/encouraged business development)

Singapore economy in year 2013 improved by 4.1% compared to year 2012, up from 1.9% which is supported by a progressively improving external environment and strong domestic construction growth. The unemployment rate for Singaporeans decreased to 2.9% in year 2013 and the jobs vacancies significantly exceed unemployed workers.

Singapore has had a very successful year 2013 and hopes to maintain its momentum by introducing more tax measures and ambitious structural reforms. The business costs especially wages and rental have picked up as the demand in Singapore has been strong, especially demand for manpower and space.

The outlook for global economic for year 2014 is very unpredictable. The recovery of advanced economies is proceeding but still slow and steady. The Singapore economy based on the forecast of Ministry of Trade Industry expects to grow by 2% to 4% in year 2014. However, risks remains that could blow off the recovery off the course.

Singapore has introduced many useful measures to mitigate the rise in business costs and to assist all businesses restructuring to meet the challenges of the new economic landscape. Singapore is transforming every sector of its economy to create higher-value industries, to create quality jobs and achieve higher productivity and skills in order to sustain higher incomes for Singaporeans. In addition, despite of slow gradual recovery of global economic, Singapore remains as most competitive economy in Asia thanks to exports, business efficiency and innovation.

1.6 National tax authority

Name : Inland Revenue Authority of Singapore ("IRAS")

Website : www.iras.gov.sg

CORPORATE INCOME TAX

2.1 Basis of taxation

The tax is assessed on a territorial basis. Singapore tax resident companies are subject to tax on income accruing in, derived from and received in Singapore.

2.2 Rates of tax

17%

2.3 Year of assessment

The basis period for any Year of Assessment ("YA") is the financial year ended preceding the YA.

2.4 Profits deemed to be taxable

Payment to non residents for the following are deemed to be derived from Singapore:

a) Commission and interest;

b) Management fee;

c) Rental for the use of movable properties;

d) Remunerations and directors' fees;

e) Royalties;

f) Technical assistance and service fees

Such payments are subject to withholding tax rate of 10% to 17% which is subject to the provisions stated in the double tax treaties concluded with overseas countries.

2.5 Taxation of dividends

Generally, dividends paid on 01 January 2008 or after by a Singapore-incorporated company are exempt from tax. The tax paid by a company on its chargeable income is the final tax.

2.6 Taxation of capital gains

No tax on capital gains.

2.7 Taxation of interest income

Interest income is subject to tax.

2.8 Utilization of tax losses

Unutilised tax losses can be carried forward to offset against the company's income for subsequent years of assessment if it satisfies the qualifying condition known as shareholders' continuity test under the provisions of the Singapore Income Tax Act. In the shareholders' continuity test, there must be no substantial change in the company's shareholders and their shareholdings before the unutilised forwards losses can be utilised.

2.9 Key Tax incentives

1) PRODUCTIVITY INNOVATION CREDIT INNOVATION ("PIC")

The PIC Scheme provides additional tax deduction/allowance to spur a much broader range of innovation activities for six categories of qualifying activities as follows: -

a) Acquisition and leasing of Information Technology (IT) and Automation Equipment;

b) Training of employees for the purposes of trade and business;

c) Acquisition and In-licensing of Intellectual Property Rights;

d) Registration of patents, trademarks, designs and plant varieties;

e) Research and development activities; and

f) Design projects approved by DesignSingapore Council;

2) Year of Assessment

Year of Assessment ("YA") 2013 to 2015 (Combined)

Qualifying businesses can enjoy 400% tax deductions/allowances on up to $400,000 of their expenditure per YA for YA 2013 and YA 2014 and $600,000 for YA 2015. The Expenditure Cap per Qualifying Activity from YA 2013 to YA 2015 is $1,400,000 under PIC Scheme.

Year of Assessment ("YA") 2016 to 2018 (Combined)

Qualifying businesses can enjoy 400% tax deductions/allowances on up to $600,000 of their expenditure per Year of Assessment ("YA"). The Expenditure Cap per Qualifying Activity from YA 2016 to YA 2018 is $1,800,000 under PIC Scheme.

3) TAX EXEMPTIONS ON INCOME FOR QUALIFYING NEW START UPS

Income of S$100,000 per year for first three tax years.

4) TAX INCENTIVES FOR INNOVATION

Qualifying Research and Development (R&D) expenditure: 10-year extension of the 50% additional tax deduction till YA 2025.

R&D projects approved by Singapore Economic Development Board ("EDB"): 5-year extension of the further tax deduction till March 2020.

Acquisition of Intellectual Property Rights ("IPR"): 5-year extension of writing down allowance till YA 2020.

5)OTHER TAX INCENTIVES INCLUDES:

- Global Trader Programme
- Maritime Sector Incentives

To cater to the needs of ship owners and operators, maritime lessors and providers of supporting shipping services. Available tax exemptions or reduced tax rates on qualification.

2.10 Withholding tax

Please refer to item 2.4: Profits deemed to be taxable.

2.11 Transfer Pricing

THE ARM'S LENGTH PRINCIPAL

IRAS endorses the arm's length principal as the standard to guide transfer pricing which is the internationally accepted standard adopted by many Member countries of the Organisation for Economic Co-operation and Development ("OECD") and non-Member countries.

Where the pricing of related party transactions is not at arm's length and results in a reduced profit for the Singapore taxpayer, the Comptroller of Income Tax may adjust and tax the profit of the Singapore taxpayer under the Singapore Income Tax Act.

2.12 Filing requirements of tax return

Filing due dates

Form C (Paper file)	30 Nov of each year
Form C-S (Paper file)	By 30 Nov of each year
Form C-S (E-file)	By 15 Dec of each year

Penalties

Penalties for error/omission/discrepancy in tax returns

Depending on individual circumstances, a taxpayer convicted under Section 95 of the Income Tax Act may be imposed a penalty ranging from 0% to 200% of the amount tax undercharged. A fine up to $5,000 or an imprisonment up to 3 years may also be imposed.

Late payment penalty

Taxpayers are given 30 days from the date of the Notice of Assessment (NOA) to pay the tax. If the tax is not paid or is paid late, the following penalties will be imposed on the tax unpaid after due date:

5% penalty and 1% additional penalty

Payment of profit tax and application of holdover

All companies have to submit their Estimated Chargeable Income ("ECI") within 3 months from the end of their financial year end. IRAS will send a letter to company towards the end of the companies' financial year to notify you to file ECI.

If the ECI is more than the actual chargeable income reported in the final income tax form (Form C), the excess tax paid earlier will be refunded. However, if the ECI is less than the actual chargeable income reported, the additional tax must be paid within 30 days from the date of the Notice of Assessment. Companies may apply for a waiver to file tax returns if they ceased business activity and do not derive any income.

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

Income accruing in, derived from and received in Singapore is chargeable to income tax.

3.2 Rates of tax

Tax Residents		
CHARGEABLE INCOME	**RATE (%)**	**GROSS TAX PAYABLE**
First $20,000	0	0
Next $10,000	2	$200
First $30,000	-	$200
Next $10,000	3.5	$350
First $40,000	-	$550
Next $40,000	7	$2,800
First $80,000	-	$3,350
Next $40,000	11.5	$4,600
First $120,000	-	$7,950
Next $40,000	15	$6,000
First $160,000	-	$13,950
Next $40,000	17	$6,800
First $200,000	-	$20,750
Next $120,000	18	$21,600
First $320,000	-	$42,350
Above $320,000	20	

Non tax residents:

Employment income is taxed at 15% or tax resident rates whichever is higher. Director's fees, consultant fee and all other income are taxed at 20%.

3.3 Year of assessment

The basis period for any Year of Assessment ("YA") is the year preceding the YA.

3.4 Allowances and Deductions

TYPES OF RELIEF	QUANTUM
Earned Income Relief	
i) Below 55 years old	$1,000
ii) 55 to 59 years old	$6,000
iii) 60 years old and above	$8,000
Spouse Relief	$2,000
Handicapped Spouse Relief	$3,500
Qualified Child Relief	$4,000 per child
Handicapped Qualified Child Relief	$5,500 per child

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TYPES OF RELIEF	QUANTUM
Parent Relief	
i) Staying with parents	$7,000
ii) Not staying with parents	$4,500
Handicapped Parent Relief	
i) Staying with parents	$11,000
ii) Not staying with parents	$8,000
Relief for Course Fees	Up to a maximum of $5,500
Life Insurance Relief	Maximum of $5,000 capped at the lower of insurance premiums paid in the preceding year or 7% of capital sum assured on death.
Foreign Maid Levy Relief	Twice the levy paid in the previous years for one maid capped to $6,360 or $4,080 (if qualify for the concessionary levy of $120 per month with effect from 01 March 2013).
Supplementary Retirement Scheme ("SRS") Relief	SRS contribution cap is $12,750 for Singapore citizens and Singapore permanent residents and $29,750 for foreigners.

3.5 Taxation of dividends

Dividends paid by a Singapore company on or after 01 January 2008 received by Individual tax payers are tax exempt. Foreign dividends received in Singapore on or after 01 January 2004 by tax resident individuals are not taxable.

3.6 Taxation of capital gain

No capital gain tax.

3.7 Taxation of interest income

Interest income received by individuals from deposits with approved banks or licensed finance companies in Singapore is not taxable.

3.8 Personal assessment and utilization of losses

Business income is income derived from carrying on a trade, a business, a profession, or a vocation. Such income is taxable under the sole-proprietor's or self-employed person's name. The business income will be declared in the tax return with all other income and the total income is to be subjected to tax at individual tax rates set up by IRAS.

Business losses can be offset against other income

If trade losses are incurred after deducting the allowable expenses against the gross profit, the trade losses and any capital allowances claimed can be used to offset against other income such as employment, interest, rental income and income from other business in the same year.

Carrying business loss forward

If the other income is not sufficient to utilize the trade loss, the unabsorbed trade losses can be carried forward to subsequent years to offset against the income of those years until the trade losses are fully utilized.

3.9 Withholding tax

Please refer to item 2.4: Profits deemed to be taxable.

3.10 Statutory obligation of employers

Employers are required by law to contribute to the Central Provident Fund ("CPF"). Under the scheme, employers are to ensure that CPF contributions are paid monthly for its employees at the rates set out in the Central Provident Fund Act (Cap. 36). The employer is entitled to recover a percentage of that contribution from the employee through deductions from the employee's wages. This occurs when wages are paid out. Employers also play their part by ensuring CPF contributions are paid on time, while Singapore Government support gives workers the added assurance that their future and old age are secure.

Employers are required to pay the employer's and employee's share of CPF contributions monthly for all employees (Singapore Citizens and Singapore Permanent Residents) at the rates set out in the CPF Act. The contributions payable should be based on the employee's actual wages earned for the month.

3.11 Filing requirement of tax return

Filing due dates

The due date for annual filing of individual tax return is 15 April of every year. If the return is filed electronically, the due date is 18 April.

Employers must seek tax clearance for foreign employees by filing Form IR21 (notification by employer of an employee's cessation of employment or departure from Singapore) at least one month before the non-citizen employees ceases to work for the employers in Singapore, is on overseas posting or leaves Singapore for any period of more than three months.

Penalties

Penalties and fines are applicable for failure to file a tax return and make payment of tax by due date. In some situations, imprisonment.

Application of holdover :

IRAS will issue the tax bills (known as Notice of Assessment) to the tax payers to request for payment of tax. The tax payers are given 30 days from the date of Notice of Assessment to pay the tax. However, the tax payers before the payment due date can request from IRAS paying by instalments.

Application of holdover – Not applicable.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Central Provident Fund Board (CPF) applicable to Singaporeans and permanent residents only.

4.2 Basis of contribution

Please refer to item 3.10: Statutory obligation of employers.

4.3 Contribution rate

FROM 01 JANUARY 2014		
Employee Age	**Employer**	**Employee**
50 and below	16%	20%
Above 50-55	14%	18.5%
Above 55-60	10.5%	13%
Above 60-65	7%	7.5%
Above 65	6.5%	5%

4.4 Exemption from tax

Employees who are Singaporeans or Singapore Permanent Residents may claim CPF relief against their taxable income on the compulsory employee CPF contributions under CPF Act and Voluntary contributions to their CPF Medisave account.

GST/VAT

5.1 Basis of tax

GST (Goods and Services Tax) is a broad based consumption tax levied on all supplies of goods and services in Singapore and on import of goods.

Taxable supplies are classified as follows:

Standard-rated supplies refer to taxable supplies of goods and services supplied in Singapore. (e.g. sale of goods in supermarket)

Zero-rated supplies refer to export of goods and international services (e.g. provision of international transport)

Exempt supplies refer to sale and lease of residential properties and financial services. (e.g. income from sale of shares and interest income)

Out-of-scope supplies refer to third country sales (e.g. sale of goods from China to India where the goods do not enter Singapore and goods in transit.

5.2 Rates of tax

Levied at a standard rate of 7%.

5.3 Registration

Compulsory Registration:

A Business is liable to register for GST if the value of taxable supplies exceeded S$1 million in the past 12 months or currently making taxable supplies and expect the value of taxable supplies to exceed S$1 million in the next 12 months. They are required to apply for GST registration within 30 days from the date the businesses' liability arose.

Voluntary Registration:

Businesses or traders making taxable supplies below S$1 million or have not started making taxable supplies. If annual taxable turnover is below the threshold of S$1 million or have not started making taxable supplies but expect the taxable turnover to exceed $1 million in the next 12 months, they can apply for voluntary registration.

Exemption from Registration:

Businesses can apply for exemption from registration if they make or intend to make wholly or mainly zero-rated supplies even if the turnover exceeds S$1 million. If after being so exempted, if there is a major change in the nature of the supplies made by the business, they are required to inform the Comptroller of GST.

5.4 Filing requirements

Returns are to be filed quarterly by the end of the month following the quarter.

Payments are due within one month after the filing deadline.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

A double tax relief is granted by allowing the Singapore tax residents to claim a credit for the amount of foreign tax paid against Singapore tax payable on the same income, but is restricted to the lower of the foreign tax and Singapore tax payable. It is a credit relief provided for under an Avoidance of Double Taxation Agreement (DTA) to reduce this double taxation.

6.2 List of double tax treaties signed

CONCLUDED COMPREHENSIVE TAX TREATIES (75 COUNTIRES)		
Albania	Indonesia	Pakistan
Australia	Ireland	Panama
Austria	Isle of Man	Papua New Guinea
Bahrain	Israel	Philippines
Bangladesh	Italy	Poland
Barbados	Japan	Portugal
Belarus	Jersey	Qatar
Belgium	Kazakhstan	Romania
Brunei	South Korea	Russian Federation
Bulgaria	Kuwait	Saudi Arabia
Canada	Latvia	Slovak Republic
China	Libya	Slovenia
Cyprus	Lithuania	South Africa
Czech Republic	Luxembourg	Spain
Demark	Malaysia	Sri Lanka
Egypt	Malta	Sweden
Estonia	Mauritius	Switzerland
Fiji	Mexico	Taiwan
Finland	Mongolia	Thailand
France	Morocco	Turkey
Georgia	Myanmar	Ukraine

CONCLUDED COMPREHENSIVE TAX TREATIES (75 COUNTIRES)		
Germany	Netherlands	United Arab Emirates
Guernsey	New Zealand	United Kingdom
Hungary	Norway	Uzbekistan
India	Oman	Vietnam

LIMITED TAX TREATIES (8 COUNTIRES)		
Bahrain	United Arab Emirates	Hong Kong
Saudi Arabia	Chile	Oman
Brazil	United States of America	

EXCHANGE OF INFORMATION ARRANGEMENTS (1 COUNTRY)
Bermuda

AGREEMENTS WHICH ARE SIGNED BUT NOT RATIFIED (8 COUNTRIES)		
Czech Republic	San Marino	Liechtenstein
Luxembourg	Kazakhstan	Laos
Ecuador	Sri Lanka	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

Stamp duty (SD) Rate Structure with effect from 22 February 2014	SD rates (New)
i) Buyer's stamp duty on properties	
Based on the purchase price or market value, whichever is higher	
First $180,000	1%
Next $180,000	2%
Remainder	3%
ii) Share transfer duty	
Based on the purchase price or market value, whichever is higher	0.2%
iii) Lease duty	
a) Where average annual rent does not exceed $1,000	Exempted
b) Where average annual rent exceed $1,000:	
Lease period of 4 years or less	0.4% of total rent for the period of the lease
Lease period of more than 4 years	0.4% of 4 times the average annual rent for the period of the lease
iv) Mortgage duty	Subject to a maximum of $500

7.2 Real property tax

The Singapore Government announced the introduction of progressive tax rates for all residential properties from 1 Jan 2014 and 1 Jan 2015. Others properties (such as residential land,

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commercial and industrial buildings), will continue to be taxed at the Non-Residential Tax rate of 10%. The property tax rate is maintained as raising property tax rates on commercial and industrial properties would have implications on business costs. The Government will continue to review this policy periodically.

7.3 Estate duty

Estate duty has been removed for deaths on and after 15 Feb 2008.

7.4 Net wealth/net worth tax

Not applicable.

7.5 Others

Business tax	Not applicable.
Consumption tax, etc.	Not applicable.

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SINGAPORE

Taiwan

GENERAL INFORMATION

1.1 Country : Taiwan

1.2 Currency : New Taiwan Dollar (NTD)

1.3 Principal business entities

- Public company
- Private company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership

1.4 Foreign exchange control

No exchange control

1.5 Current economy climate (Industry overview / encouraged business development)

Taiwan now is looking forward to active year in 2014 due to the Cross-Strait Agreement on Trade in Services (CSATS) with mainland China. The purpose of this Agreement is to reduce restrictions on trade in services, expand the scope of market and business for service suppliers, and enhance cooperation in trade in services between the two Parties.

The CSATS offers service suppliers in the two Parties better access to each other's service market. It will also enhance the transparency of trade rules in services and help service suppliers of both sides to do business. Additionally, it marks one of the major steps for Taiwan to join regional economic integration and sign trade agreements with trading partners. With this expanded scope of areas open, we optimistically expect to attract more overseas companies for listing in Taiwan and more global investments into Taiwan capital market.

1.6 National tax authority

Name:	National Taxation Bureau
Official website:	www.ntbna.gov.tw

CORPORATE INCOME TAX

2.1 Basis of taxation

All profit-seeking business in Taiwan are subject to profit-seeking enterprise income tax.

For any companies having its head office located Taiwan within total worldwide income derived within and outside Taiwan shall be subject to profit-seeking enterprise income tax. However, if the enterprise already paid any income tax on its foreign source income abroad in accordance with the tax laws of source country, such foreign income tax will be credited against total profit enterprise.

For any profit-seeking enterprise having its head office located outside Taiwan but having income derived from sources in Taiwan, profit-seeking enterprise income tax shall be levied on its profit-seeking enterprise income derived within Taiwan.

2.2 Rates of tax

The corporate income tax rate is 17% and the threshold for subjecting a company to corporate income tax is NTD 120,000.

A resident company's earnings generated in a year and remaining undistributed by the end the following year are subject to a 10% surtax.

In addition, resident and non-resident companies with a fixed place of business or a business agent in Taiwan are subject to alternative minimum tax. The alternative minimum tax rate has increased from 10% to 12% as at 1 January, 2013.

2.3 Year of assessment

The tax year starts on 1 January and ends on 31 December of every year. In certain circumstances, a substituted accounting period may be adopted.

2.4 Profits deemed to be taxable

The incomes from sources in Taiwan are as followed:

1. Dividends distributed by companies incorporated and registered in accordance with the Company Act of Taiwan and by foreign companies authorized by the government of Taiwan to operate within Taiwan;
2. Profits distributed by profit-seeking enterprises organized in the form of a cooperative or a partnership within Taiwan;
3. Remuneration for services rendered within Taiwan;
4. Interest obtained from governments of various levels of Taiwan, from juristic persons within Taiwan and from individuals residing in Taiwan;
5. Rental obtained from lease of properties situated within Taiwan;
6. Royalty obtained from patents, trademarks, copyrights, secret formulas and franchises by virtue of their being made available for use by other persons within Taiwan;
7. Profits from the transaction of properties within Taiwan;
8. Profits from operation of industry, commerce, agriculture, forestry, fishery, animal husbandry, mining, and metallurgy enterprises within Taiwan;and
9. Awards or grants obtained from participating in various skill contests, games, or lotteries, etc. within Taiwan.

2.5 Taxation of dividends

Dividends paid to residents are subject to normal corporate income taxes in the same manner as ordinary income.

Dividends paid to non-residents are subject to withholding tax.

2.6 Taxation of capital gains

Capital gains are taxable as ordinary income while capital losses are tax-deductible.

2.7 Taxation of interest income

Interest paid to residents is subject to normal corporate income taxes in the same manner as ordinary income.

Interest paid to non-residents is subject to withholding tax.

2.8 Utilization of tax losses

Past Losses are not allowed to be carried back. Losses are allowed to be carried forward for 10 years following the year of losses.

2.9 Key Tax incentives

** Exempt income*

1. Income earned by a profit-seeking enterprise from the sale of land, or by a profit-seeking enterprise from the transactions of sale of property for the purpose of stockpiling war materials in accordance with the regulations established by the government.
2. Business income obtained from the operation inside Taiwan by a foreign enterprise engaged in international transportation; provided that reciprocal treatment is accorded by the foreign country concerned to an international transport enterprise of Taiwan operating in its territory.
3. Royalty paid to a foreign enterprise for the use of its patent rights, trademarks, and/or various kinds of special licensed rights in order to introduce new production technology or products, improve product quality, or reduce production cost under the approval of the competent authority as a special case, as well as remuneration paid to a foreign enterprise for its technical services rendered in construction of a factory for an important productive enterprise determined and approved as such by the competent authority.
4. Interest derived from loans offered to the government of the Republic of China or legal entities within the territory of the Republic of China by foreign government or international financial institutions for economic development, and interest derived from the financing facilities offered to their branch offices and other financial institutions within the territory of the Republic of China by foreign financial institutions.
5. Interest derived from loans extended to legal entities within the territory of the Republic of China by foreign financial institutions for financing important economic construction projects under the approval of the Ministry of Finance.

6. Interest derived from favorable-interest export loans offered to or guaranteed for the legal entities within the territory of the Republic of China by foreign governmental institutions and foreign financial institutions which are specialized in offering export loans or guarantees.

2.10 Withholding tax

Type of income	Resident companies(%)	Non-resident companies(%)
Dividends	·Profit-seeking enterprise with its head office located in Taiwan: NA ·Profit-seeking enterprise with its head office located outside Taiwan: 20%	20%
Professional fees	10%	20%(royalties not exceeding NTD 5,000 each is not subject to withholding)
Interests	10%	·20% ·Interest derived from short-term commercial papers, securitized instruments, government/corporate/financial institution bonds, or conditional transactions: 15%
Royalties	10%	20%
Rentals	10%	20%

2.11 Transfer Pricing

Taiwan's transfer pricing regime adheres to the "arm's length principle" and is based on US Internal Revenue and OECD transfer pricing guidelines.

Entities are required to maintain supporting documentation for the transfer pricing and provide this to the tax authority upon request. Taiwan's Advance Pricing Agreement (APA) regime allows enterprises based on certain criteria to negotiate with the tax authority for an APA. An APA application should be made in the prescribed form before year-end of the first accounting period for the controlled transactions which are to be covered in the APA.

Generally, an APA is valid for three to five years. Where an enterprise's business nature has not materially changed, a one-time maximum five-year extension can be requested. However, there is no rollback provision in the APA program.

2.12 Filing requirements of tax return

Filing due dates

The tax filing deadline is 31 May of the following year.

Penalties

Where a taxpayer failed to file annual income return within the period but has subsequently filed it in accordance with the provisions, the collection authority shall, after determining the amount of its income and the amount of tax payable through investigation, levy a delinquent reporting surcharge in an amount equal to 10% of the tax determined as payable. The amount of delinquent reporting surcharge shall not exceed NTD 30,000 but shall not be less than NTD 1,500.

Where a taxpayer further fails to file an annual income tax return within the time limit, and the amount of taxable income and the amount of tax payable have been determined by the collection authority based on the available data or the profit standard of the same trade, the collection authority shall levy a delinquent reporting surcharge in an amount equal to 20% of the tax determined as payable. The amount of delinquent reporting surcharge shall not exceed NTD 90,000 but shall not be less than NTD 4,500.

Application of holdover

NA

PERSONAL TAX

3.1 Basis of taxation (Residence, Personal assessment)

For any individual having income derived from Taiwan is subject to Taiwan income tax whereas income derived from foreign sources outside Taiwan is not taxable.

Basically, an individual is considered a tax resident if he/she has domicile and resides at all times within Taiwan, or has no domicile but resides within Taiwan for 183 days or more in a calendar year.

3.2 Rates of tax

Resident individuals are taxed at progressive rates ranging from 0% to 45%.

Tax rate (%)	Tax scope (%)
0	0 – 60,000
5	60,001 – 520,000
12	520,001 – 1,700,000
20	1,700,001 – 2,350,000
30	2,350,001 – 4,400,000
40	4,400,001 – 10,000,000
45	> 10,000,001

Non-residents are taxed at a flat rate ranging from 15% to 20%.

3.3 Year of assessment

The tax year starts on 1 January and ends on 31 December of every year.

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3.4 Allowances and Deductions

a) Allowances

The government prescribes the allowable personal exemptions on an annual basis. Personal exemptions increase by 50% if the taxpayer, his/her spouse and dependent are 70 years of age or older. For the 2012 individual income tax return, the personal exemption is NTD 82,000 and for that of 2013, NTD 85,000 respectively, for each of the taxpayer, his/her spouse and each dependent, or NTD 123,000 and NTD 127,500, respectively, for those who are 70 years of age or older.

b) Deductions

A taxpayer may select either the standard deduction or itemized deductions and may, in addition thereto, declare special deductions. If the amount of total deductions on an itemized basis exceeds the amount of the standard deduction, a taxpayer may choose to claim the itemized deductions rather than standard deduction.

3.5 Taxation of dividends

Resident individual shareholders are assessable on distributions. Distributions from company are entitled to a tax credit (Imputation Credit Account) for the tax paid by the company on its income.

For non-residents, the distribution would be subject to withholding tax.

3.6 Taxation of capital gain

Resident and non-resident individuals both are assessable on net capital gains from disposal of assets.

Capital gains and capital losses that occur during a year are offset. If a net capital gain arises, it is included in assessable income. If a net capital loss arises, it is not deducted from assessable income but carried forward to offset the next 3-year capital gain.

Net capital gains derived by resident individuals from assets held for at least one year are eligible for a 50% exempt. Non-residents are not eligible for a 50% exempt.

3.7 Taxation of interest income

Interest derived by resident individuals is assessable income.

Interest derived by non-resident individuals is subject to withholding tax.

3.8 Personal assessment and utilization of tax losses

NA

3.9 Withholding tax

Type of income	Resident	Non-resident
Dividends	Not applicable	20%
Salaries	- Monthly salaries and wages are withheld either one of the following methods: (1) 5% (2) Based on the salary withholding schedule - Salaries that are not paid monthly or salaries for part-time job: 5% - No withholding tax to be applied on the amount of each payment made by the withholding agent which is less than the standard withholding tax amount in accordance with the salary withholding tax table applied to the taxpayer who does not claim any a spouse and dependent.	- 18% - Monthly salaries which are under 1.5 times of the basic salary as assessed by the Executive Yuan: 6%
Professional fees	10%	20% (royalties not exceeding NTD 5,000 each is not subject to withholding)
Interests	10%	- 20% - Interest derived from short-term commercial papers, securitized instruments, government/corporate/financial institution bonds, or conditional transactions: 15%
Royalties	10%	20%
Rentals	10%	20%
Contest awards or grants or lottery winnings	- 10% - No withholding tax on government-sponsored lottery winning less than or equal to NTD2,000 per winning; withholding tax is 20% on such winning over NTD 2,000 per winning.	- 20% - No withholding tax on government-sponsored lottery winning less than or equal to NTD2,000 per winning; withholding tax is 20% on such winning over NTD 2,000 per winning.

3.10 Statutory obligation of employers

The employers are responsible for withholding social insurance contributions and income tax from their employees on a monthly basis.

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3.11 Filing requirement of tax return

Filing due dates

The tax filing deadline is 31 May of the following year.

Penalties

Penalties may be imposed for failure to submit tax return on time.

Application of holdover

NA

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

Bureau of Labor Insurance

4.2 Basis of contribution

The employer contributes certain amount of a worker's monthly wage into an individual pension account governed by the Bureau of Labor Insurance. Ownership of this pension account belongs to the worker. Upon reaching 60 years of age, a worker may apply directly to the Bureau of Labor Insurance to receive the dividends and principal that have accumulated over the years.

4.3 Contribution rate

6% or more of a worker's monthly wage

4.4 Exemption from tax

In addition to the mandatory employers' contribution, workers may contribute voluntarily additional sums, maximum 6% of their monthly wages to their pension accounts. For those who contribute beyond the required amount, the extra contributions may be tax deducted from their total annual income.

GST/VAT

5.1 Basis of tax

Value-added or special business tax shall be levied on the sale of goods or services within Taiwan and on the import of goods.

* *special business tax is imposed on financial institutions, special vendors of food and beverages, and small businesses.*

* *Value-added business tax is applied to all the remaining goods and services.*

5.2 Rates of tax

Taxpayers	Tax rate (Note 1)
Financial institutions	2% or 5%
Special vendors of food and beverages	15% or 25%
Small businesses	0.1% or 1%
Others	5% (Note 2)

Note 1 : Certain goods and services are exempt from business tax (e.g. the sale of land) .

Note 2 : For goods and services provided in connection with exports, value-added business tax is reduced to 0%.

5.3 Registration

A business entity, whether or not it has sales, shall file a bimonthly tax return on a prescribed form for its sales amount and tax payable or overpaid of the preceding two months together with tax deduction and other appropriate documents with the competent tax authority prior to the fifteenth day of the following period.

5.4 Filing requirements

Value-added or special business tax is filed to National Taxation Bureau on a bimonthly basis.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

For any profit-seeking enterprise having its head office within Taiwan, provided, that in case income tax has been paid on the income derived outside of Taiwan in accordance with the tax law of the source country of that income, such tax paid may, upon presentation by the taxpayer of evidence of tax payment issued by the tax office of said source country for the same business year and attested by a Chinese embassy or consulate or other organizations recognized by the Government of Taiwan in the said local, be deducted from the amount of tax payable by the taxpayer at the time of filing final returns on the total profit-seeking enterprise income, to the extent that such deduction shall not exceed the amount of tax which, computed at the applicable domestic tax rate, is increased in consequence of inclusion of its income derived from abroad.

6.2 List of double tax treaties signed

As of 31 July 2014, Taiwan has signed comprehensive double tax agreements/arrangement on income with the following jurisdictions:

Agreements signed and effective		
Singapore (1982/01/01)	Indonesia (1996/01/12)	South Africa (1996/09/12)
Australia (1996/10/11)	New Zealand (1997/12/05)	Vietnam (1998/05/06)
Gambia (1998/11/04)	Swaziland (1999/02/09)	Malaysia (1999/02/26)
Macedonia (1999/06/09)	The Netherlands (2001/05/16)	UK (2002/12/23)
Senegal (2004/09/10)	Sweden (2004/11/24)	Belgium(2005/12/14)
Denmark (2005/12/23)	Israel (2009/12/24)	Paraquay (2010/06/03)
Hungary (2010/12/29)	France (2011/01/01)	India (2011/08/12)
Slovakia (2011/09/24)	Switzerland (2011/12/13)	Germany (2012/11/07)
Thailand (2012/12/19)		Kiribati (2014/06/23)

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

a) Types of documents subject to the levy of stamp tax include:

- Receipts for monetary payments: referring to documents, books or records drawn upon the receipt of money, such as receipts, slips, releases, bank books, payment records and the like issued to identify monetary payment, but excluding monetary receipts for commercial invoices or commercial invoices for monetary receipts.
- Deeds for sale of movables: Referring to deeds receipts issued for sale of movables.

- Contracting agreements: Referring to agreements executed for the completion of a specifically ordered task, e.g. construction contracts, printing contracts, OEM contracts and the like.
- Contracts for the sale, transfer and partition of real estate: Referring to pledge of lien on real estate, or deeds or contracts for sale, exchange, gratuitous transfer, or partition of real estate to be submitted to government agencies for registration.

b) The stamp tax rates or amounts are as follows:

- Monetary receipts: Tax stamps at 0.4% of the amount received to be affixed by the person drawing up the receipt. Receipts for deposit of bid bonds: Tax stamps at 0.1% of the money deposited by the bidder to be affixed by the person drawing up the receipt.
- Contracting agreements: Tax stamps at 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt.
- Contracts for the sale, transfer, or partition of real estate: Tax stamps at 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt.
- Contracts for the sale of movables: Tax stamps at NTD 4 per piece, to be affixed by the person executing the contract or drawing up the receipt.

7.2 Real property tax

The prevailing land tax system includes:

- Land value tax – generally imposed at 1% of the assessed and publicly announced land value, with the highest tax rate at 5.5%
- Agricultural land tax – currently suspended
- Land value increment tax – levied on the current assessed land value increment from the transfer of land at rates of 20% to 40%

7.3 Estate duty

Estate taxes are levied on the worldwide assets of Taiwanese nationals who regularly reside in Taiwan. On the other hand, Taiwanese nationals who regularly reside outside territory of Taiwan, and those who are not Taiwanese nationals are subject to estate tax to the extent of assets within territory of Taiwan. The meaning of aforementioned "regularly reside in Taiwan" refers to those who have domicile in territory of Taiwan within 2 years before the inheritance event, or those who do not have domicile in territory of Taiwan within 2 years before the inheritance event, but have residence within territory of Taiwan, and stay in territory of Taiwan for over 365 days within 2 years before the inheritance event.

Estate tax is calculated at 10% based on the fair market value of taxable assets on the date of death, less exemptions and deductions. For inheritance events, an exemption of NTD 12,000,000 per estate tax return for each taxpayer, and deductions regulated by Estate and Gift Tax Act are allowed.

7.4 Net wealth/net worth tax

N/A

7.5 Others

Business tax

Please refer to Section 5.

Consumption tax, etc.

N/A

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VIETNAM

GENERAL INFORMATION

1.1 Country : Vietnam

1.2 Currency : Vietnam Dong (VND)

1.3 Principal business entities

Under the Law of Investment in Vietnam, 100% foreign owned enterprises are only permitted in specific sectors. Many business sectors require equity participation from Vietnamese partners. With Vietnam's ascension to WTO, the investment environment continues to liberalize, and by 2015, almost all business sectors will be opened to 100% foreign investment. In practice, however, there are significant technical and administrative barriers for foreign ownership in many business sectors.

A 49%cap on foreign ownership is generally applicable for all public companies listed in the stocks exchange (unless a lower limit applies in specific sectors).

All foreign investors must first seek approval from the local Department of Planning and Investment in the city / province where the investment is located. In case where the investment is located in industrial parks, the Management Committee of the Industrial Zone shall be the competent authority for approving the investment license. For businesses which are regulated, the competent ministries (or their local departments) would need to provide their endorsement before the Department of Planning and Investment would grant investment license. In some business sectors, investment application would go through several ministries and departments – in some cases with overlapping jurisdiction - and may take several months before the investment license could be issued.

The investment license is issued as an "Investment Certificate" for foreign owned enterprises, and "Business Registration Certificate" for Vietnamese owned enterprises.

The corporate vehicle established will take the form of either a Limited Liability Company ("LLC") or a Joint Stock Company ("JSC"). LLC may take the form of single member LLC or multiple member LLC, in which case the number of members must not exceed 50. A LLC cannot be listed. JSC can only be set up by 3 shareholders or more, and can be listed.

A branch may be established by a foreign company in certain sectors, including banking, insurance, securities, law and some trading.

Establishing a representative office is often the simplest and fastest way for a foreign company to establish a presence in Vietnam. Representative offices are permitted to seek and facilitate opportunities for the commercial activities of that foreign company, for e.g. market research, liaising with authorities and customers, and other general co-ordination work. A representative office cannot enter into commercial contracts directly or conduct profit making activities.

1.4 Foreign exchange control

There are significant foreign exchange control rules in Vietnam. The policy and regulations on foreign exchange control are subject to frequent changes.

The currency, Vietnam Dong (VND) is not officially convertible outside of the country.

Dividend can be repatriated subject to the fulfillment of profitability condition and payment of corporate income tax.

Long term loans (more than 1 year) need to be registered with the State Bank of Vietnam to allow repatriation of principal and interest.

Equity is contributed through a capital contribution account set up for that purpose. Equity can only be repatriated upon dissolution of a company.

1.5 Current economy climate (Industry overview/encouraged business development)

Vietnam is poised to be a viable alternative to China for manufacturing activities. The country has a young and abundant labour force, relatively low labour wage and increasing productivity, and stable political environment.

With regional economic integration through the Asean Economic Community in 2015 as well as the plethora of multilateral and bilateral trade agreements entered by Vietnam, global companies could locate their production facilities in Vietnam and enjoy preferential duties and tariff for intra-Asean trade and integrate Vietnam as an essential part of their value chain for their global operations.

In addition, the large domestic market of 90 million people has huge potentials for fast moving consumer products, healthcare, education and entertainment services. Tourism, both international and domestic ,is also becoming an essential GDP growth driver, attracting large investment in property development in the hospitality sector. Infrastructural development and info-communication technology also features highly in the government agenda for economic development.

The fertile delta regions, extensive shoreline, abundant waterways, and large tracts of tropical hinterland also contributed to Vietnam becoming a major global player in rice, fishery, rubber, coffee, cashew nuts and pepper.

The Vietnamese GDP has grown on average 7.5% per year over the last decade. After a period of macroeconomic instability since 2008, inflation has been largely brought under control in 2012 and the exchange rate for Vietnamese Dong has enjoyed relative stability throughout 2012.

1.6 National tax authority

Name : General Department of Taxation

Website : www.gdt.gov.vn

CORPORATE INCOME TAX

2.1 Basis of taxation

Generally, tax residents are subject to tax on their worldwide income, wherever derived.

An enterprise established in Vietnam is presumed to have tax residence in Vietnam.

2.2 Rates of tax

The headline corporate income tax ("CIT") rate is 22%. For those enterprises having revenue equal or less than 20 billion VND per year will have the tax rate at 20%. Lower CIT tax rates of 10% and 20% apply to enterprises operating in incentivized business sectors.

2.3 Tax Year

The tax year follows the fiscal period of the enterprise, which could be the end of natural quarters (31 March, 30 June, 30 September or 31 December).

2.4 Profits deemed to be taxable

N/A

2.5 Taxation of dividends

Dividends to foreign shareholders are not subject to withholding tax.

2.6 Taxation of capital gains

For a corporate investor, gains on the transfer of equity interests in Vietnamese enterprise (whether foreign invested or Vietnamese owned) are subject to 22% CAPT.

The taxable gain is computed as the excess of the sales proceeds less cost of acquisition or the initial contributed charter capital. Certain transfer expenses may be deducted to arrive at the taxable gains.

Gains earned by a foreign company from transfer of securities (which includes listed shares, shares in joint stock companies, or bonds) are subject to CIT on a deemed 0.1% of the total disposal proceeds.

2.7 Taxation of interest income

Interest earned by an enterprise established in Vietnam will be taxed as other income at the standard corporate tax rate of 22% for enterprise having total revenue more than 20 billion VND per year and 20% for other enterprises .

2.8 Utilization of tax losses

Unabsorbed tax losses could be carried forward for a period of 5 years.

There are no tax provisions for group relief for tax losses for members in a group of companies.

2.9 Key Tax incentives

Tax incentives are granted based on encouraged sectors and difficult socio-economic locations. Some of the sectors which are encouraged include high technology sector, computer software manufacture, scientific research, infrastructural development, environmental protection and health care.

The two preferential rates of 10% and 20% are available for 15 years and 10 years respectively, starting from the commencement of business operations. When the period of preferential rate ends, the CIT rate will revert to the standard rate of 22% or 20% depending on the total revenue per year of the enterprise.

Taxpayers may also be eligible for tax holidays and reductions. The tax holidays take the form of a complete exemption from CIT which covers certain period from the year the enterprise first makes profits, followed by a period where tax is reduced to 50% of the applicable rate (which could be 10%, 20% or 22%). In case the enterprise has not derived profits within 3 years of the commencement of operations, the tax holiday will be deemed to start from the fourth year of operation.

2.10 Withholding tax

Foreign Contractor's Withholding Tax ("FCWT") is applicable to certain types of payments made to foreign companies.

Dividend paid to foreign shareholders is not subject to withholding tax in Vietnam.

Some categories of payments to foreign companies which are subject to FCWT are as follows:

Non-residents (type of income)	VAT %	CIT%
Royalties	Exempt	10%
Interest	Exempt	5
Services,generally, rental of machinery and equipment, insurance, rig leasing	5	5
Restaurant, Hospital and casino management services	5	10
Construction, installation without supply of materials or machinery, equipment.	5	2
Production, transportation, service attached to goods; Construction, installation with supply of materials or machinery, equipment.	3	2
Trading	2	1
Others , transport services	2	2

Where the recipient is a resident of a country which has a double tax treaty with Vietnam, the above said tax rates may be reduced.

Foreign contractors may choose one of the three methods for paying taxes in Vietnam – the direct / deduction method (VAT on input / output, net profit taxed at 22% CIT), deemed method (VAT and CIT taxed at deemed percentage) or hybrid method (VAT on input / output, CIT taxed at deemed percentage). Certain conditions relating to residency, project duration and maintenance of accounting books have to be satisfied by the foreign contractors to apply the direct / deduction and the hybrid method.

2.11 Transfer pricing

N/A.

2.12 Filing requirements of tax return

Filing due dates

Companies are placed under a self-assessment scheme and are required to submit the annual VAT and CIT finalization return within 3 months from the end of the company's fiscal year end.

In addition, quarterly CIT estimates must be submitted by the 30th day from the end of each quarter. Tax payments are to be lodged together with the quarterly or finalization CIT returns.

The tax filing can be done manually or electronically.

Penalties

Administrative penalties and late payment fine (of 0.05% per day on outstanding tax payment less than or equal to 90 days and of 0.07% per day on one after 90th day) apply for non / late compliance with tax filing.

PERSONAL INCOME TAX ("PIT")

3.1 Basis of taxation (Residence, Personal assessment)

Resident individuals are subject to Vietnamese PIT on their worldwide taxable income. Resident individuals are taxed at progressive rates ranging from 5% to 35% after deducting personal reliefs.

Non residents are taxed at a flat rate of 20% on income earned in Vietnam.

An individual is considered a tax resident if he/she is in Vietnam for 183 days or more in a calendar year or within the first 12 months from his / her first arrival in Vietnam.

Tax residency may also be attracted in case an individual maintains permanent residence in Vietnam.

3.2 Rates of tax

Annual Taxable Income (VND'million)	Tax Rate
0 – 60	5%
> 60 – 120	10%
> 120 – 216	15%
> 216 – 384	20%
> 384 – 624	25%
> 624 – 960	30%
> 960	35%

3.3 Year of assessment

The tax years starts on 1 Jan and ends on 31 December of every year.

3.4 Deductions

Some deductions are applicable for employee's contribution to compulsory insurance social, medical and unemployment scheme, personal allowance (VND9m per month), and dependents' allowance (VND3.6m per month).

3.5 Taxation of dividends

Dividends received in the hands of resident and non-resident individuals are taxed at 5%.

3.6 Taxation of capital gain

Resident individuals are subject to (i) 20% personal income tax on gains from capital assignment (from transfer of equity interest) and (ii) 20% PIT on the net gain or 0.1% on the sales proceeds from transfer of securities. Non residents are taxed at 0.1% on the sales proceeds.

The taxable gain is computed as the excess of the sales proceeds less cost of acquisition or the initial contributed charter capital. Certain transfer expenses may be deducted to arrive at the taxable gains.

3.7 Taxation of interest income

Resident and non-resident individuals are taxed at 5% on interest income earned.

3.8 Personal assessment and utilization of losses

N/A

3.9 Withholding tax

An employer shall deduct and remit PIT from monthly salary of employees.

A company is required to deduct 10% withholding tax in respect of service payments to individuals who register as business individuals under contract for services (for e.g. consultancy services). If not, a rate of 20% is applicable for non resident or progressive rates for resident.

3.10 Statutory obligation of employers

For employment income, the employer has to declare, deduct and remit the PIT for employees on a monthly basis.

3.11 Filing requirement of tax return

Filing due dates

The due date is by the 20th day of the month following the payroll month for the monthly declaration, and by 30th day from the end of each quarter for the quarterly declaration.

An annual final PIT tax return must be submitted within 90 days of the tax year (which is normally 1January to 31 December), and any additional PIT would need to be settled.

Expatriates are also required to undertake PIT finalization before they exit Vietnam when their assignments in Vietnam end.

Penalties Administrative and late payment penalties apply.

STATUTORY REQUIREMENT ON SOCIAL SECURITY AND RETIREMENT CONTRIBUTIONS

4.1 Regulatory organization

a. Social Insurance (SI)

b. Health Insurance (HI)

c. Unemployment Insurance (UI)

4.2 Basis of contribution

All Vietnamese employees shall be eligible for SI, HI and UI contributions. Expatriates only need to pay HI.

4.3 Contribution rate

	SI	HI	UI	Total
Employee	8%	1.5%	1%	10.5%
Employer	18%	3%	1%	22%

The salary subject to SI/HI/UI contributions is capped at 20 times the minimum salary in Vietnam (which stands at VND1,150,000 effective from 1 July 2013).

4.4 Exemption from tax N/A

VAT

5.1 Basis and Rates of tax

VAT is levied at 10% (standard rating), 5% (provision of essential goods and services) and 0% (for e.g. export of goods and services, international transportation).

5.2 Rates of tax N/A

5.3 Registration N/A

5.4 Filing requirements

Monthly VAT returns are due within 20th day from the end of each month. Quarterly VAT returns are due with in the 30th day of the end of each quarter for total revenue is less than or equal to 20 billion VND per year.VAT will be declared monthly or quarterly throughout the calendar year and 3 year cycle.

DOUBLE TAX RELIEF

6.1 Foreign tax credit

Subject to the tax treaty, foreign tax paid may be credited against Vietnamese tax on the same profits, but the credit is limited to the amount of Vietnamese tax payable on the foreign income. To claim the DTA rate, the Certificate of Tax Residence from the country of residence is required. In practice, there are significant administrative and practical challenges to avail fully to the tax treaty provisions.

6.2 List of double tax treaties signed

Vietnam has an extensive treaty network and has entered into tax treaties with more than 60 countries.

The list of the DTA concluded by Vietnam is available at the General Department of Taxation's website: http://www.gdt.gov.vn/

Australia	Luxembourg	Spanish
France	Uzbekistan	Seychelles
Thailand	Ukraine	Sri Lanka
Sweden	Switzerland	Brunei
South Korea	Mongolia	Ireland
UK	Bulgaria	Oman
Singapore	Italy	Austria
India	Belarus	Slovak
Hungary	Czech Republic	Venezuela
Poland	Canada	Morocco
Netherlands	Indonesia	Hong Kong
Denmark	Taipei	UAE
Norway	Algeria	Qatar
Japan	Myanmar	Kuwait
Germany	Finland	Israel
Russia	Philippines	Saudi Arabia
China	Iceland	Tuynidi
Romani	Korea Republic	Egypt
Malaysia	Cuba	Kazakhstan
Laos	Pakistan	Mozambique
Belgium	Bangladesh	

OTHER SIGNIFICANT TAXES

7.1 Stamp duty

N/A

7.2 Real property tax

N/A

7.3 Estate duty

N/A

7.4 Net wealth/net worth tax

N/A

7.5 Others

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About International Tax Panel (ITP)

Reanda's International Tax Panel (ITP) is formed by a group of experienced and committed tax specialists who are meticulously nominated by our member firms. The international Tax Panel serves as a platform for our members to exchange their insights and knowledge. By collaborating closely with each other, the highly specialized team is fully informed of the latest changes in various tax jurisdictions and is able to provide practical and technical cross-border tax advice to both the local and multi-national clients addressing to their needs.

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