Asia-Pacific Tax Guide 2021/22

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Contents

6 Australia
8 China
10 Hong Kong
12 India
15 Indonesia
18 Japan
21 Korea (the Republic of)
23 Malaysia
25 New Zealand
27 Philippines
31 Singapore
33 Taiwan
36 Vietnam
38 Contact Directory

Australia

Corporate Income Tax

Corporate Tax Rate
The standard company tax rate is 30%.

Certain companies with an aggregated group turnover of less than AUD $50 million, subject to satisfying a number of conditions, may be taxed at 25%.

Tax Year
1 July to 30 June. Companies in foreign owned groups that balance on other than 30 June can apply for a substituted period.

Basis of Taxation
Residency Basis:

1. Residents (for tax purposes) are taxed on their worldwide income from all sources.
2. Non-residents (for tax purposes) are generally only taxed on their Australian-sourced income.

Tax Treatment of Unutilized Tax Losses
A company can carry forward unabsorbed tax losses to offset against a company's future taxable profits, provided the continuity of majority ownership test is satisfied or, failing that, the same/similar business test is satisfied. In limited circumstances, companies can also carry back their tax losses to offset against taxable income of prior years.

Tax Treatment of Dividends Received from Domestic Shareholdings
Dividends paid by an Australian resident company:

1. To a resident shareholder are taxable but subject to imputation (i.e. Australian shareholders are entitled to a credit for the tax paid by the company);
2. To a non-resident shareholder:
   - To the extent franked, are exempted from Australian income and withholding taxes;
   - To the extent unfranked, subject to Australian dividend withholding tax.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Dividends received from foreign subsidiaries or associated companies are not taxable to the Australian company recipient provided it has a 10% or greater interest in the foreign company.

Other dividends received will be taxable.

Group Tax Relief
Australia has a tax consolidation regime that allows wholly-owned groups to operate as a single entity for income tax purposes.

Controlled Foreign Corporation (CFC) Rules
Australia has a CFC regime that taxes Australian resident shareholders of Australian controlled companies located overseas (generally in low tax jurisdictions) on certain profits that have not yet been remitted to Australia.

Thin Capitalization Rules
Australia has a thin capitalization regime, with interest deductions for excessive debt denied if the entity's debt-to-equity ratios exceed certain limits.

Tax Filing Deadlines
The standard filing date for companies is day 15 of month 7 after year-end (i.e. For 30 June filers, the company tax return is due for filing by 15 January). Tax agent filed returns may be later dates depending on the size of the company.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to Australia's tax treaties with other countries.

Interest
10%.

Management Fees
None.

Unfranked Dividends
30%.

Rental
None.

Royalties
30%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
Capital gains are subject to tax in Australia.

Some taxpayers can qualify for a Capital Gains Tax (CGT) discount of 50% (e.g., individuals and trusts) or 33.33% (e.g., complying superannuation funds) provided they held the shares for at least 12 months before disposal.

Non-resident taxpayers will only be subject to CGT on the disposal of land rich assets and an individual that is a non-resident after 8 May 2012 may not qualify for the full 50% CGT discount on the ultimate sale of a land rich asset.

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
Normally assessable to Australian taxpayers, but concessionary tax treatment/exemptions for disposals of certain non-portfolio shares (i.e. where a 10% or greater interest is held in the foreign company).

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Capital losses can only be deducted from capital gains to determine a net capital gain in the year of the capital loss or a subsequent year.

The amount of net capital gain is taxable.

China

Corporate Income Tax

Corporate Tax Rate
The corporate income tax rate is 25%.

Tax Year
Calendar year (1 January to 31 December).

Basis of Taxation
Resident companies are taxed on their worldwide income. Non-residents are taxed only on income derived from sources in China.

Tax Treatment of Unutilized Tax Losses
The unutilized losses can be carried forward to offset against the future taxable profits for five (5) years.

From 1 January 2018, an enterprise becoming qualified as a high-tech enterprise or a technology-oriented small or medium-sized enterprise in the current year, may carry forward the losses incurred in preceding five years before it gains such qualification, to the extent of the portion that has not been offset yet, for up to ten (10) years in the future, compared with the previous five (5) years at longest.

Losses cannot be carried back to offset against prior years' profits.

Tax Treatment of Dividends Received from Domestic Shareholdings
For resident enterprises, dividends of a domestic listed enterprise can be exempt from Corporate Income Tax (CIT) only after it has been acquired for 12 months, or it shall pay CIT at a rate of 25%. Dividends of a domestic non-listed enterprise can be exempt from CIT.

Non-resident enterprises shall pay withholding CIT at a rate of 10% for China-sourced dividends.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Foreign tax credit is allowed in relation to foreign income tax already paid overseas in respect of income derived from sources outside China.

However, the creditable amount may not exceed the amount of income tax otherwise payable in China in respect of the foreign-sourced income. In addition, there is a five-year carry forward period for any unutilized foreign tax.

Group Tax Relief
Not permitted under the CIT law unless otherwise prescribed by the State Council.

Controlled Foreign Corporation (CFC) Rules
An enterprise controlled by resident enterprises and/or individual residents of China and established in a country (region) where the effective tax rate is lower than 12.5% (excluding countries on white list), and which either does not distribute profits or distributes profits lesser than it should, not because of reasonable operational needs, the portion of the abovementioned profits attributed to the resident enterprises shall be included when computing the taxable income of the resident enterprise in the current period.

Thin Capitalization Rules
The safe harbour debt to equity ratio is 5:1 for financial enterprises, and 2:1 for other enterprises. However, if sufficient supporting documents including thin capitalization special item file could prove the loan arrangement is consistent with arm's length principle, the interest expense exceeding the stipulated ratios could still be tax deductible.

Tax Filing Deadlines
Enterprises are required to file their annual income tax return together with their annual related party transactions disclosure form within five (5) months after the end of the tax year.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to China's tax treaties with other countries.

Interest
10%.

Management Fees
0% if wholly rendered offshore or 25% on deemed profit (Generally 10% in practice).

Dividends
10%.

Rental
10%.

Royalties
10%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
For resident companies:

Income from the disposal of the shares of a domestic enterprise shall be subject to CIT.

For non-resident companies:

Income from share transfers of a domestic non-listed company shall be subject to CIT at a rate of 10% or according to the tax treaties.

Qualified share transfers of domestic enterprises are eligible for a special tax treatment for both resident companies and non-resident companies (Practically, it is hard for cross-border transaction to be applied with the special tax treatment).

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
For resident companies:

Income from the disposal of the shares of a foreign company shall be subject to CIT.

For non-resident companies:

Generally the income from the disposal of the shares of a foreign company is tax-exempt.

However, if the transaction is deemed to dispose the Chinese entities without commercial business reason, 10% CIT will be imposed unless treaty benefits could be achieved.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
A deduction can be claimed in the annual CIT return for capital losses with sufficient supporting documents. These documents should be maintained for any future inspections.

Hong Kong

Corporate Income Tax

Corporate Tax Rate
The corporate income tax rate is 16.5%.

A two-tiered profits tax rate has been introduced from year of assessment 2018/19 as follows:

The first HK$2 million of assessable profits: 8.25%.
Assessable profits above HK$2 million: 16.5%.

For two or more connected entities, only one of them is eligible for the two-tiered profits tax rates.

Businesses engaged in captive insurance, corporate treasury activities, ship leasing, ship leasing management services, aircraft leasing and aircraft management services are taxed at a preferential rate of 8.25% in respect of their qualifying profits.

Tax Year
A year of assessment starts from 1 April and ends on 31 March of next year. In general, the financial year ending in the year of assessment will be the basis period for taxation.

Basis of Taxation
Hong Kong adopts a territorial source principle of taxation. Only income derived from sources in Hong Kong is taxable.

Tax Treatment of Unutilized Tax Losses
Losses attributable to a business that earns profits subject to profits tax may be carried forward indefinitely to set off against future taxable profits of the company but cannot be carried backward. Specific anti-avoidance rules exist in preventing the purchase of a loss company for the sole or dominant purpose of using the company's losses.

Tax Treatment of Dividends Received from Domestic Shareholdings
Exempted.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Exempted.

Group Tax Relief
None.

Controlled Foreign Corporation (CFC) Rules
None.

Thin Capitalization Rules
None.

Tax Filing Deadlines
Tax returns are issued annually on the first working day of April and should be filed within one (1) month from the date of issue. First returns are normally granted an extended period to three (3) months from the date of issue.

Companies which are represented normally are granted an extended period within which to file their tax returns as follows:

31 May – For companies with accounting date between 1 April to 30 November.

15 August – For companies with accounting date between 1 to 31 December.

15 November – For companies with accounting date between 1 January to 31 March.

31 January of next year – For companies with accounting date between 1 January to 31 March and current year loss.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to Hong Kong's tax treaties with other countries.

Hong Kong has concluded 45 double tax treaties or double tax arrangements.

Interest
None.

Management Fees
None. However, the management fee is subject to Hong Kong profits tax if it is derived by non-resident's business activities in Hong Kong (i.e. sourced from Hong Kong).

Dividends
None.

Rental
None. However, the rental is subject to Hong Kong profits tax if it is sourced in Hong Kong.

Royalties
Royalties paid to non-resident companies are deemed to be taxable in Hong Kong, if made for the use of, or the right to use, intangibles in Hong Kong, or outside Hong Kong where the royalties paid are deductible for profits tax purposes.

The amount deemed taxable is 30% of the gross amount of the royalties paid, or 100% if the royalties are paid to an associated non-resident for the use of intangibles that were previously owned by a person carrying on a business in Hong Kong.

The effective profits tax rates are as follow:

- 4.95% (30% x 16.5%)
- 16.5% (100% x 16.5%)

Non-resident persons are also eligible for two-tiered profits tax rates.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic and Foreign Shareholdings
Capital gains are not subject to Hong Kong tax. However, gains on the disposal of shareholdings may be subject to profits tax if the transaction is trade in nature and Hong Kong sourced.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Capital losses are not deductible.

India

Corporate Income Tax

Corporate Tax Rate
The tax rate for domestic companies which are not opting to claim any special tax concessional deductions, including tax holiday exemptions, is 22% with effect from 1 October 2019, applicable from the Financial Year (FY) 19-20 onwards.

The tax rate for domestic manufacturing companies incorporated after 1 October 2019 is 15%, applicable from the FY 19-20 onwards.

Companies which are opting for the new tax rate, cannot carry forward the losses and claim the Minimum Alternate Tax (MAT) credit available till date. The tax rate for domestic companies which are continuing to claim special deductions or tax holiday exemptions, is 25% and 30% respectively.

The tax rate for foreign companies is 40%.

Domestic Companies: The surcharge and Health and Education Cess are as follows:

- Health and Education Cess at 4% and no surcharge if total income does not exceed Rs. 10 million.
- Health and Education Cess at 4% and surcharge of 7% of tax if total income exceeds Rs. 10 million but does not exceed Rs. 100 million.
- Health and Education Cess at 4% and surcharge of 12% of tax if total income exceeds Rs. 100 million.
- Health and Education Cess at 4% and surcharge of 10% of tax irrespective of total income if new concessional tax rates are opted.

Foreign Companies: The surcharge and Health and Education Cess are as follows:

- Health and Education Cess at 4% and no surcharge if total income does not exceed Rs. 10 million.
- Health and Education Cess at 4% and surcharge of 2% of tax if total income exceeds Rs. 10 million but does not exceed Rs. 100 million.
- Health and Education Cess at 4% and surcharge of 5% of tax if total income exceeds Rs. 100 million.

Effective Tax Rate

- Domestic Companies (other than manufacturing companies) opting to avail concessional rate would have effective tax rate of 25.17%.
- Domestic Manufacturing Companies which have been incorporated after 1 October 2019 opting to claim concessional rate would have effective tax rate of 17.16%.

Companies Opting to Claim any Exemptions/Incentives			
Particulars	Domestic Company with Turnover up to Rs. 4000 Million	Domestic Company with Turnover Above Rs. 4000 Million	Foreign Companies
Income below Rs. 10 million	26.0%	31.2%	41.6%
Income exceeding Rs. 10 million but below Rs. 100 million	27.82%	33.38%	42.43%
Income exceeding Rs. 100 million	29.12%	34.94%	43.68%

Effective MAT Rate

If the company opts to avail concessional rate MAT and MAT Credit, provisions are not applicable to the entity.

Particulars	Domestic Company	Foreign Company
Income below Rs. 10 million	15.6%	15.6%
Income above Rs. 10 million but below Rs. 100 million	16.69%	15.912%
Income exceeding Rs. 100 million	17.47%	16.38%

(Effective Rate includes Surcharge and Cess)

Tax Year

The tax year is from 1 April to 31 March.

Basis of Taxation

Domestic companies are taxed on their worldwide income. Foreign companies are taxed only on income derived from sources in India.

Tax Treatment of Unutilized Tax Losses

Any unabsorbed tax losses can be carried forward to offset against a company's future taxable profits, provided certain conditions are met. Unabsorbed depreciation can be carried forward to unlimited period and unabsorbed business loss is allowed to be carried forward up to eight (8) assessment years immediately succeeding the assessment year in which the loss was first computed. In the case of any change in shareholding pattern above 51%, the earlier year carried forward business loss is not allowed to be carried forward for future years set-off.

Tax Treatment of Dividends Received from Domestic Shareholdings

With effect from 1 April 2020, Dividend Distribution Tax is withdrawn and hence dividend income received from domestic company on or after 1 April 2020 is taxable in the hands of shareholders at applicable rates.

If a domestic company receives dividends from another domestic company and distributes them to its shareholders, it is eligible to claim deduction to the extent of dividends received from the other domestic company from its total income, to prevent the cascading tax effect.

Dividends received by foreign companies is taxable under the Indian Income Tax Act at the rate of 20%. Generally, Double Tax Avoidance Agreement rates are between 10 to 15%. Withholding tax provisions are also applicable.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies

Dividends received in India by a domestic company from its foreign subsidiary, is taxable at a concessional rate of 15% in the hands of the domestic company, subject to Section 115 BBD of the Income Tax Act.

Group Tax Relief

Not permitted.

Controlled Foreign Corporation (CFC) Rules

None.

Thin Capitalization Rules

Interest payment to be restricted to 30% of the revenue before any interests, taxes, depreciation and amortization or interests paid to an associated enterprise whichever is less. A period of eight (8) years is permitted to carry forward and claim the deduction to the portion disallowed subject to the 30% limit. This provision is applicable if an interest payment exceeds Rs. 10 million.

Tax Filing Deadlines

Companies should follow the financial year starting from 1 April to 31 March for preparing the tax accounts for which the due date of filing tax returns is on or before 31 October.

If a company enters into any international transactions or specified domestic transactions, the return has to be submitted on or before 30 November.

Note: The aforementioned tax rates are as at 1 August 2021.

Withholding Tax

The following are domestic withholding tax rates on payments made to foreign companies. The rates may be reduced according to India's tax treaties with other countries, subject to the conditions specified in the Multilateral Instrument (MLI).

Interest
40% plus surcharge applicable and cess at 4%. There will be no surcharge if total income does not exceed Rs. 10 million (Effective rate 41.6%). However, there is a surcharge of 2% if total income exceeds Rs. 10 million, not exceeding Rs. 100 million (Effective tax rate 42.43%). 5% of tax if total income exceeds Rs. 100 million (Effective tax rate 43.68%).

Management Fees
10%, plus applicable surcharge and Health and Education Cess at 4%.

Dividends
Withholding tax of 20% plus applicable surcharge and Health & Education Cess.

Rental
40%, plus applicable surcharge and Health and Education Cess at 4%.

Royalties
10%, plus applicable surcharge and Health and Education Cess at 4%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
Tax of 20% to be paid on long-term capital gains, if the shares are not listed in any stock exchange.

For listed shares, the tax rate will be 10% in the case of long-term capital gains exceeding Rs. 0.1 million and 15% for short-term capital gains.

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
Capital gains arising from the disposal of foreign shareholdings is subject to tax at applicable rates, i.e. tax of 20% to be paid on long-term capital gains, if the shares are not listed in any stock exchange. In case of listed shares, tax rate will be 10% in the case of long-term capital gains exceeding Rs. 0.1 million and 15% for short-term capital gains on equity shares.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Losses can be carried forward up to eight (8) years. Long-term capital loss can be set off against long-term capital gains only.

Indonesia

Corporate Income Tax

Corporate Tax Rate

The standard corporate tax rate which applicable in Indonesia has been changed as follows:

Coverage Fiscal Year	Applicable Tax Rate
Before up to Fiscal Year 2019	25%
Fiscal Year 2020-2021	22%
Fiscal Year 2022 and afterwards	20%

A 3% corporate tax cut can be granted to public companies which satisfy the following conditions:

- At least 40% of their paid-in shares are listed for trading in the Indonesian Stock Exchange (IDX). Shares owned by certain related parties and treasury shares cannot be counted for this purpose;
- The public should consist of at least 300 individuals, each holding less than 5% of the paid-in shares

These two conditions must be maintained for at least 183 days in a tax year. If in a particular year either or both conditions are not met, the facility is not applicable for that year.

Certain resident corporate taxpayers (other than Permanent Establishments (PE) of foreign companies) that earn or receive gross income that does not exceed IDR 4.8 billion in a fiscal year, are subject to a reduced corporate income tax of 0.5% of gross income for a certain period of time.

Resident corporate taxpayers with gross revenue of between IDR 4.8 billion and IDR 50 billion, receive a 50% reduction in the corporate tax rate imposed on taxable income, which is impacted to gross revenue of up to IDR 4.8 billion.

Tax Year

Tax is assessed on a calendar year basis. However, accounting period ending on a date other than 31 December is acceptable.

Basis of Taxation

Resident companies are taxed on worldwide income. Non-resident companies are taxed only on income sourced in Indonesia, including income which attributable to a PE in the country.

Tax Treatment of Unutilized Tax Losses

Losses may be carried forward for five (5) years, following the year the losses were incurred. Subject to approval from the relevant authority, this period may be extended up to 10 years for certain industries and for operations in remote areas. Carryback losses are not permitted.

Tax Treatment of Dividends Received from Domestic Shareholdings

Previously, dividends received from domestic shareholdings are considered as general income and subject to Corporate Income Tax. Dividends paid to Indonesian limited liability companies holding at least 25% of shares, could be exempt from tax under certain conditions.

Under the Omnibus Law, if dividend was received by domestic corporate taxpayer can be exempted without any certain conditions. Therefore, the dividend income will be reported in the Corporate Income Tax Return as the nontaxable income.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies

Previously, dividends received from foreign subsidiaries are considered as general income and subject to Corporate Income Tax and there is no exemption can be applied.

Under the Omnibus Law, the above-mentioned income is still subject to income tax. However, the tax exemption can be applied with certain condition that income will be reinvested in Indonesia for a certain period of time. The certain condition could be explored in the Ministry of Finance Regulation (MoF) No. 18/PMK.03/2021.

Group Tax Relief
None.

Controlled Foreign Corporation (CFC) Rules
Certain income of CFC is subject to deemed dividend rules in Indonesia. This income includes dividends, interest, rentals, royalties, and gains from sales or transfer of assets, with certain limitations. A CFC is a foreign entity that is at least 50% owned by an Indonesian taxpayer or at least 50% collectively owned by Indonesian taxpayers.

The scope of CFC income also covers income from indirectly owned CFC with a minimum of 50% ownership by another CFC, or collective ownership by an Indonesian taxpayer's CFCs or collective ownership by a number of CFCs (including under the same or different Indonesian taxpayers).

The ownership threshold which is used to determine the CFC status is the ownership percentage at the end of the Indonesian taxpayer's fiscal year, which is based on either the percentage of paid-up capital or the percentage paid-up capital with voting rights. The only situation in which the rules do not apply is when the CFC's shares are listed on a stock exchange.

Thin Capitalization Rules
A single ratio of 4:1 is generally applicable, which means the amount of debt allowable in order to obtain full deductibility of the financing cost is limited to four times the equity amount. Exemption applies to certain taxpayers.

Tax Filing Deadlines
The annual corporate income tax return must be filed by the end of the Fourth (4th) month after the tax year ends. Late filing will be subject to an administration penalty of IDR 1,000,000.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to Indonesia's tax treaties with other countries.

Interest
20%*.

Management Fees
20%.

Dividends
20%.

Rental
20%.

Royalties
20%.

*Under the Omnibus Law the imposition of a 20% tariff from gross amount as referred to in Article 26(1)(b) of the Income Tax Law on the payment of interest, including premium, discount, and honorarium in relation to a debt repayment guarantee, may be lowered by a Government Regulation.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
Subject to corporate income tax from capital gains arising from disposal of domestic shareholdings.

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
Subject to corporate income tax from capital gains arising from disposal of foreign shareholdings.

Withholding tax rate of 5% applicable from the capital gains arising from the disposal of foreign shareholdings.

Certificate of Domicile required or to complete Form DGT-1.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Losses (capital loss) from the sale of shares not listed / traded on the exchange, can be recognized and compensated with other income (horizontal compensation) in the same tax year, as long as the shares are owned and used in the company or owned to obtain, collect, and maintain income which is a taxable object (dividend and or capital gain) and is not subject to final income tax.

Japan

Corporate Income Tax

Corporate Tax Rate

The taxes levied in Japan on income generated by the activities of a corporation include corporate tax (national tax), local corporate tax (national tax), corporate inhabitant tax (local tax), enterprise tax (local tax), and special enterprise tax (local tax). Except in instances requiring exceptional treatment, the scope of income subject to corporate inhabitant tax and enterprise tax is (including special local corporate tax; the same applies below) determined and the taxable income is calculated in accordance with the provisions for corporate tax. Corporate inhabitant taxes are levied not only on income but also on a per capita basis using the corporation's capital and the number of its employees as the tax base. Corporations having paid-in capital of more than 100 million yen are subject to enterprise tax on a pro forma basis.

Brackets of Taxable Income	Up to 4 Million Yen	4 Million Yen to 8 Million Yen	Over 8 Million Yen
Corporate Tax	15.00%	15.00%	23.20%
Local Corporate Tax	1.55%	1.55%	2.39%
Corporate Inhabitant Taxes (Prefectural)	0.15%	0.15%	0.23%
Corporate Inhabitant Taxes (Municipal)	0.90%	0.90%	1.39%
Enterprise Tax	3.50%	5.30%	7.00%
Special Enterprise Tax	1.30%	1.96%	2.59%
Total Tax Rate	22.39%	24.86%	36.80%

The table on the left shows the tax burden on corporate income (applicable only to small and medium-sized enterprises). The rates for corporate inhabitant tax and enterprise tax are shown using Tokyo as an example.

They assume that the conditions of small and medium-sized enterprises meet all three of the following conditions:

- Paid-in capital is 100 million yen or less. This does not apply to wholly-owned subsidiaries of large corporations with paid-in capital of 500 million yen or more.
- The corporate tax amount is 10 million yen or less per annum and taxable income is 25 million yen or less per annum.
- Offices or factories located in up to two prefectures.

Tax Year

The business year for tax purposes usually means the accounting period provided for in the statute of a corporation.

Basis of Taxation

Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on Japanese-sourced income.

Tax Treatment of Unutilized Tax Losses

Net losses under income in each business year are carried forward for the next nine (9) years (or ten years in the case of losses arising during the business years beginning on or after 1 April 2018). Note that if a corporation has paid-in capital in excess of 100 million yen or is a wholly owned subsidiary of a large corporation with paid-in capital of at least 500 million yen (including foreign corporations), the amount of loss that may be deducted from income cannot exceed 50% of income (For business year commencing between 1 April 2015 to 31 March 2018, the 55% to 65% is applied on income).

Tax Treatment of Dividends Received from Domestic Shareholdings
Payments made in Japan of dividend income to residents or domestic corporations, are subject to withholding at source.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
A Foreign Dividend Exclusion has been introduced to avoid international double taxation. This allows domestic corporations to exclude from their taxable income, 95% of dividend income from qualifying foreign subsidiaries (i.e. corporations that meet shareholding requirements on or more than 25% and other conditions).

Group Tax Relief
Capital gains from transfer of certain assets within 100% group is taxable by a seller when the assets are sold to outside of the group.

Donation within 100% group is not treated as expense at donor, nor income at donee.

Controlled Foreign Corporation (CFC) Rules
In order to prevent domestic corporations from evading taxes by retaining income through a foreign subsidiary established in a so-called tax haven or other foreign subsidiaries, a domestic corporation is taxed by, including in its taxable income, an amount corresponding to its interest in the retained earnings of that foreign subsidiary.

Thin Capitalization Rules
If a corporation's borrowing from an overseas controlling shareholder exceeds three times its equity (or an alternative reasonable ratio), interest on borrowing corresponding to the excess cannot be deducted from taxable income.

Tax Filing Deadlines
Corporations must file a final tax return for corporate tax, local corporate tax, corporate inhabitant tax, enterprise tax, and special local corporate tax on their income within two (2) months from the day following the last day of each taxable year. However, a one (1) month extension of the deadline for filing a final tax return can be available upon approval of the director of the taxation office.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to Japan's tax treaties with other countries.

Interest
15.315%.

Management Fees
20.42%.

Dividends
15.315% (Listed Company), 20.42% (Others).

Rental
20.42% (Real Estate).

Royalties
20.42%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic and Foreign Shareholdings
There is no separate tax rate for capital gains. Capital gains are subject to tax at the ordinary corporate tax rate.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Capital losses are deductible.

Korea (the Republic of)

Corporate Income Tax

Corporate Tax Rate

Taxable Income	Tax Rates Including Local Income Tax
Up to KRW 200 Million	11.0%
Over KRW 200 Million But Less than KRW 20 Billion	22.0%
Over KRW 20 Billion But Less than KRW 30 Billion	24.2%
Over KRW 300 Billion	27.5%

Tax Year
1 January to 31 December. Accounting period ending on a date other than 31 December is also acceptable.

Basis of Taxation
A corporation shall be subject to income taxation on its global income whereas a Korea branch of a foreign corporation shall be subject to income taxation on its Korea source income.

Tax Treatment of Unutilized Tax Losses
Tax losses shall be carried forward for the next 15-year period to offset against future taxable income. However, it shall be limited to 60% of current taxable income (100% for the qualified small and medium sized corporations).

Tax loss carry back for one (1) year shall be allowed for the qualified small and medium sized corporations.

Tax Treatment of Dividends Received from Domestic Shareholdings
Full or partial exclusion of dividend income from Korean corporations may be allowed in proportion of the ownership ratio, etc.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Foreign tax credit shall be allowed for dividends received from foreign subsidiaries or associated companies and shall be tax deductible if not credited for 10 year period.

Group Tax Relief
Consolidated income tax returns for Korean affiliates may be allowed if certain conditions are met. However, the consolidated returns for cross border affiliates are not allowed.

Controlled Foreign Corporation (CFC) Rules
CFC rules apply where the Korean parent company has controlling shareholding and the effective tax rate in the country where the subsidiary is located is lower than 15%.

Thin Capitalization Rules
Interest relating to certain loans exceeding the debt-to-equity ratio of 2:1 is not tax deductible. With effect from 1 January 2019, additional limits for deduction of related party interest expenses should apply.

Tax Filing Deadlines
Annual corporate income tax return must be filed along with necessary tax payment by three (3) months after the end of the fiscal year. In addition, interim corporate income tax return for the first six (6) month period along with necessary tax payment should be filed by two (2) months after the first half (six (6) month period) of the year.

Withholding Tax

The following are domestic withholding tax rates (including local income tax) on payments made to non-resident companies. The rates may be reduced according to Korea's tax treaties with other countries.

Interest
22%.

Management Fees
0%.

Dividends
22%.

Rental
2.2%.

Royalties
22%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
It shall be added to taxable income with the normal income tax rates.

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
It shall be added to taxable income with the normal income tax rates. Foreign tax credit shall be allowed if certain conditions are met.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Capital losses are deductible against capital gains from other transactions.

Malaysia

Corporate Income Tax

Corporate Tax Rate
Companies with paid-up ordinary share capital of not more than RM2.5 million are taxed at 17% on the chargeable income of the first RM600,000, with the excess being taxed at 24%.

Tax Year
Tax is assessed on a calendar year basis. However, accounting period ending on a date other than 31 December is acceptable.

Basis of Taxation
Resident and non-residents are taxed only on income derived from sources in Malaysia.

Tax Treatment of Unutilized Tax Losses
Any unabsorbed tax losses in a year of assessment may be carried forward to offset against future income, up to seven (7) consecutive years, provided the shareholding test is met.

Tax Treatment of Dividends Received from Domestic Shareholdings
Exempted.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Exempted.

Group Tax Relief
Group relief is allowed up to 70% of the current year adjusted loss of the surrendering company and is available only for the first three (3) years of operations, subject to fulfillment of other conditions.

Controlled Foreign Corporation (CFC) Rules
None.

Earning Stripping Rules
Interest expenses on financing arrangement between controlled entities, if exceeding RM500,000 in a year, are restricted to a maximum of 20% of the Tax-EBITDA allowed for deduction against the business income for the relevant year. The interest restricted in a year is allowed to be carried forward for deduction against future income.

Tax Filing Deadlines
Tax returns have to be filed annually within seven (7) months from the last day of a company's financial year.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to Malaysia's tax treaties with other countries.

Interest
15%.

Service Fees
10%.

Dividends
None.

Rental of Moveable Properties
10%.

Royalties
10%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
Capital gains are not subject to tax.
However, gains on the disposal of shareholdings may be subject
to income tax if the shares were acquired for disposal, as part of a share dealing business, or profit-making undertaking.

There is a separate real property gains tax on the gains from the disposal of shares in real property companies that range from 10% to 30% depending on the holding period and tax residency.

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
No capital gains tax on disposal of shares.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Capital losses are not deductible.

New Zealand

Corporate Income Tax

Corporate Tax Rate
The corporate income tax rate is 28%. This rate applies to all corporate entities subject to income tax.

Tax Year
1 April to 31 March. An income year (accounting period) ending other than 31 March is allowed with the approval of the Commissioner of Inland Revenue.

Basis of Taxation
A New Zealand resident company is subject to tax on its accrued and derived income regardless of whether that income has a source inside or outside New Zealand.

Tax Treatment of Unutilized Tax Losses
Any unutilized tax losses may be either offset against the net income of another company within the same group of companies, subject to satisfying certain requirements, or carried forward to offset against future taxable income, provided minimum shareholder continuity requirements are maintained.

Tax Treatment of Dividends Received from Domestic Shareholdings
Dividends received from a New Zealand resident company are taxable income, although imputation tax credits can be attached to the dividend to reduce the tax liability of the recipient.

Dividends received from a company in the same wholly-owned group of companies are exempt.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Dividends received from foreign subsidiaries or associated companies are exempt from tax, subject to some exclusions.

Group Tax Relief
The tax losses of a company can be offset against the net income of another company in the same group of companies as the loss company, subject to satisfying certain requirements.

Controlled Foreign Corporation (CFC) Rules
CFC rules apply when five (5) or fewer New Zealand residents have a controlling interest of more than 50% in a foreign company or a single New Zealand resident has a control interest of 40% or more and no single non-resident has a greater control interest.

CFC rules require attribution of the net passive income of a non-active CFC to New Zealand resident shareholders.

Foreign Investment Fund (FIF) rules apply to shareholdings in non-CFC foreign companies.

Thin Capitalization Rules
Inbound thin capitalization rules apply to New Zealand entities controlled by non-residents. Outbound thin capitalization rules apply to New Zealand entities with interests in CFCs and/or certain FIFs.

Tax Filing Deadlines
Tax returns are required to be filed by the 7 July following the end of the tax year. Alternative dates will apply when a non-standard balance date has been approved.

Taxpayers with a tax agent can obtain an extension of time until the 31 March following the end of the relevant tax year.

Inactive companies can apply for a waiver from filing income tax returns.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to New Zealand's tax treaties with other countries.

Interest
15%.

Management Fees
Nil, unless the management service is performed in New Zealand by a non-resident.

Dividends
30% / 15% / 0% – The withholding rate depends on the extent of the imputation credits attached to the dividend and the ownership interest of the shareholder.

Rental
Nil, unless the rental relates to a non-resident supplying the right to use personal property in New Zealand.

Royalties
15%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
Capital gains are not subject to tax. However, gains on the disposal of shareholdings may be subject to income tax if the shares were acquired for disposal, as part of a share dealing business, or profit-making undertaking.

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
Capital gains are not subject to tax. However, gains on the disposal of shareholdings in CFCs may be subject to income tax if the shares were acquired for disposal, as part of a share dealing business or profit-making undertaking.

Gains on the disposal of shareholdings in FIFs will not be subject to tax.

Deductibility of Capital Losses Resulting from the Disposal of Domestic Shareholdings
As capital gains are not subject to tax, capital losses are not deductible. However, losses on the disposal of shareholdings may be deductible if the shares were acquired for disposal, as part of a share dealing business, or profit-making undertaking.

Deductibility of Capital Losses Resulting from the Disposal of Foreign Shareholdings
As capital gains are not subject to tax, capital losses are not deductible. However, losses on the disposal of shareholdings in CFCs may be deductible if the shares were acquired for disposal, as part of a share dealing business, or profit-making undertaking.

Losses on the disposal of shareholdings in FIFs will not be deductible.

Philippines

Corporate Income Tax

Corporate Tax Rate

Domestic corporations are subject to Regular Corporate Income Tax (RCIT) based on taxable income or to a Minimum Corporate Income Tax (MCIT) based on gross income, whichever is higher.

Generally, the income tax rate for the RCIT is twenty-five percent (25%) effective July 1, 2020. However, corporations with net taxable income not exceeding Five million pesos (P 5,000,000) and with total assets not exceeding One hundred million pesos (P 100,000,000), excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at twenty percent (20%) [Sec. 27A].

The rate for the MCIT is two percent (2%). However, for the period beginning 1 July 2020 until 30 June 2023, the rate shall be one (1%) percent. MCIT is imposed beginning after the fourth taxable year [Sec. 27E].

Resident foreign corporations shall be subject to the higher amount between the RCIT based on the taxable income or to a Minimum Corporate Income Tax (MCIT) based on gross income.

The RCIT is equivalent to twenty-five percent (25%) of the taxable income derived from sources within the Philippines effective 1 July 2020 [Sec. 28A(1)].

The MCIT is computed by multiplying the rate of two percent (2%) by the gross income: Provided, that effective 1 July 2020 until 30 June 2023, the rate shall be one (1%) percent. MCIT is imposed beginning after the fourth taxable year [Sec. 28A(2)].

Non-resident foreign corporations shall pay a tax equal to twenty-five percent (25%) of the gross income received from all sources within the Philippines (except for certain items of passive income that may be taxable at a different tax rate) [Sec. 28B(1)].

Domestic corporations and resident foreign corporations also have an option either to avail the itemized deductions or 40% Optional Standard Deduction (OSD) on their gross income to arrive at net taxable income [Sec. 34L].

Tax incentives like income tax holiday or preferential tax rates (5% on gross income) are available for enterprises in the Ecozones, such as the Subic Bay Freeport and Special Economic Zone and the Clark Special and Economic Zone [Republic Act (RA) 7916].

Tax Year

Calendar Year – 12 consecutive months beginning 1 January and ending 31 December.

Fiscal Year – 12 consecutive months ending on the last day of any month except December.

Both are acceptable. [Sec. 43]

Basis of Taxation

Domestic Corporations (Corporations incorporated under Philippine Laws) – All income derived within and outside the Philippines are subject to income tax.

Foreign Corporations (Corporation organized, authorized or existing under the laws of any foreign country) – Only Philippine-sourced income is subject to Philippine taxes. [Sec. 23]

Tax Treatment of Unutilized Tax Losses

The net operating loss carry-over, or NOLCO, refers to the excess of deductible expenses over gross income resulting to net loss in a given taxable year. A corporation having operating losses may carry forward its excess expenses to the three (3) succeeding taxable years and claim it as deduction against gross income to the extent that the excess has not been previously offset against gross income [Sec. 34(D)(3)]. However, NOLCO incurred in taxable year 2020 and 2021 can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years [Revenue Regulation (RR) 25-2020 pursuant to RA 11494].

This means that the net operating losses incurred may be allowed as deduction from the current year's gross income, thus reducing or even wiping out the company's income tax liability for the current year, depending on the amount of expenses to be deducted.

Tax Treatment of Dividends Received from Domestic Shareholdings
Dividends received by a domestic (Philippine registered) or resident foreign corporation from another domestic corporation are not subject to tax. These dividends are excluded from the taxable income of the recipient. Dividends received by a non-resident foreign corporation from a domestic corporation are subject to a general final WHT at the rate of 25% [Sec. 28B(1)]. A lower rate of 15% applies if the country in which the corporation is domiciled either does not impose income tax on such dividends or allow a tax deemed paid credit of 10% [Sec. 28B(5)(b)]. Treaty rates ranging from 10% to 25% may also apply if the recipient is a resident of a country with which the Philippines has a tax treaty.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Dividends received by domestic corporations from foreign corporations will form part of the income subject to regular corporate tax.

For foreign-sourced dividends to be exempt, the funds from such dividends actually received or remitted into the Philippines must be reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received and shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure projects. Provided, further, that the domestic corporation holds directly at least twenty (20%) of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of two (2) years at the time of the dividend distribution [Sec. 27D(4)].

Group Tax Relief
For tax purposes, each company is an independent entity and as such, must file its own tax return and pay its own taxes. The filing of consolidated tax returns or the relieving of losses within a group of companies, is not allowed. Related companies must interact on an arm's-length basis.

The Commissioner is authorized to allocate revenues and expenses between related companies to prevent tax evasion or to correctly reflect each entity's income [Sec. 50]. In 2013, the Philippines through the Bureau of Internal Revenue (BIR), issued transfer pricing regulations specifying the methodology to be used to determine the arm's-length price and the documentation required to show compliance with the arm's-length standard in related-party transactions. The documentation shall be submitted to the tax authorities on notification. [RR 2-2013]

Controlled Foreign Corporation (CFC) Rules
The Philippines does not have a specific CFC rule in place. As a rule, Philippine tax law does not tax a local parent company on the CFC's taxable income unless the CFC distributes dividends to the parent company which can be exempted from income tax under Section 27D(4) of the Tax Code, as amended.

Thin Capitalization Rules
The Philippines has no formal thin capitalization laws or regulations. However, the tax authority has issued guidelines (RR 2-2013) which identify thin capitalization and earning stripping as among the tax avoidance schemes between related companies.

Tax Filing Deadlines
For companies adopting 'calendar year policy', the deadline of filing of annual income tax return is on 15 April following the taxable year. For those adopting 'fiscal year policy', the deadline of filing of annual tax return is on the 15th day of the fourth (4th) month following the end of the taxable year [Sec. 77B].

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. Preferential rates are available under the Philippines' tax treaties with other countries.

General Rule
Generally, non-resident foreign corporations are taxed at 25% of the gross amount of Philippine source income such as dividends, rents, royalties, compensation, and remuneration for technical services [Sec. 28B(1)]. This tax is withheld at source [Sec. 57A]. There are preferential income tax rates for some types of non-resident corporations, as well as those entities that fall within the scope of specific tax treaty rates entered into by the Philippines.

Interest
Interest on foreign loans is taxed at 20% (without treaty) [Sec. 27B(5)(a)]. The treaty ranges from 10% to 15%.

Management Fees
In general, management fees paid to non-resident companies are subject to 25% final withholding tax rate.

It may be considered as tax exempt under applicable tax treaty. For management fees or service fees, the Non-Resident Foreign Corporation (NRFC) must not carry on transacting business in the Philippines through a permanent establishment. The most common risk of creating a permanent establishment is the length of period that the service is performed in the host country. Most Philippine tax treaties provide a 180-day threshold for the duration of the services.

Dividends
Dividends received by a non-resident foreign corporation from a domestic corporation are subject to a general final WHT at the rate of 25% [Sec. 28B(1)]. A lower rate of 15% applies if the country in which the corporation is domiciled either does not impose income tax on such dividends or allow a tax deemed paid credit of 10% [Sec. 28B(5) (b)]. Treaty rates ranging from 10% to 25% may also apply if the recipient is a resident of a country with which the Philippines has a tax treaty. On the other hand, a Philippine corporation can distribute share dividends tax-free, proportionately to all shareholders.

In case of Philippine branch, remittance of Philippine branch to its parent company or head office is subject to 15% Branch Profits Remittance Tax (BPRT). A lower rate may apply under certain tax treaties. However, Philippine branches whose activities are registered with Philippine Economic Zone Authority (PEZA) are not subject to BPRT [Sec. 28A(5)].

Rental
In general, withholding tax on rentals is 5% [RR 11-2018]. Rentals and charter fees payable to non-resident owners or lessors of vessels chartered by Philippine nationals are subject to a final tax of 4.5% [Sec. 28B(3)]. Rentals, charters, and other fees derived by non-resident lessors of aircraft, machinery, and other equipment are subject to a final tax of 7.5% [Sec. 28B(4)].

Royalties
The general rate for royalties without tax treaty is 25% [Sec. 28B(1)]. The treaty rates range from 10 to 25%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic Shareholdings
For all types of corporations, subsequent sale of non-listed shares in a domestic corporation are subject to 15% capital gains tax [Sec. 27(D)(2), Sec. 28(A)(6)(c) & Sec. 28(B)(5)(c)].

For all types of corporations, sale of shares listed in the local stock exchange are subject to a tax at a rate of six-tenths of one percent (6/10 of 1% or 0.60%) stock transaction tax based on the gross selling price or gross value of money sold, bartered, exchanged or otherwise disposed [Sec. 127(A)].

Tax Treatment of Capital Gains Arising from the Disposal of Foreign Shareholdings
Gains realized from the sale of foreign shares by individual resident citizens are subject to the graduated tax rates prescribed under Section 24 (A)(2) while that of a domestic corporation is subject to regular income tax of 25% or 20% (whichever is applicable) under Section 27(A).

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Losses from sales or exchanges of capital assets shall be allowed only to the extent of the gains from such sales or exchanges [Sec. 39(A)(C)]. Unrealized capital losses are not deductible.

For individual taxpayers (except those earning compensation income arising from personal services and non-resident aliens not engaged in trade or business in the Philippines), 100% of the loss recognized upon the sale or exchange of the capital asset shall be taken into account in the computing the net capital loss/gain and net income if the related capital asset is held for not more than 12)months. If held for more than 12 months, only half (50%) of the capital loss is deductible [Sec. 39(A)(B)]. On the other hand, for domestic and resident foreign corporations, 100% of the capital loss shall be taken into account in the computation of net capital gain/loss and net income [Sec. 39(A)(B)].

Singapore

Corporate Income Tax

Corporate Tax Rate
The current corporate income tax rate is 17%.

With effect from the Year of Assessment 2020, 75% of up to the first S$10,000, and 50% of up to the next S$190,000 of a company's chargeable income is exempt from corporate tax.

There are also special tax exemptions for newly incorporated companies.

Tax Year
1 January to 31 December. Accounting period ending on a date other than 31 December is acceptable.

Basis of Taxation
Singapore adopts a territorial basis of taxation in that income accrued in or derived from Singapore or sourced outside Singapore but received or deemed received in Singapore, is taxable in Singapore subject to certain exceptions.

Tax Treatment of Unutilized Tax Losses
Any unabsorbed tax losses may be carried forward to offset against a company's future taxable profits, provided certain conditions are met. Tax losses of up to S$100,000 incurred in a current year may be carried back for one (1) year if certain conditions are met.

For the Years of Assessment 2020 and 2021, tax losses of up to S$100,000 may be carried back for up to three (3) immediate preceding years if certain conditions are met under the enhanced scheme.

Tax Treatment of Dividends Received from Domestic Shareholdings
Dividends from a Singapore resident company are exempted from tax.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Foreign sourced dividends are taxable only if such dividends are received or deemed received in Singapore. However, foreign sourced dividends received in Singapore can be exempted from tax if the following conditions are met:

- The recipient of the dividends is a tax resident of Singapore
- The dividends have been subject to tax in the foreign jurisdiction from which such dividends are received
- The headline tax rate in the foreign jurisdiction is at least 15%.

Group Tax Relief
Trade losses and unutilised capital allowances of one company may be utilised for tax purposes by another company in the same group, provided certain conditions are met.

Controlled Foreign Corporation (CFC) Rules
None.

Thin Capitalization Rules
None.

Tax Filing Deadlines
With effect from the Year of Assessment 2021, tax returns are required to be filed by 30 November for each year of assessment.

Dormant companies can apply for a waiver to file an income tax return.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to Singapore's tax treaties with other countries.

Interest
15%.

Management Fees
Nil, unless the management service is performed in Singapore by a non-resident.

Dividends
None.

Rental
15%.

Royalties
10%.

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic and Foreign Shareholdings
Capital gains are not subject to tax. However, gains on the disposal of shareholdings may be subject to profits tax if the transaction is trade in nature.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Capital losses are not deductible.

Taiwan

Corporate Income Tax

Corporate Tax Rate
The corporate income tax rate for resident companies and Taiwan branches of foreign companies is 20%. Foreign companies that do not have a branch or Permanent Establishment in Taiwan generally are subject to withholding tax at the rate of 20% on Taiwan source-income. The tax may be reduced or eliminated if approval is obtained under the relevant tax treaty.

Tax Year
The tax year for profit-seeking enterprises is the calendar year (from 1 January to 31 December); approval must be obtained to use a different fiscal year.

Basis of Taxation
Taiwan companies (including Taiwan subsidiaries of foreign companies) are subject to income tax on their worldwide income. A profit-seeking enterprise with its head office outside Taiwan (such as a branch of a foreign company) is considered non-resident for tax purposes. Such an enterprise is subject to profit-seeking enterprise income tax on its Taiwan-source income only, at the rate applicable to a domestic company.

An alternative minimum tax applies in certain circumstances and a 5% surtax is levied on undistributed profits.

If a profit-seeking enterprise renders e-services from outside Taiwan to a Taiwanese customer, the services are deemed to be provided in Taiwan and income from the services will be Taiwan-source income subject to tax in Taiwan.

Branches are taxed at the same corporate tax rate as subsidiaries but are not subjected to surtax on undistributed earnings.

Tax Treatment of Unutilized Tax Losses
Assessed tax losses of business entities (including corporations and branches of a foreign company) may be carried forward for 10 years, provided the entity keeps accounting books and files an annual corporate tax return that has been examined and certified by a local CPA within the prescribed period, both in the year the losses are incurred and the year the losses are utilized. The carryback of losses is not permitted.

Tax Treatment of Dividends Received from Domestic Shareholdings
No withholding tax is imposed on dividends paid to a resident shareholder.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
A 21% withholding tax is imposed on dividends paid to a non-resident (regardless of whether the investment has been approved by the Investment Commission), unless the rate is reduced under a tax treaty.

Group Tax Relief
None.

Transfer Pricing (TP)
A profit-seeking enterprise which has an affiliated relationship with, or is directly or indirectly owned or controlled by another enterprise within or without the territory of Taiwan, whereof, if it is found that arrangement of their mutual income, cost, expense, profit or loss distribution does not conform with the regular business practice, hence, results in a tax evasion or reduction, the collection authority-in-charge for the purpose of computing the accurate income of the enterprise may report it to the Ministry of Finance for approval in effecting an adjustment in accordance with the regular business practice.

Controlled Foreign Corporation (CFC) Rules
The Income Tax Act was amended in 2016 to introduce CFC provisions, and the implementation rules were announced in September 2017. The Taiwan Ministry of Finance has announced that it will report to the Taiwan Executive Yuan after August 2021 and these CFC provisions will be implemented after approval. It is expected to be implemented in 2022.

For any profit-seeking enterprise and its related parties directly or indirectly holding 50% or more of shares or capital of a foreign affiliated enterprise registered in a low-tax (income tax is less than 14%) burden country or jurisdiction, or having a significant influence on such a foreign affiliated enterprise, except in accordance with one of the following provisions, the surplus earnings of the foreign affiliated enterprise shall be recognized as the profit-seeking enterprise's investment income which is calculated according to the ratio and holding period of the shares or capital, and such investment income shall be included in taxable income of the current year:

1. The foreign affiliated enterprise has substantial operating activities in its country or jurisdiction.
2. The current year surplus earnings of the foreign affiliated enterprise are below a standard (7 million in New Taiwan Dollar). However, if the total amount of aggregating the current year's surplus earnings of all foreign affiliated enterprises which are held by the same profit-seeking enterprise exceeds such standard, the investment income of the aforesaid foreign affiliated enterprises shall still be included in the taxable income of the current year.

Place of Effective Management (PEM) Rules
The Income Tax Act was amended in 2016 to introduce PEM provisions, and the implementation rules were announced in September 2017. The official implementation date will be announced by the Executive Yuan of Taiwan.

Any foreign profit-seeking enterprise established according to foreign law but with a place of effective management in Taiwan shall be deemed as a profit-seeking enterprise having its head office within the territory of Taiwan, and shall be subject to profit-seeking enterprise income tax in accordance with Income Tax Act and other relevant laws. In case of violation, the foreign profit-seeking enterprise shall be subject to the Income Tax Act and other relevant laws.

The term "A foreign profit-seeking enterprise with a place of effective management in Taiwan" means:

1. The decision maker who makes significant decisions in business management, financial management, and personnel management is an individual resident in Taiwan or a profit-seeking enterprise having its head office within the territory of Taiwan, or the place where the significant decisions are made is in Taiwan.
2. Financial statements, records of accounting books, minutes of meetings of the Board of Directors or minutes of meetings of the shareholders prepared or stored in the territory of Taiwan.
3. Major business activities carried out in Taiwan.

Thin Capitalization Rules
A profit-seeking enterprise, such as a subsidiary or a Taiwan branch of a foreign company, is subject to thin capitalization rules. Interest expense from related party debt exceeding a three-to-one (3:1) debt-to-equity ratio is not deductible for tax purposes. Companies in the financial industry, such as banks, credit cooperatives, financial holding companies, bills finance companies, insurance companies and securities firms are not subject to the thin capitalization rules.

Tax Filing Deadlines
A calendar-year company must pay provisional income tax, in an amount equal to 50% of the preceding year's tax liability in September of the current fiscal year. However, if the company's income tax return is examined and certified by a CPA, the company can opt to pay the provisional tax at an amount calculated on the basis of its operating income for the first six (6) months of the current tax year.

The final return must be filed before 31 May following the end of the fiscal year and must include the payment of any tax liability. Enterprises with a fiscal year other than the calendar year must make the provisional tax payment in the ninth (9th) month of their fiscal year and file the return on or before the last day of the fifth (5th) month after the close of the fiscal year.

The enterprise must attach to the annual return a report detailing changes in its retained earnings.

Withholding Tax

Interest
A 10% withholding tax applies on interest paid to a resident. A 15% withholding tax applies to interest paid to a non-resident on short-term bills; interest on securitized certificates; interest on corporate bonds, government bonds or financial debentures; and interest derived from repurchase transactions for these bonds or certificates. The rate in all other cases is 20%, unless the rate is reduced under a tax treaty.

Management Fees
The rate is 20% on management fees paid to a non-resident.

Dividends
No withholding tax is imposed on dividends paid to a resident shareholder. A 21% withholding tax is imposed on dividends paid to a non-resident (regardless of whether the investment has been approved by the Investment Commission), unless the rate is reduced under a tax treaty.

Rental
A 10% withholding tax applies on rental payments made to a resident. The rate is 20% on rental paid to a non-resident. However, rental paid in respect of qualified intellectual property licensing approved by the relevant authorities may be exempt from income tax.

Royalties
A 10% withholding tax applies on royalty payments made to a resident. The rate is 20% on royalties paid to a non-resident. However, royalties paid in respect of qualified intellectual property licensing approved by the relevant authorities may be exempt from income tax.

Capital Gains Tax

Capital gains are treated as ordinary income and taxed at the standard profit-seeking enterprise rate. Gains derived by a profit-seeking enterprise from the sale of land acquired on or before 1 January 2016 and the sale of shares of a domestic company are exempt from income tax but are subject to Land Value Incremental Tax (LVIT) and Alternative Minimum Tax (AMT), respectively.

Under the tax regime that applies to the sale of real estate (including land and buildings) acquired after 1 January 2016, resident companies are subject to corporate income tax at 20% to 45% on capital gains from the sale of real estate. Non-residents (including companies and individuals) will be subject to a 45% income tax on capital gains from the sale of real estate that has been held for up to two year, or 35% if the property has been held for more than two (2) year. The incremental net value of the land sold still is subject to LVIT, but the incremental net value of the land can be deducted from the taxable capital gains when calculating the income tax. Capital gains derived by domestic companies from the disposal of Taiwan companies or other securities are not subject to income tax but are subject to AMT.

Vietnam

Corporate Income Tax

Corporate Tax Rate
The current standard corporate income tax rate is 20%.

In the oil and gas industry: 32%-50% depending on the location and other specific conditions.

Tax incentives are applied for investments in encouraged sectors and/or areas; or large-scale projects. There are two types of tax incentives:

- Preferential tax rates are 10% or 17% for the whole project life or number of years;
- Tax exemption and tax reduction could be up to four (4) and nine (9) years respectively.

Tax Year
- Calendar year or fiscal year;
- The first tax year (in case of newly establishment) or the last tax year (in case of bankruptcy, dissolution, etc.) could be added up to the subsequent/prior tax year but the total duration must not exceed 15 months.

Basis of Taxation
Vietnamese enterprises shall be taxed on taxable income generated in and outside Vietnam.

Foreign enterprises with Vietnam-based permanent establishments shall be taxed on:

- Taxable income generated in and outside Vietnam, which are related to the operation of such establishments; and
- Taxable income generated in Vietnam, which are not related to the operation of such establishments.

Foreign enterprises without Vietnam-based permanent establishments shall be taxed on taxable incomes generated in Vietnam.

Tax Treatment of Unutilized Tax Losses
Tax loss may be carried forward fully and consecutively for the maximum of five (5) years. Loss carried backward is not allowed.

Tax Treatment of Dividends Received from Domestic Shareholdings
Dividends received from a domestic enterprise after such enterprise has paid corporate tax are exempted from tax.

Tax Treatment of Dividends Received from Foreign Subsidiaries or Associated Companies
Tax treatment of foreign sourced dividends received after paying corporate tax overseas:

- In case of investments to a country having a Double Taxation Agreement with Vietnam: the provisions of such agreement shall be applied;
- In case of investments to a country not having a Double Taxation Agreement with Vietnam: collecting the positive difference between corporate tax under the Law of Vietnam and the foreign country.

Group Tax Relief
None.

Controlled Foreign Corporation (CFC) Rules
None.

Thin Capitalization Rules
For taxpayers who incur related party transactions, the interest expenses exceeding 30% of EBITDA are non-deductible. (EBITDA is calculated using net interest expense, which equals to interest expense minus interest income).

Tax Filing Deadlines
The last day of the third month from the end of the tax year.

Withholding Tax

The following are domestic withholding tax rates on payments made to non-resident companies. The rates may be reduced according to Vietnam's tax treaties with other countries.

Income	Value - Added Tax	Corporate Tax
Interest	None	5%
Management Fees	5%	5%
Dividends	None	None
Rental (Except the rental of aircrafts and vessels)	5%	5%
Royalties	N/A or 5%	10%

Capital Gains Tax

Tax Treatment of Capital Gains Arising from the Disposal of Domestic and Foreign Shareholdings
Capital gains are subject to income tax.

Deductibility of Capital Losses Resulting from the Disposal of Domestic and Foreign Shareholdings
Capital losses are not deductible.

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