DOING BUSINESS IN ASIA

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Message from CEO

Dear Friends,

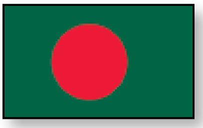
Asian countries growth dependence on Business Practice, regulations & trade Infrastructures, this report is compilation of information to understand the countries working.

Asian region is expected approximately US$ 17.6 trillion trade value in recent past. The growth rates for exports approx. 7.5% and imports of 5% approx. expecting robust growth in coming year.

Regards & Best Wishes,

Keshav Gandhi
Co-Founder & CEO
AsiaTradeHub.com

Asia Countries Enlisted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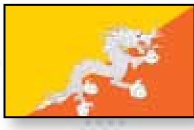
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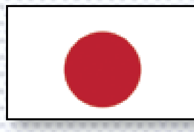
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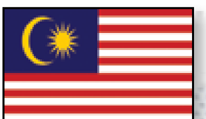
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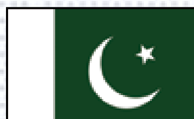
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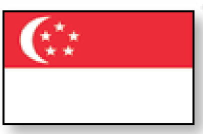
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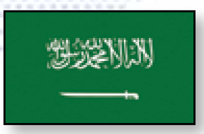
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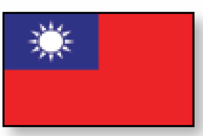
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DOING BUSINESS IN BANGLADESH

INTRODUCTION

Bangladesh, officially known as the "Peoples' Republic of Bangladesh", is a sovereign country in South Asia located between India and Myanmar. It forms the largest and easternmost part of the Bengal region. It was under British rule till 1947 and then became 'East Pakistan' after the partition of Bengal. Finally, A Parliamentary Republic was established in Bangladesh after it became an independent state in 1971. Within South Asia, the country ranks first in gender equality, second in foreign exchange earnings and third in life expectancy and peacefulness. It is one of the largest Textile exporters of the World and a global center for 'Muslin' and 'Silk' trade. With the help of international development assistance, Bangladesh has reduced the poverty rate from over half of the population to less than a third, achieved Millennium Development Goals for maternal and child health and made great progress in food security since independence. Bangladesh is a founding member of SAARC, BIMSTEC, the Bangladesh-China-India-Myanmar Forum for Regional Cooperation and the Bangladesh-Bhutan-India-Nepal Initiative. It is also a member of the Commonwealth of Nations, the Developing 8 Countries, the Organization of Islamic Cooperation, the NonAligned Movement, the Group of 77 and the World Trade Organization.

FDI REFORMS

Bangladesh has several policies and incentives to attract foreign direct investment (FDI), includes Liberal FDI regime allowing 100% foreign equity, unrestricted entry and exit, and tax holidays & Foreign investments are protected by law from expropriation and nationalization.

The government offers incentives such as lower import taxes on raw materials and machinery, and access to foreign money for the repatriation of dividends and profits.

Foreign investors can freely invest in industrial enterprises. The government has established 97 economic zones and 28 high-tech parks nationwide to facilitate foreign investments.

Key regulatory bodies have been instituted, including the Bangladesh Investment Development Authority (BIDA), Bangladesh Economic Zone Authority (BEZA), and Bangladesh Economic Processing Zone Authority (BEPZA).

Tax incentives, subsidies, and financial support are offered to foreign investors.

EASE OF DOING BUSINESS

Bangladesh Investment Development Authority (BIDA) has been coordinating targeted reforms for the World Bank's Ease of Doing Business with technical assistance from the International Finance Corporation (IFC). Currently at the 168th position, Bangladesh has been unwavering in its goal to achieve double-digit ranking for the economy. Working with BIDA, government agencies have implemented a series of systematic reforms.

RESOLUTION OF INSOLVENCY

Bangladesh's Insolvency and Bankruptcy Act (IBA) of 1997 is the primary legislation that governs bankruptcy laws in the country. The Act's goals are to modernize the insolvency framework, encourage creditor-friendly practices, and help financially distressed businesses recover. The act also gives both creditors and debtors the option to start bankruptcy proceedings.

The act also includes the Companies Act of 1994, which covers company insolvency in sections 234–321. The act allows a bankruptcy court to declare an individual bankrupt if they commit an act of bankruptcy as defined in section 9. However, debtors may be reluctant to start proceedings due to social stigma and negative legal consequences.

The enactment of the Insolvency and Bankruptcy Act in Bangladesh represents a significant step towards modernizing the country's insolvency framework. The IBA reflects a commitment to promoting creditor rights, enhancing transparency, and facilitating the efficient resolution of insolvency cases.

Digital Governance

E-governance is widely acknowledged as improving the quality of government services. E-governance improves transparency, accountability, efficiency, effectiveness and inclusiveness in government by providing reliable access to information at all levels of Government, including National, State, Municipal, and Local Governments, citizens and businesses. It also empowers businesses through information access. The establishment of the National Portal has provided a centralized platform for accessing over 45,000 government services online. Additionally, more than 5,000 Digital Centers have been set up across the country to facilitate access to these services, particularly in rural areas, thereby addressing the digital divide.

One Stop Service (OSS) Centers have been introduced to streamline various government services, allowing citizens to complete multiple transactions in one location. This initiative aims to reduce bureaucratic hurdles and enhance the overall efficiency of service delivery.

INVESTMENT INTO BANGLADESH

The economic and political environment in Bangladesh from the perspective of the investment to promote and protect foreign private investment by providing a legal framework that ensures fair and equitable treatment of foreign investors. Bangladesh Investment Development Authority, the key Government agency responsible for facilitating and promoting investments in Bangladesh. It provides guidance to investors on regulatory requirements and offers a One Stop Service (OSS) to streamline the process of obtaining necessary permits and licenses.

Bangladesh offer Tax reforms in "Thrust sectors”. Thrust Sectors include Agro-based industries, Artificial flower-making, Computer software and information technology, Electronics, Frozen food, Floriculture, Gift items, Infrastructure, Jute goods, Jewelry and diamond cutting and polishing, leather, Oil and gas, Sericulture and silk industry, Stuffed toys, Textiles, Tourism and 100% tax exemption on income and capital gain for certain projects under Public Private Partnership (PPP) for 10 years. Also include exemption from income tax on interest income, investment allowance and other policy support for institutions investors, should be given to attract investors to invest in the fund under PPP's Project.

FOREIGN DIRECT INVESTMENT (FDI)

Bangladesh FDI in the first half of the current year (July 2023–June 2024) seen low inflows close to US$901 million. Due to recent political development further FDI inflow will be a challenge. The Authorities in Bangladesh not sure of early resolution to political situation soon this will discourage foreign investors for some time.

Prohibited Sectors

While many sectors are open for FDI, certain areas are restricted or prohibited, includes Arms and Ammunition, Nuclear Energy, Lotteries and Gambling and with certain restrictions can operate in Banking & Insurance sector.

Permited Sectors

Other than few prohibited sectors, rest areas open for investments mainly manufacturing in textiles, garments, food processing, leather goods, pharmaceuticals, and light engineering, Power and Energy Agro processing, transport and Logistics, tourism and hospitality, healthcare and pharma, telecommunications, establishing SEZ Parks as well as software development and IT services.

ESTABLISHING A PRESENCE

List of Company-

Private Limited Company

a. 100% Foreign ownership

b. 100% Repatriation of Profits

c. Shareholders can be in the range of 2-50

A minimum of 2 directors are required.

No minimum capital requirement.

Private Limited Company is a business entity formed by at least two and up to fifty shareholders, with limited liability. This type of company must hold annual general meetings and comply with regulations by filing annual returns and financial statements with the Registrar of Joint Stock Companies and Firms (RJSC).

These requirements ensure transparency and accountability, reinforcing the company's legal standing and operational integrity within the regulatory framework of Bangladesh.

Public Limited Company

a. A minimum of 3 directors are required

b. A minimum of 7 shareholders are required

c. No minimum capital requirement

A public limited company is a business entity that offers its shares to the general public and can have more than fifty shareholders. It must adhere to stricter regulatory requirements compared to a private limited company. A public limited company in Bangladesh is obligated to hold annual general meetings, publish its financial statements, and file annual returns with the Registrar of Joint Stock Companies and Firms (RJSC).

This structure allows the company to raise capital from the public through the sale of shares on the stock exchange, facilitating larger-scale operations and investment opportunities.

Partnership Firm

a. A minimum of 2 partners

b. Partners have unlimited liability

c. Must have a partnership deed

A partnership firm consists of two or more individuals who come together to jointly manage and own a business. Governed by a partnership deed outlining roles, responsibilities, and profit-sharing, partnerships do not have a separate legal identity from their owners. This structure is favoured for its simplicity in formation and management, though partners share liability for the firm's debts and obligations.

One Person Company

a. Single Ownership

b. Unlimited Liability of the Owner

c. Income tax charged on the Owner's income

One Person Company (OPC) allows sole individuals to form a private company with unlimited liability. It requires only one person to act as both the sole member and director, simplifying governance. OPCs must appoint a nominee director to ensure continuity in case of the sole member's inability to manage the company. This structure provides solo entrepreneurs with a streamlined option for operating under corporate status.

Liaison Office

a. Local Representative must be appointed

b. BIDA approval is needed

A liaison office in Bangladesh is a representative office set up by foreign companies to facilitate communication and promote business interests without engaging in commercial activities or earning revenue locally

Branch Office

a. Local Representative must be appointed

b. Taxed as a Foreign Company

A foreign entity from outside Bangladesh looking to establish operations in the country may opt for this business structure. It functions as an extension of the parent company situated abroad but with restricted activities, as outlined by Bangladesh Investment Development Authority (BIDA) regulations.

Key requirements include obtaining BIDA approval and appointing a local representative. The company operates under the authority of its overseas parent and is subject to foreign company taxation rules.

MERGERS AND ACQUISITIONS

Bangladesh has emerged as one of Asia's most remarkable economies and is poised to become the new Asian Tiger, having undergone phenomenal economic growth. Classified as a Next Eleven emerging market and one of the Frontier Five emerging economies in the world by Global Funds respectively, Bangladesh is slated to achieve middle-income country status by 2021 and is projected to become the 24th largest economy by 2033. Unsurprisingly, Bangladesh has been attracting an abundance of foreign direct investment (FDI) and an increase in inbound merger and acquisition (M&A) transactions and activities.

General introduction to the legal framework for M&A

The broad legal framework – Mergers and acquisitions in Bangladesh are governed by a combination of commercial laws and industry-specific laws. The key set of statutes that govern M&A transactions in Bangladesh include the Contract Act 1872, the Companies Act 1994 and the Competition Act 2012. Additionally, public limited companies including listed companies are required to ensure compliance with the Bangladesh Securities and Exchange Commission Acts 1993, Securities and Exchange Ordinance 1969 and the Bangladesh Securities and Exchange Commission (Substantial Acquisition of Shares and Takeovers) Rules 2018, alongside other security laws and by-laws promulgated by the regulators from time to time. Deals involving foreign investments and foreign currencies should also comply with the Foreign Exchange Regulations Act 1947, the Guidelines for Foreign Exchange Transactions and other regulations, circulars and guidelines of Bangladesh Bank, which is the central regulatory bank of Bangladesh.

Additionally, industry-specific laws have to be complied with. Examples of such laws include the Bank Companies Act 1991, the Financial Institution Act 1993, the Bangladesh Telecommunication Act 2001, the Telegraph Act 1885, the Petroleum Act 2016 and the National Digital Commerce Policy 2018, and relevant rules and by-laws promulgated thereunder.

Acquisitions that involve rebranding, IP rights on innovations, transfer of trademarks, designs patents, etc., will further require compliance of the Trademark Act 2009, the Trademark Rules 2015, the Patent and Design Act 1911 and the Rules of 1933.

Accordingly, a range of laws and regulations govern M&A transactions in the absence of a specific exhaustive M&A statute. The following section broadly outlines some of the key laws.

The law of contract - Transaction documents in an M&A deal, including shareholders' agreements, share purchase agreements, joint venture agreements, etc., as the case may be, are in general governed by the law of contract. The laws in relation to contracts in Bangladesh are governed and regulated by the Contract Act 1872. It establishes certain key elements behind the formation of a contract, including requirements with respect to the parties to the contract, capacity of the parties, offer and acceptance, lawful consideration, free consent, intentions to create a legal relationship, lawful purposes and object, certainty, specific subject matter, possibilities of performance, formalities and that the contract has not been declared void by or under any existing laws of Bangladesh.

Company laws - All companies in Bangladesh, including wholly owned subsidiaries of foreign companies and joint venture companies, are governed by the Companies Act 1994, which is the key piece of legislation in Bangladesh. The Companies Act 1994, together with the Companies Rules 2009, encompasses detailed laws governing most if not all aspects of company law, including rules and procedures for the distribution of share capital of companies and provisions for the reduction of share capital, management and administration of companies, procedures and rules for holding requisite meetings, appointment of company directors, etc.

Mergers and acquisitions generally have to comply with the corporate compliance requirements of the target company and that of its stakeholders, including those required by the memorandum and articles of association of the companies and the Companies Act and Rules. In particular, mergers require the steps established in the Companies Act 1994 to be followed, and the Company Bench of the High Court Division of the Supreme Court of Bangladesh holds the jurisdiction to pass necessary orders in connection thereto. Merger proposals are first placed before the board of directors of the respective companies for approval. After due approval from the board, an application under Sections 228 and 229 of the Companies Act 1994 has to be filed before the company bench.

The jurisdiction under Sections 228 and 229 is supervisory in nature. The court shows deference to the business decisions of the proposed M&A deal subject to compliance with legal requirements. The order of the court sanctioning the merger thereafter needs to be submitted to the Registrar for Joint Stock Companies and Firms for the necessary action at the implementation phase.

Security laws - If one or more parties involved in an M&A transaction, including asset acquisitions, share acquisitions, amalgamation, etc., is listed on a stock exchange or is otherwise a public limited company, the transaction will also come under the purview of the applicable security laws of Bangladesh. This includes the Bangladesh Security and Exchange Ordinance 1969, and the various by-laws enacted from time to time thereunder by the Bangladesh Security Exchange Commission (BSEC).

BSEC plays a key regulatory role in the regulation and approval of M&A transactions involving public limited companies, including listed ones, and some specific private limited companies. However, BSEC has granted exemption to companies under Public-Private Partnership (PPP), public limited companies having a total capital not exceeding 10 million Bangladeshi taka and private limited companies having a total capital not exceeding 100 million Bangladeshi taka at any given time after making an issue of capital.9 The key instrument governing M&A transactions in the public sector is the BSEC (Substantial Acquisition of Shares and Takeover) Rules 2018, which affords unprecedented ease and flexibility to such transactions and provides a simplified procedure of substantial acquisitions.

Foreign Investment in M&A transactions

Outbound acquisitions by Bangladeshi nationals or investors are rare in Bangladesh, largely because of the conservative stance of regulators coupled with the lack of a legal framework for such outward investment. Most M&A transactions involve foreign corporations acquiring local or foreign companies by means of inbound remittance in the form of FDI.

CAPITAL MARKETS IN BANGLADESH

Mobilizing savings from individuals, institutions, and businesses is made easier by the capital market. However, the participation of capital market in our GDP has been very low compared to other countries. If we see the Market Capitalization to GDP, a vital indicator to understand how much GDP is represented by market capitalization, it is around

19.01%. It clearly indicates capital market of the country has enough room to expand as well as greater opportunity to contribute to the GDP. In addition, the number of listed companies is very low in our country. Total number of registered companies till date under the Registrar of Joint Stock Companies and Firms is more than two lacs whereas number of listed companies in the Dhaka Stock Exchange Limited is only 350, which is less than 1%. There is little presence of corporate bond in our country whereas the government bond market is still nascent and lacks trading of such bonds in the secondary market. A legitimate derivatives market's development is also crucial. Derivatives have a notional value of more than $640 trillion and a total market value of $27 trillion globally. This demonstrates how crucial derivatives are to the contemporary economy. The Bangladeshi derivatives market, meanwhile, is essentially nonexistent.

TAX SYSTEM IN BANGLADESH

Corporate Tax

	AY 2023–24	AY 2024–25 & AY 2025–26	
Description	**(subject to certain conditions*)**	**(subject to certain conditions*)**	**(in case conditions not met*)**
Unlisted company	27.50%	25%	27.50%
One person company	22.50%	20%	22.50%
Listed mobile operator company (subject to specified IPO thresholds)	40%	45%	Conditions not applicable

Double Taxation Avoidance Agreements (DTAA) - Bangladesh has penned DTAAs with the following countries: Belgium, Canada, China, Denmark, France, Germany, India, Indonesia, Italy, Japan, Kingdom of Bahrain, Kingdom of Saudi Arabia, Malaysia, Mauritius, Myanmar, Norway, Oman (income from airline business only), Pakistan, Philippines, Poland, Republic of Belarus, Republic of Korea, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, The Netherlands, Turkey, United Arab Emirates, United Kingdom, United States of America and Vietnam.

Indirect Tax - Reduced tax rates for asset management companies from 27.5%-30% to 15% Reduced tax rates for exporters only available for exporters of goods Exemption for interest income earned from offshore banking units.

Key amendments in the VAT & SD Act, and the corresponding VAT & SD Rules

a. Mandatory pre-deposit for filing an appeal before the Commissioner (Appeal) will be reduced from 20% to 10% of the disputed demand, excluding penalty.

b. Mandatory pre-deposit for filing an appeal before the Tribunal will be reduced from 20% to 10% of the disputed demand, excluding penalty.

c. The CMA will now be allowed to represent before the VAT authorities against any proceedings.

d. The definition of 'VAT withholding entity' has been expanded to include 'entities having annual turnover of BDT100m or more'. Therefore, such entities are now required to withhold applicable VAT on the procurement of specified goods and services.

e. In line with the increase in the VAT rate on certain services, the corresponding VDS rate has also been increased

f. CD in excess of 1% and 5%, VAT, RD and SD are exempted on the import of specified spares used in the local manufacture of 'electric motor and parts of electric motors'. Such exemption is valid until 30 June 2027.

g. Import duty exemption available on the import of specified raw materials used by various industries will continue until 30 June 2025.

h. Import duty exemption available on the import of specified spares used in the local manufacturer of mobile phones will continue until 30 June 2026.

i. Import duty exemption available on the import of specified spares used in the local manufacture or assembly of motorcycles as well as local manufacture of motorcycle parts will continue.

j. Import duty exemption available on the import of specified raw materials used in the local manufacture of pre-fabricated building will continue until 30 June 2026.

k. Import duty exemption available on the import of specified raw materials used in the local manufacture of washing machines will continue until 30 June 2026.

l. CD, RD, VAT, AIT and AT have been exempted on the import of dengue test kits, reagents and kits for platelets and plasma.

m. Manufacturer who (a) are industrial import registration certificate holders, and (b) participate in international tender for supply of manufactured goods within Bangladesh against foreign currency will be eligible to import raw materials used in the manufacture of such goods without payment of CD, RD, SD, VAT and AT.

n. Import of specified capital machinery and spares will continue to enjoy exemption of CD in excess of 1%, VAT, SD, RD and AT. However, such exemption will remain valid until 30 June 2025.

TRANSFER PRICING

Transfer pricing in Bangladesh is governed by regulations that were introduced to ensure fair taxation of multinational enterprises (MNEs) and to prevent tax avoidance through manipulation of intercompany transactions. Here's a detailed overview of the key aspects of transfer pricing in Bangladesh.

Transfer pricing refers to the pricing of goods, services, and intellectual property exchanged between related parties across different tax jurisdictions. This practice is crucial for MNEs, as it affects the allocation of income and expenses among various subsidiaries, which can significantly influence the overall tax liabilities in different countries.

The transfer pricing regulations in Bangladesh were established under Chapter XIA of the Income Tax Ordinance, 1984, which was amended by the Finance Act of

2012. These provisions became effective from July 1, 2014. The National Board of Revenue (NBR) oversees the implementation and enforcement of these regulations.

Key Regulations

a) **Threshold for Reporting:** Any international transaction exceeding BDT 30 million (approximately USD 280,000) must be reported to the NBR. This includes a requirement for a report from a Chartered Accountant at the end of each financial year.

b) **Documentation Requirements:** Entities involved in international transactions must maintain comprehensive documentation for at least eight years. This documentation should include details about the nature of transactions, methods used to determine arm's length prices, and comparative data from uncontrolled transactions.

c) **Penalties for Non-compliance:** Failure to comply with reporting requirements can result in penalties, which may include fines based on a percentage of the value of the international transactions.

Bangladesh's transfer pricing method legislation aligns with the OECD guidelines and prescribes several methods for determining arm's length prices:

a. **Comparable Uncontrolled Price Method (CUP):** Compares prices charged in controlled transactions with those in uncontrolled transactions under similar conditions.

b. **Resale Price Method (RPM):** Evaluates the price at which goods are resold to an independent party and deducts an appropriate gross margin.

c. **Cost Plus Method (CPM):** Adds an acceptable profit margin to the costs incurred by a related party in providing goods or services.

d. **Profit Split Method (PSM):** Allocates profits among associated enterprises based on their contributions.

e. **Transactional Net Margin Method (TNMM):** Compares net profit margins relative to an appropriate base in controlled transactions with those earned in uncontrolled transactions.

The NBR has established a dedicated Transfer Pricing Cell to audit compliance with these regulations and educate stakeholders about their obligations. The enforcement of transfer pricing rules is critical for protecting Bangladesh's tax base from erosion due to mispricing practices that could lead to significant revenue losses.

Bangladesh's approach to transfer pricing is designed to align with international standards while addressing local taxation needs. The regulatory framework aims to ensure that MNEs pay their fair share of taxes based on actual economic activity within the country.

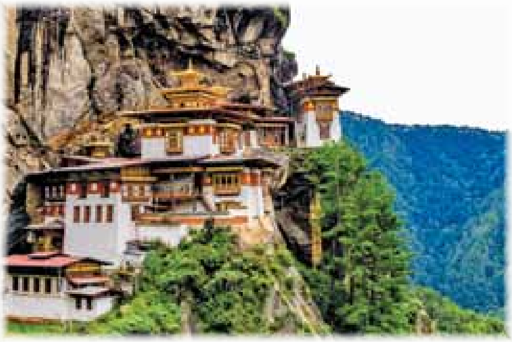
DOING BUSINESS IN BHUTAN

INTRODUCTION

Bhutan is a small country in South Asia that is bordered by China to the north and India to the south. Bhutan is a country steeped in tradition and has a distinct economic system where riches are distributed through inheritance and archaic customs. However, this dynamic nation has started a path to improve its business environment. Bhutan has earned the 81st place out of 190 countries in the World Bank's Doing Business recent report for ease of doing business. Several crucial factors come into play for those desiring to conduct business operations within Bhutan's alluring borders. A variety of processes, including company registration, trade license acquisition, and tax registration, must be completed in order to start a firm. Bhutan has simplified the tax payment procedure by developing a cutting-edge online platform that makes it easier to file both business and individual income tax reports. While Bhutan faces multiple challenges promoting entrepreneurship, concerted attempts are being made to overcome these difficulties. Efforts to foster entrepreneurship and improve the general business environment have taken off in collaboration with partners like the Asian Development Bank. Bhutan is forging ahead, and its peaceful fusion of tradition and aspiration draws businesspeople and enthusiasts to participate in the country's developing economic adventure.

INVESTMENT INTO BHUTAN

Bhutan continues to take a cautious yet practical approach to foreign direct investment (FDI) as of 2023. The FDI policy stipulates a minimum project cost of Nu. 5 million and a maximum equity ownership of 49% for foreign investors in ventures. This strategy represents Bhutan's efforts to strike a balance between economic growth and its distinctive Gross National Happiness ("GNH") development philosophy, which



places a higher priority on sustainability and well-being than merely economic measurements. Bhutan's small size and predominately agricultural economy support sustained growth and self-reliance, which lessens the need for a significant inflow of foreign direct investment (FDI). Bhutan is able to prioritize and safeguard its native industries and customs thanks to this trait, which supports a robust and balanced economic environment. The difficulties have also forced the nation to take a careful and calculated approach to FDI. The government takes a cautious approach because it thinks that, in accordance with the GNH framework, any foreign investment should enhance the general wellbeing and pleasure of its population. India is the main source of foreign direct investment ("FDI") in Bhutan because of their shared history, geography, and culture. Bhutan's decision to create a "negative list" of industries that are off-limits to foreign investment shows that it has given careful thought to those that do not correspond with its development aspirations. However, FDI is still permitted in the majority of other industries, demonstrating the government's readiness to accept investments that promote Bhutan's economic development and societal well-being.

Bhutan seeks to improve the investment climate in order to promote economic growth and development. This desire recognizes the potential advantages of FDI in industries that support the nation's development goals. Bhutan aims to increase economic diversification and lessen its reliance on traditional agricultural operations by building an environment that supports responsible and sustainable foreign investments.

ESTABLISHING A PRESENCE

Bhutan has a systematic and regulated process for opening a business that includes several key elements. The process starts with the creation of a thorough business plan that carefully outlines the business concept, market analysis, financial predictions, and carefully considered legal duties. The decision of whether to operate the business as a sole proprietorship, partnership, private limited company, or public limited company then becomes crucial.

Sole Proprietorship: The most basic kind of business ownership is a sole proprietorship. Usually, in a tiny, one-person business, the owner is fully in charge of and accountable for all aspects of daily operations. The owner is personally liable for all business debts and responsibilities because there is no legal separation between the owner and the business. Partnership: General and restricted partnerships are the two types of partnerships allowed in Bhutan.

General Partnership: In a general partnership, two or more people or organizations share responsibility for the company's management, financial success, and failure. The debts of the partnership are personally owed by each partner.

Limited Partnership: Both general partners and limited partners may be a part of a limited partnership. While limited partners' personal assets are only secured to the degree of their stake in the partnership, general partners have limitless liability.

Cooperative Society: People with similar economic interests come together to form cooperative organizations. Members combine their resources, co-own the company, and run it together. According to their contributions, members often split the profits.

Joint Venture: In a joint venture, two or more parties are involved, frequently with at least one foreign participant. They work together to carry out a certain project or business endeavor. Joint ventures are governed by specific agreements and can have many different legal forms.

Branch Office or Subsidiary: Subject to governmental clearances and compliance with the Foreign Direct Investment (FDI) legislation, foreign businesses may open a branch office or subsidiary in Bhutan.

Non-Governmental Organization (NGO) or Non-Profit Organization (NPO): Non-Governmental Organizations (NGOs) and Non-Profit Organizations (NPOs) are groups that work for social, humanitarian, or charitable causes. They are subject to particular laws that control their actions.

MERGERS AND ACQISITIONS

Mergers and acquisitions (M&A) in Bhutan are relatively underexplored compared to more prominent economies, but they are gaining traction as the country opens up to foreign investment and economic development. This overview provides a basic introduction to the M&A landscape in Bhutan. The regulatory environment for M&A in Bhutan is evolving. The Companies Act of 2016 provides a framework for mergers and acquisitions, outlining procedures and requirements for corporate restructuring. The Bhutanese Economic Development Policy encourages foreign investment, which may include M&A as a strategy for market entry or expansion.

The transaction value in the Mergers and Acquisitions market is projected to reach US$3.73m in 2024. It is expected to show an annual growth rate (CAGR 2024-2025) of -23.59% resulting in a projected total amount of US$2.85m by 2025. The average transaction value in the Mergers and Acquisitions market amounts to US$3.38m in 2024.

Mergers and acquisitions in Bhutan are set to grow as the country continues to liberalize its economy and attract foreign investment. Understanding the regulatory framework and the types of mergers and acquisitions will be crucial for businesses looking to engage in this area. As the market matures, it is expected that M &A will play a significant role in shaping Bhutan's economic landscape.

CAPITAL MARKETS IN BHUTAN

The Royal Securities Exchange of Bhutan (RSEB) has seen growth in market capitalization, reflecting the country's economic expansion. However, the capital market remains relatively underdeveloped, characterized by low liquidity and minimal initial public offerings (IPOs). The lack of awareness among potential issuers and investors, along with stringent regulatory requirements, hampers growth. Many companies prefer to remain private to avoid the disclosure obligations that come with public listings. Looking ahead, the focus will be on enhancing investor education and awareness, improving regulatory frameworks, and promoting the benefits of public listings to potential issuers. The government is also exploring green and sustainable bonds as part of its broader strategy to align financial mechanisms with environmental and social governance goals.

Overall, while the RSEB has shown impressive growth in market capitalization and shareholder numbers, it faces ongoing challenges related to liquidity and limited IPO activity. Addressing these issues will be critical for the continued development of Bhutan's capital market.

TAX SYSTEM IN BHUTAN

Corporate Tax

Bhutan's corporate tax framework is governed by the Income Tax Act of 2001, which establishes a flat corporate income tax rate of 30% applicable to both resident and non-resident companies operating within the country. This rate applies to the taxable income generated from business activities conducted in Bhutan.

Indirect Taxes - Indirect taxes in Bhutan primarily consist of sales tax, excise tax, customs duties, and a recently introduced Goods and Services Tax (GST). Here's a detailed overview of these taxes:

Sales Tax - It was established under the Sales Tax and Customs Excise Act of 2000 and has undergone several amendments. The sales tax applies to various goods and services, particularly those imported into the country. The tax rates are structured as follows:

General Rate: Sales tax rates range from 0% to 100%, with a flat rate of 7% introduced under the GST system to replace the previous sales tax regime.

Exemptions: Certain goods, such as electric or hybrid vehicles and raw materials for manufacturing, are exempt from sales tax.

Excise Tax - The rates vary significantly, typically ranging from 30% to 75%, depending on the type of product. This includes higher rates for items deemed unhealthy, such as tobacco and alcohol, which are taxed at 100% under the GST framework.

Customs Duties – The rates generally ranging from 10% to 100%. Certain imports, particularly those by diplomatic missions and for industrial use, may be exempt from these duties. The customs framework has been updated to streamline processes and improve compliance since the introduction of the GST.

Goods and Services Tax (GST) - Bhutan implemented a GST system, which is a landmark reform in its taxation structure. The GST is a single indirect tax applied at a flat rate of 7% on all goods and services consumed within the country. This reform aims to simplify tax administration and broaden the tax base by reducing the complexity associated with multiple indirect taxes. The GST also includes specific provisions for excise equalization taxes on unhealthy goods and a green tax aimed at environmental protection.

Bhutan's indirect tax system reflects a combination of traditional taxation methods and modern reforms aimed at enhancing revenue generation and administrative efficiency. The introduction of the GST marks a significant shift towards a more unified and streamlined tax structure, expected to improve compliance and reduce the burden of multiple tax obligations on businesses and consumers alike.

- Business Income Tax (BIT): 30% on net profit
- Corporate Income Tax (CIT): 30% on net profit
- Personal Income Tax(PIT)
- Property Transfer Tax: 5%

Bhutan's Corporation Tax

CIT is levied @ of 30% on net profit. CIT is payable by those entities registered under the Company's Act of the Kingdom of Bhutan, 2000.

- **BIT/CIT Registration:** Every business or company must register with the Regional Revenue & Customs Office (RRCO) from where the trade license or permit is issued or wherever the Head office is located within 3 months from the date of obtaining such trade license or permit.
- **Tax Filing:** Every business or company must file the tax returns (FORM BIT-2 for BIT payers and FORM CIT-2 for CIT payers), on a self assessed basis to the RRCO of registration before 31st March following the end of the income year.
- **Taxpayer Number (TPN):** TPN is a system generated alpha numeric number allotted to the taxpayers by the RRCO at the time of registration. It is issued in order to identify all tax transactions relating to a particular tax entity. TPN must be quoted as a reference in all the correspondences with the department to identify the taxpayer.

Personal Income Tax (PIT)

PIT is a tax levied on the personal income of an individual from any or more of the six sources namely; salary income, rental income, dividend income, cash crop income, interest income and income from other sources i.e. hire of privately owned vehicles, plants, machinery and from intellectual property rights.

- **Who is liable to pay Personal Income Tax?**

  Bhutanese citizens,Residents and any other persons earning income in Bhutan from the six sources mentioned above shall be liable to pay PIT

- **Who should register for Personal Income Tax?**

  All citizens above 18 years of age and residents having personal income from one or more of the six sources during an income year shall register by filling the registration FORM PIT-1. The duly filled registration form shall be submitted to the RRCO where you prefer to be registered as the taxpayer. In case of married couples, both the spouses must choose the same RRCO for registration.

TRANSFER PRICING

Bhutan is taking steps to strengthen its capacity in international taxation and transfer pricing as part of efforts to enhance domestic resource mobilization and drive attainment of the Sustainable Development Goals. Some key developments:

Training for Tax Officials - Income Tax officials from the Department of Revenue and Customs (DRC) are attending a training on international taxation and transfer pricing.

Recognizing Transfer Pricing Issues - Bhutan's taxation system has transfer pricing issues inbuilt in existing tax laws that need to be recognized separately.

While Bhutan is still in the early stages of addressing transfer pricing challenges, the training for tax officials and participation in international forums indicate a growing recognition of the importance of this issue. Continued capacity building and alignment with global best practices like the OECD Guidelines will be crucial as Bhutan enhances its domestic resource mobilization efforts through effective taxation.

Bhutan's global business prospects are shaped by its unique development philosophy of Gross National Happiness (GNH) and its strategic position in the South Asian economy. The country has made significant strides in recent years, transitioning towards a more open economy while maintaining its cultural heritage.

Bhutan stands at a crossroads, with the potential to become a notable player in the global economy while adhering to its GNH principles. By fostering an inclusive business environment, enhancing regulatory frameworks, and promoting sustainable practices, Bhutan can navigate the complexities of globalization and emerge as a unique model of development that balances economic growth with cultural integrity. The ongoing efforts to integrate GNH into economic policies may not only enhance Bhutan's global standing but also contribute to a more inclusive and sustainable world economy.

DOING BUSINESS IN BRUNEI DARUSSALAM

INTRODUCTION

Brunei is a small, wealthy country located on the island of Borneo in Southeast Asia. It is the only sovereign state completely on the island, with the rest divided between Malaysia and Indonesia. Brunei is surrounded by the Malaysian state of Sarawak, except for its coastline along the South China Sea.

Brunei is an absolute monarchy, with Sultan Hassanal Bolkiah serving as both the head of state and head of government since 1967. The country has a low global freedom score, indicating a highly restricted political environment where dissent is not tolerated.

Brunei's economic and financial outlook for 2024 indicates a positive trajectory, with expected growth driven primarily by the oil and gas sector, along with continued diversification efforts in the non-oil and gas sectors.

Economic Growth

The Brunei economy is projected to grow by approximately 2.4% to 3.7% in 2024, according to various forecasts. The Centre for Strategic and Policy Studies estimates a growth of 2.7%, while the Asian Development Bank anticipates a more robust 3.7% growth rate.

This marks a recovery from a growth rate of 1.4% in 2023, which followed two years of economic contraction.

Sector Contributions

The oil and gas sector remains a significant contributor to Brunei's GDP, accounting for about 46.9% of the economy, with recent growth driven by increased production of crude oil and natural gas, particularly from new discoveries. The non-oil and gas sector, which includes manufacturing and services, is also expanding, contributing 53.1% to GDP. Key growth areas in this sector include the manufacture of petroleum and chemical products, communications, and wholesale and retail trade.

Brunei Darussalam is ideally positioned as a destination for doing business and investment for the following reasons:

High quality of life - Brunei offers a high quality of life, ranking the highest in the Islamic World and 3rd in Asia, according to the UNDP Human Development Index 2009.

Political stability - Brunei's outstanding record of political stability has been led by a benevolent monarchy that can be traced back, in an unbroken line of succession, over 600 years to when the first Sultan was installed in 1363.

Strong oil and gas industry - Oil and gas have been the backbone of Brunei's economy since their discovery in 1929. In line with its diversification efforts and with easy access to hydrocarbon resources, Brunei is a perfect location for the establishment of oil and gas related industries.

Well educated population - With an adult literacy rate of 94%, Brunei has one of the most highly educated populations in the world that is seen as an increasingly valuable resource.

Modern infrastructure - At the top of Brunei's development agenda is a well-developed social and business infrastructure that plays a major role towards increasing the nation's competitiveness and attractiveness as an investment destination.

Strategic location - Strategically located at the heart of South East Asia and along the East-West maritime trade route, Brunei's easy connectivity to the growing economies within the region makes it an ideal location for export-oriented activities.

Rich biodiversity - Brunei is well known for its extraordinary biodiversity with approximately 70% of its natural land area reserved for conservation purposes. This is in line with the objective of the national strategy to promote sustainable development.

Attractive investment incentives - Brunei has one of the most liberal tax regimes in the region with its corporate income tax being one of the lowest. There are also no taxes on personal income, sales, payroll, export, capital gains or manufacturing.

Competitive utility rates - In order to promote industrial growth in Brunei, the Government of His Majesty The Sultan offers highly competitive utility rates which are known to be among the lowest in the region.

Readily available industrial sites - Brunei offers investors readily available industrial sites with supporting infrastructure in order to facilitate the establishment of new industrial investments in Brunei.

INVESTMENT INTO BRUNEI DARUSSALAM

Investment and Business Opportunities

Brunei offers a range of promising investment opportunities across various sectors, supported by its stable economy and government incentives aimed at foreign direct investment (FDI). Here are some key areas where investors can explore business opportunities:

Manufacturing Sector - Within the manufacturing sector, Brunei Darussalam has the potential to develop new industries both within and beyond the oil and gas industry not only through the utilization of its rich biodiversity and natural resources but also its strategic location in the region. They include activities that can tap on its hinterland as well as those that will add value to its resources.

Strategically located in the BIMP-EAGA region where key raw materials such as sugar and cocoa can be drawn in from neighboring countries, Brunei Darussalam sees itself as an ideal destination for the establishment of industries such as food & food ingredients and pharmaceuticals.

Food & Food Ingredients - The Government of Brunei Darussalam is particularly interested in the food Industry and would like to attract major food and food ingredients companies into the country for exports.

There are numerous opportunities that can take place in Brunei Darussalam, from sourcing and refining raw materials to food manufacturing and eventual distribution to key sizeable markets within the region.

Brunei Darussalam also has the potential to establish research and development centers for the development of innovative nutritional products through the utilization of authentic local food ingredients that can lead to the manufacturing and processing of customized food products for global markets.

Pharmaceuticals - Another focus is on pharmaceutical and pharmaceutical ingredients industry in which the Government of Brunei Darussalam welcomes companies to establish a presence in the country.

Companies may also opt to produce halal pharmaceuticals as a value-add to their products. Brunei Darussalam has developed its very own guidelines and standards for the handling and manufacturing of halal pharmaceutical products with the objective to pave the way for the establishment and production of halal pharmaceuticals in the country while seeking to become a global leader in halal industry.

Brunei Darussalam's strategic intent is to develop the country into a strategic location in the region for research and development with opportunities to generate new active compounds and manufacture new innovative and competitive pharmaceuticals. It welcomes investments from internationally well-established companies to utilise Brunei Darussalam as a strategic location for companies' plans for expansion. We look forward to building a rapport and long-term partnership with such companies.

Petrochemicals - Known for its strong oil and gas industry which dates back to the late

1920s, Brunei Darussalam forms a perfect location for the establishment of downstream petrochemicals. Presently, Brunei Darussalam is home to a US$600 million methanol plant developed by a Japan-Brunei consortium, Mitsubishi Gas Chemical Co Inc, Itochu Corporation and Brunei Petroleum. Located at Sungai Liang Industrial Park (SPARK) right next to Brunei Darussalam's well-established oil and gas industry, the methanol plant started its first commercial operation in May 2010 with a capacity to produce 850,000 metric tonnes of methanol per year. A methanol export facility, known as Single Point Mooring, was also established by the BEDB to facilitate the export of methanol via tankers through a loading buoy connected to the subsea pipeline system.

The establishment of its first methanol plant is expected to pave the way for more opportunities in the downstream oil and gas industry in Brunei Darussalam including methanol-related derivatives, besides other potential gas-based petrochemical projects such as ammonia and urea.

Integrated Petrochemical Refinery - In further extending the oil and gas value chain, Brunei Darussalam also seeks to offer investors the opportunity to develop integrated petrochemical refineries. Its strategic location at the east-west trade route means that Brunei Darussalam connectivity to the neighboring markets makes it a perfect location for the setting up of such facilities in order to meet the growing demand for oil-related products.

In July 2011, Brunei Darussalam gas agreed to proceed with the establishment of a US$2.5billion oil refinery and aromatics cracker. The project will be located at Pulau Muara Besar (PMB) and developed in two phases by a leading private Chinese company, Zhejiang Hengyi Group Co. Ltd. With a production capacity of approximately 135 thousand barrels per day, the 1st phase of the refinery and aromatics cracker project will comprise the production of refined petroleum products such as gasoline, diesel and jet A-fuel, as well as paraxylene and benzene, which are mainly used in textile production. The project is set to create about 800 jobs and is expected to catalyse the development of PMB as an economic hub for industrial activities. Following successful completion of Phase 1, the company plans a

further investment of US$3.5 billion for the expansion into the production of olefins.

Renewable Energy - With a long history of oil and gas production, Brunei Darussalam is now looking to open up new frontiers and develop capabilities in renewable energy. Abundant deposits of silica sand available in this country have been seen as conducive to the development of a hub for solar glass manufacturing as well as solar cells and modules production.

Service Sector - Within the services sector, Brunei Darussalam seeks to further expand and develop its capabilities by capitalizing on its connectivity to the growing economies as well as by building on its highly-skilled workforce and readily available infrastructure in a move towards making the country globally competitive. This includes encouraging the establishment of ICT-related activities in order to make Brunei Darussalam as a regional hub for ICT as well as activities that will help grow its supporting industries.

Regional Hub for ICT - Brunei Darussalam has identified ICT as one of the key catalysts for sustainable socio-economic development and thus the development of ICT industry continues to be a top priority. The BEDB hopes to promote Brunei Darussalam's as a regional hub for ICT. Stable, secure, free of natural disasters, with competitive power tariffs and strategically located within the Asia-Pacific and BIMP-EAGA region, Brunei Darussalam is an ideal destination for activities such as data center/disaster recovery center as well as software development, wireless communication and multimedia.

Data Centre/Disaster Recovery Centre - Brunei Darussalam is increasingly competitive when it comes to the data center industry as we offer one of the most competitively priced utilities in the region. In addition, it has an abundant bandwidth capacity through its web of international submarine cables and state-of-the art telecommunications infrastructure which enables efficient connectivity with the rest of the world. At least 80% of Brunei Darussalam's SEA-ME-WE3 bandwidth capacity is still open for further utilization.

To further enhance the international connectivity, Brunei Darussalam has also invested significantly in the Asia America Gateway (AAG) Submarine Cable

System which lists Brunei Darussalam as one of its landing stations, providing a seamless direct link between Brunei Darussalam and the United States as well as other Asian countries via one single cable. Brunei Darussalam has also announced its plans to implement a third cable, the South-East Asia Japan Cable (SJC), to increase room for connection redundancy.

Aviation Support Services - The burgeoning low-cost carriers coupled with aircraft re-fleeting and acquisitions by legacy carriers in the region, and where airlines continue to outsource their maintenance activities outside of their organization, marks a foreseeable demand for aviation-related activities. With readily available infrastructure in the form of modern and well-equipped industrial hangar space at the Brunei International Airport, and with the availability of qualified workforce and technical expertise, Brunei Darussalam is ideally positioned for aviation support services such as aircraft maintenance, repair and overhaul (MRO), as well as flight crew simulation and training.

Oil Field Support Services – Marine Supply Base and Fabrication Yard - Oil and gas exploration activities are expected to commence in late 2011 with the successful award of Brunei Darussalam's deep water offshore petroleum blocks CA1 and CA2. In order to support these exploration efforts, a wide range of services will be required by the operators, opening up the opportunity for Brunei Darussalam to develop a centralized Marine Supply Base and Fabrication Yard to house upcoming oil & gas support services industries. There is potential to develop national scale projects at the Pulau Muara Besar (PMB) Island whose naturally deep draft and tranquil harbor are ideal assets for a supply base.

Emerging Technologies - In a move to position Brunei Darussalam as a new technology player in the next 20-30 years, the BEDB is currently looking into the feasibility of bringing new frontiers of science and technologies into Brunei to create economic activities driven by accelerated technology developments with increasingly significant economic values. Subject to further research and dialogue with experts, the potential new technologies may be found within the identified sectors of Healthcare/Health Sciences, Food Security, Advanced

Manufacturing Processes, Material Sciences, Electronics, as well as further research into the areas of Energy, Sustainable Environment and ICT.

Fishery Sector - Brunei Darussalam's marine fish per capita consumption is estimated at 47kg/year and 50 per cent of the fresh fish requirements are from import. The fisheries potentials of Brunei Darussalam are estimated to be worth at least B$400 million/year by the year 2023. Brunei Darussalam's clean and unpolluted environment, the absence of typhoon and other food related epidemic or phenomena are amongst the reasons why Brunei Darussalam is an ideal choice for investment in the fishery sector. Furthermore, Brunei Darussalam is also found to be in the migration path of tuna.

Investment opportunities are available in the three major sectors of the fishing industries namely capture fisheries, aquaculture and seafood processing:

Capture Fisheries - The level of exploitation especially at Zone 3 and 4 are relatively untapped. In its effort to increase the contribution of fisheries towards the national GDP, Brunei Darussalam is opening up opportunities for more investments in this sector especially on the pelagic or tuna fishing. Besides giving supportive facilities and incentives, Brunei Darussalam is also:

a. encouraging participation of new operators either from the locals or as joint ventures;

b. giving technical guidance and assistance for the present operators to realize their maximum potentials;

c. promoting the establishment of more downstream processing industries; and

d. introducing the financial scheme to the local operators; among others.

Aquaculture - Aquaculture is one of the fastest developing sectors in the fisheries industry. The potential of aquaculture in Brunei Darussalam is estimated to be at least B$200 million by the year 2023. Shrimp farming, off-shore fish cage culture, ornamental fish production

and freshwater culture are amongst the targeted sectors in aquaculture.

Areas for shrimp farming, specifically a 200-hectare shrimp culture area in Telisai and a 40- hectare eco-aquaculture park in Sungai Paku have been identified. Basic amenities such as access roads, main electricity supply and water supply are provided by the Government. Support facilities are also provided. Technology verification and development are conducted to ensure that appropriate technology and suitable species are available to the aquaculture operators.

Seafood Processing - The fish processing sector is relatively at a small production of a variety of fisheries products. These products include frozen fish, crackers, fish ball and cakes, fish nuggets, shrimp pastes, marinated fish and dried fish. They are sold and easily available in the local markets. Foreign companies are therefore welcomed to form a joint venture company with local entrepreneurs in further developing the fish processing sectors into larger enterprises.

The local market for processed seafood products presently is estimated to worth B$17 million annually at a sustainable level. There is also the domestic requirement for fishmeal, which at present, about 5 metric tons are being imported per day and with the growing aquaculture, chicken farming, etc. in the country, the demand is set to increase. More rooms are still available for expansion and further development. The Seafood Products Handling Centre in Sarasa, next door to Brunei deep-water port offers an integrated business proposition in a rapidly growing fishery industry.

The Department of Fisheries has verified the technology for the production of other value-added products such as smoked fish from underutilized fish.

Agricultural Sector - Brunei Darussalam is free from Foot and Mouth Diseases (FMD), Avian Flu and Mad Cow Diseases (BSE) and a member of the World Animal Organization (OIE) since 2004. Opportunities exist in all areas of agricultural production and agribusiness, ranging from primary production and food processing to providing professional services. Brunei Darussalam imports most of its food requirements except chicken and eggs.

To ensure security of food supply, Brunei Darussalam is actively promoting agricultural development as well as facilitating in the outsourcing of agricultural commodities and food supply.

Primary Production - In the primary production sector, opportunities are available in fruit and vegetable production, floriculture, growing of herbal and medicinal plants, feed lot production of livestock and poultry production. Various kinds of agricultural infrastructure such as farm roads, irrigation and drainage as well as water and electricity supplies are given to help entrepreneurs to develop the farmlands.

Vegetable and fruit growing are still profitable ventures to meet domestic demands. Investments on high technology farm and modern technology could raise the productivity and it is still possible to stretch the profit margin of this sector.

The herbal and medicinal plants offer great potential for commercialization. Some of these plants are already household "brands" for people in Brunei and in the region, but have yet to be exploited in agronomic scales. Enterprising investors could innovate to produce new health food products such as herbal cookies and other tonic beverages.

Floriculture in Brunei Darussalam is still small and steadily developing, but the available facilities offer great opportunity for investors to venture into either the domestic market or into the lucrative global markets. Investors with a wide business network should take advantage of the various incentives offered by the Government to establish their operations in Brunei Darussalam and export their products overseas.

Livestock production is mainly on poultry farming, particularly in the production of chicken meat and eggs. The closed house system of farming in Brunei Darussalam has contributed in raising the production efficiency of poultry farming. Brunei Darussalam is now self-sufficient in chicken meat and eggs. Currently, ruminant (cattle, buffaloes, cows, goats, etc) production is still low and the bulk of the requirement is imported. The feed lot system offers an opportunity for intensive cattle and buffalo production in Brunei Darussalam.

Investment Treatiest - Brunei has signed Bilateral Investment Treaty (BIT) which will protect investors and investments of both signatory countries. This includes:

- Federal Republic of Germany
- Sultanate of Oman
- Republic of Korea
- People's Republic of China
- Ukraine
- Republic of India
- Kingdom of Bahrain

Brunei is also a signatory to the ASEAN Agreement on the Protection and Promotion of Investment with all ASEAN countries. In addition, it has signed the Agreement on the ASEAN Investment Area.

ESTABLISHING A PRESENCE

Brunei possesses a significant wealth of natural resources, primarily oil and gas, which substantially supports its economy. This wealth has enabled the nation of Brunei to maintain a high standard of living while continuing to develop its economic infrastructure. The nation is working towards diversifying its economy, moving away from over-reliance on the oil and gas sector to more sustainable industries. These efforts, paired with political stability and advantageous fiscal policies such as no personal income tax and a competitive corporate tax rate, create an inviting climate for investment and business establishment.

Legal and Regulatory Framework in Brunei draws from English common law, offering a familiar and reliable foundation for international businesses and investors. The regulatory environment supports a streamlined approach to business registration and setup, allowing incorporation to be completed online, reflecting the country's commitment to fostering a pro-business environment. The country's methodical advancement in economic legislation ensures a predictable and secure context for conducting business operations.

Legal requirements for forming a company in Brunei need registration under the Companies Act, Chapter 39. It requires a minimum of two shareholders and must adhere to the legal personality attributes, enabling it to own properties, have perpetual succession, and hold the capability to sue or be sued in its own name.

Initial Considerations for Incorporation of a company in Brunei, investors must carefully select the most appropriate business entity for their operations and develop an understanding of local business customs and language, which are pivotal for successful integration into the Brunei market.

Types of Business Entities in Brunei

- **Sole Proprietorship:** Owned and operated by an individual, bearing all the liability.
- **Partnership:** An association of two or more individuals engaging in a business enterprise, with shared liability.
- **Company (Sdn Bhd or Bhd):** A business entity registered under the Companies Act, having its own legal personality. It is capable of owning property, continuing in perpetuity, and may sue or be sued in its own name.

Key Factors to Consider

a) **Liability:** A Limited Liability Company, known as a Sendirian Berhad (Sdn Bhd) for private companies or simply Berhad (Bhd) for public companies, limits shareholder liability to their share contribution.

b) **Capital and Ownership:**

- Sdn Bhd must have at least two shareholders and allows for 2-50 members.
- Bhd is suitable for larger operations intending to list on the stock exchange and invite public investment.

c) **Establishing a Foreign Subsidiary or Branch:**

Foreign ownership in Brunei is subject to local laws and regulations. To form a subsidiary in Brunei, foreign investors commonly opt for a private limited company, where they can hold up to 100% of the shares. Investment into the country is encouraged by the government through incentives and a supportive business environment provided by entities like the Brunei Economic Development Board (BEDB). However, for setting up a public limited company, foreign investors need to consider that Brunei law stipulates a minimum quota of local shareholders which must be met.

MERGERS AND ACQUISITIONS

Brunei is expected to see modest activity, reflecting the country's unique economic conditions and strategic initiatives. Here are the key insights regarding M&A in Brunei:

M&A Market Overview

- **Projected Transaction Value:** The M&A market in Brunei is projected to reach a transaction value of US$19.38 million in 2024, indicating a gradual recovery and growth in M&A activities compared to previous years.

- **Historical Context:** Since 1993, Brunei has witnessed approximately 82 M&A deals totaling around US$1.4 billion. In recent years, M&A activity has been limited, with only a few deals announced. For instance, in 2022, only one deal was recorded, valued at US$55 million.

Drivers of M&A Activity

a) **Economic Diversification:** The Bruneian government is actively promoting economic diversification away from oil dependency, creating opportunities for M&A in non-oil sectors such as tourism, technology, and renewable energy. This shift is encouraging companies to seek strategic acquisitions that offer synergies and growth potential.

b) **Cross-Border Acquisitions:** There is a growing interest in cross-border acquisitions, particularly with other Southeast Asian countries. Bruneian companies are looking to leverage their strengths in industries like oil and gas, finance, and telecommunications to expand their market reach.

c) **Market Size Limitations:** The small domestic market size and limited organic growth opportunities are driving companies to pursue M&A as a strategic growth option. This trend is expected to continue as businesses seek to enhance their competitive positions through acquisitions.

Challenges and Considerations

a. Regulatory Environment: While the M&A market is developing, foreign investors must navigate Brunei's regulatory landscape, which can be complex. Understanding local laws and compliance requirements is crucial for successful M&A transactions.

b. Market Dynamics: The overall economic environment, including stable growth and government support for foreign investment, is conducive to M&A activities. However, potential investors should remain aware of the risks associated with market fluctuations and political stability.

CAPITAL MARKET IN BRUNEI DARUSSALAM

The capital market in Brunei is currently in a phase of development, with significant potential for growth as the country seeks to diversify its economy beyond its traditional reliance on oil and gas. The government has laid out a strategic framework through the Wawasan Brunei 2035 initiative, which aims to enhance the financial sector's role in the economy, targeting a contribution of at least 8% to the national GDP by 2035. This initiative is supported by the Brunei Darussalam Financial Sector Blueprint 2016–2025, which outlines plans for strengthening financial intermediation and attracting international investment, particularly in Islamic finance.

TAXES IN BRUNEI

Brunei's taxation system is characterized by the absence of personal income tax, making it one of the most attractive tax environments in Asia. Here are the key features of the income tax structure in Brunei:

Personal Income Tax - Rate: There is no personal income tax in Brunei. This has been consistent for years, with the rate standing at 0% since 2004, and it is projected to remain unchanged through 2025.

Employer Contributions: Although there is no personal income tax, employers are required to contribute 5% of the wages of local employees to the Employees Trust Fund.

Corporate Income Tax - Rate: The corporate income tax (CIT) rate is 18.5% for companies operating in Brunei. This applies to both local and foreign companies that derive income from activities within the country.

Tax Thresholds - For newly incorporated companies, the first BND 100,000 of chargeable income is exempt from tax for the first three years of assessment. For the next BND 150,000, the tax is charged at 50% of the applicable rate.

Indirect Tax

Petroleum Tax: Oil and gas companies are subject to a higher tax rate of 55% under the Income Tax (Petroleum) Act, reflecting the significant role of the hydrocarbon sector in Brunei's economy.

Withholding Tax: There is no withholding tax on dividends, interest, royalties, or technical service fees for resident companies. Non-resident companies, however, face withholding tax rates ranging from 2.5% to 10% depending on the type of income.

Brunei's tax system is designed to attract foreign investment and support its economy, primarily driven by hydrocarbon resources. The lack of personal income tax and minimal corporate tax rates contribute to a favorable business environment.

Double Taxation Agreement - Brunei Darussalam has also signed Bilateral Double Taxation Agreement (DTA), which will ease transaction between businesses of both signatory parties, with the following countries:

- United Kingdom
- Republic of Indonesia
- People's Republic of China
- Republic of Singapore
- Socialist Republic of Vietnam
- Sultanate of Oman
- Kingdom of Bahrain

- Japan
- Islamic Republic of Pakistan
- Malaysia
- Lao People's Democratic Republic
- Hong Kong SAR
- Kingdom of Kuwait

TRANSFER PRICING

Brunei's income tax treaties address transfer pricing primarily through provisions modeled on Article 9 of the OECD Model Tax Convention, which pertains to "Associated Enterprises." While Brunei does not have specific local transfer pricing regulations, these treaties establish a framework for ensuring that transactions between related parties are conducted at arm's length, reflecting the prices that would be charged between unrelated parties in comparable circumstances.

The treaties aim to prevent double taxation and provide mechanisms for resolving disputes related to transfer pricing issues. Although there are no advance pricing agreements (APAs) available in Brunei, the country is committed to international standards and practices, which include the principles outlined in the OECD Transfer Pricing Guidelines.

DOING BUSINESS IN BURMA (MYANMAR)

INTRODUCTION

Myanmar is the largest country in mainland Southeast Asia. It borders Bangladesh and India in the west and northwest, China in the north and northeast, Lao PDR and Thailand in the east and southeast.

Myanmar is a country in the midst of a historic transformation. History does not have a precedent of a country this size hurtling towards a market economy within a matter of mere months. As evident from the frenetic pace of economic reforms being introduced, the current administration is committed to reintegrating Myanmar into the global business community.

Myanmar's economy was characterized by state control and limited engagement with international markets. These reforms included the introduction of a new Foreign Investment Regulation, which allowed for greater foreign participation in the economy, including the ability for foreign entities to operate without a local partner in many sectors.

FDI has been identified as a crucial element for Myanmar's economic development. The government has actively encouraged foreign investment to leverage the country's abundant natural resources, educated workforce, and strategic location within Southeast Asia.

INVESTMENT INTO BURMA

Myanmar, also known as Burma, presents a complex landscape for investment, characterized by both significant opportunities and substantial risks.

Investment Opportunities

a. **Telecommunications:** Myanmar's telecommunications sector is one of the last untapped markets globally, with a low mobile penetration rate. The government has been liberalizing this sector, allowing foreign firms to form joint ventures with local companies, which presents a lucrative opportunity for investors.

b. **Natural Resources:** The country is rich in natural resources, including oil, gas, and minerals. The government has opened up numerous oil blocks for international tender, and there is a growing demand for energy solutions, as a large portion of the population lacks electricity access.

c. **Agriculture:** With fertile land and abundant water resources, Myanmar's agricultural sector offers potential for growth. Opportunities include distribution of irrigation systems, high-quality seeds, and agricultural processing facilities.

d. **Infrastructure Development:** The government is prioritizing infrastructure projects, including roads, bridges, and ports, to enhance connectivity and economic integration within the Greater Mekong Subregion. This sector is critical for supporting industrial growth and logistics.

e. **Tourism:** Although currently limited by infrastructure challenges, the tourism sector is poised for growth with government initiatives aimed at enhancing capacity and services

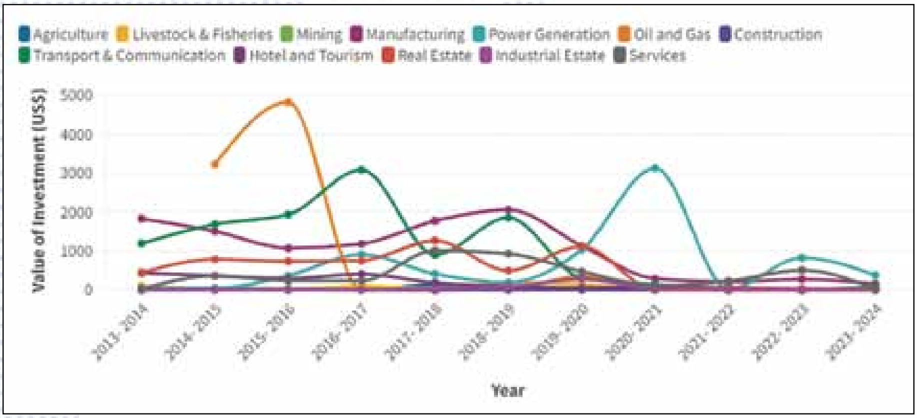
The government of the Myanmar welcomes and promotes FDI in the following sectors:

- Agriculture and its related services (except cultivation and production of tobacco)
- Plantations and conservation of forests, and other businesses with forests
- Livestock production, breeding and production of fishery products, and related services

- Manufacturing (except manufacturing of cigarettes, liquor, beer, and other harmful products to health)
- Establishment of industrial zones

- Establishment of new urban areas
- City development activities
- Construction of roads, bridges and railway lines
- Construction of seaports, river ports and dry ports
- Management, operation and maintenance of airports
- Maintenance of aircrafts
- Supply and transport services
- Power generation, transmission and distribution
- Production of renewable energy
- Telecommunication businesses
- Education services
- Health services
- Information technology services
- Hotels and tourism
- Science research development business

Foreign Investment in Myanmar, by Industry, 2013-2024



ESTABLISHING A PRESENCE

To establish a presence in Myanmar, investors must navigate a structured process governed by the Myanmar Companies Law (MCL) of 2017 and the Myanmar Investment Law (MIL) of 2016. Below is a detailed overview of the steps and requirements involved in company incorporation. Foreign ownership is permitted up to 35% in local companies without altering the company's status to that of a 'foreign company'.

Registration Process

Step 1	**Name Request**	The incorporation process begins with submitting a name request to the Directorate of Investment and Company Administration (DICA). Once approved, the company can proceed with the registration under the chosen name.
Step 2	**Registration with DICA and MIC**	**Registration with DICA and MIC** **a. Foreign Investment Permit:** If the business involves foreign investment, a proposal must be submitted to the Myanmar Investment Commission (MIC) for approval. The MIC typically responds within 15 days, and the full review process can take up to 90 days. **b. DICA Registration:** After receiving MIC approval, the company must register with DICA via the Myanmar Companies Online (MyCO) platform. This online system facilitates the registration process and maintains a public registry of all companies.
Step 3	**Documentation Requirements**	The application to DICA must include: a. Proposed company name b. Type of company c. Full names and addresses of all directors and shareholders d. Written consent from directors and shareholders e. Registered office address f. Share capital details, including currency and share distribution g. The application must be signed by all applicants, accompanied by a declaration of truthfulness regarding the information provided.
Step 4	**Post-Registration Activities**	After registration, the company must: a. Inject 50% of the registered capital into a local bank account. b. Obtain an official company seal. c. Register for tax and social security for employees. d. Submit a list of directors and shareholders to the authorities .

Legal and Regulatory Considerations:

Ordinary Resident Requirement - At least one director must be 'ordinarily resident' in Myanmar, defined as someone who has permanent residency or has lived in Myanmar for at least 183 days in the past year .

Tax Incentives - Companies registered under the MIL may be eligible for tax exemptions for up to five years, depending on the nature of the business and its success.

Establishing a presence in Myanmar involves a clear understanding of the legal framework and adherence to the registration process outlined by DICA and the MIC. The online registration system (MyCO) simplifies the procedure, making it more accessible for both local and foreign investors.

MERGERS AND ACQUISITIONS

Myanmar's M&A market has been steadily growing in recent years, reflecting the country's increasing attractiveness to investors. Key developments include:

a. The new Myanmar Companies Law (MCL) in 2017 allowed foreign investors to acquire shares in local companies starting in August 2018.

b. Investors tend to favor industries such as telecommunications, financial services, and consumer goods, in line with global trends favoring high growth potential and stable return sectors.

c. Obtaining accurate financial information on target companies is often challenging due to poor accounting practices and record-keeping. This creates valuation uncertainty.

Acquisition Structures

Acquisitions in Myanmar may be structured as:

a. Acquisition of shares in a company

b. Transfer of a company's business or assets

c. Schemes of arrangement approved by 75% of shareholders, which are binding on all shareholders

However, hostile unsolicited transactions are not possible as there are currently no takeover regulations for listed companies.

Regulatory Environment

The primary regulators for M&A activity are:

a. Myanmar Investment Commission (MIC) which provides investment approvals

b. Central Bank of Myanmar (CBM) which governs foreign exchange regulations

c. Directorate of Investment and Company Administration (DICA) which maintains company registrations

Key regulations include:

a. Myanmar Investment Law (MIL) which sets out foreign investment restrictions

b. Foreign Exchange Management Law (FEML) which requires approvals for certain fund transfers

c. Myanmar Companies Act (MCA) which provides for schemes of arrangement

Valuation and Pricing :

a. Obtaining accurate financial information on targets is challenging, creating valuation uncertainty.

b. Purchase prices are generally not adjusted to reflect this uncertainty, as tools to mitigate it (like closing accounts) are seldom used.

c. Remittances offshore for loan repayments, distributions or capital returns require Central Bank approval.

Deal Protections

Deal protection and cost coverage mechanisms like confidentiality agreements and break fees are not prohibited and may be used.

Material adverse change clauses are expected to be included given the potential for downside risk.

Myanmar's M&A market is growing but faces challenges around transparency, regulation, and valuation. Investors are advised to obtain legal counsel when pursuing transactions in the country.

MYANMAR TAX SYSTEM

Myanmar has a comprehensive tax system that includes various types of taxes and duties. The main taxes administered by the Internal Revenue Department (IRD) are:

- Income Tax
- Commercial Tax
- Stamp Duty
- Lottery Tax
- Corporate Tax
- Withholding Tax
- Other Tax

Income Tax: Income tax is a direct tax applicable to individuals, corporate bodies, residents, and non-residents on their total income accruing in or derived from all sources within and outside Myanmar. It covers seven classes of income:

- Salaries
- Profession
- Business
- Property
- Capital gains
- Untaxed income
- Other sources of income

Income tax comprises mainly corporate income tax, individual income tax, capital gains tax, and withholding tax.

Personal Income Tax Rates

Type of Taxpayer or Income	Tax Rate
Salaries (Resident nationals and foreigners)	Progressive rates from 1% to 25% with personal tax relief available
Salaries (Non-resident foreigners)	Progressive rates from 1% to 25% without personal tax relief
Salaries (Non-resident nationals on income received abroad)	Lower of the progressive rates from 1% to 25% (with tax relief) or 2% tax on salary (without tax relief)
Other income (Resident nationals and foreigners)	Progressive rates from 1% to 25%
Other income (Non-resident foreigners)	25%
Other income (Non-resident nationals)	10%
Capital gains (Resident nationals and foreigners)	10%
Capital gains (Non-resident foreigners)	10%
Rental income	10% on gross

Note: No tax is payable if total income under salaries does not exceed MMK 4.8 million a year.

Commercial Tax: Commercial tax is imposed on goods produced in Myanmar, imported goods, trading, and services, except for the list of goods and services exempted under the Union Taxation Law. The general commercial tax rate is 5%.

Stamp Duty: Stamp duty is levied on judicial and non-judicial documents under the Myanmar Stamp Act and Court Fees Act.

Lottery Tax: The State Lottery is the only official lottery in Myanmar. 60% of the proceeds from the sale of lottery tickets is distributed as prizes, and the remaining 40% goes to the government budget as lottery tax.

Corporate Income Tax: The general corporate income tax (CIT) rate in Myanmar is 25% on total net profit before deduction on relief.

Companies listed in the Yangon Stock Exchange are subject to a lower CIT rate of 17%.

Resident companies are taxed on their worldwide income, while companies established under the Myanmar Investment Law (MIL) and non-resident companies are taxed only on income accrued or derived in Myanmar.

The tax year follows the fiscal year, starting 1 April and ending 31 March. The annual tax return must be filed with the Internal Revenue Department by 30 June of the following income year.

Withholding Tax:

- Dividends are not subject to withholding tax, regardless of the residence status of the recipient.
- Interest paid to a non-resident of Myanmar is subject to withholding tax of 15%.
- Royalties paid to a non-resident of Myanmar are subject to withholding tax of 20%.
- Social Security Contributions
- Employers with five employees or more are required to provide social security benefits to employees.
- Employees contribute 2% of their salary or wages, with the employer's contribution of 3%.
- The maximum contribution is currently MMK15,000 per employee per month.

Other Taxes: Most imported goods are subject to customs duties, generally ranging from nil to 40% of the value of the goods imported.

Immovable property situated in Yangon is subject to property taxes, including general tax, lighting tax, water tax, and conservancy tax.

Key Changes under the 2024 Union Tax Law:

- Income tax liabilities must be settled in the currency in which the income was earned, regardless of the taxpayer's residency status.
- The specific goods tax tiers and rates for cigarettes have been increased.
- The capital gains tax rate remains at 10%, except for companies in the oil and gas sector, which are subject to a higher rate of 40% to 50%.
- Non-resident Myanmar citizens employed overseas will be subject to personal income tax on foreign-sourced salary based on the lower of the prevailing rates (0% to 25%) or a flat rate of 2%.

TRANSFER PRICING

Myanmar currently lacks formal transfer pricing regulations, which places it in a unique position compared to many other countries. The tax and legal framework in Myanmar is evolving, and while there are no specific domestic rules on transfer pricing, the draft Income Tax Bill proposes comprehensive regulations that align with international OECD standards for cross-border transfer pricing.

Current Status of Transfer Pricing in Myanmar

Absence of Regulations: As of now, Myanmar does not have established transfer pricing rules, and it is not a member of the OECD. This means that there are no specific guidelines for determining the arm's length price for transactions between related parties.

Internal Revenue Department (IRD) Guidelines: Despite the lack of formal regulations, the IRD may assess related party transactions based on market prices of similar transactions between independent parties. This approach is somewhat aligned with the methodologies suggested by the OECD guidelines, allowing the IRD to reassess tax liabilities if it finds that prices are not at arm's length.

Documentation and Compliance: Companies operating in Myanmar are advised to maintain proper documentation for their intercompany transactions. This is crucial as the IRD can request supporting evidence during tax audits. If adequate documentation is not provided, the IRD may reassess income tax based on its own evaluations.

Potential for Future Regulations: The draft Income Tax Bill indicates that Myanmar is moving towards establishing a more structured approach to transfer pricing. This could lead to the implementation of formal regulations that would require adherence to the arm's length principle and detailed documentation standards.

DOING BUSINESS IN CHINA

INTRODUCTION

China's economy is the second-largest in the world and is expected to become the largest by 2030. China has a growing consumer base and is a leader in product innovation, digitalization, and research and development. The Chinese government has supportive policies and trade deals that can help with expansion plans.

China's actual utilized foreign direct investment (FDI) in H1 2024 reached US$69.93 billion, a 29.1 percent decrease from the previous year. Despite this decline in investment amount, the number of new foreign-invested enterprises (FIEs) rose by 14.2 percent. China also invested extensively into emerging markets. The outward FDI was approximately $147.85 billion, ranking third in the world.

Nevertheless, China remains among the world's largest consumer markets, and ambitious businesses aiming for global success cannot afford to overlook it.

FDI Reforms

The Chinese government has made several efforts to improve its investment climate with updated guidelines aimed at enhancing the foreign investment environment and extending tax incentives for foreign investors until the end of 2027.

In 2024, China further ramped up efforts aimed at increasing openness and modernizing regulations. These reforms underscore China's commitment to fostering a more transparent and investor-friendly environment.

It streamlines procedures for company registration, equity transfers, and liquidation, reflecting China's broader reform agenda to attract and retain foreign investment.

The State Council eliminates restrictions on foreign investment in the manufacturing sector and further opens up telecommunications, education, and healthcare. Notable changes include the removal of foreign ownership caps in manufacturing, expanded investment opportunities in telecommunications through pilot programs, and potential relaxations in education and healthcare sectors.

Ease of Doing Business

China was recognized as one of the top economies for improvements in its business environment. The country has implemented far-reaching reforms across various indicators, such as starting a business, dealing with construction permits, and getting electricity.

- **Business Registration:** The introduction of online company registration and simplified procedures has significantly reduced the time required to start a business, from an average of 22.9 days to just 8.5 days. This is part of a broader effort to streamline business operations through initiatives like the "One Window, One Form" policy.
- **Infrastructure and Market Size:** China boasts a vast domestic market with a growing middle class and significant purchasing power, making it an attractive destination for foreign investment. The country has also developed a robust infrastructure and supply chain, further enhancing its business appeal.
- **Investment Incentives:** The Chinese government offers various investment incentives, particularly tax incentives, to attract foreign businesses. Continuous reforms are aimed at maintaining and enhancing these incentives to ensure a favorable investment climate.
- **Sector-Specific Improvements:** In specific areas, such as getting electricity and enforcing contracts, China ranks very favorably, showcasing its commitment to improving the regulatory environment for businesses. For example, it ranks 12th globally for getting electricity, indicating efficient processes in this area.

Overall, China's efforts to enhance the ease of doing business have resulted in a more favorable regulatory environment, making it an increasingly attractive destination for foreign investors. The combination of a large consumer market, strategic reforms, and government incentives positions China as a competitive player in the global business landscape.

INFRASTRUCTURE

China's infrastructure sector is experiencing robust growth, driven by significant investments and strategic regulatory reforms aimed at enhancing business opportunities.

The infrastructure market is projected to reach approximately **USD 1.10 trillion,** with a compound annual growth rate (CAGR) of **6.32%** from 2024 to 2029.

This growth is fueled by ongoing urbanization, technological advancements, and a focus on sustainable development.

INVESTMENT INTO CHINA

China is largely influenced by the "Made in China 2025" initiative, which is a strategic industrial policy aimed at transforming China into a global leader in high-tech manufacturing. This policy, launched in 2015, seeks to enhance the country's manufacturing capabilities by focusing on ten key industries, including electric vehicles, advanced robotics, artificial intelligence, and telecommunications.

China aims to achieve 70% self-sufficiency in high-tech industries, significantly increasing the domestic content of core materials. The initiative is designed to reduce reliance on foreign technology and promote domestic manufacturers in the global marketplace. It is part of a broader strategy to elevate China's position in the global manufacturing hierarchy, moving from low-end production to high-value manufacturing.

Chinese government has committed substantial financial resources, includes direct subsidies to favored high-tech sectors, such as electric vehicle manufacturers and semiconductor firms and tax incentives for high-tech companies to encourage research and development.

Mobilization of state-owned enterprises (SOEs) to invest in advanced technologies both domestically and abroad.

China approaches Vision 2025, the focus will likely remain on enhancing its technological capabilities and reducing foreign dependency. Analysts suggest that while the specific branding of the initiative may evolve, the underlying ambition to develop a robust high-tech manufacturing sector will persist. This ongoing transformation is crucial for China's economic stability and growth, especially in the face of global competition and changing market dynamics.

LAW

China has a comprehensive legal framework governing business activity, with the

Company Law of the People's Republic of China being the key legislation. The law standardizes the organization and activities of companies, protects the rights of companies, shareholders and creditors, and promotes the development of the socialist market economy.

Some key aspects of Chinese business law includes, companies must register with registration authority and meet certain conditions to be established as limited liability companies or companies limited by shares, Foreign companies can establish branches in China upon approval, and their business activities must comply with Chinese law.

Companies must abide by laws, observe social morality and business ethics, act in good faith, accept government and public supervision, and bear social responsibilities

Foreign Investment is bind by legal format under Chinese Foreign Direct Investment (FDI) regulations, the FDI is encouraged and benefits from favorable policies. The specific laws and regulations are binding e-commerce, data protection, cybersecurity, brand enforcement, trade, customs and tax.

Chinese business law exhibits several distinct characteristics compared to international business law, which is often influenced by practices from various jurisdictions, particularly common law systems.

TAXATION IN CHINA

In China, both corporate and personal income taxes are structured under specific regulations, with distinct rates and categories.

Corporate Income Tax (CIT) for Foreign Companies

Foreign-invested enterprises (FIEs) and domestic companies generally have equitable access to tax incentives in China based on their qualifications. Some key CIT incentives for foreign companies includes Sector-based Incentives, High-tech enterprises can enjoy a reduced CIT rate of 15%, Software and integrated circuit enterprises may benefit from a 10% CIT rate or tax holidays, Agriculture, forestry, animal husbandry, and fishery projects can get CIT exemption or 50% reduction and Location-based Incentives.

Companies in encouraged industries in China's western regions are eligible for a 15% CIT rate until 2030, organizations in development zones like Hengqin, Qianhai, and Pingtan can get CIT reductions, the Small and low-profit enterprises with annual taxable income under 3 million RMB can enjoy preferential CIT rates.

Other Incentives includes research and development costs, tax credits to start-up tech organizations, also include pollution control, environmental protection, energy saving, or water conservation project.

Personal Taxation – The tax rates applies as follows:

Tax for local residence:

Annual Taxable Income (CNY)	Tax Rate (%)	Quick Deduction (CNY)
0 to 36,000	3	0
36,000 to 144,000	10	2,520
144,000 to 300,000	20	16,920
300,000 to 420,000	25	31,920
420,000 to 660,000	30	52,920
660,000 to 960,000	35	85,920
Over 960,000	45	181,920

Tax for Non-Residents:

Monthly Taxable Income (CNY)	Tax Rate (%)	Quick Deduction (CNY)
0 to 3,000	3	0
3,000 to 12,000	10	210
12,000 to 25,000	20	1,410
25,000 to 35,000	25	2,660
35,000 to 55,000	30	4,410
55,000 to 80,000	35	7,160
Over 80,000	45	15,160

In addition to income categories, such as rental income and capital gains, are generally taxed at a flat rate of 20%, unless specified otherwise by regulations.

Indirect Tax

VAT and Consumption Tax (CP) are the major indirect taxes in China. VAT is levied on entities and individuals engaging in the sale of services, intangible assets or immovable assets within the territory of China. CP is levied on individuals or entities that manufacture, subcontract or import chargeable items into mainland China as specified in the PRC Provisional Regulations for Consumption Tax.

VAT payable = Output VAT – Input VAT during the period

Output VAT = Turnover x Tax rate

- VAT rate of 13% on the sale of goods, the provision of processing, repair and replacement labour activities, leasing of tangible (movable) property or importing goods.
- VAT rate of 9% on transportation services, postal services, basic telecommunication services, construction, the lease of immovable assets, the sale of immovable assets, the transfer of land use rights or the sale or importation of specific goods.
- VAT rate of 6% on the sale of services and intangible assets, unless otherwise stated.
- VAT rate of 0% on exports (pursuant to tax circulars issued subsequent to the Provisional Regulations, VAT refund rates for export sales vary depending on the specific nature of goods. Thus, VAT on export sales is in effect not subject to zero rate for certain items).
- VAT rate of 0% for organisations and individuals in China engaging in the cross-border sale of services and intangible assets within the scope stipulated by the State Council.
- VAT levy rate of 3% for small-scale taxpayers.

Most businesses are required to submit VAT returns on monthly basis. If a VAT return, or the corresponding payment, is submitted late a penalty may be imposed.

Special tax declarations will be required if the taxpayer operates in a non-registered area within China.

Foreign Direct Investment

China FDI in year-on-year attract CNY 498.91 billion investment during first half of 2024, in this approx. CNY 63.75 billion went into the high-tech manufacturing industries, medical equipment and instrument, manufacturing, and professional technical services, clean energy, telecommunications, finance, the digital economy, and infrastructure etc.

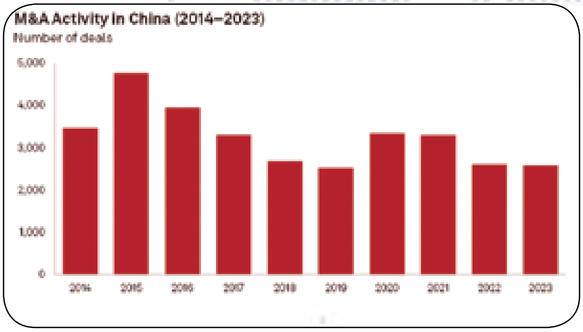
Chinese government is actively working to create a more favorable environment for foreign investors. The focus on high-tech industries and green energy aligns with global trends towards sustainability and innovation. The deal wise Incentives offered to global players to invest in Manufacturing & Services Sector.

ESTABLISHING A PRESENCE

- **Wholly Foreign-owned Enterprise (WFOE) -** The WFOE in China is a Limited Liability Company through which a foreign investor's capital is used to establish the business in the country. The most significant advantage of these setups is that foreign investors maintain complete business ownership. Investors do not have to partner with local entities; they can hire foreign and local employees.
- **Joint venture (JV) Companies -** This type of Limited Liability Company in China is formed through a partnership between a Chinese company or individual and a foreign investor. A JV is the most commonly used business structure for foreign investors who wish to access restricted industries in China.
- **Representative Office -** Registering a Representative Office (RO) is the easiest way for foreign investors to test the Chinese market for their business. A Representative Office grants foreign businesses a presence in the local market but not as a legal entity established in the country. Businesses registered under an RO cannot issue invoices, directly partake in profit-generating activities, or hire local Chinese employees.

MERGERS AND ACQUISITIONS (M&A)

China's activities in M&A set to rebound in 2024, as steady economic growth and a favorable policy environment support dealmaking.



Chinese M&A managed 2,598 deals in last 12 months, according to data by Global Market Report.

Even China's M&A faced challenges in recent years, the outlook for 2024 appears more optimistic, with expectations of increased activity driven by economic recovery and supportive regulatory changes. Key sectors such as energy, technology, and pharmaceuticals are likely to lead the resurgence in M&A transactions as companies navigate the evolving landscape.

CAPITAL MARKET IN CHINA

China's capital market has experienced rapid development since the country's reform and opening up in the late 1970s. It is now the second largest capital market in the world by market capitalization, which reached close to 90 trillion yuan as in first half of 2023. The number of listed companies has surpassed 5,200, with an annual trading volume exceeding 18 trillion shares.

China has established a multi-tiered capital market including stock exchanges, bond markets, and futures markets. The stock exchanges include the Shanghai, Shenzhen, and Beijing Stock Exchanges, as well as the National Equities Exchange and Quotations (NEEQ). These cater to companies at different stages of development, sizes, and types, both listed and unlisted.

In recent years, China has implemented several reforms to attract and facilitate foreign investment in its capital market-

Easing of cash management and currency rules to attract international firms, Introduction of the Stock Connect scheme, allowing cross-border trading between mainland China and Hong Kong.

Reforms to the Qualified Foreign Institutional Investor (QFII) and RMB QFII (RQFII) programs, replacing the quota application system with a registration system.

China has also been cautiously liberalizing its capital market by implementing reforms to attract and facilitate foreign investment. These reforms have been pivotal in shaping the investment landscape, offering diversification opportunities for both equities and bonds.

Despite the progress, accessing China's onshore market remains complex for global investors due to regulatory changes, technical issues, and liquidity challenges. The market is a unique amalgamation of market-based dynamics and strong policy influences, where policy measures can significantly shape major trends.

As China continues to clear a path for greater access, investors must adeptly navigate the evolving regulatory landscape to capitalize on the opportunities within China's burgeoning financial markets. The true test lies in the implementation of these reforms amidst the complexities of international relations and domestic policy objective.

TRANSFER PRICING

Transfer pricing in China is governed by Article 13 of the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises and Article 24 of the Law Concerning the Administration of Tax Collection. This legislation was first introduced in 1991 when China attempted to attract as many Foreign-Invested Enterprises (FIE) as possible.

The regulations have been further tightened through the SAT, which issued a series of rulings.

Through these regulations, the PRC government has adopted international practices to govern transfer pricing based on comparable uncontrolled transaction principles, such as the OECD and US methodologies. Using these as guides, Chinese regulations stipulate that inter-company transactions and transactions between 'associated entities' should be priced using arm's length principles.

The test of association between entities is based on control and ownership. Essentially, entities are considered associated if they fall into any of the following:

Ownership:

- Not less than 25% shareholding
- A provision of loans which accounts for not less than 50% of the owner's capital.
- A provision of a guarantee on loans accounting for not less than 10% of the company's total loans

Control:

- The legal representative or not less than half of the directors or executive management are appointed by another organisation.
- The business operations depend on the provision of proprietary technology of another enterprise.
- Another enterprise controls the purchase of raw materials or components or the sales of products.

Once entities are regarded as being associated, the firm must classify all related inter-entity transactions and account for them according to the arm's length transaction principle. This applies to tangible assets, intangible assets and inter-company service transactions.

DOING BUSINESS IN INDIA

INTRODUCTION

Improved working conditions in India made attractive destination for foreign companies looking to expand their business in Asia. With a stable economy, large consumer market, and favorable business climate, India offers numerous advantages for companies across various sectors.

Advantages of Doing Business in India - India's population of over 1.3 billion people provides a massive consumer base for businesses for Global players,

Favorable Business Climate - India has been implementing reforms to improve its overall business environment, including simplifying regulatory compliances and digitizing trade facilitation.

Incentives for Businesses - India offers various incentives to businesses depending on the economic activity, industry, location, and size of the firm, including tax relief and special economic zones.

Legal Entity Types – Global companies can establish subsidiary corporations, joint ventures, branch offices, or project offices in India, each with its own legal identity.

Taxation - India has a complex tax system, with both direct and indirect taxes. The tax rates vary depending on the entity type, ranging from 25% for private limited companies to 30% for limited liability partnerships.

India's economic liberalization has significantly enhanced foreign investment by creating a more open and competitive economy. The reforms have not only attracted substantial capital but have also fostered technological advancements and sectoral growth, although ongoing challenges necessitate further reforms to ensure inclusive growth.

Ease of Doing Business

India's ranking improved recently to do business in India and Govt taken steps to Ease business practice to make India favorable destination. Following are the key factors:

Streamlined Business Registration - The introduction of the SPICe+ (Simplified Proforma for Incorporating Company electronically Plus) form has simplified the process of starting a business by integrating multiple applications into one. This change has reduced the time and effort required for business incorporation, making it easier for entrepreneurs to start new ventures.

Reform in Taxation - The implementation of the Goods and Services Tax (GST) has replaced multiple indirect taxes with a single tax, simplifying compliance and reducing the overall tax burden. Additionally, the reduction in corporate tax rates has further eased the financial obligations for businesses.

Improved Construction Permits - India has made significant strides in simplifying the process of obtaining construction permits, making it faster and less expensive. This includes the introduction of decennial liability and insurance to enhance building quality control.

Enhanced Access to Credit - Amendments to the insolvency law have strengthened access to credit by prioritizing secured creditors in insolvency proceedings. This has increased the confidence of lenders and investors in the financial system.

Facilitated Trade Across Borders - Initiatives such as electronic sealing of containers and upgraded port infrastructure have reduced the time and cost associated with importing and exporting goods. This has made India a more attractive destination for international trade.

Digitalization and Compliance Reduction - The government has focused on digitizing processes and reducing compliance burdens, including the decriminalization of minor procedural defaults. This has made it easier for businesses to navigate regulatory requirements.

Government Initiatives and Policy Support - The local manufacturing initiative have prioritized improving the business environment, leading to a more favorable regulatory landscape for both domestic and foreign investors.

These reforms collectively have contributed to India's rise in the EoDB rankings, reflecting a concerted effort by the government to create a more conducive environment for business operations.

INVESTMENT INTO INDIA

Over the years, India has emerged as one of the fastest-growing economies in the world. India has become a prominent destination for foreign investment, favorable demographics, and government initiatives aimed at enhancing the business environment. India's huge domestic consumption, led by the private sector, has played a major role in the country's growth. Here are key aspects that underscore the attractiveness of investing in India:

Economic Growth and Market Potential

India's economy is projected to grow at approximately 6.5% in the fiscal year 2024-25 and reach 7% by 2026, making it one of the fastest-growing major economies globally. This growth is supported by a large and youthful population, with a median age of 28.2 years, which contributes to a burgeoning consumer market. The country is expected to become the world's third-largest economy by 2027, surpassing many neighboring countries, with a GDP exceeding $5 trillion.

Government Initiatives and FDI Policies

The Indian government has implemented numerous reforms to attract foreign direct investment (FDI). The norms relaxed in most of the sector allowing 100% foreign investments under automatic route. It helps global players to invest in Indian market without obstruction. Relaxed auto route to Invest in infrastructure sector gives advantage to Global Infrastructure companies. India's steps to improve its business environment through regulatory reforms aimed at simplifying processes and reducing bureaucracy.

Key sectors attracting FDI include:

Services Sector - This sector has received the highest FDI inflow, accounting for 16% of total investments, reflecting its importance in the economy.

Technology and Startups - India ranks fourth globally in tech venture capital investments, with a substantial number of startups and scale-up companies emerging in recent years.

Manufacturing and Infrastructure - Initiatives to boost manufacturing capabilities and attract investments in infrastructure projects.

Challenges and Considerations - Despite the positive outlook, India majorly depending on foreign investments for developing manufacturing facilities as well as urban infrastructure and industrial townships and allied requirements. However, ongoing reforms and a focus on creating a more investor-friendly environment are expected to mitigate these issues over time.

In summary, India's combination of economic growth, a large consumer base, and proactive government policies makes it a compelling destination for foreign investment, particularly as the country continues to evolve and integrate into the global economy.

FOREIGN DIRECT INVESTMENT IN INDIA

Foreign Direct Investment (FDI) stands as a key catalyst for India's economic growth, constituting a substantial non-debt financial reservoir for the nation's developmental endeavours. International corporations strategically invest in India, capitalizing on the country's unique investment incentives, including tax incentives and relatively competitive labour costs. This not only facilitates the acquisition of technological expertise but also fosters job creation and various ancillary advantages. The influx of these investments into India is a direct result of the government's proactive policy framework, a dynamic business environment, improving global competitiveness, and a burgeoning economic influence. The following ways to invest in India:

100% FDI through Automatic route - Under the Route, the foreign investor or the Indian company does not require any approval from RBI or Government of India for the investment.

100% FDI through Government route - Under the Route, prior to investment, approval from the Government of India is required. Proposals for foreign direct investment under Government route, are considered by respective Administrative Ministry/ Department.

Prohibited sectors under FDI - Gambling and Betting, Lottery Business, Activities/ Sector not open to private investment, Atomic energy, Business of Chit-Fund, Nidhi Company, Real Estate Business or Construction of farmhouse, Trading in transferable development rights, Manufacturing of Tobacco, Cigar, Cheroots, Cigarillos, Cigarettes and other tobacco substitute

ESTABLISHING A PRESENCE

An Indian business entity would also be required to obtain common licenses and Registrations under the below laws, as applicable on a caseto-case basis:

- Indian trademark law & allied Intellectual property laws
- The Environment Protection Act, 1986
- RBI Regulations
- SEBI Act, 1992
- Professional tax
- Competition Act,2002 etc.

India is one of the largest emerging markets, hence many foreign companies want to start operating in India. A foreign national or an entity can invest and own a company in India by acquiring shares of the particular company, subject to India's Foreign Direct Investment Policy. The Economic liberalization of 1991 acted as a catalyst for the Foreign Direct Investment in India. In most of the sectors, FDI is under the automatic route, i.e., allowed without seeking regulatory approval prior to such investment. Thus, FDI in most sectors does not require prior approval from the government. Various foreign investors can invest in a majority of sectors of the Indian Economy through the automatic route.

After completion of the regulatory formalities with respect to foreign exchange, the investor must choose the type of entity-incorporated or unincorporated, to run its operations in India.

Unincorporated entities

A foreign entity planning to set up business in India as unincorporated entities can do so through the following:

Liaison office - Liaison Office acts as a mode of communication between the principal place of business/Head Office and entities in India. However, it is restricted to undertake any commercial, trading or industrial activity, directly or indirectly, and is responsible to maintain itself out of inward remittances sent by the principal place of business (abroad) through normal banking channels.

Prior approval of the Authorised Dealer (AD) is mandatory for sectors that permit 100% FDI under automatic route and prior approval under other sectors is granted after consultation with the Ministry of Finance.

Only liaison activities can be undertaken by a Liaison Office. It can act as a mode of communication between Head Office/Principal place of business abroad and parties in India. It is prohibited from undertaking any business activity in India which generates any revenue. Office of the investor's Head Office outside India is responsible for all expenses of a Liaison office in India. The Liaison Office, thus, is restricted to gathering market information about possible opportunities and creating awareness about the company and its products to prospective Indian customers. Initially, approval for such offices is granted for a period of 3 years and may be extended as and when required.

Branch office - Just like the Liaison office, prior approval of the AD is mandatory for sectors that permit 100% FDI under automatic route and prior approval under other sectors is granted after consultation with the Ministry of Finance. A branch office acts as the representative of its foreign parent company. It performs similar business operations as the foreign parent company which include, providing consultancy services, promoting import-export, encouraging technical or financial collaboration between parent and branch offices, amongst others. A branch office, however, is prohibited from carrying out any manufacturing, retail or processing activities. All the expenses of the Branch office will be incurred using the funds received from abroad or the income generated by the branch.

Project office - A project office is solely set up for a project and hence is completely different in terms of establishment criteria and also operationally. A project office may be opened by a foreign company in India subject to the prerequisite of having secured from an Indian company, a contract to execute a project in India. A project office is permitted to operate a bank account in India. Surplus revenue from the project may be remitted to the foreign parent company. The project office is the preferred choice for companies looking to establish a business presence in India for a limited period of time, as per the duration of the contract which is the case in one-time turnkey or installation projects.

Partnership - A partnership does not give effect to a separate legal entity. The liability of the partners is unlimited which means that the personal assets of the partners may be clawed back to meet debt/tax obligations arising out of the partnership business. A partnership is a relationship created between two or more persons who agree to share the profits of a business carried on either by all of them, or any of them acting for all of them. The partnership firm is bound by the acts of any one or all partners. Partners may enter into an agreement to govern the profit/loss sharing percentage in absence of which all partners have to bear the losses equally. Prior approval of RBI is required for investment by foreign entities in Indian partnership firms.

Incorporated entities

An International company planning to set up business operations in India as unincorporated entities can do so through the following:

Limited liability partnership - LLP is a type of business entity that allows individual partners to benefit from the economies of scale by working together at the same time protecting them from the liabilities incurred as a result of wrong decisions or misconduct of other partners. Each partner's liabilities are limited to the amount they put into the business. Limited liability means that in case of insolvency, the personal assets of partners cannot be sold to meet the debt obligations. LLPs are governed by the Limited Liability Partnership Act, 2008. LLP has a legal existence separate from its partners.

Companies under the Companies Act - Companies are governed by Companies Act, 2013. Companies can be broadly classified into private and public companies.

Private Limited Company

A private limited company has the following features:

- Members- it should have a minimum 2 and maximum of 200 members.
- Limited liability- The liability of shareholders is restricted to the number of shares they hold in the company. This essentially means that the personal assets of the shareholders are safe.
- Perpetual succession- The company never ceases to exist even in case of the death or insolvency of any of its members.
- Articles of Association of a private limited company must prohibit any invitation to the public to subscribe to the securities of the company.
- Paid-up capital- a minimum paid-up capital of Rs 1 lakh or such a higher amount which may be prescribed from time to time.
- Directors- It should have a minimum of two directors.
- Name- all private limited companies to add the word 'pvt ltd' after their name.
- Public Limited Company
- A public limited company has the following features:
- Members- it should have a minimum of 7 members and don't have a cap on the upper limit.
- It gives access to more capital by raising money through the issuance of shares in public.
- Limited liability- Just like private limited companies, the liability of shareholders is restricted to the number of shares they hold in the company.

- Paid-up capital- a minimum paid-up capital of Rs 5 lakh or a higher amount which may be prescribed from time to time.
- Directors- It should have a minimum of 3 directors and there is no restriction on the maximum number of directors.
- Name- all public companies are required by law to add the word 'limited' after their name.

One of the two minimum directors of a private limited company should be a person who resides in India for 182 days or more in a year. For foreign entities that are new to the market, this can be a challenge for a number of reasons, considering they don't have a reliable relationship in India to appoint as the resident director.

A local non-executive director service is a potential solution to this problem faced by new foreign entities. In order to resolve this shortcoming, an independent director may be placed on the board of the Indian subsidiary primarily to oversee the compliance aspect of the business.

MERGERS AND ACQUISITIONS

India retained its position as a leading hub for M&A activity in the Asia-Pacific region. Despite the downturn in global M&A markets, fast-growing India continues to speed ahead, with annual growth forecast at 6% to 7%, trending up to 8% and beyond. The first quarter of 2024 has seen a resurgence in market activity indicating a significant increase from both the previous quarter and the corresponding period last year. Midmarket players have contributed to almost half of this activity by utilizing horizontal M&A as a tool to scale operations by consolidating market players. Conglomerates have also employed M&A to diversify their businesses to create new lines of growth beyond core operations.

The most common types of M&A deals include:

a. **Acquisition -** Acquisition by way of: (a) primary investment, where investors are acquiring shares directly from the issuer; and (b) secondary purchase, where investors are purchasing shares from sources other than the issuer such as promoters, employees and existing investors. Documentation for such deals include shareholders and share purchase agreements between the buyer and seller.

b. **Mergers under the Companies Act, 2013 -** The process of mergers and amalgamations in India is implemented by the National Company Law Tribunal (NCLT), which typically entails a time-consuming procedure, with fast-track mergers an exception that can bypass the NCLT with central government approval. In addition, the Foreign Exchange Management (Cross-Border Merger) Regulations, 2018 provide a regulatory framework for international merger transactions, ensuring compliance with conditions set out by the Reserve Bank of India, a number of which have been implemented in India. The Insolvency and Bankruptcy Code offers opportunities for acquirers to engage in corporate restructuring, including mergers and amalgamations, as part of resolution plans aimed at maximizing the value of distressed corporate debtors.

c. **Asset and business purchase -** In India, it is common practice to acquire significant business assets, and a business, as a going concern. Business transfer agreements or asset purchase agreements, along with deeds of conveyance, are the agreements facilitating such transactions.

Developments in M&A law

The regulatory M&A landscape in India is constantly evolving to account for progress in technology and the demands of the economy, and to ensure a smooth acquisition process for investors. Some major developments witnessed in previous year are set out below:

a. **Mandatory dematerialization of securities -** The Ministry of Corporate Affairs (MCA) mandated all private companies to issue securities in dematerialized form, and facilitate dematerialization of all existing securities from 30 September 2024 onwards, to harmonize private company regulations with those of public companies, enhancing business efficiency, transparency in share transfers, and reducing legal disputes related to share title.

b. **Fast track mergers -** To expedite the merger process in India, the MCA has reduced the timeline for the central government to confirm the merger scheme, and also introduced the concept of deemed approval in the event objections are raised and no action has been taken by the central government within 60 days.

c. **Key amendments to competition laws in India -** Deal value threshold has been added to the conventional asset-turnover matrix. In addition, the overall timeline for the Competition Commission of India (CCI) to approve a combination has been reduced from 210 days to 150 days. The amendments incorporate the CCI's established practice of using the standard of "material influence" to assess the degree of control into the main legislation.

d. **Listing of securities of public companies on foreign stock exchanges -** Certain classes of public companies are permitted to issue securities for the purpose of listing on permitted stock exchanges in permissible foreign jurisdictions.

e. **Market rumor clarifications -** The Securities Exchange Board of India has mandated listed entities to confirm, deny or clarify any media reported information that leads to a "material price" movement of shares, effective 1 June 2024, for the top 100 listed entities by market value, followed by the next 150 entities from 1 December 2024.

f. **Developments in Indian data privacy regime -** The Digital Personal Data Protection Act, 2023, effective from 11 August 2023, will replace India's current data protection regulations under section 43A of the Information Technology Act, 2000, and its associated rules. It shall also have a bearing on M&A activity where fresh consent would be required from individuals whose data is being shared pursuant to a transaction.

CAPITAL MARKET IN INDIA

India's capital market is an integral part of its financial system, facilitating the mobilization of savings and channeling them into productive investments. It serves as a platform for corporations to raise funds from investors, which is essential for economic growth and development.

Structure of the Capital Market - The Indian capital market is divided into two main segments:

Primary Market - This is where new securities are issued for the first time, typically through mechanisms like Initial Public Offerings (IPOs). Companies raise capital for expansion and growth in this market.

Secondary Market - This market allows the trading of existing securities among investors. The major exchanges facilitating this trading are the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) .

Key Instruments - The capital market in India primarily involves several financial instruments:

Stocks - Represent ownership in a company and are traded on stock exchanges. Shareholders may receive dividends and have voting rights.

Bonds - These are debt securities issued by companies to raise funds. Bondholders receive interest and the principal amount at maturity.

Exchanges Traded Funds (ETFs) - These are investment funds that hold a collection of securities and are traded on stock exchanges.

Derivatives - Financial instruments whose value is derived from underlying assets, such as stocks or bonds.

Currency Instruments - Used in foreign exchange markets, involving agreements like spot and forward contracts.

Key Functions of SEBI - SEBI formulates regulations that govern the operations of stock exchanges, intermediaries, and listed companies. It ensures compliance with these regulations to maintain market integrity and protect investors' interests, also monitors market activities to prevent malpractices such as insider trading and fraud. This includes conducting inspections and investigations to ensure adherence to its guidelines. SEBI also promotes the development of the capital market by introducing new financial products, encouraging foreign investments, and enhancing investor education and awareness & its primary objectives is to safeguard investors' interests. It mandates that listed companies provide accurate and timely information, thus enabling informed investment decisions. SEBI also has mechanisms for addressing investor grievances.

Regulatory Framework - SEBI's encompasses various aspects, including:

Initial Public Offerings (IPOs) - SEBI regulates the process of IPOs, ensuring that companies comply with filing and disclosure requirements, thus protecting investors from potential risks associated with new offerings.

Mutual Funds - SEBI oversees the formation and operation of mutual funds, ensuring transparency and adherence to regulations designed to protect investors.

Market Conduct - SEBI establishes codes of conduct for market participants, including brokers and mutual fund distributors, to promote ethical practices and transparency in transactions.

SEBI's multifaceted approach to regulation encompasses oversight, enforcement, and development, all aimed at fostering a safe and efficient capital market in India. Its efforts have significantly contributed to the growth and maturity of the Indian securities market, making it one of the most respected regulatory bodies globally.

TAXATION IN INDIA

Domestic Companies - The corporate tax rate for domestic companies remains unchanged, with effective rates typically around 34% when including surcharges and cess. Companies with a turnover not exceeding INR 4 billion can opt for a lower tax rate of 25%.

Non-Resident Companies - The tax rate for non-resident corporate taxpayers has been reduced from 40% to 35%.

Simplified Tax Regime - A significant portion of corporate tax revenue (58% in FY 2022-23) comes from companies opting for a simplified tax regime, which has been positively received by taxpayers.

Notable Changes and Proposals

Capital Gains Tax - The budget proposes changes to the classification of capital assets, simplifying the holding periods for long-term and short-term assets. Additionally, the tax applicable to closely held Indian companies issuing shares above fair value will be abolished.

E-commerce Tax - The 2% equalization levy (EL) on e-commerce services provided by non-residents will be withdrawn, effective from August 1, 2024, while the 6% EL on online advertising remains in place.

Interest Limitation Rules - Proposed exemptions from interest limitation rules for finance companies located in the International Financial Services Centre (IFSC) are set to be introduced, subject to specific conditions.

Amnesty Scheme - An amnesty scheme for waiving interest and penalties for certain tax years is also part of the budget proposals, aimed at reducing litigation and encouraging compliance.

The corporate tax structure in India for 2024 reflects a focus on maintaining competitive rates for domestic companies while providing relief to non-resident entities. The government's commitment to simplifying tax processes and enhancing compliance is evident in the proposed changes and the emphasis on a simplified tax regime.

Income Tax Rates in India

The income tax rates for the financial year 2024-25 in India are structured under two regimes: the old tax regime and the new tax regime, with distinct slabs for each. Here are the key details:

New Tax Regime (FY 2024-25)

The new tax regime has been revised as follows:

Income Range (Rs)	Tax Rate
Up to ₹3,00,000	NIL
₹3,00,001 to ₹7,00,000	5%

₹7,00,001 to ₹10,00,000	10%
₹10,00,001 to ₹12,00,000	15%
₹12,00,001 to ₹15,00,000	20%
Above ₹15,00,000	30%

Additionally, a tax rebate under Section 87A is available for individuals with income up to ₹7,00,000, allowing them to effectively pay no tax if their total income does not exceed this threshold. The standard deduction has also been increased to ₹75,000 for salaried employees and ₹25,000 for family pensioners.

Old Tax Regime (FY 2024-25)

The old tax regime remains unchanged and is as follows:

Income Range (Rs)	Tax Rate
Up to ₹2,50,000	NIL
₹2,50,001 to ₹5,00,000	5%
₹5,00,001 to ₹10,00,000	20%
Above ₹10,00,000	30%

For senior citizens (aged 60 to 80 years), the exemption limit is ₹3,00,000, and for super senior citizens (above 80 years), it is ₹5,00,000.

Summary of Changes - The new tax regime has been made more attractive for small taxpayers with increased thresholds and deductions. The old tax regime continues to provide certain exemptions and deductions not available under the new regime, allowing taxpayers to choose based on their financial situation and preferences.

Indirect Tax

Indirect taxes are taxes levied on goods and services, which are ultimately paid by consumers as part of the purchase price. These taxes are collected by intermediaries, such as manufacturers or retailers, who then remit the tax to the government. Here are some key aspects of indirect tax rates and their classifications:

Types of Indirect Taxes :

Goods and Services Tax (GST) - In India, GST was implemented on July 1, 2017, and it subsumed various indirect taxes such as excise duty and service tax. GST is categorized into five main tax slabs: 0%, 5%, 12%, 18%, and 28%. The applicable rate depends on the type of goods or services provided.

Customs Duty - This is a central government tax levied on the import and export of goods. The effective standard rate for customs duty is approximately 30.98%, which includes an 18% GST rate. However, there are exemptions and concessions available based on specific conditions and agreements.

Excise Duty - This tax is imposed on specific goods, particularly those considered harmful, such as alcohol and tobacco. The rates can vary significantly based on the product category.

Sales Tax and Value-Added Tax (VAT) - These are also forms of indirect taxes where the tax is included in the price of goods sold. VAT is commonly used in many countries as a consumption tax that is levied at each stage of production or distribution.

Characteristics of Indirect Taxes

Regressive Nature - Indirect taxes are often considered regressive because they impose the same tax burden on all consumers, regardless of income level. This means that lower-income individuals may pay a larger proportion of their income in indirect taxes compared to wealthier individuals.

Broad Coverage - Indirect taxes are applied to a wide range of goods and services, ensuring that a larger segment of the population contributes to tax revenue. This broad application can stabilize government revenue streams.

Collection at Point of Sale - Indirect taxes are typically collected at the point of sale, making it easier for authorities to administer and for consumers to pay.

In summary, indirect taxes play a crucial role in government revenue systems worldwide, with varying rates and structures depending on the specific tax type and jurisdiction.

TRANSFER PRICING

The Transfer Pricing (TP) legislation in India is primarily governed by Chapter X of the Income Tax Act, 1961, which was introduced in 2001 to prevent tax base erosion due to cross-border transactions between associated enterprises (AEs). Here's an overview of the key components of the TP guidelines in India:

Key Features of Indian Transfer Pricing Legislation

Arm's Length Principle - The Indian TP regulations adhere to the arm's length principle, which requires that the income from international transactions between AEs be computed based on the arm's length price (ALP). This principle ensures that transactions between related parties are priced similarly to those between unrelated parties in comparable circumstances.

Transfer Pricing Methods - India recognizes six primary methods for determining ALP:

a. Comparable Uncontrolled Price Method (CUP)
b. Resale Price Method (RPM)
c. Cost Plus Method (CPM)
d. Profit Split Method (PSM)
e. Transactional Net Margin Method (TNMM)
f. Other methods as appropriate.

Documentation Requirements

Taxpayers engaged in international transactions exceeding certain thresholds must maintain comprehensive transfer pricing documentation:

Local File - Required if the aggregate value of international transactions exceeds INR 10 million (INR 200 million for specified domestic transactions).

Master File - Required if the aggregate value of international transactions exceeds INR 500 million and the consolidated global turnover exceeds INR 5 billion.

Country-by-Country Reporting (CbCR) - Required for multinational enterprises (MNEs) with annual consolidated group revenue exceeding INR 64 billion.

Compliance and Reporting - Taxpayers must file an Accountant's Report in Form 3CEB, which certifies compliance with TP regulations, irrespective of the transaction value. This report must be submitted by the due date for filing income tax returns.

Advance Pricing Agreements (APAs) - Introduced in 2012, APAs allow taxpayers to agree in advance with the tax authorities on the ALP for specific transactions, providing certainty and reducing the risk of disputes.

Safe Harbour Rules - The Safe Harbour provisions, established in 2013, provide taxpayers with a framework to comply with TP regulations by following specified return on investment rates or profit margins, thus minimizing the risk of scrutiny by tax authorities.

Dispute Resolution - India has a formal mechanism for resolving TP disputes through the Mutual Agreement Procedure (MAP) under its tax treaties. The competent authorities are expected to resolve disputes within a stipulated timeframe, enhancing compliance and reducing litigation.

Evolution and Global Alignment - The Indian TP regulations have evolved significantly since their inception, aligning closely with the OECD Transfer Pricing Guidelines, especially following the Base Erosion and Profit Shifting (BEPS) initiatives. Although India is not an OECD member, it actively participates in discussions and adopts relevant guidelines to improve tax compliance and prevent disputes.

India's TP legislation is robust, aimed at ensuring fair taxation of cross-border transactions while providing mechanisms for compliance and dispute resolution. The framework continues to evolve in response to global standards and domestic economic conditions.

DOING BUSINESS IN INDONESIA

INTRODUCTION

Indonesia's trade dynamics reflect its resource wealth and strategic location. Indonesia exported goods worth approximately $320 billion, ranking it as the 26th largest exporter globally. Major exports include coal briquettes, palm oil, and natural gas, with China, the United States, and Japan being the primary destinations.

On the import side, Indonesia's key imports include refined petroleum, motor vehicles, and machinery, primarily sourced from China, Singapore, and Japan. The country has maintained a trade surplus since 1988, bolstered by its rich natural resources and a growing manufacturing base.

The Indonesian economy possesses sound fundamentals of social stability, strong domestic demand for goods and services, steadily increasing foreign reserves (about $137.5 billion in June 2023), and stable prices with moderate-to-low inflation. However, persistent trade and investment barriers driven by protectionist sentiment, persistent and pervasive corruption, poor infrastructure, inconsistent interpretation and enforcement of laws, and labor rigidity continue to inhibit greater levels of economic growth and prosperity.

Indonesia's economy is on a growth trajectory, driven by its natural resources, a young workforce, and a strategic position in global trade. However, addressing infrastructure, regulatory, and governance challenges will be crucial for sustaining this growth and achieving its potential as a major economic player in the region and beyond.

INVESTMENT INTO INDONESIA

Indonesia benefits from a large domestic market, with consumer spending accounting for approximately 60% of its GDP. Its diverse economy includes robust sectors such as tourism, commodities, and manufacturing, making it an attractive destination for foreign direct investment (FDI).

The Indonesian government has vowed to continue implementing prudent macroeconomic policies and structural reforms to further enhance the ease of doing business and improve the country's investment climate. This included issuing various tax incentives as well as widening the number of positions open to expatriate workers. Here are the key incentives available:

a) **Corporate Income Tax Reductions-** 50% Reduction: For investments between 100 billion and 500 billion rupiah (approximately USD 6.6 million to USD 33.3 million) for a period of five years.

b) **100% Reduction-** For investments exceeding 500 billion rupiah for a period ranging from five to 20 years.

c) **Tax Allowances-** A 30% reduction in taxable income over six years for qualifying investments in tangible fixed assets, including land. This is prorated at 5% per year.

d) **Withholding Tax-** Special withholding tax rates on dividends, typically set at 10%.

e) **Investment in Priority Sectors-** Investments in 246 priority sectors can benefit from additional fiscal and non-fiscal incentives. These sectors include textiles, pharmaceuticals, digital economy, geothermal energy, and automotive industries, among others.

f) **Special Economic Zones (SEZs)-** Businesses operating in SEZs can receive a 100% reduction in corporate income tax for a minimum investment of 100 billion rupiah over a period of ten years. After this period, a 50% reduction applies for an additional two years. Import duties and excise taxes are also exempt for certain goods used in SEZs.

g) **Accelerated Depreciation and Amortization-** Investors can benefit from accelerated depreciation of tangible assets and amortization of intangible assets, enhancing cash flow and investment returns.

h) **Tax Holidays-** Certain industries may qualify for tax holidays, which can provide complete tax exemptions for a specified period, further incentivizing large-scale investments.

i) **Super Deduction Incentives-** The government offers super deductions for research and development (R&D) costs, allowing deductions up to 300% of R&D expenses, and 200% for vocational training costs.

Government Initiatives to Attract Investment

j) **Simplifying Licensing Procedures-** The online platform for business license applications ("OSS") has successfully integrated online license applications, making it possible to process and obtain business permits remotely.

k) **Improving Regulatory Procedures-** The government has made it a priority to improve regulatory procedures to create a more favorable business environment.

l) **Developing Special Economic Zones-** The government is prioritizing the development of industrial and special economic zones (SEZs) to attract more than US$50 billion in foreign investment over the next decade.

Industry sectors allowing 100% FDI

Certain sectors have been opened up to allow greater FDI:

a. Foreign ownership in the wholesale/distribution sector is permitted at 100% (previously limited to 33% in 2014 and 67% in 2016).

b. The pharmaceuticals sector has been promoted as a priority, with foreign ownership increased to 100% (previously 85%) to encourage local manufacturing and decrease dependence on imported medicines.

c. E-commerce is open to 100% foreign ownership, eliminating the previous IDR 100 billion investment requirement.

d. Independent power plants (IPP)can now be fully foreign-owned, regardless of generating capacity.

e. The plantation sector is 100% open to foreign ownership.

f. FDI in vegetable, fruit and seed producers (subject to the Horticulture Law) is permitted at 100%, an increase from the previous 30% limit.

g. Specialized medical clinics (Klinik utama) offering services such as dental, nursing and rehabilitation are now open to 100% foreign ownership. This does not apply to Klinik Pratama (general medical clinics, basic medical facilities and private maternity clinics), which remain closed to FDI.

Prohibited Sectors for Investment

While many sectors are open to foreign investment, some remain restricted or prohibited. These typically include:

a. **General Medical Clinics (Klinik Pratama):** These remain closed to foreign investment.

b. **Certain Strategic Industries:** Such as defense and national security-related sectors, which are generally reserved for domestic investors.

c. **Cultural Heritage and Traditional Practices:** Sectors that involve cultural heritage may have restrictions to preserve local traditions and practices.

The Indonesian government has vowed to continue implementing prudent macroeconomic policies and structural reforms to further enhance the ease of doing business and improve the country's investment climate, as well as to support the New Capital Nusantara project. This included issuing various tax incentives as well as widening the number of positions open to expatriate workers.

ESTABLISHING A PRESENCE

Establishing a presence in Indonesia involves several strategic steps and considerations for foreign investors looking to tap into this vibrant market. Here's a comprehensive overview of the key elements involved in the process:

Business Structure Options

Foreign investors can establish a legal presence in Indonesia primarily through two structures:

a) **Limited Liability Company (PT PMA):** This is the preferred structure for foreign direct investment (FDI) and allows for 100% foreign ownership in sectors not restricted by the Positive Investment List (PIL). The establishment of a PT PMA involves several regulatory requirements and can take several months to complete.

b) **Representative Office:** This option is suitable for companies looking to conduct market research or promotional activities without engaging in direct commercial activities. Representative offices cannot generate profits but can facilitate business development and serve as a liaison between the parent company and local markets.

Key Steps for Establishment

a. **Market Research and Business Plan:** Conduct thorough market research to identify opportunities and understand local consumer behavior. A well-structured business plan is essential to outline goals, strategies, and financial projections.

b. **Legal and Regulatory Compliance:** Familiarize yourself with Indonesian laws, including the Company Law and specific regulations related to your industry. Compliance with local labor laws, tax regulations, and obtaining necessary licenses is crucial.

c. **Cultural Considerations:** Understanding local customs, language (Bahasa Indonesia), and business etiquette is vital for successful integration. Building relationships and trust within the local community can significantly enhance business prospects.

d. **Local Partnerships:** Collaborating with local partners can provide valuable insights into the Indonesian market, assist with navigating regulatory frameworks, and facilitate relationships with key stakeholders.

e. **Infrastructure and Resources:** Assess the availability of necessary infrastructure, such as coworking spaces, utilities, and logistics providers. Establishing a reliable supply chain is critical for operational success.

f. **Networking and Support:** Engage with local business networks and chambers of commerce to gain insights, support, and potential collaboration opportunities. Networking can also provide access to resources that can aid in navigating the business landscape.

Establishing a presence in Indonesia requires careful planning, a strong understanding of the local market, and compliance with legal requirements. By choosing the appropriate business structure, conducting thorough research, and building local partnerships, foreign investors can successfully navigate the complexities of entering the Indonesian market and leverage its significant growth potential.

MERGERS AND ACQUISITIONS

Mergers and acquisitions (M&A) in Indonesia are governed by a complex legal framework that includes specific laws, regulations, and practices. The primary legislation is Law No. 40 of 2007, which outlines the requirements and processes for conducting M&A activities.

Key Aspects of M&A in Indonesia

Types of M&A Transactions - The main methods of M&A in Indonesia include:

a. **Acquisition of Shares:** This is the most common method, where a buyer acquires a majority or all of the shares in a target company, resulting in a transfer of control.

b. **Mergers:** Although legally possible, mergers are not very common due to the complexities involved. In a merger, all assets and liabilities of the disappearing company are assumed by the surviving company, leading to the dissolution of the former.

c. **Consolidations and Spin-offs:** These are less frequent but are also recognized under Indonesian law as forms of reorganizing corporate structures.

Regulatory Framework-M&A activities must comply with various regulatory requirements, including:

a. **Merger Control:** Transactions that meet certain thresholds (e.g., combined assets exceeding IDR 2.5 trillion) must be notified to the Indonesian Competition Commission (KPPU) for approval to prevent monopolistic practices.

b. **Approval from Relevant Authorities:** Companies must obtain necessary approvals from the Ministry of Law and Human Rights and notify shareholders, employees, and creditors as required by law.

Tax Considerations - Tax regulations related to M&A were updated in 2008 to address tax advantages that companies might seek through mergers. Key tax laws include:

- Regulation No. 36 of 2008 concerning Income Tax.
- Regulation No. 42 of 2009 concerning Value Added Tax.
- Regulation No. 20 of 2000 regarding the acquisition of land or buildings.

Challenges and Considerations - M&A transactions in Indonesia can be challenging due to:

a. **Foreign Ownership Restrictions:** These can complicate the structure of deals, often leading to joint ventures rather than full acquisitions.

b. **Cultural and Negotiation Factors:** The negotiation process may involve unique cultural considerations, and exclusivity clauses are often employed to secure deal terms.

While M&A activity in Indonesia is robust, it is subject to intricate legal and regulatory frameworks, and companies must navigate various challenges to successfully complete transactions.

CAPITAL MARKETS IN INDONESIA

Indonesia's capital market has shown remarkable growth in recent years, with the benchmark Jakarta Composite Index (JCI) more than tripling in value in last few years. The capital market plays an important role in the economy by directing funds from the community into productive sectors and enabling equal distribution of ownership through shares.

Market Capitalization: As of June 30, 2024, there were 927 listed companies on the IDX, with a total market capitalization of Rp12,092,490 billion (US$736 billion). The market capitalization of new companies in H1 2024 was significantly lower than in previous years, reflecting a shift back to smaller consumer-focused IPOs.

Future Outlook: Despite political transitions, such as the recent presidential election, Indonesia remains an attractive investment destination, supported by abundant natural resources, growth in renewable energy, and its strategic position in the EV value chain.

TAXATION IN INDONESIA

Indonesia's tax system encompasses a variety of taxes applicable to both individuals and corporations, structured around a progressive income tax system and a corporate income tax regime. Below is an overview of the key components of the tax system in Indonesia.

Corporate Income Tax - The corporate income tax (CIT) rate in Indonesia is generally set at 25%. However, there are specific provisions that allow for reduced rates:

a. **Public Companies:** Companies listed on the Indonesia Stock Exchange (IDX) that offer at least 40% of their shares to the public benefit from a reduced CIT rate of 20%.

b. **Small and Medium Enterprises (SMEs):** Companies with an annual turnover below IDR 50 billion (approximately USD 3.8 million) can receive a 50% tax discount on the portion of their taxable income up to IDR 4.8 billion. Additionally, companies with gross turnover below IDR 4.8 billion are subject to a minimal tax rate of 1%.

Personal Income Tax

Tax Residency - Individuals are classified as tax residents if they meet any of the following criteria:

- Residing in Indonesia for more than 183 days within a 12-month period.
- Having the intention to stay in Indonesia for a longer duration during a fiscal year.
- Tax residents are taxed on their worldwide income, while non-residents are taxed only on their Indonesian-sourced income at a flat rate of 20%.

Tax Rates: The personal income tax rates for **resident taxpayers** are progressive, as follows-

Taxable Income (IDR)	Tax Rate (%)
Up to 50 million	5%
50 million - 250 million	15%
250 million - 500 million	25%
Over 500 million	30%

For non-residents, the withholding tax rates on income such as dividends, interest, and royalties are generally 20%.

Deductions and Exemptions: Taxpayers can claim various deductions, including-

a. **Individual taxpayer deduction:** IDR 54 million

b. **Spouse deduction:** IDR 4.5 million

c. **Dependent deductions (maximum of three): I**DR 4.5 million each

Severance payments and lump-sum pension payments are taxed separately at specified rates, with lower rates applicable for amounts below certain thresholds.

Withholding Taxes: Indonesia employs a withholding tax mechanism for certain types of income. The rates for withholding taxes on income paid to residents are-

a. **Dividends, Interest, Royalties:** 15%

b. **Services:** 2%

For non-residents, the withholding tax rates are typically 20% on various income types, although these can be reduced under applicable double taxation agreements (DTAs) with other countries.

Double taxation relief Unilateral relief- Resident companies deriving income from foreign sources are entitled to a unilateral tax credit for foreign tax paid on the income. The credit is limited to the amount of Indonesian tax otherwise payable on the relevant foreign income. A country-by-country limitation applies, i.e., the credit for foreign tax paid on income from one country is limited to the amount of Indonesian tax otherwise payable on the income from the same country. Indonesia does not grant credit for underlying tax.

Tax treaties - Indonesia has a reasonably broad tax treaty network, with the treaties generally following the Organization for Economic Co-operation and Development (OECD) model treaty and containing OECD-compliant exchange of information provisions. Treaties generally provide the relief from double taxation on all types of income, limit the taxation by one country on companies' resident in the other, and protect companies resident in one country from discriminatory taxation in the other. To apply for a lower WHT rate, the foreign income recipient has to meet the substance and administrative requirements. The substance requirements entail general conditions to be met, and if the foreign taxpayer receives income, for which the article in the relevant tax treaty stipulates a beneficial owner requirement (i.e., interest, dividend, royalty), additional conditions must also be satisfied (please refer to the "Anti-avoidance rule" section).

The Harmonized Tax Law was recently enacted to optimize tax revenue collection, introducing changes such as an increase in the value-added tax (VAT) rate and adjustments to corporate and personal income tax structures. This law aims to enhance compliance and generate significant revenue for the state.

Overall, Indonesia's tax system is characterized by its complexity, with various rates and exemptions tailored to different types of taxpayers, reflecting the government's ongoing efforts to balance revenue generation with economic support for businesses and individuals.

TRANSFER PRICING

Transfer pricing in Indonesia is governed by a complex regulatory framework aimed at ensuring that transactions between related parties are conducted at arm's length, thereby preventing profit shifting and tax avoidance. The key legislation is the Income Tax Law of 2008, which allows tax authorities to adjust taxable income for entities with special relationships, defined by ownership or control thresholds.

Regulatory Framework

Arm's Length Principle - The arm's length principle is central to Indonesia's transfer pricing regulations, ensuring that transactions between related parties reflect market conditions. If this principle is not adhered to, the Directorate General of Taxes (DGT) can re-determine taxable income.

Documentation Requirements - Indonesia employs a three-tiered documentation system that includes:

a. **Master File:** Contains standardized information about the multinational group, including ownership structure and financial statements.

b. **Local File:** Specific to the local taxpayer, detailing related party transactions, business activities, and financial information.

c. **Country-by-Country Report (CbCR):** Provides a global overview of the allocation of income, taxes, and business activities among different jurisdictions.

Taxpayers are required to maintain these documents if they meet certain revenue thresholds, such as gross revenue exceeding 50 billion rupiah (approximately $3.4 million) or related-party transactions exceeding 20 billion rupiah (approximately $1.37 million).

Increased Scrutiny - There has been a notable increase in audits focusing on transfer pricing, particularly concerning royalty payments, management fees, and inter-company services. The DGT strictly enforces documentation requirements, with a 30-day deadline for taxpayers to provide requested information during audits.

Advance Pricing Agreements (APAs)- Taxpayers can seek APAs to pre-emptively agree on transfer pricing methods with the DGT, which can provide certainty and mitigate risks of disputes. The APA process has been streamlined under the new regulations, allowing for bilateral agreements with foreign tax authorities.

Navigating the transfer pricing landscape in Indonesia requires careful compliance with evolving regulations and thorough documentation practices. Taxpayers are advised to stay informed about regulatory changes and ensure robust transfer pricing strategies to minimize risks associated with audits and potential penalties.

DOING BUSINESS IN ISRAEL

INTRODUCTION

Israel shows a significant surplus, with exports exceeding imports. The surplus is primarily driven by the high value of diamond exports and the robust technology sector, which continues to perform well in international markets. This favorable balance indicates a strong export-oriented economy that leverages its technological advancements and natural resources effectively. Israel's trade dynamics reveal a notable comparison between its exports and imports.

Exports - Israel's total exports are estimated to be around $76.9 billion. The leading export categories include:

- Diamonds: $10.5 billion
- Integrated Circuits: $7.83 billion
- Refined Petroleum: $4.08 billion
- Medical Instruments: $2.51 billion
- Potassic Fertilizers: $2.31 billion

The primary markets for Israeli exports are the United States ($20.3 billion), China ($5.53 billion), and Palestine ($4.6 billion) among others.

Imports - On the import side, Israel's total imports are also around $76.9 billion. The major import categories include:

- Diamonds: $7.3 billion
- Cars: $6.67 billion
- Crude Petroleum: $3.73 billion

- Refined Petroleum: $3.7 billion
- Broadcasting Equipment: $2.56 billion

INVESTMENTS INTO ISRAEL

Israel's investment environment is robust, characterized by significant foreign investment, a strong focus on R&D, and a high percentage of investment relative to GDP, all contributing to its status as a leading economy in the region. Israel's FDI inflows increased from 29.2% in 2022, now reaching USD 27.7 billion. The total stock of FDI stood at USD 235.1 billion, which is about 45% of the country's GDP.

Israel has bilateral investment treaties in force with Japan, Myanmar, Ukraine, Azerbaijan, Guatemala, China, Ethiopia, Serbia, Montenegro, Uruguay, Mongolia, Thailand, Belarus, Romania, Croatia, El Salvador, Armenia, Slovakia, South Korea, Cyprus, Slovenia, Czech Republic, Moldova, Turkey, Argentina, Kazakhstan, Albania, Georgia, Turkmenistan, Uzbekistan, Bulgaria, Lithuania, Estonia, Latvia, Germany, and Poland. Israel has signed a bilateral investment treaty with South Africa that is not yet in force.

Israel has free trade agreements with the European Union, European Free Trade Association, Turkey, Mexico, Canada, Jordan, Egypt, Panama, Ukraine, Colombia, the United Kingdom, South Korea, the United Arab Emirates, and Mercosur. Israel has signed a free trade agreement with Vietnam that is not yet in force.

Israel's investment environment is robust, characterized by significant foreign investment, a strong focus on R&D, and a high percentage of investment relative to GDP, all contributing to its status as a leading economy in the region.

FOREIGN DIRECT INVESTMENT IN ISRAEL

In 2024, Israel has started positively for Israel's FDI with substantial inflows, the country must navigate its complex geopolitical landscape to sustain and enhance foreign investment levels. Recently Israel experienced a significant increase in foreign direct investment, with inflows reaching approximately $134.46 billion. This marks a notable rise compared to previous periods, reflecting a robust interest from foreign investors despite geopolitical tensions.

Sectoral Focus and Investor Sentiment -

- **Sectoral Distribution:** The majority of FDI in Israel is directed towards manufacturing, particularly in electronics, information technology, and financial services. The high-tech sector, especially startups, continues to attract significant foreign capital.

- **Geopolitical Factors:** While Israel's liberal investment environment and a highly skilled workforce are appealing to investors, ongoing geopolitical tensions, particularly with Hamas, have raised concerns. These factors may influence investor confidence and the overall FDI climate.

The main sectors attracting FDI include

- **Manufacturing:** Electronics and Equipment: A significant portion of FDI is directed towards manufacturing, particularly in electronics equipment, including computers and telecommunications devices. This sector benefits from Israel's advanced technological capabilities and innovation.
- **Information and Communication Technology (ICT):** Israel is recognized as a global leader in the ICT sector, attracting substantial investments aimed at software development, IT services, and telecommunications. The high-tech ecosystem, characterized by numerous startups and established firms, continues to be a major draw for foreign investors.
- **Professional, Scientific, and Technical Services :** This sector encompasses a wide range of activities, including research and development (R&D), engineering, and consulting services. The presence of over 300 multinational companies with R&D centers in Israel underscores the country's reputation as a hub for innovation and scientific advancement.
- **Financial and Insurance Activities:** The financial sector, including banking and insurance, also attracts significant FDI. Israel's well-regulated financial system and its integration into global markets make it an appealing destination for foreign financial institutions.

- **Advanced Manufacturing :** There is a growing focus on advanced manufacturing, which includes high-end, low-volume production processes. This sector is supported by Israel's innovation in areas such as 3D printing and smart factory systems, making it attractive for multinational corporations looking to leverage cutting-edge technologies.

- **Consumer Electronics :** Chinese investments have notably increased in the consumer electronics space, reflecting the sector's growth potential and the demand for innovative products in global markets.

Permitted Sectors

- **Technology:** Israel is renowned as a global leader in various tech sectors, particularly cybersecurity, artificial intelligence, software development, and fintech. These areas continue to attract significant foreign investment.
- **Life Sciences:** The life sciences sector, encompassing pharmaceuticals, biotechnology, and medical devices, is another major focus for FDI in Israel. The country's advanced research capabilities and innovative healthcare solutions make it an attractive destination for investors.
- **Renewable Energy:** With a growing emphasis on sustainability, the renewable energy sector is gaining traction. Investments in solar energy, wind power, and other clean technologies are becoming increasingly prominent.
- **Agritech:** Given Israel's expertise in agricultural technologies, the agritech sector is also a significant focus for foreign investments, particularly in areas like water management and precision agriculture.

Prohibited Sectors

- **Trading with Enemy States:** The Trading with the Enemy Ordinance of 1939 prohibits Israeli individuals or entities from engaging in any commercial, financial, or other dealings with enemy states, such as Syria, Lebanon, and Iran, or with persons residing in or conducting business in these countries.

- **Defense Entities:** The Israeli government can designate certain companies as “defense entities” in which the government has a defense interest and impose restrictions on the control of such entities.

- **Key National Importance:** The government can also designate companies as being of key national importance and impose restrictions on the control of these entities.

Israel’s diverse economy, characterized by a high-skilled workforce and a strong emphasis on R&D, continues to attract foreign direct investment across these sectors. The government’s supportive policies and incentives further enhance the investment climate, although geopolitical challenges remain a consideration for potential investors.

ESTABLISHING A PRESENCE

Israel has a well-defined process for establishing a legal presence in the country, whether as a company, partnership, or non-profit organization. Here are the key points:

Incorporating a Company:

- A company must be registered at the Registrar of Companies, a relatively short and simple process.

- The total cost of setting up a corporation in Israel may reach US$ 2,000 and takes about two weeks.
- All Israeli companies must submit annual financial statements audited by an Israeli CPA.

Laws on Foreign Investment

- Israel has no unique laws concerning foreign investments or foreign investors
- There may be specific regulations for foreign investors in existing laws or legislations

Investment Incentives

- There are tax exemptions and forms of relief for foreign resident investors, such as exemption from capital gains tax under certain conditions

Creating a Permanent Establishment (PE)

- Any business activity carried out in Israel that has a permanent place of business and generates revenue is likely to be deemed as having created a "permanent establishment"
- The definition of a permanent establishment in Israel is in accordance with the OECD Model Tax Convention

Three cumulative conditions must be fulfilled for an activity to be considered a permanent establishment:

- There is a place of business in Israel, such as premises or machinery/equipment
- The business place is 'fixed', with a certain degree of permanence
- Management of the enterprise's business is done through this 'fixed' place

Company Obligation/Compliance Requirements

- An Israeli company must submit annual financial statements audited by an Israeli CPA
- These audited statements will include an audited statement of the adjustment of the reported income to taxable income for income tax purposes

Establishing a legal presence in Israel involves registering a company with the Registrar of Companies, complying with tax and reporting requirements, and potentially meeting the criteria for a permanent establishment under OECD guidelines. Foreign investors have access to certain tax incentives and exemptions.

MERGERS AND ACQUSITIONS

Israel regulatory environment for M&A is governed by several key laws and authorities, including the Companies Law, the Economic Competition Law, and the Income Tax Ordinance. The Israel Securities Authority (ISA) plays a crucial role in overseeing public M&A transactions, while other regulators like the Israel Tax Authority and the Israel Competition Authority are also involved.

Types of M&A Structures - Israeli law permits various structures for M&A transactions, including:

- **Statutory Merger:** Commonly used when both parties are Israeli companies.
- **Reverse Triangular Merger:** Often employed by foreign acquirers, where a foreign company establishes an Israeli subsidiary that merges with the target company.
- **Full Tender Offer:** A direct offer to all shareholders, typically used when a statutory merger is not feasible.
- **Court-Sanctioned Merger:** Requires court approval and is less commonly used.

While the Israeli M&A market faced challenges in recent past, it remains a dynamic environment with robust regulatory frameworks and a history of high-profile transactions. The ongoing interest from foreign investors, especially in the tech sector, suggests that Israel will continue to be a focal point for M&A activity in the future.

CAPITAL MARKET IN ISRAEL

Israel's capital market has evolved significantly over the decades, shaped by regulatory changes, economic challenges, and the emergence of the Tel Aviv Stock Exchange (TASE) as a central player.

Regulatory Framework in Israel capital market is governed by multiple regulatory bodies, including the Israel Securities Authority (ISA), which oversees the TASE, and other authorities responsible for banking, insurance, and capital markets. This multi-agency structure has been criticized for its complexity and inefficiency, prompting calls for consolidation to better address the evolving market landscape.

Market Capitalization in Israel reached approximately $264.1 billion (July 2024), showing a slight increase from $256.3 billion from previous month. This reflects fluctuations in market conditions and investor sentiment within the capital markets.

Israel's capital market regulation embodies a continuous negotiation between government intervention and free market principles. While significant strides have been made towards liberalization, the regulatory framework still reflects a hybrid model aimed at ensuring market integrity while promoting economic growth.

TAXATION IN ISRAEL

Overview of tax types and regulations in Israel

Income Tax - Israeli residents are taxed on their worldwide income, while non-residents are taxed only on their Israeli-sourced income. Income tax is imposed in graduated rates ranging up to 50%, with a 3% surtax applying on annual taxable income exceeding ILS 721,560.

The annual tax brackets for 2024 are as follows:

Annual taxable income (ILS)	Tax on column 1 (ILS)	Tax on excess (%)
0 - 84,120	0	10
84,121 - 120,720	8,412	14
120,721 - 193,800	13,536	20
193,801 - 269,280	28,152	31
269,281 - 560,280	51,551	35
560,281 - 721,560	153,401	47
Over 721,560	229,203	50

A minimum tax rate of 31% generally applies to certain classes of passive income not derived from business or employment earned by a taxpayer under age 60. There are no local taxes on income in Israel.

Corporate Tax - Israel-incorporated companies and foreign companies with a branch presence in Israel are both subject to Israeli corporate tax. The corporate tax rate is 23% in 2024.

Businesses must file their annual tax returns within five months after the end of their tax year, which is a calendar year unless a different schedule is requested.

Value-Added Tax (VAT) - VAT in Israel is applied to most goods and services, including imported goods and services. The current standard VAT rate is 17%. Certain items, such as exported goods and the provision of certain services to non-residents, are zero-rated. VAT on imported goods is levied on value plus customs duty, purchase tax, and other levies. Electronic filing of VAT is mandatory.

Withholding Tax-The withholding tax is 23% it may be reduced by applicable tax treaties and approval received by the tax authorities.

Tax Treaties

- **Existence of Treaties:** Israel has entered into tax treaties with several countries, including the United States, to prevent double taxation on income. These treaties establish rules for determining which country has the primary right to tax specific types of income, such as dividends, interest, and royalties.

- **Relief from Double Taxation:** Under these treaties, residents of the contracting states may claim tax credits or exemptions for taxes paid to the other country. For instance, a U.S. citizen living in Israel can claim a credit against their U.S. tax for taxes paid to Israel on income sourced there.

Taxation of Non-Residents

- **Income Source Principle:** Non-residents are only taxed on their Israeli-sourced income. This includes salaries earned from work performed in Israel and income from Israeli investments. Non-residents do not pay tax on income earned outside of Israel, which can significantly reduce their overall tax liability if they have income from multiple countries.
- **Capital Gains Tax Exemption:** Non-residents are exempt from capital gains tax on the sale of shares of Israeli companies traded on the Israeli stock exchange. This exemption can be advantageous for non-residents who invest in Israeli markets.

Filing Requirements

- **Tax Returns:** Non-residents with income accrued or derived in Israel must file an annual personal tax return unless tax has already been withheld at the source. This ensures that they comply with Israeli tax laws and can claim any applicable treaty benefits.

Israel utilizes tax treaties and specific provisions to mitigate double taxation for non-residents. By taxing only Israeli-sourced income and providing mechanisms for tax credits and exemptions, Israel aims to create a fair tax environment for non-residents while encouraging foreign investment and employment in the country. Non-residents should consult with tax professionals to navigate these rules effectively and ensure compliance.

TRANSFER PRICING

Israel has had transfer pricing regulations in place since 2006, which are outlined in Section 85A of the Israel Tax Ordinance (New Version), 1961 and the Income Tax Regulations (Determining Market Conditions) – 2006. The key aspects of transfer pricing in Israel are:

Arm's Length Principle - Any international transaction between related parties must be conducted at arm's length, with the price set in accordance with the arm's length principle.

Transfer Pricing Methods - Taxpayers must use one of the following methods, in order of hierarchy, to determine if a transaction is at arm's length:

- Comparable Uncontrolled Price (CUP) Method
- Cost Plus Method
- Resale Price Method
- Comparable Profit Method/Transactional Net Margin Method
- Transfer Pricing Documentation

Taxpayers must prepare detailed transfer pricing documentation, including a market conditions study, and submit relevant forms (1385 and 1485) with their annual corporate tax return. This documentation must be provided to the Israeli Tax Authorities within 60 days of a request.

Reporting Requirements - Taxpayers must include a special signed form (1385 Form and if required Form 1485) with their annual corporate tax return, detailing the related party transactions and declaring they were conducted at arm's length.

BEPS Action 13 - In 2022, Israel introduced transfer pricing legislation aligning with BEPS Action 13, requiring country-by-country reporting for multinational groups with consolidated revenue over ILS 3.4 billion, as well as master file and local file documentation.

Penalties - While there are no specific transfer pricing penalties, general tax penalties may apply for non-compliance.

Israel follows the OECD Transfer Pricing Guidelines and has an extensive tax treaty network. The Israeli Tax Authorities are increasingly scrutinizing transfer pricing arrangements, especially around restructurings, intellectual property migrations, and the treatment of stock option.

DOING BUSINESS IN JAPAN

INTRODUCTION

Japan's economy is characterized by a highly developed mixed structure, often referred to as an East Asian model. It ranks as the fourth-largest economy globally by nominal GDP and purchasing power parity (PPP). Japan's GDP for the fiscal year 2023-2024 is estimated to be approximately $6.287 trillion according to World Economics, which is notably higher than the official estimate of $5.735 trillion. This growth has been fueled by increased private consumption, supported by substantial wage increases averaging 5.17%, the highest in over three decades.

The Japanese government recognizes the importance of FDI for economic growth and has implemented initiatives to enhance the investment environment. The "Invest Japan" initiative, aims to attract foreign investment by providing support and information to potential investors. The government has set ambitious targets to increase inward FDI stock to 100 trillion yen by 2030, aiming to leverage foreign expertise and technology to revitalize the economy.

Japan is the world's third largest economy and continues to be a stable market both economically and politically. In recent years, the country has made efforts (albeit with some interruption during the COVID-19 pandemic) to attract more foreign talent and regional headquarters. With some reassessment of global supply chains and moves towards more regionalization, Japan is increasingly being viewed as an attractive location to invest in, and operate from, by numerous sectors. With certain traditional headquarters jurisdictions in Asia-Pacific facing political and economic uncertainty,

companies may wish to examine Japan as a potential base for their regional operations as well as expanding activities in the Japanese market.

INVESTMENTS INTO JAPAN

Japan presents a compelling investment landscape, characterized by significant economic reforms and a stable environment conducive to foreign investment. Here are key insights into investing in Japan:

a. **Strong Market Fundamentals:** Japan is the third-largest economy globally, with a robust GDP and a well-established infrastructure, making it a fertile ground for business operations.

b. **Innovation Ecosystem:** Japan ranks first in R&D capabilities, providing a solid foundation for technological advancements and innovation, which are crucial for competitive business operations.

c. **Human Resources:** The country boasts a highly skilled workforce, with a significant proportion of technicians and professionals, ensuring that businesses have access to top talent.

d. **Stable Business Environment:** Japan's efficient infrastructure, particularly in transportation and safety, enhances its attractiveness as a destination for foreign investment

Economic Environment and Reforms

a. **Abenomics and Growth Potential:** The economic policies known as Abenomics have successfully ended decades of deflation and are fostering strong economic growth. The return on equity (ROE) for Japanese stocks has nearly doubled since these reforms were implemented, making Japanese equities attractive compared to other markets.

b. **Demographic and Labor Reforms:** Japan is adapting to its aging population and low birth rates by introducing labor reforms that encourage the participation of women, retirees, and immigrants in the workforce. This shift is expected to drive innovation in automation, robotics, and healthcare sectors.

c. **Government Targets for Foreign Investment:** The Japanese government has set ambitious targets to double foreign direct investment (FDI) stocks to 80 trillion yen by 2030, aiming for FDI to constitute 12% of GDP. This initiative is part of a broader strategy to enhance the country's global economic integration and innovation capabilities

Japan's evolving economic landscape, supported by strong governmental initiatives and a commitment to innovation, positions it as an attractive destination for investors. With strategic investment approaches, such as mutual funds and active stock management, investors can effectively navigate the opportunities presented by this dynamic market.

ESTABLISHING A PRESENCE

International companies have several options to establish a presence in Japan, with branch offices being the simplest approach. Japan's history demonstrates its openness to foreign influence and economic partnerships. By understanding the legal requirements and historical context, companies can successfully enter the Japanese market.

Market Entry Options - Businesses have two primary routes for entering the Japanese market:

a) **Direct Exporting:** This involves selling products directly to Japanese consumers or businesses from abroad. It is generally simpler but may limit market engagement.

b) **Local Entity Setup:** Establishing a local presence through a Branch Office or a Subsidiary Company (Kabushiki-Kaisha or Godo-Kaisha) is often favoured. This approach enhances credibility and allows for better market penetration.

Types of Legal Entities

- **Branch Office:** Suitable for conducting commercial activities without the need for a complex management structure. Requires a local address and representative.
- **Subsidiary Company:** More formal structure with legal independence from the parent company. It can be a Kabushiki-Kaisha (KK) or Godo-Kaisha (GK), both of which offer limited liability protection.

Cultural Considerations - Understanding Japanese business culture is crucial. Key aspects include:

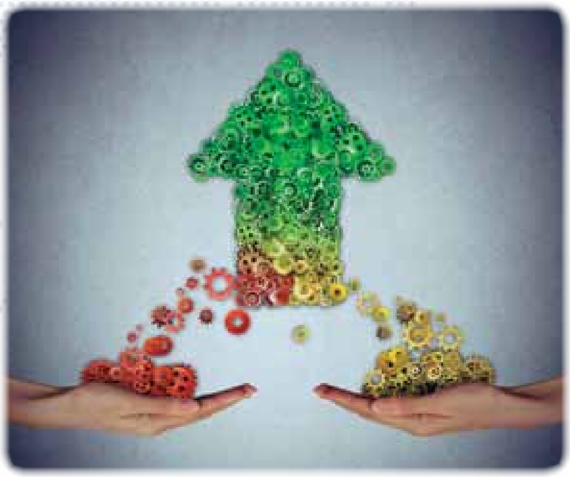
- **Formality and Respect:** Business interactions are typically polite and formal. Understanding hierarchy and showing respect through practices like exchanging business cards (Meishi) is essential.
- **Decision-Making:** The consensus-driven approach in Japanese companies may require patience, as decisions can take time due to the emphasis on harmony (Wa) and group agreement.
- **Language and Communication:** Basic proficiency in Japanese can facilitate smoother interactions. Hiring translators or local partners is advisable to navigate legal and operational complexities.

Legal and Tax Compliance - Consulting with local legal and tax experts is crucial to navigate Japan's regulatory landscape, including tax obligations and compliance with local laws.

Resources and Support - Utilize resources such as the Japan External Trade Organization (JETRO) for market information and support services. Networking with local industry associations and hiring consultants with expertise in the Japanese market can also provide valuable insights and connections.

Establishing a presence in Japan offers significant opportunities but requires careful planning and adaptation to local customs and business practices. A well-thought-out market entry strategy, combined with cultural awareness and strong local partnerships, can lead to long-term success in this dynamic market.

MERGERS AND ACQUISITIONS



In recent years, mergers and acquisitions (M&A) in Japan have shown significant growth, particularly in 2023, while the number of mergers and acquisitions (M&A) stood at 4,272, the total transaction amount reached 28 trillion yen, reflecting a significant increase of 25% compared to the previous year. This disproportionate change, characterized by a stable number of M&A transactions and a notable surge in transaction amounts, is analyzed as a recent trend marked by a rise in smaller-scale M&A activities among Small and Medium Enterprises (SMEs). Moreover, this trend is attributed to the limited number of successors within SMEs.

M&A - Current Trends

a. **Transaction Volume and Value:** In 2023, Japan recorded 4,272 M&A transactions, a decrease of 1.2% from 2022. However, the total transaction value surged to 28 trillion yen (approximately $123 billion), representing a 25% increase compared to the previous year. This disparity indicates a trend where fewer but larger deals are being made, particularly among small and medium-sized enterprises (SMEs) due to a lack of successors within these businesses.

b. **Types of Transactions:** The most common method for mergers in Japan is "merger by absorption," where shares are issued in the surviving company to the shareholders of the target company. Other methods include share acquisitions and business transfers, which are often chosen based on commercial and tax considerations.

c. **Management Buyouts (MBOs):** There has been a notable increase in management buyouts, driven by pressures from investors and the need for companies to enhance their corporate governance and return on equity. In 2023, MBOs accounted for a significant portion of the M&A activity, with total deal values reaching 1.4 trillion yen ($8.8 billion).

d. **Cross-Border Activity:** While inbound M&A transactions have seen a decline, outbound deals have increased significantly. Notable transactions include Nippon Steel's proposed acquisition of US Steel for over 2 trillion yen ($12.5 billion) and Astellas' acquisition of Iveric bio for over 800 billion yen ($5 billion). The weak yen and low interest rates have made Japanese assets more attractive to foreign investors.

e. **Regulatory Environment:** The Japan Fair Trade Commission oversees M&A approvals, and companies must comply with the Corporation Law and the Foreign Exchange and Foreign Trade Law. Recent guidelines have encouraged unsolicited offers for listed companies, which were traditionally approached with caution in Japan.

While the number of M&A transactions in Japan has slightly declined, the total value of these deals has increased significantly, reflecting a strategic shift towards larger, more impactful transactions, particularly among SMEs and in cross-border activities.

CAPITAL MARKET IN JAPAN

Japan's capital markets offers a wide range of financial instruments, including equities, bonds, and real estate investment trusts (REITs). The market is recognized for its depth and connectivity, making it one of the most dynamic in the world.

Key Components

a. **Equity Markets:** The Tokyo Stock Exchange (TSE) is the primary venue for equity trading, hosting a diverse array of companies. The market has been influenced by various factors, including global economic conditions and domestic policies.

b. **Bond Markets:** Japan has a substantial bond market, including government bonds and corporate bonds. The trading volume in this sector is significant, reflecting the country's robust financial infrastructure.

c. **Real Estate Investment Trusts (J-REITs):** The J-REIT market has experienced fluctuations, particularly a decline in performance since mid-2021. Despite this, the average dividend yield for J-REITs has increased, attracting investor interest.

Recent Trends

a. **Performance Decline:** J-REITs have seen a downward trend, with notable declines in 2022, 2023, and early 2024. This has led to a shift in investor focus towards equities, particularly as the Bank of Japan exited negative interest rate policies in March 2024, potentially revitalizing the REIT market.

b. **ESG Movement:** There is a growing emphasis on environmental, social, and governance (ESG) factors within the investment community. Many J-REITs are now incorporating renewable energy assets and pursuing green financing options, reflecting a broader trend towards sustainability in investment practices.

c. **Market Regulations:** The regulatory framework governing Japan's capital markets is comprehensive, with various authorities overseeing compliance and investor protection. The Japan Securities Dealers Association (JSDA) plays a key role in promoting market integrity and facilitating international engagement.

Regulatory Environment - Japan's capital markets are regulated by multiple bodies, including the Financial Services Agency (FSA) and the Bank of Japan. Key regulations cover aspects such as insider trading, securities offerings, and corporate governance. Companies seeking to list on the TSE must adhere to stringent requirements, ensuring transparency and accountability to investors.

Japan's capital markets are integral to its economic landscape, characterized by a diverse range of financial instruments and a robust regulatory framework. While recent trends indicate challenges, particularly in the J-REIT sector, the overall market remains dynamic and responsive to both domestic and global economic shifts. As Japan continues to adapt to changing financial conditions, the capital markets are likely to evolve, incorporating new trends such as ESG investing and innovative financial products.

TAX SYSTEM IN JAPAN

Japan's tax system underwent significant reforms in 2024 to address key priorities such as sustaining wage growth, strengthening supply capacity, and responding to economic and social structural changes. Here are the major highlights of the 2024 tax reform:

Individual Income Taxation - personal income tax system is progressive, with rates varying based on income levels. The national income tax rates (2024-25) are structured as follows:

Taxable Income (JPY)	Tax Rate (%)
less than 1.95 million	5
1.95 to 3.3 million	10
3.3 to 6.95 million	20

6.95 to 9 million	23
9 to 18 million	33
18 to 40 million	40
more than 40 million	45

In addition to the national income tax, residents are subject to local inhabitant taxes, which typically consist of a flat rate of 10% (4% for prefectural and 6% for municipal taxes) on taxable income. This local tax is based on the previous year's income and is assessed by local governments.

Corporate Taxation - The corporate tax rate in Japan is around 23% at the national level, with an additional 5-10% local tax rate. The total tax rate varies depending on the bracket of taxable income:

Bracket of Taxable Income (JPY)	4 million	4~8 million	8 million
Total Tax Rate (%)	**22.40**	**24.86**	**36.80**

The national corporate tax rate in Japan averages 23%, which is at a relatively moderate level compared to other countries.

Withholding Tax – Japan's withholding tax rates vary depending on the type of income and whether the recipient is a resident or non-resident. Here are the key rates for different categories:

General Withholding Tax Rates

a. Dividends: Domestic Rate: 20.42% (including a special surtax of 2.1%)

b. Reduced Treaty Rate: 10%

Interest -

- **Domestic Rate:** 20.42% (including surtax)
- **Reduced Treaty Rate:** 10% (often applicable to debentures, deposits, and bonds)

Royalties (including copyrights and patents) -

- **Domestic Rate:** 20.42% (including surtax)
- **Reduced Treaty Rate:** 10%

Service Fees (including management and technical services) -

- **Domestic Rate:** 20.42% (including surtax)
- **Reduced Treaty Rate:** 10% (if applicable under tax treaties)

The special additional surtax of 2.1% applies to the withholding tax rates for the period from January 1, 2013, to December 31, 2037. This surtax is not applicable if a reduced rate is provided under a tax treaty.

Summary of Withholding Tax Rates -

Income Type	Domestic Rate	Treaty Rate
Dividends	20.42%	10%
Interest	20.42%	10%
Royalties	20.42%	10%
Service Fees	20.42%	10%

These rates are subject to changes based on tax treaties and specific circumstances, so it's advisable for individuals and businesses to consult tax professionals for detailed guidance tailored to their situations.

International Taxation

- Gradual legislation of the global minimum tax (GMT)
- Revision of top-up tax assumed as corporate tax, qualified capital contributions in kind, and Japanese Controlled Foreign Company (J-CFC) rules
- Establishment of a reporting system for the automatic exchange of information requests related to crypto asset transactions of non-residents

Consumption Taxation - Introduction of platform taxation, Revision of tax-exempt enterprise system used by foreign businesses and simplified taxation rules, Revision of consumption tax exemption rules for foreign tourists planned for the 2025 tax reform.

Other Reforms

- Strengthening of the startup ecosystem by raising the upper limit of the total exercise price of stock acquisition rights
- Revision of the tax-free system for foreign tourists to prevent fraudulent resale
- Tax measures to secure financial resources for strengthening defense capabilities, including raising the national tobacco tax rate

The 2024 tax reform aims to promote economic growth, support families with children, encourage innovation, and address global challenges facing Japan. The reforms are expected to have a significant impact on individuals, businesses, and the overall economic landscape in Japan.

TRANSFER PRICING

Japan has established a robust framework for transfer pricing, with legislation in place since 1986. The primary legal basis is found in the Act on Special Measures Concerning Taxation (ASMT), specifically Articles 66-4 and 68-88, which mandate that transactions between related parties must be conducted at arm's length prices. This means that the prices should reflect those that would be agreed upon between unrelated parties under comparable circumstances.

Key Features of Japanese Transfer Pricing Regulations

a) **Arm's Length Principle:** The core of Japan's transfer pricing rules is the arm's length principle, which requires that intercompany transactions be priced as if they were between unrelated parties. This principle is crucial for preventing profit shifting to low-tax jurisdictions.

b) **Advance Pricing Agreements (APAs):** Japan offers a system of APAs, which allows companies to agree in advance with tax authorities on the transfer pricing methods to be used for specific transactions. This process requires comprehensive documentation but can provide certainty and reduce the risk of disputes with tax authorities.

c) **Documentation Requirements:** Companies must maintain detailed documentation to support their transfer pricing practices. Failure to comply can result in penalties and adjustments by the National Tax Agency (NTA).

d) **Methods of Valuation:** The NTA recognizes various methods for establishing transfer prices, including the Comparable Uncontrolled Price (CUP) method, Cost Plus method, and the Resale Price method. Recently, the Discounted Cash Flow (DCF) method has been formalized for valuing hard-to-value intangibles.

e) **Statute of Limitations:** The period for the NTA to reassess transfer pricing has been extended from six to seven years, allowing for more thorough evaluations of transactions.

f) **Penalties for Non-compliance:** Companies that fail to adhere to transfer pricing regulations may face significant penalties, including adjustments to taxable income and fines for insufficient documentation.

Japan's transfer pricing regime is characterized by strict adherence to the arm's length principle, comprehensive documentation requirements, and a proactive approach to international compliance. Companies operating in Japan must navigate these regulations carefully to avoid penalties and ensure compliance with both domestic and international tax laws.

DOING BUSINESS IN MALAYSIA

INTRODUCTION

Malaysia is positioning itself as an attractive destination for business in 2024, with a focus on digital and ESG (Environmental, Social, and Governance) investments. The country's economy is projected to grow by approximately 4.2% in the first quarter of 2024, supported by a rebound in private expenditure and exports. Below are key aspects to consider when doing business in Malaysia in 2024.

Economic Overview

a) **Growth and Inflation:** Malaysia's GDP growth is expected to range from 4% to 5% for the year, with inflation projected to remain moderate between 2% and 3.5%.

b) **Trade Agreements:** The country has ratified several significant trade agreements, including the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which enhance its trade relations globally.

Business Environment

a) **Investment Hub:** Malaysia is increasingly recognized as a hub for investments, particularly in technology and manufacturing sectors. The government is actively nurturing high-value industries such as aerospace, electronics, and pharmaceuticals through initiatives like the New Industrial Master Plan 2030 (NIMP 2030).

b) **Workforce:** The nation boasts a diverse and multilingual workforce, which is a significant advantage for businesses looking to operate in a global market.

Starting a Business- Starting a business in Malaysia involves several structured steps:

a) **Define Your Business Idea:** Conduct market research and develop a solid business plan.

b) **Choose a Business Structure:** Options include sole proprietorship, partnership, and various types of companies (e.g., private limited, public limited) with specific legal requirements for foreign entities.

c) **Register Your Business:** The registration process is managed by the Suruhanjaya Syarikat Malaysia (SSM), which requires a unique business name and compliance with local regulations.

d) **Obtain Necessary Permits:** Depending on the business type, different licenses and permits may be required, including those related to health, safety, and environmental regulations.

e) **Engage with Government Agencies:** Agencies like the Malaysian Investment Development Authority (MIDA) and the Ministry of Entrepreneur Development and Cooperatives (MEDAC) provide support for entrepreneurs, including financial assistance and training.

Key Industries in Malaysia

a) **Manufacturing and Exports:** The manufacturing sector is a cornerstone of Malaysia's economy, with significant contributions from electronics, automotive, and chemicals. The output in the manufacturing market is expected to reach approximately USD 726.9 billion in 2024, indicating a robust growth trajectory.

b) **Services Sector:** The services sector has also shown resilience, with substantial growth in areas like wholesale and retail trade, transportation, and information technology.

Malaysia economic conditions, strategic location, and supportive government policies, Malaysia presents a promising landscape for businesses in 2024. Entrepreneurs and investors are encouraged to leverage the available resources and partnerships to navigate the market effectively.

INVESTMENTS INTO MALAYSIA

Malaysia has become an increasingly attractive destination for foreign investment, with significant developments reported in 2024.

Potential Foreign Investments: As of March 2024, Malaysia has attracted potential foreign investments totaling RM76.1 billion. This achievement is attributed to successful trade missions in Australia, Germany, and France, as well as efforts to ensure political stability and clarity in economic policies. Prime Minister Anwar Ibrahim noted that the country aims to expedite project approvals to further enhance its investment landscape.

The Malaysian economic growth is projected to grow between 4.0% and 5.0% in 2024, following a GDP growth of 3.7% in 2023. Factors contributing to this positive outlook include a decrease in the unemployment rate and signs of recovery in export performance.

Investment Climate: In 2023, Malaysia reported $69.5 billion in approved investments, with $39.7 billion in actual foreign investments. The country is recognized for its robust investment climate, which is bolstered by strong legal protections for investors and a diverse economy that offers numerous growth opportunities across various sectors.

There is a large presence of foreign companies (5,000+) from more than 50 countries in Malaysia, with a cumulative investment (FDI stock) of MYR926.3 billion, as at December 2023.

These developments indicate that Malaysia is positioning itself as a key player in attracting foreign investments, particularly in technology and infrastructure, while maintaining a favorable economic environment.

ESTABLISHING A PRESENCE

Establishing a business presence in Malaysia involves understanding the legal framework, business structures available, and the benefits of operating in this dynamic economy.

Foreigners can choose from several legal structures when establishing a business in Malaysia

a) **Private Limited Company (Sdn.Bhd.):** This is a popular choice for foreign investors, allowing 100% foreign ownership in most sectors, although some industries require Malaysian partners.

b) **Branch Office:** This operates as an extension of a foreign company and can engage in the same activities as the parent company. However, the parent company is liable for the branch's debts.

c) **Representative Office:** This type of office is suitable for companies looking to explore the market without engaging in direct commercial activities. It can conduct market research and promotional activities but cannot generate revenue.

d) **Limited Liability Partnership (LLP):** This structure combines elements of partnerships and corporations, allowing foreign ownership without residency requirements for all partners, though compliance officers must be residents.

e) **Joint Venture:** A foreign investor can partner with a Malaysian entity, which typically requires at least 50% local ownership.

Requirements for Establishing a Business - To set up a business in Malaysia, foreign entrepreneurs must meet specific criteria:

a) **Age and Residency:** Individuals must be at least 18 years old and, for certain structures, must reside in Malaysia.

b) **Documentation:** Key documents include identification, proof of address, business plans, and a proposed company name.

c) **Company Registration:** Businesses must register with the Companies Commission of Malaysia (SSM), which involves submitting various forms and paying registration fees.

d) **Minimum Capital Requirements:** While there is no minimum capital requirement for some business types, a Private Limited Company typically requires a minimum paid-up capital ranging from RM 350,000 to RM 1 million, depending on the business activity.

Companies (Amendment) Act 2024 in Malaysia introduces significant changes that impact foreign investors and their ability to establish and operate businesses in the country. Here are the key benefits and implications for foreign identities under this new legislation:

Key Benefits for Foreign Investors

a) **100% Foreign Ownership:** Foreign investors can set up a Sendirian Berhad (private limited company) with up to 100% foreign ownership. This structure allows for full control over the business without the need for local partners.

b) **Simplified Registration Process:** The process for registering a company in Malaysia has been streamlined, making it easier for foreigners to establish a business. This includes fewer bureaucratic hurdles and support from local consultants to navigate the requirements.

c) **Conducive Business Environment:** Malaysia offers a favorable business climate characterized by low startup costs, affordable rental expenses, and no withholding taxes on dividends paid to foreign entities. This makes it an attractive destination for foreign investment.

d) **Beneficial Ownership Reporting:** The new amendments require companies to maintain a register of beneficial owners, enhancing transparency and compliance. Foreign companies must now provide information about their beneficial owners during registration, which aligns with global standards for corporate governance and anti-money laundering efforts.

e) **Electronic Beneficial Ownership System:** The introduction of the e-BOS System facilitates the reporting and management of beneficial ownership information, making it easier for companies, including foreign entities, to comply with regulatory requirements.

Compliance Requirements

a) **Resident Director:** Foreign companies must appoint at least one director who is a resident of Malaysia. This requirement ensures that there is a local presence in the management of the company.

b) **Beneficial Ownership Information:** Companies are now required to disclose detailed information about their beneficial owners, including identification details and the nature of their control over the company. This information must be updated regularly and reported to the Companies Commission of Malaysia (CCM) within specified timelines.

c) **Access to Information:** While the beneficial ownership register is not publicly accessible, certain authorities, such as law enforcement and regulatory bodies, may access this information to ensure compliance with laws and regulations.

Establishing a presence in Malaysia offers numerous advantages for foreign investors, including a favorable economic environment and various business structures tailored to different needs. Understanding the legal requirements and available business forms is crucial for successfully navigating the Malaysian market. Engaging local corporate service providers can facilitate the incorporation process and ensure compliance with local regulations.

MERGERS AND ACQUISITIONS

Mergers and acquisitions (M&A) in Malaysia offer a variety of transactions aimed at consolidating companies or assets. Certain sectors, particularly consumer and financial services, have remained active, accounting for a significant portion of M&A activities.

Key Aspects of M&A in Malaysia

Regulatory Framework - The M&A process in Malaysia is regulated by several key laws, including:

- Companies Act 2016
- Capital Markets and Services Act 2007
- Contracts Act 1950

These laws govern various aspects of M&A transactions, including the transfer of shares, acquisition of business assets, and compliance with regulatory requirements set by the Securities Commission of Malaysia (SC) and Bursa Malaysia.

Recent Developments - Securities Commission (SC) amended the rules governing M&As to enhance flexibility and transparency. Key changes include:

- Revised requirements for pre-conditional offer announcements.
- Restrictions on dealings before an offer is made to prevent insider trading.
- New regulations regarding favorable deals related to financial assistance for share acquisitions.

Market Trends - The M&A market in Malaysia is increasingly influenced by private equity firms and the insurance sector. The government has relaxed regulations for foreign investors, aiming to attract more participation in the M&A landscape. Notably, M&A transactions valued above MYR 20 million that affect local ownership may require approval from the Economic Planning Unit.

Transaction Process - The typical stages in an M&A transaction include:

- **Pre-bid:** Conducting due diligence on the target company.
- **Bid Notice:** Issuing a written notice to the target company and shareholders.

- **Takeover Offer:** Making a formal offer to the target company's board, which must include specific conditions and information as per SC guidelines.

Overall, while the M&A activity in Malaysia has seen ups and downs, the government's initiatives and regulatory adjustments are aimed at fostering a more conducive environment for both local and foreign investors.

CAPITAL MARKET IN MALAYSIA

The capital market in Malaysia is robust, encompassing various instruments including equities, bonds, and derivatives. Bursa Malaysia serves as the primary exchange, offering a platform for trading these financial instruments. It also features a comprehensive suite of products such as Exchange Traded Funds (ETFs) and derivatives, catering to diverse investment needs Malaysia's capital market is experiencing significant developments and trends that are shaping its landscape.

Capital Inflows and Investment Climate- Malaysia is projected to see over RM170 billion in capital inflows, representing a substantial 71% increase in foreign investment. This influx is attributed to the country's strategic location, access to Southeast Asian markets, and a favorable investment climate. The Capital Markets & M&A Forum 2024 highlighted these trends, focusing on fostering collaboration and exploring investment strategies that leverage international markets.

Debt Capital Market Activity- The Malaysian debt capital market (DCM) is also on an upward trajectory, with Fitch Ratings anticipating an increase in issuance due to the need for funding diversification and refinancing. By mid-2024, the DCM is expected to surpass USD 550 billion, primarily driven by sukuk (Islamic bonds) issuance, although a slowdown in activity is anticipated in the latter half of the year.

Overall, the Malaysian capital market in 2024 is characterized by robust foreign investment inflows, a growing debt market, and active discussions among financial professionals aimed at navigating challenges and seizing opportunities. The ongoing collaboration among stakeholders is crucial for sustaining growth and enhancing the market's global competitiveness.

Malaysia's financial market is marked by a strong recovery post-pandemic, ongoing reforms, and a promising outlook for future growth, supported by a stable banking system and a dynamic capital market.

TAXATION IN MALAYSIA

The tax system in Malaysia is structured around a combination of progressive income tax rates for individuals and corporate tax rates for businesses, alongside various indirect taxes.

Personal Income Tax - Personal income tax in Malaysia is imposed on the income earned by individuals, including salaries, wages, dividends, and interest. The system is progressive, meaning that tax rates increase with higher income levels. Individuals become tax residents if they reside in Malaysia for 182 days or more in a calendar year.

Tax Rates for the year of assessment 2023, the personal income tax rates for resident individuals are as follows:

Chargeable Income (RM)	Tax Rate (%)
Up to 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	6
50,001 - 70,000	11
70,001 - 100,000	19
100,001 - 250,000	24
250,001 - 400,000	25
400,001 - 600,000	26
600,001 - 2,000,000	28
Above 2,000,000	30

For non-resident individuals, a flat tax rate of 30% applies to all taxable income.

Taxable Income and Deductions - Taxable income includes various sources such as employment income, business profits, dividends, and rental income. Residents can claim various deductions and reliefs, such as for self, spouse, and children, which can reduce their taxable income.

Corporate Tax - Corporate income tax in Malaysia is levied on the profits of companies operating within the country. The standard corporate tax rate is 24% for both resident and non-resident companies. However, small and medium-sized enterprises (SMEs) may benefit from lower rates on the first RM600,000 of chargeable income.

Tax Rates - The corporate tax rates are structured as follows:

Type of Company	Tax Rate (%)
Resident company (standard)	24
Resident company (SME, first RM600,000)	17 (for the first RM600,000)
Non-resident company	24

Additionally, companies with chargeable income exceeding RM100 million are subject to an additional 9% prosperity tax, raising their total tax rate to 33%.

Withholding Tax Treaties in Malaysia - Malaysia has concluded double tax treaties with several countries that provide reduced withholding tax rates on certain types of payments made to residents of those countries. Here are the key points about withholding tax treaties in Malaysia:

Withholding Tax Rates Under Treaties- The following are the standard withholding tax rates in Malaysia:

Dividends: 0%
Interest: 15%
Royalties: 10%
Technical fees: 10%

However, the rates may be reduced under applicable tax treaties. For example:

Interest paid to a non-resident by banks operating in Malaysia is exempt from tax, except for interest accruing to the non-resident's place of business in Malaysia and interest paid on funds required to maintain "networking funds"

Certain other interest paid to a non-resident also may be exempt from withholding tax, including interest paid on securities issued by the Malaysian government.

Indirect Taxes - Malaysia employs a Sales and Service Tax (SST) system, replacing the Goods and Services Tax (GST) in 2018. The sales tax is generally set at 10%, while the service tax is 6%.

The Malaysian tax system is characterized by a progressive personal income tax structure and a standard corporate tax rate, with various allowances and deductions available to both individuals and businesses. Understanding these tax obligations is crucial for compliance and effective financial planning in Malaysia.

TRANSFER PRICING

Malaysia, transfer pricing is governed by the Income Tax Act 1967, specifically Section 140A, and the newly introduced Income Tax (Transfer Pricing) Rules 2023. These regulations are designed to ensure that transactions between related entities are conducted at arm's length, meaning the prices should reflect those that would be charged between unrelated parties under similar circumstances. The Key requirement follows herewith -

a) **New Rules and Documentation Requirements:** The Income Tax (Transfer Pricing) Rules 2023, effective from May 29, 2023, replace the previous 2012 rules and introduce several significant changes -

b) **Contemporaneous Documentation:** Taxpayers are required to prepare transfer pricing documentation before the due date for filing tax returns. This documentation must include detailed analyses and the date of preparation must be stated.

c) **Enhanced Documentation Requirements:** The new rules emphasize the need for robust transfer pricing analyses and accurate delineation of controlled transactions based on economically relevant characteristics for comparability analysis.

d) **Arm's Length Range:** The rules establish an arm's length range for determining prices in controlled transactions, which is defined as between the 37.5 percentile and 62.5 percentile of comparable data.

e) **Compliance and Penalties:** All entities involved in controlled transactions must comply with these transfer pricing regulations, which apply to both domestic and international transactions. Taxpayers whose gross income exceeds RM 25 million or whose related party transactions exceed RM 15 million are required to prepare full transfer pricing documentation. Failure to comply can result in penalties ranging from RM 20,000 to RM 100,000, and potential imprisonment for up to six months.

Importance of Transfer Pricing

Transfer pricing plays a crucial role in tax compliance and strategic tax planning for multinational corporations. By setting appropriate transfer prices, companies can manage their tax liabilities effectively. However, it is essential that these prices reflect market realities to avoid tax evasion allegations and ensure accurate tax assessments.

The introduction of the Income Tax (Transfer Pricing) Rules 2023 marks a significant shift in Malaysia's approach to transfer pricing, focusing on transparency and compliance. Companies operating in Malaysia must ensure they have robust documentation and adhere to the arm's length principle to mitigate risks associated with tax audits and penalties.

DOING BUSINESS IN NEPAL

INVESTMENTS INTO NEPAL

Nepal presents a range of investment opportunities across various sectors, driven by its strategic location between India and China, favourable trade agreements, and a liberal investment policy.

Key Investment Sectors

a) **Hydropower:** Nepal has immense hydropower potential, estimated at around 83,000 MW, with 44,000 MW considered economically feasible. Currently, only 528 MW is being generated. This sector is a primary focus for foreign investment, with several projects underway aimed at both domestic consumption and export to neighbouring countries.

b) **Tourism:** The country is renowned for its natural beauty and cultural heritage, including iconic sites like Mount Everest and Lumbini, the birthplace of Buddha. Tourism infrastructure is a growing area for investment, with significant potential for development.

c) **Agriculture and Agro-based Industries:** Given its diverse climatic conditions, Nepal can produce a variety of agricultural products, including medicinal herbs and high-quality tea. The government encourages investments in agro-processing and related industries.

d) **Manufacturing and Construction:** The manufacturing sector is expanding, with opportunities in textiles, apparel, and construction-related industries. The construction sector is particularly booming, driven by infrastructure development needs.

e) **Mineral Resources:** Nepal has abundant mineral resources, including limestone, which offers prospects for cement and other mineral-based industries. This sector is also open to foreign investment.

The Nepal Government working to change climate to attract foreign direct investment (FDI) with major policy changes, including -

a) **Foreign Investment and Technology Transfer Act:** This act encourages foreign investment and ensures protection against nationalization.

b) **One-Stop Service Centre:** The Investment Board of Nepal (IBN) offers streamlined services for investors, facilitating approvals and project implementation.

Nepal's investment landscape is characterized by significant potential in hydropower, tourism, agriculture, and manufacturing, supported by government policies aimed at fostering a conducive environment for foreign investors. However, addressing structural challenges will be crucial for realizing this potential effectively.

ESTABLISHING A PRESENCE

Nepal open their territory for foreign investors looking to establish a business presence in the country. Here are the main approaches:

a. **Incorporating a Limited Liability Company -** Foreign investors can establish a limited liability company in Nepal, either as a joint venture with Nepalese partners or as a 100% foreign-owned enterprise. The minimum number of shareholders for a private limited company is one, up to a maximum of 101. Public limited companies require a minimum of seven shareholders and a paid-up capital of at least 10 million Nepalese rupees.

b. **Setting Up a Branch Office -** A foreign company can establish a branch office in Nepal if it plans to conduct business activities for at least one continuous month. The branch office must carry out the same business activities as the parent company in its home country. Specific government approvals are required, depending on the nature of the business.

c. **Establishing a Liaison Office -** A foreign company can set up a liaison office in Nepal to serve as a point of contact and maintain liaison on behalf of the parent company. Liaison offices are not allowed to undertake any income-generating or advertising activities. No specific government approvals are required to establish a liaison office.

d. **Appointing a Local Agent -** Foreign companies can appoint a local agent in Nepal to distribute their products through an agency or distributorship agreement. This option is suitable for foreign companies that do not want to invest directly in Nepal but still want to access the local market.

When establishing a business presence in Nepal, it's crucial to comply with the Foreign Investment and Technology Transfer Act (FITTA) and obtain necessary approvals from relevant government authorities. Additionally, understanding the local market, industry trends, and consumer behavior can help guiding businesses safe route.

MERGERS & ACQUISITIONS

Mergers and acquisitions (M&A) in Nepal are primarily regulated by the Companies Act of 2063 and various bylaws established by the Nepal Rastra Bank (NRB). These regulations aim to facilitate the consolidation of businesses while ensuring fair competition and preventing monopolistic practices.

a) **Merger -** A merger involves the combination of two or more companies to form a new entity or integrate into an existing one. This process is subject to approval from the Office of the Company Registrar (OCR), which assesses potential impacts on market competition and public interest.

- **Horizontal Merger:** Companies in the same industry combine.
- **Vertical Merger:** Companies at different stages of production or distribution merge.
- **Conglomerate Merger:** Companies in unrelated industries come together.

b) **Acquisition -** An acquisition occurs when one company purchases a controlling interest in another, either by acquiring shares or specific assets. The distinction between mergers and acquisitions is often blurred, as both result in the consolidation of assets and liabilities.

- **Asset Acquisition:** Purchasing specific assets and liabilities.
- **Stock Acquisition:** Buying shares to gain full ownership.

The legal framework governing M&A in Nepal includes:

a) Companies Act, 2063

b) Merger Bylaws, 2068

c) Acquisition Bylaws, 2068

d) Merger and Acquisition Bylaws, 2073

These laws detail the procedures for conducting mergers and acquisitions, including the requirement for a special resolution from shareholders, application submission to the OCR, and subsequent evaluation and approval processes.

Tax Implications - The Income Tax Act of Nepal does not explicitly define mergers and acquisitions but refers to them as amalgamations. The tax implications are significant, particularly regarding the taxability of assets and liabilities transferred during M&A transactions. The Act imposes taxes on both the company and its shareholders, which can deter M&A activities outside the banking and insurance sectors.

Current Trends in the Banking Sector in Nepal has seen a notable increase in M&A activities, driven by regulatory pressures to consolidate due to rising capital requirements and the need for operational efficiency. As of mid-2016, 96 Banking and Financial Institutions (BFIs) had merged to form 35 entities, reflecting a trend towards creating larger, more competitive banks. The NRB has actively encouraged these mergers to enhance the stability and efficiency of the financial system, especially in light of the challenges faced by smaller institutions.

Mergers and acquisitions in Nepal are essential for fostering competitiveness and improving the operational efficiency of businesses, particularly in the banking sector. While the regulatory framework is in place to guide these processes, the existing tax laws pose challenges that could limit M&A activities outside specific industries. Continued reforms and supportive policies from the government are necessary to promote a more favorable environment for M&A in Nepal.

CAPITAL MARKET IN NEPAL

The capital market in Nepal began to take shape with the establishment of the Securities Exchange Center in 1976, which was later transformed into the Nepal Stock Exchange

(NEPSE) in 1993. This transition was crucial for the formalization and regulation of stock trading in the country. The Securities Exchange Act of 1983 laid the groundwork for market operations and investor protection, leading to the establishment of 'Securities Board of Nepal' SEBON as the regulatory body.

The capital market consists of both primary and secondary markets. In the primary market, new securities are issued to investors, while the secondary market allows for the trading of existing securities. This dual structure enhances liquidity and encourages investment by providing investors with the ability to quickly buy and sell their holdings.

Current State and Challenges, the Nepalese capital market is still developing and faces several challenges:

a) **Limited Investor Participation:** A significant portion of the population lacks awareness and understanding of capital market operations, which hinders broader participation.

b) **Regulatory Issues:** Although regulations exist, their implementation is often inconsistent, affecting investor confidence and market integrity. Issues such as lack of transparency and inadequate corporate disclosures have been noted as critical areas needing improvement.

c) **Market Volatility:** The market has experienced fluctuations in turnover value and market capitalization, indicating instability that can deter investment.

Future Prospects designed by the government and regulatory bodies are focusing on enhancing the capital market's infrastructure, promoting investor education, and improving regulatory frameworks. These efforts aim to attract both domestic and foreign investments, which are crucial for the market's growth and the overall economic development of Nepal.

While the capital market in Nepal has made significant strides since its inception, ongoing efforts are required to address existing challenges and fully realize its potential as a cornerstone of the country's financial system.

TAXATION IN NEPAL

Nepal's tax system comprises various taxes that apply to individuals and businesses, with a structure that has been a subject of debate, particularly regarding its equity and effectiveness.

Overview of the Tax System

a. **Income Tax:** The normal corporate tax rate is 25%, but it varies by sector:

- **Hydropower:** 20%
- **Banks and financial institutions:** 30%
- **Dividend tax** is set at 5%, while capital gains tax on shares of non-listed companies is 10% for individuals and 15% for entities.

b. **Value Added Tax (VAT):** A standard VAT rate of 13% applies to most goods and services.

c. **Withholding Taxes:** Various payments are subject to withholding taxes, including:

- Royalties: 15%
- Rent: 10%.

d. **Custom Duties:** These are imposed based on the nature of imported goods, as defined by the Fiscal Act each year.

e. **Tax Filing and Compliance :** Tax returns in Nepal are filed under a self-assessment system, requiring certification by an auditor and submission along with audited accounts within specified deadlines.

f. **Economic Implications:** The private sector argues that the current flat tax model does not adequately support economic growth and investment. They advocate for competitive tax rates to mitigate smuggling and enhance local production capabilities. Concerns have been raised about the stability of tax policies, which can deter investment due to fears of sudden changes with new government administrations.

Nepal's tax system is characterized by a mix of corporate and individual taxes, VAT, and various withholding taxes. While it aims to generate revenue, the system's regressive nature and the challenges it poses to economic growth have prompted calls for reform. The ongoing discussions highlight the need for a tax structure that balances revenue generation with fairness and economic stimulation.

TRANSFER PRICING

Transfer pricing in Nepal is governed primarily by the Income Tax Act of 2002, which includes provisions aimed at ensuring that transactions between associated enterprises are conducted at arm's length. This principle is crucial for fair taxation, particularly in the context of increasing foreign direct investment and globalization.

Overview of Transfer Pricing Provisions

Legal Framework

a. **Income Tax Act, 2058 (2002):** The Act incorporates provisions related to transfer pricing, specifically in Section 33, which allows the Inland Revenue Department

(IRD) to adjust the taxable income of associated persons to reflect what it would have been if the transactions had been conducted at arm's length. This includes the authority to:

- Re-characterize the source and type of income or payments.
- Allocate costs incurred by one person that benefit associated persons based on their business turnover.

b. **Arm's Length Principle:** This principle mandates that the pricing of transactions between related parties should be consistent with the pricing that would be charged between unrelated parties under similar circumstances. However, while the Act outlines the need for arm's length pricing, it lacks detailed regulations on how to practically apply this principle in various scenarios.

Current Practices and Challenges - Despite the legal framework, the implementation of transfer pricing regulations in Nepal faces several challenges:

a) **Lack of Detailed Guidelines:** There are no specific regulations or requirements for preparing detailed transfer pricing study reports. This gap can lead to inconsistencies in how businesses apply the arm's length principle.

b) **Documentation:** Although there is no formal requirement for filing transfer pricing documentation, it is advisable for companies to maintain adequate records to justify their pricing practices in line with OECD guidelines. This is particularly important for multinational companies operating in Nepal.

c) **Limited Enforcement:** The IRD has limited resources and practices to effectively identify and address transfer pricing issues, which may lead to potential tax avoidance by multinational enterprises.

While Nepal has established a framework for transfer pricing under its Income Tax Act, the practical application of these provisions is hindered by a lack of detailed guidelines and enforcement mechanisms. Companies operating in Nepal are encouraged to adhere to the arm's length principle and maintain proper documentation to mitigate risks associated with transfer pricing compliance.

DOING BUSINESS IN PAKISTAN

INTRODUCTION

Pakistan's economy has undergone various transformations, moving from a primarily agricultural base to a more diversified economic structure. Currently, agriculture contributes about 20% of the GDP, while manufacturing accounts for approximately 16%. The services sector has become the largest component of the economy, reflecting trends seen in middle-income countries in East and Southeast Asia.

Despite achieving a notable reduction in poverty—from 64% in 2001 to 24% in 2015—Pakistan's economic growth has been uneven. The average GDP growth rate has declined from 6.4% in the 1980s to below 5% in recent decades, indicating challenges in sustaining economic momentum.

Trade Dynamics

Foreign trade is vital for Pakistan, with a trade-to-GDP ratio of about 30%, one of the lowest globally. This suggests significant potential for enhancing trade activities. The country primarily exports textiles, which dominate its export basket, alongside agricultural products like rice and kinnow. In 2022, Pakistan's total exports were approximately $38.6 billion, with major trading partners including the United States, Germany, and China.

Pakistan's imports are heavily reliant on petroleum products, with refined petroleum being the largest import category. The country imports significantly from China, the United Arab Emirates, and Saudi Arabia, which highlights its dependency on external sources for energy and raw materials.

Trade Agreements and Challenges

Pakistan is a member of several trade agreements, including the World Trade Organization and the China-Pakistan Free Trade Agreement. However, it faces challenges such as political instability, fluctuating global demand, and climatic impacts on agriculture, which contribute to a persistent trade deficit. The trade deficit was notably $7.743 billion for the fiscal year 2013/14, reflecting ongoing economic vulnerabilities.

Key Exports - The primary exports of Pakistan include:

a) **Textiles and Apparel:** Dominating the export sector, with significant contributions from cotton textiles.

b) **Agricultural Products:** Notable exports include rice and fruits, particularly to Middle Eastern markets.

c) **Other Goods:** Including sports goods, surgical instruments, and leather products.

Key Imports - Key imports consist of:

a) **Petroleum Products:** Refined and crude petroleum are the largest import categories.

b) **Industrial Raw Materials:** Chemicals, machinery, and consumer goods are significant components of imports.

c) **Food Products:** Including palm oil and raw cotton.

Pakistan's opportunities for growth through enhanced trade engagement and diversification of its export base, Pakistan can potentially improve its economic resilience and performance in the global market.

INVESTMENTS INTO PAKISTAN

The foreign direct investment (FDI) investment in Pakistan has shown varied trends, with significant potential for growth. Pakistan's FDI inflows were reported at USD 1.34 billion last fiscal year showed a recovery, with FDI reaching USD 524.7 million, marking a 7.11% increase year-on-year. The total stock of FDI at the end was approximately USD 31.92 billion, constituting about 8.5% of the GDP.

Key Sectors: The financial sector has been the largest recipient of FDI, followed by chemicals and construction. In the recent fiscal period, the power sector attracted the most investment, followed by oil and gas exploration.

Government Initiatives

a) **Special Investment Facilitation Council (SIFC):** Established to streamline and promote investment, the SIFC aims to enhance the investment climate in Pakistan. The council includes both civilian and military leaders, reflecting a commitment to fostering a conducive environment for investors.

b) **Incentives for Investors:** The Pakistani government offers various incentives for foreign investors, including tax exemptions in export-processing zones and the ability to remit profits without prior approval. However, certain sectors remain restricted due to national security concerns.

International Engagement

a. **Efforts to Attract Investment:** Government of Pakistan sought investments from key allies, including China, Saudi Arabia, and the UAE. Recent negotiations have pointed towards potential investments of USD 5 billion from Saudi Arabia and USD 10 billion from the UAE in various sectors, although specific details are still pending.

Pakistan's investment landscape is characterized by significant potential and ongoing governmental efforts to improve the business climate. While recent FDI figures indicate a recovery, the country faces challenges that must be addressed to sustain and enhance foreign investment levels.

ESTABLISHING A PRESENCE

Expanding your business into Pakistan presents both opportunities. Here are some key steps to establish a successful presence in this large customer market:

a. **Liaison Office -** Foreign entities seeking to establish a presence in Pakistan often opt for a Liaison Office (LO). This office's activities are centered around promotional endeavors for products not yet introduced to the local market, fostering

technical and financial collaborations between the foreign entity and Pakistani stakeholders, and providing technical assistance. LOs facilitate joint collaboration prospects and export promotion on behalf of their parent companies. It's important to note that revenue-generating activities are prohibited for LOs, which are required to sustain operational costs through remittances from their parent companies via standard banking channels, duly converted to the local currency. Pertinent regulations include:

- Approval requirements sanctioned by the Board of Investment (BOI).
- Mandatory filing of prescribed returns and documents with the Registrar of Companies, in accordance with the Companies Act of 2017, subsequent to BOI authorization.
- Adherence to accounting, audit, and submission obligations to the Registrar of Companies.
- Compulsory registration with local tax authorities.

b. **Branch Office -** Foreign entities can establish a Branch Office (BO) to operate in Pakistan, typically for executing contracts awarded to the foreign entity. The BO's scope is confined to the terms specified in the relevant agreements or contracts and does not extend to commercial or trading activities. Key considerations encompass:

- Repatriation of revenue and profits from BO activities (excluding banking operations) to the Head Office, contingent upon tax deductions and compliance with Foreign Exchange Regulations of the State Bank of Pakistan.
- Funding of BO expenses through transfers from abroad, following prescribed banking channels and conversion to local currency, or through contract-related income.
- Application submission to the BOI, along with necessary documentation, for BO establishment.
- Authorization for opening branches of foreign banks granted by the State Bank of Pakistan.
- Fulfillment of returns and documentation obligations, in line with the Companies Act of 2017, subsequent to BOI approval.
- Adherence to accounting, audit, and submission mandates to the Registrar of Companies.

c. **Pakistan Subsidiary / Joint Ventures -** Foreign entities have the option to establish wholly owned subsidiaries or joint ventures with Pakistani or foreign partners in Pakistan. This avenue aligns with Foreign Direct Investment (FDI) policies and the stipulations of the Companies Act of 2017. These ventures can take the form of private or public companies, offering diverse pathways for market engagement.

d. **Permanent Establishment:** Establishing Business Presence - A Permanent Establishment (PE) refers to a designated place of business through which the activities of a non-resident entity are either fully or partially carried out. This encompasses various scenarios, including:

- Physical Locations
- Resource Extraction
- Construction Projects
- Service Provision
- Agency Activities
- Equipment Presence
- Complementary Functions
- Virtual Business Presence

MERGERS & AQUISITIONS

The mergers and acquisitions (M&A) landscape in Pakistan is evolving, driven by strategic objectives such as market expansion, diversification, and operational efficiencies. Here are key insights into the current state of M&A in Pakistan:

Market Overview

a) **Transaction Value:** The M&A market in Pakistan is projected to reach a transaction value of approximately US$288.10 million in 2024, with a notable annual growth rate expected thereafter.

b) **Increasing Activity:** Companies in Pakistan are increasingly pursuing M&A as a strategic option to enhance market presence and competitiveness. This trend is largely motivated by the desire to achieve economies of scale and access new technologies.

Regulatory Framework

a) **Pre-Merger Clearance:** Pakistan has a mandatory pre-merger clearance regime enforced by the Competition Commission of Pakistan (CCP). Companies must file a pre-merger application if certain thresholds are met, such as asset values or revenue levels exceeding specified amounts.

b) **Key Regulations:** The Competition Act, 2010, and its associated regulations govern M&A activities. The act requires that any significant acquisition or merger be assessed for its impact on competition, ensuring that market dynamics are not adversely affected.

c) **Specific Thresholds:** A merger or acquisition is subject to clearance if one party has assets exceeding PKR 300 million or cumulative revenues exceeding PKR 1 billion, among other criteria.

Industry Insights

a) **Advisory Services:** Investment banks and legal firms play a crucial role in the M&A process, providing advisory services that include valuation, due diligence, and regulatory compliance. Firms like Mandviwalla & Zafar are noted for their expertise in handling M&A transactions, particularly in the financial sector.

b) **Sector-Specific Trends:** The banking and financial sectors have seen significant M&A activity, with notable transactions involving major banks and financial institutions. For example, the acquisition of Stiefel Laboratories by GlaxoSmithKline is a prominent case highlighting the complexities involved in such transactions.

The M&A market in Pakistan is characterized by a growing appetite for strategic acquisitions and mergers, supported by a structured regulatory framework. As companies seek to navigate this landscape, the importance of expert advisory services and compliance with regulatory requirements cannot be overstated. The future of M&A in Pakistan appears promising, with continued growth anticipated in the coming years.

TAXATION IN PAKISTAN

The tax system in Pakistan is characterized by a complex structure that includes both direct and indirect taxes, with significant implications for economic growth and public service delivery. The details of different types of taxes are as follows -

a) **Direct Taxes:** These include income tax, corporate tax, and wealth tax. The federal government primarily collects these taxes, while provincial governments also levy certain direct taxes like land revenue and agricultural income tax.

b) **Indirect Taxes:** These encompass sales tax, excise duties, and customs duties. Indirect taxes have historically constituted a larger share of total tax revenue compared to direct taxes, leading to a reliance on consumption and import taxes.

Tax Rates and Slabs

Individual Income Tax - The individual income tax system in Pakistan has several slabs, with the following key rates for the fiscal year 2023:

Tax Slab	Rate (%)
Up to PKR 600000	0%
PKR 600001 to PKR 1200000	5%
PKR 1200001 to PKR 2200000	15%
PKR 2200001 to PKR 3200000	25%
PKR 3200001 to PKR 4100000	30%
Above PKR 4100000	35%

Additionally, a surcharge of 10% applies to individuals with taxable income exceeding PKR 10 million annually.

Corporate Tax - Corporate tax rates vary by company type:

Type of Company	Rate (%)
Banking Companies	39%
Public Companies (other than banking)	29%
Other Companies	29%
Small Companies	20%

A super tax is also levied on high-income earners, with rates ranging from 1% to 10% based on income brackets exceeding PKR 150 million.

Low Tax-to-GDP Ratio - Pakistan's tax-to-GDP ratio remains low, hovering around 10%, which is significantly below the global average. This has led to substantial public service delivery gaps, affecting basic needs such as clean water and sanitation.

Compliance costs are high due to the complexity of the tax system, which deters many potential taxpayers. The reliance on withholding taxes and indirect taxes creates distortions in the economy, discouraging growth and investment in productive sectors.

The tax system in Pakistan faces significant challenges, including low revenue generation, inefficiencies, and inequities. Reforming the tax structure to enhance direct tax collection and reduce reliance on indirect taxes could facilitate economic growth and improve public service delivery. Addressing these issues is crucial for creating a more equitable and effective tax system that supports sustainable development.

TRANSFER PRICING

Pakistan's Transfer pricing regulations inspired by the OECD's model rules and focus on the arm's length principle. These rules were incorporated into Pakistani income tax law in 2016 through the Finance Act.

Key Points:

- The Income Tax Ordinance empowers the Federal Board of Revenue (FBR) to allocate income, deductions, or tax credits to reflect arm's length transactions.
- Transfer pricing rules apply to a broad spectrum of companies and cover transactions presented at non-arm's length prices.

The FBR enables the application of the following methods to determine the arm's length price

- Comparable Uncontrolled Price Method
- Cost Plus Method
- Resale Price Method
- Profit Split Method

Companies must disclose related party transactions in their financial statements following International Financial Reporting Standards (IFRS).

Specific documentation requirements were introduced in 2016, including Country-by-Country Reporting, Master File, and Local File obligations, depending on financial thresholds.

Penalties are imposed for non-compliance with documentation and reporting requirements.

Transfer Pricing Documentation - The OECD's transfer pricing documentation rules have been implemented in Pakistan, providing a three-tiered approach:

a) **Country-by-Country Report (CbCR):** Filed by multinational companies with consolidated revenues exceeding € 750 million or an equivalent amount in PKR in the preceding tax year. The CbCR must be filed within twelve months after the last day of the tax year.

b) **Master File:** Filed by multinationals with a group turnover exceeding PKR 100 million.

c) **Local File:** Prepared by taxpayers with related party transactions exceeding PKR 50 million.

Pakistan has established a comprehensive transfer pricing framework aligned with international standards. Taxpayers must carefully comply with the documentation and reporting requirements to avoid penalties and ensure their transactions are conducted at arm's length.

DOING BUSINESS IN RUSSIA

INTRODUCTION

Russia presents a range of opportunities and challenges shaped by its economic landscape, regulatory environment, and strategic initiatives aimed at attracting foreign investment.

Russia has significant market potential due to its vast natural resources, a large consumer base, and a highly educated workforce. The country has been actively working to improve its investment climate, evidenced by its rise in the World Bank Group's Doing Business rankings, where it climbed from 120th to 31st place over seven years, indicating a strong commitment to enhancing the business environment. Russian driving force include:

a) **Energy and Fuels:** Russia is a major global supplier of oil and gas.

b) **Information Technology:** Rapid growth in the tech sector.

c) **Pharmaceuticals and Agriculture:** Expanding markets with increasing demand for products and services.

Regulatory Environment - The Russian government has implemented various reforms to streamline business operations. Recent legislative changes aim to protect ownership and capital, enhance the predictability of the investment climate, and align tax governance with international standards. The corporate tax rate is set at 20%, with potential reductions available in certain special economic zones (SEZs) and priority development territories.

Investment Incentives - Russia offers a broad framework of incentives for investors, including:

a) **Special Economic Zones (SEZs):** These areas provide tax exemptions and other benefits to attract businesses.

b) **Priority Development Territories:** Designed to stimulate investment in specific regions.

c) **Investment Protection Agreements:** These agreements safeguard foreign investments against adverse actions by the state.

Bilateral trade initiatives, especially with countries like India and China, are a focus for the Russian government. The goal is to increase trade volumes significantly, such as aiming for $30 billion in trade with India by 2025. Additionally, initiatives like the Belt and Road Initiative are fostering closer economic ties with China, enhancing infrastructure projects and investment opportunities.

While Russia offers substantial opportunities for foreign investment, navigating its regulatory environment and capitalizing on available incentives will be crucial for success.

INVESTMENTS INTO RUSSIA

Investment in Russia presents a complex landscape shaped by both opportunities and challenges.

Economic Context

Russia's economy has shown resilience, recovering from pandemic-related downturns and integrating into the global market as a member of the World Trade Organization (WTO) since 2012. The government has implemented policies aimed at enhancing the investment climate, including legal reforms and tax reductions to attract foreign direct investment (FDI). The country boasts a large consumer market, driven by a growing middle class and increasing disposable incomes, which are appealing to international investors.

Investment Trends

However, recent geopolitical tensions, particularly the military conflict in Ukraine, have significantly impacted the investment climate. In 2022, FDI flows to Russia turned negative inflows of previous years. The first quarter of 2024 continued this trend, with a further decrease of $9.6 billion in FDI. This instability has raised concerns among investors, leading to a cautious approach towards new investments. Despite these challenges, several sectors remain attractive for investment:

a) **Energy and Natural Resources:** Russia is rich in hydrocarbons and minerals, making the energy sector a critical area for investment. The country is a major supplier of energy to Asia, particularly China.

b) **Information Technology and Pharmaceuticals:** These sectors are rapidly growing and offer substantial opportunities for foreign businesses.

c) **Agriculture:** With vast land resources, agriculture presents opportunities for investment, especially in food production and processing.

Advantages

a) **Large Market:** With a population of approximately 143 million, Russia offers a significant consumer base.

b) **Skilled Workforce:** The presence of highly educated professionals in various sectors supports technological advancement and innovation.

c) **Government Support:** Initiatives to streamline business operations and reduce bureaucratic hurdles are in place, aiming to improve the ease of doing business in Russia.

Disadvantages

a) **Political and Economic Instability:** The ongoing conflict in Ukraine and sanctions from Western countries have created an unpredictable investment environment.

b) **Complex Regulatory Environment:** Investors often face bureaucratic challenges and a lack of transparency in business operations.

While Russia offers significant investment opportunities, particularly in energy, IT, and agriculture, the current geopolitical climate and economic instability pose substantial risks. Investors must weigh these factors carefully when considering entering the Russian market.

ESTABLISHING A PRESENCE

To establish a presence in Russia, foreign investors can choose from several business structures, each with specific registration requirements and operational capabilities. Here's a detailed overview of the process:

Business Structures

a) **Limited Liability Company (LLC):** This is the most common form for foreign investors, offering limited liability protection. The minimum registered capital is 10,000 rubles, which can be contributed in cash or property.

b) **Joint Stock Company (JSC):** This structure is suitable for larger operations and can be either open or closed. The registration process is similar to that of an LLC but involves additional requirements for securities registration.

c) **Representative Office:** This allows foreign companies to conduct certain activities in Russia but is limited in scope compared to a subsidiary. It cannot engage in direct sales but can perform marketing and client relationship functions.

d) **Branch Office:** Similar to a representative office but with broader operational capabilities, including the ability to conduct sales.

Steps to Establish a Presence

a) **Conduct Market Research:** Understanding the Russian market, including cultural and regulatory environments, is crucial for success.

b) **Choose a Business Structure:** Determine which structure best suits your business needs, considering factors like liability, tax implications, and operational scope.

c) **Register Your Company:** This involves submitting a standard package of documents to the Federal Tax Service and the Unified State Register of Legal Entities. Notarization and translation of documents may be required.

d) **Obtain Necessary Permits and Licenses:** Depending on your industry, specific permits may be needed, such as for construction or import/export activities.

e) **Open a Bank Account:** A local bank account is essential for managing finances and conducting operations in Russia.

f) **Secure Office Space:** Finding a suitable location is important for operational efficiency and credibility.

g) **Hire Local Staff:** Familiarize yourself with Russian employment laws and consider hiring local employees to navigate cultural and regulatory challenges effectively.

h) **Establish a Local Presence:** Creating a local address, phone number, and website can enhance trust and credibility with clients and customers.

Registration Process

The registration process has been streamlined in recent years, allowing for a 'one-stop' registration process that reduces time and costs. However, it still involves several key steps:

a) **Application Submission:** Submit the application along with required documents to the local branch of the Tax Ministry.

b) **Documentation Requirements:** This typically includes a charter, resolution on establishment, and proof of legal status for foreign entities.

c) **Capital Contributions:** At least 50% of the charter capital must be contributed before registration, with the remainder due within one year.

Establishing a business in Russia comes with challenges, including navigating a complex legal framework and adapting to local business culture. Seeking professional assistance from legal and accounting experts can facilitate compliance and operational efficiency. Having a local director is crucial for company registration in Russia. According to the Russian Commercial Code, appointing a resident director is a mandatory requirement for all types of companies, including Limited Liability Companies (LLCs) and Joint Stock Companies (JSCs)

Overall, while the process of establishing a presence in Russia can be bureaucratic and time-consuming, the potential rewards in terms of market access and growth opportunities are significant.

MERGERS & AQUISITIONS

The merger and acquisition (M&A) framework in Russia is primarily governed by the Federal Law "On Protection of Competition" (Competition Law), enacted on July 26, 2006. This law has undergone several amendments, with significant changes introduced in 2016 through the "fourth antimonopoly package," which established mandatory filings for joint ventures between competitors.

Key Aspects of Merger Control in Russia - The Federal Antimonopoly Service (FAS), a regulatory authority is the main body overseeing merger control in Russia. It has a central office in Moscow and regional offices throughout the country, managing merger filings and ensuring compliance with antitrust regulations. The FAS also plays a role in reviewing foreign investments under separate regulations.

Mandatory Notification - Merger clearance is mandatory when specific turnover and asset value thresholds are met. For instance, a filing is required if the aggregate asset value of the merging parties exceeds RUB 7 billion or their aggregate turnover exceeds RUB 10 billion for the preceding calendar year. However, if these thresholds are not met, parties may file voluntarily, particularly for joint ventures not involving competitors.

The Competition Law identifies several triggering events for mandatory filings, including:

- Direct acquisitions of shares in Russian companies.
- Acquisitions of fixed or intangible assets in Russia valued above a certain percentage of the seller's total assets.
- Acquisitions granting control over a target company, which may include rights to appoint key executives or influence business decisions.

Foreign-to-Foreign Transactions - For foreign-to-foreign mergers, additional economic thresholds apply. Approval is necessary if the foreign target company has conducted significant business in Russia, defined as generating over RUB 1 billion in sales during the year prior to the transaction.

Transactions in certain sectors, such as banking and finance, may require additional approvals from the Central Bank of Russia. Furthermore, foreign investments in strategic sectors are subject to separate scrutiny by the Government Commission on Monitoring Foreign Investment, with the FAS providing analytical support in these cases.

The Russian M&A landscape is characterized by a complex regulatory environment that requires careful navigation of both merger control and foreign investment laws. Companies planning mergers or acquisitions must ensure compliance with the Competition Law and consider the implications of foreign investment regulations to avoid potential legal challenges.

CAPITAL MARKET IN RUSSIA

The Russian capital markets have undergone significant development since the early 1990s, transitioning from a state-controlled system to a more market-oriented one. Despite periods of volatility, the Russian securities market has emerged as an efficient, emerging stock market with well-developed infrastructure that attracts substantial foreign investment.

Stock Exchanges and Listing Segments

- Moscow Stock Exchange (MOEX) is the main securities exchange, formed by the merger of MICEX and RTS. It hosts trading in equities, bonds, derivatives, currencies, money market instruments, and commodities.

- MOEX is one of the top 20 stock exchanges globally by total capitalization and one of the 10 largest for bonds and derivatives.
- Saint-Petersburg Exchange (SPBEX) allows trading in Russian shares and foreign stocks from the S&P 500 Index.
- Transactions with unlisted securities and OTC derivatives occur in the non-regulated market, sometimes using exchange infrastructure.

The Russian banking sector is highly concentrated, with the two largest banks holding around 50% of the market.

As of 2020, the banking sector reported total assets of RUB 103.8 trillion ($1.4 trillion), accounting for 87% of the total assets in the financial sector.

In current scenario, the Russian capital markets face challenges of reduced liquidity, foreign investment, transparency and technological capabilities due to the impact of sanctions and geopolitical tensions. Rebuilding confidence and competitiveness will be critical going forward.

TAXATION IN RUSSIA

Russia has a complex tax system with federal, regional, and local taxes.

Personal Income Tax Rate - has a flat personal income tax rate of 13% for annual incomes up to 5 million rubles (about $45,000).

Corporate tax rates - Russia currently set at 20% corporate tax. This rate is divided into two components: 2% goes to the federal budget and 18% to regional budgets. However, regional authorities have the discretion to reduce the regional portion of the tax, which can lower the effective tax rate to as low as 15.5% in some cases.

Withholding Tax on Intercompany Services - The new 15% rate will apply to fees for intercompany services. If a DTT is in effect, the withholding tax may be avoided; however, this does not apply to counterparties from jurisdictions where treaties have been suspended.

Special Economic Zones and Incentives - Russia also offers special economic zones (SEZs) that provide tax incentives to businesses. For example, in certain regions like Kaliningrad, companies can benefit from tax holidays for the first six years and a reduced tax rate for the following years, provided they meet specific investment thresholds.

Transfer Pricing Adjustments: Any excessive payment abroad by a Russian entity or underpayment to a Russian recipient by a foreign entity will be treated as a recharacterized dividend, subject to the same 15% withholding tax.

This structure aims to balance revenue generation for the government while fostering a conducive environment for business operations within the country.

TRANSFER PRICING

Transfer pricing in Russia has undergone significant developments, particularly with the introduction of stricter regulations aimed at ensuring compliance with international standards. Here's an overview of the current framework and recent changes:

Overview of Transfer Pricing Regulations

Russian legal framework for transfer pricing rules have been in effect since 2012, following the OECD Guidelines but with specific adaptations. The primary legislation governing these rules is found in Articles 105.1 to 105.16 of the Russian Tax Code, which outlines the definitions, methods, and reporting requirements for controlled transactions.

Definition of Controlled Transactions are defined as those involving related parties where the annual income exceeds certain thresholds. As of 2024, transactions with related parties are considered controlled if they exceed 120 million rubles (approximately $1.5 million) annually. This applies to both domestic and international transactions, including those with entities from offshore jurisdictions.

Reporting Requirements for companies engaged in controlled transactions must submit a Notification of Controlled Transactions to the tax authorities by May 20 of the year following the transaction. This notification must include details about the pricing methods used, sources of information, and the terms of the transactions. Failing to submit this notification can result in penalties, which have recently increased from 5,000 rubles to 100,000 rubles for non-compliance.

Documentation Obligations for Taxpayers are required to prepare transfer pricing documentation that substantiates the conformity of their prices with market levels. The tax authorities can request this documentation outside the scope of an audit, and companies must provide it within 30 days of the request. Non-compliance can lead to fines of up to 500,000 rubles.

Recent Changes and Implications

Expanded Scope of Controlled Transactions with foreign interdependent parties are now treated similarly to those with offshore entities, increasing the number of transactions subject to scrutiny.

The tax authority will now calculate adjustments to taxable income based on the median value of market prices adjustment, rather than the minimum, encouraging taxpayers to make independent adjustments to their tax liabilities.

Compliance and Strategic Recommendations given the complexity and stringent nature of the regulations, businesses operating in Russia should:

a) Conduct thorough analyses of their transactions to determine which are subject to transfer pricing rules.

b) Develop comprehensive transfer pricing documentation in line with the Russian Tax Code to mitigate risks of penalties and tax adjustments.

c) Stay informed about ongoing changes in the regulatory landscape to ensure compliance and optimize their transfer pricing strategies.

d) The evolving transfer pricing framework in Russia necessitates careful attention from businesses to adhere to compliance requirements and avoid substantial penalties.

DOING BUSINESS IN SAUDI ARABIA

INTRODUCTION

Saudi Arabia possesses the second-largest proven oil reserves in the world, accounting for approximately 17% of global reserves. The country is the largest exporter of petroleum, with oil exports constituting nearly 70% of total exports and around 53% of government revenues as of 2020. The oil sector contributes roughly 40% to the country's GDP, which was estimated at $1.1 trillion in 2022-23.

The Saudi government launched Vision 2030 aims to reduce the economy's dependence on oil by fostering growth in various sectors, including tourism, entertainment, and technology. Government seeks to increase the private sector's contribution to GDP from 40% to 65% and to boost non-oil exports significantly.

The private sector plays a crucial role in the Saudi economy, accounting for about 48% of GDP. The government has implemented policies to encourage private enterprise and foreign investment, including the introduction of laws that provide equal benefits to foreign investors as to Saudi nationals. The trade value increasing remarkably between Saudi Arabia and rest Asian Countries.

Saudi Arabia is the 19th largest exporter and the 20th largest importer globally, with a diverse range of exports that include petrochemicals, plastics, and electrical appliances. The commercial sector is supported by government incentives, including

long-term interest-free loans and investment in infrastructure, which have facilitated the growth of approximately 584,000 licensed firms within the Kingdom.

World Trade Organization (WTO) since 2005 has enhanced Saudi Arabia's access to global markets, fostering job creation and foreign investment opportunities. The Kingdom is also engaged in forming free trade agreements with neighboring countries, which further promotes its commercial interests.

Saudi Arabia's economy is characterized by its significant oil revenues, ongoing diversification efforts, and a growing private sector. The Vision 2030 initiative represents a strategic shift towards a more varied economic landscape, aiming to ensure long-term sustainability and resilience against global market fluctuations. As the Kingdom continues to navigate its economic transformation, it remains a pivotal player in both regional and global trade.

INVESTMENTS INTO SAUDI ARABIA

The Foreign Direct Investment (FDI) inflows to Saudi Arabia rose 5.6% to 9.5 billion riyals ($2.53 billion) in the first quarter of 2024.

Inflows were up 0.6% to 17 billion riyals in the first three months compared with a year earlier, while outflows fell by 5.1% to about 7.5 billion riyals.

The kingdom hopes to attract $100 billion in FDI by 2030 to boost non-oil gross domestic product as part of a wider strategy by de facto ruler Crown Prince Mohammed bin Salman to diversify the economy away from its reliance on crude oil exports.

There are few sectors prohibited by Saudi Government and conversely, certain sectors remain off-limits for foreign investment. These include:

a) **Oil Exploration, Drilling, and Production:** Foreign investment is prohibited in these areas, although services related to mining may be allowed.

b) **Real Estate in Holy Cities:** Foreigners cannot own properties in Makkah and Madinah, except through inheritance or endowments.

ESTABLISHING A PRESENCE

Saudi Arabia Govt approved 5 ways to undertake business/commercial activities by foreign investors:

a. **Fly in fly out / operate from overseas-** This form of operating allows a foreign company to do business in KSA (Kingdom of Saudi Arabia) from their home country, thereby avoiding the need to physically establish a presence in KSA. However, it is increasingly common for KSA based clients to require a registered physical presence in KSA (especially those in the public sector). Where operations are required in KSA, which require an "on the ground" presence, this is unlikely to be a viable option. There are also certain business activities that require special licences and consents to carry out business, further limiting the viability of this option. More importantly, in the absence of a formal presence in KSA, such activities may be liable to challenge as being in violation of the KSA Anti-Concealment Law, unless a local agent/distributor is appointed. Contravention of the Anti-Concealment Law carries serious penalties for those involved. In view of the Anti-Concealment Law, foreign companies that wish to undertake business activities or otherwise invest in KSA are required to obtain an appropriate investment license or, where appropriate, appoint an agent/distributor.

b. **Conduct business through an agent / distributor-**This option avoids the need for foreign companies to establish a legal entity or physical presence in KSA and provides foreign companies the opportunity to leverage the agent/distributor's existing infrastructure and local market connections. The contractual agency/distribution is the most common type of agency/distribution, and involves an agent/distributor representing the foreign principal in the distribution and sale of products or the provision of services. The KSA Commercial Agencies Law (the Agency Law) governs the arrangement and regulates how the arrangement is conducted, who can act as an agent/distributor and the licensing requirements. It is worth noting that the Agency Law is less onerous on foreign principles than its equivalents in some other GCC countries.

c. **Establish a local entity-**The three most commonly used options available to a foreign investor involve the establishment of:

- a limited liability company (LLC) partially or wholly owned by the foreign company;
- a branch entity of a foreign company; and
- a joint stock company. The choice between establishing an LLC, a branch or a joint stock company partially depends on the nature of the business activity to be carried out in KSA.

Types of legal entities

Broadly speaking, the new KSA Companies Law allows for the following legal forms to carry out business in KSA:

- Limited Liability Companies
- Joint Stock Companies
- Simplified Joint Stock Companies

- General Partnerships;
- Limited Partnerships; As mentioned earlier, another option to carry out business in KSA would be to setup a branch of a foreign company.

d. **Establish a Joint Venture (JV) -** Foreign companies wishing to enter the KSA market or develop their existing operation beyond an agency or distribution agreement often favor a JV. A JV enables the foreign investor to take an equity stake and a role in the operation and management of their KSA entity, whilst still benefiting from the participation of a local shareholder. The local shareholder may contribute financially, by way of technical skills or local connections and reputation. Shareholders' agreements are permitted and enforceable provided that their terms are in compliance with Shari'a and the KSA Companies Law.

e. **Acquire an existing local entity -** A final market entry strategy for foreign investors is to acquire or invest in an existing KSA company or business. In addition to typical considerations required for an acquisition of a company or business, the following considerations should be borne in mind:

- The limited amount of publicly available information (and, as such, the need for thorough due diligence);
- The likelihood of regulatory consents or approvals being required (i.e. GAC, SAMA, MISA, etc.);
- The need to deal with the transfer of employee contracts and Iqamas as part of any asset sale and purchase; and
- The impact on target's end of service benefits obligations in the case of a business transfer.

A permanent establishment of a nonresident in the Kingdom, unless otherwise stated in the Tax Regulations, consists of the permanent place of the non-resident's activity through which it carries out business, in full or in part, including business carried out through its agent. Permanent establishment should fulfill the tax compliance requirements similar to resident corporate taxpayers.

MERGERS AND ACQUSITIONS

Saudi Arabia's mergers and acquisitions (M&A) landscape has seen significant activity and growth, driven by the country's economic diversification efforts under Vision 2030. In the first half of 2024, 184 foreign companies moved their regional headquarters to Saudi Arabia after obtaining investment licenses, reflecting a 84% increase compared to the same period in 2023.

Economic reforms and the Saudi Vision 2030 have led to a major surge in M&A activity in this industry in recent years. The nation offers a welcoming environment for investors, with programs focused at advancing industries including technology, healthcare, and tourism. Additionally, the easing of foreign ownership restrictions has prompted foreign investors to explore opportunities in the Saudi market. The launch of privatization and national transformation programs as part of the Saudi Vision 2030 has increased M&A activity in the region.

A few notable examples of recent M&A in Saudi Arabia are:

- SABIC with Saudi Aramco
- Souq.com by Amazon.
- Initial Public Offerings (IPOs) and dual listings increased on the Saudi Stock Exchange (Tadaul), providing exit opportunities for investors involved in M&A deals.

CAPITAL MARKETS IN SAUDI ARABIA

The Saudi Stock Exchange (Tadawul), govern by Saudi Arabia Government, which has emerged as the tenth largest exchange globally, boasting a market capitalization of approximately SAR 11 trillion as of June 2023. This growth can be attributed to various reforms implemented by the Capital Market Authority (CMA) and Tadawul, which have enhanced the market's attractiveness to both domestic and international investors.

The Capital Market seen key outcome:

a) **Increased Foreign Investment:** Foreign ownership in the capital market surged from SAR 198 billion in 2019 to SAR 376 billion in June 2023, reflecting a growing confidence among international investors.

b) **IPO Activity:** The capital market witnessed extraordinary funding of

SAR 50.8 billion in 2022 through IPOs and rights issues. Although the pace of IPOs moderated in 2023, there remains a strong pipeline with over 25 companies preparing for listings, including major players like Ades International Holding Company, which is expected to raise SAR 3.75 billion in its IPO.

c) **Market Performance:** In the third quarter of 2023, the market capitalization increased by 4.61% compared to the previous quarter, with a notable rise in trading volume and value. The total value traded reached SAR 379.46 billion, indicating robust trading activity.

Regulatory Framework govern by Capital Market Authority (CMA), its primary functions include:

- Regulating and developing the capital market.
- Protecting investors from fraudulent practices.
- Ensuring transparency and fairness in securities transactions.

The CMA operates independently and reports directly to the Prime Minister, reflecting its critical role in maintaining market integrity and investor confidence.

The Saudi capital market comprises several market structures:

a) **Tadawul:** The main stock exchange where securities are traded.

b) **Debt Market:** Launched in 2009, this market has expanded significantly, offering various debt instruments to attract both local and international investors.

c) **Securities Depository Center:** Facilitates the clearing and settlement of securities transactions, enhancing operational efficiency within the market.

Saudi Arabia's capital market is evolving rapidly, supported by strategic reforms and a commitment to enhancing its global competitiveness. With ongoing initiatives aimed at increasing liquidity and investor education, the market is poised for further growth, making it an attractive destination for investment.

TAX SYSTEM

Saudi Arabia's tax system is characterized by several key components, primarily focusing on corporate taxation, indirect taxes, and the absence of personal income tax. The details are as follows :

Corporate Taxation - The corporate tax rate in Saudi Arabia is set at 20% of net adjusted profits for foreign companies. However, income derived from hydrocarbon production is taxed at significantly higher rates, ranging from 50% to 85%. Additionally, businesses are subject to Zakat, a religious wealth tax, which is levied at 2.5% of the taxpayer's net worth.

Value Added Tax (VAT) - Saudi Arabia implements a Value Added Tax (VAT) at a rate of 15%, which applies to most goods and services sold in the country. Businesses with a taxable supply exceeding SAR 375,000 must register for VAT.

Withholding Tax - Payments made to non-residents are subject to withholding tax, which varies based on the type of service provided. The rates range from 5% to 20%. For example, management fees are taxed at 20%, while royalties and certain technical services may incur a 15% tax.

Absence of Personal Income Tax - Notably, Saudi Arabia does not impose a personal income tax on employment income. Individuals earning solely from employment are not required to file tax returns. This absence of personal income tax makes Saudi Arabia an attractive destination for expatriates and foreign workers.

The indirect taxes applied in Saudi Arabia are customs duties on imported goods, where rates apply between 5% to 25% depending on the product. Furthermore, there has been a fee imposed on expatriates and their dependents, which has increased over time, currently standing at SAR 400 per dependent per month.

The General Authority of Zakat and Tax (GAZT) oversees tax collection and compliance in Saudi Arabia, ensuring that both residents and businesses adhere to the established tax framework.

The double tax treaties in Saudi Arabia are a vital tool for fostering international business relations and attracting foreign investment. By understanding the provisions and benefits of these treaties, businesses can optimize their tax positions and mitigate risks associated with cross-border transactions. The ongoing expansion of Saudi Arabia's treaty network reflects its strategic aim to enhance its global economic standing.

Saudi Arabia's tax system is unique, with a focus on corporate taxation and indirect taxes, while maintaining an absence of personal income tax, making it a distinctive environment for businesses and expatriates alike.

TRANSFER PRICING

Transfer pricing refers to the pricing of goods, services, or intangible assets transferred between related parties, such as divisions or subsidiaries of a company. It is used to determine the price at which related parties transact with each other, which is important for accounting and tax purposes.

The main objectives of transfer pricing are:

a) **Profit allocation:** Multinational companies use transfer pricing to allocate profits and expenses to subsidiaries in different countries.

b) **Performance measurement:** Transfer pricing enables the measurement of profitability for individual divisions or subsidiaries that are treated as separate entities.

c) **Tax optimization:** Companies may manipulate transfer prices to shift profits to low-tax regions, although this is closely monitored by regulations.

The most commonly used transfer pricing methodologies are:

a) **Comparable Uncontrolled Price (CUP) Method:** Compares the price charged in a controlled transaction to the price charged in a comparable uncontrolled transaction.

b) **Cost Plus Method:** Focuses on the costs incurred by the supplier of goods or services, plus an appropriate mark-up.

c) **Resale Price Method:** Starts with the price at which a product is resold to an independent customer and subtracts the resale margin.

Arm's Length Principle

Transfer prices must adhere to the arm's length principle, which states that related parties must price their transactions as if they were unrelated parties operating in the open market. This ensures fairness and prevents profit shifting.

Benefits:

- Cost savings for the buying entity due to lower prices
- Increased transparency in intra-entity transactions
- Readily available supply of desired products

Drawbacks:

- Lower revenue for the selling entity due to lower prices
- Complexity in setting transfer prices compared to market prices
- Potential for intra-entity conflicts if transfer prices differ significantly from market prices

Transfer pricing is a crucial aspect of multinational companies' operations, with significant implications for profitability, taxation, and performance measurement. Adhering to regulations and the arm's length principle is essential to ensure fairness and avoid disputes with tax authorities.

DOING BUSINESS IN SINGAPORE

INTRODUCTION

Singapore has consistently ranked as the most open economy in the world, with a trade-to-GDP ratio averaging around 400% & its role as a major trading and logistics center. The economy has transformed from a developing nation to a high-income economy in just a few decades, largely due to effective governance and strategic economic policies.

Singapore mixed market economy with both private enterprise and significant state ownership in key sectors. Notably, the sovereign wealth fund Temasek Holdings plays a crucial role in the economy, holding stakes in major companies such as Singapore Airlines and Singtel.

Singapore's trade dynamics is heavily reliant on Exim activities, where raw materials are imported, processed, and re-exported. This model accounts for about one-third of its export trade. The main exports include electronics, chemicals, and refined petroleum products, while major imports consist of machinery, crude petroleum, and integrated circuits.

Singapore maintains robust trading relationships with key partners such as China, the United States, Malaysia, and Japan, making it a significant player in global supply chains. The Port of Singapore is one of the busiest in the world, underscoring its critical role in international maritime trade.

Singapore's economy exemplifies a successful model of open trade, strategic governance, and adaptability, positioning itself as a vital hub in the global economy.

INVESTMENT INTO SINGAPORE

Singapore's investment landscape is characterized by its strategic location, robust economy, and business-friendly environment, making it a premier destination for foreign direct investment (FDI). This FDI approx. $2,619 Billion noted, this marked a 7.7% increase from the previous year, driven primarily by equity capital and retained earnings. The finance and insurance sector attracted the largest share of FDI, accounting for 35% of the total inflows, followed by wholesale and retail trade, and manufacturing.

Key Factors Driving Investment

a) **Strategic Location:** Singapore serves as a gateway to Southeast Asia, facilitating access to major markets and international trade.

b) **Robust Economy:** The country boasts a stable economy with consistent GDP growth, supported by a well-developed financial sector.

c) **Ease of Doing Business:** Singapore consistently ranks high in global ease of doing business indices, thanks to its efficient regulatory framework and supportive government policies.

d) **Political Stability:** The nation enjoys political stability and a reliable government, fostering a secure environment for investment.

e) **World-Class Infrastructure:** Singapore's advanced transportation networks and telecommunications systems ensure seamless connectivity for businesses.

f) **Innovation and Technology Hub:** The government actively promotes R&D and innovation, providing tax incentives and grants to encourage businesses in these sectors.

g) **Pro-Business Environment:** Low tax rates, strong intellectual property protection, and a commitment to free trade create a conducive environment for business growth

The top 3 industries for FDI in Singapore were:

- Finance & Insurance (56% of FDI stock)
- Wholesale & Retail Trade (16%)
- Manufacturing (12%)

The government priority in automation and artificial intelligence, aiming to establish the country as a regional hub for these technologies and promoting these sectors with private players. Singapore's combination of favorable investment conditions, strategic location, and commitment to innovation makes it a highly attractive destination for global investors.

ESTABLISHING A PRESENCE

Establishing a presence in Singapore offers numerous advantages, making it a prime location for businesses looking to expand in Asia. The business structure offered as follows:

a) **Private Limited Company (Pte Ltd) -** A separate legal entity with limited liability. Requires at least one shareholder and one director.

b) **Branch Office -** An extension of a foreign company. No separate legal entity. The parent company is liable for the branch's debts and liabilities.

c) **Representative Office (RO) -** A temporary setup to conduct market research and feasibility studies. Cannot engage in profit-making activities. Requires parent company to have $250k+ annual sales and be established for 3+ years.

Incorporate the Company

- Reserve the company name with ACRA (Accounting and Corporate Regulatory Authority)
- Appoint at least one director ordinarily resident in Singapore
- Provide a registered office address in Singapore

- Submit incorporation documents. Takes about 1 week.
- Pay the incorporation fee of S$300 (US$254)

Obtain Relevant Licenses and Permits depending on the business activities, you may need licenses from various government agencies. Common ones include:

- Business license from ACRA
- Sector-specific licenses (e.g. retail, F&B, finance)
- Work passes for foreign employees
- Open a Corporate Bank Account
- Provide incorporation documents and identification of directors/shareholders
- Maintain a minimum deposit, usually S$1,000 to S$5,000
- Fulfill Tax and Reporting Obligations
- Register for Goods and Services Tax (GST) if annual turnover exceeds S$1 million

- File annual corporate income tax returns
- Maintain proper accounting records and prepare audited financial statements
- Consider Tax Incentives

Singapore offers various tax incentives for foreign companies, such as:

- Tax exemptions for new start-ups
- Partial tax exemption for companies
- Productivity and Innovation Credit (PIC) scheme
- Financial Sector Incentive (FSI) scheme

The process of setting up a business in Singapore is streamlined, with most applications processed within a business day. However, it's advisable to engage a professional services firm to guide you through the process and ensure compliance with regulations.

MERGERS AND ACQUSITIONS

Mergers and acquisitions (M&A) in Singapore are a significant aspect of the corporate landscape, characterized by a robust regulatory framework and diverse transaction structures. Below is a comprehensive overview of the M&A environment in Singapore, including key statistics, regulatory frameworks, and transaction types.

The M&A landscape in Singapore is governed by several key regulations, primarily the Singapore Code on Take-overs and Mergers, which outlines the obligations of parties involved in M&A transactions. This includes requirements for mandatory offers and the protection of minority shareholders. The Singapore Exchange (SGX) also plays a crucial role, particularly with the introduction of Special Purpose Acquisition Companies (SPACs), which have become a popular vehicle for raising capital and facilitating acquisitions.

Key Regulations Include:

a) **Takeover Code:** Mandates that any party acquiring more than 30% of a company's shares must make a mandatory offer to all shareholders.

b) **SGX Listing Rules:** Provide guidelines for public companies and SPACs, including minimum market capitalization and public float requirements.

M&A transactions in Singapore can be structured in various ways, primarily as:

a) **Share Acquisitions:** The buyer purchases shares directly from the shareholders of the target company. This method is often simpler, as it involves transferring ownership without needing to change the company's operational structure.

b) **Asset Acquisitions:** The buyer acquires specific assets and liabilities of the target company. This structure can be more complex due to the need to identify and transfer individual assets.

c) **Statutory Amalgamation:** Under the Companies Act, two or more companies may merge to form a new entity. This process is less common but provides a formal mechanism for amalgamation.

d) **Scheme of Arrangement:** A court-approved agreement between a company and its creditors or shareholders that allows for restructuring.

The M&A market in Singapore is expected to continue evolving, particularly with the anticipated increase in activity within the insurance sector and the growing interest from private equity firms. Regulatory changes and the introduction of innovative investment vehicles like SPACs are likely to drive further diversification in M&A strategies.

Singapore's M&A environment is characterized by a strong regulatory framework, diverse transaction structures, and a vibrant market that has seen significant activity over the years. As the landscape continues to evolve, stakeholders are encouraged to stay informed about regulatory changes and market trends to navigate potential opportunities effectively.

CAPITAL MARKET IN SINGAPORE

The capital markets in Singapore are robust and well-regulated, primarily governed by the Monetary Authority of Singapore (MAS) under the Securities and Futures Act (SFA) of 2001. This framework encompasses both equity and debt markets, ensuring a structured environment for securities transactions.

Regulatory Framework govern by MAS oversees the securities and futures markets, implementing regulations that include the Securities and Futures (Offers of Investments) Regulations and the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations. The Singapore Exchange Securities Trading Limited (SGX-ST) is the principal securities exchange, offering two main boards for listings: the Mainboard and Catalist. The Mainboard caters to larger companies with specific quantitative and qualitative listing requirements, while Catalist is designed for smaller enterprises, allowing for more flexible entry without stringent financial thresholds.

Equity Markets - In terms of equity capital markets, Singapore has seen a gradual recovery post-COVID-19, with expectations for increased initial public offerings (IPOs) in 2024. The market has been characterized by a mix of rights issues and new listings, particularly in the technology and services sectors. Despite a slower pace compared to pre-pandemic levels, the outlook remains cautiously optimistic, bolstered by regulatory support for local companies seeking to list.

Debt Markets - The debt capital markets in Singapore are currently influenced by a high interest rate environment, which has affected transaction volumes. However, there are signs of improvement, with a slight uptick in activities as issuers adapt to the changing economic conditions. The MAS continues to encourage innovative financing solutions, including green bonds and other sustainable investment products.

The capital markets in Singapore are expected to benefit from a supportive regulatory environment and a recovering economy. The government's initiatives to promote local listings and the anticipated resilience in major economies could foster an uptick in fundraising activities. Market analysts predict a stronger demand for equities, particularly in sectors aligned with technological advancements and sustainability initiatives.

Singapore's capital markets are poised for growth, underpinned by a solid regulatory framework and an evolving economic landscape that encourages both equity and debt investments.

TAX SYSTEM IN SINGAPORE

Singapore has a favorable tax system that attracts businesses and individuals from around the world. Key features include:

- Low corporate income tax rate of 17% with various incentives and exemptions available
- Progressive individual income tax rates ranging from 0% to 22% (increasing to 24% from 2024)
- No capital gains tax
- Territorial tax system that only taxes income earned in or remitted to Singapore
- Extensive tax treaty network to avoid double taxation

Corporate Income Tax

- Flat rate of 17% on chargeable income for both local and foreign companies
- Tax exemptions available for new start-ups and partial exemptions for other companies
- Foreign-sourced dividends, branch profits and service income are tax exempt if certain conditions are met

Individual Income Tax

- Progressive tax rates from 0% to 22% (24% from 2024) based on income levels
- Only income earned in Singapore or received from overseas is taxable
- Resident taxpayers enjoy personal reliefs and rebates to lower taxable income

Withholding Tax

- Applicable on payments to non-residents such as interest, royalties, and technical service fees
- Rates range from 0% to 24% depending on nature of payment and tax treaties

Tax Administration

- Tax year is based on calendar year from January 1 to December 31
- Tax returns are due by April 15 for hard copy and April 18 for electronic submissions
- No joint filing or extensions are possible

Singapore has various types of tax agreements includes:

a) **Avoidance of Double Tax Agreements (DTA):** These are the primary treaties aimed at preventing double taxation.

b) **Non-Ratified DTAs:** Agreements that have been signed but not yet ratified, which do not yet have legal force.

c) **Limited Treaties:** These cover specific areas, such as shipping and air transport income, rather than comprehensive tax issues.

d) **Exchange of Information Arrangements:** These are focused solely on the exchange of tax-related information between jurisdictions.

Singapore's tax system is designed to be simple, efficient and pro-business. The low tax rates, numerous incentives, and territorial tax regime make it an attractive location for companies and individuals looking to establish a presence.

TRANSFER PRICING

The framework for transfer pricing in Singapore to regulate pricing agreements between related entities within multinational corporations (MNCs) to prevent tax avoidance and ensure compliance with international standards. Here's a detailed overview of the key aspects of transfer pricing in Singapore.

Transfer pricing refers to the pricing of goods, services, or assets transferred between related entities in a multinational group. This includes transactions involving physical

goods, services, intellectual property, and financial arrangements. The primary principle guiding transfer pricing is the arm's length principle, which mandates that transactions between related parties should be conducted as if they were between independent entities, ensuring that prices reflect market conditions.

Singapore Transfer Pricing Regulatory Framework govern by Inland Revenue Authority of Singapore (IRAS) which are aligned with the OECD Transfer Pricing Guidelines. Singapore formally introduced transfer pricing rules in 2019, requiring businesses to prepare contemporaneous transfer pricing documentation (TPD) if their annual turnover exceeds S$10 million (approximately USD 7.4 million).

Documentation Requirements - Taxpayers must maintain TPD that demonstrates compliance with the arm's length principle. This documentation is crucial for tax compliance and serves as a defense in case of audits. Key requirements for TPD include:

- Detailed records of business activities and related-party transactions.
- Documentation must be prepared by the tax return filing deadline and submitted within 30 days upon request by IRAS.
- Retention of documentation for at least five years.
- Penalties for non-compliance can reach up to S$10,000 (USD 7,400).

IRAS recognizes several methods for determining arm's length pricing, including:

a) **Comparable Uncontrolled Price (CUP) Method:** Compares the price charged in controlled transactions to the price charged in comparable uncontrolled transactions.

b) **Resale Price Method (RPM):** Used when goods are purchased from a related party and resold to an independent party.

c) **Cost Plus Method (CPM):** Adds an appropriate markup to the costs incurred by the supplier in a controlled transaction.

d) **Transactional Net Margin Method (TNMM):** Evaluates the net profit margin relative to an appropriate base (e.g., costs, sales).

e) **Transactional Profit Split Method (TPSM):** Allocates profits between related entities based on their respective contributions.

Singapore's transfer pricing regulations are structured to ensure that related-party transactions are conducted fairly and transparently, reflecting market conditions. Compliance with these regulations is crucial for MNCs operating in Singapore, as failure to adhere can result in significant penalties and adjustments by tax authorities.

DOING BUSINESS IN SOUTH KOREA

INTRODUCTION

South Korea's economy is characterized by its rapid transformation from an underdeveloped nation to a highly developed mixed economy, often referred to as the "Miracle on the Han River." This transformation has been largely driven by an export-oriented economic structure and significant government intervention.

South Korea's economy is heavily reliant on international trade, with trade accounting for approximately 97% of its GDP. As of 2023, it was the world's 13th largest economy and a leader in high-tech industries, with exports amounting to about USD 632.4 billion and imports reaching USD 642.6 billion. The country has signed numerous Free Trade Agreements (FTAs) to enhance its market access and reduce trade barriers, including agreements with 52 countries and participation in the Regional Comprehensive Economic Partnership (RCEP).

South Korea has experienced a significant increase in foreign direct investment (FDI) in recent years, reaching record highs in both pledges and arrivals in 2023. Despite global economic uncertainties, South Korea's FDI inflows have remained strong, South Korea reached an all-time high of $32.72 billion in 2023, indicating its appeal as a secure location for investment.

South Korea's economy is a testament to successful export-oriented policies and industrialization, but it continues to navigate complex global economic dynamics and domestic challenges. The ongoing adaptation to international trade agreements and economic reforms will be crucial for sustaining its growth trajectory in the future.

INVESTMENTS INTO SOUTH KOREA

South Korea, FDI pledges surged by 7.5% year-on-year, reaching a record USD 32.7 billion, primarily driven by investments in the semiconductor, battery, and transportation sectors. The manufacturing sector attracted USD 11.9 billion in FDI, while the service sector saw a rise to USD 17.8 billion, indicating a shift in investor interest towards service businesses. Despite its appeal, foreign investors face several challenges in South Korea:

a) **Regulatory Complexity:** The regulatory environment is often seen as intricate and opaque, which can deter potential investors. There are also restrictions on foreign ownership in 30 industrial sectors, including nuclear power and broadcasting.

b) **Competition:** The competitiveness of South Korea's manufacturing sector has been impacted by low-cost producers, particularly from China, making it crucial for South Korean industries to innovate and maintain efficiency.

South Korea's strong economic development, open investment opportunities, particularly in information and communication technologies. The country ranks highly on the Global Innovation Index and the Index of Economic Freedom, indicating a favorable environment for business operations.

South Korea's FDI landscape has faced fluctuations, recent trends show a promising recovery bolstered by government incentives and targeted investments in key sectors. However, potential investors should be mindful of the regulatory challenges and competitive landscape.

ESTABLISHING A PRESENCE

To establish a presence in South Korea, businesses should consider several key strategies and structures, given the unique market dynamics and regulatory environment. Here's a comprehensive overview of the steps involved:

Understanding the Market - South Korea is recognized for its vibrant economy and advanced technological landscape. Before entering the market, it's essential to conduct thorough research on local consumer preferences, market trends, and the competitive landscape. Building strong relationships with local partners can provide valuable insights and facilitate smoother market entry.

Choosing the Right Business Structure - Foreign companies have several options for establishing a presence in South Korea:

a) **Subsidiary:** A separate legal entity that offers limited liability protection. This structure is popular among foreign businesses as it allows for greater autonomy and operational flexibility.

b) **Branch Office:** This is an extension of the parent company and can engage in taxable activities. However, it does not provide liability protection, meaning the parent company is responsible for the branch's obligations.

c) **Liaison Office:** Limited to non-commercial activities such as market research and promotional efforts. It cannot engage in taxable activities and serves primarily as a communication link between the parent company and the Korean market.

d) **Private Company (Yuhan Hoesa):** This structure offers flexibility in management and taxation, making it suitable for many foreign investors.

e) **Joint Stock Company (Jusik Hoesa):** This allows for raising capital through share issuance and can be listed on stock exchanges, but it requires a more complex governance structure.

Legal and Regulatory Compliance - Understanding and complying with South Korean laws is crucial. Key regulations include:

a) **Korean Commercial Code:** Governs business operations and structures.

b) **Foreign Investment Promotion Act:** Provides guidelines for foreign businesses, including incentives and protections.

c) **Labor Laws:** South Korea has strict labor regulations, including minimum wage and working hours, which must be adhered to in order to maintain compliance and foster a positive work environment.

Building Relationships and Networking - In South Korea, personal relationships are vital for business success. Frequent visits to the country to cultivate contacts and understand local business culture can significantly enhance your chances of success. Engaging in face-to-face meetings and networking with local distributors, suppliers, and customers is essential.

Establishing a presence in South Korea involves a multifaceted approach that includes selecting the appropriate business structure, complying with local laws, building strong relationships, and leveraging digital marketing. By understanding the local market and working closely with local experts, businesses can position themselves for success in this dynamic and rapidly growing economy.

MERGERS AND AQUISITIONS

Mergers and Acquisitions (M&A) in South Korea reflect a dynamic landscape influenced by both domestic and international factors.

Legal Framework- The primary legislation governing M&A in South Korea is the Monopoly Regulation and Fair Trade Act (MRFTA). This act mandates that mergers and acquisitions must be reported to the Korea Fair Trade Commission (KFTC) if they meet specific thresholds, ensuring that anti-competitive practices are monitored.

Regulatory Changes- As of August 2024, amendments to the MRFTA are set to enhance the merger review process, particularly for transactions involving digital services and online platforms. This reflects a growing recognition of the unique challenges posed by digital markets.

Trends and Insights

a) **Cross-Border M&As:** There is a notable shift towards cross-border mergers and acquisitions, which have become increasingly significant compared to greenfield investments. This trend is driven by the desire for companies to expand their market reach and enhance competitiveness.

b) **Diverse Participants:** The M&A landscape includes a mix of strategic investors, such as major corporations, and financial investors, including private equity and venture capital firms. This diversity contributes to a robust and competitive market environment.

c) **Due Diligence and Integration:** Legal firms specializing in M&A emphasize the importance of thorough due diligence and effective post-merger integration. These processes are crucial for ensuring the success of M&A transactions and minimizing risks associated with such deals.

South Korea's M&A market is characterized by a blend of strategic and financial investments, a robust regulatory framework, and an increasing focus on digital economy transactions. The evolving legal landscape and active participation from various investors continue to shape the future of mergers and acquisitions in the region.

CAPITAL MARKET IN SOUTH KOREA

South Korean capital market seen tremendous growth in last two decades. Government of South Korea measures initially to encourage competition in domestic financial markets, such as denationalizing major commercial banks and loosening interest rate and credit controls, helped foster the capital market's development.

The reduction of inflation to single-digit levels since 1980 also contributed to the rapid growth of the capital market.

Current State and Trends:

- Korea's stock market capitalization rose 23.1% from 2022 to 2023, with foreign investors accounting for nearly one-third of shareholders.
- The total number of shareholders of listed companies in South Korea almost tripled between 2016 and 2022, reaching almost 14.5 million.
- Despite being home to globally recognized brands like Samsung, South Korea's stock market has historically been overlooked by both domestic and foreign investors due to factors like the dominance of family-run conglomerates, poor corporate governance, meager returns for shareholders, and geopolitical tensions.
- Compared to other countries studied, what is notable in Korea's case is its significant increase in the number of listed companies per capita.

Challenges and Reforms:

- The persistent undervaluation of corporate giants in Asia's fourth-largest economy is known as the 'Korea discount'.
- To counter the Korea discount, the South Korean government recently announced the Corporate Value-up Programme, which aims to encourage companies to distribute more profits to shareholders through measures like tax incentives.
- However, emulating Japan's success in boosting stock market performance through regulatory reforms may prove challenging, as the proposed measures have thus far failed to impress investors.
- More concrete policies are needed to make Korean companies more attractive to investors, particularly in terms of tax incentives and strengthening shareholder rights.

Opportunities for Foreign Investors:

- A white paper by ASIFMA highlights opportunities and challenges for global institutional investors when seeking to invest in South Korea's capital markets.
- Areas of market accessibility that Korea falls behind in are not just rules and regulation, but also process and practice.
- To improve Korea's market accessibility, rules and regulations need to be applied more transparently and consistently, and communication between financial regulators, industry, and the foreign investor community needs to be improved.

South Korean government's strategic interventions, regulatory reforms, and economic planning were fundamental to the development of the capital market extensively, enabling it to support the country's rapid industrialization and economic growth.

TAXATION IN SOUTH KOREA

South Korea has a comprehensive tax system that includes both national and local taxes. The main types of taxes are:

- National Taxes
- Internal taxes (e.g. corporate tax, income tax)
- Customs duties on imported goods
- Earmarked taxes
- Local Taxes
- Acquisition tax
- Registration license tax
- Property tax
- Automobile tax
- Tobacco consumption tax
- Community resource and facility tax
- Local education tax
- Local income tax
- Local consumption tax

Personal Income Tax

a) Residents are taxed on their worldwide income, while non-residents are only taxed on Korean-source income.

b) Income tax is calculated by applying a progressive tax rate schedule from 6% to 45% (exclusive of the 10% local income tax).

c) The tax year runs from January 1 to December 31. Tax returns must be filed between May 1-31 of the following year.

d) Taxable income includes global income, capital gains, and severance pay, each with a unique tax calculation structure.

e) Residents can claim personal deductions and tax credits to reduce their taxable income.

Corporate Tax

a) Domestic corporations are taxed on their worldwide income, while foreign corporations are only taxed on Korean-source income.

b) Corporate tax rates are 10%, 20%, and 22%.

c) Foreign corporations without a permanent establishment in Korea are subject to withholding tax.

Indirect Taxes

a) Value-added tax (VAT) rate is 10%

b) Securities transaction tax is imposed on the seller at a rate of 0.43%

c) Stamp tax is required on certain documents like property transfers and loan contracts

d) Customs duties are levied on imported goods

e) Resident tax is assessed by local governments on individuals

South Korea's tax system aims to provide a stable source of revenue for the government while encouraging economic growth and foreign investment. The combination of national and local taxes ensures that both individuals and corporations contribute to the country's development.

TRANSFER PRICING

Transfer pricing in South Korea is governed by the Law for the Coordination of International Tax Affairs (LCITA), which aligns with the OECD Transfer Pricing Guidelines. This framework establishes the arm's-length principle as the standard for determining transfer prices between related entities, ensuring that transactions are priced similarly to those between unrelated parties.

Key Regulations and Compliance

a. **Arm's-Length Principle (ALP):** South Korean regulations require that transfer prices reflect the prices that would be agreed upon by unrelated parties under comparable circumstances. This principle is foundational to the LCITA, which has been in effect since January 1, 1996.

b. **Transfer Pricing Methods:** The LCITA specifies several methods for determining ALP, including:

- Comparable Uncontrolled Price (CUP)
- Resale Price Method
- Cost Plus Method
- Transactional Net Margin Method (TNMM)
- Profit Split Method.

c. **Documentation Requirements:** Taxpayers must prepare and maintain transfer pricing documentation, including a Master File and Local File, to demonstrate compliance with the arm's-length standard. This documentation must be submitted within 12 months after the fiscal year-end, and it must be available for review during tax audits.

d. **Advanced Pricing Agreements (APAs):** South Korea offers both unilateral and bilateral APAs to help businesses mitigate the risk of double taxation and ensure compliance with transfer pricing regulations. APAs allow taxpayers to agree on the transfer pricing methodology for future transactions with the tax authority.

Tax Authority and Enforcement

The National Tax Service (NTS) is responsible for enforcing transfer pricing regulations. Taxpayers are expected to submit documentation within 60 days of a tax audit request. Failure to comply can result in penalties, including a 10% under-reporting penalty and interest on the tax assessment.

Recent Developments - In response to international concerns about tax avoidance through profit shifting, South Korea has made efforts to enhance transparency and compliance in transfer pricing. This includes amendments to the LCITA to incorporate recommendations from the Base Erosion and Profit Shifting (BEPS) action plan. The government has introduced simplified procedures for smaller enterprises to comply with transfer pricing regulations. Overall, South Korea's transfer pricing framework aims to align with global standards while addressing local compliance and enforcement challenges.

DOING BUSINESS IN SRI LANKA

INTRODUCTION

Sri Lanka is a developing country, it has a market-based mixed economy dominated by the service sector, which accounts for 59.7% of GDP, followed by the industrial sector at 26.2% and agriculture at 8.4%.

The country's main economic sectors are tourism, tea export, clothing, rice production, and other agricultural products. Overseas employment, especially in the Middle East, also contributes substantially to foreign exchange.

Sri Lanka Economic overview

a) **GDP Trends:** Sri Lanka's GDP contracted by 2.3% in 2023, following a contraction of 7.8% in 2022. However, there was a notable recovery in the latter part of 2023, with growth rates of 1.6% and 4.5% in the third and fourth quarters, respectively.

b) **Inflation and Currency:** Inflation has decreased to single-digit levels, with a slight increase in early 2024 due to rising food prices. The Sri Lankan Rupee appreciated by 10.8% against the US Dollar in 2023, contributing to improved economic stability.

c) **External Sector:** The current account recorded a surplus for the first time since 1977, driven by a rebound in remittances and tourism, alongside subdued imports. By early 2024, Sri Lanka's usable official reserves increased to about $3.1 billion, sufficient for approximately two months of imports.

Sri Lanka is on a path toward recovery with significant reforms and potential for FDI growth, it faces challenges in maintaining investor confidence and addressing economic disparities.

INVESTMENT INTO SRI LANKA

Sri Lanka offers a range of investment opportunities across various sectors:

a) **Manufacturing:** High-value added and high-tech manufacturing, especially in apparel, auto components, electrical & electronics, and food processing

b) **Services:** Business process outsourcing (BPO), knowledge process outsourcing (KPO), IT-enabled services, hospitality, logistics, education

c) **Infrastructure:** Large-scale projects in power generation, transmission, highways, seaports, airports, railways, water services, and industrial estates

d) **Other sectors:** Agriculture and agro-processing, regional operating headquarters, research and development, export trading houses

Investment in Sri Lanka attract Global Players due to Strategic location connecting East and West, with access to major shipping lanes, and Educated workforce and incentive based foreign investments.

Foreign direct investment (FDI) in Sri Lanka stood at $780 million. Sri Lanka seeks FDI in tourism, real estate, development projects, ports, and telecommunications. In addition, The government of Sri Lanka focusing investments in agriculture, electronics, and light manufacturing and IT services. The Board of Investment (BOI) is the primary government authority responsible for attracting both foreign and domestic investment. BOI facilitates FDI.

Despite the current economic challenges, Sri Lanka remains an attractive investment destination due to its strategic location, skilled workforce, and ongoing infrastructure development. The government is actively working to attract foreign investment across a range of sectors to support economic recovery and growth.

ESTABLISHING A PRESENCE

The global companies can establish entities in Sri Lanka with various framework-

a) **Limited Liability Company (LLC):** This is the most common business structure, requiring at least one director and two shareholders. No minimum share capital is mandated.

b) **Branch Office:** Foreign companies can operate as branch offices, which must register under the Companies Act of 2007. A minimum investment of USD 200,000 is required.

c) **Liaison or Representative Office:** These offices can facilitate business operations but cannot engage in direct commercial activities.

d) **Sole Proprietorship and Partnerships:** These are simpler structures but come with personal liability for debts and obligations.

Registration Process

a) **Board of Investment (BOI):** It is crucial to engage with the BOI early in the process to understand the necessary approvals and potential incentives. The BOI offers two types of investment approvals: one with concessions and one without.

b) **Company Registration:** After obtaining BOI approval, businesses must register with the Department of Registrar of Companies. This involves submitting various documents, including Articles of Association and consent from directors.

c) **Tax Registration:** Companies must also register with the Inland Revenue Department and comply with local taxation laws, which include concessionary rates for certain sectors.

Establishing a presence in Sri Lanka involves careful planning and compliance with local regulations. Engaging with the Board of Investments early in the process, choosing the appropriate business structure, and understanding the economic landscape are critical steps for success.

MERGERS AND ACQUISITIONS

The mergers and acquisitions (M&A) landscape in Sri Lanka is evolving, with significant activity observed in recent years. Companies are increasingly leveraging M&A as a strategic tool to enhance market presence, diversify offerings, and achieve operational

efficiencies. The transaction value in this sector is projected to reach approximately USD 0.56 billion in 2024, indicating a positive growth trajectory with an expected annual growth rate (CAGR) in the coming years.

The regulatory environment governing M&A in Sri Lanka is primarily guided by the Company Takeovers and Mergers Code, administered by the Sri Lankan Securities & Exchange Commission (SEC). This framework aims to protect shareholders during takeover bids and outlines procedures for both voluntary and mandatory offers. For instance, a mandatory offer is triggered when an entity acquires 30% or more of a company's voting rights, requiring it to make a cash offer to all shareholders at the highest price paid in the previous 12 months

Despite the growth in M&A activities, many transactions face challenges that can lead to failure. Empirical evidence suggests that a significant number of M&A deals do not achieve their intended outcomes, often due to inadequate integration plans, cultural mismatches, and unclear strategic objectives. Business leaders are advised to conduct thorough due diligence and develop robust integration strategies to enhance the likelihood of success. In summary, the M&A market in Sri Lanka is gaining momentum, driven by strategic objectives and supported by a regulatory framework aimed at protecting shareholders. However, the complexities and risks associated with M&A necessitate careful planning and execution to realize their full potential.

CAPITAL MARKET IN SRI LANKA

The capital market plays a vital role in the economic growth and development of Sri Lanka. It serves as a platform for trading long-term financial instruments such as stocks, bonds, and other securities. The Colombo Stock Exchange (CSE) is the only stock exchange operating in Sri Lanka and has a history dating back to 1896.

Sri Lanka's capital market is relatively small compared to the size of its economy. As of 2020, the market capitalization of the CSE was around USD 20 billion, which is about 26% of the country's GDP. The government securities market is the dominant sector with a value of USD 28 billion.

The Government and regulatory authorities have undertaken various reforms and initiatives:

a) **Strengthening the regulatory framework:** Amendments to the Securities and Exchange Commission (SEC) Act are being proposed to enhance investor protection and allow for the development of new capital market products.

b) **Improving market infrastructure:** Plans are underway to establish a central counterparty clearing system and upgrade the trading platforms to global standards.

c) **Increasing foreign investor participation:** Efforts are being made to attract foreign direct investments (FDI) by positioning Sri Lanka as an attractive investment destination and improving transparency and governance in the market.

d) **Diversifying product offerings:** New products such as real estate investment trusts (REITs), infrastructure bonds, and sustainable bonds are being introduced to cater to different investor needs.

e) **Promoting financial literacy:** Initiatives to include capital market education in school curricula are being explored to create a broader investor base in the long run.

The capital market in Sri Lanka has significant potential for growth and development. With the implementation of the proposed reforms and initiatives, the market can attract more investments, enhance liquidity, and contribute to the overall economic growth of the country.

However, the success of these efforts will depend on the government's commitment to consistent policies, the regulator's ability to enforce rules effectively, and the market's ability to adapt to changing global trends and investor preferences

TAXATION IN SRI LANKA

Sri Lanka's tax system is lowest globally, reflecting both low tax rates and a narrow tax base. The country primarily employs direct and indirect taxes, with significant reliance on value-added tax (VAT), income tax, and excise duties.

Overview of the Tax Structure :

Personal Income Tax (PIT) –

- The PIT rates for individuals start at 6% and can go up to 30% for higher income brackets. Currently, the top marginal tax rate is set at 18% as part of recent reforms aimed at simplifying the tax structure.

- The tax-free allowance was significantly increased from 500,000 LKR to 3,000,000 LKR in 2020, which has substantially reduced the effective tax burden across income levels.

Corporate Income Tax (CIT):

- The standard CIT rate is 30% of net profits, although various exemptions exist for specific sectors, particularly agriculture and information technology, which are fully exempt from CIT.

Indirect Taxes-

Value Added Tax (VAT)- The VAT rate was reduced from 15% to 8% in 2020, with additional exemptions introduced. This low rate compared to regional peers indicates potential for revenue enhancement through rate adjustments and base broadening measures.

Excise Duties and Tariffs- Excise taxes and tariffs contribute significantly to government revenue, with indirect taxes overall accounting for about 74% of total tax revenue.

Recent reforms have aimed to simplify the tax system and enhance revenue collection, including:

a) **Elimination of certain taxes:** The government removed several taxes, such as the Nation Building Tax and the Economic Service Charge, to streamline the tax framework.

b) **Proposals for new taxes:** A new Special Goods and Services Tax (SGST) is proposed to replace multiple existing taxes on goods like liquor and telecommunications.

Despite these efforts, the Government has pledged to maintain the current low-tax regime for predictability and simplicity, which may hinder significant revenue mobilization unless further reforms are implemented.

Sri Lanka's tax system is designed to promote economic growth and attract foreign investment, its low rates and narrow base limit revenue generation, necessitating comprehensive reforms to enhance fiscal sustainability.

TRANSFER PRICING

Transfer pricing in Sri Lanka has evolved significantly since its introduction into the Income Tax legislation in April 2006. The regulations primarily adhere to the arm's length principle, which is the standard for determining the pricing of transactions between associated enterprises.

Introduction of Regulations- Transfer pricing regulations were first established in Sri Lanka in 2006, with enforcement beginning in 2013. The key legal provisions are found in Section 104 of the Inland Revenue Act No. 10 of 2006, supplemented by subsequent gazette notifications, including the most recent regulations effective from April 1, 2020.

Definition of Associated Enterprises- The transfer pricing rules apply to transactions between taxpayers and associated enterprises, defined as entities with a significant degree of control over one another. This includes situations where there is at least a 50% shareholding or where one entity has substantial influence over the management of another.

Compliance Requirements

Transfer Pricing Disclosure Form- Taxpayers engaged in international transactions with associated enterprises must file a Transfer Pricing Disclosure Form (TPDF) annually along with their income tax return. The requirement applies regardless of the transaction size, but specific thresholds exist: transactions exceeding LKR 200 million necessitate a detailed disclosure, while smaller transactions require less comprehensive reporting.

Documentation and Penalties- Taxpayers are required to maintain transfer pricing documentation for five years. If the tax authority requests this documentation, it must be submitted within 60 days. Non-compliance can lead to penalties under Section 184 of the Inland Revenue Act, which stipulates a 10% penalty for the first month of non-compliance and 2% for each subsequent month.

Enforcement and Current Trends

Enforcement of transfer pricing regulations in Sri Lanka has been limited, with investigations primarily conducted under general anti-avoidance provisions. There has been no significant indication from the Sri Lankan Revenue Authorities regarding alignment with the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan, although the country does follow OECD guidelines for transfer pricing methods.

Sri Lanka has established a regulatory framework for transfer pricing, the actual enforcement and compliance landscape remains in its nascent stages, with ongoing developments expected as the authorities gain more experience in this area.

DOING BUSINESS IN TAIWAN

INTRODUCTION

Taiwan's economy is characterized by its highly developed free-market system, making it the 8th largest economy in Asia and the 20th largest globally by purchasing power parity. The transformation from an agriculture-based society to a high-income industrialized nation has been termed the "Taiwan Miracle," reflecting significant economic growth and development over the past few decades.

Economic Structure

Taiwan's reliance on private consumption (48%), private investment (21%), and public spending (17%), amounting to over 110% of GDP, underscoring the economy's dependence on international trade. The electronics sector is particularly crucial, with Taiwan being a global leader in semiconductor manufacturing and information and communication technology (ICT) products.

Taiwan's trade relations have evolved significantly. Taiwan was the 17th largest exporter and importer of merchandise globally, with total trade reaching approximately $907.4 billion. The government has actively pursued diversification of trade partnerships, reducing reliance on traditional markets such as the United States while enhancing ties with Southeast Asia and other regions through initiatives like the New Southbound Policy.

Taiwan's economy is a complex interplay of advanced manufacturing, significant trade relationships, and ongoing efforts to adapt to global economic shifts while it faces challenges from geopolitical tensions and demographic shifts, ongoing government initiatives and a strong export market position it well for future growth.

INVESTMENTS INTO TAIWAN

Taiwan has emerged as a significant destination for foreign direct investment (FDI), particularly in high-tech industries and renewable energy sectors. The country's strategic geographical location, robust supply chains, and favourable business environment contribute to its attractiveness for investors.

Investment Environment

1. **High-Tech Industry:** Taiwan is a global leader in the production of IT hardware, with its semiconductor foundry and packaging industries ranking first worldwide. The country is also a major player in the design and manufacturing of personal computers, attracting investments from tech giants like Google and Microsoft, which have established innovation centers to enhance R&D collaboration.

2. **Supportive Government Policies:** The Taiwanese government actively promotes FDI through various initiatives, including the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan." This plan has successfully attracted over NT$1 trillion (approximately US$37.5 billion) in investments and created more than 80,000 job opportunities since its launch

Investment Incentives - Taiwan offers various tax incentives to attract foreign investors, including:

a) No import duties on machinery not produced locally.

b) Tax benefits for companies investing in key technologies, smart machinery, and 5G.

Key Industries for Investment Promotion

a) Semiconductors

b) 5G telecommunications

c) Artificial Intelligence (AI)

d) Renewable energy

e) Biotechnology and pharmaceuticals

The legal framework in Taiwan is also conducive to foreign investment, with protections for intellectual property rights and a streamlined process for investment applications, particularly for foreign investors.

Taiwan's strategic location, strong industrial base, supportive government policies, and favourable economic conditions make it an attractive destination for foreign investment, particularly in high-tech and renewable energy sectors.

ESTABLISHING A PRESENCE

In Taiwan, businesses can choose from several legal structures, each with distinct characteristics and requirements. Below are the primary options and the steps involved in setting up operations in Taiwan.

Business Structures

1. Limited Liability Company (LLC)

a) **Requirements:**

- Minimum of one shareholder and one director (both can be non-residents).
- A local registered office address.
- Appointment of a local investment agent who is a Taiwan resident.

b) **Capital:** No minimum capital requirement.

c) **Liability:** Shareholders' liability is limited to their contributions.

2. Company Limited by Shares

- Similar to an LLC but typically used by larger corporations.
- Requires at least one corporate shareholder or two individual shareholders and at least three directors.

3. Branch Office

- A foreign company can establish a branch to conduct business in Taiwan.

Advantages:

- Exempt from many corporate formalities required for a limited company.
- After-tax profits can be repatriated without additional dividend tax.

Requirements:

- Apply for name reservation and branch registration.
- Recognition of foreign company status and examination of investment capital.

4. Representative Office

- This is the simplest form of establishing a presence but is limited in scope.
- **Activities:** Can act as an agent for the parent company but cannot engage in profit-seeking activities or conduct sales.
- **Purpose:** Often used for market research, quality control, and managing relationships.

Steps to Establish a Presence

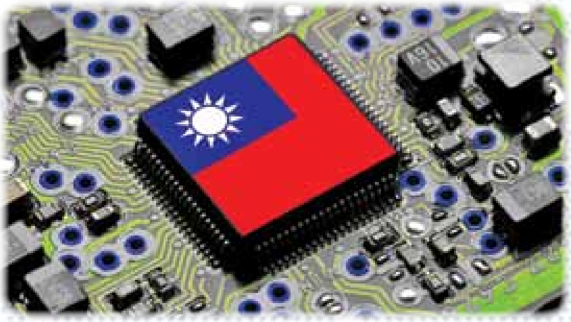
1. **Choose the Business Structure:** Decide whether to set up an LLC, branch, or representative office based on business needs and goals.
2. **Name Reservation:** Apply for the search and reservation of the company name.
3. **Registration:**
   - For LLCs and companies limited by shares, apply for business registration and obtain necessary permits.
   - For branches, apply for recognition and registration as a foreign company.
4. **Open a Bank Account:** Necessary for capital deposit and operational transactions.
5. **Tax Registration:** Register with the National Taxation Bureau for tax purposes.
6. **Compliance with Local Laws:** Ensure adherence to local regulations, including employment laws and industry-specific requirements.

Establishing a presence in Taiwan can provide significant opportunities for businesses looking to expand in the Asia-Pacific region, leveraging its strategic location, supportive regulatory environment, and skilled workforce.

MERGERS AND ACQUISITIONS

Mergers and acquisitions (M&A) in Taiwan are governed by several key legal frameworks, primarily the Business Mergers and Acquisitions Act (M&A Act), the Company Act, the Securities and Exchange Act, and the Fair Trade Act. These laws regulate various aspects of M&A transactions, including procedures for public companies, antitrust considerations, and foreign investment regulations.

Recent Trends in M&A Activity - In 2023, Taiwan's M&A landscape saw significant activity driven by strategic investments and sector-specific trends:



- **Technology Sector:** Major technology firms engaged in cross-border mergers and acquisitions to enhance their market positions.
- **Energy Sector:** The renewable energy sector continued to attract investment, with numerous transactions in solar and offshore wind projects, reflecting the government's push for renewable energy development. Both local and foreign investors were active in this space, contributing to a thriving M&A market.
- **Retail and Biotechnology:** There were also consolidations within retail chains and notable activity in the biotechnology and medical sectors, indicating a diverse range of interests among investors

Regulatory Framework - The regulatory environment for M&A in Taiwan is characterized by:

a) **Approval Requirements:** Most M&A transactions require approvals from shareholders and relevant government bodies, particularly for public companies. The Fair-Trade Act also necessitates antitrust considerations for larger deals.

b) **Foreign Investment Regulations:** Stricter criteria have been implemented for foreign investments, especially from Chinese entities, to prevent circumvention of investment controls. This includes requiring regulatory approval for investments made through third-party intermediaries.

c) **Forms of Consideration:** Cash remains the predominant form of consideration in M&A transactions, although share exchanges are also used, particularly in group restructurings. However, there are restrictions on share-based transactions involving foreign acquirers.

Taiwan's M&A market is marked by strategic moves from both local and foreign investors, particularly in technology and renewable energy sectors. The regulatory framework continues to evolve, adapting to both domestic economic conditions and the geopolitical landscape, especially concerning cross-strait relations with China. As

Taiwan positions itself for industry transformation, M&A activity is expected to remain a vital component of its economic strategy.

CAPITAL MARKET IN TAIWAN

Taiwan's capital market is characterized by its robust structure, significant international engagement, and ongoing regulatory enhancements aimed at aligning with global standards.

Overview of Taiwan's Capital Market

Taiwan's capital market is primarily facilitated through two main exchanges: the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEx). The TWSE is responsible for the majority of the trading volume and market capitalization, ranking 7th in turnover, 12th in trading value, and 16th in market capitalization globally, according to the World Federation of Exchanges.

Stock Market Overview - Taiwan's stock market comprises 1,795 listed companies with a total market capitalization of approximately US$1.8 trillion (till mid of previous year). The market has experienced a robust performance, with the TAIEX (Taiwan Stock Exchange Capitalization Weighted Stock Index) rising by 18% since the beginning of the year, reflecting a total trading value of US$1.73 trillion and an average daily trading value of US$11.15 billion.

Bond Market Dynamics - Taiwan's bond market has also shown resilience, with total bond issuance reaching US$537.5 billion as of August 2023. The total bond trading value stood at US$608.9 billion, maintaining an average daily trading value of US$3.85 billion. The issuance of social, sustainability-linked, and green bonds has been particularly noteworthy, growing at a rate of 50% to 60% annually since 2017.

Key Features-

a) **Investment Environment:** Taiwan's capital market is increasingly attractive to foreign investors, with over 40% foreign ownership in listed companies. The market has seen a commitment to enhancing investor protections and creating a friendly environment for international capital through various initiatives, including the promotion of ESG (Environmental, Social, and Governance) compliance among listed companies.

b) **Regulatory Framework:** The Financial Supervisory Commission (FSC) and the Ministry of Finance (MOF) are pivotal in optimizing the regulatory landscape. Recent reforms have focused on improving taxation for foreign institutional investors and enhancing the transparency of information provided by listed companies.

c) **Market Development Initiatives:** The TWSE has been proactive in hosting events to promote Taiwan's capital market internationally, such as "Taiwan Day" in London, which aims to attract foreign investment and showcase the strengths of Taiwan's economy, particularly in high-tech sectors like semiconductors and ICT.

d) **Future Prospects:** The government and industry stakeholders are working towards further globalization of the capital market. Suggestions include adopting flexible cybersecurity regulations and enhancing educational offerings to attract skilled foreign talent, which are seen as essential for maintaining competitiveness in the Asia-Pacific region.

Taiwan's capital market is on a positive trajectory, marked by significant international engagement, regulatory improvements, and a strong focus on sustainability and investor protection, positioning it as a key player in the Asia-Pacific financial landscape.

TAX SYSTEM IN TAIWAN

Taiwan encompasses various types of taxes levied on individuals and corporations, with distinct regulations for residents and non-residents. The tax system is administered by the Ministry of Finance and includes both national and local taxes.

Individual Income Tax - Individuals are classified as residents for tax purposes if they are domiciled in Taiwan or have spent 183 days or more in the country during the taxable year. Non-residents, on the other hand, are taxed only on income sourced from Taiwan. The individual income tax (IIT) for residents is progressive rates structured as follows:

Taxable Income (TWD)	Tax Rate (%)
0 - 560,000	5
560,001 - 1,260,000	12
1,260,001 - 2,520,000	20
2,520,001 - 4,720,000	30
4,720,001 and above	40

Non-residents face a flat tax rate of 18% on their Taiwan-sourced salary income.

Corporate Income Tax - The corporate income tax (CIT) rate in Taiwan is 20%, applicable to resident companies on their worldwide income. Non-resident companies are taxed based on income sourced from Taiwan.

Withholding taxation – Withholding Tax in Taiwan involves a structured system where certain types of income paid to both residents and non-residents are subject to tax withholding at the source. Here's an overview of the key aspects-

a) **Dividends:** 20% withholding tax applies to dividends paid to foreign individuals. 21% applies to dividends paid to foreign companies.

b) **Interest:** Generally subject to a 20% withholding tax for payments to non-resident companies without a fixed place of business in Taiwan.

c) **Royalties:** A 20% withholding tax is imposed on royalties paid to foreign entities.

d) **Service Fees:** Payments made by Taiwanese companies to foreign entities for services rendered in Taiwan are typically subject to a 20% withholding tax.

e) **Salaries:** An 18% withholding tax is applicable for salaries paid to foreign employees, but this requirement ceases if the employee has resided in Taiwan for more than 183 days in a calendar year.

f) **Rental Income:** 20% withholding tax is applied to rental payments made to foreign landlords.

g) **Professional Fees:** A 10% withholding tax applies to professional fees paid to foreign professionals

Indirect Taxes

a) **Value Added Tax (VAT):** The standard VAT rate is 5%, applied to goods and services sold within Taiwan.

b) **Estate and Gift Taxes:** Estate tax is progressive, with rates ranging from 10% to 20% based on the value of the taxable estate. Gift tax follows a similar structure, with an annual exemption of NT$2.44 million per donor.

c) **Property Tax:** This tax is levied annually on land and buildings, with rates varying based on property type and value.

d) **Luxury Tax:** A 10% luxury tax applies to certain high-end goods and services, including luxury vehicles and yachts

Tax Treaties

Taiwan has signed comprehensive income tax agreements with 35 countries and 13 international transportation income tax agreements.

The agreements follow the OECD and UN models, taking into account the political, fiscal, economic and trade relations between Taiwan and the partner country. Some key features of Taiwan's tax treaties include:

- Reduced withholding tax rates on dividends, interest and royalties, typically ranging from 3-15%

- Tax exemption for business profits if the enterprise does not have a permanent establishment in the other country
- Mutual agreement procedures to resolve disputes and eliminate double taxation

Taiwan uses bilateral tax agreements to resolve double taxation issues.

Taiwan's taxation system is comprehensive, incorporating various taxes that reflect both individual and corporate financial activities. The structure aims to ensure fair taxation while providing avenues for deductions and exemptions, particularly for residents. Non-residents are subject to different rules, primarily focusing on income earned within Taiwan.

TRANSFER PRICING

Taiwan's transfer pricing regulations have evolved significantly since their introduction in 2004 and became effective in 2005, aligning closely with OECD guidelines. Here's an overview of the key aspects of transfer pricing in Taiwan.

Regulatory Framework - Taiwan's transfer pricing regulations were enacted to prevent tax avoidance through non-arm's length transactions between related parties. The regulations require that all related party transactions be conducted at arm's length, meaning the prices must reflect those that would be agreed upon by unrelated parties under comparable circumstances. These regulations upgraded in 2017, when Taiwan adopted additional OECD recommendations that necessitate the preparation of three layers of transfer pricing documentation for qualifying entities:

a) **Master File:** Provides an overview of the multinational enterprise's global business operations.

b) **Local File:** Contains detailed information specific to the local entity and its related party transactions.

c) **Country-by-Country Report (CbCR):** Summarizes the distribution of income, taxes, and business activities among the countries in which the multinational operates.

Documentation Requirements

Businesses in Taiwan with significant related party transactions must prepare and maintain transfer pricing documentation. The thresholds for requiring such documentation include:

- Annual revenue exceeding NTD 3 billion and related party transactions exceeding NTD 1.5 billion.
- Annual revenue exceeding NTD 300 million with related party transactions over NTD 200 million.
- Consolidated group revenue exceeding NTD 27 billion.

Documentation must be contemporaneous, meaning it should be prepared at the time of the transaction. If the tax authorities request documentation, taxpayers are required to submit it within 30 days, with a possible one-month extension under special circumstances.

The transfer pricing regulations with international standards, businesses operating in the region must be vigilant in maintaining compliance. Regular reviews of transfer pricing policies and documentation practices are essential to mitigate risks associated with audits and potential penalties. The evolving landscape of global tax regulations, including the implications of the OECD's Base Erosion and Profit Shifting (BEPS) initiatives, will likely continue to influence Taiwan's transfer pricing framework in the future.

DOING BUSINESS IN THAILAND

INTRODUCTION

Thailand's economy is characterized as a mixed economy with significant contributions from various sectors, including agriculture, manufacturing, tourism, and services. Thailand is the second-largest economy in Southeast Asia, following Indonesia, with a Gross Domestic Product (GDP) of approximately USD 513 billion and a per capita GDP of around USD 7,330.

Economic Structure in Thailand focussing majorly into following sectors:

a) **Services:** The services sector is the largest, accounting for about 61% of GDP. This includes tourism, which is a crucial component, contributing approximately 18.4% to the national GDP and attracting nearly 40 million visitors in 2019.

b) **Industry:** The industrial sector contributes around 30% to GDP, with manufacturing being a key driver. Thailand is known for its automotive industry, which is the largest in ASEAN, and significant exports in electronics and machinery.

c) **Agriculture:** Although its contribution has diminished over the decades, agriculture still plays a vital role, accounting for about 9% of GDP. Thailand is a leading exporter of rice, rubber, and seafood.

Thailand's trade volume touched USD 574.31 billion in previous year, with exports totalling USD 284.56 billion and imports at USD 289.75 billion. Major trading partners include China, the USA, Japan, and Malaysia.

Thailand's economic policy initiated "Thailand 4.0", aimed at transitioning to a value-based economy that emphasizes innovation, sustainability, and equitable growth. This model seeks to address economic disparities and promote a knowledge-based economy through research and development.

Thailand's economy is marked by its diverse sectors, robust trade relationships, and ongoing efforts to modernize and innovate. The strategic location of Thailand in Southeast Asia enhances its role as a gateway for trade and investment in the region, supported by well-developed infrastructure and a favourable investment climate.

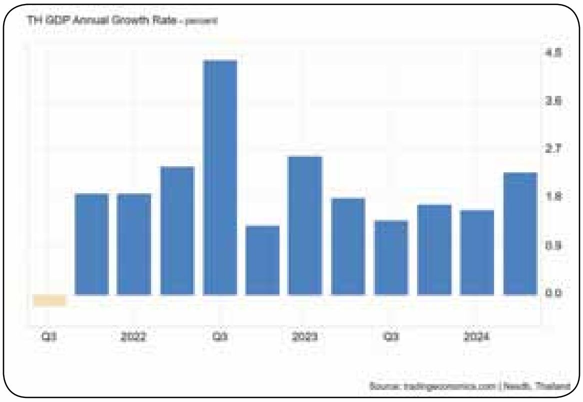
INVESTMENTS INTO THAILAND

Thailand's economic overview seen GDP growth rate of approximately 4% to 5% annually. The government has implemented policies to promote investment, especially in the Eastern Economic Corridor (EEC), which targets advanced industries such as technology, aerospace, biofuels, and digital sectors. This initiative aims to enhance infrastructure and position Thailand as a hub for advanced industries in Southeast Asia.

Thailand offers a dynamic investment landscape with significant opportunities across various sectors, particularly through government initiatives aimed at attracting foreign investment. Here are the key aspects of investing in Thailand:

Investment Trends in Thailand

a) **Foreign Investment Growth:** In the first five months of current year, foreign investment in Thailand reached 71.7 billion baht, a 58% increase in value compared to the same period in previous year. Japan led as the largest investor, followed by Singapore and the United States.



b) **Sector Focus:** The Thai government has identified 12 industries for promotion, which include electronics, automotive, petrochemicals, and digital industries. The electronics sector, in particular, saw the highest investment applications in early 2024.

c) **Investment Applications:** The Board of Investment (BOI) reported a significant rise in investment applications, hitting a five-year high in previous year with total applications amounting to $23.8 billion, of which foreign direct investment accounted for $18.6 billion.

Investment Opportunities in Thailand

a) **Real Estate:** The real estate market in Thailand is robust, with rising property values making it a lucrative area for investment. This sector benefits from a growing population and increasing demand for housing and commercial spaces.

b) **Import and Export:** Thailand's strategic location as a transportation hub makes it an ideal base for import and export businesses, particularly in industries like electronics and raw materials.

c) **Digital and IT Services:** The increasing digitalization of businesses in Thailand has led to a surge in demand for IT services, cloud security, and digital marketing, presenting substantial investment opportunities in the tech sector.

d) **Catering and Food Services:** With a strong cultural emphasis on food, catering businesses are thriving, especially in urban areas where home cooking facilities may be limited.

The Thailand government provides various incentives for investors, including:

a) **Income Tax Holidays:** Certain sectors may qualify for tax holidays or reductions.

b) **Import Duty Exemptions:** Exemptions on raw materials and machinery can significantly reduce startup costs.

c) **Investment Promotion:** The BOI facilitates the investment process, offering support and guidance to both local and foreign investors.

Foreign Direct Investment (FDI) plays a crucial role in Thailand's economic development, making the country one of the leading FDI destinations in Southeast Asia. Here's an overview of the current landscape of FDI in Thailand, including trends, challenges, and opportunities.

Thailand's investment climate is characterized by strong government support, a recovering economy, and diverse opportunities across multiple sectors. Investors looking to enter the Thai market can benefit from the strategic initiatives and incentives provided by the government, making it an attractive destination for both local and foreign direct investments.

ESTABLISHING A PRESENCE

To establish a presence in Thailand, foreign companies can choose from several business structures, each with specific requirements and regulations. In overview of the main options and steps involved in setting up a business in Thailand.

Business Structures

a) **Private Limited Company:** A private limited company may be wholly owned by foreigners, except in businesses reserved for Thai nationals under the Foreign Business Act where foreigners can own up to 49%. Requires at least three shareholders and one director. Minimum share capital of 15 THB, but typically not lower than 100,000 THB (about 4,000 USD)

b) **Branch Office:** Requires support from a government ministry/agency or major organization engaged in the particular activity. Needs to apply to the Foreign Business Committee, taking 3-4 months to process. Requires working capital of 5 million THB (about 150,000 USD) brought in over 4 years

c) **Representative Office:** Can engage in non-revenue generating activities like market research, quality inspection, providing advice on products, and reporting to head office. Needs to appoint one resident representative of any nationality. Requires 5 million THB (about 150,000 USD) in working capital remitted from abroad over 5 years

d) **Regional Office:** Coordinates operations of branches and affiliates in the region. Provides consulting, management, training, financial management, marketing, product development, and R&D services. Not allowed to derive income or negotiate/enter business arrangements in Thailand. Requires 5 million THB (about 150,000 USD) in working capital remitted from abroad over 5 years.

Steps to Register a Business

a) **Reserve a Company Name:** The first step is to reserve a unique company name with the Department of Business Development (DBD). The name must not resemble existing companies and should comply with specific naming regulations.

b) **Prepare and Sign Documents:** Necessary documents include the company's articles of association, details of shareholders and directors, and other legal forms.

c) **Register the Company:** Submit the required documents to the DBD for official registration.

d) **Open a Company Bank Account:** After registration, a bank account needs to be opened in the company's name.

e) **Register for Taxes:** The company must register for corporate income tax and VAT with the Revenue Department.

f) **Social Security Registration:** If the company hires employees, it must register with the Social Security Fund within 30 days of hiring.

Work Permits and Business Visas - Foreign employees must obtain a work permit before starting work in Thailand. The process involves -

- Applying for a Non-Immigrant 'B' visa, which allows entry for business purposes.
- Securing a work permit through the Ministry of Labor, which requires documentation such as a medical certificate and proof of employment.

Additional Considerations

a) **Government Approvals:** Certain business activities, particularly in regulated sectors like pharmaceuticals and telecommunications, require prior government approval.

b) **Local Partnerships:** Establishing relationships with local partners can facilitate market entry and compliance with local customs and regulations.

Thailand business establishment structures and processes helps foreign businesses to establish a presence in Thailand and navigate the regulatory landscape.

MERGERS AND ACQUISITION

Mergers and acquisitions (M&A) in Thailand are governed by a complex legal framework and involve various structures and processes. This overview highlights key aspects of M&A in Thailand, including the types of transactions, legal requirements, and recent trends.

Types of M&A Transactions - In Thailand, M&A transactions typically involve three main structures-

a) **Share Acquisitions:** This is the most common form of M&A, where the buyer acquires shares of the target company, allowing both entities to continue existing independently.

b) **Asset Transfers:** In this structure, the buyer acquires specific assets and liabilities from the target company. This method allows for selective acquisition but may involve more legal formalities.

c) **Amalgamation:** This involves two or more companies merging to form a new entity. However, traditional mergers (where one company survives) are not currently permitted under Thai law, though recent amendments are expected to change this.

Legal Framework - The M&A process in Thailand is regulated by several laws, including the Civil and Commercial Code and the Trade Competition Act, which governs anti-trust issues. Key legal considerations include:

a) **Due Diligence:** A thorough investigation of the target company's financial, legal, and operational status is essential to assess risks and liabilities.

b) **Memorandum of Understanding (MOU):** Parties typically start with an MOU, outlining confidentiality and binding terms before proceeding to due diligence and negotiations.

c) **Regulatory Approvals:** Certain industries may require specific regulatory approvals, especially regarding foreign ownership restrictions under the Foreign Business Act.

Mergers and acquisitions in Thailand are characterized by a diverse range of transaction structures and a stringent legal framework. The recent amendments to the law and the recovery of the M&A market post-pandemic suggest a dynamic environment for both local and foreign investors looking to engage in M&A activities in the country.

CAPITAL MARKET IN THAILAND

The Thai capital market, primarily represented by the Stock Exchange of Thailand (SET), has evolved significantly since its inception.

Overview of the Thai Capital Market

- The Thai capital market, represented by the Stock Exchange of Thailand (SET) index, declined 2.3% in the previous quarter due to uncertainty in the global economy and geopolitical risk.
- Thai capital markets are among Asia's deepest and most liquid, with relatively strong bond and equity penetration, alongside growing offerings in alternative asset classes.
- The SET has been the main engine behind the development of an equity market in Thailand, with strong long-term growth, deep liquidity, and an increasing focus on environmental, social, and governance (ESG) themes.

Market Structure – In the mid of current year, Thailand Stock Exchange (SET) maintained 855 listed companies. This includes 633 companies on the main exchange and 222 companies on the Market for Alternative Investment (MAI), which is designed for small and medium enterprises

Regulation and Key Players

- Thailand's capital markets are fundamentally regulated and monitored by the Ministry of Finance through the Securities and Exchange Commission of Thailand (SEC).
- The SEC acts as an independent authority in formulating policies and regulations concerning the development and standardization of the capital markets.
- The Bank of Thailand (BOT) also plays a significant role in fostering financial stability, determining

standard lending rates, and providing banking facilities to the government and other agencies.

- Companies can raise funds through the issuance of various securities, including shares, debentures, convertible securities, and investment units, subject to SEC requirements.

Thailand's capital market has made significant strides in development and reform, ongoing challenges and external pressures necessitate continued adaptation and innovation to ensure its long-term sustainability and effectiveness in supporting economic growth.

TAXATION IN THAILAND

The taxation system in Thailand is administered by the Revenue Department of the Ministry of Finance and is structured around various types of taxes, including personal income tax, corporate income tax, value-added tax (VAT), and others. Here's an overview of the key components of the tax system:

a. **Personal Income Tax -** The personal income tax is progressive, with rates ranging from 0% to 35%. The brackets are as follows:

0 - 150,000 THB	0%
150,001 - 300,000 THB	5%
300,001 - 500,000 THB	10%
500,001 - 750,000 THB	15%
750,001 - 1,000,000 THB	20%
1,000,001 - 2,000,000 THB	25%
2,000,001 - 5,000,000 THB	30%
Over 5,000,000 THB	35%

Residency: Individuals are considered tax residents if they reside in Thailand for 180 days or more in a tax year. Residents are taxed on their worldwide income, while non-residents are taxed only on income sourced within Thailand.

b. **Corporate Income Tax -** The standard corporate income tax rate is 20%. Small and medium-sized enterprises (SMEs) may benefit from reduced rates based on their income levels.

c. **Value-Added Tax (VAT) -** The standard VAT rate is currently set at 7%. Certain goods and services, such as healthcare and education, are exempt from VAT.

d. **Withholding Tax -** Withholding taxation in Thailand is governed by the Thai Revenue Code and is significantly influenced by the country's network of double taxation treaties (DTTs) with various nations. These treaties aim to prevent double taxation and fiscal evasion, providing relief to residents of contracting states. The standard withholding tax rates applicable to various types of income are as follows:

- **Dividends:** 10% withholding tax on dividends paid to non-residents. No treaties currently provide for a lower rate.
- **Interest:** The standard rate is 15%, but this can be reduced to 10% under most DTTs, particularly for payments to foreign banks or financial institutions.
- **Royalties:** The withholding tax rate is 15%, which may be reduced to 5% or 10% under certain treaties, especially for royalties related to copyrights.
- **Capital Gains:** Generally subject to a 15% withholding tax, though some treaties may exempt gains from certain transactions.

e. **Indirect Taxes**

- **Inheritance Tax:** Applicable only to estates valued over 100 million THB, with rates of 5% for direct descendants and 10% for others.
- **Gift Tax:** Gifts exceeding certain thresholds are subject to a flat tax of 5%, with exemptions for gifts below 20 million THB from parents or spouses.
- **Capital Gains Tax:** Most capital gains are taxed under personal income tax rates (as mentioned above), with specific exemptions for certain securities.
- **Excise and Customs Duties:** These are levied on luxury goods and imports, with rates varying based on the product type.

Starting January 2024, new rules will tax all foreign-sourced income for Thailand tax residents regardless of when it is brought into Thailand. This marks a significant shift from previous regulations, which only taxed foreign income if it was remitted in the same year it was earned. Overall, Thailand's tax system is characterized by a combination of direct and indirect taxes, with a focus on self-assessment and compliance by taxpayers.

TRANSFER PRICING

Transfer pricing in Thailand is a critical aspect of tax compliance for multinational corporations and local businesses with related party transactions. It refers to the pricing of goods, services, and intellectual property transferred between related entities. The Thai Revenue Department (TRD) is particularly concerned about ensuring that these transactions reflect arm's length principles to prevent tax avoidance through profit shifting to lower-tax jurisdictions.

Regulatory Framework - The legal basis for transfer pricing in Thailand is primarily found in the Revenue Code, specifically under:

a) **Section 35 ter:** General provisions for transfer pricing.

b) **Section 71 bis and 71 ter:** Additional regulations regarding income adjustments.

c) **Ministerial Regulations (MR):** Including MR 369 and MR 370, which outline conditions for income adjustments and documentation requirements, respectively.

Since 2019, it has been mandatory for companies with annual revenues exceeding THB 200 million to maintain detailed transfer pricing documentation, which must be submitted with their annual tax returns within 150 days after the fiscal year-end.

Transfer Pricing Methods - Thailand recognizes several acceptable methods for determining transfer prices, which include:

a) Comparable Uncontrolled Price (CUP)

b) Resale Price Method

c) Cost Plus Method

d) Transactional Net Margin Method

e) Profit Split Method

Taxpayers may also propose alternative methods, but these require prior approval from the Director-General of the TRD.

Documentation Requirements - Preparation of transfer pricing documentation is mandatory and includes several key components:

a) **Transfer Pricing Disclosure Form:** Required for entities with revenues over THB 200 million, detailing related party transactions and submitted with annual income tax returns.

b) **Local File:** Contains comprehensive information about the taxpayer's operations, related party transactions, and benchmarking analyses to support the arm's length nature of pricing.

c) **Master File:** A broader overview of the multinational group's structure and financial information, although specific requirements may vary.

d) **Country-by-Country Reporting (CbC):** For larger multinational enterprises, this report outlines the global allocation of income, taxes, and business activities among countries.

To operate business in Thailand, a company must navigate a complex regulatory landscape regarding transfer pricing, ensuring they adhere to the arm's length principle and maintain robust documentation to mitigate risks associated with tax audits and potential penalties.

DOING BUSINESS IN UNITED ARAB EMIRATES

INTRODUCTION

The United Arab Emirates (UAE) has established itself as a significant player in global trade and economy. The UAE ranks as the 28th largest economy in the world by GDP, with a nominal GDP of approximately $502 billion in previous year. It is also notable for being the 18th largest exporter globally, with total exports reaching $402 billion in the same year. The economy is heavily reliant on oil, which accounts for about 30% of the GDP, but there has been a concerted effort to diversify into sectors such as tourism, aviation, and technology.

The UAE's trade dynamics is one of the most open in the world, featuring low tariffs and minimal non-tariff barriers. This liberalize policy has facilitated substantial growth and diversification of economic activities, particularly in the aftermath of the global financial crisis. The country has established numerous free zones that allow for 100% foreign ownership, significantly attracting international businesses.

The UAE's primary exports include crude petroleum, refined petroleum, and gold. In previous year, crude petroleum trade managed US$105 billion. The main export partners include India, Japan, and China. On the import side, gold, broadcasting equipment, and refined petroleum are the top imports, with China being the largest supplier.

The UAE initiatives such as Abu Dhabi's Economic Vision 2030 and Dubai's Strategic Plan 2015 focus on expanding investment in selected sectors, like renewable energy, tourism, and information technology. The government has invested heavily in infrastructure and services to support this diversification, making the UAE a hub for international business and tourism.

UAE's economy is characterized by its openness to trade, significant oil resources, and a robust diversification strategy aimed at fostering sustainable economic growth across various sectors.

INVESTMENTS INTO UAE

The United Arab Emirates has emerged as a highly attractive destination for foreign direct investment (FDI) in recent years. The FDI inflow touched record high to US$30.688 billion in 2023, a 35% increase from US$22.737 billion in 2022. Dubai attracted the largest share of FDI capital inflows, amounting to US$6.81 billion, while Abu Dhabi accounted for a significant share with US$4.48 billion. This placed the UAE as the 16th largest recipient of FDI globally in previous year.

Key Factors Driving FDI in the UAE

a) **Economic Diversification:** The UAE is actively diversifying its economy beyond oil dependency, focusing on sectors such as finance, trade, tourism, technology, and logistics. This diversification strategy has made the UAE more attractive to foreign investors looking for stable and varied investment opportunities.

b) **Business-Friendly Environment:** The UAE has implemented several reforms to enhance its business environment, including:

- **100% Foreign Ownership:** Recent legislative changes allow for 100% foreign ownership in various sectors, significantly easing investment restrictions that previously limited foreign stakes in local companies.
- **Tax Incentives:** Due to low direct corporate taxes (except for certain sectors) and streamlined processes for capital repatriation have made the UAE an appealing location for international businesses.

c) **Strategic Location:** The UAE's geographical position as a gateway between East and West enhances its attractiveness as a trading hub, facilitating access to markets across Asia, Europe, and Africa.

d) **Political and Economic Stability:** The UAE is recognized for its political stability and robust economic policies, which provide a secure environment for investment. This stability is particularly appealing during times of global economic uncertainty.

e) **Technological Advancements:** Initiatives like the NextGen FDI program aim to attract tech-driven businesses by offering support for quick market entry and operational setup. The UAE is also home to various tech hubs, such as Abu Dhabi's Hub71, which fosters innovation and entrepreneurship.

Sector-Specific Insights

- **Real Estate and Construction:** These sectors continue to attract high portion of FDI, driven by ongoing urban development and infrastructure projects.
- **Technology and Innovation:** There is a growing trend of investments in tech startups, facilitated by favourable regulations and support from local government initiatives aimed at fostering a vibrant tech ecosystem.
- **Bilateral Relations:** The UAE's strong economic ties with countries like India have resulted in increased FDI. For instance, India accounted for a notable percentage of FDI projects in Dubai, particularly in IT services and business services

The UAE aims to further increase its FDI inflows, with ambitious targets set under the Dubai 2033 economic agenda, which seeks to elevate the emirate's economy significantly over the next decade. The government is also pursuing strategic trade agreements and initiatives to enhance its global investment appeal, aiming to attract US$150 billion by 2030.

ESTABLISHING A PRESENCE IN UAE

To establish a presence in the United Arab Emirates (UAE), businesses must navigate various regulatory frameworks and options tailored to their operational needs. Here's a comprehensive overview of the key considerations and steps involved.

Types of Business Structures

a. **Mainland Companies -** Mainland companies can operate freely within the UAE and engage in business with the local market. They are subject to local regulations and may require a local sponsor, who holds 51% of the shares unless specific conditions are met. This structure allows businesses to have a broader scope of activities and access to government contracts.

b. **Free Zone Companies -** Free zones offer significant advantages, including:

- 100% foreign ownership
- 100% repatriation of profits and capital
- No personal income taxes
- Corporate tax exemptions for a renewable period of 15 years

However, businesses in free zones are generally restricted to operating within the free zone and cannot directly engage in the mainland market without a local distributor.

c. **Offshore Companies -** Offshore companies are incorporated in the UAE but cannot conduct business within the UAE market. They are primarily used for asset protection and tax planning. These companies receive a certificate of incorporation but do not get a business license.

Steps to Establish a Presence

a. **Business Registration -** The registration process involves several key steps:

- **Choosing a Business Name:** Ensure the name complies with UAE naming conventions.
- **Initial Approval:** Obtain initial approval from the relevant authority, confirming your business activities and structure.

- **Documentation:** Prepare necessary documents, including passports of shareholders, Articles of Association, and proof of business location (Tenancy Contract).

b. **Securing Licenses -** Depending on the business type, you may need specific trade licenses. This could include additional approvals for sectors like tourism or healthcare. The licensing process can vary significantly between mainland and free zone setups.

c. **Physical Presence -** Establishing a physical presence is crucial. Businesses must lease office space, which can range from co-working spaces to dedicated offices, depending on the number of employees and nature of operations. This is a requirement for both mainland and free zone companies.

d. **Compliance and Governance -** Demonstrating adequate presence involves showing sufficient assets, turnover, and employee numbers. Key documentation may include:

- Copies of commercial licenses
- Latest audited financial statements
- Employee records
- Governance policies and procedures.

Cultural Adaptation - Understanding and respecting local culture is vital. Tailoring products and services to meet the preferences of the diverse population in Dubai can enhance market acceptance and business success.

Networking and Partnerships - Building relationships with local partners can facilitate market entry and expansion. Participating in industry events and leveraging local expertise can provide valuable insights and connections.

UAE provides businesses with a unique opportunity to thrive in a dynamic and supportive environment. The combination of tax incentives, strategic location, diverse business structures, and a welcoming regulatory framework positions the UAE as a prime destination for entrepreneurs and corporations seeking growth and expansion. By leveraging these advantages and understanding the local market dynamics, businesses can achieve sustainable success in this burgeoning economic hub.

MERGERS AND AQUISITIONS

M&A activities in the UAE are prevalent, particularly in sectors such as finance, real estate, and technology. The UAE's strategic location, robust economy, and regulatory reforms have made it an attractive destination for both domestic and international firms seeking growth opportunities. M&A allows companies to diversify their portfolios, enhance operational efficiencies, and gain competitive advantages in the market.

Mergers and acquisitions (M&A) in the United Arab Emirates (UAE) are significant drivers of business expansion and investment, shaped by a unique legal framework and market dynamics. This overview explores the key aspects of M&A processes, regulations, and their implications for businesses operating in the UAE.

Legal Framework Governing M&A in the UAE is governed by several key laws and regulations:

a) **Federal Law No. 4 of 2012 on the Regulation of Competition:** This law regulates economic activities that affect competition within the UAE, requiring merger clearance when transactions result in economic concentration, defined as a transfer of property or shares that enables control over another establishment.

b) **Federal Law No. 32 of 2021 on Commercial Companies:** This law outlines the legal requirements for mergers and acquisitions, including the need for shareholder approval and compliance with corporate governance standards.

c) **Securities and Commodities Authority (SCA):** For public companies, the SCA oversees M&A transactions, ensuring compliance with securities regulations and protecting investors' interests.

d) **Foreign Ownership Regulations:** Recent reforms have relaxed restrictions on foreign ownership, allowing greater participation in various sectors, particularly in free zones where foreign investors can own 100% of their businesses.

Types of M&A Transactions in the UAE primarily take two forms

a) **Share Sales:** This is the most common structure for private M&A transactions, where ownership is transferred through the sale of shares. It often involves the creation of holding companies in jurisdictions like the Abu Dhabi Global Market (ADGM) or the Dubai International Financial Centre (DIFC), which operate under common law principles.

b) **Asset Sales:** While less common due to logistical challenges, asset sales involve transferring specific assets and liabilities rather than shares. This method requires careful handling of employee contracts and regulatory compliance.

M&A transactions in the UAE must adhere to International Financial Reporting Standards (IFRS). Key accounting practices include-

a) **Acquisition Method:** The acquiring company must recognize the fair values of the acquired assets and liabilities at the acquisition date.

b) **Goodwill Recognition:** Goodwill, representing the excess of the purchase price over the fair value of identifiable net assets, is recorded as an intangible asset and is subject to annual impairment testing.

c) **Post-Acquisition Integration:** Successful M&A requires effective integration of financial reporting systems and alignment of accounting policies to ensure accurate financial performance reporting.

Mergers and acquisitions play a vital role in the UAE's business landscape, facilitating growth and investment. The regulatory environment, characterized by a blend of civil and Sharia law, provides a structured framework for conducting M&A transactions. As the UAE continues to evolve as a global business hub, understanding the intricacies of M&A processes will be essential for companies looking to capitalize on the opportunities presented in this dynamic market.

CAPITAL MARKETS IN UAE

Capital markets in the UAE helps country's economic landscape, providing a structured platform for trading financial assets such as stocks and bonds. Here's an overview of the key components and regulatory frameworks governing these markets.

The UAE hosts three main stock exchanges

a) **Abu Dhabi Securities Exchange (ADX):** Established under Federal Law No. 8 of 2020, ADX operates as a public joint stock company owned by the Abu Dhabi government. It primarily deals in equities, funds, and bonds.

b) **Dubai Financial Market (DFM):** Founded in 2000, DFM is notable for being the only financial market globally that operates under Sharia law principles. It offers a range of financial instruments, including equity and debt securities.

c) **NASDAQ Dubai:** Located within the Dubai International Financial Centre (DIFC), NASDAQ Dubai serves as the international stock exchange for the Middle East, facilitating trading in equities, bonds, ETFs, and REITs.

Regulatory Framework

The Securities and Commodities Authority (SCA) is the primary regulatory body overseeing capital markets in the UAE. Established in 2000, the SCA ensures compliance with financial regulations and promotes transparency and investor protection in the markets. Additionally, the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM) serve as financial free zones that attract international investment. These centres provide a robust legal framework and regulatory environment conducive to capital market activities, including the issuance and trading of securities.

The UAE capital markets offer diverse investment opportunities, supported by a stable political and economic environment. Investors can access various asset classes, including:

a) **Equities:** Shares of publicly listed companies on the ADX and DFM.

b) **Bonds:** Debt securities issued by corporations and government entities.

c) **Real Estate Investment Trusts (REITs):** Investment vehicles that allow individuals to invest in large-scale, income-producing real estate.

Investing in the UAE capital markets presents several advantages

a) **Political and Economic Stability:** The UAE is recognized for its stable governance and economic policies.

b) **Infrastructure Development:** Continuous investment in infrastructure enhances market accessibility and operational efficiency.

c) **Regulatory Support:** A well-defined regulatory framework fosters trust and encourages foreign investment.

The capital markets in the UAE are characterized by a well-structured regulatory environment and a variety of investment options, making them an attractive destination for both local and international investors. The ongoing development of financial infrastructure and the commitment to transparency further enhance the appeal of these markets in the region.

TAXATION IN UAE

The tax system in the United Arab Emirates, designed to attract foreign investment and promote economic growth. The details are as follows:

Overview of the Tax System

Absence of Personal Income Tax - The UAE does not impose personal income tax on individuals, making it an attractive destination for expatriates and foreign

workers. There are also no inheritance, gift, or wealth taxes, which contributes to a favourable living and working environment.

Corporate Income Tax - As of June 1, 2023, the UAE introduced a federal corporate income tax (CIT) of 9% on profits exceeding AED 375,000 (approximately USD 102,000). Businesses with profits below this threshold are exempt from CIT. Additionally, certain sectors, such as oil and gas companies and foreign banks, may face higher tax rates imposed by individual emirates.

Value Added Tax (VAT) - The UAE implemented a Value Added Tax (VAT) at a rate of 5% in January 2018. This tax applies to most goods and services, with some exemptions, such as international transport and certain educational services.

Excise Tax - Excise taxes are levied on specific goods deemed harmful to health or the environment, including carbonated drinks, energy drinks, and tobacco products, with rates varying from 50% to 100% depending on the product.

Local Taxes and Regulations - While the federal government administers certain taxes, individual emirates have the authority to impose additional taxes, such as municipal taxes on property rentals. For instance, Dubai charges a municipal tax of 5% on the annual rental value of properties.

Compliance and Reporting - Businesses operating in the UAE must register with the Federal Tax Authority (FTA) and comply with tax return filing requirements. Corporate tax returns are typically due within nine months after the end of the financial year.

International Treaties & Agreements

The UAE has established a broad network of Double Taxation Agreements (DTAs) and Bilateral Investment Treaties (BITs) to facilitate international trade and investment. The country adheres to the Common Reporting Standard (CRS) for the automatic exchange of tax information, reflecting its commitment to global tax compliance standards.

The UAE's tax system, marked by the absence of personal income taxes and the introduction of a moderate corporate tax, positions it as a competitive and attractive environment for businesses and expatriates. The combination of low taxes, a strategic regulatory framework, and international agreements enhances the UAE's appeal as a global business hub.

TRANSFER PRICING

The United Arab Emirates has introduced comprehensive transfer pricing rules as part of its new corporate tax law, effective from June 1, 2023. These rules aim to ensure that transactions between related parties or payments to connected persons are conducted at arm's length or fair market value.

Key Aspects of UAE Transfer Pricing Rules

a) **Scope:** The transfer pricing rules apply extensively to all UAE taxpayers entering into transactions with associated persons, including those in free trade zones and those exempt from corporate tax or electing for small business relief.

b) **Related Parties and Connected Persons:** The rules define related parties as those with a controlling interest (typically 50% or more ownership) and connected persons as the owner, director, officer, or related party of the business.

c) **Arm's Length Principle:** Transactions between related parties or connected persons must meet the arm's length standard, ensuring that each party receives an equitable portion of profits in line with its functional profile and contribution to the value chain.

d) **Documentation Requirements:** Taxpayers meeting certain thresholds must prepare a master file, local file, and country-by-country report. The local file must also be maintained by taxpayers in wholly domestic groups meeting the thresholds.

e) **Transfer Pricing Disclosure:** Taxpayers must file a transfer pricing disclosure form with their annual tax return, providing information on the transactions, related parties, and transfer pricing methods used.

f) **Penalties:** Failure to comply with the transfer pricing rules can result in profit adjustments, additional tax payable, and penalties.

The UAE transfer pricing rules align with the OECD Transfer Pricing Guidelines and allow the use of the following methods to determine arm's length pricing:

a) Comparable Uncontrolled Price (CUP) Method

b) Resale Price Method (RPM)

c) Cost Plus Method (CPM)

d) Transactional Net Margin Method (TNMM)

e) Profit Split Method (PSM)

UAE follows the authorized OECD approach for attributing profits to permanent establishments, determining an arm's length remuneration as if the permanent establishment were a separate entity.

The introduction of transfer pricing rules in UAE creates new challenges for taxpayers, requiring them to carefully consider their related party transactions and ensure compliance with the arm's length principle to avoid potential disputes and penalties.

DOING BUSINESS IN VIETNAM

INTRODUCTION

Vietnam's economy is one of the fastest-growing in Asia, with an average annual GDP growth rate of approximately 6.5% over recent years. The country's GDP reached over $352 billion, positioning Vietnam as the 35th largest economy globally by GDP in previous year. The country has successfully transitioned from a centrally planned economy to a socialist-oriented market economy since the Doi Moi reforms initiated in 1986, which have facilitated industrialization and modernization across key sectors like-

a) **Agriculture:** Although it employs about 40% of the workforce and accounts for roughly 14.8% of GDP, agriculture's relative importance is declining as industrial and service sectors expand.

b) **Manufacturing and Industry:** This sector has become a cornerstone of Vietnam's economy, contributing about 25% to GDP. The shift from low-value products to high-value goods, particularly in electronics, has been notable, with major companies like Samsung establishing manufacturing bases in the country.

c) **Services:** The services sector is growing rapidly, contributing around 30% to GDP, driven by tourism, telecommunications, and financial services.

Vietnam ranked 19th largest exporter and 20th largest importer worldwide in previous year. The country has a positive trade balance, having maintained a surplus since last one decade.

Vietnam's primary exports include:

a) **Electronics:** Broadcasting equipment, telephones, and integrated circuits are top export items.

b) **Textiles and Footwear:** These industries are critical, with textiles alone constituting about 12% of total exports.

c) **Agricultural Products:** Vietnam is a leading exporter of items like fuel wood and various nuts.

And main imports consist of:

a) **Intermediate Goods:** Such as integrated circuits and machinery, primarily sourced from China and South Korea.

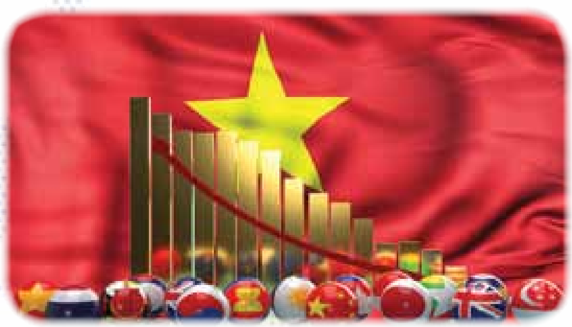
b) **Raw Materials:** Including refined petroleum and textiles, which are essential for the manufacturing sector.

Vietnam has signed over 90 bilateral trade agreements and nearly 60 investment protection agreements, enhancing its integration into the global economy. Membership in ASEAN and the WTO has further facilitated trade and investment flows, making Vietnam an attractive destination for foreign capital.

Vietnam's economy seen robust growth and focused in manufacturing for export. With ongoing reforms and trade agreements, Vietnam is poised for continued economic development, aiming to achieve high-income status by 2045 while addressing challenges related to its trade structure and sustainability.

INVESTMENTS INTO VIETNAM

Vietnam has emerged as a highly attractive destination for foreign direct investment (FDI) in recent years, thanks to its robust economic growth, strategic location, skilled workforce, and business-friendly policies. Despite global economic challenges, Vietnam's economy has remained resilient, with GDP growth projected to reach 5.5% in 2024.



Key factors to Invest in Vietnam

a) **Robust Economic Growth:** Vietnam's economy has been consistently growing, driven by a strong manufacturing sector, booming tech industry, and expanding middle class.

b) **Strategic Location:** Vietnam is situated at the crossroads of global trade routes, offering unparalleled access to key markets in Asia, Europe, and America.

c) **Skilled and Competitive Workforce:** Vietnam boasts a young and well-educated population, providing a ready pool of talent for foreign businesses.

d) **Investment Incentives:** The Vietnamese government offers attractive incentives, tax breaks, and streamlined regulations to create a more business-friendly environment for foreign investors.

e) **Booming Consumer Market:** Vietnam's rapidly growing middle class and increasing purchasing power make it an attractive market for consumer goods and services.

Vietnam recently attracted Investment of USD$36.6 billion with 3,188 new projects approved by Government. The neighbouring countries like Singapore, South Korea, China, and Japan remain the largest investors in Vietnam.

Government of Vietnam opens various sectors for global players to invest in following areas-

a) **Agriculture:** Vietnam's favourable climate and soil conditions make it attractive for investments in rice, coffee, and tea production.

b) **Seafood:** Indian seafood processing companies can tap into Vietnam's potential, particularly in the Mekong Delta region.

c) **Information Technology:** As Vietnam undergoes digital transformation, Indian IT firms specializing in e-commerce, digital payments, and smart solutions have ample opportunities.

d) **Automotive Components:** India's expertise in auto components presents an opportunity to support Vietnam's growing automotive manufacturing sector.

e) **Infrastructure:** With Vietnam's fast urbanization and growing economy, there is significant potential for investment in projects such as roads, renewable energy, vessel-building, hospitality, and healthcare.

Vietnam's strong economic performance, favourable business environment, and untapped sectors make it a prime destination for foreign investors looking to capitalize on the country's growth potential.

ESTABLISHING A PRESENCE

Establishing a presence in Vietnam involves navigating various legal, cultural, and operational landscapes. Here's a comprehensive overview of the essential steps and considerations for foreign investors looking to enter the Vietnamese market.

Business Setup Options

a) **Forms of Business Establishment -** Foreign investors have several options for establishing a presence in Vietnam:

- **100% Foreign-Owned Enterprise (FOE):** This is the most common form, particularly for smaller projects. It typically takes the form of a Limited Liability Company (LLC) or a Joint Stock Company (JSC). There are generally no minimum capital requirements for most industries.
- **Joint Ventures (JV):** Collaborating with a Vietnamese partner can be beneficial, especially in sectors with ownership restrictions. This approach may facilitate easier navigation of local regulations and market entry.
- **Acquisition of Existing Enterprises:** Investors can also acquire existing businesses, although regulatory approvals are required for significant share acquisitions.
- **Business Cooperation Contracts (BCC):** This option allows for collaboration without forming a new company, enabling profit-sharing between foreign and Vietnamese parties.

b. **Representative Offices (RO) -** Setting up a Representative Office is a popular choice for companies seeking to understand the Vietnamese market without a significant upfront investment. ROs can conduct market research and act as liaisons but cannot engage in direct sales or profit-generating activities.

Legal and Regulatory Framework

a. **Licensing and Registration:** To legally operate in Vietnam, businesses must go through a registration process that includes:

- **Business Registration Application:** This includes details such as the company name, address, business lines, and ownership structure.
- **Investment Registration Certificate (IRC):** Required for foreign investments, this certificate outlines the scope and scale of the investment.

b. **Work Permits and Visas** - Understanding the visa landscape is crucial for foreign professionals. Specific exemptions exist for in-demand fields, but generally, obtaining work permits is necessary for foreign employees. The visa application process involves gathering various documents, including proof of employment and qualifications.

Infrastructure and Support - Vietnam boasts a growing entrepreneurial ecosystem with modern infrastructure, including co-working spaces and reliable utilities. The government actively supports foreign investments through various initiatives, including tax incentives for specific sectors like technology and healthcare.

Networking Opportunities - Engaging with local business networks, such as the Vietnam Business Network International (VBNI) and chambers of commerce like EuroCham and AmCham, can provide valuable insights and connections to navigate the market effectively.

Establishing a presence in Vietnam offers numerous opportunities for foreign investors, provided they approach the market with a well-defined strategy that considers local regulations, cultural nuances, and available support systems. By leveraging local partnerships and understanding the operational landscape, businesses can effectively tap into Vietnam's vibrant economy.

MERGERS AND AQUISITIONS

The Mergers and Acquisitions (M&A) landscape in Vietnam has been evolving rapidly, driven by a combination of economic growth, strategic business interests, and regulatory reforms. Here's an overview of the current state of M&A activities in the country.

The M&A market in Vietnam is projected to reach a transaction value of approximately US$1.29 billion in 2024, indicating a robust growth trajectory. This growth is fuelled by increasing interest from both domestic and international investors seeking to expand their market presence and access new technologies.

M&A Activities focussed on following factors

a) **Economic Growth:** Vietnam's economy has shown resilience, with a growth rate of 2.58% in previous year, even during global downturns. The country is expected to continue attracting foreign investment, particularly in consumer-facing industries due to its expanding middle class.

b) **Regulatory Environment:** The Vietnamese government has streamlined M&A processes to encourage investment across various sectors. Key regulations include the Investment Law, Enterprise Law, and Competition Law, which have been revised to facilitate smoother transactions and enhance transparency.

c) **Strategic Objectives:** Companies are increasingly using M&A as a strategy to diversify their operations, enhance competitiveness, and capitalize on technological advancements.

Types of M&A Transactions

a) **Share or Capital Contribution Purchases:** Transfer of ownership of shares in joint stock companies (JSCs) or capital contributions in limited liability companies (LLCs).

b) **Asset Purchases:** Acquisition of specific assets or business lines.

c) **Mergers:** Consolidation of two or more companies into one, transferring all assets and obligations to the surviving entity.

Vietnam's M&A market will continue to grow, particularly in consumer-facing industries. The increasing middle-income population and ongoing economic reforms are expected to further attract foreign investment, making M&A a preferred strategy for companies looking to enter or expand in the Vietnamese market.

Vietnam's M&A market is poised for continued growth, supported by a favourable economic environment and proactive government policies. As foreign and domestic investors increasingly turn to M&A as a strategic tool for expansion, understanding the regulatory landscape and cultural nuances will be essential for successful transactions. The outlook remains optimistic, with projections indicating further increases in M&A activity across various sectors in the coming years.

CAPITAL MARKET IN VIETNAM

Vietnam's capital market, which includes stocks, bonds, and insurance, has shown positive signs in the initial months of 2024, according to the Ministry of Finance (MoF). The market capitalization of listed stocks reached VND6,360 trillion (US$258 billion), up 7.1% from the end of 2023, equivalent to 62.2% of the estimated GDP in 2023.

The stock market has been consistently among the best performing in Asia, making it particularly attractive to investors. As of February 27, 2024, the benchmark VN-Index reached 1,237.46 points, a 6.3% increase compared to the end of January and a 9.5% increase compared to the end of 2023.

Equity Market - The stock market in Vietnam is quite young, with the Ho Chi Minh City Stock Trading Centre established in 2000 and upgraded to a stock exchange in 2007. As of February 2024, there are 739 stocks and fund certificates listed on the two stock exchanges, 868 stocks registered for trading on the UPCoM, and nearly 7.4 million securities investment accounts. The average trading value in February 2024 was VND22.4 trillion (US$909 million) per session, a 19.6% increase compared to the previous month. The two-month average was VND20 trillion (US$812 million), a 14% increase compared to the 2023 average.

Bond Market - The bond market in Vietnam is dominated by government bonds, as the corporate bond market is still underdeveloped. As of February 2024, there have been 465 listed bonds. The average trading volume in the two-month period reached VND9.2 trillion ($373 million), up 40.9% from 2023.Eleven companies issued bonds with a volume of VND7.25 trillion ($294.2 million) in the first two months of 2024, 8.2 times higher than the same period in 2023. Real estate companies accounted for 52% of the bond issuance, followed by construction companies at 24%.

Vietnam's capital market remains positive, with expectations for continued growth driven by government policies aimed at enhancing market structure and investor confidence. The potential upgrade from a frontier market to an emerging market status could attract further foreign investment, providing additional opportunities for capital mobilization.

TAXATION IN VIETNAM

Vietnam's tax system is characterized by a variety of taxes imposed at the national level, with no local taxes. It is structured to accommodate both individuals and enterprises, with specific regulations for residents and non-residents.

Overview of the Tax System

a) **Corporate Income Tax (CIT):**

- The general CIT rate is 25%, applicable to all income generated within Vietnam, regardless of whether the enterprise is a local or foreign entity. Certain sectors, such as oil and gas, face higher rates ranging from 32% to 50% depending on the project type.

b) **Value-Added Tax (VAT):**

- **Standard Rate:** The standard VAT rate in Vietnam is 10%. This applies to most goods and services used for production, trading, and consumption within the country.
- **Reduced Rates:** There are reduced rates of 5% for essential goods and services, such as clean water and medical equipment, and a zero rate for exported goods and certain international services.
- **Exemptions:** Certain categories are exempt from VAT, including specific agricultural products, financial services, and educational services.
- **Registration:** VAT registration is mandatory for all businesses involved in taxable activities. Voluntary registration is also available for foreign companies conducting business in Vietnam

c) **Personal Income Tax (PIT):**

- PIT is progressive, with rates ranging from 5% to 35%, depending on income levels. Tax residents are taxed on worldwide income, while non-residents are taxed only on income earned within Vietnam at a flat rate of 20%.

d) **Special Consumption Tax (SCT):**

- This excise tax applies to specific goods and services deemed nonessential, such as alcohol and tobacco, and is calculated based on the quantity sold and applicable tax rates.

e) **Business License Tax (BLT):**

- An annual tax imposed on entities conducting business, with rates varying between VND 1 million to VND 3 million depending on the business type.

f) **Withholding Taxes in Vietnam:**

Foreign Contractor Tax (FCT) - The FCT is applied to transactions involving foreign contractors and is composed of VAT and either Corporate Income Tax (CIT) or Personal Income Tax (PIT), depending on whether the contractor is an individual or a corporate entity.

- **Applicability:** The FCT applies to transactions where foreign entities sell goods or provide services in Vietnam. This includes sales of goods, installation services, and other business activities conducted under a contract with a Vietnamese entity.
- **Tax Rates:** The withholding tax rates vary based on the nature of the income:

Nature of Income	Tax Rate (Residents)	Tax Rate (Non-residents)
Dividends	0%	0%
Interest	20%	5%
Royalties	20%	10%
Services (general)	20%	5%
Construction (without materials)	5%	2%
Construction (with materials)	3%	2%

The rates may be reduced under applicable tax treaties.

g) **Tax Treaties -** Vietnam has established a network of double taxation avoidance agreements (DTAAs) with approximately 80 countries, aimed at preventing double taxation for individuals and businesses. These agreements play a crucial role in facilitating international trade and investment by reducing or eliminating the tax burden on income earned in Vietnam by foreign entities and vice versa.

h) **Tax Residency -** Tax residency in Vietnam is determined by several criteria:

- An individual is considered a tax resident if they reside in Vietnam for 183 days or more within a 12-month period.

- Holding a permanent or temporary residence card also qualifies an individual as a tax resident.

Compliance and Administration

- **Tax Returns:** Tax returns for individuals must be filed monthly or quarterly, with annual returns due by April 30 of the following year. Employers are responsible for withholding taxes on behalf of employees.
- **Self-Declaration:** Individuals are required to self-declare and pay their taxes, with specific deadlines depending on the type of income earned. Non-residents must also comply with these regulations, primarily for income sourced within Vietnam.

Vietnam's tax reforms aiming to modernize its tax system and align it with market-oriented economic principles. The reforms have introduced key taxes like VAT and CIT and have sought to simplify the tax structure while increasing revenue collection efficiency. Vietnam's tax system is designed to support its economic development while ensuring compliance from both local and foreign entities operating within its borders.

TRANSFER PRICING

Transfer pricing in Vietnam is governed by a series of regulations aimed at ensuring compliance with international standards, particularly those set by the OECD. The key legislative framework includes Decree 132/2020/ND-CP, which replaced the earlier Decree 20/2017/ND-CP, and took effect from December 20, 2020. This regulatory shift reflects Vietnam's commitment to align its transfer pricing practices with global norms, particularly in response to Base Erosion and Profit Shifting (BEPS) initiatives.

Key Regulations

a) **Decree 132/2020/ND-CP:** This decree outlines the principles, methods, and procedures for determining the prices of related-party transactions. It mandates that transactions must adhere to the arm's length principle, which requires that prices charged between related parties be consistent with those charged between unrelated parties under comparable circumstances.

b) **Documentation Requirements:** Companies engaging in related-party transactions must maintain contemporaneous documentation. This includes a three-tiered documentation approach:

- **Local File:** Specific to the taxpayer's transactions.
- Contains standardized information about the multinational group.

- **Country-by-Country Report (CbCR):** Required for groups with consolidated revenues exceeding VND 18 trillion (approximately USD 750 million) or if the ultimate parent company is required to submit such a report in its home country.

c) **Compliance and Filing:** Taxpayers must disclose their related-party transactions in their annual tax returns and file specific forms (Form 01, Form 02, and Form 03) within 90 days after the end of the financial year. Non-compliance can lead to significant penalties.

Exemptions from Documentation

Certain conditions allow taxpayers to be exempt from preparing transfer pricing documentation:

- Total revenue below VND 50 billion (approximately USD 2.5 million) and total related-party transaction value below VND 30 billion (approximately USD 1.5 million).
- Entering into an Advance Pricing Agreement (APA).
- Engaging in simple functions with revenue below VND 200 billion and meeting specific earnings ratios.

Vietnam's transfer pricing framework is evolving to enhance compliance and transparency, reflecting a broader global trend towards stricter tax regulations for multinational enterprises. Businesses operating in Vietnam must navigate these regulations carefully to mitigate risks and ensure compliance.

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9. Al Majmah Chamber of Commerce and Industry in Saudi Arabia Adress: P.O. Box 165 11952 - Al Majmah -Saudi Arabia Phone: 966-6-4320268 Fax: 966-6-4322655 Email: tr-em@majcci.org.sa Website: https://www.chamber-commerce.net/dir/3708/Al-Majmah-Chamber-of-Commerce-and-Industry-in-Al-Majmah	**10. Al- Jouf Chamber of Commerce and Industry** Adress: P.O. Box 585, Al-Jouf, Saudi Arabia Phone: 966500599928 Fax: 0146240108 Email: info@ajcci.org.sa Website: https://ajcci.org.sa/about-us/about-the-chamber?lang=en
11. Qassim Chamber of Commerce and Industry Address: P.O. Box 444, Buraidah, Al Qassim, Saudi Arabia Phone: +966-16-3814000 Fax: +966-16-3814528 Email: sag@qcc.org.sa, twejri@qcc.org.sa Website: www.qcc.org.sa	

<table>
<tr><th colspan="2">SINGAPORE</th></tr>
<tr><td>1. Trade & Industry Association (TIA)
Adress: 6 Eu Tong Sen Street, SOHO @ The Central, #09-18, Singapore 059817
E-mail: info@tias.org.sg
Website: https://tias.org.sg/</td><td>2. Singapore Chinese Chamber of Commerce & Industry (SCCCI)
Address: 47 Hill Street, #05-01/02, Singapore 179365.
Phone: (+65) 6337 8381
Fax: (+65) 6339 0605
E-mail: corporate@sccci.org.sg
Website: https://www.sccci.org.sg/</td></tr>
<tr><td>3. Association of Trade and Commerce (ATC)
Address: 8 Burn Road #08-01 Trivex, Singapore 369977
Phone: +65 6304 3145
Email: sme@atc.sg
Website: https://www.atc.sg/</td><td>4. Singapore Business Federation (SBF)
Address: 160 Robinson Rd #06-01, SBF Center, Singapore 068914
Phone: 6827 6828
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<tr><td>5. ASIA-PACIFIC Economic Corporation
Adress: 35 Heng Mui Keng Terrace, Singapore 119616
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Fax: +65 6891 9690
Email: info@apec.org
Website: https://www.apec.org/</td><td></td></tr>
</table>

<table>
<tr><th colspan="2">SOUTH KOREA</th></tr>
<tr><td>1. Korea International Trade Association (KITA)
Adress: Trade Tower, 511 Yeongdong -daero, Gangnam-gu, Seoul, 06164 Republic of Korea
Phone: (+82 2) 1566-5114
E-mail: re_online.market@kita.or.kr
Website: https://www.kita.org/</td><td>2. The Korea Chamber of Commerce & Industry
Adress: The Korea Chamber of Commerce & Industry39, Sejongdaero, Jung-gu, Seoul, 04513 Korea
Phone: 82-2-6050-3543
Email: international@korcham.net
Website: https://english.korcham.net/nChamEng/Service/About/appl/Access.asp</td></tr>
</table>

3. KOIMA KOREA IMPORTERS ASSOCIATION	4. Korea Trade-Investment Promotion Agency (KOTRA)
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5. Korea Federation of SMEs (K-BIZ) Adress: 30, Eunhaeng-ro, Youngdeungpo-gu, Seoul 07242, Korea Phone: +82-2-2124-3114 Fax: +82-3-3775-1981 Email: intlteam@kbiz.or.kr Website: https://www.kbiz.or.kr/en/index/index.do	**6. Korea Iron & Steel Association (KOSA)** Adress: 15th Fl, East Bldg of IT Venture Tower, 135, Jungdae-ro, Songpa-gu, Seoul, Korea Phone: 82-2-559-3577 Fax: 82-2-559-3508 Website: https://www.kosa.or.kr/sub/eng/about/sub03_2.jsp

SRI LANKA	
1. Ceylon Chamber of Commerce Adress: 50, Navam Mawatha PO Box 274 02 COLOMBO Sri Lanka Phone: (0094) 11 – 5588800 Fax: (0094) 11 – 2437477 Email: info@chamber.lk Website: http://www.chamber.lk	**2. National Chamber of Commerce of Sri Lanka (NCCSL)** Adress: 450, D. R. Wijewardena Mawatha, Colombo 10, Sri Lanka Phone: +94 11 4741788 / +94 11 2689600 E Mail: services@nationalchamber.lk Website: www.nationalchamber.lk
3. Federation of Chambers of Commerce and Industry of Sri Lanka (FCCISL) Adress: “Federation House” No: 17/1, 1st Lane Gothami Road, Colombo 08, Sri Lanka. Tel: +94 11 739 0860 E-Mail: info@fccisl.lk Website: https://www.fccisl.lk/index.php	**4. National Chamber of Exporters of Sri Lanka (NCE)** Adress: National Chamber of Exporters of Sri Lanka “VOICE OF THE EXPORTERS” 131/6, Elvitigala Mawatha, Colombo 08, Sri Lanka E mail: nce@nce.lk Tel: +94 114 651 765 Website: https://nce.lk/

5. The Ceylon National Chamber of Industries Adress: No. 20, First Floor, Galle Face Court – 2, Colombo 03, Sri Lanka Phone: +94 (11) 2452181, +94 (11) 2331444, +94 (11) 2339200 E Mail: cnci@slt.lk, sgcnci@slt.lk, acccnci@slt.lk Website: http://www.cnci.lk/	**6. The Chamber Of Young Lankan Entrepreneurs (COYLE)** Adress: 24, Beddegana Road, Kotte, Sri Lanka Phone: +94 11 753 86 15 Email: admin@coyle.lk Website: https://coyle.lk/
7. Colombo Chamber Of Commerce Adress: #300, Havelock Road, Colombo 5, Sri Lanka Phone: (+94) 114 294 002 Fax: (+94) 112 502 563 E-Mail: info@ccc.lk Website: https://www.ccc.lk/contact	**8. The American Chamber of Commerce in Sri Lanka** Adress: The American Chamber of Commerce in Sri Lanka, #01 – LL, Cinnamon Lakeside Colombo, 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 00200, Sri Lanka. Phone: +94 715 300 119 Email: info@amcham.lk Website: https://www.amcham.lk/
9. The European Chamber of Commerce of Sri Lanka Adress: Empress Suite, Cinnamon Lakeside Colombo, 115, Sir Chittampalam A Gardiner Mawatha, Colombo 2, Sri Lanka. Phone: +94 117 550 016 Email: invest.trade@eccsl.lk Website: https://eccsl.lk/	

TAIWAN	
1. Taiwan External Trade Development Council (Taitra) Adress: 5-7 Fl., 333 Keelung Rd., Sec. 1, Taipei 110208, Taiwan, R.O.C. Tel: 886-2-2725-5200 E-mail: taitra@taitra.org.tw Website: https://www.taitra.org.tw/en/#	**2. Importers and Exporters Association of Taipei (IEAT)** Adress: No. 350, Songjiang Road,Taipei City, 104, Taiwan, R.O.C. Phone: +886-2-25813521 Fax: +886-2-25238782 E-mail: ieatpe@ieatpe.org.tw Website: https://www.ieatpe.org.tw/en/
3. Chinese National Association of Industry and Commerce (CNAIC) Adress: 13F, No. 390, Section 1, Fuxing South Road, Taipei City Phone: +886-2-2707-0111 Fax: +886-2-2707-0977 Email: service@cnaic.org Website: https://www.cnaic.org/eng_pages/45d461	**4. Chinese National Federation of Industries (CNFI)** Address: 106, Taiwan, Taipei City, Da'an District, Section 1, Fuxing S Rd, 390 12 Phone: +886-2-2703-3500 Fax: +886-2-2705-8317 Email: cnfi@cnfi.org.tw Website: www.cnfi.org.tw
5. General Chamber of Commerce of the R.O.C. (Republic of China) Adress: 6F, No.390, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 106470, Taiwan Phone: (02)2701-2671 Fax: (02)2755-5493 Email: service@roccoc.org.tw Website: http://www.roccoc.org.tw/web/en_about/en_about.jsp	**6. Taiwan Federation of Industry (TFI)** Adress: 3F-2, No. 2, Section 2, Dunhua South Road, Da'an District, Taipei City 106474 Phone: 02-2707-4339 Fax: 02-2707-6887 Website: https://www.tfoi.org.tw/about.php
7. Taiwan Venture Capital Association Adress: Room C, 10th Floor, No. 133, Section 4, Minsheng East Road, Songshan District, Taipei City 105 Phone: +886-2-25450075 Fax: +886-2-27132362 Email: public@tvca.org.tw Website: https://www.tvca.org.tw/	

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3. Asia-Pacific Economic Cooperation	**4. India Thai Chamber of Commerce**
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UAE	
1. Abu Dhabi Chamber of Commerce & Industry Adress: Corniche Street, Chamber Tower, P.O. Box No. 662 Abu Dhabi, U.A.E Phone: 9712 6214000/ 6177200/ 971-2-6344 466 Fax: 9712 6215867 / 6214465 E-mail: services@adcci.gov.ae, trade@adcci-uae.com Website: www.abudhabichamber.ae, http://www.adcci.gov.ae/	**2. Dubai Chamber of Commerce & Industry** Adress: Dubai Chambers, Baniyas Road, Deira, P.O. Box No. 1457, Dubai, U.A.E Phone: 9714 2221181/ 2280000 Fax: 9714 2211646 / 2028888 E-mail: customercare@dubaichamber.com Website: www.dubaichamber.com
3. Sharjah Chamber of Commerce & Industry Adress: P.O. Box No. 580, Sharjah, U.A.E Phone: 9716 5541444 Fax: 9716 5541119 E-mail: h.almahmoudi@sharjah.gov.ae Website: www.sharjah.gov.ae	**4. Ras Al Khaimah Chamber of Commerce & Industry** Adress: Al Jaz'ah Road, R.A.K., U.A.E. Phone: 0097172260000 Email: info@rakchamber.ae Website: https://www.rakchamber.ae/en/aboutus/about-chamber
5. Fujairah Chamber of Commerce Industry & Agriculture Adress: P.O. Box No. 738 Fujairah, U.A.E Phone: 9719 2222400 Fax. 9719 2221464 E-mail: chamber@fujcci.ae Website: https://www.onlinechamber.ae/	**6. Ajman Chamber of Commerce & Industry** Adress: P.O. Box No. 662 Ajman, U.A.E Phone: 9716 7422177 Fax: 9716-7427591 E-mail: info@ajcci.gov.ae; sic@ajcci.gov.ae, ajmchmbr@emirates.net.ae Website: www.ajmanchamber.ae
7. Federation of UAE Chambers of Commerce and Industry Adress: PO Box 3014 ABU DHABI United Arab Emirates Phone: 9714-6214 144 Fax: 9714 -6339210 Email: fcciauh@emirates.net.ae Web: https://uac-org.org/	

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3. American Chamber of Commerce in Vietnam – Hanoi Adress: 4th Floor, Intercontinental Hanoi Westlake, 5 Tu Hoa Street - 4th Floor, Tay Ho, Hanoi, Vietnam Phone: (+84) 24 3934 2790 Email: info@AmChamHanoi.com Website: https://www.amchamhanoi.com/	**4. American Chamber of Commerce in Vietnam - Ho Chi Minh** Adress: New World Hotel Suite 323, 76 Le Lai Street, District 1, Ho Chi Minh City, Vietnam Phone: +84 28 3824 3562 Email: contact@amchamvietnam.com Website: https://www.amchamvietnam.com/
5. Union of Business Associations (HUBA) Adress: 246, Binh Quoi,Ward 28, Binh Thanh District, Ho Chi Minh City, Vietnam Phone: 0084-8-35129097, 35129099; 35129095 Fax: 0084-8-35129096 Email: huba@huba.org.vn; vanphong@hiephoidoanhnghiep.vn Website: http//www.huba.org.vn; www.hiephoidoanhnghiep.vn	**6. Investment & Trade Promotion Centre (ITPC)** Address: 51 Dinh Tien Hoang Street, District 1, Ho Chi Minh City, Vietnam Tel: (84-28) 38236738 Fax: (84-28) 38242391 Email: itpc@itpc.gov.vn, infodept@itpc.gov.vn Website: http://itpc.hochiminhcity.gov.vn/web/en/about
7. Vietnam Trade Promotion Agency Adress: 20 Ly Thuong Kiet Street, Hoan Kiem District, Ha Noi Phone: 024.39347628 Fax: 024.39344260 / 39348142 Email: vietrade@vietrade.gov.vn Website: www.vietrade.gov.vn	**8. EuroCham Vietnam** Adress: Floor 5, Deutsches Haus Ho Chi Minh City, 33 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City Phone: (84-28) 3827 2715 Fax: (84-28) 3827 2743 Email: info-hcm@eurochamvn.org Website: https://eurochamvn.org/home-page/

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