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PREMIER TAX EVENT OF THE YEAR

NATIONAL TAX CONFERENCE 2015

25 & 26 AUGUST 2015 | KUALA LUMPUR CONVENTION CENTRE

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Cross Border Taxation in ASEAN

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Cross Border Taxation in ASEAN

Country Key Tax Features Comparison : Indonesia, Singapore & Vietnam

Cross Border Taxation in ASEAN

Country Key Tax Features Comparison Table	Indonesia	Singapore	Vietnam
A. General information			
Main types of business entities	limited liability companies, partnerships, representative offices, joint venture, joint operation	sole proprietorship, partnership, limited liability company	state enterprises; limited liability companies; joint-stock companies; partnerships; private enterprises
Foreign exchange control / (Currency)	no - only for recording purposes / Indonesia Rupiah (IDR)	no / Singapore dollar (SGD)	yes / Vietnamese dong (VND)
B. Direct taxation: Companies			
1. Resident companies			
Residence Test	Incorporated or domiciled in Indonesia.	Management and control of its business is exercised in Singapore.	Not clearly defined. Generally companies incorporated in Vietnam are considered Vietnam tax residents and subject to income tax (EIT) on a worldwide basis. Companies incorporated in foreign countries are taxed on income earned from Vietnam.
Tax base (Scope of Tax)	worldwide	territorial	worldwide

Cross Border Taxation in ASEAN

Country Key Tax Features Comparison Table	Indonesia	Singapore	Vietnam
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B. Direct taxation: Companies

1. Resident companies (cont.)

Corporate tax rates	25% (20% for listed entities – 40% paid up cap - >300 s/holders); 1% for SMEs (excluding PEs) with gross income from business activities not exceeding IDR 4.8 billion per year; & special rates for certain sectors	17% Partial tax exemption of up to SGD152,500 on the first SGD300,000 of chargeable income (ETR 8.5%)	22% (20% from 1 January 2016); 20% for enterprises with annual turnover not exceeding VND 20 billion
Capital gains	yes, part of business income; Disposal of listed shares – 0.1% of gross value; Add tax – 0.5% of share value is levied on founder shares of listed coys. Alternatively, need to pay income tax at 25% on the founder shares; Non-residents – ETR 5% of gross sale proceeds;	no	yes, part of business income and taxed at standard rate
Loss carry-forward	5 years (10 years for certain industries)	yes, indefinitely (subject to shareholding test)	yes, for 5 years
Loss carry-back	no	yes, 1 year up to SGD 100,000	no
WHT on domestic payments	yes	no	no

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Country Key Tax Features Comparison Table	Indonesia	Singapore	Vietnam
2. Non-resident companies			
Corporate tax rates	25%	17%	It's a foreign incorporated company providing services subject to WHT
Capital gains on sale of immovable property and shares in resident coys	yes	no	taxable, separately assessed
Withholding tax rates			
Branch profits	20%	no branch profits remittance tax – taxed at the standard rate	no branch profits remittance tax – taxed at the standard rate
Dividends	20%	no	no
Interest	20%	15%	5% corporate income tax (CIT)
Royalties	20%	10%	10% CIT (potentially VAT depending on the nature of royalties)
Fees (technical)	20%	general corporate tax rate	5% CIT and 5% VAT
Fees (management)	20%	general corporate tax rate	5% CIT and 5% VAT (general services)

Cross Border Taxation in ASEAN

Country Key Tax Features Comparison Table	Indonesia	Singapore	Vietnam
3. Specific issues			
Group treatment	no	yes	no
Incentives	tax holidays; accelerated depreciation; extended loss carry-forward for specific industries or locations; venture capital companies; export enterprises; bonded zones; economic development zones; remote areas including mineral-rich offshore areas	financial service sectors; pioneer status corporation; development and expansion incentive	<p>Tax holidays, tax reduction, reduced tax rates.</p> <p>1. Incentives for certain regions (including inter alia export processing zones; industrial zones; high-technology zones; areas with difficult socio-economic conditions)</p> <p>2. Incentives for certain sectors (including inter alia education, health care, high technology, environmental protection, scientific research, infrastructural development, software production, renewable energy)</p>
Transfer pricing legislation	yes	yes	yes
Thin capitalization legislation	no	no	no

Cross Border Taxation in ASEAN

Country Key Tax Features Comparison Table	Indonesia	Singapore	Vietnam
C. Indirect taxation: Value added tax (VAT)/Goods and services tax (GST)			
Taxable events	supply of taxable goods carried out in Indonesia; importation of taxable goods; rendering of taxable services in Indonesia; utilization of intangible taxable goods from outside Indonesia within Indonesia; utilization of taxable services obtained from outside Indonesia within Indonesia; export of taxable goods	supply of goods and services in Singapore by a taxable person in the course of business; importation of goods into Singapore	supplies of goods and services for manufacturing, business and consumption in Vietnam, and importations
VAT/GST (standard)	0% & 10%	0% & 7%	10% (essential goods / services: 5%), exported goods and services: 0%
Reg / dereg threshold	IDR 4.8 billion (USD 340,000)	SGD 1 million	VND 1 billion (USD45k) of revenue/year
D. Other taxes			
Inheritance and gift taxes	no	no	yes (personal income tax for individuals)
Real estate taxes	yes	yes – property taxes	yes (non-agricultural land use tax)
Transfer tax	Yes (Immovable property) – 5% on seller & 5% or less on buyer (local tax)	no	no
Stamp duty	yes	yes	Yes (registration tax for certain assets) - buyer

Cross Border Taxation in ASEAN

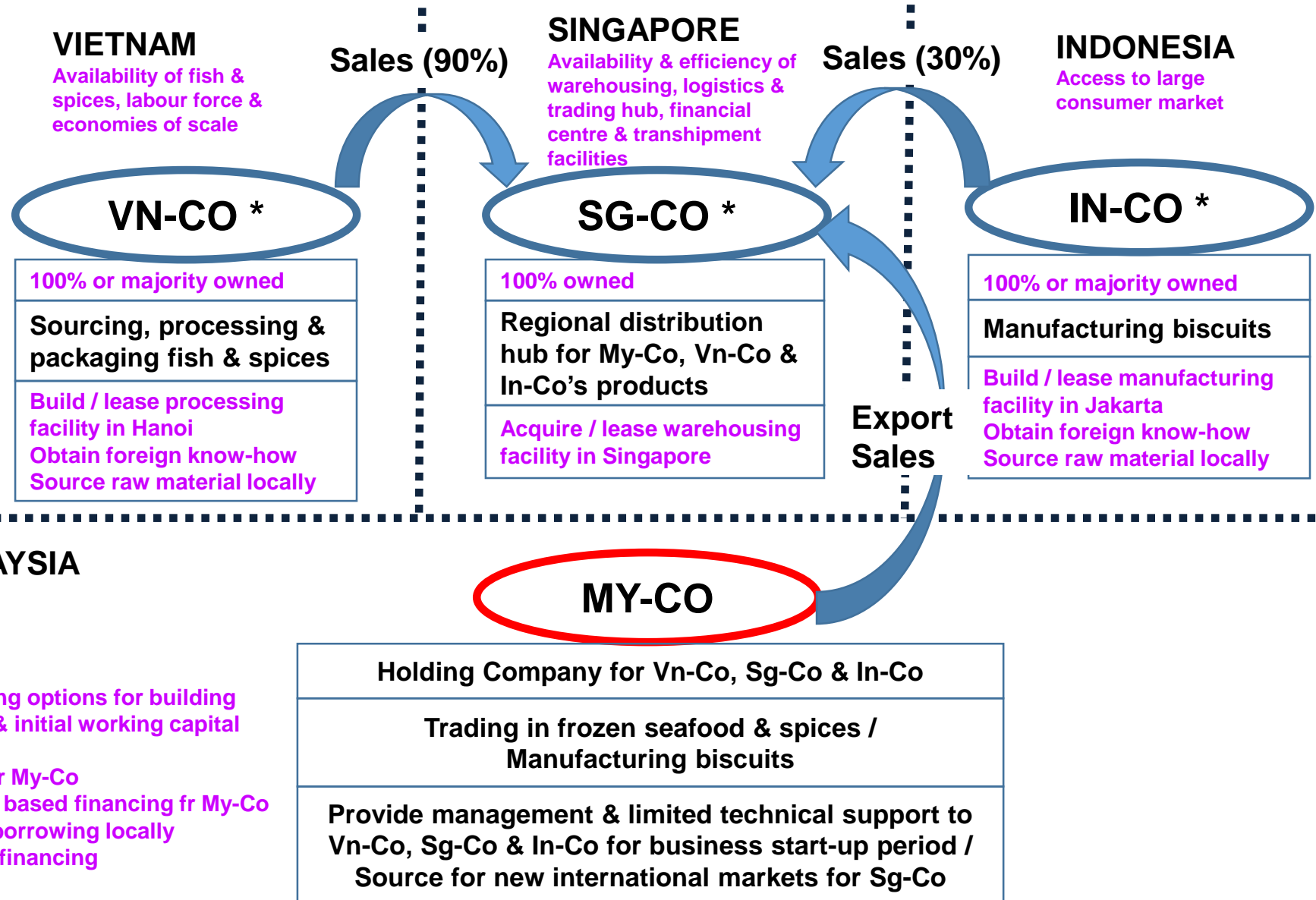
Country Key Tax Features Comparison Table	Indonesia	Singapore	Vietnam
D. Other taxes (cont.)			
Excise duties	yes	yes	special consumption tax for luxury goods
Other main taxes	sales tax on luxury goods	customs duty; entertainment film hire duty; tourist promotion fund cess; betting and sweepstakes duties; private lotteries duty; airport taxes; duty on petrol; public utilities tax; water conservation tax	custom duty natural resources tax environmental protection tax business license tax

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Cross Border Taxation in ASEAN

Case Study

Cross Border Taxation in ASEAN



Cross Border Taxation in ASEAN

A. Background & Facts

1. My-Co is a family owned trading company located in Pasir Gudang, Johor, Malaysia. It has been supplying frozen seafood and spices to restaurants and supermarkets in Peninsular Malaysia for more than 20 years. My-Co diversified into the biscuit manufacturing business 10 years ago.
2. Based on a business study undertaken, the senior management of My-Co is contemplating on venturing into Vietnam, Indonesia and Singapore as follows:

	Vietnam	Indonesia	Singapore
2.1 Investment Vehicle Type	<ul style="list-style-type: none">• Incorporate a company (<u>Vn-Co</u>)	<ul style="list-style-type: none">• Incorporate a company (In-Co)	<ul style="list-style-type: none">• Incorporate a company (Sg-Co)
2.2 Principal activity	<ul style="list-style-type: none">• Source, process and package fish & spices.• Domestic sales to 3rd parties (10% of sales)• Sales to Sg-Co (90% of sales).	<ul style="list-style-type: none">• Manufacture biscuits• Domestic sales to 3rd parties (70% of sales)• Sales to Sg-Co (30% of sales).	<ul style="list-style-type: none">• Regional distribution hub• Sell products from My-Co, <u>Vn-Co</u> and In-Co domestically and internationally

Cross Border Taxation in ASEAN

	Vietnam	Indonesia	Singapore
2.3 Ownership percentage	<ul style="list-style-type: none"> • 100% or with a % held by joint venture business partners 	<ul style="list-style-type: none"> • 100% or with a % held by joint venture business partners 	<ul style="list-style-type: none"> • 100%
2.4 Business rationale	<ul style="list-style-type: none"> • Availability of fish & spices, labour force & economies of scale. 	<ul style="list-style-type: none"> • Access to large consumer market for biscuit products. 	<ul style="list-style-type: none"> • Availability & efficiency of warehousing, logistics & trading hub, financial centre & transshipment facilities.
2.5 Business set-up	<ul style="list-style-type: none"> • Build / lease a processing and packaging facility in Hanoi • Obtain foreign processing know-how • Source raw material locally 	<ul style="list-style-type: none"> • Build / lease a manufacturing facility in Jakarta • Obtain foreign biscuit manufacturing know-how • Source raw material locally 	<ul style="list-style-type: none"> • Acquire / lease warehousing facilities in Singapore

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	Vietnam	Indonesia	Singapore
2.6 Financing options for building facility & initial working capital	<ul style="list-style-type: none">• Loan from My-Co• Equity based financing from My-Co• Bank borrowing locally• Lease financing	<ul style="list-style-type: none">• Loan from My-Co• Equity based financing from My-Co• Bank borrowing locally• Lease financing	<ul style="list-style-type: none">• Loan from My-Co• Equity based financing from My-Co• Bank borrowing locally• Lease financing

Following the above investments, My-Co will:

- Be the holding company for Vn-Co, In-Co and Sg-Co.
- Provide management and limited technical support to Vn-Co, In-Co and Sg-Co for the business start-up period.
- Source for new international markets for Sg-Co.
- Sell its products to Sg-Co in addition to its domestic sales.

Cross Border Taxation in ASEAN

Case Study : Q & A

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Thank You