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AN INTRODUCTION TO

# Doing Business in ASEAN 2026

Special Focus

**ASEAN Transshipment  
and US Tariffs – Balancing  
Opportunity and Risk**



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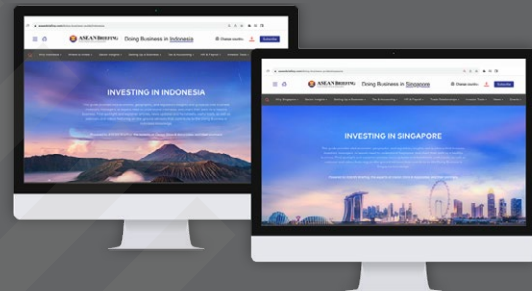
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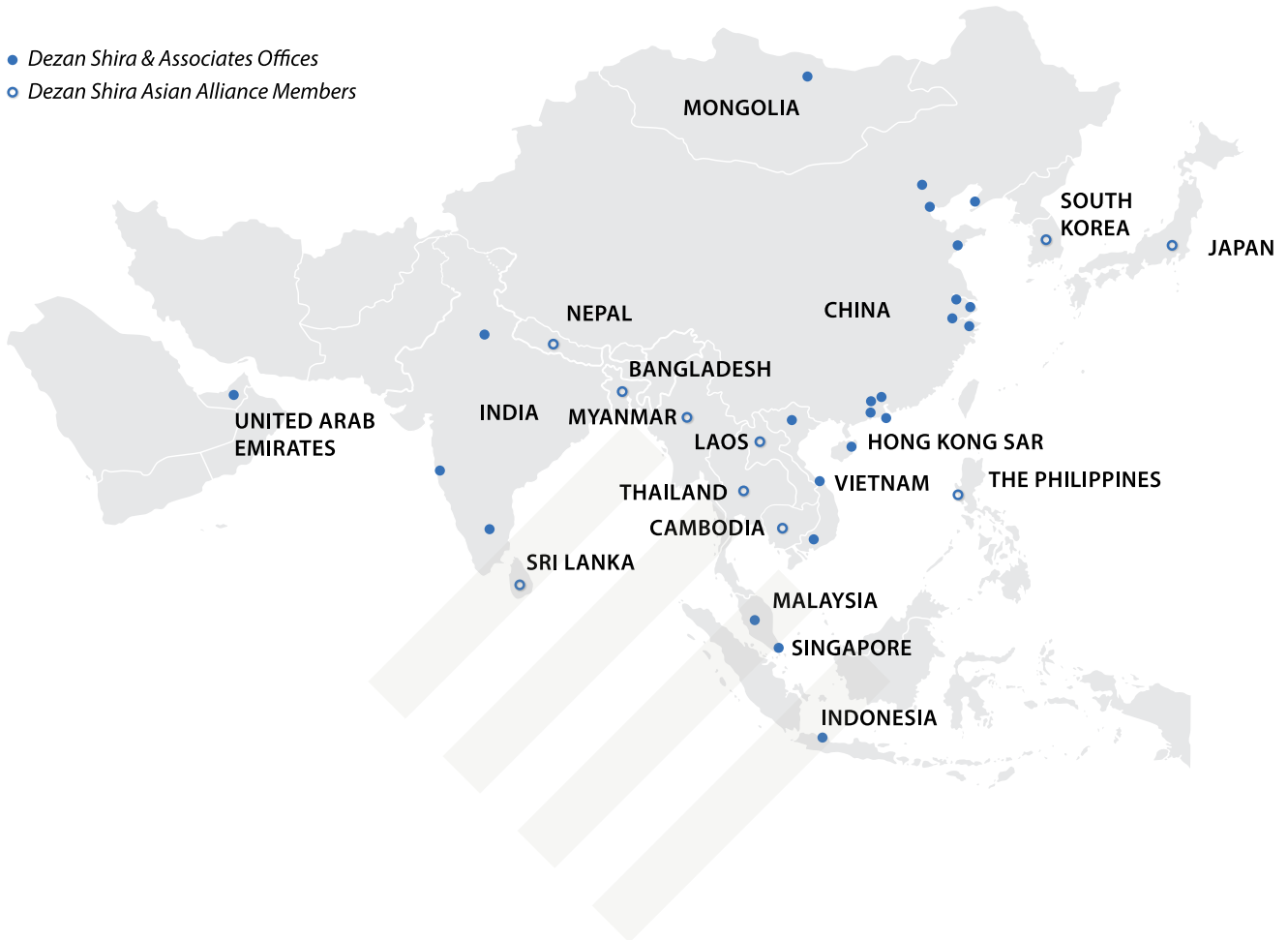
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## About Dezan Shira & Associates

At Dezan Shira & Associates, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. Since its establishment in 1992, Dezan Shira & Associates has grown into one of Asia's most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam, as well as liaison offices in Italy, Germany and the United States, and partner firms across the ASEAN region. With over 30 years of on-the-ground experience and a large team of professional advisers, we are your reliable partner in Asia.

# Preface

ASEAN enters 2026 amid a period of strategic recalibration. The re-imposition of U.S. reciprocal tariffs under Executive Order 14257 has affected all member economies, with rates generally between 10 and 20 percent, depending on their trade balance with Washington. While the measures have increased export costs and compliance demands, they also indicate the region's enduring importance in global supply chains — offering firms a credible diversification path beyond sole reliance on China.

Despite these pressures, ASEAN's fundamentals remain sound. The Asian Development Bank (ADB) projects Southeast Asia's economy to expand by 4.3 percent in 2026, driven by resilient domestic consumption, infrastructure investment, and a growing services sector. This resilience provides the backdrop for a more strategic adjustment — where governments and businesses alike are shifting focus from short-term expansion to long-term competitiveness and structural reform. With the formal admission of Timor-Leste as ASEAN's eleventh member in October 2025, the bloc's footprint now extends farther east, signaling both deeper regional integration and new frontiers for investment in infrastructure, logistics, and energy.

These reforms signal ASEAN's intent to evolve from a cost-driven manufacturing base into a predictable, compliance-oriented operating environment. For investors, the implication is clear: competitiveness in the region now hinges less on incentives and more on structure, governance, and efficiency.

The region's ports and bonded-zone facilities are likewise drawing renewed attention as manufacturers reassess where to locate intermediate processing to remain tariff-eligible. Transshipment is increasingly part of that conversation — not as a way around trade barriers, but as an emerging channel for limited value-added processing within ASEAN. Although progress remains uneven, projects such as digital certificates of origin, Singapore's blockchain pilot, and customs-modernization programs in Vietnam and Malaysia point to measurable improvements in trade facilitation and documentation standards.

This publication, compiled by experts at Dezan Shira & Associates, introduces the fundamentals of investing in ASEAN and provides valuable insights on navigating this dynamic market. Our practice specializes in foreign direct investment services, including corporate establishment, business intelligence, tax advisory, compliance, accounting, and financial review services for multinationals investing in emerging Asia.

An Introduction to Doing Business in ASEAN 2026 covers the following:

- Corporate establishment;
- Tax and accounting;
- Human resources and payroll; and
- Audit and compliance.



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# What's New in This Guide

ASEAN countries have continued to advance policy reforms through 2025 and into 2026, with a shared focus on improving regulatory efficiency, transparency, and cross-border investment integration.

## Indonesia

Indonesia continues to refine its investment framework to make market entry easier for foreign companies. Under Minister of Investment Regulation No. 5 of 2025, the minimum paid-up capital for foreign-owned limited liability companies has been lowered to IDR 2.5 billion (US\$156,000), while the total investment requirement remains above IDR 10 billion (US\$625,000) per KBLI classification and project location. The update reflects the government's intention to attract small and medium-scale foreign investors without altering its broader capital-formation goals.

These measures are complemented by the ongoing modernization of the OSS-RBA licensing platform and digital post-investment reporting. By focusing on regulatory clarity and reduced entry barriers, Indonesia reinforces its image as a predictable, investor-friendly jurisdiction within ASEAN.

## Malaysia

Malaysia's social-protection framework has entered a new phase with the extension of Employees Provident Fund (EPF) coverage to non-Malaysian employees. Starting with wages for October 2025, mandatory EPF contributions apply to foreign workers holding valid employment passes, with both employer and employee contributing 2 percent of monthly wages.

This reform aligns Malaysia's retirement-savings regime with international labor standards and strengthens protection for the country's expanding foreign workforce. Coupled with mandatory e-invoicing set for full enforcement in 2026, it signals Malaysia's broader push toward inclusion and digital transparency in business regulation.

## Singapore

Singapore has introduced several measures to align its tax and sustainability regimes with global standards. The global minimum tax (15 percent) under the OECD's Pillar Two framework applies to financial years beginning on or after January 1, 2025, meaning 2026 marks its first full year of implementation. The same year, the government is increasing the carbon tax rate from S\$25 to S\$45 per ton of emissions as part of its transition toward net-zero.

At the same time, Singapore has broadened the scope of tax deductions for equity-based remuneration and begun phasing in new sustainability-reporting standards aligned with the International Sustainability Standards Board (ISSB). These changes imply Singapore's intent to balance fiscal competitiveness with environmental accountability.



## Thailand

Thailand enters 2026 with two major regulatory shifts: sustained implementation of the global minimum corporate tax and the transition to fully digital company registration. The DBD Biz Regist system now serves as the sole channel for private-limited-company incorporation, replacing paper filings with seamless online workflows.

The 15-percent minimum tax applied to large multinational groups since 2025 continues to guide Thailand's compliance with emerging global tax frameworks. Together, these changes highlight an effort to modernize corporate administration while safeguarding revenue and regulatory integrity.

## Vietnam

Vietnam enters 2026 under a revised tax framework following reforms implemented across late 2025 and early 2026. The new Corporate Income Tax Law, effective from October 1, 2025 and applicable from the 2025 tax year onward, updates rules on taxable income, incentives, and enforcement. At the individual level, Personal Income Tax adjustments take effect from January 1, 2026, including higher standard and dependent deductions and revised withholding thresholds, ahead of the broader amended PIT law scheduled for mid-2026.

Regulatory modernization continues in parallel. From 2026, tax administration and enterprise compliance increasingly rely on digital systems, including expanded use of electronic tax identification, mandatory e-invoicing, and digital platforms for company registration and ongoing filings through VNeID accounts. These changes strengthen oversight while reducing procedural friction, supporting Vietnam's attractiveness to foreign investors as it deepens regional integration.

## Timor-Leste

Timor-Leste became the eleventh member of ASEAN on October 26, 2025, marking the completion of its two-year accession process and a historic step in the country's regional integration. Membership grants Timor-Leste full participation in ASEAN's economic, political, and cultural frameworks, opening new avenues for trade, investment, and cooperation.

The government is now working to align national laws and standards with ASEAN frameworks in areas such as taxation, customs, and corporate governance. The ongoing drafting of an Audit and Accounting Law based on International Financial Reporting Standards (IFRS) underlines its commitment to institutional reform and transparency. Timor-Leste's entry strengthens ASEAN's cohesion and extends the bloc's economic footprint into the Pacific.

# Special Focus: ASEAN

## Transshipment and US Tariffs – Balancing Opportunity and Risk

The United States broadened its tariff policy in 2025, shifting from a China-specific approach to a wider protectionist framework that targets entire value chains in strategic sectors such as electric vehicles, lithium-ion batteries, solar components, steel, aluminum, and semiconductors. Tariffs on Chinese electric vehicles reached 100 percent, duties on solar cells climbed to 50 percent, and lithium-ion batteries were taxed at 25 percent in 2024. Under the revised Section 301 measures, semiconductor imports from China will face tariffs of up to 50 percent in 2025.

As manufacturers adapt, ASEAN has become a key production base for companies aiming to maintain access to Western markets. In 2024, US goods imports from ASEAN reached US\$352.1 billion, illustrating the region's growing importance in diversified supply chains. Moreover, ASEAN's trade agreements and port systems now support transshipment only when genuine value is added, and origin rules are verifiable. The era of simple rerouting to bypass tariffs is effectively over.

### **From China-specific duties to wider tariff exposure**

The 2025 US trade framework has expanded beyond China-specific enforcement to include a universal baseline tariff and additional reciprocal tariffs that apply to a wide range of imports from many countries, not just China. Together, these measures now cover more than US\$350 billion in imports, increasing tariff exposure for exporters in Vietnam, Malaysia, Thailand and Mexico — countries previously less affected by China-focused actions. Some exporters that still depend on Chinese-origin components or materials remain vulnerable, especially if they cannot demonstrate sufficient transformation or meet strict origin documentation requirements. Growing origin scrutiny and rules on transshipment make bypassing tariffs by simple routing increasingly risky. These developments may encourage more genuinely integrated manufacturing in regions like ASEAN, but such an outcome remains uncertain and depends on compliance with US trade regulations.

### **Rising US scrutiny of ASEAN-routed exports**

The US Customs and Border Protection (CBP) has intensified its circumvention probes under the Enforce and Protect Act, reflecting Washington's tougher stance on trade compliance. The number of cases involving ASEAN economies rose from 6 in 2021 to 20 in 2024, highlighting the region's growing scrutiny. In April 2025, the US Department of Commerce issued anti-dumping and countervailing-duty rulings on solar modules from Cambodia, Malaysia, Thailand, and Vietnam, with some duties exceeding 100 percent.

CBP now cross-checks rules-of-origin declarations against databases tracking forced labor and supply-chain integrity, creating a far more stringent verification system. Minimal assembly or relabeling no longer qualifies as substantial transformation and can result in retroactive duties.



To adapt, manufacturers are integrating traceability tools that log every production stage — making compliance an integral part of their operating systems rather than a post-production requirement.

### **ASEAN's policy response to a changing trade environment**

Governments across ASEAN are moving quickly to reinforce investor confidence.

Singapore and Malaysia have introduced digital systems for origin certification and strengthened oversight in free zones. Thailand and Vietnam are upgrading customs databases to align with RCEP standards, while negotiations on the ASEAN Digital Economy Framework Agreement — expected to conclude in 2025 — aim to harmonize digital trade rules and standardize documentation across the region.

The ASEAN Customs Transit System (ACTS), which already connects Singapore, Malaysia, Thailand, and Laos, continues to expand, enabling paperless cross-border cargo movements. Mutual-recognition arrangements now support electronic validation of RCEP certificates, streamlining regional logistics.

Under RCEP's cumulation rules, inputs sourced from multiple member states can qualify toward origin status, though they must still undergo measurable transformation to retain tariff benefits.

Firms that build these provisions into their production models gain both preferential tariff access and faster customs clearance across the bloc.

### **Evolving roles of regional hubs**

ASEAN's logistics and industrial centers now compete on compliance readiness as much as cost. The region's ports process more than 170 million TEUs annually, with Singapore, Malaysia, Thailand, and Vietnam handling over 70 percent. Major investment is transforming these gateways into traceable export platforms able to meet US and EU origin standards.

### **Singapore – efficiency and regulatory integrity**

Singapore remains the world's leading transshipment hub. In 2024, the Port Authority of Singapore handled about 41.1 million TEUs, a new record that contributed 7 percent to GDP. The Tuas Megaport, under phased expansion through the 2030s, will raise capacity to 65 million TEUs. The government has committed S\$15 billion (US\$11 billion) to automation, energy-efficient berths, and blockchain-based customs systems.

TradeNet and the National Single Window connect 40 agencies and provide clearance in under ten minutes. Electronic certificates of origin are mandatory for all re-exports, supporting more than US\$50 billion in shipments during 2024.



### **Malaysia – dual logistics and light manufacturing model**

Port Klang processed 14.64 million TEUs in 2024 and will reach 18 million by 2030. The Free Commercial Zone near Westports allows partial assembly and packaging that meet transformation requirements. The Penang Free Industrial Zone and Bayan Lepas cluster exported electronics worth US\$7 billion in 2024, supported by US\$12 billion in manufacturing investment.

The National Trade Blueprint aims to halve documentation time by 2026, positioning Malaysia as a mid-value compliance hub linking industrial estates with port facilities.

### **Thailand – integrated industrial corridors**

Laem Chabang handled 946 million TEUs in fiscal 2024 and anchors the US\$45 billion Eastern Economic Corridor covering 3,000 hectares of industrial estates. Logistics contributes about 14 percent of GDP, with throughput expected to exceed 12 million TEUs by 2028. Integrated zones enable calibration, software installation, and assembly before export, creating verifiable transformation at scale.

### **Indonesia – industrial ports driving export diversification**

Tanjung Priok and Patimban ports handle over 8 million TEUs annually. Investment of US\$9 billion in 2024 supports automation, bonded logistics, and rail connectivity. Dwell time will drop from 3.5 days to under 2 by 2026.

Patimban serves as a hub for automotive and nickel-battery shipments, supported by the upgraded National Single Window integrating customs, tax, and investment systems for instant RCEP verification.

### **Vietnam – rapidly scaling export capacity**

Ho Chi Minh City, Hai Phong, and Cai Mep ports together handled about 234 million TEUs in 2024. The government invested US\$4 billion to expand capacity and digitalize customs. Exports exceeded US\$350 billion in 2024.

Electronic certificates of origin under RCEP and CPTPP have reduced clearance times by more than 40 percent, strengthening Vietnam's role as a high-tech manufacturing base.

### **Cambodia – upgrading for compliance-based trade**

Sihanoukville Autonomous Port handled about 1 million TEUs in 2024, up strongly year on year. With US\$150 million in Japanese and World Bank support, Cambodia is developing blockchain customs and logistics systems. The National Logistics Master Plan aims to cut logistics costs from 26 percent to 18 percent of GDP by 2030.



## **Philippines – digital reforms and port modernization**

Manila's container terminals handled about 5.5 million TEUs in 2024, contributing to a total national container volume of around 7.8 million TEUs. Capacity expansion at Batangas Port, now approaching 2 million TEUs, and automation investments worth US\$ 2 billion, supported by the Build Better More program's US\$4.5 billion allocation through 2026, have helped modernize the Philippines' customs and logistics systems.

With 96 percent of customs declarations processed electronically, the country is emerging as a mid-tier hub for electronics and automotive components that qualify under RCEP's rules of origin.

Across ASEAN, upgraded port networks now form the physical backbone of regional trade, but infrastructure alone no longer defines competitiveness. For investors, the next frontier lies in integrating compliance systems capable of functioning across multiple regulatory regimes while meeting the audit and transparency standards required by US and EU partners.

### **Designing compliant transshipment strategies**

Building tariff resilience in ASEAN requires country-specific approaches.

The region's wide differences in trade rules, customs systems, and digital readiness mean investors must balance production depth, documentation quality, and regional sourcing across multiple regulatory frameworks. The most effective transshipment models now blend logistics and compliance planning, combining trade design, technology, and regulatory foresight into a single operational strategy.

ASEAN's customs modernization is uneven. Vietnam and Malaysia are advancing with electronic certification and Authorized Economic Operator (AEO) programs, while Indonesia and the Philippines continue to rely more heavily on manual procedures. Locating final assembly or testing in economies with digitized customs environments enables faster clearance and lowers the risk of origin disputes.

Free-trade and bonded zones offer flexibility, but they function effectively only when transformation is genuine. In Malaysia, testing and calibration processes qualify as transformation under RCEP rules, whereas in Indonesia, exporters must also satisfy local content requirements. These distinctions make compliance an operational decision rather than an administrative task. Increasingly, investors are embedding customs advisory teams within production planning to anticipate how rules of origin will apply to specific goods long before shipments take place.

### **Balancing cost and documentation intensity**

Integrating compliance adds between 0.3 and 0.8 percent to total manufacturing cost but significantly lowers audit exposure. Singapore's automated verification systems keep average



processing costs at around US\$120 per shipment, while manual checks in Indonesia can exceed US\$250. For high-volume exporters, the difference can affect annual profitability.

Firms must weigh whether to centralize documentation within one high-compliance hub or distribute processes across several ASEAN members to capture RCEP cumulation benefits. Centralization ensures control and speed, while distributed operations help qualify for origin status by increasing regional value content. The right approach depends on each company's mix of tariff exposure, product complexity, and logistics flow.

### **Integrating sustainability into trade design**

Environmental and labor standards now shape trade access as much as tariff rules. The European Union's Carbon Border Adjustment Mechanism and US forced labor laws have made sustainability part of customs compliance. Thailand and Vietnam have linked carbon and emissions data to their customs systems, while Indonesia will integrate ESG reporting into its National Single Window by 2026.

Investors who align sustainability documentation with origin data gain smoother access to Western markets. For manufacturers in sectors like palm oil, electronics, and metals, establishing traceable ESG reporting systems also reduces the risk of supply chain audits or product bans. Compliance is shifting from a back-office task to a market-entry condition.

### **Managing multi-jurisdictional rules of origin**

RCEP, CPTPP, and bilateral free trade agreements often overlap, but their transformation rules differ. A laptop assembled in Vietnam with Malaysian components may qualify under RCEP but not under CPTPP if its chipsets originate from China. Indonesia still requires separate local content certification even when regional rules are met.

Exporters are now using origin-mapping software that cross-references tariff codes, component sources, and certification pathways to identify the most efficient production route. This technology-driven approach reduces human error and enables firms to decide where to locate each transformation step to maximize compliance and minimize duty costs.

### **Leveraging digital trade platforms for traceability**

ASEAN's push for digital integration is reshaping compliance itself. The ASEAN Single Window links nine members through the electronic exchange of certificates of origin. The forthcoming Digital Economy Framework Agreement (DEFA) will further expand interoperability to include e-invoicing, shipping documents, and customs data.



Platforms such as Singapore's TradeTrust, Malaysia's National Trade Blueprint, and Vietnam's e-CO system have cut verification times from days to hours. Automation ensures consistency and provides customs authorities with real-time audit trails, improving predictability for exporters. For investors, digital traceability is becoming the central safeguard against penalties or retroactive investigations.

### **Structuring intra-ASEAN supply chains for tariff optimization**

The region's most successful transshipment models combine complementary advantages across countries. Thailand's Eastern Economic Corridor connects with Vietnam's northern manufacturing belt to form an integrated electronics chain, while Malaysia's free zones pair with Indonesia's mineral processing hubs for battery and EV production.

By locating final transformation stages in jurisdictions with both digital infrastructure and high regulatory credibility, companies can secure tariff exemptions while reducing inspection delays.

Regional coordination not only supports compliance but also diversifies geopolitical risk, allowing firms to pivot production quickly in response to policy changes in the US or EU.

### **Mitigating enforcement and audit risk**

Regulatory oversight is intensifying. US Customs applies advanced analytics to detect circumvention patterns, while ASEAN customs agencies have expanded random inspections. Exporters should maintain full traceability records for at least five years and conduct internal pre-audits that replicate official inspection procedures.

Malaysia and Vietnam now offer advance ruling mechanisms that confirm tariff classification and origin eligibility before shipment. Obtaining these rulings builds a compliance buffer and demonstrates due diligence in the event of future audits. For multinational producers, developing a shared compliance dashboard across ASEAN operations helps track every certification, declaration, and audit outcome in real time.

### **Industry shifts in practice**

ASEAN's evolving trade landscape is now visible in the behavior of its key export industries. As compliance requirements tighten and digital verification becomes standard, manufacturers are redesigning where and how value is created within the region. The following sectors illustrate how tariff exposure, origin rules, and sustainability standards are reshaping investment flows, supply chain geography, and production strategies across ASEAN.

## **Electronics and semiconductors**

Electronics account for over one-third of ASEAN's exports to the United States. Vietnam and Malaysia have attracted investment exceeding US\$40 billion since 2022, as global producers diversify from China. Firms such as Samsung and Infineon are expanding testing and packaging capacity to ensure products meet transformation requirements under RCEP and US rules. By emphasizing local wafer-level testing and system integration, ASEAN producers are creating genuine transformation that supports both tariff compliance and technology upgrading.

## **Electric vehicles and batteries**

Indonesia, Thailand, and Malaysia are aligning incentives for EV assembly and battery-cell production. The region's cumulative investment exceeds US\$25 billion, driven by Korean, Japanese, and Chinese firms. ASEAN's nickel, manganese, and cobalt reserves underpin a vertically integrated EV supply chain, while final assembly plants in Thailand and Indonesia ensure compliance under ASEAN-origin rules. Governments and automakers are building capacity aggressively, with Indonesia and Thailand targeting substantial EV output growth toward 2030.

## **Solar modules and renewable-energy components**

Cambodia, Vietnam, Malaysia, and Thailand exported solar modules worth US\$12 billion in 2024. To avoid US circumvention penalties, producers are relocating wafer-cutting and cell-assembly operations to ASEAN so that transformation occurs within the region. Vietnam's solar exports to the US rose 18 percent in 2024 after these adjustments. The region is also investing in polysilicon processing to deepen value addition and ensure compliance through physical transformation rather than paper documentation.

## **Textiles and apparel**

Textile exports from ASEAN to the US surpassed US\$40 billion in 2024, led by Vietnam, Indonesia, and Cambodia. CBP audits under the Uyghur Forced Labor Prevention Act have accelerated the shift of weaving, dyeing, and finishing processes into ASEAN. Factories that previously relied on imported Chinese fabric now source regionally or perform key finishing steps locally to meet transformation requirements.

Investments in traceable cotton and fiber certification systems are strengthening ASEAN's position as an ethical and compliant sourcing base.

## **Furniture and wood products**

Vietnam's furniture exports exceeded US\$9 billion in 2024, supported by continued relocation from China. US enforcement against wood-origin circumvention has increased documentation requirements for exporters. Firms are now investing in FSC-certified timber sourcing and



integrated manufacturing zones where cutting, shaping, and assembly occur on-site to establish verifiable origin. ASEAN's compliance advantage lies in coupling low-cost production with credible traceability and sustainability certifications.

### **Medical equipment and precision instruments**

Singapore, Malaysia, and Thailand jointly exported medical devices worth US\$25 billion in 2024. The region has evolved from assembly into precision finishing, sterilization, and calibration—activities that qualify under transformation tests while also meeting Western regulatory standards. ASEAN's medical-device clusters benefit from strong logistics and digital certification systems, making the region a preferred site for final processing before export to the US and EU.

### **Agrifood and processed goods**

ASEAN's processed-food exports total about US\$55 billion annually, led by Thailand, Indonesia, and Vietnam. Global buyers increasingly demand sustainability and deforestation-free sourcing, particularly for palm-oil derivatives, seafood, and canned fruit. Investors are using bonded agro-processing zones to consolidate sourcing, processing, and packaging while maintaining RCEP eligibility. Integration of ESG and origin data has become a precondition for access to high-value Western retail markets.

### **Turning compliance into competitive advantage**

ASEAN's transshipment role is evolving from logistics convenience to a compliance-driven manufacturing ecosystem. Under the dynamic tariff environment, investors who integrate legal, operational, and sustainability frameworks within regional supply chains will maintain market access and build long-term competitiveness.

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# Country-wise business structures and setup process

ASEAN's economic performance has outperformed the global average in recent years as it aims to enhance its attractiveness to foreign investors.

ASEAN members are trying to realize their potential by issuing initiatives to liberalize trade and standardize regulatory and legal frameworks. These prerequisites vary among member states, and can impact the transparency, length, and cost of establishing a company in the region.

## Brunei

Business registration in Brunei Darussalam can now be completed entirely online through the One Common Portal (OCP) under the Ministry of Finance and Economy (MOFE). After creating an account, applicants can register a business name or incorporate a company digitally.

- Registration of a business name: BND 30 (US\$22); and;
- Incorporation of a private limited company (Sdn Bhd): BND 300 (US\$222).

All filings, payments, and document uploads are done via the OCP website. Once approved, the Certificate of Incorporation is issued electronically — often within one business day, provided all requirements are met.

### Limited liability company

The Sendirian Berhad (Sdn Bhd) structure is the most common choice for foreign investors due to its flexibility and liability protection.

- A company must have at least two shareholders and two directors;
- If there are only two directors, at least one must be ordinarily resident in Brunei (residency, not citizenship, is required);
- The maximum number of shareholders for a private company is 50, and shareholders can be individuals or corporate entities;
- No statutory minimum paid-up capital is prescribed, although some references mention an authorized share capital of BND 25,000 (US\$18,500) for administrative purposes; and
- One hundred percent foreign ownership is permitted in most sectors, though some industries may still require sectoral approvals.

### The incorporation process

Beyond completing online filings, this stage focuses on meeting structural requirements, such as the appointment of directors, preparation of governing documents, and confirmation of the company's registered office, before the Registrar issues the Certificate of Incorporation.



**MARCO FÖRSTER**

Director  
ASEAN

*“Despite recording a downturn, ASEAN economies offer compelling investment prospects for prominent businesses and niche industries given the region’s well-established trade networks, growing middle-class cohort, and a young and educated workforce.”*



The process include:

1. **Name reservation:** Check and reserve the proposed company name through the OCP or ROCBN portal.
2. **Prepare required documents:**
  - a. Memorandum and Articles of Association (including share capital and share allotment);
  - b. Directors' and shareholders' details;
  - c. Identification documents (passport or national ID);
  - d. Registered office address;
  - e. Declaration of compliance and consent to act as director;
3. **Submit online via OCP** and pay the incorporation fee of BND 300 (US\$222); and
4. **Post-incorporation obligations:** maintain a registered office in Brunei, appoint a resident company secretary, keep accounting records, and file annual returns.

## Branch office

A branch office is an extension of a foreign parent company rather than a separate legal entity. This option suits foreign firms that prefer not to appoint local directors. The applicant will need to submit the following materials:

1. **Resident authorized representatives:** Two or more individuals resident in Brunei must be appointed to receive legal notices.
2. **Documents to submit:**
  - Certified certificate of incorporation and company charter from the parent jurisdiction;
  - Memorandum of appointment or power of attorney for authorized persons in Brunei;
  - List of directors and local representatives; and
  - Resolution approving establishment of the branch
3. **Fees:** Minimum BND 150 (US \$111), which may increase depending on the company's share capital.
4. **Corporate tax:** The branch office is subject to the same 18.5 percent corporate income tax on income derived from or received in Brunei.

# Cambodia

Most sectors in Cambodia allow 100 percent foreign ownership. However, the Constitution and Land Law prohibit foreign individuals or foreign-majority companies from owning land. To hold land legally, a company must qualify as a “Khmer legal entity,” which requires majority Cambodian ownership. Foreign investors commonly use long-term leases or strata titles above the ground floor to secure property rights.

## Cambodia’s Law on Investment

The current Law on Investment, promulgated on October 15, 2021, replaces the original 1994 law and its 2003 amendment. The updated framework modernizes and streamlines Cambodia’s investment environment, bringing it closer to ASEAN standards.

The law’s objectives include creating an open and predictable investment climate, increasing competitiveness, diversifying industries, and safeguarding investors’ legitimate interests. It achieves these aims through simplified registration procedures, investor guarantees, and an expanded incentive regime.

### Registration procedures

Under Chapter 4 of the Law on Investment, investors can register projects with the Council for the Development of Cambodia (CDC) or Provincial Investment Sub-Committees under three categories:

- Qualified Investment Project (QIP): Eligible for tax and customs incentives upon receiving a registration certificate.
- Expanded Qualified Investment Project (EQIP): Expansion of an existing QIP through added production capacity or technology upgrades.
- Guaranteed Investment Project (GIP): Not eligible for incentives but receives the same investor protections.

Applications can be filed through the Single Portal, a one-stop online system built on the Cambodia Data Exchange (CamDX) platform. Relevant ministries review submissions within 20 working days. Projects may proceed upon receipt of a registration certificate, provided other sectoral permits are in place.

## Investment guarantees and protections

The law reinforces guarantees for investors. Article 19 ensures the right to purchase, hold, and repatriate foreign currencies to settle financial obligations through authorized banks. These transfers include capital contributions, dividends, loan repayments, and proceeds from asset sales or compensation in cases of expropriation.

Article 22 allows investors, foreign employees, and their families to obtain stay permits, subject to immigration requirements. The law also affirms protection against nationalization and ensures non-discriminatory treatment of foreign and domestic investors.

## Encouraged industries

Article 24 lists priority sectors eligible for investment incentives. These include high-tech manufacturing, digital industries, renewable energy, logistics, health, education, green technology, special economic zones, and industries that strengthen Cambodia's integration into regional and global supply chains.

Encouraged industries include::

1. High-tech industries involving innovation or research and development;
2. Innovative or highly competitive new industries or manufacturing with high added value;
3. Industries supplying regional and global production chains;
4. Industries supporting agriculture, tourism, manufacturing, regional and global production chains, and supply chains;
5. Electrical and electronic industries;
6. Spare parts, assembly, and installation industries;
7. Mechanical and machinery industries;
8. Agriculture, agro-industry, agro-processing industry, and food processing industries serving the domestic market or export market;
9. Small and medium-sized enterprises in priority sectors and small and medium-sized enterprise cluster development, industrial parks, and science, technology, and innovation parks;
10. Tourism and tourism-related activities;
11. Special economic zones;
12. Digital industries;
13. Education, vocational training, and product promotion;
14. Health;
15. Physical infrastructure;
16. Logistics;
17. Environmental management and protection, biodiversity conservation, and the circular economy;
18. Green energy and technology contribute to climate change adaptation and mitigation; and

19. Other sectors and investment activities deemed by the government of Cambodia have the potential for socio-economic development.

## Investment incentives

Investors in encouraged industries can apply for **Qualified Investment Project (QIP)** status, granting access to fiscal and non-fiscal incentives. There are two options:

- **Option 1:** Income tax exemption for three to nine years, depending on the project. After the holiday, investors pay 25 percent of the total tax due for two years, 50 percent for the next two years, and 75 percent for the following two years. Investors are also exempt from prepayment tax, minimum tax (if audited independently), and export tax, unless otherwise specified.
- **Option 2:** Deduction of capital expenditure through special depreciation, plus up to 200 percent deduction for specific expenses for up to nine years, depending on project type. The same exemptions on prepayment, minimum, and export tax apply.

Additional incentives under Article 27 include:

- VAT exemption on locally produced inputs used in QIP projects;
- 150 percent tax deduction for research and innovation, vocational training, and employee welfare facilities; and
- Income tax exemption for expansions of QIP projects.

Special incentives may also be granted under the Law on Financial Management for projects that advance national economic development

## Private limited companies

The private limited company (PLC) is the most common structure for foreign investors. Most industries impose no foreign ownership restrictions.

Minimum share capital is KHR 4,000,000 (US\$1,000) under the Law on Commercial Enterprises. In practice, some sectors may require higher capital levels, often around KHR 20,000,000 (US\$5,000), depending on licensing conditions.

A PLC must have at least one director and two to 30 shareholders (a single-member PLC is also permitted). Shareholders and directors may be of any nationality.

## The incorporation process

The incorporation process in Cambodia involves three main stages: pre-registration, registration, and post-registration.

## 1. Pre-registration requirements

Before starting the registration process, you must complete the following tasks:

1. Select a business structure. For most investors, a private limited company is preferred.
2. Appoint directors and shareholders
3. Secure a physical office address in Cambodia.
4. Prepare the articles of incorporation in both Khmer and English.

## 2. Company registration

### Online Registration

#### 1. Create an account

- Register on the Cambodia Data Exchange (CamDX) platform under the Ministry of Economy and Finance.

#### 2. Reserve a company name

- Choose a unique company name in Khmer (and optionally in English).
- Pay a reservation fee of KHR 40,000 (US\$9.96).
- The name is reserved for 2 weeks after approval.

### Prepare required documents

The following documents need to be uploaded during registration:

- Articles of incorporation (in both Khmer and English).
- Lease agreement or land title for the office.
- Identification documents (passports or ID cards) for directors and shareholders.
- Recent photographs of directors and shareholders.

### Submit the registration application

1. Complete the online application form with details about your business activities (using Standard Industrial Classification (SIC) codes).
2. Pay the registration fee of KHR 2,155,000 (approximately US\$537).

### Receive the certificate of registration

- Upon approval from the Ministry of Commerce (MoC), you will receive the Certificate of Registration.
- This process typically takes 2 to 3 weeks.

### 3. *Post-registration requirements*

Once your company is registered, there are additional requirements to fulfill:

#### Tax registration

- Register with the General Department of Taxation (GDT) within 15 working days of receiving your Certificate of Registration.
- Obtain the necessary tax certificates, including:
  - » Patent tax certificate; and
  - » Value-added tax (VAT) certificate

#### Open a corporate bank account

- Open a business bank account in Cambodia to handle all company transactions.
- The company's directors or authorized signatories must appear in person at the bank to complete the process.

## Branch office

Foreign branch offices are considered as extensions of the parent company and are allowed to buy and sell goods and services in the manufacturing, processing, and construction industries. However, these must be in-line with the business activities of the parent company.

## Representative office

Representative offices are prohibited from earning any income in Cambodia and are often used to test the market before entry. There are no registered capital requirements to set up this type of business entity.

## Applying for QIP projects

Through the Single Portal, investors can also apply for QIP (Qualified Investment Projects) projects. QIPs are projects that are eligible to receive fiscal and non-fiscal incentives from the Cambodian Investment Board. They are divided into three types – domestic QIPs, export QIPs, and supporting industry QIPs.

# Indonesia

## The Positive Investment List and the liberalization of business sectors

Presidential Regulation 10 of 2021 as amended by President Regulation No. 49 of 2021 (PR 49/2021) liberalizes many business sectors for foreign investment. Dubbed the positive investment list, PR 49/2021 liberalizes over 200 business lines, including transportation, energy, and telecommunication.

The general principle under the positive investment list is that a business sector is open to 100 percent foreign investment unless it is subjected to a specific type of limitation. The regulation presents one of the greatest liberalizations in foreign ownership limitations in Indonesia since the negative investment list was first introduced in the 1980s.

### The design of the positive investment list

The government has classified business fields into four categories.

1. Priority sectors;
2. Business fields that stipulate specific requirements or limitations;
3. Business fields open to large enterprises, including foreign investors, but are subject to a compulsory partnership with cooperatives and micro, small, and medium-sized enterprises (MSMEs); and
4. Business fields that are fully open to foreign investment.

### Priority sectors

To classify as a priority sector, business enterprises must meet the following criteria:

- Must be labor intensive;
- Must be capital intensive;
- Must be part of a national project/program;
- Must be export-oriented;
- Must involve a pioneer industry (renewables, oil refining, metals, etc.);
- Must utilize advanced technologies; and
- Must implement research and development activities.

There are 246 business fields under this category that can be found under Exhibit 1 of the PIL. Moreover, businesses in priority sectors are eligible for a range of fiscal and non-fiscal incentives.

Fiscal incentives include a 50 percent corporate income tax reduction for investments between 100 billion rupiah (US\$6.25 million) and 500 billion rupiah (US\$31.25 million) for a period of five years, and a 100 percent corporate income tax reduction for investments exceeding 500 billion rupiah (US\$31.25 million) for a period between five and 20 years. In addition, tax allowances are available in the form of a reduction in taxable income equal to 30 percent of the total investment over six years, a special 10 percent withholding tax rate on dividends, and the ability to carry forward tax losses for up to 10 years.

Examples of non-fiscal incentives are the provision of supporting infrastructure, simplified business licensing procedures, and the guaranteed energy supply or raw materials. We explore a few examples of the prioritized business.

#### Selected List of Priority Business Sectors and Incentives Offered

| Business line                                   | Incentive type                         |
|-------------------------------------------------|----------------------------------------|
| Textile and garment industry                    | Tax allowance and investment allowance |
| Pharmaceutical industry                         | Tax allowance                          |
| Digital economy (hosting, data processing etc.) | Tax holiday                            |
| Geothermal (exploring and drilling)             | Tax allowance                          |
| Cooking palm oil industry                       | Tax allowance                          |
| Iron and steel industry                         | Tax allowance                          |
| Automotive industry                             | Tax allowance                          |
| Oil and gas refinery                            | Tax holiday                            |
| Cosmetics industry                              | Tax allowance                          |
| Coal gasification                               | Tax allowance                          |

## Businesses open to 100 percent foreign investment

The following business fields are open to 100 percent foreign investment.

- Oil and gas construction;
- Onshore upstream oil installation;
- Onshore and offshore distribution pipelines;

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- Onshore and offshore oil and gas drilling service;
  - Oil and gas well maintenance service;
  - Electricity generation;
  - Construction of electricity installation;
  - Geothermal electricity generation;
  - Supermarkets (with areas less than 1,200 sqm);
  - Department store (with areas between 400 – 2,000 sqm);
  - Ports;
  - Airport and airport supporting services;
  - Maritime cargo handling;
  - Telecommunications;
  - E-commerce;
  - Pharmaceutical industry; and
  - Hospitals.

## Business fields that stipulate specific requirements or limitations

Under this category, business fields are open to foreign investments but are subject to the following types of restrictions:

- Lines of business reserved for domestic investors;
  - Lines of business subject to foreign ownership limitations;
  - Lines of business that require special licenses; and
  - Other investment requirements, namely business lines that are restricted and strictly supervised as well as regulated in separate laws and regulations in the field of alcoholic beverage control and supervision.
- » The business lines include:
- › Wholesale trade of alcoholic beverages (importers, distributors, and sub-distributors);
  - › Retail trade of alcoholic beverages; and
  - › The street retail of alcoholic beverages.

| Business Fields with Specific Requirements     |                                                                                                                                                 |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Business fields                                | Requirements                                                                                                                                    |
| Publishing of newspapers, magazines (press)    | 100 percent domestic capital required for establishment, and up to 49 percent foreign capital ownership for business development and expansion. |
| Private broadcasting agency                    | 100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion. |
| Subscription based broadcasting agency         | 100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion. |
| Community radio agency                         | 100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion. |
| Community television agency                    | 100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion. |
| Postal services                                | Maximum foreign capital ownership of 49 percent.                                                                                                |
| Domestic scheduled air transportation          | Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority.                                   |
| Domestic non-scheduled air transportation      | Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority.                                   |
| Air transport activities                       | Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority.                                   |
| Domestic passenger liner and tramp activities  | Maximum foreign capital ownership of 49 percent.                                                                                                |
| Domestic sea transport for tourism             | Maximum foreign capital ownership of 49 percent.                                                                                                |
| Domestic liner and tramp sea freight for goods | Maximum foreign capital ownership of 49 percent.                                                                                                |
| Domestic sea transportation for special goods  | Maximum foreign capital ownership of 49 percent.                                                                                                |
| Pioneer domestic sea transportation of goods   | Maximum foreign capital ownership of 49 percent.                                                                                                |

| Business Fields with Specific Requirements                                    |                                                               |
|-------------------------------------------------------------------------------|---------------------------------------------------------------|
| Business fields                                                               | Requirements                                                  |
| Domestic sea transportation using public shipping                             | Maximum foreign capital ownership of 49 percent.              |
| Overseas liner and tramp sea freight for goods                                | Maximum foreign capital ownership of 49 percent.              |
| Overseas sea transportation for special goods                                 | Maximum foreign capital ownership of 49 percent.              |
| Interprovincial sea public transport                                          | Maximum foreign capital ownership of 49 percent.              |
| Interprovincial sea public transport (pioneering)                             | Maximum foreign capital ownership of 49 percent.              |
| Interprovincial city/regency public transport                                 | Maximum foreign capital ownership of 49 percent.              |
| Interprovincial city/regency public transport (pioneering)                    | Maximum foreign capital ownership of 49 percent.              |
| Inter-city and regency public transport                                       | Maximum foreign capital ownership of 49 percent.              |
| River and lake transportation with non-fixed and irregular routes             | Maximum foreign capital ownership of 49 percent.              |
| River and lake transportation with non-fixed and irregular routes for tourism | Maximum foreign capital ownership of 49 percent.              |
| River and lake transportation for general goods and/or animals                | Maximum foreign capital ownership of 49 percent.              |
| River and lake transportation for special goods                               | Maximum foreign capital ownership of 49 percent.              |
| River and lake transportation for dangerous goods                             | Maximum foreign capital ownership of 49 percent.              |
| Weapons equipment industry                                                    | Capital ownership based on approval from Ministry of Defense. |
| Horticulture                                                                  | Maximum foreign capital ownership of 30 percent.              |
| Traditional medical products (for humans)                                     | 100 percent domestic capital.                                 |
| Fish processing industry                                                      | 100 percent domestic capital.                                 |
| Wood-based building products                                                  | 100 percent domestic capital.                                 |

| Business Fields with Specific Requirements                                                                       |                                                  |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| Business fields                                                                                                  | Requirements                                     |
| Coffee processing industry                                                                                       | 100 percent domestic capital.                    |
| Rendang industry                                                                                                 | 100 percent domestic capital.                    |
| Ship industry <ul style="list-style-type: none"> <li>• Outriggers; and</li> <li>• Traditional vessels</li> </ul> | 100 percent domestic capital.                    |
| Traditional handicrafts                                                                                          | 100 percent domestic capital.                    |
| Traditional cosmetics                                                                                            | 100 percent domestic capital.                    |
| Raw materials for traditional medicine (for humans)                                                              | 100 percent domestic capital.                    |
| Batik industry                                                                                                   | 100 percent domestic capital.                    |
| Crackers and chips industry                                                                                      | 100 percent domestic capital.                    |
| Hajj and Umrah activities                                                                                        | 100 percent domestic capital and must be Muslim. |

## Business fields open to foreign investors but are subject to a compulsory partnership with MSMEs

Business fields under this category are open to foreign investors or large-scale enterprises through a compulsory partnership agreement with an MSME. This is based on the following criteria:

- Business lines that do not use advanced technology; and
- Are labor-intensive businesses, characterized by a special cultural heritage; or
- The capital for business activities does not exceed 10 billion rupiah (US\$627,361).

Having said the above, the government determined certain business fields that are open to foreign investors or large-scale enterprises through a compulsory partnership agreement with an MSME. There are 106 business lines that are allocated for or which require partnership with cooperatives or MSME (including 60 business lines which allocated for MSME)

## What business activities are closed for investments?

There are six business sectors closed for investments for both domestic and foreign companies.

These are:

- Class-I narcotics and cultivation;
- All forms of gambling and/or Casino activities;
- Fishing of endangered species;

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- Utilization of corals found in nature for the production of jewelry, souvenirs, building
  - Chemical weapons production;
  - Alcoholic beverage manufacturing;
  - Manufacturing of beverages containing alcohol-wine;
  - Manufacturing of beverages containing alcohol-malt; and
  - Industrial ozone-depleting substances industries and industrial chemicals.

## Corporate establishment

Indonesia has overhauled its company establishment framework through the Job Creation Law, first issued as Perppu No. 2 of 2022 and enacted as Law No. 6 of 2023, with further updates introduced in 2025 under Minister of Investment Regulation No. 5 of 2025. The 2025 amendment refines the capital requirements for foreign-owned companies (PT PMA) by maintaining the minimum total investment of more than IDR 10 billion (US\$625,000) per KBLI classification, while lowering the minimum paid-up capital to IDR 2.5 billion (US\$156,000).

At the same time, Indonesia continues to implement the risk-based OSS-RBA system (Online Single Submission – Risk-Based Approach) under Government Regulation No. 5 of 2021. This system classifies business activities into low, medium-low, medium-high, and high-risk categories, determining the specific licensing and verification requirements for each. The reforms simplify procedures, reduce bureaucratic overlap, and make it easier for foreign investors to establish compliant entities aligned with their business scope.

## What are my options for investment?

Investors should assess their specific needs carefully before deciding which corporate structure to operate from. Using a reliable local advisor is recommended for first-time investors in the country, as they find it easier to remain compliant with applicable regulations.

There are two legal options for foreign investors looking to set up in the country: a PT PMA or representative office (RO).

## The foreign investment company

Establishing a foreign investment company (Perseroan Terbatas Penanaman Modal Asing or PT PMA) remains the preferred structure for foreign investors seeking a full legal presence in Indonesia.

Under the latest framework, including Minister of Investment Regulation No. 5 of 2025, foreign-owned companies must meet two separate financial thresholds:

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1. Minimum paid-up capital — at least IDR 2.5 billion (approximately US \$156,000).
  2. Minimum total investment — exceeding IDR 10 billion (approximately US \$625,000) per five-digit KBLI business classification, excluding the value of land and buildings.

The total investment requirement reflects both fixed and working capital commitments for at least one year. This dual-capital rule ensures that only investors with meaningful financial capacity can operate as foreign-owned entities, while the 2025 reform lowered the paid-up capital requirement to make compliance more achievable for small and medium-sized investors.

Investment funding can be realized through several sources, including:

- **Capital injections** from shareholders;
- **Retained earnings**, used for business expansion or additional KBLI activities; and
- **Loans**, either from shareholders or third parties, provided the maximum debt-to-equity ratio (DER) permitted under Indonesian law is maintained at 4:1.

This structure aligns with Indonesia's ongoing efforts to attract higher-quality investment while maintaining financial transparency and governance standards across all PT PMA operations.

## Set up requirements for a foreign investment company

Investors looking to incorporate a PT PMA in Indonesia must meet the following requirements:

- **Capitalization:** A minimum paid-up capital of IDR 2.5 billion (approximately US\$156,000) and a minimum total investment value exceeding IDR 10 billion (approximately US\$625,000) per five-digit KBLI business classification, excluding land and buildings.
- **Shareholders:** A PT PMA must have at least two shareholders, who may be foreign individuals or foreign legal entities. The permitted percentage of foreign ownership depends on the specific industry's restrictions under the Positive Investment List.
- **Management:** The company must appoint at least one director and one commissioner. Both positions may be held by foreigners, although appointing at least one resident Indonesian director is recommended for smoother administrative and banking procedures.
- **Corporate governance:** The director is responsible for the company's day-to-day operations, while the commissioner oversees management decisions and ensures compliance with company law and the articles of association.

## Set up process for a PT PMA

1. Reserve a company name with the Ministry of Law and Human Rights (which should not be similar to the name of other companies or contain vulgar language). Further the company name shall consist of 3 words and can be in English.

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2. Determine the industrial business classification code (KBLI), based on the intended business activities.
  3. Establish a legal entity with the company's activities stated in the Deed of Establishment (this must be done with a local notary and the Deed of Establishment will have to be ratified by the Ministry of Law and Human Rights); Obtain a taxpayer identification number from the local tax office and domicile letter from the district government (businesses establishing in Jakarta do not require a domicile letter).
  4. Obtain a tax registration certificate through the tax office where the business is domiciled;
  5. Obtain a Business Identification Number (NIB) by applying through the Online Single Submission (OSS) system. The NIB applies as the company's import identification number, customs ID, and registration certificate. Further, the NIB will also automatically register your company under the government's health and social security scheme.
  6. Some companies may need to apply for additional business licenses (such as for mining and fintech). Business licenses will now be issued based on the assessment of 'business risk level' determined by the scale of hazards a business can potentially create.

## Risk based business licensing for a PT PMA

Indonesia has adopted a risk-based model for issuing business licenses to simplify procedures and better match regulatory oversight with the level of potential impact. This framework, detailed in Government Regulation No. 5 of 2021 as part of the Job Creation Law, sets licensing requirements according to a business's assessed risk level.

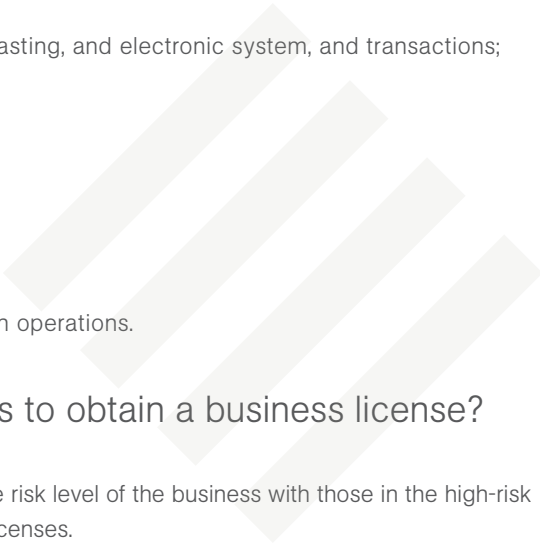
Before a license is issued, authorities conduct a five-step analysis that includes identifying the business activity, assessing its hazard level and likelihood of occurrence, determining its overall risk level and business scale, and assigning the appropriate type of license. Business activities are classified into low, medium-low, medium-high, or high-risk categories — the lower the risk, the simpler the licensing process.

In 2025, the government issued Government Regulation No. 28 of 2025, which replaces GR 5/2021 and refines the risk-based licensing framework. The updated regulation expands coverage from 16 to 22 sectors, strengthens post-licensing supervision, and further integrates risk analysis into the OSS-RBA platform to ensure that business classifications and KBLI codes align with each sector's risk level.

### What sectors are impacted?

The risk-analysis for business activities are for the following sectors:

1. Maritime affairs and fisheries;
2. Agriculture;
3. The environment and forestry;

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4. Energy and mineral resources;
  5. Nuclear energy;
  6. Industry;
  7. Trading;
  8. Public works and housing;
  9. Transport;
  10. Health, medicine, and food;
  11. Education and culture;
  12. Tourism;
  13. Religious affairs;
  14. Post, telecommunications, broadcasting, and electronic system, and transactions;
  15. Defense;
  16. Employment;
  17. Legal metrology;
  18. Creative economy;
  19. Geospatial information;
  20. Cooperatives;
  21. Investment facilitation; and
  22. Electronic systems and transaction operations.

## What are the requirements to obtain a business license?

The requirements vary depending on the risk level of the business with those in the high-risk categories requiring more permits and licenses.

The first stage of the process is obtaining a business registration number (Nomor Induk Berusaha – NIB) through the OSS system. To register for an NIB, businesses will need to provide the following information:

- Taxpayer number (Nomor Pokok Wajib Pajak – NPWP);
- Business activity code according to the KBLI;
- Business profile;
- The capital structure of the business; and
- The proposed location of the business.

Furthermore, the OSS system will be linked to all relevant ministries, such as the Ministry of Finance, the Ministry of Home Affairs, and the Ministry of Law and Human Rights.

### Low-risk business activities

Low-risk business activities are only required to obtain an NIB to commence their operations. In addition to serving as the formal identity of the business, the NIB also serves as a company's

import identification number, as well as the number for registering with the national social insurance program.

### Medium-low risk business activities

Business activities in this category must obtain a NIB and Certificate of Standards before beginning operations. A Certificate of Standards is a statement of the fulfillment of certain business or product standards, which must be filled in through the OSS system.

The NIB allows the business to conduct activities from 'preparation to the 'commercial stage'.

The preparation stage includes:

- The procurement of tools or facilities;
- Land acquisition;
- Recruitment of manpower;
- Feasibility studies; and
- Financing operations for the construction phase.

The commercial-stage includes:

- The production of goods/services;
- Distribution of goods/services;
- Marketing of goods/services; and
- Other commercial activities.

### Medium-high risk business activities

For medium-high risk business activities, companies will need to obtain a NIB and Certificate of Standards. However, the certificate will need to be verified by the central or regional government.

A company with a NIB and an 'unverified' Certificate of Standards are only permitted to conduct activities deemed in the preparation stage of operations.

Once the central or regional government is satisfied the business has fulfilled the specific business standards, they will issue the 'verified' certificate and the company can begin the commercial stage of operations.

### High-risk business activities

High-risk business activities will require a NIB and a license to operate. The license will be issued once the business has fulfilled certain conditions and verifications set out by the central or regional government, which may include an environmental impact analysis.



#### CORPORATE ESTABLISHMENT

Dezan Shira & Associates can advise on the legal incorporation of your investment across multiple Asian countries. As one of the largest operations in Asia for registering foreign-owned businesses, we are well equipped to advise companies on the best way to structure their business entities to meet their goals and maximize operational efficiency. Our business advisors can advise on all matters related to cross-border transfers of assets, relocation, as well as mergers and acquisitions.

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The NIB, however, allows the business to conduct activities in the preparation stage of operations.

Depending on the products or services being provided, businesses may have to obtain other supporting licenses to conduct commercial activities regardless of what risk level their activities are classified as.

An illustration of the licensing requirements can be seen below.

| Business line          | Business scale                  | Risk level  | License                          | Issuing authority            |
|------------------------|---------------------------------|-------------|----------------------------------|------------------------------|
| Wholesale distribution | Micro, small, medium, and large | Low         | NIB                              | Governor, or Regent or Mayor |
| E-commerce operator    | Large and medium                | High        | NIB and license                  | Ministry of Trade            |
| Freight forwarding     | All sizes                       | Medium-high | NIB and Certificate of Standards | Governor                     |

## Risk based business licensing for micro and small enterprises

Micro and small enterprises (MSEs) (which are only allowed to be owned by Indonesian citizens) have a much simpler process to obtain a business license.

Owners of MSEs only need to submit their national ID and a business certificate from the head of their neighborhood/community association (*rukun tetangga* or RT).

## Representative offices

Opening an RO is the fastest and simplest way of establishing a legal entity in the country. This set up is a temporary arrangement – ROs are not allowed to engage in any commercial activities, issue invoices, sign contracts, or earn any revenue. Foreign investors, however, can own 100 percent of this business entity and don't have to contribute the same paid-up capital required by PT PMAs.

Indonesia's Omnibus Law has made amendments to ROs and introduces four types:

- Foreign representative office (FRO);

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- Representative office for a foreign trading company (TRO);
  - Representative office for a foreign construction company (BUJKA); and
  - Representative office for a foreign electricity company (JPTLA).

In addition, the law has simplified the process for establishing an RO in Indonesia.

The business activities of ROs are limited to – market research activities, obtaining information on potential clients, developing trade contacts, and gather information on regulations and laws. However, a BUJKA and JPTLA can generate revenue.

## Foreign representative office

An FRO is ideal for investors who are still exploring opportunities in Indonesia. The FRO is limited to non-commercial activities and there are no restrictions on the employment of foreign nationals. However, if an FRO does employ foreign workers, then it is also obligated to employ Indonesian citizens.

FRO's are limited to:

- Acting as a liaison, coordinator, or supervisor to the foreign parent company;
- Preparing for the incorporation of a foreign investment company in Indonesia;
- Not participating in the management of the parent company's branch office or subsidiary in Indonesia; and
- Not seeking revenues from Indonesia.

The FRO must be incorporated in an office building in the capital city of any province in Indonesia. Further, FROs are classified as low-risk business entities and thus only requires an NIB business identification number and an FRO registration to begin operations.

## Representative office for a foreign trading company

A TRO acts as a selling, buying, or manufacturing agent for the foreign parent company and is prohibited from engaging in any trade or sales activities. To establish a TRO, an NIB and a TRO Business License for the Trade Sector (Surat Izin Usaha Perwakilan Perusahaan Perdagangan Asing Bidang Perdagangan Melalui Sistem Elektronik – “SIUP3A Bidang PMSE”) is required.

Each TRO must have a SIUP3A, and if the TRO wants to conduct imports, then must be done through a local company holding a business license or a foreign investment company holding a general import identification number.

Foreign e-commerce organizers must establish a TRO if they fulfil the following criteria:

- Having more than 1,000 transactions with customers within a one-year period; and/or

- Delivered over 1,000 packages for customers within a one-year period.

## Representative office for a foreign construction company

A BUJKA is an RO for foreign construction companies, and unlike the KPPA and KP3A entities, a BUJKA can undertake projects in Indonesia through a joint venture with a local construction company. The BUJKA entity is required to obtain an NIB and a business entity certificate (Sertifikat Badan Usaha) (SBU).

In addition to making a joint venture with a local construction firm, the BUJKA is also required to adhere to the following:

- Fulfill all business licensing requirements;
- Hire an Indonesian as head of the BUJKA representative office;
- Utilizing sophisticated, efficient, and environmentally friendly technology;
- Prioritize the use of local construction materials;
- Employ more Indonesian workers than foreign workers in the expert level; and
- Carry out the transfer of knowledge and technology to Indonesian workers.

The joint venture with the local construction firm must also fulfil the various technical criteria such as stating the rights, responsibilities, and obligations in a written agreement between the cooperating businesses.

Further, at least 50 percent of the cost value of any construction work undertaken by the joint venture must be done onshore, and at least 30 percent of the cost value of the project shall be borne by the BUJK entity.

## RO for a foreign electricity supporting services

A JPTLA is a representative office for businesses in the field of electricity supporting services.

The JPTLA must obtain an NIB and a business entity certificate.

The JPTLA business licensing is granted to the following activities:

- Construction of electricity installation;
- Consultation for electricity installation; and
- Maintenance of electricity installation.

The JPTLA can undertake high-cost electricity supporting services with the following threshold:

- Projects for the construction and installation of electricity infrastructure worth at least 100 billion rupiah (US\$6.2 million); or

- Projects for the consultation in the field of electricity maintenance and installation worth at least 10 billion rupiah (US\$627,361).

Further, the JPTLA representative office must appoint an Indonesian citizen in charge of the office and conduct technology and knowledge transfers to Indonesian workers. The JPTLA must prioritize the utilization of domestic products as well as use high-tech and environmentally friendly technology.

## Representative office for a foreign oil and gas company (KPPA MIGAS)

Foreign oil companies can set up a representative office through a KPPA MIGAS permit. The license is valid for three years and applicants will need to seek prior approval from the BKPM.

## General setup requirements for ROs

Foreign investors looking to open general RO will need to fulfil the following requirements:

- Register through the OSS online system;
- The parent company's Articles of Association legalized by a notary and the Indonesian Embassy of the parent company's country of origin;
- Letter of Appointment by the Indonesian Embassy located in the parent company's country of origin;
- Latest financial statements of the parent
- Letter of intent legalized by a notary and the Indonesian Embassy located in the parent company's country of origin;
- Certificates demonstrating competency in the relevant industry or sub-sector;
- Lease agreements;
- Must be located in the capital of a province; and
- A letter that states the RO will not engage in any commercial activities in Indonesia.

As mentioned above, those seeking to open a BUJKA or JPTLA representative offices will require to obtain additional licenses.

## Individually incorporated companies

Government Regulation 8 of 2021 (GR 8/2021), an implementing regulation of the Omnibus Law, makes amendments to the Company Law of 2007 by introducing the concept of "individually owned companies" as well as leaving the required minimum paid-up capital to the discretion of the founder(s) of the company.

*Asiapedia*

**INDONESIA'S  
REPRESENTATIVE  
OFFICES: ENABLE  
YOUR BUSINESS  
WITH OPTIMIZED  
COST CONTROL AND  
TAX EFFICIENCY**

Set up a Foreign Representative Office (FRO), or Kantor Perwakilan Perusahaan Asing (KPPA), to establish an on-the-ground presence in Indonesia without the burden of significant registered capital.

EXPLORE DETAILS

Individually owned companies are a new type of company category in Indonesia that can be incorporated by a single individual, who is at least 17 years of age.

Investors should note that GR 8/2021 only impacts **Indonesian nationals**.

GR 8/2021 sets out the criteria for businesses to get classified as micro or small enterprises, which was not previously regulated. Through this reform, the government hopes to increase the number of officially registered micro and small enterprises who will thus pay tax as well as contribute to the national social security programs. Currently, the majority of Indonesia's 64 million or so micro, small, and medium enterprises (MSMEs) are in the informal sector and employ more than 70 million informal workers.

## Minimum authorized capital required

GR 8/2021 stipulates that the amount of paid-up capital is be agreed upon by the founder(s) of the company. However, this does not apply to companies in certain business fields that are obligated to have paid-up capital before starting operations.

Under the 2007 Company Law, companies needed to have paid-up capital of at least 50 million rupiah (US\$2,964).

Once the founder(s) of the company agree to the amount of authorized capital, they must pay at least 25 percent of the total paid-up capital, and the proof of payment must be electronically submitted to the Ministry of Law and Human Rights (MOLHR) within 60 days from the date of establishment.

| Enterprise scale | Capital                                                                                                        | Annual sales                                                                         |
|------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Micro            | Up to 1 billion rupiah (US\$69,000), excluding land and buildings                                              | Up to 2 billion rupiah (US\$138,000)                                                 |
| Small            | More than 1 billion rupiah (US\$69,000) and up to 5 billion rupiah (US\$345,000), excluding land and buildings | More than 2 billion rupiah (US\$138,000) and up to 15 billion rupiah (US\$1 million) |



Further, the incorporation of an individually owned company does not require a deed of establishment, rather the individual only needs to fill out an establishment statement through the MOLHR website to obtain a registration certificate. The statement must include the following information:

- Name and domicile of the company;
- Purpose and business activities of the company;
- The amount of authorized, issued, and paid-up capital of the company;
- Number of shares of the company;
- Details of the founder of the company; and
- Tax number of the founder of the company.

The individually owned company must change its legal status to a limited liability company if the number of shareholders is more than one person, or the business no longer meets the criteria of a micro or small business.

Another important aspect with regards to an individually owned company is that their liability is limited to the company's capital.

## Obligation to file financial statements

Financial statements of individually owned companies must be submitted within six months of the end of their accounting period. Failure to submit financial statements will result in administrative sanctions ranging from a written warning to the suspension of business activities.

## Protection and empowerment measures for small businesses

GR 7/2021 made it easier for MSMEs to obtain a business license, tax reductions, and reliefs, and are exempt them from paying the provincial or the regency/city minimum wage.

### New MSME criteria

GR 7/2021 expands the criteria for an MSME. Previously, there were only two criteria: assets and revenue, and each had its own threshold for a company to be recognized as an MSME.

Under GR 7/ 2021, MSMEs are categorized by their business capital or annual sales. The criteria exclude land and buildings.

## Micro enterprises

Micro enterprises are businesses that have capital of no more than 1 billion rupiah (US\$59,864) and annual sales of no more than 2 billion rupiah (US\$119,728).

## Small enterprises

Small enterprises are businesses that have capital of more than 1 billion rupiah (US\$62,500) and annual sales of more than 2 billion rupiah (US\$119,728) but less than 5 billion rupiah (US\$299,321).

## Medium enterprises

Medium enterprises are businesses with a capital of more than 5 billion rupiah and annual sales of more than 15 billion rupiah (US\$897,842) but less than 50 billion rupiah (US\$2.99 million).

## Ease of obtaining a business license

The Omnibus Law has implemented a centralized business licensing system. An MSME only needs to submit their national ID and a reference letter from their neighborhood association online to receive their business number.

The government will provide technical guidance, consultation, and training for all MSMEs in this process, hoping it will also increase their knowledge of national standards, such as for Halal certification, as well as other regulatory certificates.

## Ease of obtaining financing and incentives

MSMEs are able to use their business activity as a form of credit guarantee to obtain financing. Additionally, their tax administration process has been simplified.

Micro and small enterprises are eligible for incentives in the form of:

- Regional tax reduction or relief;
- Regional fee reduction or relief;
- Subsidized loans;
- Capital for MSMEs with innovative products that have market potential or are technology-based;
- Financing of intellectual property rights;
- Vocational training; and
- Support for research and development.



The government can act as a guarantor for up to 80 percent of loans or financing provided by banks and other non-bank financial institutions to MSMEs.

Micro and small businesses must first fulfill the following criteria:

- Must have just started business operations or are already operating;
- Have a gross income of no more than 7.5 billion rupiah (US\$485,262) per year;
- The business activities are in:
  - » Agriculture;
  - » Plantations;
  - » Livestock;
  - » Guesthouses/hostels;
  - » Boarding houses;
  - » Campgrounds;
  - » Industry;
  - » Transportation;
  - » Restaurants; and
  - » Stalls; and/or
- Procure government goods or services electronically.

Medium-sized enterprises and large businesses can also receive the above-mentioned incentives if they develop export-oriented products, hire a local workforce, utilize micro or small enterprises to expand the business, and train and provide upskilling programs for micro or small businesses.

MSMEs are also exempt from paying the regional/city minimum wage rates.

## Priority location and development

GR 7/2021 mandates that ministries, state-owned enterprises, and regional-owned and private businesses must allocate 30 percent of their commercial areas, shopping centers, and public infrastructure for the promotion and development of MSMEs. Public infrastructure includes airports, toll road rest and service areas, railway stations, and terminals.

The rental fee for the area used for the promotion of the MSME should not exceed 30 percent of the commercial rental fee.

### **Government and state-owned entities to help facilitate demand**

The central and regional government(s) are obligated to allocate 40 percent of their goods and services procurement budget for MSMEs.

## Cooperatives

There are new provisions to assist Indonesian cooperatives. GR 7/2021 reduces the requirement of primary cooperatives from 20 members to nine, and cooperatives can now be either single-purpose or multi-purpose cooperatives, aimed at attracting more members through this enterprise.

### Shariah-based cooperatives

GR 7/2021 allows for the establishment of shariah-based cooperatives, but the entity must contain the word 'shariah' in the official name, and the shariah principles must be stated in the cooperatives' articles of association.

## Obligation to file financial statements

Financial statements of individually owned companies must be submitted within six months of the end of their accounting period. Failure to submit financial statements will result in administrative sanctions ranging from a written warning to the suspension of business activities..

## Laos

Limited liability companies and representative offices remain the most common structures for foreign investors entering Laos. While the government has introduced reforms to simplify business registration and licensing, the investment environment is still considered relatively challenging compared to other ASEAN markets due to administrative complexity and sectoral restrictions.

Several activities are subject to foreign-ownership limits or additional licensing, including parts of the fisheries, construction, and accommodation-and-restaurant sectors. Investors should verify whether their planned activity appears on the Controlled Business List maintained by the Ministry of Industry and Commerce (MOIC).

### Limited liability company

The limited liability company (LLC) is the preferred vehicle for most foreign investors in Laos. Shareholders' liability is limited to their capital contribution. The company must have at least one shareholder and one director, who may be of any nationality and need not reside in Laos.

Following the MOIC's 2018 reform, the general minimum registered-capital requirement has been abolished for most sectors. However, industries governed by specific regulations, such as



banking, insurance, or infrastructure, may still impose minimum-capital thresholds or licensing prerequisites.

## Incorporation process

Foreign investors establishing an LLC must register their enterprise with the MOIC. The process begins with identifying the Lao Standard Industrial Classification (LSIC) code for the company's intended activities

Once the activity is confirmed as open to foreign investment, the following steps apply:

1. **Enterprise Registration:** The investor submits the incorporation dossier to the MOIC to obtain an Enterprise Registration Certificate (ERC). Upon approval, the company simultaneously receives a Tax Identification Number (TIN) and VAT registration.
2. **Company Seal:** The company must obtain a seal from the Ministry of Public Security.
3. **Social Security Registration:** The company registers with the National Social Security Fund (NSSF) to enroll employees in the national scheme.

Under recent MOIC reforms, this process can typically be completed in about two to three weeks, provided all documents are complete and no sectoral approvals are required.

Some business activities may still require additional investment or operating licenses from relevant line ministries before commencing operations

## Branch office

The scope of business of a foreign branch office in Laos is defined by the parent company, but they are limited to operating in specific sectors – insurance, foreign banks, airline companies, and financial institutions.

## Incorporation process

A foreign company seeking to operate as a branch in Laos must first obtain approval from the ministry that regulates its business sector, for example:

- The Bank of the Lao PDR for banking;
- The Ministry of Finance for insurance; or
- The Ministry of Public Works and Transport for aviation.

After receiving sectoral approval, the company registers the branch with the MOIC to obtain an enterprise registration certificate for a branch.



The branch must also apply for a tax identification number and may register with the NSSF if employing Lao staff.

Because a branch is not a separate legal entity, its activities are limited to the scope approved by the parent company's home-country license and the Lao regulator.

## Representative office

A representative office (RO) can be established in Laos for a minimum of one year and it can be extended twice, one year each time. The RO is prohibited from earning an income in Laos.

The ROs activities are limited to:

- Information gathering and market research;
- Monitoring the implementation of contracts between the parent company; and
- Coordinating with the parent company to facilitate its business activities in the country.

## Incorporation process

A representative office must obtain a Representative Office License from the MOIC or, in some cases, from the provincial Department of Industry and Commerce.

Unlike LLCs or branches, ROs are not registered as enterprises and therefore do not receive an ERC or a TIN.

Their application dossier typically includes:

- A notarized copy of the parent company's incorporation certificate and business license.
- Power of attorney for the local representative.
- Proof of an office lease in Laos.
- A statement of intended non-commercial activities (such as liaison, research, or contract monitoring).

The RO license is valid for one year and can be renewed twice, each for one year. Because ROs are prohibited from earning income, they do not register for tax or VAT, though they may register with the NSSF if they employ local staff.

## Mandatory bank accounts for foreign investors

The Bank of the Lao PDR (BOL) requires foreign investors to maintain a local bank account with an authorized commercial bank to manage investment capital, operational funds, and



profit repatriation. This requirement applies to all foreign-invested entities operating in Laos, including limited liability companies and branch offices, though representative offices are exempt as they cannot earn income.

Foreign investors must open a local bank account shortly after obtaining their enterprise registration certificate or business license. The account can be denominated in Lao kip or foreign currency, and it must be held with a single licensed commercial bank in Laos.

To open the account, investors are generally required to:

- Provide valid identification, such as a passport and visa;
- State the investment purpose and activity in Laos;
- Present documents showing the source of investment funds; and
- Deposit the initial capital amount, if required by the relevant ministry or bank policy.

There is no statutory minimum deposit under the BOL, but some banks may impose a USD 10,000 opening balance as part of their internal compliance requirements.

Under BOL Decision No. 11/BOL (2025) on the use of foreign currency, all foreign-exchange transactions must be conducted through licensed commercial banks. Banks are required to perform due diligence on investors, verify sources of funds, and report any suspicious activity to the BOL.

All financial transactions related to investment activities, such as capital injections, dividend payments, debt repayments, and profit repatriation, must be routed through the registered local bank account.

Payments for goods, services, salaries, and other domestic expenses must be made in Lao kip, and investors must keep official exchange documents for audit and tax purposes.

Foreign investors are prohibited from conducting transactions through unauthorized accounts or unlicensed money changers. Only commercial banks approved by the BOL may perform foreign-exchange conversions or transfers connected to investment capital.

## Malaysia

Foreign investors looking to establish a business entity in Malaysia must register under either the Registration of Business Act 1956 (ROBA 1956), Companies Act 2016 (CA 2016), or the Limited Liability Partnerships Act 2012.



There are seven types of business entities in Malaysia:

- Limited liability partnerships;
- Partnerships;
- Sole proprietorship;
- Company limited by shares;
- Company limited by guarantee;
- Unlimited company; and
- Branch of a foreign company.

Foreign investors are generally allowed to establish a company limited by shares (Sdn Bhd) or a branch office. They may also form a limited liability partnership (LLP) provided at least one compliance officer is a Malaysian citizen or permanent resident who ordinarily resides in Malaysia. Only individuals with permanent residence (PR) status may register a partnership or sole proprietorship under ROBA 1956.

## Private limited company

This type of business entity is more widely known as Sendirian Berhad (private limited company) or Berhad (public limited company) and is the most common business form in Malaysia.

A foreign investor can own up to 100 percent of a private limited company, depending on the industry the business engages in. The CA 2016 restricts private companies to a maximum of 50 shareholders and limits share transfers. Establishing a private limited company is the preferred option for most foreign investors.

## Setup requirements

The registration process can take between five to 10 working days, and there are several documents that applicants need to submit to the Companies Commission of Malaysia, or Suruhanjaya Syarikat Malaysia (SSM). The SSM is the governing body that oversees companies operating in Malaysia.

To begin the setup, applicants must provide the following documentation:

- Company name;
- Constitution of the company
- Declaration of compliance with the Companies Act;
- Primary business activities;
- Details of directors and shareholders;
- Address in Malaysia;

- Minimum paid-up capital;
- Percentage of the shareholding of each shareholder; and
- A declaration by the directors that they have not been convicted of any offense and are not undischarged bankrupts.

At least one shareholder (individual or entity, local or foreign) and at least one director who ordinarily resides in Malaysia are required. The company must also appoint a qualified resident company secretary.

## Registration fees

A flat registration fee of RM 1,000 (US\$239) is payable to the Companies Commission of Malaysia (SSM) for incorporating a private limited company under the Companies Act 2016.

For foreign companies registering a branch or subsidiary under Section 562 of the Companies Act 2016, the fee depends on the nominal share capital of the parent company, as follows:

| Nominal share capital                                                                            | Registration fees           |
|--------------------------------------------------------------------------------------------------|-----------------------------|
| Up to 1 million ringgit (US\$239,000)                                                            | 5,000 ringgit (US\$1,193)   |
| Exceeds 1 million ringgit (US\$239,000) and up to 10 million ringgit (US\$2.39 million)          | 20,000 ringgit (US\$4,774)  |
| Exceeds 10 million ringgit (US\$2.39 million) and up to 50 million ringgit (US\$11.93 million)   | 40,000 ringgit (US\$9,549)  |
| Exceeds 50 million ringgit (US\$11.93 million) and up to 100 million ringgit (US\$23.86 million) | 60,000 ringgit (US\$14,324) |
| Exceeds 100 million ringgit (US\$23.86 million and above)                                        | 70,000 ringgit (US\$16,706) |

If the foreign company does not prescribe any share capital, a flat fee of 70,000 ringgit (US\$15,659) applies.

## Paid-up capital

Incorporating a company in Malaysia requires no statutory minimum paid-up capital. However, if the company intends to hire foreign employees and apply for work permits through the Expatriate Services Division (ESD), the following minimum paid-up capital requirements apply:

- 100 percent locally owned company – 250,000 ringgit (US\$ 59,665)
- Joint venture company (with at least 30 percent Malaysian ownership) – 350,000 ringgit (US\$ 83,529)
- 100 percent foreign-owned company – 500,000 ringgit (US\$ 119,331)
- Companies in wholesale, retail, trading, or restaurant sectors – 1 million ringgit (US\$ 238,662)

These thresholds are based on ESD practice and may vary depending on the business sector and the number of expatriate posts applied for.

Foreign investors should note that while there is no minimum capital to incorporate a company under the Companies Act 2016, the declared paid-up capital must reflect sufficient financial capacity to support intended operations and meet licensing or immigration requirements.

## Advantages of a private limited company

There are some key characteristics of a private limited company in Malaysia.

### Limited liability

The company's shareholders are liable for the debts accrued by the company in accordance with the amount they invested, and no more.

### Status as a separate legal entity

The private limited company is a separate legal entity from its shareholders and thus allows the company to operate regardless of if the directors and shareholders have retired, died, or changed unless the entity is dissolved.

## Ease of fundraising

The Sdn Bhd company can raise loans and the entity can borrow from banks at lower rates compared to other business structures. This is because many banks view loans issued to private limited companies as a lower risk compared to loans for other business entities.

## Financial and non-financial incentives

There are more financial and non-financial incentives given to private limited companies compared to other business structures, such as an investment tax allowance.

## Branch office

Establishing a branch office can be a quick and cost-effective way for foreign businesses looking to explore the Malaysian market.

## Operations and characteristics of branch offices in Malaysia

Under the Companies Act 2016, foreign corporations may register a branch office with the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia, or SSM). Unlike a representative office, a branch may engage in profit-making activities.

A branch office is not a separate legal entity. Its obligations, liabilities, and contracts are enforceable against the foreign parent company. Management decisions typically require approval from the parent organization.

The branch is taxed only on income derived from Malaysia and may benefit from double taxation agreements (DTAs) that Malaysia has signed with other countries.

## Setup requirements

As the branch office would be seen as an extension of the parent organization, several legal requirements must be met:

- The branch office must use the same brand and name as its parent organization.
- Branch offices must perform the same business activities as parent organizations.
- As a result of the control a parent organization has over its branch office, the office is therefore considered a non-resident entity in Malaysia and will not be authorized for certain tax exemptions and incentives otherwise reserved for local organizations.

- The branch office must appoint a branch agent who is a Malaysian resident and this individual will also be legally bound to the branch office in the case of any legal breaches.

## What is the registration process for establishing a branch office in Malaysia?

The registration process for establishing a branch office in Malaysia is as follows.

### **Name approval**

The organization must propose a name to the SSM system at a fee of 50 ringgit (US\$10.75). The name must be the same as the foreign parent company.

### **Required documentation**

Within 30 days of the name approval, the following information must be provided to the SSM:

- Name, identification, nationality, and place of residence of all shareholders and employees within Malaysia;
- List of shareholders from organization's place of origin;
- If the foreign organization has share capital, the details of class and number of shares in the organization's place of origin;
- Certified copy of the certificate of incorporation/registration of foreign organization; and
- Certified copy of the memorandum and articles of association or another constitutional certificate.

All documents must be submitted in either Malay or English.

## **Representative office**

A representative office (RO) is often the fastest way for foreign companies to establish an initial presence in Malaysia to study the market before committing to full operations.

The RO is non-trading and cannot generate revenue in Malaysia. It is not incorporated under the Companies Act 2016 and exists solely for non-commercial purposes..

### **Setup requirements**

Most applications (excluding tourism, banking, and finance) are submitted to the Malaysian Investment Development Authority (MIDA).



Applications for ROs in banking and finance must be submitted to the Central Bank of Malaysia, and RO applications for tourism services must be submitted to the country's Ministry of Tourism.

## What are the required documents for setting up the representative office in Malaysia?

All documents must be certified by the notary and must be in the English language.

The required documents include:

1. Company profile of the parent company;
2. A completed application form stating the purpose of establishment, the activities of the proposed RO, the benefits the RO will bring to Malaysia, and the estimated cash flow and human resources requirements;
3. Copy of the parent company's certificate of incorporation;
4. A copy of the parent company's latest annual reports and audited accounts from the last two years;
5. Tenancy agreement for their business address in Malaysia;
6. Copy of passport for the approved expatriate;
7. Copy of their resume;
8. Copies of employment testimonials; and
9. One passport-size recent photo.

## What are the permissible activities of a representative office in Malaysia?

The RO can undertake any of the following activities:

- Gathering information on investment opportunities in Malaysia and the region;
- Identifying components, sources of raw materials, or suppliers;
- Undertake market research and development;
- Act as a coordination center for the parent company's affiliates, agents, and subsidiaries in the region; and
- Other activities that do not result in commercial transactions.

## What activities are representative offices not permitted to do in Malaysia?

In addition to commercial activities, ROs are also prohibited from:

- 
- Signing business contracts;
  - Participate in the daily operations of any subsidiaries or branches in Malaysia; and
  - Lease warehousing facilities.

## What is the duration of the RO?

A company can establish the RO for a minimum of two years, which can be considered for extension depending on the company's commitment to operating expenditure and based on the merits of each case.

For government entities or trade associations, the RO duration is for a maximum of five years, which can also be extended based on the merits of each case.

## What is the operational expenditure to set up an RO in Malaysia?

The RO must maintain a minimum annual operating expenditure of 300,000 ringgit (US\$ 71,600), funded entirely from sources outside Malaysia.

## Expatriate posts

The RO is eligible for expatriate hiring, although expatriates can only be considered for managerial and technical posts. Further, the expatriate must be currently working for the parent company or within the group or subsidiary.

Their tax is based on the portion of chargeable income attributed to the number of days they are in Malaysia.

# Myanmar

Prior to establishing a business entity in Myanmar, investors are advised to consult the Myanmar Companies Law (MCL) 2017, which regulates the country's corporate framework.

## Limited liability entity

Under the MCL, it is possible to set up a wholly foreign-owned company, in the form of a private or public company limited by shares. Businesses in which foreign ownership does not exceed 35 percent are considered local companies and are thus permitted to engage in sectors that are closed to foreign investors.

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A private company may have a maximum of 50 members (not including employees), whereas a public company can have an unlimited number of members. A private company only requires one shareholder to be incorporated in addition to one director, whether a Myanmar or foreign citizen (they need to be a resident in the country). A public company, however, must have at least three directors, one of whom must be a citizen and 'ordinary resident' of Myanmar (defined as a person with permanent residency or resides in Myanmar for at least 183 days in each 12-month period).

There is no minimum capital requirement unless the company engages in the services or manufacturing industries in which case the company needs to invest US\$50,000 and US\$150,000 respectively.

## Joint venture with a local partner

Under this structure, the company requires two shareholders (one foreign and one local) and US\$50,000 in capital. Additionally, the foreign investor can own up to 80 percent of the shares within this business entity.

## Branch office

The MCL allows for the establishment of a foreign branch office, but the parent company will be liable for its activities. The branch office needs one shareholder to operate in addition to an authorized company representative in the country, who can also be a foreigner.

The parent company will need to also inject US\$50,000 as a minimum capital requirement and the branch will be subject to a 35 percent corporate income tax rate as opposed to the 25 percent rate applicable to companies incorporated in Myanmar.

## Representative office

The representative office (RO) can be foreign owned, requiring only one shareholder and one company representative in the country. The RO cannot operate any commercial activities and can only engage in market research or liaison activities on behalf of the parent company.

There is, however, a minimum US\$50,000 capital requirement.

## Incorporation process

New companies can be registered via the Myanmar Companies Online (MyCO) website. The first step to incorporation is checking the availability of a company name on the website of the Directorate of Investment and Company Administration (DICA) website. During this process, the company should submit the details of its directors.



Once a name has been approved, the applicant can obtain the company registration forms at DICA. There are no fees to incorporate a new company, provided the documents are submitted electronically. A service fee of up to 2.5 million kyats (US\$1,395) will be charged for documents submitted in hard copy to the DICA office.

To register a branch office, applicants must pay 500,000 kyats (US\$279) in stamp duty and a registration fee through the One Stop Service (OSS) or to the Inland Revenue Service. At this point the applicant can obtain a temporary incorporation certificate and permit to trade if desired.

After the registration forms are completed and signed, all government fees are paid and evidence of the transfer of any minimum capital is provided (if required), the applicant will receive the company incorporation certificate from DICA.

## Philippines

### Foreign investment law amended

The Philippines has significantly liberalized its investment regime through Republic Act No. 11647, which amended the Foreign Investments Act of 1991 (Republic Act No. 7042). In effect since 2022, the amendment continues to shape the country's investment landscape in 2025 by opening more sectors to full foreign ownership and simplifying entry for smaller investors.

Under the current rules, micro and small domestic-market enterprises—previously reserved for Philippine nationals when paid-in capital was below US \$200,000—may now be 100 percent foreign-owned if they have a minimum paid-in capital of US \$100,000 and meet at least one of the following conditions:

- The business uses advanced technology as certified by the Department of Science and Technology; or
- It employs at least 50 direct Filipino workers.

The reform aimed to attract technology-driven and labor-intensive investments, particularly in manufacturing, services, and digital startups, while maintaining safeguards for local employment.

### The President has the power to suspend, prohibit, or limit foreign investments

To protect national security, the amended Foreign Investment Act (FIA) authorizes the President of the Philippines to suspend or restrict foreign investments deemed harmful to public interest, such as those involving cyberinfrastructure, defense, or critical logistics.



This mechanism ensures openness to foreign capital while retaining the government's ability to manage strategic risks.

## Understudy or skills development program for foreign nationals

Foreign businesses employing foreign nationals and are enjoying fiscal incentives must devise an understudy or skills development program that benefits Filipino workers. This ensures that local workers receive the knowledge and skills from their foreign colleagues.

The program that companies develop will be monitored by the Department of Labor and Employment.

## Foreign ownership of public services

Republic Act No. 11659, which amended the Public Service Act in 2022, redefined the distinction between “public services” and “public utilities.” Only public utilities remain subject to the 40 percent foreign-ownership limit under the 1987 Constitution.

Since the implementing rules took effect in 2023, the following sectors — now classified as “public services” — can be fully owned by foreign investors:

- Railways and subways;
- Airports and airlines;
- Expressways and tollways; and
- Telecommunications.

In contrast, the following sectors continue to be classified as public utilities and are still subject to the 40 percent foreign-ownership cap:

- Electricity distribution and transmission;
- Water pipeline distribution and sewerage systems;
- Seaports; and
- Public utility vehicles.

The PSA amendments also introduced reciprocity and national-security clauses. Foreign state-owned or state-controlled enterprises are restricted from owning equity in public utilities or critical infrastructure unless their home country provides the same market access to Philippine investors. Companies in the telecommunications sector must comply with ISO standards and undergo regular performance audits.

## Amendments to the Retail Trade Liberalization Act

Complementing these investment reforms, Republic Act No. 11595 — passed in late 2021 — modernized the Retail Trade Liberalization Act to make the Philippine retail sector more accessible to foreign participation.

Foreign retail enterprises may now operate in the Philippines with:

- A minimum paid-up capital of PHP 25 million (US\$430,000); and
- A minimum investment of PHP 10 million (US\$170,000) per additional store.

The law also removed the previous four-tier classification system, the pre-qualification certificate from the Board of Investments, and the requirement for a 30 percent public offering within eight years of operation. Foreign retailers are still encouraged to prioritize Filipino labor and maintain an inventory of locally manufactured products.

## Preferential use of Filipino labor

Republic Act No. 11595 mandates that foreign retail enterprises must hire Filipino workers before engaging the services of a foreign national.

## Promotion of locally manufactured products

The Act encourages foreign retailers to keep a stock inventory of locally manufactured products.

## Business entities

Investors wishing to establish a presence in the Philippines may adopt several entry vehicles, each governed by distinct rules and suited to different business models.

There are three main methods of entry:

- Domestic corporation;
- Branch office; and
- Representative office (RO).

## Domestic corporation

A domestic corporation is formed under Philippine law by registering with the Securities and Exchange Commission (SEC). This legal entity separates the personal assets of shareholders from the company's liabilities and is the most common vehicle for full-scale operations.

A domestic corporation may be:

- A primarily Filipino-owned entity (for sectors subject to the “60-40” rule or other equity caps).
- A foreign-owned domestic corporation (where foreign equity exceeds 40 percent) in sectors where foreign participation is permitted. In many “open” industries not covered by the Foreign Investment Negative List (FINL), foreign investors may hold 100 percent ownership.

The Philippines publishes a Foreign Investment Negative List (currently the 12th edition) that consists of List A (sectors where foreign-equity limits are constitutionally or statutorily prescribed) and List B (sectors restricted for reasons such as national security, public health or small-business protection). Investors should carefully review these lists to determine applicable foreign-equity limits and whether the target business falls under an “open” sector.

If a corporation will have more than 40 percent foreign equity in a domestic-market-oriented activity, minimum paid-up capital requirements apply. Generally, the threshold is US\$200,000. This may be reduced to US\$100,000 if the enterprise uses advanced technology or employs at least 50 direct Filipino employees.

For fully Filipino-owned or up to 40 percent foreign equity corporations in many non-restricted sectors, the minimum capital may be as low as PHP 5,000 (US\$100).

Economic activities whereby no foreign equity is permitted include mass media, the organization and operation of private detectives, watchmen or security agencies, and small-scale mining. Ownership, operations, and management of cockpits as well as any activities related to nuclear weapons are also prohibited under the RFINL.

#### **List A updates include:**

Amendment to the foreign equity restriction on the operation of public utilities reflecting changes of the definition under Commonwealth Act No. 146, as amended by Republic Act 11659 (“Amended PSA”).

Under the Amended PSA, only the following services are considered ‘public utilities’ and subject to the 40 percent foreign ownership limitation under the constitution: (a) distribution and transmission of electricity; (b) petroleum and petroleum products pipeline transmission systems; (c) water pipeline distribution systems; (d) wastewater and sewerage pipeline systems; (e) seaports; and (f) public utility vehicles.

Corporations engaged in activities that were previously considered public utilities such as telecommunications, are no longer considered public utilities.

#### List A updates include:

The foreign equity restriction on retail trade in the Philippines will apply only to enterprises with paid-up capital of PHP 25 million (US\$430,000). Previously, the paid-up capital requirements stood at US\$2.5 million (approximately PHP 135 million) – the update represents a considerable change.

#### List B updates include:

As noted, the foreign equity restriction concerning the manufacture, repair, storage, and/or distribution of products requiring Department of National Defense clearance has been removed.

The foreign equity restriction on domestic market enterprises applies to micro or small domestic market enterprises with paid-in equity of less than the equivalent of US\$200,000.

Corporations engaged in activities that were previously considered public utilities, such as telecommunications, are no longer considered public utilities.

As an exception to the US\$200,000 paid-in equity requirement for domestic market enterprises, the foreign equity restriction on micro or small domestic market enterprises that (i) involve advanced technology; (ii) are endorsed as start-ups or start-up enablers by the Department of Trade and Industry, Department of Information and Communications Technology, and Department of Science and Technology; or (iii) have Filipinos as the majority of their direct employees (but not less than 15 Filipino employees) will apply only if such enterprises have paid-in equity of less than the equivalent of US\$100,000.

## Set up requirements

The applicant will need to adhere to the following steps in their registration process:

- Submit the company name;
- Submit the company's articles of association;
- Submit bank certificate showing paid-up capital;
- Register with the Bureau of Internal Revenue;
- Procure business permits and licenses; and
- Register with employee-related government agencies.

As part of the corporate structure, corporations require a:

- President – acts as a signatory of the company and they must also be a director and shareholder of the company;
- Corporate secretary – must be a Filipino citizen and is responsible for administrative tasks such as preserving records and taking minutes of meetings; and
- Treasurer – responsible for the company's financial matters, such as financial statements and annual reports.

## Branch office

A branch office is an extension of a foreign enterprise that conducts profit-oriented business in the Philippines. It is a common structure for multinational firms establishing call-centres, back-office operations or other commercial ventures in the country. A branch is not a separate legal entity from its parent: the parent company bears full liability for the branch's operations and obligations.

For a branch serving the domestic Philippine market, the minimum paid-up capital requirement is generally US\$200,000. This threshold may be reduced to US\$100,000 if the business uses advanced technology or employs at least 50 Filipino workers. For export-oriented activities (where export sales represent at least 60 percent of total revenue), the capital requirement may be as low as PHP 5,000 only.

On the tax side, a Philippine branch office is subject to the corporate income tax rate of 25 percent on Philippine-sourced income and Value-Added Tax (12 percent) on local sales (where applicable). Profits remitted to the parent company are typically subject to a branch profit remittance tax of 15 percent, though this rate may be reduced under bilateral tax treaties.

## Setup requirements

1. Corporate documents from the parent company (authenticated or apostilled):
  - » Certified copy of the parent company's Articles of Incorporation and By-laws.
  - » Latest audited financial statements of the parent company (for the past fiscal year).
  - » Board resolution authorizing the establishment of the Philippine branch and designating a Resident Agent.
  - » Secretary's Certificate (or equivalent) naming the authorized signatories for the branch registration.
2. Capitalization and financial proof:
  - » Proof of inward remittance of the minimum capital (usually US \$200,000 for domestic-market branches).
  - » Bank Certificate confirming the deposit of remitted funds in a Treasurer-in-Trust account (TITF).

- » For export-oriented branches ( $\geq 60$  percent export sales), proof that capital requirement is reduced to PHP 5,000.
- 3. Local representative and contact details:
  - » Appointment of a Resident Agent (must be a Philippine resident, either individual or domestic corporation).
  - » Local business address in the Philippines.
- 4. SEC registration process:
  - » Accomplish SEC Form F-103 (Application for License to Do Business).
  - » Submit all authenticated documents with required fees and notarized application.
  - » Obtain the License to Do Business from the SEC once approved.
- 5. Post-registration registrations:
  - » Register with the Bureau of Internal Revenue (BIR) for tax identification and invoicing authority.
  - » Register with the Social Security System (SSS), PhilHealth, and Pag-IBIG Fund for employee coverage.
  - » Secure a Barangay Clearance and Mayor's/Business Permit from the relevant local government unit (LGU).
  - » Open a local bank account under the branch's name.
- 6. Ongoing compliance:
  - » Maintain annual financial statements certified by an independent CPA accredited by the SEC.
  - » File annual reports and general information sheets (GIS) to the SEC.
  - » Pay applicable corporate income tax (25 percent), VAT (12 percent), and branch profit remittance tax (15 percent).

## Representative office

A representative office is an extension of a foreign parent company that cannot derive income within the Philippines. Its function is limited to market research, promotion, and coordination activities for the parent company. It may not sign contracts or engage in sales transactions locally. To fund its operations, the parent company must remit a minimum of US\$30,000, which is used solely for administrative and operational expenses. The RO's costs are fully covered by the parent firm, and it may not invoice Philippine entities.

## Setup requirements

To open an RO, the parent company will need to submit the following documents to the SEC:

- The parent company's financial statements;
- Details of the person managing the RO office; and
- The parent company's article of associations.

# Singapore

In Singapore, foreign investors commonly set up a subsidiary in the form of a private company limited by shares (“Pte Ltd”) because it offers limited liability, full foreign ownership (in most cases), and access to Singapore’s extensive network of trade agreements and regional connectivity.

A private limited company is a separate legal entity from its directors and shareholders; the liability of shareholders is limited to the amount of share capital they subscribe. A foreign holding company or investor may establish the Singapore company either as a direct subsidiary or as a regional holding entity for operations in ASEAN.

## Private companies limited by shares

A private company limited by shares, also known as a private limited company, is by far the preferred structure among small and medium-sized (SME) foreign companies for setting up a local business presence in Singapore.

A private limited company can benefit from tax incentives available to local companies. It is also a separate legal entity from its directors, shareholders, and officers of the company; this means that the foreign holding company cannot be held for the liabilities of its subsidiary. In addition, the holding company’s liability is limited to the share capital subscribed in its subsidiary.

As a private limited company can be wholly owned by a foreign individual and/or corporate investor, this legal entity can be established as a regional holding company or subsidiary of the foreign holding company. Having a Singapore incorporated company provides the advantage of gaining access to the wider Asian market and ASEAN free trade zones, as well as other FTAs through ASEAN, which include ASEAN-Hong Kong, ASEAN-India, and ASEAN-China. This is particularly helpful for companies looking to set up larger manufacturing operations elsewhere in ASEAN.

## Key requirements for setting up a private company limited by shares

### 1. Reservation of company name

- The company name must be approved by the Accounting and Corporate Regulatory Authority (ACRA) prior to the company registration process;
- Once a name is selected, the name application shall be submitted via ACRA Bizfile for approval, which may be rejected if the name is identical, similar, or phonetically similar to a company that has already been registered; and
- The name application costs S\$15 (US\$11.47), which will be reserved for 120 days upon approval.

## 2. Appointment of Company Officers

The officers of a company include the following:

- Director;
  - » The appointment of at least one director who is either a Singaporean citizen, permanent resident, EntrePass or Employment Pass holder; and
  - » The director needs to be at least 18-years of age and must not have a history of misconduct or bankruptcy in their work history.
- Auditor (to be appointed within three months of incorporation unless exempted from audit requirements);
- Company secretary (to be appointed within six months of incorporation); and
- Shareholders, (the minimum issued, and paid-up capital is S\$1 (US\$0.76)).

## 3. Registered address

- This must be a commercial business address in Singapore.

# Branch offices

Foreign companies can establish branch offices to conduct any type of business activity that falls within the scope of the parent company.

For tax purposes, a branch office is taxed in the same manner as a local company: Singapore imposes a corporate income tax rate of 17 percent on chargeable income.

However, since the branch is treated as an extension of a foreign parent company rather than a fully resident local entity, it typically cannot access certain tax incentives or start-up reliefs available to locally incorporated companies.

The name of the branch office must be the same as the parent company and as a legal extension of the parent company. The parent company must bear ultimate legal responsibility for all liabilities and be registered with ACRA, which is responsible for the monitoring of new companies in Singapore. Because of this liability, many foreign companies choose to establish a subsidiary or private limited company rather than branch offices.

## Setup requirements

### 1. Reservation of name of branch office

- The name of the branch office must be the same as the foreign parent company;
- The name of the branch office must be approved by the ACRA prior to the branch office registration process;
- Once a name is selected, the name application shall be submitted via ACRA Bizfile for approval, which may be rejected if the name is identical, similar, or phonetically similar to a company that has already been registered; and
- The name application costs S\$15 (US\$11.25), which will be reserved for 120 days upon approval.

## 2. Appointment of company officers

The officers of a company include the following:

- **Director**
  - » The board of directors of the Singapore branch office must be the same as the board of directors on the foreign parent company; and
  - » The director needs to be at least 18-years of age and must not have a history of misconduct or bankruptcy in their work history.
- **Authorized representative**
  - » The branch office must have at least 1 authorized representative who is ordinarily resident in Singapore.

## 3. Registered address

- This must be a commercial business address in Singapore.

Investors looking to set up branch offices must ensure their activities do not go outside the scope of the parent company.

The parent company will bear all the liabilities of its branch office as it is viewed as a legal extension of the parent company. This means they are also subject to Singaporean taxes and are not eligible for local tax incentives and exemptions.

## Register for nominee shareholders and nominators

Singaporean and foreign companies registered in Singapore are now obligated to maintain a register of nominee shareholders and their nominators. Further, Singapore companies, foreign companies, or Singapore limited liability partnerships (LLPs) who have no registrable controller or are unable to identify the controller are required to identify individual(s) with executive control as their registrable controller. The changes were set out under the Corporate Registers (Miscellaneous Amendments) Act 2022, which was approved in January 2022.

Before, businesses were not required to ascertain whether a shareholder was holding the shares on behalf of another person (nominator).

The company or foreign company must update its non-public register within seven days after receiving information from a nominee shareholder or a nominator in their company. This new requirement aims to minimize the risk of companies in Singapore being controlled by illicit actors.

A nominee shareholder is defined as:

- A person or limited company that is registered as a holder of the shares in a company on behalf of another person or company; and
- Receives dividends in respect of the shares that they hold as a representative of another person or company.



Nominee shareholders must also notify the company if they cease to become a nominee shareholder within 30 days of cessation.

Non-compliance with these requirements is punishable with a fine of up to S\$5,000 (US\$3,825).

The Corporate Registers (Miscellaneous Amendments) Act also introduces a new mandate for both local and foreign companies as well as LLPs to disclose registrable controllers. Registrable controllers are individuals, such as CEOs, directors, partners, or entities, who exert executive influence over daily operations. Previously, there was no obligation for companies or LLPs to maintain such a registry. Now, these entities must identify and register all individuals or entities exercising executive control.

## Annual general meetings

Both publicly listed companies and non-listed companies in Singapore are required to hold an annual general meeting (AGM). Publicly listed companies must hold their AGMs within four months after the end of their financial year, while non-listed companies must hold it within six months after the end of their financial year. During the AGM, companies are expected to present their financial statements, providing shareholders with insights into the company's financial health. Moreover, shareholders are given an opportunity to raise questions and concerns about the company's operations.

Private limited companies and public companies incorporated in Singapore now have the option to hold virtual AGMs in addition to statutory meetings and extraordinary annual general meetings. Previously, AGMs were primarily conducted in person.

## Procedure for shareholder meetings

### Notice for shareholders

Shareholder meetings follow a specific procedure outlined by the Companies Act in Singapore. The company is responsible for sending out a notice to its shareholders, members, and officers, containing essential information related to the meeting. The notice must include the following details:

- **Date, time, and place of the meeting:** The notice should clearly state the scheduled date, time, and location of the shareholder meeting.
- **Agenda:** The notice should specify the topics and matters that will be discussed during the meeting.
- **Appointment of proxies:** The notice must inform members about their rights to appoint a proxy to attend and vote on their behalf if they are unable to attend the meeting personally.

- **Special resolution:** If any matter requires a special resolution, the notice should explicitly state the requirement for a special resolution.

In the case of an ordinary resolution, the notice must be sent to shareholders at least 14 days before the scheduled general meeting. For matters requiring a special resolution, the notice must be provided at least 21 days in advance of the general meeting.

### Electronic notices

Amendments to the Companies Act have introduced the option of sending notices electronically. This means that companies can now deliver notices via electronic means such as email, company websites, fax, or other electronic communication methods.

## Representative offices

A representative office (RO) is structured for foreign enterprises seeking a low-risk, exploratory presence in Singapore. It is ideal for companies that wish to assess market conditions before establishing a full legal entity. The RO is not a separate legal entity and cannot engage in commercial trading or revenue-earning operations in Singapore.

To qualify, the foreign parent company must typically have been in existence for at least three years and meet a benchmark annual sales turnover (commonly cited at around US\$250,000). The RO registration is initially valid for one year, and may be renewed annually for up to a total maximum of three years under the supervision of Enterprise Singapore.

ROs can be staffed by a maximum of five individuals, with the parent company bearing liability for the activities of the RO and is responsible for financing its operations. The RO is confined to activities set out by Enterprise Singapore, which include:

- Gathering of information on markets and potential clients;
- Carrying out research to ascertain product/service information;
- Developing trade contacts and manage product enquiries;
- Participating in trade shows and exhibitions; and
- Gathering information on regulatory requirements for the set-up of a permanent entity.

### Key requirements for setting up a representative office

As a temporary administrative office, the RO cannot engage in profit-yielding business activities and can only participate in information gathering or market research-based activities.

Investors wishing to establish a RO in Singapore must ensure:

- The parent company has been established for more than three years;
- The parent company has incurred an annual sales turnover of more than US\$250,000;
- The RO must appoint a Chief Representative who is a staff member from the parent company but may alternatively appoint a Singapore resident (not necessarily a citizen); and
- The RO does not hire more than five local employees as support staff.

## Variable capital companies

A Variable Capital Company (VCC) is a flexible corporate structure designed specifically for investment funds. Unlike traditional fund structures, VCCs offer greater flexibility in capital management, governance, and operational efficiency. This structure was introduced in January 2020 to enhance Singapore's position as a leading fund domicile and management hub. Since its launch, over 1,000 VCCs have been registered, encompassing nearly 2,000 sub-funds.

The VCC is regulated under its own legal framework through the Variable Capital Companies Act and offers more operational flexibility compared to investment fund structures currently available in the country through trusts, limited partnerships, or private limited companies. This means fund managers can establish investment funds across both traditional and alternative strategies and as open-ended or closed-end fund strategies.

Open-ended funds are offered through fund companies that sell shares directly to investors, allowing them to enter and exit according to their convenience. There is also no limit on the number of shares they can issue, if there is an appetite for the fund.

Close-ended investments, however, are overseen by a fund manager or brokerage firm and are listed on the stock exchange. There are a fixed number of shares that are issued.

The government hopes this flexibility will attract more investment funds to be domiciled in Singapore and bring the country to the forefront of the global investment services industry.

## What are the requirements of a VCC?

There are several key components of the VCC:

- At least one director must be a Singapore resident. For certain authorized funds, there must be at least three directors including a Singapore resident;
- A VCC must appoint a Singapore-based "Permissible Fund Manager" (PFM) licensed or registered with MAS. The entity cannot be self-managed;
- The VCC can have a single shareholder or hold a single asset;
- The requirements for investment funds listed under the Existing Securities and Futures Act (SFA) will apply to VCC's;

- The VCC must comply with AML/CFT obligations under MAS supervision;
- For an umbrella VCC, separate sub-funds must maintain separate accounts and may issue/redeem shares in each sub-fund;
- The VCC must have a registered office in Singapore and appoint a Singapore-based secretary; and
- It must be audited by a Singapore-based auditor and present its financial statements as per the International Financial Reporting Standards (IFRS) or US GAAP.

## What are the key benefits of using the VCC structure?

There are several benefits a VCC structure has over current collective investment schemes in Singapore:

- The VCC can be used as a standalone fund (comprising of a single investment portfolio) or as an umbrella entity with various sub-funds allowing for the segregation of portfolios and liabilities. Having multiple funds in a single VCC can improve cost efficiencies.
- The VCC capital will always be equal to its net assets. This is because the VCC's shares are only created when investments are made. This provides flexibility in the distribution and reduction of capital as dividends can be paid out of capital, easing the ability of fund managers to meet dividend payment obligations.
- Fund managers can easily re-domicile existing overseas investment funds by transferring their registration as a Singapore VCC.

There are also several tax benefits for VCC's. These include:

- A VCC is not burdened by the same capital requirements of an open-end fund in Singapore and has access to the country's more than 80 tax treaties.
- An umbrella VCC will only need to file a single corporate income tax return (CIT) to the Inland Revenue Authority of Singapore (IRAS).
- Income from a VCC can be exempt from tax if it qualifies for the government's Enhanced Tier Fund (ETF) Scheme. There are two criteria for this:
  - » The VCC must have a minimum fund size of S\$50 million (US\$ 38.2 million); and
  - » Must have a local business spend of S\$200,000 (US\$153,018).
- The VCC could qualify for the tax exemptions for startups scheme (SUTE) and obtain a 75 percent tax exemption on the first S\$100,000 (US\$76,509) of chargeable income during the first consecutive three years. The next S\$100,000 (US\$76,509) of chargeable income can receive a 50 percent tax exemption.
- The entity can recover goods and services tax (GST) on expenses occurred in Singapore.

## Companies in Singapore must maintain register of nominee shareholders and nominators

Singaporean and foreign companies registered in Singapore are now obligated to maintain a register of nominee shareholders and their nominators. Further, Singapore companies, foreign companies, or Singapore limited liability partnerships (LLPs) who have no registrable controller or are unable to identify the controller are required to identify individual(s) with executive control as their registrable controller.

The changes were set out under the Corporate Registers (Miscellaneous Amendments) Act, which was approved in January 2022. The Act amended the Corporate Registers (Miscellaneous Amendments) Act. Through these changes, Singapore aims to reaffirm its commitment to combat money laundering and other threats that threatens the integrity of the country's financial sector.

### Mandatory requirement to keep a register of nominee shareholders and their nominators

Local and foreign companies must maintain a non-public register of their nominee shareholders and their nominators at their registered office.

Before, businesses were not required to ascertain whether a shareholder was holding the shares on behalf of another person (nominator). Those appointed as nominee shareholders after October 4, 2022, must notify the company within 30 days of becoming a nominee shareholder.

The company or foreign company must update its non-public register within seven days after receiving information from a nominee shareholder or a nominator in their company. This new requirement aims to minimize the risk of companies in Singapore being controlled by illicit actors.

A nominee shareholder is defined as:

- A person or limited company that is registered as a holder of the shares in a company on behalf of another person or company; and
- Receives dividends in respect of the shares that they hold as a representative of another person or company.

Nominee shareholders must also notify the company if they cease to become a nominee shareholder within 30 days of cessation.

Non-compliance with these requirements is punishable with a fine of up to S\$5,000 (US\$ 3,825).

## Identification of individuals as registerable controllers

Another amendment under the act is the requirement for local and foreign companies and LLPs to identify registerable controllers.

Registrable controllers are individuals, such as chief executive officers, directors, partners, or even entities, that exercise executive control over the daily affairs of the company or LLP. There was no previous requirement for the company or LLP to maintain a register if they do (or are unable to identify) such individuals or entities.

The company or LLP must now identify all individuals or entities that have executive control and record them as the registerable controllers of the company or LLP. The amendments are aimed at improving the transparency of companies and LLPs that are established in Singapore. Non-compliance with these requirements is also punishable with a fine of up to S\$5,000 (US\$ 3,825). Every officer who is in default is also liable to the same amount.

LLPs and foreign companies have two business days to update any change of registerable controllers to the ACRA.

## ESG reporting

In Singapore, Environmental, Social, and Governance (ESG) reporting is increasingly vital as businesses recognize the necessity of addressing sustainability concerns and meeting stakeholder expectations. The Singapore Exchange (SGX) mandates all listed companies to disclose their sustainability practices and performance in their annual reports through a “comply or explain” approach.

## What is included in the sustainability report?

The sustainability report must include the following components:

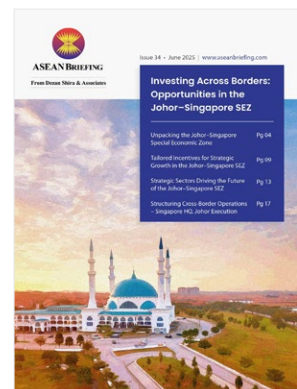
1. Material ESG factors;
2. Climate-related disclosures;
3. Policies and targets;
4. Sustainability reporting framework; and
5. Board statement and governance structure for sustainability practices.

## Material ESG factors

The company should review the ESG factors concerning the business value chain and its interaction with the physical environment and social community.



### RELATED READING



#### **Investing Across Borders: Opportunities in the Johor-Singapore SEZ**

*ASEAN Briefing Magazine  
June, 2025*

This publication sets out the rationale behind the Johor-Singapore SEZ, the sectors it is likely to support, and the broader context in which it is being developed. For foreign investors, it provides a starting point for understanding how the SEZ may evolve as a node within Southeast Asia's wider investment landscape.

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The company must review what ESG factors significantly impact business continuity i.e. the steps involved in creating a product or service.

## Climate-related disclosures

The business should provide climate-related disclosures that are in line with the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). These disclosures are the climate-related risks and opportunities that can impact the company's financial performance.

The TCFD has issued both sector-specific and general guidelines on implementing the TCFD recommendations.

## Policies and targets

The company should outline its targets, performance, and practices related to ESG factors in the sustainability report.

Targets should be set for short-, medium-, and long-term timeframes. Company policies related to ESG factors should provide descriptive and quantitative information about the company's performance in these areas during the reporting period.

## Sustainability and reporting framework

The business should select a suitable sustainability reporting framework tailored to its industry and business model. The business should choose a reporting standard that is internationally recognized as it enables easier comparisons with peer companies either in Singapore or worldwide.

Once a framework is chosen, the business should maintain consistency in adhering to that framework from year to year, as it helps the business to improve its reporting practices.

## Board statement

The Board of Directors will play a critical role in overseeing the sustainability issues within the company.

The board is tasked with identifying the ESG factors that are significant to the company's business and is responsible for managing and monitoring these ESG factors. Overall, this guidance emphasizes the Board's vital role in considering sustainability as an integral part of the company's strategy and success.

## Legislative changes for corporate service providers

The Corporate Service Providers Bill (CSP Bill) and the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill (CLLPMA Bill) were passed by the Parliament of Singapore in July 2024. These Bills aim to combat financial crime by strengthening the country's anti-money laundering regime.

Specifically, the CSP Bill aims to enhance the regulatory regime for corporate service providers in Singapore while the CLLPMA Bill will enhance the transparency of beneficial ownership of companies and limited liability partnerships.

The proposed amendments are not yet in effect, so businesses should stay informed by regularly checking for updates in the official Government Gazette.

### What are the key changes introduced in the CSP Bill?

The CSP Bill implements the following changes.

#### **Businesses providing corporate services must register with ACRA**

Businesses providing corporate services in and from Singapore must register with the Accounting and Corporate Regulatory Authority as a corporate service provider (CSP). This is now obligatory even if the company does not file transactions on behalf of their customers with ACRA.

Further, companies that carry out activities in relation to the provision of accounting services must be registered with ACRA.

Entities that breach the requirement to be registered as a corporate service provider is liable for a fine of up to S\$50,000 (US\$38,255) and imprisonment of up to two years.

#### **Comply with anti-money laundering obligations**

Registered CSPs must comply with anti-money laundering obligations. Any breach of such obligations can result in criminal liability for the CSP and their senior management, with fines of up to S\$100,000 (US\$76,509) for each offense

#### **Fit and proper tests for nominee directors**

Individuals can only be appointed as nominee directors for a business if a registered CSP arranges the appointments. Further, the CSP must have assessed the individual as fit and proper.

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Non-compliant individuals can be liable for a fine of up to S\$10,000 (US\$7,651) while non-compliant CSPs can be liable for a fine of up to S\$100,000 (US\$76,509).

The changes aim to prevent the misuse of nominee directorships in creating shell companies for money laundering, particularly when CSPs appoint unqualified individuals as nominee directors for clients.

## What are the key changes introduced in the CLLPMA Bill?

The CLLPMA Bill introduces the following changes.

### **Disclosure of nominee status**

Companies must now disclose the nominee status of their nominee directors to ACRA. Upon disclosure, the nominee status of the directors and shareholders will be made publicly available, but their nominators' identities will not be disclosed.

### **Increase in fines for the register of registrable controllers**

Companies and LLPs will face increasing fines if they fail to maintain accurate and up-to-date registers of registrable controllers, nominee shareholders, and nominee directors with ACRA. The fines range from S\$5,000 (US\$3,851) to S\$25,000 (US\$19,128).

## Thailand

In Thailand, a company is considered to be foreign-owned if more than half of its shares are owned by non-Thai individuals. Investors should then refer to the Foreign Business Act (FBA), the main law which dictates the sectors that 'foreign' companies are allowed or forbidden to engage with.

The FBA governs private limited companies, and as such, foreign investors can only own 49 percent of the company.

### **Private limited company**

Establishing a private limited company is the preferred structure for foreign investors looking to have a legal presence in the country. The government recognizes two types of limited companies – private limited companies and public limited companies. The first is governed by the Civil and Commercial Code and the latter is governed by the Public Limited Company Act.



In Thailand, a company is considered to be foreign-owned if 50 percent or more of its shares are held by non-Thai individuals or entities. Investors should then refer to the Foreign Business Act (FBA), the main law that dictates the sectors in which foreign companies are allowed or prohibited to engage.

The FBA governs private limited companies, and as such, foreign investors can only own 49 percent of the company. For foreign investors to achieve 100 percent ownership, they need to obtain:

- A Foreign Business License (FBL);
- Obtain promotion from the Board of Investment (BOI); or
- An Investment Support Office license (TISO), issued by the BOI provided that annual sales are more than 10 million baht (US\$307,373) and their business plan is approved by the BOI; or
- Register through the Treaty of Amity (for US citizens and corporations only, although Americans cannot engage in the reserved businesses of communications, transportations, land ownership, etc.).

Often, the difficulty and associated costs with obtaining an FBL have been pushing investors to enter the market through joint ventures with local partners.

There are three lists annexed in the Foreign Business Act.

1. List one – business activities not permitted for foreigners due to special reasons (e.g., animal husbandry, fisheries, farming or horticulture, trading in land).
2. List two – business activities that are related to national security, natural resources, or traditional handicraft. Such activities require special approval from the Cabinet (e.g., manufacture, distribution, and maintenance of firearms, wood carvings, manufacture of Thai musical instruments, mining of rock salt, furniture production, and mining activities).
3. List three – business activities where Thai nationals are currently unable to compete with foreign businesses. Still, foreign companies will need the approval of the Thai Ministry of Commerce to engage in activities under list three (e.g., rice milling, forestry, legal services, accountancy, engineering, tourism, advertising, and sale of food and beverages).

## Setup requirements

All limited companies are required to have shareholders, directors, and promoters. Company promoters are responsible for registering the company with the Ministry of Commerce (MOC) and are the ones that sign documentation during the registration process.

There must also be a minimum of three promoters for a private limited company, and 15 for public companies. Each promoter must be among the company's initial shareholder upon registration.



The process for company registration can be completed within one business day. Initially, a promoter will need to register a company name to the Department of Business Development (DBD). The promoter should provide the company name with two alternative names, and once approved, the name is reserved for 30 days.

Further, a foreign-owned company not subject to a foreign business license requirement must have a minimum capital of 2 million baht (US\$61,531). For foreign-owned companies that are subject to a foreign business license, the minimum capital requirement is 25 percent of the estimated average expenses for three years of operation or 3 million baht (US\$92,288) (per activity, which is restricted to the allowed activities set out under the FBA).

## Registering the Memorandum of Association

After registering a name, the company will need to submit its Memorandum of Association (MOA) to the DBD. The MOA must contain:

- Name of the proposed company;
- Address;
- The company's proposed objectives;
- The declaration that the liability of the shareholders will be limited; and
- The number of shares prescribed by each promoter.

## Convening a statutory meeting

The statutory meeting is called to do the following:

- Adopt the Articles of Association of the company;
- Appointment of directors and auditors;
- Ratification of the business activities; and
- Establishment of shares.

## Tax registration

Once the company is registered, it must register for a corporate tax ID card from the Revenue Department within 60 days of incorporation. Businesses that have an annual turnover of 1.8 million baht (US\$55,373), must register for VAT within 30 days after reaching the 1.8-million-baht ceiling.

## Why foreign investors should seek BOI promotion?

Foreign investors can have 100 percent ownership of a Thai company if the businesses are promoted by the BOI.



In order to be promoted by the BOI, the business must engage in eligible activities included in the Investment Promotion List, which is regularly updated by the BOI.

In the most recent list, released on December 9, 2022 (Announcement No. 9/2565), activities eligible for BOI promotion are categorized into the following four divisions:

- Division 1: Agriculture, food, biotechnology, and medical industries
- Division 2: Machinery, automotive, electrical appliances, and electronics
- Division 3: Metal, material, chemical, and petrochemical industries and public utilities
- Division 4: Digital and creative industries and high-value services

Companies that are promoted by the BOI are eligible for a variety of fiscal and non-fiscal incentives. These include exemptions and reductions of taxes, reduction in the import duties of machinery, permission to bring skilled foreign workers, and the ability to remit money abroad in foreign currency, among others.

## BOI approval and rejection

The BOI will normally inform the company of its approval or rejection within 40 to 90 working days from the date of receiving a complete application. The timeline depends on the investment size.

- An investment of less than 200 million baht (US\$6.1 million) is considered within 40 days from the date of submission.
- An investment of more than 200 million baht (US\$6.1 million) but less than 2 billion baht (US\$61 million) is considered within 60 days from the date of submission.
- An investment exceeding 2 billion baht (US\$61 million) is considered within 90 days from the date of submission.

## Representative office

Establishing a representative office in Thailand is a relatively simple process compared with setting up a foreign-owned company. The RO can be 100 percent foreign-owned and is often the popular choice of business entity for foreign investors who are still exploring the Thai market. The RO can assist the parent company in finding new partnerships or opportunities.

A major advantage of establishing a representative office in Thailand is that this entity does not require a Foreign Business License.

The FBL is regulated under the Foreign Business Act, which restricts the activities that foreign companies can engage in. It is also important to note that the RO is not allowed to earn an income in Thailand.



If the Thai Authorities realize that the RO is performing activities which are not listed, the RO can be:

- Cancelled;
- Fined; or
- Considered as a permanent establishment and will have to pay corporate income tax and submit audited financial statements.

## Setup requirements

The foreign parent company must submit the following documents to the Department of Business Development at the Ministry of Commerce.

- Application form for establishing a representative office in Thailand;
- Copy of the company affidavit that showcases the name, objectives, capitals, and details of directors; and
- A notarized copy of the power of attorney for the agent or principal manager who will manage the day-to-day operations of the representative office. The agent can be a Thai national or a foreigner. If a foreigner is appointed, they will need to submit their passport details and evidence of permission to enter and stay in Thailand.

All the mentioned documents need to be notarized and certified by a local Thai embassy.

## Capital requirements

The representative office requires a minimum of 3 million baht (US\$92,241). If the RO is supposed to operate for less than three years in Thailand, then the entire required minimum capital needs to be injected within six months of being registered.

However, if the RO is supposed to operate for more than three years, then the capital can be injected as follows:

- A minimum of 25 percent of the total required capital within three months of being registered;
- Another 25 percent within the first year;
- 25 percent within the second year; and
- 25 percent in the third year.

## What are the permitted business activities of a representative office in Thailand?

The RO is not permitted to earn income and therefore its activities are limited to the following:

- 
- Conducting market research and reporting business trends in Thailand for the foreign parent company;
  - Source goods and services for the parent company;
  - Checking and controlling the quality of goods or services purchased by the parent company;
  - Planning of sales promotions; and
  - Advising Thai customers about the goods or services sold by the parent company.

## The hiring of foreign staff

A Thai representative office can take advantage of the reduced requirements to hire foreign staff. The RO can provide work permits for a maximum of two foreign employees while a Thai limited company is subject to a work permit ratio of four Thai employees for each foreign employee.

To hire one foreign employee, 2 million baht (US\$58,685) must be transferred to the Thai bank account of the RO. In order to hire a second foreign worker, another 2 million baht will need to be transferred.

## Branch office

Establishing a branch office in Thailand is often considered more complex, costly, and timely compared to setting up a private limited company, but since the branch office is considered an extension of its foreign head office, it can therefore be 100 percent foreign-owned and will not have separate shareholders from those in the head office.

Since the branch office is an extension of the head office, this business entity is allowed to generate revenue in Thailand and must meet the requirements specified in the Foreign Business Act of 1999, such as obtaining a Foreign Business License and registering for VAT. Further, the head office is held responsible for the liabilities of the branch office. The branch office must adhere to the same lists set out in the FBA as mentioned under the private limited company section.

## Setup requirements

The parent company will need to fulfill the following criteria to the Thai Ministry of Commerce before establishing the branch office.

## Company documents

A copy of the company's incorporation documents, members of the board of directors, the official place of business, and business objectives.

## Appointing an agent to head the branch office

A letter stating the appointment of an agent who will head the branch office. The individual can be a Thai national or a foreigner. If a foreigner is appointed, they will need to submit their passport details and evidence of permission to enter and stay in Thailand.

## Business activities

A declaration on the type of business activities and type of business license including the size of the operations, the size of the workforce in Thailand, and a declaration on how Thailand will benefit from the business operation.

## Applying for a Foreign Business License

After fulfilling the mentioned criteria, the branch office must then apply for a Foreign Business License under the category that best fits the company's business activity. Obtaining an FBL usually takes 60 days from the date the application is submitted. Once approved, the branch office will be considered legally registered.

Each application submitted to the Ministry of Commerce is reviewed on its own merits, and as mentioned, the parent company will need to showcase how the branch office will benefit Thailand. When the application is accepted by the Ministry of Commerce, it will be reviewed by the Foreign Business Committee within 60 days after acceptance. In the case of an application being rejected, the Ministry of Commerce will inform the applicant within 15 days in writing, stating the explicit reason why the application was denied. Companies can appeal this decision.

## Minimum capital requirement

The minimum capital requirement is 3 million baht (US\$92,241). No less than 25 percent of this amount must be brought into Thailand within three months of approval. During the same year of operations, 50 percent must be remitted and the remaining 25 percent to be remitted the year after.

# Timor-Leste

Timor-Leste's small but steadily developing economy offers growing potential in oil and gas, agriculture, tourism, and light manufacturing. The government is diversifying away from petroleum dependence and encourages private-sector development through fiscal incentives and public-private partnerships. Timor-Leste's accession process to ASEAN is also driving alignment with regional standards on trade, investment, and corporate regulation.



Company establishment is regulated under the Commercial Companies Law (Law No. 10/2017) and Business Registration and Verification Services (BRVS) under the Ministry of Tourism, Commerce and Industry. Foreign investment is governed by the Private Investment Law (Law No. 15/2017), which provides equal treatment to foreign and domestic investors, guarantees the right to repatriate profits, and sets out the investment-approval process managed by TradeInvest Timor-Leste, the national investment promotion agency.

## Forms of business entities

Foreign investors can establish several legal structures in Timor-Leste:

- Sociedade por Quotas de Responsabilidade Limitada (LDA) – a private limited liability company requiring at least two shareholders.
- Sociedade Anónima (SA) – a public limited company suitable for larger enterprises.
- Branch office – an extension of a foreign company without separate legal personality, registered through BRVS.
- Representative office – used for liaison or market-research purposes, not permitted to generate income locally.

## Registration procedures

Company registration in Timor-Leste is handled by the Business Registration and Verification Service (SRVE) under the Ministry of Tourism, Commerce and Industry. While all entities are registered through the same authority, each structure follows a distinct process and documentation path.

### Limited Liability Company

The Sociedade por Quotas de Responsabilidade Limitada (LDA) is the most common vehicle for both domestic and foreign investors.

- Filing authority: SRVE (in person or through the online Business Registration Portal).
- Documents required:
  - » Articles of association, notarized in Portuguese or Tetum.
  - » Identification of shareholders and directors.
  - » Proof of minimum paid-up capital deposit (US\$5,000).
  - » Registered office address.
- Outcome: Upon approval, the company receives its business registration certificate, tax identification number (TIN), and is automatically enrolled with the national social security institute (INSS).
- Processing time: Approximately 3 to 5 working days.

## Public Limited Company

The Sociedade Anónima is suitable for larger projects or investors seeking greater capital flexibility.

- Filing authority: SRVE.
- Documents required:
  - » Articles of association and proof of subscribed share capital (minimum US\$50,000).
  - » Board resolution appointing directors.
  - » Evidence of capital deposit verified by a Timorese bank.
  - » Appointment of a statutory auditor at incorporation.
- Outcome: Issuance of the Business Registration Certificate and tax number after verification by SRVE.
- Processing time: 7 to 10 working days.

## Branch Office

A branch office represents a foreign parent company and operates as its legal extension in Timor-Leste.

- Filing authority: SRVE, under the category of foreign company registration.
- Documents required:
  - » Certified and translated copies of the parent company's certificate of incorporation and charter.
  - » Power of attorney designating a local representative.
  - » Proof of a registered office in Timor-Leste.
  - » Board resolution authorizing the branch establishment.
- Outcome: The branch obtains a local tax identification number, enabling it to conduct commercial activities, though it remains legally dependent on the parent entity.

## Representative office

A representative office serves as a non-commercial liaison for market research or coordination activities.

- Filing authority: SRVE.
- Documents required:
  - » Letter of intent describing the proposed activities.
  - » Authorization letter from the parent company.
  - » Proof of local address for correspondence.

- Outcome: The representative office is not registered for income tax but must enroll with the INSS if it hires local employees. It cannot engage in profit-generating transactions or sign commercial contracts.

## Vietnam

Due to the dynamism of Vietnam's economy in recent years, the country has become an appealing destination for foreign investors. Investors have a number of options for entry into the Vietnamese market.

### Wholly foreign-owned enterprise

A wholly foreign-owned enterprise (WFOE) in Vietnam can operate under the following structures.

- Joint stock companies; and
- Limited liability companies.

Limited liability companies (LLC) are the most common form of investment for foreign investors due to their reduced liability and capital requirements. LLCs can be broken down into single-member LLCs, where there will only be one owner, and multiple-member LLCs, where there will be more than one stakeholder. These owners can be private individuals or companies, depending on the requirements of a given investor. The setup time for a WFOE ranges between two to four months on average.

For most sectors and business lines, Vietnam requires no minimum capital requirements. However, the registered capital will be assessed by The Department of Planning and Investment for whether it is adequate to cover the expenses of the business until it generates enough revenue to cover its costs. It is possible to setup a basic business services company with less than US\$15,000 in some cases, but in most cases, it would be at or above this threshold, depending on the nature of the business.

It is best to verify whether your business may require minimum capital investment however, given that some industry sectors (business lines) do have requirements. Examples include:

- Finance, Banking, Insurance and Fin-tech;
- Language centers or Vocational schools; and,
- Medical clinics.

### Set up requirements

While Vietnam is a highly attractive investment destination for foreign investors, it still has a complex legal process for establishing a company.



The first step in the Vietnamese corporate establishment process is an application for an Investment Registration Certificate (IRC). This is required of all WFOE investment projects and establishes the right of the foreign enterprise to invest within Vietnam.

To apply, an investor must meet the following requirements:

- Application for implementation of investment project (this should include details of the project in Vietnam);
- Proposal of investment project (should include the details of the investment project, including lease agreements or land use needs); and
- Financial statements (to be provided for the last two years of a company's operation; additional information may be required to prove financial capacity).

The next step is applying for the enterprise registration certificate (ERC). The ERC is required for all projects that seek to set up new entities within Vietnam. When obtained, the ERC will be accompanied by a number that will double as the tax registration number of the entity. As part of the application process, the following information should be prepared:

- Application for enterprise registration;
- Company charter;
- List of all board members; and
- List of legal representatives.

Once the IRC and ERC have been issued, additional steps have to be taken to complete the procedure and start business operations. This includes:

- Seal carving;
- Bank account opening;
- Labor registration; and
- Business license tax payment.

## Representative office

A representative office (RO) offers a low-cost entry for companies seeking to gain a better understanding of the Vietnamese market. As such, this option is among the most common for first-time entrants to the Vietnamese market and often precedes a larger presence within the country.

### What are ROs permitted to do?

ROs are permitted to engage in the following activities:

- Conducting market research;
- Acting as a liaison office for its parent company;
- Promoting the activities of its head office through meetings, and other activities, leads to a business at later stages.

Representative offices are dependent on their parent company and are not allowed to generate their profits or enter directly into contracts. They are also not allowed to issue invoices.

## Setup requirements

Pre-licensing checklist for setting up an RO:

1. File an application for setting up an RO with company chop or seal;
2. Appointment letter of Chief of RO with identification documents and company seal;
3. Power of attorney in favor of consultant to submit the application dossier;
4. Certificate of Incorporation for the Company and/or Business Registration Certificate of the Company;
5. Audited financial report of the company for the latest fiscal year;
6. Memorandum of Understanding (MoU) of leasing office or leasing contract; and
7. Documents providing legal rights of landlord regarding the right of the leasing office.

For steps 1 to 6, the foreign entity would require one notarized and consularized copy of each document and a translated copy in Vietnamese by a Vietnamese competent authority.

A signed leasing contract is also required before registering an RO in Vietnam.

Post-licensing checklist for setting up an RO:

8. Make a seal for the RO;
  - » License on the establishment of RO; and
  - » Passport of Chief of RO if a foreigner or passport/ID card if Chief is Vietnamese.
9. Register a tax code for the RO;
  - » Declaration to register a tax code;
  - » Power of attorney;
  - » Certificate of seal registration; and
  - » Certificate of RO in Vietnam.
10. Open a bank account of RO;
  - » License on the establishment of RO;
  - » Certificate of seal registration;
  - » Certificate of tax code registration; and
  - » Letter of authorization appointing the authorized signatories of the bank accounts.

#### 11. Announcement of the establishment of RO of Company.

For steps 8 to 10, notarized and translated documents will be required to complete the process.

### How long does it take to set up an RO?

ROs can be set up in six to eight weeks. We recommend hiring a professional service advisor to deal with the myriad of laws and procedures. Given the absence of in-country revenue and associated licensing requirements, the setup process for this option does not entail as many bureaucratic procedures as others. An RO license is valid for five years but can be extended for another five years.

### What comes next?

Hiring, tax, and reporting. There is no cap on the number of local and expatriate employees that a representative office can hire as long as their employment is properly documented. All expatriate hires, including the chief representative, are required to have a work permit. ROs can hire staff directly or use the assistance of recruiting agencies. An RO is not subject to Vietnamese corporate income tax (CIT). However, it is responsible for declaring its employees' personal income tax (PIT).

To determine payable tax, ROs have to undertake a tax audit, which checks all revenues and expenses during the tax term to establish grounds for declaring and paying tax.

The RO also has to send reports of its activities of the previous year to the Department of Industry and Trade before January 30 of each year.

### Branch office

A branch office (BO) can conduct business activities in Vietnam with the parent company's business scope. To set up a BO, a parent company must have conducted business in its home country for at least five years. BOs are limited to certain types of service businesses, such as finance and banking. BOs can hire staff directly, make it easier to do contracts between parent companies and Vietnamese companies, and serve in similar ways to a liaison office. BOs are permitted to engage in the following activities:

- Rent offices;
- Lease or purchase the equipment and facilities required for operations;
- Recruit local and foreign employees;
- Remit profits abroad;

- Purchase and sell goods and commercial activities per licensing; and
- Set up accounting, marketing, and HR departments to represent the parent company.

The BO will need to obtain an establishment license and have a seal with the name of the parent company. The BO will also need to appoint a branch manager who is a Vietnam resident.

Foreign companies may appoint a manager from their countries of origin; however, this employee must get a Vietnam work permit to be hired as a BO manager. The Department of Industry and Trade approves the registration of the BO after the company submits all the documents, with the process taking 15-30 working days.

## Setup requirements

### 1. Confirm eligibility

Ensure the foreign parent company is duly incorporated and actively operating, preferably for at least five years. Its intended Vietnam activities must align with the parent's existing business lines and comply with Vietnam's foreign investment rules.

### 2. Secure an office and appoint a branch head

Obtain a lease or memorandum of understanding (MoU) for a non-residential office. Appoint a branch manager responsible for local operations; if foreign, they will require a valid work permit after licensing.

### 3. Prepare the application dossier

Prepare and legalize the following:

- Application form for the Branch Establishment License
- Legalized parent company registration certificate
- Latest audited financial statements or tax certificate
- Letter appointing the branch head with passport/ID
- Office lease and landlord documentation

All foreign documents must be consular-legalized and translated into Vietnamese.

### 4. Submit to the department of industry and trade

File the dossier with the provincial Department of Industry and Trade (DOIT). Approval usually takes 15–30 working days once all documents are complete.

### 5. Post-Licensing Compliance

After approval, the branch must:

- 
- Register its seal and tax code
  - Open local bank accounts
  - Register employees and social insurance
  - Maintain accounting records and file taxes under Vietnamese law
  - The branch license is valid for up to five years and can be renewed before expiry.

## Public-private partnership

A public-private partnership (PPP) entails a partnership between a foreign or domestic enterprise and the government for the completion of key infrastructure projects. Vietnamese authorities are aggressively pursuing PPPs for a variety of infrastructure projects as a means of filling gaps left by the reduced role of state-owned enterprise, rising population, and increasing urbanization. The five types of PPPs are: Build-Transfer-Operate (BTO), Build Transfer (BT), Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), and Build, Transfer and Lease (BTL).



# ASEAN's free trade agreements

The Association of Southeast Asian Nations (ASEAN) has ratified a robust network of free trade agreements (FTAs) that are dramatically reshaping global sourcing and manufacturing. The regional bloc's internal tariff reduction regime — now embodied in the ASEAN Free Trade Area (AFTA) via the Common Effective Preferential Tariff (CEPT) of 0-5 percent for goods originating in ASEAN — underpins its ambition to become a production base for global markets.

## ASEAN Free Trade Area

The ASEAN Free Trade Area (AFTA) was signed in 1992 with the aim to be a catalyst to help ASEAN become a production base for global markets. Under the agreement, goods originating in ASEAN are applied a 0-5 percent tariff rate.

## ASEAN-Australia and New Zealand FTA

The ASEAN-Australia and New Zealand Free Trade Area (AANZFTA) came into force in January 2010. Through the AANZFTA, 90 percent of tariffs were eliminated and barriers to trade in services have been progressively liberalized following increased market access.

## ASEAN-People's Republic of China FTA

This agreement was signed in 2002 and by 2004, Indonesian exports were open to the Chinese market. Some 90 percent of tariffs on imported goods have been reduced or eliminated.

## ASEAN-Hong Kong, China FTA (AHKFTA)

This trade agreement came into force in June 2019. Indonesia will eliminate duties for 75 percent of its products within 10 years and another 10 percent of its tariff lines within 14 years.

## ASEAN-India FTA

The ASEAN-India Free Trade Area (AIFTA) was signed in 2009, resulting in one of the world's largest FTAs. The agreement has seen tariffs eliminated for 90 percent of products traded between the two regions, which includes for products such as palm oil, pepper, tea, and coffee.



**PRITESH SAMUEL**

Head of Business Intelligence  
Dezan Shira & Associates  
Ho Chi Minh City Office

*“ASEAN has entered into a number of free trade agreements with other Asian nations that are now radically altering the global sourcing and manufacturing landscape.”*



## ASEAN-Japan Comprehensive Economic Partnership

The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) was enforced in 2008. AJCEP liberalizes trade in goods between Japan and the bloc, particularly in areas such as intellectual property, agriculture, fisheries, and forestry.

## ASEAN-Republic of Korea Comprehensive Economic Cooperation Agreement

The ASEAN-Republic of Korea Free Trade Agreement (AKFTA) was signed in 2005 and has eliminated more than 90 percent of tariffs between ASEAN and the Republic of Korea. Additionally, the agreement has also liberalized the investment process and there has been enhanced cooperation in trade services.

## Regional Comprehensive Economic Partnership

The Regional Comprehensive Economic Partnership (RCEP), signed November 15, 2020 and effective as of early 2022, brings together all 11 ASEAN countries plus Australia, China, Japan, New Zealand and South Korea — creating the world's largest trade bloc by some measures and underscoring the region's role in global value chains.

While these FTAs are functioning, investors should nonetheless examine the specific implementation schedules, rules of origin, tariff-phase-down tables and service-investment commitments for each partner country. Also, ASEAN and China are currently negotiating an upgraded version of ACFTA (so-called “3.0”) to deepen coverage into digital, green and supply-chain sectors.





The Association of Southeast Asian Nations (ASEAN) represents a highly integrated economic region when compared to other parts of the world. Yet, in terms of taxation, there is a wide variation among its 10 member states.

ASEAN tax coordination is limited to the elimination of certain withholding taxes and the completion of the network of double tax treaties among all ASEAN countries. Companies that are looking to enter emerging markets in ASEAN must take note of the various taxes they may be subject to, and their variation across the region.

## Brunei

A company is considered a resident if it is managed and controlled in Brunei, whereas a person who is physically present in the Sultanate for 183 days or more during the year is also considered a resident.

### Tax structure

Businesses in Brunei will be impacted by the following taxes:

- Corporate income tax;
- Value-added tax;
- Withholding tax; and
- Petroleum tax.

### Corporate income tax

A company is subject to tax on income derived from Brunei.

The corporate income tax (CIT) rate is 18.5 percent and is charged on the following threshold:

- 25 percent of the first BND 100,000 (US\$76,533) is charged at the 18.5 percent rate;
- 50 percent of the first BND 150,000 (US\$114,800) is charged at the 18.5 percent rate; and
- 100 percent for the amount above BND 250,000 (US\$191,336) is charged at the 18.5 percent rate.

### Value-added tax

There is no value-added tax (VAT) or sales tax in Brunei.

## Withholding tax

For resident companies in Brunei, there is no withholding tax on dividends, interest, royalties, and fees for technical services. Non-resident companies, however, will have to pay rates between 2.5 to 10 percent.

| Rates for Resident and Non-Resident Companies in Brunei |              |               |
|---------------------------------------------------------|--------------|---------------|
| Nature of income                                        | Tax rate (%) |               |
|                                                         | Residents    | Non-residents |
| Dividends                                               | 0            | 0             |
| Interest                                                | 0            | 2.5           |
| Royalties                                               | 0            | 10            |
| Fees for technical services                             | 0            | 10            |

## Personal income tax

There is no personal income tax in Brunei, however, employers are required to contribute 5 percent of the wages of local employees to the Employees Trust Fund.

## Petroleum tax

Under the Income Tax (Petroleum) Act of 1963, oil and gas companies operating in the country are subject to a special 55 percent income tax rate.

## Brunei's double tax avoidance agreement (DTA) network

There is no withholding tax on dividends for resident and non-resident companies as well as no withholding tax on interest and royalties for resident companies. There is a withholding tax rate of 2.5 percent, 10 percent, and 10 percent for payment paid on interest, royalties, and fees for technical services for non-resident companies.

| Countries with Signed DTAs with Brunei |           |               |             |                      |
|----------------------------------------|-----------|---------------|-------------|----------------------|
| A-B                                    | C-J       | K-O           | P-S         | T-Z                  |
| Bahrain                                | Cambodia  | Korea (South) | Pakistan    | United Arab Emirates |
|                                        | China     | Kuwait        | Philippines | United Kingdom       |
|                                        | Hong Kong | Laos          | Qatar       | Vietnam              |
|                                        | Indonesia | Luxembourg    | Singapore   |                      |
|                                        | Japan     | Malaysia      |             |                      |
|                                        |           | Oman          |             |                      |

## Cambodia

The Law of Taxation is the principal taxation law in Cambodia and taxpayers must submit and pay their taxes to the General Department of Taxation (GDT) on an annual and monthly basis.

### Tax structure

Most businesses will be affected by the following taxes:

- Corporate income tax;
- Minimum tax;
- Value-added tax;
- Withholding tax; and
- Personal income tax.

### Corporate income tax

The standard corporate income tax (CIT) rate in Cambodia is 20 percent, which is implemented through a self-assessment regime.

There are three classes of taxpayers:

- Small taxpayers;
- Medium taxpayers; and
- Large taxpayers.

Under Prakas 009 issued in 2021, Cambodia's Ministry of Economy and Finance introduced a clear framework for classifying taxpayers into small, medium, and large categories.



The classification depends mainly on annual turnover and the value of business assets, ensuring that tax obligations reflect the scale of each enterprise.

Small taxpayers in the agriculture, commercial, and service sectors are those with annual turnover between KHR 250 million (US\$61,000), and KHR 1 billion (US\$245,000). For industrial businesses, the small-taxpayer range extends up to KHR 1.6 billion (US\$393,000).

Medium taxpayers in agriculture report turnover between KHR 1 billion (US\$245,000) and KHR 4 billion (US\$983,000). In commercial and service activities, the range increases to between KHR 1 billion and KHR 6 billion (US\$14 million). Industrial companies fall within the medium category if their turnover is between KHR 1.6 billion and KHR 8 billion (US\$1.9 million). Any business exceeding these upper limits is classified as a large taxpayer.

If the declared turnover does not match the true scale of operations, the General Department of Taxation may reclassify a business based on its asset value. Under this test, a small taxpayer in the agriculture, commercial, or service sectors has assets between KHR 200 million (US\$49,000) and KHR 1 billion. For industrial enterprises, the range extends up to KHR 2 billion (US\$491,000). Medium taxpayers hold assets between KHR 1 billion and KHR 2 billion in agriculture, commercial, and service activities, and between KHR 2 billion and KHR 4 billion in industry. Any company with assets above KHR 2 billion in the agriculture, commercial, or service sectors, or above KHR 4 billion in the industrial sector, is considered a large taxpayer.

This classification system ensures consistency in tax administration and helps align reporting standards with the true economic size of businesses across Cambodia.

Meanwhile, business entities engaged in oil and natural gas production and the exploitation of natural resources will be subject to a 30 percent CIT rate. Entities engaging in Qualified Investment Projects (QIP) will generally pay a zero percent rate.

## Minimum tax

The minimum tax is imposed on taxpayers who maintain improper accounting records. The minimum tax due is equal to one percent of total turnover, except value-added tax (VAT), and is irrespective of whether the taxpayer is in a profit or loss situation.

## Value-added tax

VAT is levied on goods and services as well as the sales of fixed assets. The standard rate is 10 percent although some businesses are eligible for zero percent VAT if they engage in activities that support exporters. These include garment, textile, and footwear industries.

## Withholding tax

Withholding tax applies to both residents and non-resident companies in Cambodia. There is no withholding tax on dividends paid to resident companies, whereas non-residents will pay a 14 percent rate. The tax rate on interest, royalties, and fees for technical services is 15 percent for resident companies and 14 percent for non-resident companies.

| Withholding Tax Rates for Resident and Non-Resident Companies in Cambodia |              |                                                   |
|---------------------------------------------------------------------------|--------------|---------------------------------------------------|
| Nature of income                                                          | Tax rate (%) |                                                   |
|                                                                           | Residents    | Non-residents                                     |
| Dividends                                                                 | 0            | 14 + Advance tax on dividend distributions (ATDD) |
| Interest                                                                  | 15           | 14                                                |
| Royalties                                                                 | 15           | 14                                                |
| Fees for technical services                                               | 15           | 14                                                |

## Personal income tax

Cambodia does not impose personal income tax per se, instead, there is a tax on monthly salaries imposed on individuals who derive income from the country. The term salary also includes, in addition to wages, remunerations, bonuses, and other fringe benefits.

A resident employee is taxed on their worldwide sources of income whereas non-residents are taxed on Cambodia-sourced income.

An individual is considered a resident in Cambodia if they domicile in the country or are in Cambodia for than 182 days in any 12-month period.

Cambodia introduced new income tax thresholds for 2023 under Sub-Decree 196. The decree determines the taxable income earned by physical persons, sole proprietorships, and the distributive share of partners in a partnership, as well as for determining the monthly taxable salaries received by resident employees.

### Monthly Tax on Salary for Resident Employees

| Monthly Salary Range                                   | Tax rate (%) |
|--------------------------------------------------------|--------------|
| Up to KHR 1,500,000 (US\$362)                          | 0            |
| KHR 1,500,001 (US\$363) – KHR 2,000,000 (US\$482)      | 5            |
| KHR 2,000,001 (US\$483) – KHR 8,500,000 (US\$2,051)    | 10           |
| KHR 8,500,001 (US\$2,052) – KHR 12,500,000 (US\$3,015) | 15           |
| Over KHR 12,500,000 (US\$3,016)                        | 20           |

### Annual Taxable Income for Individuals, Sole Proprietorships, and Partners in Partnerships

| Taxable Income Range                                        | Tax rate (%) |
|-------------------------------------------------------------|--------------|
| Up to KHR 18,000,000 (US\$4,340)                            | 0            |
| KHR 18,000,001 (US\$4,341) – KHR 24,000,000 (US\$5,790)     | 5            |
| KHR 24,000,001 (US\$5,791) – KHR 102,000,000 (US\$24,610)   | 10           |
| KHR 102,000,001 (US\$24,611) – KHR 150,000,000 (US\$36,190) | 15           |
| Over KHR 150,000,000 (US\$36,191)                           | 20           |

Non-residents are taxed at a flat rate of 20 percent.

## Cambodia's DTA network

There is no withholding tax on dividends for resident companies whereas there is a withholding tax rate of 15 percent on interest and royalties paid to resident companies.

| Countries with Signed DTAs with Cambodia |           |                                                                       |             |          |
|------------------------------------------|-----------|-----------------------------------------------------------------------|-------------|----------|
| A-B                                      | C-J       | K-O                                                                   | P-S         | T-Z      |
| Brunei                                   | China     | Malaysia                                                              | Singapore   | Thailand |
|                                          | Hong Kong | Macau Special Administrative Region of the People's Republic of China | South Korea | Turkey   |
|                                          | Indonesia |                                                                       |             | Vietnam  |

## Indonesia

The Harmonized Tax Law (HTL) or Law No. 7/2021 introduced major changes to Indonesia's existing tax structure. The changes included an increase in the value-added tax (VAT) rate, a new carbon tax, scrapped plans to reduce the corporate income tax (CIT), and changes to the topline personal income tax (PIT) rate.

### Tax structure

There are a variety of taxes in the country, including CIT, personal income tax, VAT, and digital tax.

### Corporate taxation

Corporate income tax is set at a basic rate of 22 percent. There are several benefits given to businesses regarding the CIT if they fulfil the following conditions:

- Companies that are listed on the stock exchange that offer the minimum requirement of 40 percent of total share capital are subjected to a three percent tax cut from the standard rate;
- Companies that have an annual turnover of 50 billion rupiah (US\$2.9 million) are eligible for a 50 percent tax cut from the standard rate, which is imposed proportionally on the part of the gross turnover of up to 4.8 billion rupiah (US\$287,729); and
- Companies with gross turnover of no more than 4.8 billion rupiah are subject to a 0.5 percent tax of total turnover.

### Value-added tax

Value-added tax (VAT) in Indonesia is imposed on the provision of services or the transfer of taxable goods. As of November 2025, the following rates apply:

- 12 percent VAT applies only to certain luxury goods and services, following the government's directive that limited the scope of the increase from January 1, 2025.
- 11 percent remains the effective VAT rate for most taxable goods and services. This is due to the 11/12 taxable base (DPP Nilai Lain) used in the 2025 implementation rules.
- Zero percent VAT applies to exports of tangible and intangible goods as well as most export services that meet the Ministry of Finance's eligibility criteria.

## Personal income tax

Expatriate workers need to know that personal income tax (PIT) in Indonesia is determined through a self-assessment scheme.

The country has adopted a worldwide income taxation system, meaning that individuals considered as Indonesia tax residents pay tax to the government on the income they earned in Indonesia, and also on income they earned from abroad, unless there is an applicable double tax agreement (DTA).

Non-resident taxpayers will only be liable to pay PIT for income they earn in Indonesia, unless the country in which they are a tax resident has an applicable tax treaty with Indonesia. In these cases, the taxpayer might not pay any tax in Indonesia or pay a reduced amount.

Given these tax treatments, it is important for expatriate workers to understand their tax liabilities in Indonesia. It is advisable to use the services of registered local tax advisors to help determine which tax law regime will be applicable along with any exemptions that may bring.

### Eligibility to pay income tax

Under Indonesia's previous income tax law, an individual is considered a domestic tax subject if they were present in the country for more than 183 days during a 12-month period, or they have an intention to stay in Indonesia.

Through PMK 18/2021, which was issued in February 2021, the government has provided further clarification on the definition of 'residing in Indonesia' and the 'intention to stay in Indonesia'.

'Residing in Indonesia' is defined as an individual who:

- Lives at a place of residence in Indonesia that is at their disposal and can be accessed at all times, which they own, rent, and is not a place of transit;
- Have their vital interests in Indonesia; and
- Have their habitual abode in Indonesia.

An 'intention to stay in Indonesia' needs to be substantiated with the following documents:

- A permanent stay permit;

- A limited stay visa;
- A limited stay permit; or
- Other documents that support their stay of more than 183 days in Indonesia.

### Territorial taxation for foreigners

Foreigners who have become domestic tax subjects will only be taxed on Indonesian-sourced income. This is only applicable if they meet the expertise requirements from Appendix II of PMK-18.

Their expertise, however, must be supported by:

- A certificate issued by a government-authorized institution, or have a minimum of five years' work experience in the field of science, technology, and math; and
- An obligation for knowledge transfer to an Indonesian citizen.

The territorial tax treatment is available for four years of residency. If the foreign individual leaves and re-enters Indonesia within the four-year period, the territorial taxation will begin from the time they first became a domestic tax subject.

Foreigners looking to apply for the territorial tax treatment must do so through the Directorate General of Taxes (DGS). Those who were already a domestic tax subject prior to the issuance of PMK-18/2021 can also apply to the DGS for this tax treatment.

Certain foreign expatriates, because of their special legal status, are not considered as Indonesian tax residents and are exempted from paying PIT, even if they stay for more than 183 days per year or reside and intend to stay in Indonesia.

These exemptions apply for:

- Foreign diplomatic and consular personnel;
- Military personnel and civilian employees of foreign armed services; and
- Representatives of international organizations specified by the Minister of Finance.

When it comes to tax rates, residents and non-residents are taxed differently:

- Residents are subject to a withholding progressive tax (their net taxable income is set at graduated rates, with current rates ranging from five percent up to a maximum of 35 percent, depending on an individual's income); and
- Non-residents are subject to a final withholding flat tax of 20 percent on gross income.

The government has implemented Government Regulation 58 of 2023 (GR 58/2023) concerning new income tax deduction rates for individual taxpayers, which took effect on January 1, 2024.



### RELATED READING



#### Customs and Trade Strategy in Indonesia: An Investor's Guide

ASEAN Briefing Magazine  
September, 2025

As shifting supply chains, new trade agreements, and a growing manufacturing base reshape the economy, investors must understand how to navigate customs regimes, bonded zones, and compliance strategies. This magazine provides a strategic outlook on turning Indonesia's import and export systems into competitive tools - reducing costs, unlocking preferential rates, and positioning Indonesia as a launchpad for ASEAN growth.

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The primary objective of GR 58/2023 is to streamline the monthly withholding tax calculation process for income received by individuals. The regulation outlines specific taxpayer categories and their corresponding deduction rates based on their income brackets.

## Monthly income tax calculation

GR 58/2023 stipulates that the monthly withholding tax calculation for the months from January to November must now be done using an 'effective tax rate' (ETR). However, the annual calculation that is carried out in December is still done using the progressive income tax rate under Article 17(a) of the Income Tax Law.

The ETR is calculated based on the individual's gross monthly income or an individual's daily income.

## Taxpayer categories

### Monthly ETR

There are three categories of taxpayers.

#### Category A

- Single with no dependent (S/0);
- Single with one dependent (S/1); and
- Married with no dependent (M/0).

#### Category B

- Single with two dependents (S/2);
- Single with three dependents (S/3);
- Married with one dependent (M/1); and
- Married with two dependents (M/2).

#### Category C

Married with three dependents (M/3).

### Daily ETR

This ETR is applied to non-permanent employees who are paid on a daily/weekly/unit/piece rate basis.

- Zero percent income tax rate for a daily income of up to 450,000 rupiah (US\$28.38); and
- 0.5 percent tax rate for daily income above 450,000 rupiah (US\$28.38) and up to 2.5 million (US\$159) rupiah.

| Category A                                                    |         |
|---------------------------------------------------------------|---------|
| Monthly gross income (IDR)                                    | ETR (%) |
| Up to 54 million (US\$333)                                    | 0       |
| 540 million IDR (US\$333) – 5.65 million IDR (US\$349)        | 0.25    |
| 5.65 million IDR (US\$349) – 5.95 million IDR (US\$367)       | 0.5     |
| 5.95 million IDR (US\$367) – 6.30 million IDR (US\$389)       | 0.75    |
| 6.30 million IDR (US\$389) – 6.75 million IDR (US\$417)       | 1       |
| 6.75 million IDR (US\$417) – 7.50 million IDR (US\$463)       | 1.25    |
| 7.50 million IDR (US\$463) – 8.55 million IDR (US\$528)       | 1.5     |
| 8.55 million IDR (US\$528) – 9.65 million IDR (US\$596)       | 1.75    |
| 9.65 million IDR (US\$596) – 10.05 million IDR (US\$620)      | 2       |
| 10.05 million IDR (US\$620) – 10.35 million IDR (US\$639)     | 2.25    |
| 10.35 million IDR (US\$639) – 10.70 million IDR (US\$660)     | 2.5     |
| 10.70 million IDR (US\$660) – 11.05 million IDR (US\$682)     | 3       |
| 11.05 million IDR (US\$682) – 11.60 million IDR (US\$716)     | 3.5     |
| 11.60 million IDR (US\$716) – 12.50 million IDR (US\$772)     | 4       |
| 12.50 million IDR (US\$772) – 13.75 million IDR (US\$849)     | 5       |
| 13.75 million IDR (US\$849) – 15.10 million IDR (US\$932)     | 6       |
| 15.10 million IDR (US\$932) – 16.95 million IDR (US\$1,047)   | 7       |
| 16.95 million IDR (US\$1,047) – 19.75 million IDR (US\$1,219) | 8       |
| 19.75 million IDR (US\$1,219) – 24.15 million IDR (US\$1,491) | 9       |
| 24.15 million IDR (US\$1,491) – 26.45 million IDR (US\$1,633) | 10      |
| 26.45 million IDR (US\$1,633) – 28.00 million IDR (US\$1,728) | 11      |
| 28.00 million IDR (US\$1,728) – 30.05 million IDR (US\$1,855) | 12      |
| 30.05 million IDR (US\$1,855) – 32.40 million IDR (US\$2,000) | 13      |
| 32.40 million IDR (US\$2,000) – 35.40 million IDR (US\$2,185) | 14      |
| 35.40 million IDR (US\$2,185) – 39.10 million IDR (US\$2,415) | 15      |

| Category A                                                        |         |
|-------------------------------------------------------------------|---------|
| Monthly gross income (IDR)                                        | ETR (%) |
| 39.10 million IDR (US\$2,415) – 43.85 million IDR (US\$2,706)     | 16      |
| 43.85 million IDR (US\$2,706) – 47.80 million IDR (US\$2,953)     | 17      |
| 47.80 million IDR (US\$2,953) – 51.40 million IDR (US\$3,173)     | 18      |
| 51.40 million IDR (US\$3,173) – 56.30 million IDR (US\$3,475)     | 19      |
| 56.30 million IDR (US\$3,475) – 62.20 million IDR (US\$3,838)     | 20      |
| 62.20 million IDR (US\$3,838) – 68.60 million IDR (US\$4,234)     | 21      |
| 68.60 million IDR (US\$4,234) – 77.50 million IDR (US\$4,784)     | 22      |
| 77.50 million IDR (US\$4,784) – 89.00 million IDR (US\$5,494)     | 23      |
| 89.00 million IDR (US\$5,494) – 103.00 million IDR (US\$6,358)    | 24      |
| 103.00 million IDR (US\$6,358) – 125.00 million IDR (US\$7,716)   | 25      |
| 125.00 million IDR (US\$7,716) – 157.00 million IDR (US\$9,691)   | 26      |
| 157.00 million IDR (US\$9,691) – 206.00 million IDR (US\$12,716)  | 27      |
| 206.00 million IDR (US\$12,716) – 337.00 million IDR (US\$20,802) | 28      |
| 337.00 million IDR (US\$20,802) – 454.00 million IDR (US\$28,025) | 29      |
| 454.00 million IDR (US\$28,025) – 550.00 million IDR (US\$33,951) | 30      |
| 550.00 million IDR (US\$33,951) – 695.00 million IDR (US\$42,901) | 31      |
| 695.00 million IDR (US\$42,901) – 910.00 million IDR (US\$56,173) | 32      |
| 910.00 million IDR (US\$56,173) – 140 billion IDR (US\$86,420)    | 33      |
| 140 billion IDR (US\$86,420)                                      | 34      |

| Category B                                                    |         |
|---------------------------------------------------------------|---------|
| Monthly gross income (IDR)                                    | ETR (%) |
| Up to 6.2 million (US\$383)                                   | 0       |
| 6.20 million IDR (US\$383) – 6.50 million IDR (US\$401)       | 0.25    |
| 6.50 million IDR (US\$401) – 6.85 million IDR (US\$423)       | 0.5     |
| 6.85 million IDR (US\$423) – 7.30 million IDR (US\$451)       | 0.75    |
| 7.30 million IDR (US\$451) – 9.20 million IDR (US\$568)       | 1       |
| 9.20 million IDR (US\$568) – 10.75 million IDR (US\$664)      | 1.5     |
| 10.75 million IDR (US\$664) – 11.25 million IDR (US\$694)     | 2       |
| 11.25 million IDR (US\$694) – 11.60 million IDR (US\$716)     | 2.5     |
| 11.60 million IDR (US\$716) – 12.60 million IDR (US\$778)     | 3       |
| 12.60 million IDR (US\$778) – 13.60 million IDR (US\$840)     | 4       |
| 13.60 million IDR (US\$840) – 14.95 million IDR (US\$923)     | 5       |
| 14.95 million IDR (US\$923) – 16.40 million IDR (US\$1,012)   | 6       |
| 16.40 million IDR (US\$1,012) – 18.45 million IDR (US\$1,139) | 7       |
| 18.45 million IDR (US\$1,139) – 21.85 million IDR (US\$1,349) | 8       |
| 21.85 million IDR (US\$1,349) – 26.00 million IDR (US\$1,605) | 9       |
| 26.00 million IDR (US\$1,605) – 27.70 million IDR (US\$1,710) | 10      |
| 27.70 million IDR (US\$1,710) – 29.35 million IDR (US\$1,811) | 11      |
| 29.35 million IDR (US\$1,811) – 31.45 million IDR (US\$1,942) | 12      |
| 31.45 million IDR (US\$1,942) – 33.95 million IDR (US\$2,096) | 13      |
| 33.95 million IDR (US\$2,096) – 37.10 million IDR (US\$2,289) | 14      |
| 37.10 million IDR (US\$2,289) – 41.10 million IDR (US\$2,537) | 15      |
| 41.10 million IDR (US\$2,537) – 45.80 million IDR (US\$2,827) | 16      |
| 45.80 million IDR (US\$2,827) – 49.50 million IDR (US\$3,056) | 17      |
| 49.50 million IDR (US\$3,056) – 53.80 million IDR (US\$3,321) | 18      |
| 53.80 million IDR (US\$3,321) – 58.50 million IDR (US\$3,611) | 19      |

| Category B                                                        |         |
|-------------------------------------------------------------------|---------|
| Monthly gross income (IDR)                                        | ETR (%) |
| 58.50 million IDR (US\$3,611) – 64.00 million IDR (US\$3,951)     | 20      |
| 64.00 million IDR (US\$3,951) – 71.00 million IDR (US\$4,383)     | 21      |
| 71.00 million IDR (US\$4,383) – 80.00 million IDR (US\$4,938)     | 22      |
| 80.00 million IDR (US\$4,938) – 93.00 million IDR (US\$5,741)     | 23      |
| 93.00 million IDR (US\$5,741) – 109.00 million IDR (US\$6,728)    | 24      |
| 109.00 million IDR (US\$6,728) – 129.00 million IDR (US\$7,963)   | 25      |
| 129.00 million IDR (US\$7,963) – 163.00 million IDR (US\$10,062)  | 26      |
| 163.00 million IDR (US\$10,062) – 211.00 million IDR (US\$13,025) | 27      |
| 211.00 million IDR (US\$13,025) – 374.00 million IDR (US\$23,086) | 28      |
| 374.00 million IDR (US\$23,086) – 459.00 million IDR (US\$28,333) | 29      |
| 459.00 million IDR (US\$28,333) – 555.00 million IDR (US\$34,259) | 30      |
| 555.00 million IDR (US\$34,259) – 704.00 million IDR (US\$43,457) | 31      |
| 704.00 million IDR (US\$43,457) – 957.00 million IDR (US\$59,074) | 32      |
| 957.00 million IDR (US\$59,074) – 141 billion IDR (US\$86,728)    | 33      |
| 141 billion IDR (US\$86,728)                                      | 34      |

| Category C                                              |         |
|---------------------------------------------------------|---------|
| Monthly gross income (IDR)                              | ETR (%) |
| Up to 6.6 million (US\$415)                             | 0       |
| 6.60 million IDR (US\$407) – 6.95 million IDR (US\$429) | 0.25    |
| 6.95 million IDR (US\$429) – 7.35 million IDR (US\$454) | 0.5     |
| 7.35 million IDR (US\$454) – 7.80 million IDR (US\$481) | 0.75    |

| Category C                                                    |         |
|---------------------------------------------------------------|---------|
| Monthly gross income (IDR)                                    | ETR (%) |
| 7.80 million IDR (US\$481) – 8.85 million IDR (US\$546)       | 1       |
| 8.85 million IDR (US\$546) – 9.80 million IDR (US\$605)       | 1.25    |
| 9.80 million IDR (US\$605) – 10.95 million IDR (US\$676)      | 1.5     |
| 10.95 million IDR (US\$676) – 11.20 million IDR (US\$691)     | 1.75    |
| 11.20 million IDR (US\$691) – 12.05 million IDR (US\$744)     | 2       |
| 12.05 million IDR (US\$744) – 12.95 million IDR (US\$800)     | 3       |
| 12.95 million IDR (US\$800) – 14.15 million IDR (US\$874)     | 4       |
| 14.15 million IDR (US\$874) – 15.55 million IDR (US\$960)     | 5       |
| 15.55 million IDR (US\$960) – 17.05 million IDR (US\$1,053)   | 6       |
| 17.05 million IDR (US\$1,053) – 19.50 million IDR (US\$1,204) | 7       |
| 19.50 million IDR (US\$1,204) – 22.70 million IDR (US\$1,402) | 8       |
| 22.70 million IDR (US\$1,402) – 26.60 million IDR (US\$1,642) | 9       |
| 26.60 million IDR (US\$1,642) – 28.10 million IDR (US\$1,735) | 10      |
| 28.10 million IDR (US\$1,735) – 30.10 million IDR (US\$1,858) | 11      |
| 30.10 million IDR (US\$1,858) – 32.60 million IDR (US\$2,012) | 12      |
| 32.60 million IDR (US\$2,012) – 35.40 million IDR (US\$2,185) | 13      |
| 35.40 million IDR (US\$2,185) – 38.90 million IDR (US\$2,402) | 14      |
| 38.90 million IDR (US\$2,402) – 43.00 million IDR (US\$2,654) | 15      |
| 43.00 million IDR (US\$2,654) – 47.40 million IDR (US\$2,926) | 16      |
| 47.40 million IDR (US\$2,926) – 51.20 million IDR (US\$3,160) | 17      |
| 51.20 million IDR (US\$3,160) – 55.80 million IDR (US\$3,444) | 18      |
| 55.80 million IDR (US\$3,444) – 60.40 million IDR (US\$3,728) | 19      |
| 60.40 million IDR (US\$3,728) – 66.70 million IDR (US\$4,117) | 20      |
| 66.70 million IDR (US\$4,117) – 74.50 million IDR (US\$4,599) | 21      |
| 74.50 million IDR (US\$4,599) – 83.20 million IDR (US\$5,136) | 22      |
| 83.20 million IDR (US\$5,136) – 95.60 million IDR (US\$5,901) | 23      |

| Category C                                                        |         |
|-------------------------------------------------------------------|---------|
| Monthly gross income (IDR)                                        | ETR (%) |
| 95.60 million IDR (US\$5,901) – 110.00 million IDR (US\$6,790)    | 24      |
| 110.00 million IDR (US\$6,790) – 134.00 million IDR (US\$8,272)   | 25      |
| 134.00 million IDR (US\$8,272) – 169.00 million IDR (US\$10,432)  | 26      |
| 169.00 million IDR (US\$10,432) – 221.00 million IDR (US\$13,642) | 27      |
| 221.00 million IDR (US\$13,642) – 390.00 million IDR (US\$24,074) | 28      |
| 390.00 million IDR (US\$24,074) – 463.00 million IDR (US\$28,580) | 29      |
| 463.00 million IDR (US\$28,580) – 561.00 million IDR (US\$34,630) | 30      |
| 561.00 million IDR (US\$34,630) – 709.00 million IDR (US\$43,827) | 31      |
| 709.00 million IDR (US\$43,827) – 965.00 million IDR (US\$59,568) | 32      |
| 965.00 million IDR (US\$59,568) – 141 billion IDR (US\$86,728)    | 33      |
| 141 billion IDR (US\$86,728)                                      | 34      |

## Deductions and relief

There are several elements that can be deducted from the gross income when determining the annual taxable income of an individual.

It is worth noting that a family is regarded as a single tax reporting unit with a single tax identity number (NPWP) in the name of the head of the family. The head of the family needs to report the income of their dependent spouse and children their tax return.

The following personal deductions are available for resident taxpayers.

| Income Tax Deductions in Indonesia |                                         |
|------------------------------------|-----------------------------------------|
| Basic of deduction                 | Deductible amount per year              |
| Individual taxpayer                | 54 million rupiah (US\$3,233)           |
| Spouse                             | Additional 4.5 million rupiah (US\$270) |
| Each dependent (max 3)             | Additional 4.5 million rupiah (US\$270) |

### Employer compliance obligations

Income tax in Indonesia is mostly paid by withholding by the employer. The tax withheld by employers must be remitted to the government body on a monthly basis.

### Employee compliance obligations

Expatriate employees are required to complete an annual tax return and compute their tax liability by March 31 of the following tax year.

The majority of PIT is paid through statutory employer withholdings on earned income. However, for any other income that a taxpayer in Indonesia earns on a regular basis, they must make monthly provisional tax payments to the tax department based on the income earned in the previous year.

### Filing a tax return

In order to file a tax return, an individual must register as a taxpayer in order to obtain a tax identification number or NPWP. Expatriates must obtain a NPWP if they are a tax resident.

While employers are responsible for deducting tax from their employees' salaries, it is the individual employee's responsibility to register as a taxpayer and file their tax returns.

### Tax deregistration when leaving Indonesia

It is highly recommended that expatriates leaving Indonesia permanently cancel their tax registration to avoid any misunderstandings, and thus avoid being continuously considered a tax resident of Indonesia.

To do so, expatriates should submit an application to the local tax office, which will then perform a tax audit on the taxpayer's returns and supporting documents prior to granting approval to deregister.

The individual should ensure that all tax related documents are readily available in anticipation of a tax audit (including bank statements, salary slips, foreign tax documentation if applicable, work contracts, etc.).

## Dividends and offshore income exempted from income tax

To increase investments in Indonesia's financial markets and the real sector, the government has provided income tax exemptions for foreign dividends received by domestic taxpayers. The reinvestment requirements are not required for domestic dividends received by domestic corporate taxpayers.

Qualifying reinvestments are as follows:

- Investment in financial market instruments such as:
- Government bonds, including shariah instruments;
- Bonds or sukuk issued by a state-owned enterprise, private companies;
- Financial investments in perception banks including shariah banks; or
- Other legal forms of investments.

Investments in financial instruments outside the money market include:

- Investment in real sector;
- Investment in infrastructure through a private-public partnership;
- Equity cooperation in an already existing company domiciled in Indonesia;
- Cooperation with the Indonesian Sovereign Wealth Fund; or
- Lending to small and medium-sized businesses in Indonesia.

The investment must be held for a minimum of three years from when the dividend or offshore income is received. The taxpayer must also invest the dividend or offshore income in the qualifying investments by the end of the third or fourth month after the end of the fiscal year. Finally, the investment cannot be transferred except to another qualifying investment.

| Dividends and Offshore Income Exempted From Income Tax       |                       |               |
|--------------------------------------------------------------|-----------------------|---------------|
| Type of income                                               | Reinvestment required | Threshold (%) |
| Domestic dividends received by corporate taxpayers           | No                    | N/A           |
| Domestic dividends received by domestic individual taxpayers | Yes                   | No            |

## Dividends and Offshore Income Exempted From Income Tax

| Type of income                                                                 | Reinvestment required | Threshold (%) |
|--------------------------------------------------------------------------------|-----------------------|---------------|
| Offshore dividends received by corporate taxpayers - from a listed company     | Yes                   | No            |
| Offshore dividends received by domestic taxpayers - from a listed company      | Yes                   | 30            |
| Offshore income received from a permanent establishment (PE)                   | Yes                   | 30            |
| Offshore income received from an active business (not from a PE or subsidiary) | Yes                   | No            |

Note: 30 percent from profit after tax  
Source: PwC - Taxflash

If the reinvestment requirement provides a 30 percent threshold, the taxpayer can enjoy the full exemption if this threshold is fulfilled. However, if the reinvestment is less than the 30 percent threshold, the taxpayer must pay income tax on the spread between the investment amount and the 30 percent threshold to enjoy the exemption.

Investors should note that the exemption does not apply to foreign citizens who utilize the DTA between Indonesia and the partner country/jurisdiction of the DTA.

## Digital tax

Non-resident suppliers of digital services within Indonesia can now be appointed as VAT collectors and, as such, are now required to collect 11 percent VAT and pay to the Indonesian government.

The following digital intangible goods will now be subject to VAT:

- The use or the right to use copyrights material in the field of art, science, and literature, such as e-books, magazines, software;
- The right to use recorded images or sounds which are distributed via fiber optics, satellite, or cable, among others;
- Image recordings or sound recordings used in television broadcasts, radio broadcasts, which are distributed via fiber optics, satellite, or cable, among others; and
- Motion-picture films or videotapes used as television broadcasts.

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The government recognizes the following e-commerce entities based on their activities:

- **Merchants (sellers):** Businesses or individuals that conduct electronic offerings through electronic systems either managed or owned by themselves or through an e-commerce organizer;
- **E-commerce organizers (PPMSE):** Businesses or individuals that provide electronic systems to facilitate e-commerce transactions. These include business models, such as online streaming platforms, online marketplaces, online classified advertisements, and price comparison platforms, among others; and
- **Intermediary Service Organizers (PSP):** These are businesses or individuals that provide search system facilities (for example, Google, Bing) or those that provide information storage services (hosting and caching).

The aforementioned entities can be either domestic or foreign businesses and the legal requirements for each type will also differ.

## Domestic merchants

Domestic merchants must obtain a business license from the government's Online Single Submission (OSS) Agency. Under the country's Standard Classification of Business Fields, businesses carrying out trading via the internet need to comply with KBLI classification 4791.

### Domestic e-commerce organizers

Businesses who operate their own e-commerce facilities are classified as PPMSEs and must obtain a special license named, Surat Izin Usaha Perdagangan melalui Sistem Elektronik (business license for trading through an electronic system (SIUPMSE)).

The SIUPMSE can be applied through the OSS system and businesses will need to adhere to certain criteria to be eligible. These are:

- Obtaining an Electronic System Provider certificate within 14 days after the SIUPMSE is issued;
- Must provide a website and/or application name to the government;
- Must establish a consumer complaints section on their website/application, which includes e-mail address and contact number in addition to the details of the Directorate-General of Consumer Protection and Trade Compliance;
- The PPMSE must provide facilities that inform or link customers to the OSS Agency's website; and
- The business must submit its transaction data (subscribers, payments, complaints, contracts, shipments etc.) to Statistics Indonesia (BPS), the government agency responsible for conducting statistical surveys.

## Foreign merchants

Foreign merchants must provide a valid business license issued in the country where they are established to the domestic PPSME company which provides their electronic communication facilities. The domestic PPSME will then need to report all the transactional activities (subscribers, payments, complaints, contracts, shipments, etc.) of the foreign merchant to the BPS.

## Foreign e-commerce organizers

Foreign PPSMEs that have been appointed as a 'VAT collector' by the Ministry of Finance are obligated to charge the 11 percent VAT rate on the sales of digital products to Indonesian consumers.

They must first have local transaction values of the following:

- The PPSME has completed transactions with Indonesian consumers that exceeds 600 million rupiah (US\$35,908) in a year or 50 million rupiah (US\$2,992) per month; or
- Traffic or visitors to the e-commerce site exceeds 12,000 users per year or 1,000 users per month.

## Withholding tax

Withholding tax applies to both residents and non-resident companies in Indonesia. The tax rate on dividends is 15 percent for residents and 20 percent for non-residents (unless they have an applicable tax treaty). The withholding tax rates on interest and royalties are also set at 15 percent for residents and 20 percent for non-residents.

| Withholding Tax Rates for Resident and Non-Resident Companies in Indonesia |              |               |
|----------------------------------------------------------------------------|--------------|---------------|
| Nature of income                                                           | Tax rate (%) |               |
|                                                                            | Residents    | Non-residents |
| Dividends                                                                  | 15           | 20            |
| Interest                                                                   | 15           | 20            |
| Royalties                                                                  | 15           | 20            |

## Luxury goods sales tax

The import of certain manufactured taxable goods may be liable to luxury-goods sales tax (LST). LST must be accounted every month together with VAT.

A summary of the LST rates is set out below.

| Luxury Goods Sales Tax in Indonesia                                                                 |               |    |    |    |    |    |    |     |
|-----------------------------------------------------------------------------------------------------|---------------|----|----|----|----|----|----|-----|
| Group                                                                                               | LST rates (%) |    |    |    |    |    |    |     |
|                                                                                                     | 10            | 20 | 30 | 40 | 50 | 60 | 75 | 125 |
| Luxury residences such as luxury homes, town houses, condominiums, apartments, etc                  |               | ●  |    |    |    |    |    |     |
| Dirigibles, balloons, and other non-powered aircraft                                                |               |    |    | ●  |    |    |    |     |
| Firearms and other arms, except for state purposes                                                  |               |    |    | ●  | ●  |    |    |     |
| Aircraft other than those for the state or commercial air-transport purposes                        |               |    |    |    | ●  |    |    |     |
| Luxury cruisers, except for the need of the state and public transport as well as yacht for tourism |               |    |    |    |    |    | ●  |     |
| Motor vehicles*                                                                                     | ●             | ●  | ●  | ●  | ●  | ●  |    | ●   |

## Stamp duty

Individuals, companies, and other organizations in Indonesia must pay stamp duties on certain legal documents. As of January 2021, the standard stamp duty tax rate is 10,000 rupiah (US\$0.59).

Indonesia requires stamp duties on two main types of documents: documents created to explain events of a civil nature and documents to be used as evidence in a court of law.

Documents of a civil nature include the following:

- Agreements, certificates, statement letters, and similar documents and their copies;
- Notarial deeds and executorial deeds (grosse) and their copies;
- Deeds made before a land deed officer (also known as a land conveyance officer) and their copies;
- Securities in any form and name; and
- Documents stating a sum of money above 5,000,000 rupiah (US\$314), which describe the receipt of money or contain an acknowledgment of debt payment or settlement, either entirely or partially.

In addition to these documents, the Law also applies to the following civil documents:

- Securities transaction documents, including futures contract transactions in any name or form;
- Auction documents in the form of excerpts, minutes, copies, and minutes of auction executorial deeds (grosse); and
- Other documents stipulated by Government Regulation.

The Law exempts the following documents from stamp duty:

- Land transfer and building rights documents used for handling and restoring social conditions following natural disasters;
- Land transfer and building rights documents used solely for religious or non-commercial activities;
- Documents relating to the implementation of government programs and monetary or financial policies; and
- Documents relating to the implementation of international agreements under binding international treaties or reciprocal laws.

## Electronic stamp duty

Electronic stamps, which carry a unique code and description, will apply to electronic transaction documents with a value above 5,000,000 rupiah (US\$314).

The Indonesian government, however, is still building the infrastructure to manage electronic stamp duties.

## New tax regime for benefits-in-kind

Indonesia's Ministry of Finance issued Regulation 66 of 2023 (MOF 66/2023) to govern the tax treatment of benefits-in-kind (BIK).

MOF 66/2023 states there are two types of benefits-in-kind:

1. Compensation-in-kind: Compensation in non-cash form such as meals, uniforms; and
2. Compensation in the form of facilities, such as housing, vehicles, and medical facilities.

The regulation also sets out the types of benefits-in-kind in Indonesia, when employers can exempt benefits-in-kind from taxable income, and how benefits-in-kind are taxed and valued.

## What types of benefits-in-kind are not taxable?

The following benefits-in-kind are not taxable in Indonesia.

### Food and beverages

Food and beverages provided in the workplace are not taxable. Further, food coupons or reimbursement for meals outside of the workplace priced no more than 2 million rupiah (US\$131) (for each employee) are also not taxable.

### Gifts for religious holidays and other events

Gifts in the form of food, drinks, or meals for religious holidays, such as Eid-al Fitr, Christmas, Chinese New Year, Nyepi, and Waisak are not taxable. There is no limit on this value.

Gifts for non-religious events, however, must not exceed 3 million rupiah (US\$196) per person in one fiscal year. Beyond this amount would be a tax liability.

### **Health, security, and safety benefits**

Uniforms, medication/vaccines, and safety equipment are not taxable, and there is no limit in terms of the value.

For healthcare, the benefits-in-kind must cover emergencies, occupational accidents, follow-up treatments, and occupational diseases. There is also no limit on the value.

### **Vehicle facilities**

Vehicle facilities from an employer are not taxable if the employee does not have capital investment in the employer and has a maximum gross monthly income of no more than 100 million rupiah (US\$6,295).

### **Work equipment**

Equipment needed to support the employee's duties, such as laptops, computers, phones, and internet connections, are not taxable.

### **Sports facilities**

Sports facilities must be received or earned by employees and are limited to 1.5 million rupiah (US\$94) per year, per employee.

This facility excludes golf, horse racing, motorized boat racing, gliding, and automotive sporting activities.

### **Communal and non-communal living facilities**

Communal living facilities, such as dormitories, lodges, or barracks, are non-taxable. Non-communal living facilities, such as apartments and houses, are also non-taxable but have a limit of 2 million rupiah (US\$131) per employee, per month.

### **Employer's contribution to employee pension funds**

The employer's contribution to the employees' pension fund is not taxable.

## **Indonesia's DTA network**

Indonesia has signed over 60 double tax avoidance (DTA) agreements with various countries, which eliminate instances of double taxation from cross-border activities. The withholding tax rate on dividends are set between seven to 15 percent whereas interest rates are set between five to 15 percent unless an applicable tax treaty is in place wherein there will be no tax.

### Countries with Signed DTAs with Indonesia

| A-B        | C-J            | K-O           | P-S              | T-Z                      |
|------------|----------------|---------------|------------------|--------------------------|
| Algeria    | Cambodia       | Kazakhstan    | Pakistan         | Taiwan                   |
| Armenia    | Canada         | Korea (North) | Papua New Guinea | Tajikistan               |
| Australia  | China          | Korea (South) | Philippines      | Thailand                 |
| Austria    | Croatia        | Kuwait        | Poland           | Tunisia                  |
| Bangladesh | Czech Republic | Laos          | Portugal         | Turkey                   |
| Belarus    | Denmark        | Luxembourg    | Qatar            | Ukraine                  |
| Belgium    | Egypt          | Malaysia      | Romania          | United Arab Emirates     |
| Brunei     | Finland        | Mexico        | Russia           | United Kingdom           |
| Bulgaria   | France         | Mongolia      | Serbia           | United States of America |
|            | Germany        | Morocco       | Seychelles       | Uzbekistan               |
|            | Hong Kong      | Netherlands   | Singapore        | Venezuela                |
|            | Hungary        | New Zealand   | Slovakia         | Vietnam                  |
|            | India          | Norway        | South Africa     | Zimbabwe                 |
|            | Iran           |               | Spain            |                          |
|            | Italy          |               | Sri Lanka        |                          |
|            | Japan          |               | Sudan            |                          |
|            | Jordan         |               | Suriname         |                          |
|            |                |               | Sweden           |                          |
|            |                |               | Switzerland      |                          |
|            |                |               | Syria            |                          |

The tax rate for royalties is 15 percent for residents and 20 percent for non-residents.

## Laos

In February 2020, Laos' new Income Tax Law (Tax Law No. 67/NA) came into effect. The law replaces Tax Law No. 70/NA, which was issued in 2015 and sets out the latest tax rates for businesses and employees.

### Tax structure

All companies that are incorporated under Lao law will be subject to Lao taxes, such as corporate income tax, value-added tax, withholding tax, and personal income tax.

## Corporate income tax

Corporate income tax, also known as profit tax, is collected from all domestic and foreign businesses, and is imposed on profits. The progressive rates range from 0 to 20 percent, as illustrated in the following table.

| Income Tax Deductions in Indonesia                                             |          |
|--------------------------------------------------------------------------------|----------|
| Activity/entity type                                                           | Tax rate |
| General Corporate Income Tax                                                   | 20%      |
| Tobacco Companies                                                              | 22%      |
| Mining Activities                                                              | 35%      |
| Listed on Lao Stock Exchange (first 4 years)                                   | 13%      |
| Green Technology/New Technology                                                | 7%       |
| Training/Research Centers                                                      | 5%       |
| Micro-enterprises: annual income ≤ LAK 50,000,000                              | Exempt   |
| Micro-enterprises: annual income LAK 50,000,001 – LAK 400,000,000 (production) | 1%       |
| Micro-enterprises: annual income LAK 50,000,001 – LAK 400,000,000 (trade)      | 2%       |
| Micro-enterprises: annual income LAK 50,000,001 – LAK 400,000,000 (services)   | 3%       |

## Value-added tax

The value-added tax (VAT) rate is 10 percent. VAT applies to:

- Import of goods and services;
- Supply of goods and services in Lao DPR; and
- Export of services.

### Activities exempted from VAT

Activities that are exempted from VAT will now include:

1. The import of electricity to supply Laos;

2. Minerals exported overseas or to special economic zones (SEZs);
3. The export of electricity to SEZs or overseas; and
4. The supply of electricity to any electricity enterprises within Laos.

The electricity and mineral-related activities that are subject to VAT have a separate and specific basis for VAT calculation:

1. For the supply, sale, purchase, trade, self-use, exchange, export, or gifting of minerals, the basis for VAT calculation is the actual purchase price, the price specified by the government, or the international market price.
2. For the import of minerals, the basis for VAT calculation is the actual purchase price specified by the government or the price at the border. This is before any additional applicable import duties.
3. For electricity generated by a business or consumer, the VAT basis is the tariff rates prescribed from the government or the rates based on the power purchase agreement.
4. For electricity producers, the VAT basis is the contractual price agreed in the power purchase agreement.



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## Withholding tax

The withholding tax rates have also been amended under the new tax law. The withholding tax rate on dividends is at 10 percent as well as interest paid to resident companies. The withholding tax rate for payment on royalties to resident companies is set at five percent.

| Activities                                                   | Tax Rates           |
|--------------------------------------------------------------|---------------------|
| Share transfer (unlisted shares)                             | 2% of sale price    |
| Building / land / house transfer (non-agricultural property) |                     |
| Transfer of agricultural land                                | 1% of sale price    |
| Commissions                                                  | 5% withholding tax  |
| Consultancy services                                         |                     |
| Intellectual property (royalties)                            |                     |
| Dividends                                                    | 10% withholding tax |
| Guarantee fees                                               |                     |
| Non-banking loan interest                                    | 10% income tax      |
| Rental income                                                |                     |

## Personal income tax

Personal income tax is collected monthly through progressive rates. Individuals who reside in Laos for at least 183 days are subject to tax on all income earned in Laos.

| Income Tax Rates                                                      |               |
|-----------------------------------------------------------------------|---------------|
| Monthly income                                                        | Tax rates (%) |
| Up to LAK 1.3 million (US\$60)                                        | 0             |
| More than LAK 1.3 million (US\$60) up to LAK 5 million (US\$231)      | 5             |
| More than LAK 5 million (US\$231) up to LAK 15 million (US\$693)      | 10            |
| More than LAK 15 million (US\$693) up to LAK 25 million (US\$1,155)   | 15            |
| More than LAK 25 million (US\$1,155) up to LAK 65 million (US\$3,003) | 20            |
| Over LAK 65 million (US\$3,003)                                       | 25            |

## Laos' DTA network

There is a withholding tax on dividends for resident and non-resident companies set at 10 percent. The withholding tax rate on royalties paid to resident and non-resident companies is five percent

| Countries with Signed DTAs with Laos |           |               |           |          |
|--------------------------------------|-----------|---------------|-----------|----------|
| A-B                                  | C-J       | K-O           | P-S       | T-Z      |
| Brunei                               | China     | Korea (North) | Russia    | Thailand |
|                                      | Indonesia | Korea (South) | Singapore | Vietnam  |
|                                      |           | Luxembourg    |           |          |
|                                      |           | Malaysia      |           |          |
|                                      |           | Myanmar       |           |          |

## Tax obligations for non-resident e-commerce and digital platform providers

Laos' Ministry of Finance notification No. 0541/MOF provides obligations for non-resident digital platforms and e-commerce service providers.

Under the notification, non-resident e-commerce and digital platform providers must register for a tax identification number (TIN) via an online portal to file and pay their taxes. Further, they must register and pay value-added tax (VAT) if their annual revenue meets a certain threshold. The decree also covers the tax requirements for resident individuals who earn an income from e-commerce or digital service platforms and the amount of taxes they need to pay.

### What are non-resident e-commerce and digital platform providers?

Notification No. 0541/MOF states that non-resident, e-commerce marketplaces, and digital platform services include:

- Providers of online music, films, and games from providers, such as TikTok, YouTube, and Zoom;
- Streaming services providers, such as Disney+, Netflix, and AppleTV+;
- E-commerce services for sellers and buyers, such as Lazada and Shopee;
- Online advertising platforms ranging from Google to Facebook; and
- Online booking platforms for travel and accommodation.

### Tax obligations

The non-resident companies must register for a TIN through the TaxRIS online portal. Further, non-resident companies must register and pay VAT if their revenue is over 400 million LAK (US\$33,600). There is also an additional tax on profits.

The due dates for filing and paying VAT for e-commerce and digital service providers are twice per year; January 20 and July 20. Non-resident companies may be asked for additional information about the e-commerce services they provide by the Ministry of Finance.

Resident individuals who earn an income through e-commerce channels or digital services will be subject to a two percent income tax rate.

E-commerce providers with regular sales in Laos must pay and file their income tax on the 20th of every month while those with periodic sales must pay and file within 15 working days.

# Malaysia

Malaysia implements a territorial tax system with residents and non-residents are taxed on their Malaysian source income.

## Tax structure

Foreign investors in Malaysia are subject to the following major taxes:

- Corporate income tax;
- Value-added tax;
- Income tax; and
- Digital service tax.

### Corporate tax

For resident and non-resident companies, corporate income tax (CIT) is imposed on income incurred in Malaysia.

The tax rates are of the following:

| Corporate Income Tax Rates in Malaysia                                                                                                         |                                             |              |
|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------|
| Company type                                                                                                                                   | Chargeable income                           | Tax rate (%) |
| Resident company with paid up capital of 2.5 million ringgit (US\$597,709) and gross income of less than 50 million ringgit (US\$11.3 million) | For the first 150,000 ringgit (US\$35,862)  | 15           |
|                                                                                                                                                | On the next 450,000 ringgit (US\$107,572)   | 17           |
|                                                                                                                                                | For more than 600,000 ringgit (US\$143,430) | 24           |
| Non-resident company                                                                                                                           |                                             | 24           |

### Value-added tax

Malaysia operates the Sales and Service Tax system or SST which governs the taxation of goods and services including imports and digital transactions.

## Sales tax

Sales tax applies once at the manufacturing or import stage. The standard rate remains 10 percent, but non-essential goods now attract higher rates introduced in 2025 as part of the government's consumption tax reform. Essential goods such as selected construction materials, food items, and timepieces continue to be taxed at 5 percent or exempted. Businesses with annual taxable sales above 500,000 ringgit which is about US \$113,190 must register for sales tax.

## Service tax

Service tax applies to prescribed taxable services provided by registered entities. The rate increases from 6 percent to 8 percent, implemented in March 2024, remains in force across most taxable services including digital services supplied by foreign providers. A few categories are still taxed at 6 percent such as food and beverage excluding alcoholic beverages, telecommunication, parking, and logistics.

## Expanded scope under the 2025 framework

Since mid-2025 Malaysia has broadened the scope of service tax to cover new commercial sectors. The expansion includes leasing and rental services, construction-related activities, fee-based financial services, private healthcare, and selected education sectors. These measures, combined with higher rates on non-essential goods, mark the country's most significant SST revision in recent years. Foreign businesses operating in Malaysia or supplying digital services to Malaysian clients should re-evaluate compliance systems, pricing models, and SST registration status to ensure full adherence to the updated rules.

## Withholding tax

The withholding tax only applies to non-resident companies or individuals who have sourced an income from Malaysia.

| Withholding Tax Rates for Non-Resident Companies      |                                                    |
|-------------------------------------------------------|----------------------------------------------------|
| Nature of income                                      | Tax rate (%)                                       |
| Dividends                                             | 0                                                  |
| Interest                                              | 15 (unless the rate is reduced under a tax treaty) |
| Royalties                                             | 10                                                 |
| Fees for onshore services/<br>use of movable property | 10                                                 |

## Individual income tax

Malaysia uses both progressive and flat rates for personal income tax (PIT), depending on an individual's duration and type of work in the country. As expatriates may fall into either tax category, it is important to understand Malaysia's basic tax structure.

The Income Tax Act of 1967 structures personal income taxation in Malaysia, while the government's annual budget can change the rates and variables for an individual's taxation.

| Personal Income Tax Malaysia                          |                                    |             |
|-------------------------------------------------------|------------------------------------|-------------|
| Chargeable income (MYR / US\$)                        | Tax on first portion               | % on excess |
| RM 0 – RM 5,000 (US\$0 – US\$1,150)                   |                                    | 0           |
| RM 5,001 – RM 20,000 (US\$1,150 – US\$4,600)          | RM 0 on first RM 5,000 (US\$1,150) | 1           |
| RM 20,001 – RM 35,000 (US\$4,600 – US\$8,050)         | RM 150 (US\$35)                    | 3           |
| RM 35,001 – RM 50,000 (US\$8,050 – US\$11,500)        | RM 600 (US\$138)                   | 6           |
| RM 50,001 – RM 70,000 (US\$11,500 – US\$16,100)       | RM 1,500 (US\$345)                 | 11          |
| RM 70,001 – RM 100,000 (US\$16,100 – US\$23,000)      | RM 3,700 (US\$851)                 | 19          |
| RM 100,001 – RM 400,000 (US\$23,000 – US\$92,000)     | RM 9,400 (US\$2,162)               | 25          |
| RM 400,001 – RM 600,000 (US\$92,000 – US\$138,000)    | RM 84,400 (US\$19,412)             | 26          |
| RM 600,001 – RM 2,000,000 (US\$138,000 – US\$460,000) | RM 136,400 (US\$31,372)            | 28          |
| Above RM 2,000,000 (US\$460,000)                      | RM 528,400 (US\$121,532)           | 30          |

## Special income tax rates for non-citizens holding key positions in companies

Non-citizen individuals who hold senior executive (C-suite) roles in a company relocating a qualifying operation to Malaysia may qualify for a flat personal income tax rate of 15 percent on their employment income for a period of five consecutive years, subject to approval and other criteria under the relocation incentive. To qualify the individual must be a non-citizen, be tax resident in Malaysia for each relevant year, be employed in the approved company's eligible activity, and meet the employment conditions set out under the scheme.

From January 1, 2022 until December 31, 2026 (and as extended to December 31, 2036), a tax exemption applies for resident individuals on foreign-sourced income received in Malaysia, provided the income is sourced from outside Malaysia, has been subjected to tax in the country of origin, and does not derive from a partnership business for which income is received in Malaysia.

## Tax identification number

To broaden the tax base, the government introduced a tax identification number (TIN) for taxpayers in 2022. The TIN will be automatically issued to every person and will become a requirement to be disclosed in all types of transaction documents.

## Digital service tax

Since January 2020, the Malaysian government has imposed a digital services tax (DST) of six percent on foreign digital service providers (FSPs) in Malaysia.

### Defining digital services

The Royal Malaysian Customs Department (RMCD) guide defines digital services as any service that is subscribed or delivered over the internet or other electronic networks with minimal human intervention from the service provider.

The guide provides a few examples of digital services which include:

- Online licensing of software;
- Firewalls;
- Mobile applications and video games;
- Provision of e-books, films, music, streaming services, subscription-based media;
- Search engines and social networks;
- Website hosting services, cloud storage services;
- Online advertising platforms;
- Internet-based communications; and
- Online learning services.

The guide also defines FSPs as:

- A person who sells digital products to consumers in Malaysia;
- A person who sells digital products through intermediaries; or
- An online platform that sells digital products on behalf of an overseas provider.



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## Revenue threshold

Foreign digital service providers who have reached 500,000 ringgit (US\$119,553) in annual turnover must register to collect and remit the six percent service tax.

Registered FSPs must issue invoices and file tax returns on a quarterly basis, ending on the last day of any month of any calendar year.

## Defining consumers

The RMCD guide defines a consumer as any business or individual that fulfils any two of the following criteria:

- Makes payment an FSP through a credit card or debit facility provided by a financial institution under the country's Ministry of Finance;
- Resides in Malaysia; or
- Acquires the digital service through an internet protocol (IP) address registered in Malaysia.

To determine whether the consumer resides in Malaysia, the guide advises FRPs to consider:

- The consumer's billing address in Malaysia; and
- The consumer's home address in Malaysia.

## Mandatory e-invoicing in Malaysia

As Malaysia continues its journey toward a fully digital economy, implementing e-invoicing marks a significant step forward in modernizing business transactions and enhancing tax compliance. With the Inland Revenue Board of Malaysia (IRBM) rolling out e-invoicing in phases — starting with the largest businesses in August 2024 — companies of all sizes must understand and prepare for this transition.

As of August, of this year, the first phase targeted businesses with annual revenues of 100 million ringgit (US\$23.9 million) or more.

The second phase will be implemented on January 1, 2025, and will target taxpayers with annual turnover of between 25 million ringgit (US\$5.9 million) and 100 million ringgit (US\$23.9 million). The final phase will target all other taxpayers from July 1, 2025.

## What is the e-invoicing process in Malaysia?

Generating an invoice in Malaysia varies depending on the e-invoicing model. The IRBM has introduced two e-invoice transaction mechanisms:

- 
1. MyInvois Portal; and
  2. Application Programming Interface (API).

The MyInvois is hosted by the IRBM and is accessible to all taxpayers at no cost. The MyInvois model is ideal for businesses that want to need to issue an e-invoice, but the API connection is unavailable.

The API is a collection of programming codes that facilitates direct data transmission between the taxpayer's system and the MyInvois system. With this option, taxpayers must make an upfront investment in technology and modify their existing systems accordingly.

### **E-invoicing process for B2B transactions**

#### **Issuance of e-invoice**

When a sale is made, the supplier generates an e-invoice via the MyInvois Portal or the API for validation.

#### **Validation**

The e-invoice is then validated by the IRBM, after which the supplier will receive unique identification number via the MyInvois Portal or the API.

#### **Notification**

The IRBM notifies the supplier and the buyer that the e-invoice has been validated.

#### **Sharing of e-invoice**

Upon validation, the supplier must share the cleared invoice with the buyer. The cleared invoice comes embedded with a QR code.

#### **Rejection or cancellation of an e-invoice**

Once the e-invoice has been received, both the buyer and the supplier are given a stipulated period to reject or cancel the e-invoice. This must be accompanied by justifications.

## **Malaysia's DTA network**

The withholding tax rate applies only to non-residents in Malaysia. Dividends are subject to a zero percent withholding tax and interest paid to non-resident companies are subject to a 15 percent tax rate. Royalties are subject to a 10 percent withholding tax.

### Countries with Signed DTAs with Malaysia

| A-B                  | C-J            | K-O             | P-S                 | T-Z                  |
|----------------------|----------------|-----------------|---------------------|----------------------|
| Albania              | Canada         | Kazakhstan      | Pakistan            | Thailand             |
| Australia            | China          | Korea (South)   | Papua New Guinea    | Turkey               |
| Argentina            | Cambodia       | Kyrgyz Republic | Philippines         | Turkmenistan         |
| Austria              | Chile          | Kuwait          | Poland              | United Arab Emirates |
| Bahrain              | Croatia        | Laos            | Qatar               | United States        |
| Bangladesh           | Czech Republic | Lebanon         | Romania             | United Kingdom       |
| Belgium              | Denmark        | Luxembourg      | Russia              | Uzbekistan           |
| Bosnia & Herzegovina | Egypt          | Malta           | San Marino          | Venezuela            |
| Brunei               | Estonia        | Mauritius       | Saudi Arabia        | Vietnam              |
| Bangladesh           | Fiji           | Morocco         | Senegal             | Zimbabwe             |
| Belgium              | Finland        | Myanmar         | Seychelles Republic |                      |
| Bosnia & Herzegovina | France         | Namibia         | Singapore           |                      |
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|                      | Hong Kong      | New Zealand     | Sri Lanka           |                      |
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|                      | India          |                 | Spain               |                      |
|                      | Indonesia      |                 | Sudan               |                      |
|                      | Iran           |                 | Sweden              |                      |
|                      | Ireland        |                 | Switzerland         |                      |
|                      | Italy          |                 | Syria               |                      |
|                      | Japan          |                 |                     |                      |
|                      | Jordan         |                 |                     |                      |

## Myanmar

The Internal Revenue Department under the Ministry of Planning, Finance, and Industry regulates the administration of tax in Myanmar.

### Tax structure

There are several tax laws in Myanmar that foreign investors should be aware of. These are:

- Union Tax Law of 2021;
- Tax Administration Law of 2019;
- Specific Goods Tax Law of 2016;

- Commercial Tax Law of 1990; and
- Income Tax Law of 1974.

## Corporate income tax

The Union Tax Law 2021, which came into effect on October 1, 2021, lowered the corporate income tax rate from 25 percent to 22 percent. Companies listed on the Yangon Stock Exchange are taxed at a reduced rate of 17 percent. Further, companies engaged in oil and gas exploration are subject to the CIT rate of 25 percent.

## Value-added tax

There is no value-added tax in Myanmar.

## Withholding tax

There is no withholding tax on resident companies apart from royalties (10 percent) and fees for technical services (two percent) but applies only to payments made by government entities to residents. There is a withholding tax on non-resident companies, ranging from 2.5 to 15 percent.

| Withholding Tax Rates for Companies in Myanmar |                                                                       |               |
|------------------------------------------------|-----------------------------------------------------------------------|---------------|
| Nature of income                               | Tax rate (%)                                                          |               |
|                                                | Residents                                                             | Non-residents |
| Dividends                                      | 0                                                                     | 0             |
| Interest                                       | 0                                                                     | 15            |
| Royalties                                      | 10                                                                    | 15            |
| Fees for technical services                    | 0 (two percent for payments made by government entities to residents) | 2.5           |

## Personal income tax

Under the Myanmar Income Tax Act, resident foreigners are taxed on their worldwide income whereas non-residents are taxed only on income derived from Myanmar. Foreigners who reside in Myanmar for at least 183 days are considered resident foreigners.

| Personal Income Tax Rates in Myanmar           |              |
|------------------------------------------------|--------------|
| Income                                         | Tax rate (%) |
| 2 million kyat (US\$952) and below             | 0            |
| 2 - 10 million kyat (US\$952 – 4,761)          | 5            |
| 10 - 30 million kyat (US\$4,761 – 14,284)      | 10           |
| 30 - 50 million kyat (US\$14,284 - US\$23,807) | 15           |
| 50 - 70 million kyat (US\$23,807 - US\$33,330) | 20           |
| Above 70 million kyat (US\$33,330)             | 25           |

## Myanmar's DTA network

There is no withholding tax levied on dividends and interest paid to resident companies but there is a 15 percent withholding tax levied on interest paid to non-resident companies. The withholding tax rate on royalties paid to resident and non-resident companies is 10 and 15 percent.

| Countries with Signed DTAs with Myanmar |       |               |           |                |
|-----------------------------------------|-------|---------------|-----------|----------------|
| A-B                                     | C-J   | K-O           | P-S       | T-Z            |
|                                         | India | Korea (South) | Singapore | Thailand       |
|                                         |       | Laos          |           | United Kingdom |
|                                         |       | Malaysia      |           | Vietnam        |

## Philippines

The taxation policy in the Philippines is chiefly governed by the following Republic Acts:

- The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act)
- Tax Reform for Acceleration and Inclusion (TRAIN) Law
- Article VI, Section 28 of the Constitution;
- The National Internal Revenue Code; and
- Local Government Code of 1991.

## Tax structure

The country imposes a territorial tax system, meaning only Philippine-sourced income is subject to Philippine taxes.

### Corporate income tax

In the Philippines, corporate income tax rates differ based on the type and size of the entity. These rates are structured to support business growth while ensuring fair tax contributions.

- General corporate tax rate:
  - » 25 percent on net income from all sources.
- Reduced rate for small corporations:
  - » 20 percent for domestic corporations with total assets not exceeding PHP 100 million (US\$1.6 million) and net taxable income not exceeding PHP 5 million (US\$84,928).
- Minimum corporate income tax (MCIT):
  - » 2 percent on gross income, applied starting the fourth taxable year if the regular 25 percent CIT is lower than the MCIT.
- Proprietary educational institutions & non-profit hospitals:
  - » 10 percent on net income, provided income from unrelated activities does not exceed 50 percent of total gross income.
- Non-stock, non-profit educational institutions & other non-profit organizations:
  - » Exempt if all assets and revenues are used exclusively for educational purposes.

### Withholding tax

#### Dividends

For dividends paid by a Philippine (resident) corporation to non-resident shareholders the final withholding tax is generally 15 percent of the gross dividend under domestic law (provided the shareholder's home jurisdiction allows a credit of at least 15 percent). In the absence of that condition a higher rate may apply (commonly 25 percent). The rate may be further reduced under an applicable tax treaty. Dividends paid to resident shareholders may not always be subject to withholding in the same manner, depending on the status of the shareholder and the domestic law exemptions.

#### Interest

Under domestic law, withholding tax on interest payments to non-resident entities varies depending on the nature of the debt instrument, the payer's status, and any incentive registration. Domestic rates may be 10 percent or 15 percent in many cases, rather than a flat 20 percent. If a tax treaty applies, the withholding rate may be reduced further.

## Royalty

Royalty payments to non-resident recipients are subject to a 25 percent final withholding tax under domestic law (unless a tax treaty provides otherwise). For royalty payments made within the Philippines (resident to resident) withholding treatment may differ and may not fall under the standard non-resident final withholding regime.

## Fringe benefits tax

In the Philippines, fringe benefits granted by an employer to supervisory and managerial employees are subject to a final withholding tax of 35 percent on the grossed-up monetary value of the benefit. Fringe benefits are defined to include goods, services or other benefits (in cash or kind) granted to the employee other than basic compensation – for example housing, vehicles, club membership fees, education assistance, etc. Fringe benefits that are deemed necessary for the employer's trade or business (or for the convenience of the employer), as well as benefits granted to rank-and-file employees, may be exempt from FBT. The employer is liable for withholding and remitting the tax.

## Branch profit remittance tax

A branch office of a foreign corporation carrying on business in the Philippines is taxed on its Philippine-source income. Under domestic law, the branch pays regular corporate income tax at the standard rate (currently 25 percent on net taxable income). In addition, if after-tax profits are remitted by the branch to its foreign head office, a Branch Profit Remittance Tax (BPRT) at the rate of 15 percent is imposed on those remitted profits. The rate may be reduced under applicable tax treaties or may be exempt for branches registered with special incentives (for example under the PEZA regime). Tax-treaty and incentive regime conditions must be carefully reviewed.

## Personal income tax

The Philippines implements a progressive personal income tax rate of up to 35 percent.

| Personal Income Tax Rates for Resident Individuals (Compensation Income) |                                                             |
|--------------------------------------------------------------------------|-------------------------------------------------------------|
| Income bracket                                                           | Tax due / calculation                                       |
| Up to PHP 250,000 (US\$4,329)                                            | 0% – No tax                                                 |
| Over PHP 250,000 (US\$4,329) – PHP 400,000 (US\$6,928)                   | 15% of the excess over PHP 250,000 (US\$4,329)              |
| Over PHP 400,000 (US\$6,928) – PHP 800,000 (US\$13,856)                  | PHP 22,500 + 20% of the excess over PHP 400,000 (US\$6,928) |

## Personal Income Tax Rates for Resident Individuals (Compensation Income)

| Income bracket                                                | Tax due / calculation                                              |
|---------------------------------------------------------------|--------------------------------------------------------------------|
| Over PHP 800,000 (US\$13,856) – PHP 2,000,000 (US\$34,637)    | PHP 102,500 + 25% of the excess over PHP 800,000 (US\$13,856)      |
| Over PHP 2,000,000 (US\$34,637) – PHP 8,000,000 (US\$138,550) | PHP 402,500 + 30% of the excess over PHP 2,000,000 (US\$34,637)    |
| Over PHP 8,000,000 (US\$138,550)                              | PHP 2,202,500 + 35% of the excess over PHP 8,000,000 (US\$138,550) |

## Value-added tax

The Philippines applies a 12 percent value-added tax (VAT) on the sale, lease, or exchange of goods and services, as well as on imports. Businesses with annual gross sales exceeding PHP 3 million (US\$50,939) must register for VAT.

Under Revenue Regulations No. 21-2021, issued pursuant to the CREATE Act, registered export enterprises may purchase equipment, supplies, packaging materials, and services from local VAT-registered suppliers at a 0 percent VAT rate (zero-rating). The incentive is valid for up to 17 years for new export enterprises and until the end of the transitory period for existing ones in freeports and ecozones.

Zero-rating applies to goods and services used directly and exclusively in the registered activity, including raw and packaging materials, utilities, maintenance, repairs, and infrastructure. It also covers sales to entities exempt under international agreements and renewable energy projects.

To qualify, suppliers and export enterprises must comply with the documentation and certification requirements set by the Investment Promotion Agencies and the Bureau of Internal Revenue.

## Revised VAT policy on foreign digital services

As of July 2024, the Philippines government began imposing a 12 percent VAT on non-resident (foreign) business-to-customer (B2C) services through Senate Bill 2528. The move aims to ensure a more competitive environment for local digital service providers.

Senate Bill 2528 defines a digital service as 'any service supplied over the internet or electronic network with the use of information technology and where the supply of the service is automated'.

As such, this can include any of the following:

- Cloud service;
- Online marketplace;
- Digital goods;
- Search engines;
- Online media; and
- Online platforms.

A digital service provider is defined as either a 'resident or non-resident supplier of digital services to a consumer who consumes digital services subject to VAT in the Philippines'. The digital service provider is considered a non-resident if it has no physical presence in the country.

## CREATE More Act

In November 2024, the Philippine government enacted the CREATE MORE Act (Republic Act No. 12066) to reinforce the country's competitiveness as a foreign investment destination. Building on the reforms introduced under the 2021 CREATE Act, the new law expands and enhances tax incentives available to Registered Business Enterprises (RBEs), including a reduced 20 percent corporate income tax rate for companies opting into the Enhanced Deductions Regime (EDR).

## The Philippines DTA network

The Philippines has approximately 44 effective Double Taxation Agreements (DTAs) with various countries. A detailed, current list is available on the Bureau of Internal Revenue (BIR) website.

Dividends distributed to a resident company will not be subject to any withholding taxes whereas non-residents are subject to a withholding tax rate of between 15 and 25 percent. Interest received from a resident company is subject to a 20 percent withholding tax and royalties for resident companies are subject to the same tax rate.

| Countries with Signed DTAs with the Philippines |                |               |           |                      |
|-------------------------------------------------|----------------|---------------|-----------|----------------------|
| A-B                                             | C-J            | K-O           | P-S       | T-Z                  |
| Australia                                       | Canada         | Korea (South) | Pakistan  | Thailand             |
| Austria                                         | China          | Kuwait        | Poland    | Turkey               |
| Bahrain                                         | Czech Republic | Malaysia      | Qatar     | United Arab Emirates |
| Bangladesh                                      | Denmark        | Mexico        | Romania   | United Kingdom       |
| Belgium                                         | Finland        | Netherlands   | Russia    | United States        |
| Brazil                                          | France         | New Zealand   | Singapore | Vietnam              |
|                                                 | Germany        | Nigeria       | Spain     |                      |
|                                                 | Hungary        | Norway        | Sweden    |                      |

| Countries with Signed DTAs with the Philippines |           |     |             |     |
|-------------------------------------------------|-----------|-----|-------------|-----|
| A-B                                             | C-J       | K-O | P-S         | T-Z |
|                                                 | India     |     | Switzerland |     |
|                                                 | Indonesia |     |             |     |
|                                                 | Israel    |     |             |     |
|                                                 | Italy     |     |             |     |
|                                                 | Japan     |     |             |     |

# Singapore

## Tax structure

Singapore's favorable tax regime is internationally recognized for its low tax rates, extensive incentive schemes, and comprehensive treaty network. The country operates a territorial tax system, meaning only income earned in or derived from Singapore is taxable. Foreign-sourced income, such as branch profits, dividends, and service income, is generally taxable when remitted or deemed remitted into Singapore but can qualify for foreign-sourced income exemption (FSIE) if certain conditions are met.

To qualify for exemption, all three of the following must apply:

1. The income was subject to tax in the foreign jurisdiction.
2. The foreign jurisdiction's headline corporate income tax rate is at least 15 percent.
3. The exemption is beneficial to the Singapore-resident company.

Singapore does not levy capital gains tax, though since January 1, 2024, foreign-sourced disposal gains received in Singapore may be taxable under Section 10L if the entity lacks adequate economic substance or the gain arises from intellectual property rights.

## Corporate income tax in Singapore

Singapore imposes a flat 17 percent corporate income tax — the lowest among ASEAN member states — under a single-tier system where tax is paid only on chargeable income, and dividends distributed from after-tax profits are exempt from further taxation.

The city-state's competitive tax rate and ease of doing business have attracted over 7,000 multinational corporations, including about 4,200 regional headquarters operating from Singapore.



Companies are liable to pay CIT at 17 percent on chargeable income derived from Singapore or remitted to Singapore, whether they are locally incorporated or foreign. Taxable incomes include:

- Profits from trade or business;
- Royalties and premiums;
- Rental income from properties; and
- Investment income such as interest.

## Tax residency

The tax liability of companies and individuals in Singapore is dependent on their tax residency status.

### Resident vs. non-resident companies

In Singapore, a company is either a resident or a non-resident. The Inland Revenue Authority of Singapore (IRAS) determines residency by where the company is controlled and managed, or in other words, where it makes decisions on strategic matters. This means that a company's residency is not necessarily the location of where it is incorporated.

For example, a company might be incorporated in Singapore, but be considered a non-resident if decisions are de facto made in another jurisdiction, such as Hong Kong or London. One factor in determining residency – but not necessarily the only one – is where the company holds its Board of Directors meeting.

### Resident vs. non-resident individuals

Singapore citizens and Singapore permanent residents are both considered tax residents. Foreigners are considered tax residents if they:

- Have stayed or worked in Singapore for (a) more than 183 days in a calendar year in the previous Year of Assessment (YA), or (b) continuously for three consecutive years; or
- Have worked in Singapore for a continuous period spanning two calendar years with the total duration of stay exceeding 183 days, including physical presence in Singapore before and after the start of work.

The IRAS classifies non-resident individuals into three different categories: foreign professionals, public entertainers, and board directors. Residency for all three categories depends on whether they spend less than 183 days in a calendar year in Singapore, but they have different obligations for tax purposes.

A professional is a non-resident if they are in Singapore for less than 183 days in a calendar year. Examples of foreign professionals include foreign experts or consultants invited to Singapore



to share knowledge or expertise with an organization, an academic attending a seminar or workshop, or an individual operating via a foreign company.

Foreign public entertainers are those who visit Singapore to perform, such as musicians, dancers, actors, and athletes, and spend less than 183 days in the country. They are classified as public entertainers regardless of whether they are working as individuals or as employees. The IRAS does not include individuals who assist public entertainers with their performances in this category, such as audio crewmembers, choreographers, coaches, and personal trainers.

Finally, board directors, or company directors, are non-residents if they spend less than 183 in a calendar year in Singapore. A board director may also hold another role within a company, such as a chief executive officer or managing director, but they are only considered a board director for income derived in that role.

### **Benefits of being a tax resident**

Resident companies qualify for a range of tax incentives and partial exemptions that substantially lower their effective tax rate.

- Start-Up Tax Exemption (SUTE): For the first three Years of Assessment, new start-ups enjoy a 75 percent exemption on the first S\$100,000 (US\$77,000) of chargeable income and a 50 percent exemption on the next S\$100,000 (US\$77,000) of chargeable income.
- Partial Tax Exemption (PTE): All other companies receive a 75 percent exemption on the first S\$10,000 (US\$7,700) and a 50 percent exemption on the next S\$190,000 (US\$146,300) of chargeable income.

Resident companies can also benefit from Singapore's over 100 double taxation agreements (DTAs) and comprehensive free trade agreements (FTAs), providing extensive cross-border tax relief and regional market access.

## **Individual income tax**

The tax liability of foreigners in Singapore is dependent on their tax residency status.

Foreigners are considered tax residences if they:

- Stay or work in Singapore for more than 183 days in a calendar year or;
- Work continuously for three years or more.

## Tax rates

Singapore levies a progressive individual income tax (IIT) rate on tax residents, with the headline IIT rate currently at 22 percent. The progressive tax rates on chargeable income for tax residents are as follows:

From 2024 onwards, Singapore will increase the headline IIT rate to 24 percent. Chargeable income between S\$500,000 (US\$372,504) to S\$1 million (US\$745,000) will be taxed at 23 percent, while chargeable income in excess of S\$1 million will be taxed at 24 percent.

The tax rates on chargeable income is as follows.

| Chargeable Income (SGD US\$)          | Rate (%) | Gross Tax Payable (SGD US\$) |
|---------------------------------------|----------|------------------------------|
| First S\$20,000 (US\$15,400)          | 0        | 0                            |
| Next S\$10,000 (US\$7,700)            | 2        | S\$200 (US\$154)             |
| <b>First S\$30,000 (US\$23,100)</b>   | -        | S\$200 (US\$154)             |
| Next S\$10,000 (US\$7,700)            | 3.5      | S\$350 (US\$269)             |
| <b>First S\$40,000 (US\$30,800)</b>   | -        | S\$550 (US\$423)             |
| Next S\$40,000 (US\$30,800)           | 7        | S\$2,800 (US\$2,156)         |
| <b>First S\$80,000 (US\$61,600)</b>   | -        | S\$3,350 (US\$2,579)         |
| Next S\$40,000 (US\$30,800)           | 11.5     | S\$4,600 (US\$3,542)         |
| <b>First S\$120,000 (US\$92,400)</b>  | -        | S\$7,950 (US\$6,121)         |
| Next S\$40,000 (US\$30,800)           | 15       | S\$6,000 (US\$4,620)         |
| First S\$160,000 (US\$123,200)        | -        | S\$13,950 (US\$10,741)       |
| Next S\$40,000 (US\$30,800)           | 18       | S\$7,200 (US\$5,544)         |
| <b>First S\$200,000 (US\$154,000)</b> | -        | S\$21,150 (US\$16,285)       |
| Next S\$40,000 (US\$30,800)           | 19       | S\$7,600 (US\$5,852)         |
| <b>First S\$240,000 (US\$184,800)</b> | -        | S\$28,750 (US\$22,137)       |
| Next S\$40,000 (US\$30,800)           | 19.5     | S\$7,800 (US\$6,006)         |
| <b>First S\$280,000 (US\$215,600)</b> | -        | S\$36,550 (US\$28,143)       |
| Next S\$40,000 (US\$30,800)           | 20       | S\$8,000 (US\$6,160)         |

| Chargeable Income (SGD US\$)                   | Rate (%) | Gross Tax Payable (SGD US\$) |
|------------------------------------------------|----------|------------------------------|
| <b>First S\$320,000 (US\$246,400)</b>          | -        | S\$44,550 (US\$34,303)       |
| Next S\$180,000 (US\$138,600)                  | 22       | S\$39,600 (US\$30,492)       |
| <b>First S\$500,000 (US\$385,000)</b>          | -        | S\$84,150 (US\$64,795)       |
| Next S\$500,000 (US\$385,000)                  | 23       | S\$115,000 (US\$88,550)      |
| <b>First S\$1,000,000 (US\$770,000)</b>        | -        | S\$199,150 (US\$153,345)     |
| <b>In excess of S\$1,000,000 (US\$770,000)</b> | 24       | -                            |

Non-tax residents are taxed at a flat rate of 24 percent.

## Goods and services tax

The goods and services tax (GST), Singapore's equivalent of a value-added tax, is a broad-based consumption tax imposed on most goods and services supplied in Singapore and on goods imported into the country.

As GST is a self-assessed tax, businesses must determine whether they need to register — typically required if their taxable turnover exceeds S\$1 million (US\$770,000) over the past 12 months or is expected to exceed that in the coming 12 months.

Since January 1, 2024, the GST rate has been 9 percent, following an increase from 8 percent. The GST charged to customers is known as output tax, while the GST incurred on business purchases and expenses (including imports) is input tax. The difference between the two represents the net GST payable to the government.

## GST liability on low-value goods

Since January 1, 2023, Singapore has imposed the goods and services tax (GST) on imported low-value goods. Low-value goods refer to goods imported by air or post that are valued up to and including the GST import relief threshold of S\$400 (US\$309). Non-digital services, such as online training or coaching where the customer is not at the location where the service is being provided, must also pay GST.

### GST registration

The way GST is collected depends on the GST registration status of the customer in Singapore.



If the low-value goods are sent to a GST-registered customer in Singapore, then the obligation to charge GST on the imported goods falls on the GST-registered customer, irrespective of the supplier's GST status or whether they are local or from overseas.

If the customer is not GST-registered, then the obligation to account for the GST may fall on one of the following persons:

- The supplier – who makes the direct sale to the customer;
- Transporters – the person that delivers or arranges to delivery the goods to the customer; or
- The electronic marketplace – which acts as the medium for the supplier to supply low-value goods.

The mentioned entities should determine their GST liability. Local suppliers, transporters, and electronic marketplaces must register for GST if they meet the mandatory threshold, which is as follows:

1. Under the retrospective basis: The entity's taxable turnover for the past 12 months exceeds S\$1 million (US\$770,000); or
2. Under the prospective basis: The entity's taxable turnover for the next 12 months is expected to exceed S\$1 million.

For overseas suppliers, transporters, and electronic marketplaces, the GST threshold is as follows:

1. Under the retrospective basis: The entity's global taxable turnover for the past 12 months exceeds S\$1 million in addition to overseas suppliers of business-to-consumer (B2C) products or services to non-registered GST customers that exceeds S\$100,000 (US\$74,500); or

Under the prospective basis: The entity's taxable turnover for the next 12 months is expected to exceed S\$1 million or where the overseas supplier of B2C products or services to non-registered GST customers is expected to exceed S\$100,000.

## Withholding tax

The withholding tax only applies to non-resident companies or individuals who have sourced an income from Singapore. The types of income subjected to withholding tax are:

## Withholding Tax on Payments to Non-Resident Companies

| Nature of income                       | Tax rate (%) |
|----------------------------------------|--------------|
| Dividends                              | Exempt       |
| Interest                               | 15           |
| Royalties                              | 10           |
| Technical assistance and services fees | 17           |
| Rent on moveable property              | 15           |
| Charter fees for aircraft or ship      | 0-2          |

### Filing withholding taxes

Taxpayers subject to a withholding tax must file and pay the tax to the IRAS by the 15th of the second month following when the payment was made. The payment timeframe is based on the earliest date of the contract, invoice, payment, or when the recipient was credited.

Taxpayers that miss the filing and payment deadline will be subject to an additional five percent penalty in the form of a late payment penalty notice. Further penalties apply if the payer still has not paid within 30 days of the notice's issuance. Individual taxpayers must use the online platform SingPass to e-file withholding taxes. Individuals filing on behalf of an entity, such as a company or trust, must first be authorized on the CorpPass platform.

### Capital gains tax

There is no capital gains tax in Singapore. Generally, the gains derived from the sale of a property/ investment in Singapore are not subjected to tax as it is a capital gain. However, the gains may be taxable if one is the business of trading shares.

### Carbon tax

Singapore's carbon tax will be progressively increased from the current rate of S\$5 (US\$3.71) per ton to between S\$50 (US\$37.19) and S\$80 (US\$59.50) by 2030.

| Carbon Tax in Singapore |                                         |
|-------------------------|-----------------------------------------|
| Year                    | Rate (per ton)                          |
| 2024-2025               | S\$25 (US\$19.25)                       |
| 2026-2027               | S\$45 (US\$34.65)                       |
| By 2030                 | S\$50 (US\$38.50) and S\$80 (US\$61.60) |

## Taxation of foreign sourced income

Singapore began taxing foreign-sourced disposable gains from January 1, 2024, with Parliament approving the amendments to the country's Income Tax Act.

Under the amendments, dubbed Section 10L, capital gains from the sale of foreign assets will be subject to tax if they are received in Singapore and if the relevant entity does not have 'economic substance' in Singapore. How the entity is judged to have 'economic substance' in the city-state will be assessed on a case-by-case basis.

Singapore's Ministry of Finance has stated that Section 10L is aligned with the EU's Code of Conduct Group Guidance (COGC). EU member states created the COGC to promote a fair tax system.

## Key features of Section 10L

### What is a relevant entity?

Section 10L applies to entities that are part of consolidated multinational entities (MNE) groups where at least one member of the group has a place of business outside of Singapore. As such, domestic groups are excluded.

Further, entities that are excluded from the scope of Section 10L are those that fall within one of the following categories:

- Financial institutions;
- Entities that are exempt from income tax under specific incentives; and
- Excluded entities.

## What are the excluded entities?

A party is considered an excluded entity based on its dependency on being a 'pure equity-holding entity'. Such entities primarily serve the purpose of holding shares in other entities and do not generate income from any source other than dividends received from these shares.

| Type of entity               | Conditions to qualify as an 'excluded entity'                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A pure equity holding entity | <ol style="list-style-type: none"><li>1. The entity must submit regular accounts or statements;</li><li>2. The operations of the entity are conducted in Singapore; and</li><li>3. Have adequate human resources in Singapore.</li></ol>                                                                                                                                                                         |
| Other entities               | <ol style="list-style-type: none"><li>4. The entity manages and performs operations in Singapore; and</li><li>5. The entity has adequate economic substance in Singapore, taking into account the number of employees of the entity in Singapore, their qualifications, the amount of business expenditure incurred in Singapore, and whether key business decisions are made by persons in Singapore.</li></ol> |

## Foreign assets

Section 10L also determines whether an asset situated outside of Singapore can be considered a 'foreign asset'. In particular:

- Shares in a company or securities issued by a company are situated where the company is incorporated;
- Immovable property and intangible movable property are situated where the property is physically located;
- Secured or unsecured debt is situated where the creditor is resident; and
- Intangible movable property is located where the rights of ownership for the property can be most effectively upheld.

## Singapore's DTA Network

Singapore has one of the world's most extensive double tax agreement (DTA) networks, attracting international businesses from a multitude of conventional and nuanced industries.

DTAs eliminate instances of double taxation from cross-border activities, such as trade, knowledge sharing, as well as investments between two countries.

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Singapore has signed over 90 DTAs with various countries and the full list can be found on the website of the Inland Revenue Authority of Singapore or IRAS, the main tax authority in the country.

### **Income types covered under a DTA**

Currently, there are several types of DTAs signed by Singapore: comprehensive, limited, and exchange of information arrangements (EOIAs).

Comprehensive DTAs provides relief from double tax for all income types between the two signatories. Limited DTAs, however, only provides relief from income generated from air transport and shipping, and EOIAs are provisions for the exchange of tax information.

The tax reliefs under each DTA treaty differs for each country. They normally cover several income types:

- Tax on royalties;
- Tax on dividends;
- Tax on capital gains;
- Tax on interests;
- Shipping and air transport;
- Directors' fees;
- Independent and dependent personal services;
- Researchers;
- Students; and
- Income from immovable property.

### **Claiming relief under the DTA**

To obtain the benefits of the DTA, the company must first submit its Certificate of Residence (COR) to IRAS as evidence it is a tax resident in Singapore. Only Singaporean tax residents and the tax residents of the treaty partner are recognized.

To qualify as a Singaporean tax resident, an individual must be employed in the country for 183 days or more during the year. For companies, they must be registered in Singapore.

Tax residents of the treaty partner must also submit a COR certified by the tax authority of the treaty partner to the IRAS to obtain relief under the DTA.

Singaporean tax residents can still avoid double taxation even if Singapore does not have a DTA with a particular country through the Universal Tax Credit (UTC) scheme. This applies to all foreign taxes paid by a Singaporean tax resident on the following income categories:

- Royalties derived from outside of Singapore;
- Foreign income from professional services or consultancy;
- Foreign-sourced dividends; and
- Foreign branch profits.

The IRAS will grant the tax exemption if the following conditions are met:

- At least 15 percent in corporate taxes (headline tax) are paid on the income sourced from the foreign jurisdiction;
- The company has been subjected to tax in the foreign jurisdiction, this can be different from the headline tax; and
- The IRAS is satisfied that granting the tax exemption will benefit the tax resident in Singapore.

### Determining the treatment of profits

Defining a permanent establishment (PE) is a core feature of all double tax agreements (DTAs), as it determines when a foreign enterprise becomes taxable in Singapore, where tax residency is based on where the business is controlled and managed.

The company is considered a tax resident if the control or management of the business was exercised in Singapore in the preceding calendar year.

| Countries with Signed DTAs, Limited DTAs, and EOIAs with Singapore |                |                 |                  |                        |
|--------------------------------------------------------------------|----------------|-----------------|------------------|------------------------|
| A-B                                                                | C-J            | K-O             | P-S              | T-Z                    |
| Albania                                                            | Cabo Verde     | Kazakhstan      | Panama           | Taiwan                 |
| Armenia                                                            | Canada         | Korea (South)   | Pakistan         | Thailand               |
| Australia                                                          | China          | Kyrgyz Republic | Papua New Guinea | Turkey                 |
| Austria                                                            | Cambodia       | Kuwait          | Philippines      | Tunisia                |
| Bahrain**                                                          | Cyprus         | Laos            | Poland           | Turkmenistan           |
| Bangladesh                                                         | Chile**        | Latvia          | Portugal         | United Arab Emirates** |
| Barbados                                                           | Czech Republic | Lebanon         | Qatar            | United States***       |
| Belarus                                                            | Denmark        | Luxembourg      | Romania          | United Kingdom         |
| Belgium                                                            | Ecuador        | Libya           | Russia           | Uzbekistan             |
| Bermuda*                                                           | Egypt          | Lichtenstein    | Rwanda           | Ukraine                |
| Brazil**                                                           | Estonia        | Lithuania       | San Marino       | Venezuela              |
| Brunei                                                             | Ethiopia       | Malta           | Saudi Arabia**   | Vietnam                |
| Bulgaria                                                           | Fiji           | Mauritius       | Serbia           |                        |
|                                                                    | Finland        | Morocco         | Seychelles       |                        |

EOIA\*

Limited DTA \*\*

| Countries with Signed DTAs, Limited DTAs, and EOIAs with Singapore |             |             |                 |     |
|--------------------------------------------------------------------|-------------|-------------|-----------------|-----|
| A-B                                                                | C-J         | K-O         | P-S             | T-Z |
|                                                                    | France      | Mexico      | Slovak Republic |     |
|                                                                    | Gabon       | Mongolia    | Slovenia        |     |
|                                                                    | Georgia     | Myanmar     | South Africa    |     |
|                                                                    | Germany     | Nigeria     | Spain           |     |
|                                                                    | Ghana       | Namibia     | Sri Lanka       |     |
|                                                                    | Greece      | Netherlands | Sweden          |     |
|                                                                    | Guernsey    | New Zealand | Switzerland     |     |
|                                                                    | Hong Kong** | Norway      |                 |     |
|                                                                    | Hungary     | Oman**      |                 |     |
|                                                                    | India       |             |                 |     |
|                                                                    | Indonesia   |             |                 |     |
|                                                                    | Iran        |             |                 |     |
|                                                                    | Ireland     |             |                 |     |
|                                                                    | Isle of Man |             |                 |     |
|                                                                    | Israel      |             |                 |     |
|                                                                    | Italy       |             |                 |     |
|                                                                    | Japan       |             |                 |     |
|                                                                    | Jersey      |             |                 |     |
|                                                                    | Jordan      |             |                 |     |

EOIA\*

Limited DTA \*\*

## Thailand

Taxes in Thailand are governed by the Revenue Code, which follows the concept of a self-assessment system. The Revenue Department of the Ministry of Finance is responsible for the administration of taxes, which is imposed on regional as well as national levels.

### Tax structure

Taxes are imposed on the national and local levels. The taxes are levied under the following:

Direct taxes

- Corporate income tax;
- Personal income tax; and
- Petroleum tax.

#### Indirect taxes

- Value-added tax;
- Specific business tax; and
- Land and building tax.

## Corporate income tax

A company incorporated under Thai laws will be considered as a resident company and be subject to the 20 percent corporate income tax (CIT) rate.

For businesses that are classified as small or medium sized (SMEs), the CIT rates can be seen in the following table.

| Corporate Income Tax Rates for SMEs                    |               |
|--------------------------------------------------------|---------------|
| Net profit                                             | Tax rates (%) |
| 0-300,000 baht (US\$9,243)                             | Nil           |
| 300,001 baht (US\$9,243) – 3 million baht (US\$92,434) | 15            |
| Over 3 million baht (US\$92,434)                       | 20            |

SMEs can get a reduced tax rate if they meet the following criteria:

- Income from the sales of goods and services not exceeding 30 million baht (US\$924,343) in any accounting period; and
- Having a paid-up share capital of not more than 5 million baht (US\$154,057).

## Personal income tax

To be considered as a resident taxpayer, the individual must reside in Thailand for 180 days or more in any tax year.

| Personal Income Tax Rates in Thailand    |               |
|------------------------------------------|---------------|
| Net income                               | Tax rates (%) |
| 0 – 150,000 baht (US\$4,635)             | 0             |
| 150,001 – 300,000 baht (US\$9,270)       | 5             |
| 300,001 – 500,000 baht (US\$15,450)      | 10            |
| 500,001 – 750,000 baht (US\$23,175)      | 15            |
| 750,001 – 1,000,000 baht (US\$30,900)    | 20            |
| 1,000,001 – 2,000,000 baht (US\$61,800)  | 25            |
| 2,000,001 – 5,000,000 baht (US\$154,500) | 30            |
| Over 5,000,000 baht (above US\$154,500)  | 35            |

## Value-added tax

The value-added tax (VAT) rate in Thailand remains at 7 percent until September 30, 2025, under Royal Decree No. 790, as part of the government's ongoing economic stimulus program. The standard VAT rate under the law is 10 percent, but the reduced rate continues to apply temporarily.

VAT applies to all persons conducting business in Thailand, including manufacturers, importers, and service providers. Businesses with annual turnover exceeding 1.8 million baht (US\$55,598) are required to register as VAT operators.

Certain goods and services are exempt from VAT, including healthcare and medical services, educational services, domestic transport, public charitable and religious activities, unprocessed agricultural products, and rental of immovable property. Exports of goods and services used outside Thailand are subject to a zero-rated VAT rate.

Non-resident providers of digital services supplying Thai customers must also register and remit VAT under Thailand's e-service VAT regime.

## Withholding tax

The withholding tax imposed on dividends paid to another Thai company is subject to a 10 percent tax rate. This can be exempt if certain conditions are satisfied under the promotion law or Revenue Code.

Interest paid to non-resident companies are subject to 15 percent withholding tax whereas it is only one percent for residents. Royalties are subject to a three percent withholding tax for residents and a 15 percent tax on non-residents.

| Withholding Tax in Thailand |              |                |
|-----------------------------|--------------|----------------|
| Net profit                  | Tax Rate (%) |                |
|                             | Residents    | Non-residents* |
| Dividends                   | 10/0         | 10             |
| Interest                    | 1            | 15             |
| Royalties                   | 3            | 15             |
| Fees for technical services | 3            | 15             |

*\*Rates for resident companies of countries with tax treaties with Thailand may vary.*

## Specific business tax

The specific business tax (SBT) is an alternative tax levy on services. Businesses that are excluded from VAT will instead be subject to SBT.

| Specific Business Tax Rates                                |                                                                            |
|------------------------------------------------------------|----------------------------------------------------------------------------|
| Business type                                              | Applicable rate (%)                                                        |
| Commercial banking or credit financing businesses          | 3 (although for certain types of banking incomes the rate is 0.01 percent) |
| Life insurance                                             | 2.5                                                                        |
| Pawn business                                              | 2.5                                                                        |
| Businesses with transactions similar to commercial banking | 3                                                                          |

## Taxation of foreign sourced income

The Thai Department of Revenue issued Departmental Instruction No. Paw 161/2566 which provides significant changes to the collection of personal income tax on foreign-sourced income. The new tax treatment has been in effect since January 1, 2024.

The new tax treatment states that Thai taxpayers who derive assessable income from employment or business overseas, or from property located abroad, must pay tax on that income after bringing such assessable income to Thailand.

If a person resides in Thailand for 180 days or more during the tax calendar year, that person is taxed for income from that year.

This provision requires a person to pay income tax to the Thai Revenue Department under the following conditions:

Individuals, who are categorized as:

- Thai citizens;
- A Thai resident who filed taxes in the previous tax year; or
- Foreigners who reside in Thailand for one or more periods with at least 180 days in one tax calendar year.

Receive income inside or outside Thailand via:

- Income from employment (wages, salaries, remuneration, etc.) assessable under Section 40 of the Revenue Code;
- Income from business operations is assessable under Section 40.
- Passive or property income (interest, dividends, rental income, goodwill, etc.) based on Article 41 paragraph 2 of the Revenue Code.

Thai citizens and foreigners who are permanent residents will be subject to income tax, if they earn annual income at the following rates:

- 0 to 150,000 baht (US\$4,632) is exempt from income tax;
- More than 150,000 baht and up to 300,000 baht (US\$9,265) are subject to a 5 percent tax rate;
- More than 300,000 baht and up to 500,000 baht (US\$15,441) are subject to a 10 percent tax rate;
- More than 500,000 baht and up to 750,000 (US\$23,162) are subject to a 15 percent tax rate;
- More than 750,000 and up to 1 million baht (US\$30,883) are subject to a 20 percent tax rate;
- More than 1 million baht and up to 2 million baht (US\$61,776) are subject to a 25 percent tax rate;
- Over 2 million baht and up to 5, million baht (US\$154,440) are subject to a 30 percent tax rate; and
- More than or more is subject to a 35 percent tax rate.

## Thailand's DTA network

Countries that have double tax treaties with Thailand are shown in the table below. Dividends are subject to a 10 percent withholding tax and interest paid to resident companies are subject to a one percent tax rate. Royalties are subject to a three percent withholding tax.

| Countries with Signed DTAs with Thailand |                                |               |                 |                      |
|------------------------------------------|--------------------------------|---------------|-----------------|----------------------|
| A-B                                      | C-J                            | K-O           | P-S             | T-Z                  |
| Albania                                  | Cabo Verde (Cape Verde)        | Kenya         | Pakistan        | Taiwan               |
| Algeria                                  | Cambodia                       | Korea (South) | Philippines     | Tajikistan           |
| Armenia                                  | Cameroon                       | Kuwait        | Poland          | Turkey               |
| Australia                                | Canada                         | Laos          | Romania         | Ukraine              |
| Austria                                  | Chile                          | Latvia        | Russia          | United Arab Emirates |
| Azerbaijan                               | China                          | Lebanon       | Seychelles      | United Kingdom       |
| Bahamas                                  | Colombia                       | Lesotho       | Singapore       | United States        |
| Bahrain                                  | Congo (Republic of)            | Liberia       | Slovenia        | Vietnam              |
| Barbados                                 | Congo (Democratic Republic of) | Liechtenstein | South Africa    |                      |
| Bangladesh                               | Costa Rica                     | Luxembourg    | Spain           |                      |
| Belarus                                  | Cyprus                         | Malaysia      | Sri Lanka       |                      |
| Belgium                                  | Czech Republic                 | Mauritius     | Sweden          |                      |
| Belize                                   | Denmark                        | Myanmar       | Switzerland     |                      |
| Bulgaria                                 | Dominican Republic             | Nepal         | Seychelles      |                      |
| Belgium                                  | Ecuador                        | Netherlands   | Slovak Republic |                      |
| Bermuda                                  | El Salvador                    | New Zealand   | Slovenia        |                      |
| Bolivia                                  | Estonia                        | Norway        | South Africa    |                      |
| Botswana                                 | Eswatini (Swaziland)           | Oman          | Spain           |                      |
| Brazil                                   | Ethiopia                       | Mauritius     | Sri Lanka       |                      |
| Brunei                                   | Finland                        | Morocco       | Sweden          |                      |
| Bulgaria                                 | France                         | Mexico        | Switzerland     |                      |
|                                          | Gabon                          | Mongolia      |                 |                      |
|                                          | Georgia                        | Myanmar       |                 |                      |
|                                          | Germany                        | Nigeria       |                 |                      |
|                                          | Greece                         | Namibia       |                 |                      |
|                                          | Gibraltar                      | Netherlands   |                 |                      |
|                                          | Greece                         | New Zealand   |                 |                      |

| Countries with Signed DTAs with Thailand |             |        |     |     |
|------------------------------------------|-------------|--------|-----|-----|
| A-B                                      | C-J         | K-O    | P-S | T-Z |
|                                          | Grenada     | Norway |     |     |
|                                          | Guernsey    | Oman   |     |     |
|                                          | Honduras    |        |     |     |
|                                          | Hong Kong   |        |     |     |
|                                          | Hungary     |        |     |     |
|                                          | Iceland     |        |     |     |
|                                          | India       |        |     |     |
|                                          | Indonesia   |        |     |     |
|                                          | Ireland     |        |     |     |
|                                          | Isle of Man |        |     |     |
|                                          | Israel      |        |     |     |
|                                          | Italy       |        |     |     |
|                                          | Japan       |        |     |     |
|                                          | Jersey      |        |     |     |

## Timor-Leste

Timor-Leste's tax system is regulated by the Ministry of Finance and the Autoridade Tributária e Aduaneira (ATA). The framework is primarily governed by the Taxes and Duties Act (Law No. 8/2008) and subsequent amendments, which set out rules for income tax, excise tax, and service tax. The system is relatively straightforward, designed to attract foreign investment while maintaining fiscal stability.

### Tax structure

Businesses and individuals in Timor-Leste are subject to the following key taxes:

- Corporate income tax;
- Wage income tax;
- Service tax;
- Excise tax; and
- Withholding tax.

### Corporate income tax

Corporate income tax (CIT) is levied on the net income of companies derived from sources in Timor-Leste. Resident companies are taxed on worldwide income, and non-residents are taxed only on income derived from within Timor-Leste.

| Type of taxpayer                                     | Tax rate (%) |
|------------------------------------------------------|--------------|
| Resident and non-resident companies                  | 10           |
| Petroleum contractors (under Petroleum Taxation Law) | 30           |

Companies must file annual returns within three months of the end of the fiscal year. Tax losses may be carried forward indefinitely, subject to continuity of ownership and business tests. Incentives are available for qualifying investments in priority sectors through the TradeInvest Timor-Leste agency.

## Value-added tax

Timor-Leste does not currently impose VAT. Instead, a sales tax of 2.5 percent is charged on imported goods and services. An excise tax applies to luxury and non-essential goods such as alcohol, tobacco, and motor vehicles, with rates ranging from 2.5 percent to 200 percent depending on the product. The government has signaled plans to introduce a VAT regime aligned with ASEAN standards in the future.

## Withholding tax

Withholding tax applies to payments for services, rent, royalties, and certain other transactions. The payer is required to deduct the applicable tax and remit it to the ATA in accordance with the prescribed filing and payment deadlines.

| Type of payment                                 | Tax rate (%)                  |
|-------------------------------------------------|-------------------------------|
| Construction services                           | 2                             |
| Construction consulting services                | 4                             |
| Air and sea transport                           | 2.64                          |
| Mining and exploration                          | 4.5                           |
| Royalties, rent, and prizes                     | 10                            |
| Non-residents without a permanent establishment | 10                            |
| Dividends and interest                          | 0 (exempt since July 1, 2008) |

## Personal income tax

Timor-Leste distinguishes between wage income tax (WIT) and personal income tax (PIT). WIT applies to employment income – that is, salaries, wages, allowances, bonuses, and benefits received by individuals working in Timor-Leste. Employers are required to withhold WIT from employees' pay and remit it monthly to the ATA.

PIT, by contrast, applies to non-employment income, such as income from business activities, professional services, and other sources. Residents are taxed on worldwide income, while non-residents are taxed only on Timor-Leste-sourced income.

| Wage Income Tax (WIT) Rates |                       |              |                                           |
|-----------------------------|-----------------------|--------------|-------------------------------------------|
| Taxpayer type               | Monthly income (US\$) | Tax rate (%) | Description                               |
| Resident                    | Up to US\$500         | 0            | Exempt threshold for residents            |
| Resident                    | Over US\$500          | 10           | Taxed at 10% on the excess above US\$500  |
| Non-resident                | Any amount            | 10           | Flat 10% on all Timor-Leste-sourced wages |

| Personal Income Tax Rates |                                |              |                                                |
|---------------------------|--------------------------------|--------------|------------------------------------------------|
| Taxpayer type             | Annual taxable income (US\$)   | Tax rate (%) | Description                                    |
| Resident                  | Up to US\$6,000                | 0            | Tax-free threshold for annual income           |
| Resident                  | Over US\$6,000                 | 10           | Taxed at 10% on the excess above US\$6,000     |
| Non-resident              | All Timor-Leste-sourced income | 10           | Flat 10% on total income earned in Timor-Leste |

## Timor-Leste's DTA Network

Timor-Leste has signed a double taxation agreement with Portugal, providing relief on income and withholding taxes for qualifying residents. The government has expressed its intention to expand its DTA network as part of its fiscal reforms and ASEAN accession strategy.

# Vietnam

All taxes in Vietnam are imposed at the national level; there are no local, city, or provincial taxes. Enterprises should pay tax in localities where they are headquartered or have duly registered branches.

## Tax structure

Most companies and foreign investors in Vietnam are subject to the following major taxes:

- Corporate income tax;
- Business license tax;
- Value-added tax;
- Personal income tax;
- Special consumption tax; and
- Foreign contractor tax.

### Corporate income tax

Vietnam imposes a standard corporate income tax rate of 20 percent on most enterprises. All income earned within Vietnam is subject to this tax, whether it comes from a Vietnam-based subsidiary or a foreign company operating through a permanent establishment. Enterprises registered in Vietnam are taxed on worldwide income. Companies in the oil, gas, and mineral extraction industries are subject to higher rates, ranging from 25 to 50 percent depending on project conditions.

### Business license tax

Enterprises operating in Vietnam must pay an annual business license tax (BLT). The fee ranges from VND 1 million (US\$38) to VND 3 million (US\$114) per year, depending on the registered capital and business scale. This tax applies to all organizations, including branches, factories, and representative offices. The government has announced that the BLT will be abolished beginning January 1, 2026.

### Value-added tax

Vietnam applies value-added tax (VAT) on goods and services used in production, trading, and consumption, including those procured from non-resident entities. The standard VAT rate is 10 percent, although a temporary reduction to 8 percent applies to selected goods and services until December 31, 2026. Certain goods and services are exempt from VAT under specific conditions set by the government.

### Zero percent VAT rate

A zero-percent rate applies to goods and services exported or consumed outside Vietnam, such as goods sold to foreign markets or non-tariff zones, supplies to duty-free stores, international transport services, and eligible export-related services.

### 5 percent VAT rate

A five-percent rate applies to essential goods and services, including clean water, unprocessed food, agricultural products, pharmaceuticals, medical equipment, educational materials, and social housing.

### 10 percent standard VAT rate

All other goods and services that do not qualify for exemption, or the 0 or 5 percent categories, are subject to the standard 10 percent rate. These classifications are clearly defined in the VAT regulations to ensure consistent application and compliance for all businesses operating in Vietnam.

Each rate classification is subject to specific conditions and regulations, ensuring clarity and compliance for businesses operating in Vietnam.

## Personal income tax

Individuals in Vietnam are subject to personal income tax based on their residency status. A tax resident in Vietnam must satisfy one of the following criteria:

- Resides in Vietnam for 183 days or more within 12 consecutive months from the first day of arrival;
- Holds a permanent or temporary residence card for Vietnam; or
- Leases a property for 183 days or more in Vietnam.

## Personal income tax rates

| Monthly Income                                               | Tax rate (%) |
|--------------------------------------------------------------|--------------|
| Up to VND 5 million (US\$190)                                | 5            |
| Over VND 5 million (US\$190) up to VND 10 million (US\$380)  | 10           |
| Over VND 10 million (US\$380) up to VND 18 million (US\$685) | 15           |

| Monthly Income                                                   | Tax rate (%) |
|------------------------------------------------------------------|--------------|
| Over VND 18 million (US\$685) up to VND 32 million (US\$1,220)   | 20           |
| Over VND 32 million (US\$1,220) up to VND 52 million (US\$1,975) | 25           |
| Over VND 52 million (US\$1,975) up to VND 80 million (US\$3,045) | 30           |
| Over VND 80 million (US\$3,045)                                  | 35           |

Vietnam has released a draft overhaul of its Personal Income Tax framework, signalling a broader reform of how individual income is taxed. The proposed changes include adjustments to taxable income categories, tax rates and brackets, personal and dependent deductions, and the treatment of exemptions and reliefs, with the aim of expanding the tax base and reducing inconsistencies in current rules. The revisions are positioned as part of a wider effort to modernise tax administration and improve clarity for taxpayers, with the new law expected to be introduced around 2026 and certain measures potentially taking effect earlier.

## Withholding tax

There is no withholding tax imposed on dividends for resident and non-resident companies in Vietnam. Interest rates for non-resident companies are set at five percent and can be further reduced under a tax treaty. Withholding tax on interest, royalties, and fees for technical services for resident companies are set at 20 percent.

| Withholding Tax on Payments to Non-Residents (Foreign Contractor Tax) |                         |                |                                                                                |
|-----------------------------------------------------------------------|-------------------------|----------------|--------------------------------------------------------------------------------|
| Type of payment                                                       | Recipient type          | WHT / FCT rate | Notes                                                                          |
| Dividends                                                             | Corporate or individual | 0%             | No withholding tax on profit remittances or dividends.                         |
| Interest                                                              | Corporate or individual | 5%             | Applies to most interest paid to foreign lenders; treaty reductions may apply. |
| Royalties / Licensing                                                 | Corporate or individual | 10%            | Standard domestic rate; can be reduced under double taxation agreements.       |
| Service / Technical Fees                                              | Corporate or individual | 5% (effective) | Collected under FCT combining VAT and CIT components.                          |

## Special consumption tax

Vietnam imposes a special consumption tax (SCT) on 11 groups of goods and 6 groups of services that are considered non-essential or socially sensitive. These include alcohol, tobacco, automobiles, air conditioners, and entertainment activities such as casinos, betting, golf, and karaoke. The tax is applied at the manufacturing or import stage for goods and at the point of provision for services. For imported goods, except certain petroleum products, SCT applies at import and again when the importer sells the goods domestically. The SCT paid at import can be credited against SCT due at sale to prevent double taxation. A new SCT law will take effect in 2026, expanding the taxable scope and tightening compliance requirements.

## Foreign contractor tax

Foreign businesses earning income from Vietnam without establishing a local legal entity are subject to the foreign contractor tax regime. This regime combines value-added tax and either corporate income tax for foreign companies or personal income tax for foreign individuals. It applies to foreign parties providing goods or services to Vietnamese entities under contracts. FCT can be paid under three methods: direct, deduction, or hybrid. Under the direct (withholding) method, the Vietnamese party is responsible for withholding and remitting tax on behalf of the foreign contractor. The tax is applied at deemed CIT and VAT rates on the gross contract value, with the specific rates depending on the nature of the transaction.

For example (illustrative statutory rates from Circular 103):

- **Interest:** CIT 5 percent (VAT is not applicable)
- **Royalties:** CIT 10 percent (VAT 5 percent may apply depending on contract terms)
- **Service fees:** CIT 5 percent plus VAT 5 percent, unless the service qualifies for VAT exemption (e.g., services performed entirely overseas)

Actual withholding may vary depending on the contract scope, the nature of the income, and eligibility for relief under double taxation agreements.

## Vietnam's DTA network

The country has signed DTA's with over 80 countries and regions. The tax rate on interest rates is set between 10 to 15 percent unless it is reduced under a tax treaty. Royalties paid to non-resident companies are subject to a 10 percent withholding tax whereas resident companies are subject to a 20 percent tax rate. There is no withholding tax on dividends.

| Countries and Regions with Signed DTAs with Vietnam |                          |                              |              |                                  |
|-----------------------------------------------------|--------------------------|------------------------------|--------------|----------------------------------|
| A-B                                                 | C-J                      | K-O                          | P-S          | T-Z                              |
| Algeria (not yet in force)                          | Cambodia                 | Kazakhstan                   | Pakistan     | Taiwan                           |
| Australia                                           | Canada                   | Korea (North)                | Palestine    | Thailand                         |
| Austria                                             | China                    | Korea (South)                | Panama       | Tunisia                          |
| Azerbaijan                                          | Croatia                  | Kuwait (not yet in force)    | Philippines  | Turkey                           |
| Bangladesh                                          | Cuba                     | Laos                         | Poland       | Ukraine                          |
| Belarus                                             | Czech Republic           | Latvia                       | Portugal     | United Arab Emirates             |
| Belgium                                             | Denmark                  | Luxembourg                   | Qatar        | United Kingdom                   |
| Brunei Darussalam                                   | Egypt (not yet in force) | Macao                        | Romania      | United States (not yet in force) |
| Bulgaria                                            | Estonia                  | Macedonia (not yet in force) | Russia       | Uruguay                          |
|                                                     | Finland                  | Malaysia                     | San Marino   | Uzbekistan                       |
|                                                     | France                   | Malta                        | Saudi Arabia | Venezuela                        |
|                                                     | Iceland                  | Mongolia                     | Serbia       |                                  |
|                                                     | India                    | Morocco                      | Seychelles   |                                  |
|                                                     | Indonesia                | Mozambique                   | Singapore    |                                  |
|                                                     | Iran                     | Myanmar                      | Slovakia     |                                  |
|                                                     | Ireland                  | Netherlands                  | Spain        |                                  |
|                                                     | Israel                   | New Zealand                  | Sri Lanka    |                                  |
|                                                     | Italy                    | Norway                       | Sweden       |                                  |
|                                                     | Japan                    | Oman                         | Switzerland  |                                  |



# Brunei

## Labor law

The Employment Order of 2009 legislates the minimum terms and conditions of employment in Brunei. The Order covers those employed under a contract of service but excludes seamen, domestic servants, as well as those employed in a managerial or executive position. Civil servants are also excluded from this Order.

## Relevant visa categories

### Employment visa

Foreigners seeking to work in Brunei must obtain an employment visa from the Department of Immigration and National Registration. Employers intending to hire foreign workers must satisfy several prerequisites before applying.

### Requirements to apply for an employment visa

The previous “foreign quota” system for foreign recruitment was replaced by the Lesen Pekerja Asing (LPA) or Foreign Worker License in 2018. This reform shortened processing times from 41 days to seven working days.

Before applying, companies must:

- Register with the relevant authorities; and
- Advertise job vacancies on the JobCentre Brunei (JCB) online platform for at least two weeks.

If the JCB cannot match the vacancy with a suitable local candidate, it will issue a clearance letter allowing the employer to apply for an LPA from the Department of Labour.

Documents required include:

- Two copies of the foreign worker application form;
- Copies of identity cards or passports of company owners/partners;
- Copies of valid passports for each applicant;
- Approval letters from relevant government agencies (if applicable);
- List of local employees verified by the TAP;
- Verification of registration with JobCentre Brunei;
- Certificates relevant to the occupation (if applicable);

- Tenancy agreement for company office or workers' accommodation (if applicable); and
- For construction activities, supporting documents on ongoing or upcoming projects.

## Applying for a work visa

After the approval of an LPA, foreign workers can apply for a work visa at the Department of Immigration & National Registration. The following documents are required:

- An application letter from the employer;
- A visa application form;
- Form 23;
- 2 passport-sized photos;
- Photocopy of identity card;
- Approved Foreign Workers License (original & a photocopy);
- Job Order from Department of Labor; and
- Employment Agency Representative Card.

The processing time takes three to five days. Malaysian and Singaporean citizens are exempt from requiring a work visa.

## Applying for a work pass and identification card

Before foreign employees can begin working in Brunei, they must undergo a pre-employment medical examination at accredited health centers in the country, as per the conditions set out by the Ministry of Health.

Once the medical report has been received and approved, foreign workers can apply for a work pass using the same documents as the ones required for the visa application. The work pass application procedure takes three to five days.

Once the applicant has received their work pass, they can apply for an identification card (IC) by submitting the following documents:

- Identification card application form; and
- The travel document containing a photo page and the work pass from the Department of Immigration and National Registration (original and photocopy).

After the documents are verified and the application is approved, the applicant may collect the work pass from the relevant Brunei diplomatic mission. The pass is valid for a period of two years and can be renewed for another two years at a time.

## Business visit visas

A business visit visa allows short-term entry for business-related activities in Brunei. The Brunei-registered company or government agency must apply on behalf of the applicant, including a supporting letter and the applicant's supporting documents.

## Professional visit visas

As with a business visit visa, the professional visa is a short-term visa, but issued for professional expertise for a project in Brunei.

It is also the responsibility of the Brunei-registered company or government agency to apply on behalf of the applicant, which includes a supporting letter in addition to supporting documents from the applicant.

## Social insurance

Employers in Brunei must contribute to employee retirement schemes only for Bruneian citizens and permanent residents, not for foreign employees.

The two main social-security programs are:

1. Employee Trust Fund (TAP) – employers contribute 5 percent of the employee's monthly wages, and employees contribute 5 percent as well.
2. Supplementary Contributory Pension (SCP) – employers contribute 3.5 percent, and employee's 3.5 percent of monthly salary.

These two programs were partially replaced in July 2023 by the Skim Persaraan Kebangsaan (SPK), a national retirement scheme for Bruneian citizens and permanent residents. Under SPK, employee contributions increased to 8.5 percent, while employer contributions vary by salary band (for example, 10.5 percent for salaries between BND 500 and BND 1,500).

Foreign employees are exempt from TAP, SCP, and SPK participation, meaning employers are generally not required to make social-security contributions for foreign staff. However, employers remain responsible for ensuring compliance with immigration, medical, and employment-contract obligations under the Employment Order 2009 and relevant labor regulations.

# Cambodia

## Labor law

Cambodia's Labor Law provides the framework governing the rights and obligations of employers and employees. The Law was amended in 2018 and 2019 to introduce seniority payments, severance payments, and a bimonthly salary payment system.

The latest amendments in 2021 allow enterprises to divide work hours into three shifts and permit individual labor disputes to be brought before the Labor Court if not settled through the labor inspector.

### Key amendments to labor law

Under the amendments there are several pro-employee initiatives employees should be aware of.

#### Seniority payments

Employers are no longer required to pay “compensation for dismissal” under undetermined duration contracts (UDCs); instead, they must make ongoing seniority payments.

Employees who have worked for at least one month under a UDC are entitled to seniority payments equal to 7.5 days of wages and benefits every six months, totaling 15 days per year.

A second component covers seniority back payments for service before 2019, calculated at 15 days of wages and benefits per year. Employees who resign are not entitled to back payments.

#### Fixed duration contracts and renewals

The Ministry of Labor and Vocational Training (MLVT) sets the maximum term of an FDC at two years. The contract may be renewed, but the total renewal period cannot exceed two years; exceeding this converts it into a UDC.

#### Employment contracts for foreign workers

Employers may submit Khmer-language translations of their employment contracts when applying for work permits for foreign employees, simplifying the permit application process.

#### Severance payments

For FDCs, employers must pay severance equivalent to at least 5 percent of the total wages earned during the contract term. The payment must be made upon contract completion.

### **Bimonthly salary payments**

Employers must pay salaries twice per month, with 50 percent paid in the second week and the balance in the fourth week. This system replaces the previous single monthly payment method and aims to improve employee cash flow.

### **Work shifts**

Enterprises may now divide work schedules into three shifts (morning, afternoon, and night), each not exceeding eight hours per day. Previously, only two shifts were permitted.

For night work between 10 p.m. and 5 a.m., employees receive 130 percent of the normal hourly wage. Overtime performed during night hours is compensated at 200 percent of the regular rate. Employers must also continue to provide relevant allowances and health benefits to regular night-shift employees.

### **Labor dispute resolution**

The jurisdiction of the Labor Arbitration Council has been expanded to include individual labor disputes. If conciliation by a labor inspector fails, either party may file a complaint with the Labor Court or the Arbitration Council.

This reform aims to resolve disputes more efficiently and promote harmonious industrial relations. The detailed procedures are outlined in a later Prakas issued by the MLVT.

### **New powers for the labor inspector**

Labor inspectors now hold authority as judicial officers to monitor and investigate employment-related offenses under the Labor Law. The legal procedures governing these powers are detailed in an inter-ministerial Prakas.

### **Cancellation of compensated days off in lieu**

Previously, employees received a day off in lieu when a public holiday fell on a Sunday. Under Article 162 (amended 2021), this compensation day has been abolished, effectively reducing total annual public holidays depending on the calendar year.

Employers requiring staff to work on a public holiday must apply for advance permission from the MLVT, and such work must be conducted under the supervision of a labor inspector.

## Relevant visa categories

### Foreign employee quota

Businesses in Cambodia that employ or intend to employ foreign nationals must apply for a foreign employee quota from the MLVT.

The MLVT sets a maximum quota of 10 percent of an employer's total workforce for foreign employees. This comprises:

- Office employees: 3 percent
- Skilled labor: 6 percent
- Unskilled labor: 1 percent

Employers must submit their quota application annually, no later than November 30 of the preceding year, through the Foreign Workforce Centralized Management System (FWCMS). The quota approval is a prerequisite for obtaining individual work permits for each foreign worker. If an employer can demonstrate that specific skills are not available in Cambodia, the MLVT may approve a higher quota on a case-by-case basis.

### E-visas

Foreign workers planning to work in Cambodia require a valid Ordinary (E-class) business visa, issued by the Ministry of Interior (Mol).

The E-class visa is initially valid for 30 days and can be extended for one month, three months, six months, or 12 months. Extensions are processed at the Department of Immigration of the Mol. The six- and 12-month extensions allow multiple entries, while the one- and three-month extensions permit single entry.

Ordinary E-class visas can be obtained upon arrival at Phnom Penh International Airport or through a Cambodian embassy abroad.

There are several E-class visa extension categories, which include:

- **EB visa:** The most common category issued to foreign nationals working or conducting business in Cambodia. It also applies to freelancers, dependents of foreign employees, and foreigners wishing to stay beyond 30 days for employment or business purposes.
- **EP visa:** Issued to foreigners seeking employment or exploring business opportunities after their initial 30-day stay. It is extendable up to three months. Those unable to secure employment within this period must leave the country.
- **EG visa:** A general visa for foreigners temporarily seeking work, valid for one, three, or six months.

- **ES visa:** Granted to international students attending educational institutions in Cambodia.
- **ET visa:** Issued to technicians or specialists working in specific industries

To extend the E-class visa, foreigners need the following:

- A passport with at least 6-month validity;
- A blank page in the passport;
- One passport-sized photo; and
- A renewal fee in US dollars.

## Work permit

In addition to a valid E-class visa, all foreign employees must obtain a work permit and employment card issued by the MLVT. The employer is responsible for submitting the application via the FWCMS portal, following the approval of the foreign employee quota.

### Requirements to apply for a work permit

The company will need to provide the following information to the MLVT:

- Certificate of incorporation with company stamp;
- Registered business address;
- Tax patent with company stamp;
- Foreign employee quota approval;
- An approval from the Ministry of Commerce; and
- An article of incorporation of the company.

The documents required at the employee level:

- Three sets of application form as issued by the MOI;
- Copy of passport with valid visa;
- Three photographs (4×6);
- Health certificate; and
- Written work contract from the employer.

Companies – foreign owned or domestic – are restricted in the number of foreigners they can employ under the quota system.

Under the quota system, the number of foreigners employed in a company is subject to a maximum of 10 percent of the company's total workforce. This quota may be increased, at the discretion of the MLVT, if the company requires employers with a specific skill set that is currently unavailable in Cambodia.

## Social insurance

Employers in Cambodia are required to make contributions to the National Social Security Fund (NSSF), which manages the country's social protection system. Under this framework, employers with one or more employees must register themselves and their employees with the NSSF within 30 days of commencing operations. Employees must be registered within three working days of starting employment.

The NSSF provides three schemes:

1. Occupational risk insurance – covering work-related accidents;
2. Healthcare insurance – covering medical expenses; and
3. Pension scheme – providing retirement and survivor benefits.

The occupational risk insurance scheme was launched in 2008, followed by healthcare insurance in 2016, and the pension scheme in October 2022 under Sub-Decree No. 32 of 2021.

Sub-Decree 32 introduces the mechanism and procedures, contribution rate, and benefit claim for the four types of pension schemes provided under the decree. These are:

- Old-age pension;
- Disability pension;
- Survivor's pension; and
- Funeral allowance.

### What are the conditions for eligibility?

#### Old-age pension

Employers must contribute 0.8 percent of each employee's monthly wage to the NSSF's Occupational Risk Contribution (ORC) fund. This contribution covers workplace accidents and occupational diseases and is entirely borne by the employer.

There is no cap on the contribution amount.

#### Disability pension

To be eligible, the NSSF member must be registered under the pension scheme and have made contributions to the pension fund for at least 60 months before becoming disabled.

#### Survivor's pension

The benefits are given to family members on the death of an NSSF member who has made contributions to the pension fund for at least 60 months.

## Funeral allowance

The allowance is given only on the death of a person who is eligible for the old-age or disability pension.

Sub-Decree 32 stipulates that companies that have not registered with the NSSF must do so within 30 days of the effective date of the decree and that their employees must also be registered within three days of commencing employment.

## What are the components of the pension scheme?

The pension scheme consists of two components:

1. The compulsory pension scheme; and
2. The voluntary pension scheme.

## The compulsory scheme

Under the compulsory scheme, the contribution rate will be borne 50 percent by the employer with the remaining 50 percent by the employee.

The contribution rates will be done in three stages, as follows:

- 1<sup>st</sup> stage – four percent of the contributable wage (wages before tax deductions) whereby the employer will contribute two percent and each employee two. This will be implemented for the first five years of the scheme;
- 2<sup>nd</sup> stage – eight percent of the contributable wage, whereby the employer will contribute four percent and each employee four. This will be implemented after the first stage is completed and for five years; and
- 3<sup>rd</sup> stage – there will be subsequent increases of 2.75 percent every 10 years.

Employers are obligated to remit their pension contributions to the NSSF by the 15th of the following month and the contribution report – which includes the number of employees – must be submitted on the 20th of the following month.

## The voluntary scheme

NSSF members can also request to participate voluntarily in the pension scheme if they meet the following conditions:

- The applicant is under the age of 60 and unemployed, but is still able to make the pension payments;

- The applicant is under the age of 60 and wishes to pay the monthly contribution to receive a much higher old-age pension than the amount they are receiving under the compulsory pension scheme; or
- Have income higher than the wage ceiling.

The rate of the contribution under the voluntary scheme must be equal to or greater than that paid under the compulsory pension scheme.

# Indonesia

## Labor law

The main sources of employment and labor laws in Indonesia are:

- Labor Law of 2003 on Manpower as amended by Law No. 11 of 2020 on Job Creation and revoked by Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation and further stipulated under Government Regulation 6 of 2023;
- Law No. 21 of 2000 on Labor Union; and
- Law No. 2 of 2004 on Industrial Relations Dispute Settlement.

## Fixed term contracts

Under implementing regulation 35 of 2021 (GR35/2021), the government recognizes three types of fixed-term contracts (FTC):

- FTC based on the completion of work;
- FTC based on the period of time; and
- FTC related to non-permanent work.

GR 35/2021 states that all FTC types are for work that is temporary and can be completed within a set time period, and are limited to a period of five years. Therefore, any contract extensions cannot be for prolonged periods (for example, 10 years). Failing to adhere to these rules will result in the employee deemed to be on a permanent employment contract.

### *Asiapedia*

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## Indonesia's New Fixed-Term Contract System

|                 | FTC based on completion of work                                                                                                            | FTC base on period                                                                                                                                                                                 | FTC related to non-permanent work                                                                                                                            |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of work    | <ul style="list-style-type: none"> <li>Temporary work; or</li> <li>One-time work</li> </ul>                                                | <ul style="list-style-type: none"> <li>Work that can be completed in short time;</li> <li>Seasonal work; or</li> <li>Work related to new products that are in trial or experimentation.</li> </ul> | <ul style="list-style-type: none"> <li>Work that is based on attendance; or</li> <li>Work that changes based on volume or time.</li> </ul>                   |
| Contract period | There is no specific maximum period, however, the employment agreement must include provisions on the expected period for work completion. | Maximum five years (including extension).                                                                                                                                                          | Maximum 20 days per month. If the employee works for 21 days per month or more for three consecutive months, then they will be considered permanent workers. |

## Compensation for FTC workers

Prior to the Omnibus Law, any party terminating the FTC was required to pay the other party compensation equivalent to the employee's salary for the remaining time of the FTC. If an FTC expired naturally, then neither party would have to pay compensation.

This has changed with GR 35/2021, which obligates the employer to pay compensation to the employee, even if the employee terminates the FTC prematurely.

The employers must pay compensation upon:

- The expiry of an FTC;
- Each extension of the FTC; and
- Early termination of the contract, irrespective of who terminates the contract.

### How is it calculated?

Compensation is calculated using the following formula:

| Contract period                             | Compensation amount                             |
|---------------------------------------------|-------------------------------------------------|
| More than one month but less than 12 months | (work period in months/12) x one month's salary |
| More than 12 months                         |                                                 |
| 12 consecutive months                       | One month's salary                              |

When an FTC expires and is then extended, the compensation for the initial contract must be paid when the FTC expires.

## Working hours

Normal working hours in Indonesia is 40 hours per week, which can be divided into eight hours per day for five working days or seven hours per day for six working days.

GR 35/2021 recognizes working hours of less than 40 hours per week if the company has the following characteristics:

- Undertake work that can be completed in less than 35 hours per week;
- Are able to implement flexible working hours; and
- Undertake work that can be completed outside a particular location.

## Overtime

The regulation extends the overtime working hours to four hours per day and 18 hours per week, which does not apply to public holidays. GR 35/2021 requires that collective labor agreements, company regulations, or employment agreements specifically state which roles are entitled to overtime pay. If this is not expressed, then the employee will automatically be entitled to receive this payment.

The regulation does include provisions on employees that are exempt from overtime pay eligibility. These are:

- Employees that hold certain positions with responsibilities as thinkers, controllers, planners, executors, etc.;
- Workers whose working hours cannot be capped, such as those in managerial roles; and
- Workers that are paid high salaries.

## Outsourcing

GR 35/2021 allows companies to outsource a portion of their work to employees outside the company. In this case, the employee will have a formal working relationship with the outsourcing company, not the end company, and it is the responsibility of the outsourcing company to enter into an indefinite or FTC with the employee.

This regulation also makes it clear for employers to include the provisions of transfer of rights protection in the contract in the event of a change in an outsourcing company.



**JENNIFER HALIM**

Country Manager  
Indonesia

*“Lower paid-up capital rules are making Indonesia more accessible, allowing foreign firms to enter the market with lighter initial commitments.”*



Although GR 35/2021 in principle allowed any type of work to be outsourced, the 2023 Omnibus Law stipulates that outsourcing is subject to certain limitations, pursuant to forthcoming regulations. However, the government has yet to release regulations on the limitations to outsourcing.

## Termination of employment

GR35/2021 sets the procedures to unilaterally terminate employment. The employer must first notify the employee in writing, setting out the reasons for termination, and the termination payments and entitlements at least 14 business days before the date of termination.

If the employee has no objection to the termination, then the employer can notify the Ministry of Manpower of this notice. If, however, the employee objects to the termination, they must provide, in writing, the reasons for this within seven business days from receiving the termination notice.

Any disagreements related to termination should be discussed between the relevant parties to agree to mutual separation. If this fails, then the matter can be brought to the local employment office for mediation, and if this fails, to the Industrial Relations Court.

Prior to the changes in the Omnibus Law, employers had no right to unilaterally terminate employment in any circumstance, unless the termination was agreed upon by both parties through negotiations. The employer would then be able to obtain an approval for the termination from the labor courts and the employee was entitled to up to six months' salary.

## Termination payments

Terminated employees are entitled to termination payments and the amount varies depending on the length of employment of the employee.

Termination payments are comprised of severance payments, long service pay, and compensation of rights. There is another component called separation pay, but this must be stipulated in the employment agreement.

Compensation pay refers to compensation for any untaken annual leaves and other costs incurred such as for relocation.

Long service pay refers to a type of compensation given to employees based on the number of years they have worked at the company. An employee who has had their contract terminated may be eligible for the long service pay in addition to their severance pay.

| Severance Payment in Indonesia    |                   |
|-----------------------------------|-------------------|
| Completed years of service        | Severance payment |
| Less than 1 year                  | 1 month wage      |
| More than 1 year but less than 2  | 2 months wage     |
| More than 2 years but less than 3 | 3 months wage     |
| More than 3 years but less than 4 | 4 months wage     |
| More than 4 years but less than 5 | 5 months wage     |
| More than 5 years but less than 6 | 6 months wage     |
| More than 6 years but less than 7 | 7 months wage     |
| More than 7 years but less than 8 | 8 months wage     |
| More than 8 years                 | 9 months          |

| Service Payment in Indonesia        |                 |
|-------------------------------------|-----------------|
| Completed years of service          | Service payment |
| More than 3 years but less than 6   | 2 months wage   |
| More than 6 years but less than 9   | 3 months wage   |
| More than 9 years but less than 12  | 4 months wage   |
| More than 12 years but less than 15 | 5 months wage   |
| More than 15 years but less than 18 | 6 months wage   |
| More than 18 years but less than 21 | 7 months wage   |
| More than 21 years but less than 24 | 8 months wage   |
| More than 24 years                  | 10 months wage  |

Reg 35/2021 provides changes to calculating termination pay for certain cases such as merger or consolidation of the company resulting in the termination of the employee, or closure of the company due to mounting losses, among others. In such cases, the severance pay is not as high as mentioned in the previous tables.

| Termination Payment Formula                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                |                                                                   |                                                                           |                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------|----------------|
| Reason for termination                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Severance payment<br>(as accordance to<br>the previous tables) | Long service payment<br>(as accordance to<br>the previous tables) | Compensation<br>of rights<br>(as accordance<br>to the previous<br>tables) | Separation pay |
| Long-term illness or disability resulting in the worker unable to work for 12 months                                                                                                                                                                                                                                                                                                                                                                                                     | 2x                                                             | 1x                                                                | 1x                                                                        | No             |
| Employee death                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                |                                                                   |                                                                           |                |
| Retirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1.75x                                                          | 1x                                                                | 1x                                                                        | No             |
| <ul style="list-style-type: none"> <li>• Merger, consolidation, separation of company and which the employee is not willing to continue with their employment or the employer will no longer accept the employee</li> <li>• Employer carries out efficiency to prevent losses</li> <li>• Acquisitions</li> <li>• Employee's self-termination due to violations committed by the employer</li> <li>• Employer is involved in debt payment proceedings without suffering losses</li> </ul> | 1x                                                             | 1x                                                                | 1x                                                                        | No             |
| Force majeure but does not result in the company closing down                                                                                                                                                                                                                                                                                                                                                                                                                            | 0.75x                                                          | 1x                                                                | 1x                                                                        | No             |
| <ul style="list-style-type: none"> <li>• Acquisition resulting in changes of employment for the employee</li> <li>• Efficiency due to employer's losses</li> <li>• Closure of the company due to force majeure</li> <li>• Company bankruptcy</li> <li>• Employee's violation of the employment agreement (after being served warning letters)</li> <li>• Employer is involved in debt payment proceedings as a result of its losses</li> </ul>                                           | 0.5x                                                           | 1x                                                                | 1x                                                                        | No             |
| <ul style="list-style-type: none"> <li>• Court decision finds the employee's allegations against the employer not proven</li> <li>• Employee's voluntary termination</li> <li>• Employee's absence without permission for five continuous working days</li> <li>• Employee being found guilty of a violation that creates losses for the company</li> </ul>                                                                                                                              |                                                                |                                                                   | Yes                                                                       | Yes            |
| Employee unable to work for six months due to detention by the authorities, and creates losses for the company                                                                                                                                                                                                                                                                                                                                                                           |                                                                |                                                                   | Yes                                                                       | No             |
| Employee unable to work for six months due to detention by the authorities, but does not create losses for the company                                                                                                                                                                                                                                                                                                                                                                   |                                                                | 1x                                                                | Yes                                                                       | No             |

## Relevant visa categories

There are a variety of visas foreign visitors can apply for depending on their purpose of visit.

### Business visas

This is a single-entry visa valid for 60 days upon arrival and can be extended up to four times. The maximum period for with extensions in 180 days. This type of visa is intended for businesspeople who are engaging in meetings in the country, attending conferences, or undertaking market research.

Permitted business activity on this visa includes holding business talks, attending meetings held by the head office or representative office in Indonesia, purchasing goods, and participating in meetings, incentives, conventions, and exhibitions.

This visa must be sponsored by a legal entity in Indonesia and the holders are not allowed to gain employment while in the country.

### Multiple entry business visas

Multiple entry visas now allow foreign visitors to make repeated trips into Indonesia for up to 10 years from the date of issuance. This extension was granted in the Government Regulation 40 of 2023 (GR 40/2023).

The visa, however, still has a 60-day limit for each trip upon arrival, meaning that visitors can only remain in the country for 60 days each time before entering Indonesia again.

Permitted business activities on this visa include government duties, conducting business discussions, purchasing goods, attending seminars and exhibitions, attending meetings at company head office or representative office, and conducting field surveys or feasibility studies.

The requirements for obtaining this visa type are the same as that of the business visa.

#### Application requirements

The application requirements for the business visa are as follows:

- A passport valid for between 6 months and 6 years depending on the length of the visa (minimum 6 months for single-entry 60-day visa and minimum 6 years for 5-year multiple entry visa).



#### KNOWLEDGE RESOURCE



**Halal Markets Unveiled:  
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*ASEAN Briefing Magazine  
January, 2025*

This latest issue of ASEAN Briefing magazine provides a detailed exploration of these opportunities in the Halal industry. Through country-specific analysis, regulatory insights, and actionable strategies, we examine the unique contributions of Indonesia, Malaysia, and Thailand.

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- 
- A letter of invitation from the Indonesian-based sponsor mentioning the purpose of the applicant's visit, and length of stay. The Indonesian sponsor will also need to do an online application to the immigration office in Jakarta on behalf of the applicant.
  - The process usually takes five working days during which time the immigration office will issue a visa approval letter. This will then be sent to the applicant's nearest Indonesian Embassy, who will issue the visa.
  - A business cover letter from the applicant's own company.
  - Two colored passport-sized photographs (white background; 4cm x 6cm).
  - A copy of the applicant's round trip, electronic airline ticket.
  - A bank statement proving the applicant has at least US\$1,500.

## Working visas

A work visa (IMTA) can only be applied for by the Indonesian company that will hire the foreign worker. The company must prove to the Ministry of Manpower (MOM) that the foreign applicant is required to fulfil certain positions.

Foreign employees in Indonesia are not allowed to obtain work in the following sectors:

- Human resource management;
- Legal;
- Health and safety;
- Quality control; and
- Supply chain management.

## Foreign worker utilization plan

In March 2021, Indonesia's Ministry of Manpower issued Regulation No. 8 of 2021 (MOM Reg 8/2021) on the Employment of Foreign Workers. MOM Reg 8/2021 is an implementing regulation to GR 34/2021 and provides in detail the requirements for businesses to fulfill in order to hire foreign workers.

For a local company to employ a foreign worker, they must prepare a Foreign Worker Utilization Plan (Rencana Penggunaan Tenaga Kerja Asing (RPTKA)) – a document that details the specific work, position, and length of employment the foreign employee will undertake in Indonesia. The RPTKA now also serves as the basis for the MOM to grant visas and stay permits.

### Types of RPTKA

There are four types of RPTKA categorized under MOM Reg 8/2021.

| RPTKA Categories                                                                             |                                                                                                                                                               |
|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RPTKA type                                                                                   | Validity                                                                                                                                                      |
| Temporary work (production quality control, filming work, installation of machines etc)      | Valid for up to six months and cannot be extended                                                                                                             |
| Employment for more than six months                                                          | Valid for up to two years with possibility for extension                                                                                                      |
| Employment that does not require payment to the Foreign Worker Utilization Compensation Fund | Valid for up to two years with possibility for extension                                                                                                      |
| Employment in special economic zones (SEZ)                                                   | Valid for five years with possibility for extension; or<br>The SEZ RPTKA for directors or commissioners can be granted for a period as needed by the employer |

### What is the process of hiring foreign workers in Indonesia?

It is the responsibility of the local company to apply for the RPTKA, which can be done through the online portal, under the Ministry of Manpower. The application is addressed to the Director of Foreign Manpower Utilization Management (Direktur Pengendalian Penggunaan Tenaga Kerja Asing). However, if the application is for less than 50 foreign workers – then the application is addressed to the Director-General of Manpower Placement Guidance and Expansion of Work Opportunity (Direktur Jenderal Pembinaan Penempatan Tenaga Kerja dan Perluasan Kesempatan Kerja).

### Who can apply?

According to MOM Reg 8/2021, employers that can employ foreign workers include:

- Government institutions, international bodies, and foreign state representatives;
- Foreign trade representatives, foreign news agencies conducting activities in Indonesia, and foreign representative offices;
- Foreign private companies conducting business in Indonesia;
- Legal entities such as private limited companies established in Indonesia;
- Social, religious, or cultural institutions;
- Entertainment management entities; and
- Other business entities are allowed to employ foreign workers.

### RPTKA assessment

Once submitted, the MOM will conduct a feasibility study to see if the employer and prospective employee meet all the requirements. Employers are required to submit the following information:

- Identity of the employer;
- Reasons for utilizing a foreign worker;
- The position of the foreign worker within the company's organization structure;
- Number of foreign workers being employed;
- Contract length of the foreign employee;
- Working location of the foreign employee;
- Proof of mandatory employment reporting by the employer; and
- Statement letter affirming the following:
  - » The designation of the Indonesian employee(s) assigned as a co-worker to the foreign employee;
  - » The Indonesian employee(s) will receive training or education from the foreign employee in accordance with the position and qualifications of the foreign employee; and
  - » Ensure the foreign worker returns to their home country once their work contract expires.
- Future plans to absorb Indonesian workers.

The results of this assessment will be issued in no more than two working days.

### **Personal information submission**

The employer can submit the personal information and documents of the foreign worker after the RPTKA assessment or during the submission of the RPTKA documents. The personal information will be verified by the MOM within two working days.

### **RPTKA approval and payment**

If the documents and information declared to the MOM are correct and complete, the MOM will issue a payment notification letter for the amount of US\$100 to the Foreign Workers Compensation Fund (Dana Kompensasi Penggunaan Tenaga Kerja Asing or DKP-TKA). This amount is to be paid to the MOM every month.

Once the employer has made the payment, the MOM will issue the RPTKA approval, and the data will be sent to the Ministry of Law and Human Rights, who will process the visa and stay permits. Payment of the DKP-TKA is waived for foreign state representatives, international bodies, religious institutions, social institutions, and certain positions in the education sector.

### **Annual reporting obligations**

Employers must submit an annual report to the MOM that covers the scope of the foreign worker's employment, the education or training facilitated to Indonesian co-workers, and the types of technology transfer implemented.

## **RPTKA exemptions**

There are RPTKA exemptions for foreign workers that are the members of the board of directors, members of the board of commissioners, diplomatic or consular staff, or are hired by the local employer in connection to emergency activities, vocational activities, or in connection to production activities of an Indonesian-based tech startup.

Specifically, for tech-based startups and vocational training activities, the RPTKA exemption lasts for no more than three months, after which the company must apply for RPTKA approval. This application must be submitted at least two weeks before the expiration of the period of employment of the foreign worker, as stated in the foreign worker employment statement letter, which is issued in place of an RPTKA approval.

The MOM issues a Notification Letter (work permit equivalent) under GR 34/2021, and the immigration office will issue a limited stay visa (VITAS). Upon arriving in Indonesia, the applicant must convert their VITAS into a limited stay permit Kartu Izin Tinggal Terbatas (KITAS).

## **Additional requirements to obtain a VITAS**

Once a foreigner has received sponsorship to work in Indonesia, they can apply for a limited stay visa (Visa Tinggal Terbatas or 'VITAS'). After the VITAS is secured, their immigration status changes to a limited stay permit (ITAS), which requires an official stamp from an immigration office.

Once the ITAS is secured, the foreign worker can receive a KITAS, which will permit them to work in Indonesia for up to 12 months. This can then be extended when the expiry date approaches.

The additional requirements to obtain a VITAS are:

- A letter detailing the applicant is of good standing from the embassy or consulate of the foreigner's country of origin; and
- A health letter stating that the applicant is free from any contagious diseases.

## **Changes in the length of limited stay permits**

Before the changes were implemented in regulation GR 48/2021 (issued in March 2021) and amended through GR 40/2023 (issued in August 2023, the limited stay permit (ITAS) was valid for a maximum of two years with the possibility to extend twice for two years each time. After six years, the foreigner must apply for a new ITAS.

Under GR 48/2021, the ITAS is now valid for 10 years and in the event the permit is granted for less than 10 years, it can be extended to a maximum of 10 years. Any ITAS for work purposes that is valid for no more than 90 days can be extended up to a maximum of 180 days.



Further, expatriates who have obtained their ITAS at a designated port of entry such as airports and ports will not be required to apply for the ITAS at their local immigration office in Indonesia, as was previously stipulated. This should ease the burden on expatriates and provide added certainty.

### **Permanent stay visas**

The permanent stay visa Kartu Izin Tinggal Tetap (KITAP) allows expatriates to permanently stay in Indonesia. To qualify for this visa, expatriate workers would need to have held a Kartu Izin Tinggal Terbatas (KITAS) for four consecutive years, work in the same company, and have the same position. As with other visas, applicants will need a local sponsor. In addition to their employer, this could also be their spouse (who must be Indonesian).

### **Conversion of stay permits**

Foreigners can now convert their visit stay permit to an ITAS, or an ITAS to a permanent stay permit (KITAP), or permanent stay visa/permanent residence. The KITAP is valid for five years and is extended automatically if the status of the expat does not change.

Obtaining a KITAP means the foreigner is no longer required to make the annual trip to the immigration office, as in the case of KITAS/ITAS holders, and will incur no more costly visa extensions.

## **Introduction of the second home category**

The government has now allowed foreigners who treat Indonesia as a 'second home' to be eligible to receive a VITAS. The applicant must show evidence that they have settled in Indonesia. Further requirements will be issued in upcoming government regulations.

## **Visa on arrival, social visit visas, and multiple-entry visas**

Visa on arrivals is still valid for 30 days but can no longer be extended. Previously, this visa type could be extended for a further 30 days once it expired.

The single-entry visa, or the social visit visa, is issued to foreigner travelers entering Indonesia for short internship programs, volunteer programs, meeting family, sports activities, and social activities, among others. The length of this stay is for 180 days and with no extension possible. This visa type was previously valid for 60 days and could be extended four times with a maximum stay of six months.

Finally, foreigners applying for the multiple entry visa can be granted 180 days stay in Indonesia which can be extended for a total stay of no more than one year.

### **New category for social visit visas**

The government has added 'pre-investment' activities as one of the activities foreigners can undertake in Indonesia under a visit visa. This refers to foreigners looking to start a business in Indonesia, and undertaking feasibility studies, among others.

Previously, a letter from a guarantor in Indonesia was required as part of the application process. Under the latest changes, if the foreigner does not have a guarantor, then the guarantee letter can be replaced with proof of payment of an 'immigration guarantee' to the Directorate General of Immigration.

### **Guarantors of expatriates**

The government has also provided an exemption for the requirement of a foreign worker in Indonesia to have a guarantor. Depending on their visa, foreigners needed a guarantor who was responsible for their activities in the country and who would need to report any change to their civil or immigration status to the authorities. This requirement was not applicable for foreigners legally married to Indonesians, foreign investors, or citizens of countries that also waived the guarantee requirements for Indonesians.

Foreign investors, foreigners who make Indonesia a second home, and foreigners engaged in pre-investment activities can now make an official payment to the Directorate General of Immigration which will act as their immigration guarantee.

The payment will cover the cost of repatriation, deportation, or other immigration costs. If the immigration guarantee is not used during the foreigner's stay in Indonesia, the full amount will be paid back.

## **Golden visa**

Indonesia has unveiled a new initiative aimed at attracting global investors: the golden visa. This program offers long-term residency to foreign nationals who make substantial investments in the country.

### **Categories and requirements**

There are nine categories for Indonesia's golden visa. These are:

1. Individual investors that wish to establish a business in Indonesia;
2. Individual investors who do not want to establish a business in Indonesia;
3. Corporate investors;

- 
4. Indonesian diaspora (ex Indonesian citizens);
  5. Indonesian diaspora (the descendants of ex-Indonesian citizens);
  6. Second home;
  7. Global talent;
  8. Personage (public figures); and
  9. Retirees.

#### **Individual investors (wanting to establish a business)**

For individual investors that wish to establish a business in Indonesia, they are eligible for either a 5-year or 10-year golden visa. The requirements are as follows:

- Proof of ownership of a business outside of Indonesia with a minimum 20 percent share. This must be proven through financial audit reports;
- Further, the business must have an annual turnover of at least US\$25 million to qualify for a 5-year visa or US\$50 million for a 10-year visa;
- In addition, the individual must also invest at least US\$2.5 million to establish a business in Indonesia to qualify for the 5-year visa or US\$5 million for the 10-year visa
- Proof of funds to cover living costs of at least US\$5,000 per month; and
- The application fees for the 5-year visa are 13 million rupiah (US\$812) and 19.5 million rupiah (US\$1,218) for the 10-year visa.

The commitment to investing must be made no later than 90 days from the issuance of the limited stay permit.

#### **Individual investors**

This category is for individual investors who will not establish a business in Indonesia. The visa is eligible as a 5-year or 10-year visa. The requirements are as follows.

For the 5-year visa, the individual must purchase:

- Indonesian government bonds worth at least US\$350,000;
- Shares in an Indonesian public company worth at least US\$350,000; or
- Mutual funds in a publicly listed company worth at least US\$350,000.

For the 10-year visa, the individual must purchase:

- Indonesian government bonds worth at least US\$700,000;
- Shares in an Indonesian public company worth at least US\$700,000; or
- A property in the form of an apartment or flat worth at least US\$1 million.



The application fees for the 5-year visa are 13 million rupiah (US\$812) and 19.5 million rupiah (US\$1,218) for the 10-year visa. Further, the individual must have proof of funds to cover monthly living costs of at least US\$5,000.

The commitment to invest must be done no later than 90 days from the issuance of the limited stay permit.

### **Corporate investors**

This category offers a 5-year or 10-year golden visa for directors or commissioners of the company to be established in Indonesia.

- Corporations investing US\$25 million will receive a 5-year golden visa for their directors and commissioners and those that invest US\$50 million will be granted a 10-year visa;
- They must provide proof of turnover of their overseas business of at least US\$100,000.

Further, the director or commissioner must have proof of funds to cover monthly living costs of at least US\$5,000. The commitment to invest must be done no later than 90 days from the issuance of the limited stay permit.

The application fees for the 5-year visa are 13 million rupiah (US\$812) and 19.5 million rupiah (US\$1,218) for the 10-year visa.

### **Diaspora (Ex-Indonesian Citizens)**

This golden visa category is valid for 5 years and is open for ex-Indonesian citizens. The individual must purchase:

- Government bonds worth at least US\$35,000;
- Shares in an Indonesian public company worth at least US\$35,000; or
- Mutual funds in an Indonesian public company worth at least US\$35,000.

The commitment to invest must be done no later than 90 days from the issuance of the limited stay permit. Further, the individual must have proof of funds to cover monthly living costs of at least US\$2,000.

The application fee for the visa is 12 million rupiah (US\$750).

### **Diaspora (the descendants of ex-Indonesian citizens)**

This golden visa category is for the descendants of ex-Indonesian citizens and is valid for either 5 or 10 years.



The individual must purchase:

- Government bonds worth at least US\$50,000;
- Shares in an Indonesian public company worth at least US\$50,000; or
- Mutual funds in an Indonesian public company worth at least US\$50,000.

The commitment to invest must be done no later than 90 days from the issuance of the limited stay permit. Further, the individual must have proof of funds to cover monthly living costs of at least US\$2,000.

The application fees for the 5-year visa are 12 million rupiah (US\$750) and 18 million rupiah (US\$1,125) for the 10-year visa.

### **Second home**

This category is aimed at individuals seeking long-term residence without the intention of setting up a business. The visa is valid for 5 years.

To be eligible, the individual can either deposit US\$130,000 at an Indonesian state-owned bank under their name or buy a property in the form of an apartment worth at least US\$1 million. The commitment to invest must be done no later than 90 days from the issuance of the limited stay permit. Further, the individual must have proof of funds to cover monthly living costs of at least US\$5,000.

The application fee for the 5-year visa is 13 million rupiah (US\$812).

### **Global talent**

This category is aimed at attracting global talent at the invitation of the Indonesian government. Notably, Shin Tae-Yong, the coach of Indonesia's national football team was one of the first recipients of this visa category.

To qualify, the individual must show proof of their sponsorship from the central government or a state institution as well as a statement from the central government explaining their decision to sponsor the individual.

The foreigner must also show proof of their expertise that including any certifications and proof of graduation from a top 100 university.

Further, the individual must have proof of funds to cover monthly living costs of at least US\$2,000. The visa is available for either 5 years or 10 years.



The application fees for the 5-year visa are 13 million rupiah (US\$812) and 19.5 million rupiah (US\$1,218) for the 10-year visa.

### **Personage (public figures)**

This category is targeted at distinguished individuals with notable contributions to their fields. To qualify, the individual must show proof of their sponsorship from the central government or a state institution.

The individual must have proof of funds to cover monthly living costs of at least US\$5,000.

### **Retirees**

This category is intended for retirees who wish to live in Indonesia.

To qualify, the applicant must deposit at least US\$50,000 at a state-owned bank under their name.

## **How to apply for Indonesia's golden visa**

To apply for the golden visa, follow this step-by-step guide:

1. Go to the Ministry of Law and Human Rights' official website.
2. Click on the "Apply" button.
3. Select your home country from the list.
4. Enter "Golden Visa" as your main purpose for visiting Indonesia.
5. Choose the sub-purpose of your visit, such as investment or business.
6. Choose the type of Golden Visa you are applying for.
7. Select your desired period of stay (5 or 10 years).
8. Click the "Detail and Log In" button.
9. If you already have an account, log in. Otherwise, create a new account to proceed.
10. Fill out the required fields with accurate information.
11. Upload the necessary documents, such as proof of investment, passport copies, and financial statements.
12. Use the secure online payment system to pay the application fee using Mastercard, Visa, or JCB cards.
13. Review all the details entered and documents.
14. Click the "Apply" button to submit your application.
15. Use the online portal to track the status of your application.

## Positions open for employment for expatriate workers

On August 27, 2019, Indonesia's Ministry of Labor issued Regulation No. 228 of 2019 ("Regulation 228, 2019") to define the types of job positions foreign employees can hold in the country. The new regulation widens the number of positions open to expatriate workers, consolidates the list of positions into one, and simplifies the approval process for foreigners and their employers.

Regulation 228 lists more than 2,000 job titles across 18 sectors that can now be filled by expatriates. The job titles are taken directly from the International Standard Classification of Occupations (ISCO), issued by the International Labor Organization (ILO).

This regulation was issued as an implementing regulation for Ministry of Labor Regulation No. 10 of 2018 (Regulation 10, 2018), intended to attract highly skilled foreign employees into Indonesia. Regulation 10 was also designed to provide greater convenience for local employers – previous regulations regarding foreign workers were scattered across individual sectors.

| Sectors and Positions Open to Foreign Employees                |                               |
|----------------------------------------------------------------|-------------------------------|
| Sector                                                         | Number of positions available |
| Construction                                                   | 181                           |
| Real estate                                                    | 6                             |
| Education                                                      | 780                           |
| Manufacturing/processing industry                              | 70                            |
| Water and waste management, recycling, remediation             | 19                            |
| Art and entertainment                                          | 57                            |
| Transportation and warehousing                                 | 51                            |
| Hospitality and F&B                                            | 12                            |
| Agriculture, forestry and fisheries                            | 10                            |
| Leasing, manpower, travel agencies, and other support services | 3                             |
| Financial services and insurance                               | 32                            |
| Health and social activities                                   | 4                             |
| Information and telecommunications                             | 244                           |

## Sectors and Positions Open to Foreign Employees

|                                                                            |     |
|----------------------------------------------------------------------------|-----|
| Mining and Excavation                                                      | 592 |
| Wholesale and retail trade, repair and maintenance of cars and motorcycles | 46  |
| Procurement of electricity, gas, geothermal, and cool air                  | 40  |
| Miscellaneous services                                                     | 8   |
| Professional, scientific, and technical activities                         | 20  |

## Social insurance

Indonesia's social security programs are managed by two state entities — BPJS Kesehatan (for healthcare) and BPJS Ketenagakerjaan (for employment-related benefits, including old-age, pension, accident, and death insurance). The country launched its universal healthcare and pension programs in 2014, mandating every citizen and expatriate to join.

Since its inception, the healthcare program has become the biggest in the world with more than 185 million participants. Registered Indonesians and expatriates are eligible for free health services ranging from dental care to medicines to physiotherapy. Further, patients are also eligible for free emergency and chronic care, in addition to organ transplants.

### Who is eligible?

The government has made it mandatory for all Indonesian citizens and expatriates to participate in the social security programs. Expat employees must also enroll their families in the programs.

### Classification of healthcare class facilities

The BPJS healthcare system is divided into three classes. This does not determine the level of treatment a patient receives, but it does determine the type of hospital room they will be given. Hospital rooms in Indonesia come with varying levels of comfort and size.

Class I patients are provided rooms with two or three other patients while class II patients have to share with three to six others. Class III patients will have to share with 10 or more patients.

### How to calculate the healthcare premiums for employees?

The premium for employees is calculated as five percent of the monthly salary, with a salary cap of 12 million rupiah (US\$730).



In the private sector, the employer must pay four percent and the employee the remaining one percent. For civil servants, the government contributes to three percent while the employee contributes two percent.

In addition to the employee, the premium also covers their spouse and up to three dependent children up to the age of 21.

Employees earning less than 4 million rupiah (US\$255) per month are eligible to receive Class I room facilities at the hospitals. Employees earning lower than this can receive Class II and III room facilities.

## How to calculate the healthcare premiums for non-employees?

The premiums for individuals that are classed as non-employees/self-employed /non-formal workers is as follows:

- Class I – IDR 150,000 (US\$9.10) per person per month
- Class II – IDR 100,000 (US\$6.07) per person per month
- Class III – IDR 42,000 (US\$2.55) per person per month
- (For this class, the government subsidizes IDR 7,000 (US\$0.43) of the total amount per person per month.)

## How to calculate the pension premium for employees?

This social security program covers the following:

- Accident compensation – provides protection for accidents occurring during or as a result of work;
- Old age benefits – provides protection for participants that are in retirement, laid off;
- Pension benefits – provides guaranteed income in retirement; and
- Life insurance – upon the death of the participant, their heirs can claim the benefits.

Under regulation 37/2021, which was issued in March 2021, the government has unveiled new unemployment benefit program (Job Loss Security program (JLS)) – the first of its kind in the country.

The JLS scheme does not however, provide universal coverage as only employees who are already registered with the Workers Social Security program will be eligible. It is the task of employers to enroll any new employees into the program. Employees who have been made redundant and are eligible for unemployment benefits will receive cash stipends for up to six months, further skills training, and career guidance information.

Employers will contribute 0.46 percent of their monthly wages to the JLS program, in which 0.22 percent is contributed by the government and the remaining 0.24 percent from the employer. Importantly, the employer's contribution is taken from the re-composition of the life insurance and work compensation components of the pension program.

Under GR 37/2021, the employer's contribution to the life insurance component has been reduced by 0.1 percent from 0.3 percent of the employee's monthly wage. Further, the work compensation contribution has also been reduced by 0.14 percent from between 0.24 – 1.74 percent to produce the new range 0.10 – 1.60 percent.

| Workers Social Security Scheme |                        |                                         |                        |
|--------------------------------|------------------------|-----------------------------------------|------------------------|
| Areas covered                  | % of monthly wages     |                                         |                        |
|                                | Employer contributions | Employer contributions after GR 37/2021 | Employee contributions |
| Life insurance                 | 0.3%                   | 0.2%                                    | -                      |
| Accident insurance             | 0.24-1.74%             | 0.10 – 1.60%                            | -                      |
| Old age benefits               | 3.7%                   | -                                       | 2%                     |
| Pension plan                   | 2%                     | -                                       | 1%                     |

The maximum salary used as the basis for the calculation is capped at a salary of 5 million rupiah (US\$307).

## What are the benefits of the program?

The program offers participants the following benefits:

Participants receive a cash stipend equal to 45 percent of the monthly wage, capped at 5 million rupiah (US\$307), for the first three months, followed by 25 percent for the next three months. In addition to the stipend, the program offers career counselling along with both online and offline training to support job readiness.

## Sanctions for employers

Employers who fail to register eligible employees in the program must provide a lump-sum cash compensation to the employee and separately cover the cost of required job training.

## Accident insurance and life insurance

Participants of the accident insurance and life insurance programs are divided into three categories:

- Salary recipient participants who work for state administrators;
- Salary recipient participants who work for employers other than state administrators; and
- Participants who are not salary recipients.

Salary recipient participants are employees who receive a monthly salary and include employees in the public and private sectors. Salary recipient participants who work for state administrators are civil servants, government employees, members of the armed forces, state officials, as well as members of the police force.

Non-salary recipient participants are individuals, entrepreneurs, companies, and other entities that hire employees.

| Accident Insurance Premium |                                         |                                     |
|----------------------------|-----------------------------------------|-------------------------------------|
| Risk level                 | Employees not registered in JLS program | Employees registered in JLS program |
| Very low risk              | 0.24% of monthly salary                 | 0.10% of monthly salary             |
| Low risk                   | 0.54% of monthly salary                 | 0.40% of monthly salary             |
| Medium risk                | 0.89% of monthly salary                 | 0.75% of monthly salary             |
| High risk                  | 1.27% of monthly salary                 | 1.13% of monthly salary             |
| Very high risk             | 1.74% of monthly salary                 | 1.60% of monthly salary             |

## Religious holiday allowances

The payment of the religious holiday allowance (Tunjangan Hari Raya – THR) by employers to their employees is mandatory in Indonesia. This is in accordance with the Ministry of Manpower's Regulation No. 6 of 2016 (Reg 6).

### What is THR?

The THR is a yearly bonus given to employees at least one week before the start of the religious holiday observed by the employee (based on the employee's religion), equivalent to one month's salary (based on the period of employment). The recognized religious holidays for THR payment are:

- 
- Eid-il-Fitri for Muslims;
  - Christmas for Catholics and Protestants (considered as two different religions in Indonesia);
  - Nyepi for Hindus;
  - Vesak for Buddhists; and
  - Chinese New Year for Confucianism.

The practice of many businesses in the country has been to pay the THR of non-Muslim employees prior to the Christmas holidays, and those of Muslim employees before the Eid-il-Fitri break.

## Who is eligible to receive THR and how is it calculated?

All employees, whether permanent or contract-based are eligible for THR and it must be paid using Indonesian rupiah.

For employees who have served one month or more but less than 12 months, the THR is calculated on a pro-rata basis using the following formula:

**$(\text{service period}/12) \times 1 \text{ month's salary}$**

Freelance workers are also entitled to THR. Those working for more than 12 continuous months must receive the equivalent of one month's salary, which is calculated on the average salary they received throughout this period.

For those working more than one month and less than 12 months, the THR is calculated based on the average monthly salary throughout the employment period.

## Fines for non-compliance

The regulation reiterates that businesses who fail to pay the THR will be fined five percent of the THR amount, which will be used for the employees' welfare. Further, this sanction does not waiver the employer's obligation to pay the THR.

In addition to financial sanctions, employers will be subject to administrative sanctions for failure to pay the THR. These are:

- Restriction of business activities;
- Permanent or temporary suspension of production facilities; or
- Suspension of business activities.

# Laos

## Labor law

The Labor Law of 2013 applies to Lao and foreign employees and replaces the Labor Law of 2006. The key highlights of the Labor Law are:

**Quota of foreign employees** – authorities generally apply a cap of 15 percent of unskilled (manual) workers and 25 percent of skilled workers, with quotas calculated against the number of Lao employees rather than total headcount. Practice can vary by project and approval, so confirm case-by-case.

**Requirements for foreign employees** – foreign employees must be at least 20 years old, possess skills appropriate to the role, be in good health, and hold no criminal record. (No recent change.).

**Duration of employment contracts** – fixed-term contracts may not exceed three years; renewal beyond three years converts the relationship to an indefinite-term contract. For foreign employees specifically, initial terms are commonly limited to 12 months with 12-month extensions up to five years, subject to approvals.

**Working hours** – standard hours remain 48 per week. Overtime stays capped (e.g., generally up to three hours per day and forty-five per month), and premium rates are unchanged: 300 percent for work from 16:00–22:00 on an official holiday or weekly rest day and 350 percent for work between 22:00–06:00.

**Severance payment** – severance equals 10 percent of the employee's previous month's wage for each year of service.

**Employees representative organization** – companies that have between 10 to 50 employees must appoint an employees' representative.

**Collective bargaining** – the 2013 Labor Law allows for the collective bargaining of labor contracts.

**Health and safety** – if the enterprise has 100 or fewer employees, a person responsible for safety and health must be appointed; with more than 100 employees, a health and safety unit/committee is required.

## Relevant visa categories

Laos issues several types of work visas to foreigners planning to work in the country, based on the type of employment and projects assumed by them. Some of these are given below:

- Investor visa (NI-B2) – for foreign nationals investing in an enterprise registered in Laos; and
- Labor visa (LA-B2) – for foreign nationals working in Laos on a fixed employment contract.

After acquiring one of these visa types, the foreign worker must apply for a work permit and stay permit.

### Investor Visa

The Investor Visa is issued to foreign nationals who have invested in an enterprise registered in Laos and possess an investment license or an enterprise registration certificate as a document of proof. The visa can be applied for by foreign investors, stockholders, directors, deputy directors, and technical officers at Laos' Ministry of Planning and Investment (MPI) through its One-Stop Service (OSS), a single-window system.

#### Requirements to apply for an investor visa

The investor applies for the NI-B2 visa to the Investment Promotion Department (IOSSO) who will confirm with the Immigration and Emigration Department that the applicant is not registered as someone who is prohibited to enter the country.

The application must include the following documents:

- Proposal form of the company;
- Copy of investment license, and concession registration certificate;
- Copy of enterprise registration certificate along with tax registration certificate; and
- Copies of foreign applicant's passport.

Once this has been verified, the documents will be sent to the Consular Department of the Ministry of Foreign Affairs for the approval of the visa. The investor can collect their NI-B2 visa at their nearest consulate or at a visa-on-arrival unit of an international checkpoint in Laos.

To secure a multiple entry NI-B2 Visa with a three-month, six-month, or one-year validity, investors must first obtain an Investor Visa (NI-B2) and a Stay Permit (SP) from the relevant departments:

Foreigner Management Department of Ministry of Public Security for investments approved at the federal level, and Foreigner Control Police Section of Provincial Police Headquarters for investments approved at the provincial level.

The applicant must submit a copy of the NI-B2 Visa along with investment-related documents and a passport copy to secure a multiple entry visa and a SP.

The processing time for the NI-B2 Visa is 16 working days.

## Labor visa

The LA-B2 is the most common visa used by foreigners living and working in Laos under a fixed employment contract. It is a multiple-entry visa, generally available for periods of one month, three months, six months or one year, and can be renewed. Foreign applicants should typically apply at a Lao consular post in their country of residence before entering Laos.

To qualify for an LA-B2 visa, a foreign national must first secure employment with a Lao-registered and licensed entity, which will act as the sponsor. The employer must hold quota approval or foreign-employee import approval (i.e., authorization to hire the foreign national under the quota). The employer may also coordinate with immigration/foreign affairs authorities for visa approval.

### Requirements to apply for a labor visa

The application must include the following documents:

- Proposal form of the company;
- Quota approval for foreign employee;
- Approval of foreign employee import;
- Copy of investment license, and concession registration certificate;
- Copy of enterprise registration certificate along with tax registration certificate; and
- Copies of foreign applicant's passport.

As with the NI-B2 visa, the Immigration and Emigration Department will undertake background checks to verify whether the applicant is eligible to enter the country. The Consular Department of the Ministry of Foreign Affairs will then approve the visa. The applicant can collect the visa at a Lao consulate or at a visa-on-arrival unit.

## Work Permit and Stay Permit

A Work Permit is issued by the Ministry of Labor and Social Welfare, and an SP by the Immigration Department of the Ministry of Public Security. The application for the Work Permit and SP must be registered by the employer who is sponsoring the foreign applicant.



Documents required for the registration and issuance of Work Permit for foreign workers are as follows:

- Approval for importing foreign workers;
- Copy of the applicant's passport and visa (visa LA-B2);
- Passport photographs;
- Copy of the entity's registration certificate; and
- The proposal form of the company.

As per the law, a foreign worker must meet the following conditions to be employed in Lao PDR:

- Must be over the age of 20 years;
- Must possess skills and a professional level consistent with the required position;
- Must not possess a criminal record; and
- Be in good health.

An employment contract for foreign employees is valid for an initial period of 12 months and can be extended for another 12 months up to a maximum of 5 years.

## Social insurance

Employers and employees in Laos are required to contribute to the national Social Security Fund (SSF). The current contribution rates are:

- Employee contribution – 5.5 percent of the employee's monthly wage, capped at LAK 4,500,000 (US\$435).
- Employer contribution – 6 percent of the employee's monthly wage.

## Malaysia

The Employment Act of 1955 (EA 1955) governs employment laws in Malaysia and sets out the minimum benefits that are afforded to employees. The Act applies to all employees in Peninsular Malaysia and the Federal Territory of Labuan, regardless of salary, following amendments that took effect on January 1, 2023. Separate labor ordinances apply in Sabah and Sarawak.

The protections provided under the Employment Act only apply to these categories of employees:

- Those earning less than 2,000 ringgit (US\$427) per month or below;

- Employees employed as manual labor or as supervisors of manual laborers, regardless of salary;
- Employees engaging in the maintenance and operation of mechanically propelled vehicles;
- Those employed as domestic servants; and
- Those employed on seagoing vehicles (subject to certain conditions).

## Amendments to Malaysia's Employment Act

The amendments to Malaysia's Employment Act came into force in January 2023.

The amendments allow employees to apply for flexible working arrangements, increase paternity leave, and provide greater protection against all types of harassment and discrimination, among others.

### What are the proposed amendments to the Act?

#### Calculation of wages for an incomplete month

The amendments provide a formula for calculating wages where an employee works less than a full month. Wages must be pro-rated according to the number of days worked within the wage period. Employers typically use 26 working days as the base for monthly wage calculations, reflecting the average number of workdays per month.

$(\text{Monthly wages/number of days in the particular wage period}) \times \text{Number of days eligible in the wage period}$

#### Court orders for payment due

If an employer is convicted of an offense related to the non-payment of wages, the court may order the employer to pay the amount due to the employee. Failure to comply allows the court to issue a warrant for the sale of the employer's assets to recover unpaid wages or impose a fine.

#### Presumption of who is an employer and employee

The amendments introduce a provision whereby in the absence of a written work contract, it shall be presumed that a person is an employee if:

- Their manner of work is in the control or direction of another person;
- They are provided tools, equipment, and materials to execute work;
- They perform work for the sole benefit of another person;
- Their hours of work are in the control or direction of another person;
- The person's work constitutes an integral part of a business; or



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- Payments are paid to the person in return for conducting work, at regular intervals and where such payments constitute the majority of the person's income.

This presumption helps prevent the misclassification of employees as independent contractors.

## Pregnancy and maternity protection

Maternity leave has been extended from 60 days to 98 days, in line with ILO recommendations. The Act prohibits the dismissal of a pregnant employee who is suffering from an illness arising from her pregnancy. Dismissal is only permitted in cases of misconduct, business closure, or breach of contract.

It will be up to the employer to prove that the termination is not on the grounds of the pregnancy. Further, the female employee, with the consent of her employer, may commence work during the maternity leave if she has been certified to do so by a doctor.

## Paternity leave

Married male employees are entitled to seven consecutive days of paid paternity leave for each confinement, limited to five confinements, regardless of the number of spouses.

The employee must have been employed for at least 12 months and have notified his employer at least 30 days before the expected confinement.

## Employment of foreign employees

An employer must obtain approval from the Director-General of Labor (DGL) if they want to employ a foreign employee. Failure to do so could mean employers would be liable to a fine of up to 100,000 ringgit (US\$23,949) or imprisonment of up to five years.

## Flexible working arrangements

Employees can apply for flexible working arrangements to vary their working hours, place of work, or days.

The application must be submitted to the employer in writing, and within 60 days from when the application is received, the employer will inform the employee if their request is approved.

## Working hours

The Act reduces the number of working hours to 45 hours per week from 48 hours.

## Contract for labor

Contractors must provide a work contract in writing for laborers. Such document for inspection by the Director General and failure to do so can result in a fine of up to 50,000 ringgit (US\$11,974).

## Employment discrimination disputes

Under the Act, the DGL will be given the power to inquire and decide any dispute between an employee and their employer regarding matters related to discrimination in employment. If the DGL finds the employer has committed an offense, they may be liable to a fine of up to 50,000 ringgit (US\$11,974). In the case of a continuing offense, the employer may be liable to a fine of up to 1,000 ringgit (US\$224) per day.

## Increased fine for offenses related to sexual harassment

Employers who fail to inquire into complaints of sexual harassment or take preventive action are liable to fines between 10,000 ringgit (US\$2,394) and 50,000 ringgit (US\$11,974). Employers are also required to display notices promoting awareness and prevention of sexual harassment in the workplace.

Employers are also obligated to provide a notice to raise awareness of sexual harassment (similar to health and safety notices).

## Forced labor

The act outlaws bonded or forced labor by making it an offense for an employer to deceive or threaten an employee to do any activity or work. If found guilty, the employer could be liable to a fine of up to 100,000 ringgit (US\$23,946) or imprisonment of up to two years, or both.

## Apprenticeships

An apprenticeship must be clearly defined in the work contract and is for a period of a minimum of six months or up to 24 months.

## Relevant visa categories

Foreign workers who wish to be employed by a company in Malaysia must have their application reviewed by the Immigration Department of Malaysia and (for expatriates) processed via the Expatriate Services Division (ESD/MyXpats). The sponsoring company applies and coordinates with the relevant approving agency, and the worker must hold the appropriate pass before starting work.



The Malaysian government generally issues three different types of work permits:

- Employment pass;
- Temporary employment pass; and
- Professional visit pass.

## Employment pass

This work permit enables foreign workers to take up employment under a contract of service with an organization in Malaysia. This pass is issued to employees with specific skills, usually for technical or managerial jobs.

The employment pass is classified into three categories:

### Category I

Applicants must receive a monthly base salary of 10,000 ringgit (US\$2,394) or more and have an employment contract of up to 60 months.

Applicants may bring eligible dependent(s) and/or foreign domestic helper(s), subject to approval and the employment pass may be renewed.

### Category II

Applicants must receive a monthly base salary of above 5,000 ringgit (US\$1,197) and under 10,000 ringgit (US\$2,394) have an employment contract with a maximum validity period of 23 months. The employment pass may be renewed.

Applicants can bring eligible dependent(s) and/or foreign domestic helper(s), subject to approval.

### Category III

Employment pass category III is available to foreign nationals working on contracts of 12 months or less and with monthly salaries ranging from 3,000 ringgit (US\$674) and under 5,000 ringgit (US\$1,123). The employment pass may be renewed up to two times. Applicants are not allowed to bring dependent(s) and/or foreign domestic helper(s).

## Requirements to apply for an Employment Pass

It is the responsibility of the employer to apply for an employment pass on behalf of the foreign employee.

The employer must first apply for an 'expatriate post' at one of the following government agencies:

- 
- Multimedia Development Corporation – for jobs in the technology sector;
  - Malaysia Industrial Development Authority – for manufacturing and services sectors;
  - Malaysian Biotechnology Corporation – for jobs in the biotechnology sector;
  - Central Bank of Malaysia – for sectors of finance, banking, and insurance;
  - Securities Commission – for the securities and futures market sectors; and
  - Expatriate Committee – for sectors that are not under the above.

Once the expatriate post has been approved, the employer can then submit the employment pass application to the Immigration Department of Malaysia.

- The employer will need to submit the following documents to the Immigration Department;
- The Employment Pass application form;
- Copy of passport;
- Letter of approval from the relevant authority body;
- Employment contract;
- CV and education certificates; and
- The employer's company profile.

## Approval from the Director General of Labor

One of the important changes to the Employment Act in 2023 were the new requirements for hiring foreign employees who require immigration passes in Malaysia, including prior approval from the Director General of Labor (DGL).

This requirement applies to all non-Malaysians and non-permanent residents who require an employment permit to work in the country.

Approval from the DGL is subject to the following conditions:

- The employer has not been convicted of human trafficking or forced labor crimes;
- The employer has no outstanding breaches under the Employment Act; or
- The employer has no outstanding breaches in relation to social security, minimum wages, or accommodation standards.

The applications are done online via the official website of Malaysia's Labor Department. The employer will need to complete the following details related to their company:

1. The position the foreign employee is applying for;
2. The total number of employees;
3. The total number of foreign employees;
4. The company's registration number under the Companies Commission of Malaysia;
5. Contact details and address;

- 
6. Status of the company (active/inactive); and
  7. Business sector.

In addition to the aforementioned details, employers will need to answer the following types of questions:

1. Does the company keep a register of employee details in the premises?
2. Does the company provide a copy of the employee work contract to the employee?
3. Does the company provide a payslip to the employee?
4. What are the normal working hours?
5. What is the payroll date?
6. What is the minimum number of paid holidays that employees receive per year?
7. What is the minimum number of sick leaves that employees receive per year?
8. Has the company ever been convicted under the Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007?
9. Does the company pay for employee social security?

The employer must inform on all these particulars within 14 days from the date of employment.

#### **Notice requirement**

Employers must notify the DGL within 30 days after the end of the foreign employee's employment either due to termination, expiration of employment permit, the repatriation or deportation from Malaysia, or termination.

Further, Malaysian employers must notify the DGL within 14 days after the end foreign national's employment if they submit their resignation or leave without notice.

#### **Penalties for non-compliance**

Failure to comply with the new requirements can lead to a fine of up to 100,000 ringgit (US\$22,470), imprisonment of up to five years, or both.

### **Temporary employment pass**

Malaysian companies requiring the services of semi-skilled or unskilled foreign workers in specific sectors may obtain a Visitor's Pass (Temporary Employment), also known as a Temporary Employment Pass (TEP). The pass is valid for 12 months and can be renewed annually, subject to quota and government approval (in practice, renewals may continue for several years).

The pass applies to the following sectors: manufacturing, construction, plantation, agriculture, and services, as well as a separate category for foreign domestic helpers.

Applicants must be aged 18 to 45 years and must be citizens of countries approved by the Malaysian government for the respective sector. The approved source-country list is reviewed periodically by the Ministry of Home Affairs and the Immigration Department of Malaysia.

As of 2025, the approved source countries for the Temporary Employment Pass are Indonesia, Thailand, Cambodia, Laos, Vietnam, Myanmar, Bangladesh, Nepal, India, Pakistan, Sri Lanka, the Philippines, Turkmenistan, Uzbekistan, and Kazakhstan. These countries are subject to periodic review by the Malaysian government, and sector-specific or gender-specific restrictions may apply from time to time based on bilateral agreements and labor-market needs.

#### **Requirements to apply for a temporary employment pass**

As with employment passes, it is the duty of the employer to apply for the temporary employment pass on behalf of the foreign applicant.

The employer will also need to apply for a visa approval letter from the Immigration Department of Malaysia.

The employer will need to provide the following documents:

- VDR application form;
- An approval letter from the Ministry of Home Affairs regarding the quota approval;
- IM.12 and IM.38 visa application forms;
- Receipt of payment for levy;
- Security bond – insurance guarantees/bank guarantee;
- Copy of the foreign applicant's passport;
- Passport-sized photo of applicant;
- Medical certificate issued from a medical center in the applicant's country of origin (valid for three months);
- Foreign Worker Compensation Scheme (insurance); and
- Insurance policy of Health Insurance Protection Scheme Foreign Workers (SPIKPA) (health insurance).

After the visa approval letter is approved, the employee will then use it to apply for a visa with reference (VDR) from the Malaysian embassy (certain nationals do not need an entry visa).

In addition to the VDR, the employee will need to obtain an Immigration Security Clearance (ISC) from an ISC center in their source country.

The Temporary Employment Pass will only be issued after the employee has passed the FOMEMA (Foreign Workers Medical Examination Monitoring Agency) medical examination within 30 days of arrival. FOMEMA is the company appointed by the Malaysian government to undertake these examinations.

## Professional visit pass

The Professional Visit Pass (PVP) allows foreign professionals employed by an overseas company to work temporarily in Malaysia for up to twelve months. The individual remains under the foreign employer's payroll and may only render services to a Malaysian sponsor company. PVP holders are not permitted to receive a Malaysian salary or apply for a Dependent's Pass.

### Requirements to apply for a Professional Visit Pass

The application must be made by the sponsor company in Malaysia to the Immigration Department or through the Expatriate Services Division (ESD) portal, depending on the applicant's category. The following documents are generally required: a copy of the applicant's passport, completed visa application forms (IM.12 and IM.38), a sponsorship letter or invitation letter from the Malaysian company, the company profile of the sponsor, and relevant supporting documents such as academic certificates or a letter of assignment from the foreign employer.

For religious missionaries, additional approval from the Department of Islamic Development Malaysia (JAKIM) or the relevant state religious authority is required. For cultural and entertainment workers, approval from the Central Agency for Application for Filming and Performance by Foreign Artists (PUSPAL) must be obtained before applying for the pass. In some cases, a bank guarantee may be required depending on nationality or activity.

Once the application is approved, the foreign professional must apply for a Visa with Reference at the Malaysian embassy or consulate in their home country. Nationals from countries that are visa-exempt may proceed directly to Malaysia for endorsement. After arrival, the applicant must visit the Immigration Department of Malaysia to obtain the PVP endorsement sticker in their passport.

### Who is eligible?

The Professional Visit Pass is available to individuals engaged in temporary professional assignments in Malaysia, including technical advisers, installation and maintenance experts, religious missionaries, researchers, volunteers, performing artists, film production crew, government officials on official missions, and international students participating in industrial training or mobility programs. The PVP is strictly non-transferable and tied to the sponsoring organization.

The maximum validity of the PVP is 12 months, and extensions beyond that period require strong justification and fresh approval from the Immigration Department.

## Business visas

Malaysia does not issue a separate category known formally as a "business visa."



However, foreign nationals travelling to Malaysia for short-term business activities, such as attending meetings, signing contracts, exploring investment opportunities, or participating in trade exhibitions, may do so under the Social Visit Pass (Business Purpose) or the Multiple Entry Visa (Business or Government Matters) issued by the Immigration Department of Malaysia.

Visitors from visa-exempt countries may enter Malaysia for business purposes without applying for a visa, provided that their stay does not exceed the permitted duration under their nationality's entry rules—typically between 30 and 90 days. Those who are not visa-exempt must apply for a Single Entry Visa or Multiple Entry Visa for business or government purposes before arrival.

To qualify for a business-related visa or pass, applicants must hold a valid passport with at least six months' validity, provide proof of sufficient funds to cover their stay, and possess a confirmed return or onward travel ticket. Applicants may also be required to show a letter of invitation or company correspondence from a registered Malaysian business partner, trade body, or event organizer.

Business visitors are not allowed to engage in paid employment or provide services to a Malaysian company while in the country under a social visit or business visa. Activities involving technical assistance, project work, or other remunerated services require a Professional Visit Pass or Employment Pass, depending on the assignment's duration and nature.

The Multiple Entry Visa may be issued to frequent business travelers for a period of three to twelve months, with each entry allowing a stay of up to 30 days. This visa facilitates repeated visits for business discussions, investment meetings, and government matters without the need to reapply each time.

## Digital nomad visa

Malaysia launched ASEAN's first digital nomad visa, the De Rantau Nomad Pass, in October 2022 under the Malaysia Digital Economy Corporation (MDEC). The program aims to position Malaysia as a regional hub for remote professionals, attracting digital marketers, IT specialists, software engineers, and content creators to live and work in the country while contributing to the local digital economy.

### Obtaining a digital nomad visa in Malaysia

The De Rantau program is open to both foreign and local digital professionals. Successful foreign applicants are granted a Professional Visit Pass (PVP) that allows them to stay in Malaysia for 3 to 12 months, renewable once for another 12 months, giving a total possible stay of up to two years.

## Types of digital nomads

De Rantau aims to attract two types of digital nomads:

1. Digital freelancer, independent contractor; and
2. Remoter workers (full and part-time).

Eligible professions include roles in software development, cybersecurity, cloud computing, artificial intelligence, user interface and user experience (UI/UX) design, digital marketing, and creative digital content production.

## Proof of work

Digital freelancers and contractors must present an active project contract (or multiple contracts) with a duration exceeding three months. Remote employees must show a valid employment contract of similar duration. In both cases, the contracts may be with foreign or Malaysian clients.

Applicants must also demonstrate a minimum annual income of US\$24,000 for foreign professionals, or 36,000 ringgit (US\$8,621) for Malaysian digital nomads. Proof may include recent bank statements, tax documents, or verified income records.

## Application fee

Applications are submitted online via the MDEC De Rantau portal. The application fee is 1,000 ringgit (US\$239) for the principal applicant and 500 ringgit (US\$119) for each dependent. Dependents may include a legal spouse or children under 18 years of age.

# My Second Home Program

Malaysia's government confirmed planned changes to the Malaysia My Second Home (MM2H) in June 2024. The MM2H is a residency scheme that allows foreigners to live in the country on a long-term visa.

Key changes to the program include the introduction of a three-tiered system, namely, silver, gold, and platinum as well as the compulsory purchase of a property and hold it for 10 years. Further, the government has also introduced a new category of visas for residents in financial or special economic zones.

## The three-tiered program

Applicants of the MM2H program are classified into three tiers:

- 
1. Silver;
  2. Gold; and
  3. Platinum.

Each tier differs from the other in its fixed deposit requirements as well as the length of the visa duration.

#### **Silver tier**

Under the silver tier, participants must deposit a minimum of US\$150,000 and can only purchase real estate worth a minimum of 600,000 ringgit (US\$134,825). Participants will then be eligible for a renewable five-year visa.

The applicant is not allowed to work in Malaysia nor is allowed to invest in businesses. Further, the applicant is not eligible for permanent resident status.

#### **Gold tier**

Applicants of the gold tier must deposit a minimum of US\$500,000 and can only purchase real estate worth a minimum of 1 million ringgit (US\$239,443). Participants will then be eligible for a 15-year renewable visa.

The applicant is not allowed to work in Malaysia nor is allowed to invest in businesses. Further, the applicant is not eligible for permanent resident status.

#### **Platinum tier**

Under the platinum tier, participants must pay a minimum deposit of US\$1 million and can only purchase property worth 2 million ringgit (US\$478,934). The applicant is allowed to work in Malaysia is allowed to invest in businesses. Further, the applicant is not eligible for permanent resident status.

## **Social insurance**

#### **Employees Provident Fund**

The Employees Provident Fund (EPF), administered by the Kumpulan Wang Simpanan Pekerja (KWSP), is Malaysia's national retirement savings scheme established under the Employees Provident Fund Act 1991. It serves as a long-term savings mechanism that ensures employees in the private sector receive financial security after retirement or in cases of permanent departure from the workforce.

## Applicability to foreign employers and employees

Foreign employers operating in Malaysia are required to register with the EPF if they employ Malaysian citizens or permanent residents, as contributions are compulsory for these employees. For foreign employees who are not Malaysian permanent residents, EPF contributions are voluntary. A foreign employee can only participate if both the employer and employee mutually agree to contribute. Once registered, the same contribution rates and obligations that apply to Malaysian workers will also apply to them.

## Contribution rates

As of 2025, the statutory contribution rates are as follows:

- For employees earning 5,000 ringgit (US\$1,053) or below per month, the employer contributes 13 percent of the monthly wage while the employee contributes 11 percent.
- For employees earning above 5,000 ringgit (US\$1,053) per month, the employer contributes 12 percent, while the employee contribution remains 11 percent.

Contributions are calculated based on the employee's monthly wages and must be remitted to the EPF by the 15th day of the following month.

## Structure of EPF accounts

EPF savings are divided into two accounts:

- Account 1 holds 70 percent of total contributions and is reserved exclusively for retirement savings.
- Account 2 holds 30 percent and may be accessed for approved purposes such as purchasing a home, paying for education, or covering medical expenses.

## Withdrawals and termination of membership

Members may withdraw their EPF savings upon reaching the age of 55, or earlier under certain conditions such as permanent departure from Malaysia, total permanent disability, or death. For foreign employees, EPF membership ends automatically once they leave Malaysia permanently. They may then apply for a full withdrawal of their EPF savings, supported by their passport, immigration exit records, and employer verification.

## Dividends and returns

EPF savings earn annual dividends, declared each year based on the fund's investment performance. Over recent years, the dividend rate has averaged between 5 and 6 percent per annum, credited directly to members' accounts.

# Myanmar

## Labor law

Myanmar is governed by various employment laws and many of the laws from the colonial period have survived. These are:

- The Leave and Holiday Act of 1951 (amended in 2006);
- The Overseas Employment Law of 1999;
- The Labor Organization Law of 2011;
- The Labor Organization Rule of 2012;
- The Settlement of Labor Dispute Law and Rules of 2012;
- The Social Security Law of 2012;
- The Social Security Rule of 2012;
- The Minimum Wages Law of 2013;
- The Minimum Wages Rule of 2013;
- The Employment and Skill Development Law of 2013;
- The Amended Settlement of Dispute Law of 2014;
- The Amended Leave and Holiday Law of 2014;
- The Amended Factory Act of 2016;
- The Payment of Wages Law of 2016; and
- The Amended Shop and Workplace Law.

The country continues to embark on a comprehensive reform process. Foreign investors and workers should thus monitor the policies and practices issued by the Ministry of Labor, which not only provide interpretations of existing laws but also impose additional requirements on employers and employees.

## Relevant visa categories

Initially, most foreign workers acquire a single-entry business visa valid for 70 days. A multiple entry business visa can be acquired if the applicant has already had at least two single entry business visas and has not violated any immigration laws.

### Business visa

The criteria for awarding a multiple entry business visa are not set in stone, but rather determined on a case-by-case basis. In some cases, authorities might only require one previous single-entry visa, while in other cases they may require three.



Citizens from 54 different countries and regions are eligible to apply online for a 70-day single-entry business e-visa. E-visas require entry into the country through Yangon, Mandalay, or Nay Pyi Taw airports, or one of five land border checkpoints. Only nationals from Cambodia, Indonesia, Laos, the Philippines, Thailand, and Vietnam can arrive in Myanmar visa-free, with a maximum stay of 14 days, while Singaporean citizens receive 30 days visa-free travel.

### **Requirements to apply for a business visa**

- The following documentation is required when applying for a business visa:
- A recommendation letter from the employer, including details about the type of business, purpose of visit, applicant's name, passport details, position in company, and intended entry and exit dates;
- Invitation letter from a Myanmar registered company on its official letterhead;
- A guarantor from the Myanmar registered company who is the one officially inviting the applicant. The guarantor must be the managing director or owner of the company and must give a copy of the Myanmar company registration certificate. The guarantor may be contacted by the immigration authorities during the application process;
- Visa application form;
- Two recent color photographs with white background size 35mm x 45mm; and
- Passport valid for at least six months and a copy of the passport details page.

## **Stay Permits and Multiple Journey Special Re-Entry Visa**

Although business visas are limited to 70 day stays regardless of whether they are single or multiple entry classification, a stay permit, or multiple journey special re-entry visa can be acquired to extend the total stay period.

The Stay Permit is not a separate visa, but a special permit that removes the 70-day limit on visas, allowing a foreign worker to remain in Myanmar for lengths of either three months, six months, or one year.

However, the Stay Permit is only valid for one entry, even if the holder has a valid multiple entry visa. In order to keep the Stay Permit valid when leaving Myanmar, a Multiple Journey Special Re-entry Visa must be obtained. The Multiple Journey Special Re-Entry Visa is also valid for either three months, six months, or one year.

To be eligible for the Multiple Journey Special Re-Entry Visa, the applicant must have traveled to Myanmar on a business visa a minimum of three separate times and present evidence that they are employed as a consultant, director, or manager.

## Requirements to apply for Stay Permit or Multiple Journey Special Re-Entry Visa

The following documents are required:

- A recommendation letter from the employer, including details about the type of business, purpose of visit, applicant's name, passport details, position in company, and intended entry and exit dates;
- Invitation letter from a Myanmar registered company on its official letterhead;
- Applicant's CV;
- Authorization letter notarized and legalized by the relevant Myanmar embassy or consulate;
- Company documents, including certificate of registration, permit, company affidavit;
- Visa application form;
- Two recent color photographs with white background size 35mm x 45mm; and
- Passport valid for at least six months and a copy of the passport details page.

## Work permit

Companies established under the Myanmar Foreign Investment Law (MFIL) or set up under the Myanmar Special Economic Zone Law (MSEZL), can apply for work permits for employees in managerial or supervisory roles or for those holding technical skills.

To do so, a company must have an investment permit and receive an endorsement to employ foreign workers from the Myanmar Investment Commission (MIC). Alternatively, if a company is operating under the MSEZL, they can apply at the zone's One Stop Service Center (OSSC). In order to acquire a work permit, the applicant must be in good health, have a letter of recommendation from their employer, and hold a degree that is regionally or internationally recognized in relation to their employment as proof of expertise.

Even with a work permit, foreign workers will still need to acquire a Stay Permit, or Multiple Journey Special Re-Entry Visa.

## Social insurance

Under the Social Security Act of 2012, companies with more than five employees are required to provide social security benefits, such as healthcare as well as insurance against employment-related injuries.

The employer is obligated to contribute three percent of an employee's basic salary, capped at 9,000 kyat (US\$4.28), whereas employees contribute two percent of their total salary, capped at 6,000 kyat (US\$2.85).

# Philippines

## Labor law

The Labor Code is the main employment statute in the Philippines and the Department of Labor and Employment (DOLE) is the administrative entity in the field of labor and employment. Foreign nationals planning to work in the Philippines are required to secure a work visa, which can be obtained from the Philippines' Bureau of Immigration (BI), as well as an Alien Employment Permit (AEP) issued by DOLE.

## Employment permit and relevant visa categories

### Alien employment permit

An Alien Employment Permit (AEP) authorizes a foreign national to engage in gainful employment in the Philippines. Although not a visa, it is a prerequisite for obtaining a work visa from the Bureau of Immigration.

Some foreign nationals are exempted from obtaining an AEP. These include:

- All members of the diplomatic service and foreign government officials;
- Owners and representatives of foreign principals whose companies are accredited by Philippines Overseas Employment Administration (POEA); and
- Permanent resident foreign nationals and probationary or temporary resident visa holders under the Philippines' immigration law.

Besides, foreign nationals working in the Philippines whose employers are located abroad, or those who do not have an employer are also excluded from securing an AEP.

An AEP is valid for the period of the employment contract, up to a maximum of three years, and may be renewed. It is valid only for the position and employer stated in the permit. A new AEP must be obtained if the foreign national assumes a new position or transfers to a different employer.

### Requirements to apply for an AEP

The application for an AEP must be filed with the DOLE Regional Office having jurisdiction over the foreign national's intended place of work. The employer or its authorized representative typically files the application on behalf of the employee.



The required documents are as follows:

- Application form;
- Photocopy of employee's passport with valid visa;
- All documents related to the contract of employment;
- Photocopy of current AEP (in cases of reissue); and
- Photocopy of mayor's permit or photocopy of business permit.

## Labor market and economic needs tests

Under Department Order No. 248 (2025), employers must now publish the position to be occupied by the foreign national in a newspaper of general circulation and in the government's job-matching portal before applying for the AEP. DOLE will assess whether the employment meets the Economic Needs Test (ENT), confirming that no qualified Filipino worker is available for the position.

Certain employers, particularly those registered with investment promotion agencies or operating in strategic sectors, may be required to implement an Understudy or Skills Development Program to train Filipino employees alongside the foreign worker.

## Labor market and economic needs tests

The 9 (G) Visa is the most common work visa issued in the Philippines. It allows local employers to hire foreign nationals with skills or experience not readily available in the country. The visa is issued by the Bureau of Immigration (BI) through employer sponsorship, and applicants must first obtain an Alien Employment Permit (AEP) from the Department of Labor and Employment (DOLE).

A 9 (G) holder may work only for the sponsoring employer. The visa becomes invalid upon termination or change of employer, and a new application must be filed. It is valid for one to three years, depending on the employment contract, and may be renewed for similar periods, provided it does not exceed the validity of the AEP.

### **Requirements to apply for a 9 (G) visa**

- A notarized certification of number of foreign and Filipino employees of the employer;
- Application form (Form No. 2);
- A medical and physical examination report (FA Form No. 11) issued by an authorized physician;
- Copy of employment contract, if any;
- Four passport-sized pictures of the applicant;
- Police clearance issued by the police in the applicant's country of citizenship;
- Photocopy of employment contract, Securities and Exchange Commission (SEC) certification, and Articles of Incorporation (AOI);

- 
- A certified true copy of AEP from DOLE;
  - BI clearance certificate;
  - Alien certificate of registration;
  - Applicant's passport; and
  - Other documents supporting the employment of the applicant.

## Treaty trader's visa or 9 (D) visa

A 9 (D) Visa or Treaty Trader's Visa is for foreign nationals belonging to countries that have a bilateral trade agreement with the Philippines. Currently, the Philippines has such an agreement with the United States, Japan, and Germany.

### Requirements to apply for a 9 (D) visa

To qualify for a 9 (D) Visa, foreign nationals must prove that:

- They or their employers are engaged in substantial trade, involving investment of at least US\$120,000 between the Philippines and their country of origin;
- They intend to leave the Philippines upon the completion or termination of their work contract;
- They hold the same nationality as their employer or company's major shareholder; and
- They hold a position of a supervisor or executive in the company.

The Treaty Trader's Visa is valid for up to two years.

Other nationalities who want to invest in the country can apply for special kinds of resident visas. These are:

- Special resident retiree's visa – available to international investors who are at least 35 years of age and who pay a deposit starting from US\$1,500; and
- Special investor's resident visa (SIRV) – this allows the holder to reside in the Philippines for an indefinite period. They must be willing to invest at least US\$75,000 in the country.

## Social insurance

Employers must make social security contributions to the Social Security System (SSS) on behalf of employees in the Philippines. The contribution is calculated as a percentage of the employee's monthly salary credit. As of 1 January 2025, the total SSS contribution rate is 15 percent of the monthly salary credit, split as 10 percent from the employer and 5 percent from the employee.

In addition to SSS contributions, employers and employees must contribute to the PhilHealth health insurance program. The contribution rate is 4% of monthly compensation, subject to a ceiling.

Regarding the Home Development Mutual Fund (HDMF or Pag-IBIG Fund): foreign nationals employed in the Philippines are not required to contribute to Pag-IBIG under current rules.

| Social Security Contributions in the Philippines |                                      |                |                |                                                                                  |                               |                                                                                                                       |
|--------------------------------------------------|--------------------------------------|----------------|----------------|----------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Program                                          | Contribution rate                    | Employer share | Employee share | Monthly salary ceiling                                                           | Applies to foreign employees? | Remarks                                                                                                               |
| Social Security System (SSS)                     | 15% of Monthly Salary Credit (MSC)   | 10%            | 5%             | PHP 30,000 (US\$512)                                                             | Yes                           | Includes retirement, disability, sickness, and maternity benefits. Employers must remit contributions monthly to SSS. |
| PhilHealth (National Health Insurance Program)   | 4% of monthly compensation           | 2%             | 2%             | PHP 80,000 (US\$1,365)                                                           | Yes                           | Provides inpatient and outpatient healthcare coverage. Employers must remit contributions monthly.                    |
| Pag-IBIG Fund (HDMF)                             | 2% of monthly salary (standard rate) | 2%             | 2%             | PHP 5,000 (US\$85) for computation; maximum contribution PHP 100 (US\$1.70) each | No                            | Mandatory only for Filipino employees. Foreign employees are exempt unless they voluntarily register.                 |

## Christmas bonuses and 13th month pay

The 13th month pay and Christmas bonuses in the Philippines are an important aspect of HR policy that employers need to understand.

A key topic that often prompts questions is the distinction between the two systems and the tax rules surrounding them. Though both bonus payments are distinct, they can interact to create diverse tax outcomes.

### Distinction between 13th month pay and Christmas bonuses

The key distinction between the 13th month pays and Christmas bonuses is that the former is mandatory by law for all non-managerial staff, while the latter is at the discretion of the employer. Furthermore, the 13th month pay must be paid on or before December 24. It has become common for employers to pay half at the beginning of the school year and the rest in the days running up to Christmas. In contrast, there is no set date for Christmas bonuses to be paid; as with the amount, it is at the discretion of the employer.

## The 13th month pay

In the Philippines, the 13th-month pay is a highly anticipated benefit that many workers depend on to close out the year. Mandated by law, it provides much-needed financial support during the holiday season. However, while the 13th-month pay is legally required, Christmas bonuses are optional and at the employer's discretion.

### Eligibility

Employees excluded from the 13th month pay fall into the following categories:

- Managers;
- Employees covered by civil service law;
- Housekeepers and persons in the personal service of another; and
- Employees paid on commission or task basis.

### Calculation

The 13th month pay can be calculated as one-twelfth (1/12) of the basic salary of the employee within one calendar year. Alternatively, if the employee is paid monthly, the following equation can be used:

$$\text{BASIC MONTHLY SALARY} \times \text{NUMBER OF MONTHS WORKED} \div 12$$

### Taxation

The 13th month pay is exempt from tax, up to a limit of PHP 90,000 (US\$1,783). If the 13th month pay exceeds this limit, the excess will be added to the salary of the employee and included in the income tax calculation.

## Christmas bonuses

### Eligibility

The Christmas bonus is not an enforceable obligation and can only be released at the employer's discretion. They are usually issued to show appreciation and gratitude to employees for their services during the year.



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## Taxation

The taxation of Christmas bonuses must be split into two parts: non-performance-based bonuses (also known as 'other benefits') and performance-based incentives.

### Other benefits

'Other benefits' fall into the same category as the 13th month pay and are subject to the same PHP 90,000 limit (US\$US\$1,783). In other words, if 'other benefits' and the 13th month pay combine to a total of less than PHP 90,000, no tax is to be paid. If the combination of 'other benefits' and the 13th month pay exceeds the limit, the excess will be subject to income tax.

# Singapore

## Employment Act

The Employment Act (EA) is the main labor law in Singapore. The Act regulates employment terms and conditions for all employees under a work contract with an employer. The EA covers the following:

- Minimum days for giving notice of termination of contract;
- Actions employers are entitled to upon misconduct of employees;
- Salary periods, time of payment;
- Maternity protection and benefits, and childcare leave for parents and
- Public Holiday, leave and sick leave entitlements.

## Singapore's new Workplace Fairness Law

Singapore's Law and Home Affairs introduced a new workplace fairness legislation (WFL) to parliament aimed at creating a more equitable and inclusive employment practice.

The law will ensure that employers do not discriminate against employees based on protected characteristics. This move highlights the government's commitment to maintaining racial and religious harmony and equality in the workplace.

### What are the key provisions of the workplace fairness legislation?

The new WFL outlines several key reforms to employment practices.

## **Prohibition of discrimination**

The WFL explicitly bans employment discrimination based on factors like age, race, gender, religion, marital status, disability, and family responsibilities. This approach goes beyond previous guidelines, which primarily addressed broad categories such as race and nationality.

Employers must ensure that hiring, promotions, and remuneration decisions are merit-based, rather than influenced by irrelevant personal characteristics, creating a more equitable and inclusive workplace environment.

## **Proper grievance handling processes**

The WFL establishes a formal grievance procedure for employees to report instances of workplace discrimination. This will create a clearer and more defined process for handling complaints, addressing the current ambiguity in resolving such issues. Employees who believe they have been discriminated against will benefit from a more transparent and efficient investigation process, with established timelines for employer responses to ensure timely resolutions.

Further, employers will be prohibited from retaliating against workers who report workplace discrimination and harassment. The WFL will define retaliatory actions to include:

- Wrongful dismissal;
- Harassment;
- Unauthorized salary deduction;
- Unreasonable denial of re-employment; and
- Any other action aimed to victimize the employee.

## **Protection for vulnerable workers**

The new legislation also focuses on safeguarding vulnerable workers, such as older employees, women with caregiving duties, and individuals with disabilities. Employers are mandated to foster a more inclusive workplace by adopting policies that support these groups, including flexible work arrangements and reasonable accommodations for employees with special needs, promoting equity and inclusion across all workforce levels.

## **Enforcement and sanctions**

Employers that breach the WFL can be sanctioned. The sanctions will be based on the severity of the breach.

### **Low severity**

Corrective orders issued by the Ministry of Manpower (MoM) will punish low-severity breaches. Firms must review their hiring process, and individuals can be asked to attend corrective workshops.

### **Moderate severity**

The Ministry of Manpower is expected to impose administrative sanctions for breaches of the WFL deemed moderate. The MoM can also impose work pass curtailment.

### **High severity**

For breaches of the WFL deemed as highly severe, employers could be subject to prosecution in court where the company's decision-makers could face significant penalties.

## **Employment contracts**

The essential clauses of a contract of service in Singapore include:

- Commencement of employment, full name of employer and employee;
- Appointment - job titles, main duties and responsibilities;
- Working arrangements (hours of work, number of working days per week, rest day);
- Probation period (if any);
- Remuneration (Salary period, basic period, fixed allowances/deduction, overtime rate of pay, bonus and incentives, etc.);
- Employee benefits (sick leave, annual leave, maternity leave, etc.), other medical benefits;
- Termination of contract - notice period; and
- Code of conduct.

## **Employee leaves and vacations**

### **Statutory holidays**

The President of Singapore can declare any day to be a public holiday, although every major race and religion usually receive two public holidays each.

If a public holiday falls on a Sunday, the following day is usually declared a public holiday, unless the Monday itself is already a public holiday. If a public holiday falls on a Saturday, the government will declare a holiday the following Monday.

Employees who have to work on a public holiday will be entitled to an extra day's salary at the basic rate. Alternatively, employers, with the consent of the employee, can substitute the employee's day off with another working day.

Further, the employer can also grant time-off-in-lieu, based on the number of hours the employee has worked on the public holiday. This option only applies to:

- Workmen earning more than S\$4,500 per month (US\$3,364);
- Non-workmen earning more than S\$2,600 per month (US\$1,943); and
- All managers and executives.

## Annual leave

If an employee is covered by the EA, they are entitled to annual leave after working three months. An employee's annual leave entitlement is dependent on the number of years they have worked at the company.

| Annual Leaves in Singapore |               |
|----------------------------|---------------|
| Years of service           | Days of leave |
| 1st                        | 7             |
| 2nd                        | 8             |
| 3rd                        | 9             |
| 4th                        | 10            |
| 5th                        | 11            |
| 6th                        | 12            |
| 7th                        | 13            |
| 8th and above              | 14            |

## Maternity leave

Only Singaporean residents are entitled to paid maternity leave. The length is usually 12 weeks but if the child is a Singaporean citizen, then the leave is 16 weeks.

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Further, there are other conditions that must be fulfilled to receive maternity leave. These are:

- The mother must be legally married to the father;
- Employment must have begun at least 3 months before the birth of the child; and
- The first 8 weeks of maternity leave are paid by the employer, and the next 8 weeks by the government.

## Employment permits

The Ministry of Manpower (MoM) issues a wide range of employment permits to expatriates planning to work in Singapore. Each employment permit differs across various categories of employees and is based on their professional skills and monthly salaries.

It is important for applicants to note that most work permits are applied through the employer or an employment agent, via the MoM's online platform. Therefore, it is mandatory for skilled professionals to first obtain a job offer in the country before applying.

## COMPASS

Singapore introduced a new points system for Employment Pass (EP) applicants from 2023, in addition to higher qualifying salary thresholds.

The government hopes that the new system – laid out under the Complementarity Assessment Framework (COMPASS) – will improve the capacity of Singaporean businesses to select high-quality foreign professionals and ensure workforce diversity.

EP applicants must score at least 40 points under the COMPASS system, which are awarded based on four attributes and two bonus criteria. COMPASS will come into effect for new applicants from September 2023 and for renewal applicants from September 2024.

## How COMPASS works

The COMPASS framework evaluates EP applications on individual and firm-related attributes. These are based on four foundational criteria where the applicant earns points on whether they meet or exceed expectations.

| Singapore COMPASS Point System         |                            |
|----------------------------------------|----------------------------|
| Points for each foundational criterion | Assessmeny                 |
| 20                                     | Exceeds expectations       |
| 10                                     | Meets expectations         |
| 0                                      | Does not meet expectations |

Applicants can also earn additional points on two bonus criteria – one for candidates in jobs where there is a skills shortage, and second, for firms that engage in innovation and internationalization activities.

40 points are required to pass COMPASS.

## COMPASS scoring

The scoring system is highlighted in the following table:

| New Employment Pass Scoring System in Singapore |                                                                       |        |                                                     |        |
|-------------------------------------------------|-----------------------------------------------------------------------|--------|-----------------------------------------------------|--------|
| Individual attributes                           |                                                                       |        | Firm related attributes                             |        |
| Foundational criteria                           | C1. Salary                                                            |        | C3. Diversity                                       |        |
|                                                 | Fixed monthly salary compared to local PMET salaries in sector by age | Points | Share of candidate's nationality among firm's PMETs | Points |
|                                                 | ≥ 90 <sup>th</sup> percentile                                         | 20     | < 5%                                                | 20     |
|                                                 | 65 <sup>th</sup> to 90 <sup>th</sup> percentile                       | 10     | 5 to 25%                                            | 10     |
|                                                 | < 65 <sup>th</sup> percentile                                         | 0      | ≥ 25%                                               | 0      |
|                                                 | C2. Qualifications                                                    |        | C4. Support for local employment                    |        |
|                                                 | Awarded for recognized qualifications                                 | Points | Firm's share of local PMETs within its subsector    | Points |
|                                                 | Top-tier institution                                                  | 20     | ≥ 50 <sup>th</sup> percentile                       | 20     |
|                                                 | Degree-equivalent qualification                                       | 10     | 20 <sup>th</sup> to 50 <sup>th</sup> percentile     | 10     |
|                                                 | No degree-equivalent qualification                                    | 0      | < 20 <sup>th</sup> percentile                       | 0      |

| New Employment Pass Scoring System in Singapore |                                     |        |                                                                                          |        |
|-------------------------------------------------|-------------------------------------|--------|------------------------------------------------------------------------------------------|--------|
| Individual attributes                           |                                     |        | Firm related attributes                                                                  |        |
|                                                 | Skills bonus                        | Points | Strategic economic priorities bonus                                                      | Points |
| Bonus criteria                                  | Job on the Shortage Occupation List | +20    | Firm meets specific assessment criteria on innovation or internationalization activities | +10    |

Source: Singapore Ministry of Manpower

PMET: Professionals, managers, executives, and technicians.

The skills bonus is reduced to +10 if the share of the candidate's nationality is one-third or higher among the firm's PMETs.

Small firms with fewer than 25 PMET employees score 10 points on C3 and C4 by default.

### Case study 1

Company A meets all four foundational criteria.

#### Candidate attributes

Company A, a marketing consultancy firm in the professional services sector, has an EP candidate with a monthly salary at the 70th percentile of local PMET salaries in the sector. 10 points is given under the 'salary' attribute. Further, the applicant holds a degree-equivalent qualification, resulting in another 10 points.

#### Firm-related attributes

The candidate's nationality currently forms 20 percent of the company's PMET employees, awarding the applicant 10 points.

Finally, the company has a local PMET share at the 40th percentile, awarding them 10 points.

As such, the total points obtained by Company A is 40, and the candidate is eligible for the EP permit.

## Case Study 2

Company B that is weak on the foundational criterion but earns points on the bonus criterion

### Candidate attributes

Company B, a software company in the tech sector, has an EP candidate with a monthly salary at the 95th percentile of local PMET salaries in the sector. As such, 20 points is awarded.

The candidate (an artificial intelligence engineer) holds a degree-equivalent qualification, resulting in 10 points.

### Firm-related attributes

The candidate's nationality forms 40 percent of the company's PMET employees, meaning they are awarded no points. Finally, the company has a local PMET share at the 10th percentile, meaning the candidate will secure no points for this attribute.

However, the candidate is awarded 10 points under the skills bonus if their qualifications fill a shortage occupation in Singapore. They are not awarded 20 points for the skills bonus as the share of the applicant's nationality among the firm's PMETs is more than one-third.

## Who is exempted from COMPASS?

The candidate is exempted from COMPASS if they fulfill the following conditions:

- Earning a fixed salary of at least S\$20,000 (US\$14,870) per month;
- Filling a role on a short-term basis, one month or less; or
- Applying as an overseas intra-corporate transferee under the World Trade Organization's General Agreement or a free trade agreement Singapore is a party to.

## Employment Pass

The Employment Pass is issued to expatriates employed as foreign managers, executives, and skilled professionals in Singapore. First-time candidates can obtain an EP for an initial two years, renewable for up to three years at a time.

Since January 1, 2025, the qualifying minimum salary is S\$5,600 (US\$4,315) in all sectors except financial services, where the threshold is S\$6,200 (US\$4,774).



These levels rise progressively with age, reaching up to S\$10,700 (US\$8,239) and S\$11,800 (US\$9,086) respectively for candidates aged 45 and above.

These salary requirements apply to new EP applications from January 1, 2025, and to renewals of passes expiring from January 1, 2026. From the same year, the Ministry of Manpower (MOM) will also apply updated salary benchmarks under the Complementarity Assessment Framework (COMPASS), effective for new EP applications from January 1, 2026, and for renewals of passes expiring from July 1, 2026.

Candidates earning S\$6,000 (US\$4,620) or more may apply for a Dependent's Pass for their legally married spouse and unmarried children under 21 years old. Those seeking to bring a common-law spouse, stepchildren, or parents must apply for a Long-Term Visit Pass (LTVP). Only applicants earning at least S\$12,000 (US\$9,240) may bring their parents.

There is no foreign worker levy or quota for the Employment Pass. Processing takes up to five weeks, though online submissions may be completed in as little as three weeks.

### **Documents for EP application**

Employers need to submit the following documents for the EP application:

- Personal information of the applicant's passport;
- Company's latest business profile or information registered with Singapore's ACRA; and
- Details of the applicant's academic certificates.

Additional documents for Indian and Chinese nationals:

- Indian applicants – transcripts and marksheets.
- Chinese applicants – certificate of graduation and verification proof in English from sources recommended by the MoM.

Further, documents in languages other than English must be submitted along with a translated copy of each. Also, it is important to note that the MoM may ask for more documents to be submitted at the time of processing the application.

## **Personalized Employment Pass**

The Personalized Employment Pass (PEP) is designed for high-earning professionals – either existing holders of the standard Employment Pass or overseas foreign professionals whose last drawn salary meets the threshold. Applicants must be earning a fixed monthly salary of at least S\$22,500 (US\$16,650).

The pass is valid for up to three years and is non-renewable; thereafter, the holder must transition to a standard Employment Pass (EP) or S Pass to continue working in Singapore.

To maintain the PEP, the holder may not be unemployed for more than six continuous months in Singapore and must earn a fixed annual salary of at least S\$270,000 (US\$199,800).

Key advantages of the PEP include greater job flexibility — holders are not tied to a specific employer and can change jobs without applying for a new pass — and the ability to stay in Singapore for up to six months between jobs. They may work in any sector, including professions subject to registration (for example, medicine, law, dentistry), although they must still satisfy any relevant registration or licensing requirements.

There is no foreign-worker levy or quota attached to the PEP. PEP holders can apply for a Dependent's Pass for a legally married spouse and children under 21, and a Long-Term Visit Pass (LTVP) for other eligible family members.

### **Documents for PEP application**

Applicants need to submit the following documents for the PEP application:

- A saved copy of the completed application form;
- A screenshot of the banking page and a copy of the travel document;
- Travel document information page;
- Educational certificates;
- Employment contracts for new and previous employment (if any);
- Employment history, including company name, occupation, fixed monthly salary in S\$, country, and period of employment (if not currently an EP holder);
- Latest tax statement; and
- Payslips and bank account statements for the past 3 months.

The following categories are not eligible for a PEP:

- An EP holder under a sponsorship scheme;
- Journalists, editors, sub-editors, or producers;
- Freelancers; and
- A sole proprietor, partner, or where director is also a shareholder in an ACRA-registered company.

## **S Pass**

The S Pass is designed for mid-level skilled foreign employees, such as associate professionals and technicians. As of September 1, 2025, the minimum monthly salary for new S Pass applications is S\$3,300 (US\$2,400) for all sectors except financial services, where the threshold is S\$3,800 (US\$2,760).



These levels increase with age, reaching up to S\$4,800 (US\$3,485) and S\$5,650 (US\$4,100) respectively for applicants aged 45 and above.

These thresholds also apply to renewals of S Passes expiring from September 1, 2026. S Passes are valid for up to two years and can be renewed for up to three years at a time.

S Pass holders earning a monthly salary of S\$6,000 (US\$4,350) or more may ask their employer to apply for a Dependent's Pass for their legally married spouse and unmarried children under 21. Employers are required to pay a foreign-worker levy of S\$650 per month, which is the current rate as of 2025.

### **Documents S Pass application**

Documents required for the S Pass are as below:

- Personal information of the applicant's passport;
- Company's latest business profile or information registered with Singapore's ACRA; and
- Details of the applicant's academic certificates.

Additional documents for Indian and Chinese nationals:

- Indian applicants – transcripts and marksheets.
- Chinese applicants – certificate of graduation and verification proof in English from sources recommended by the MoM.

### **Increase in the tier 1 levy**

As of September 1, 2025, the Tier 1 levy for S Pass holders has been harmonized at S\$650 (US\$481) per month across all sectors. The previous levy rate of S\$330 (US\$244) was fully phased out to manage Singapore's dependence on mid-level foreign labor and encourage firms to hire and upskill local employees.

Singaporean businesses are limited in the number of S Pass holders they can hire by a quota. They must also pay a monthly levy for each S Pass holder they employ. The levy liability starts from the day the S Pass is issued and ends when the pass is expired or is canceled.

The S Pass holders that a Singapore company can hire is capped at:

- 35 percent of the company's total workforce in the services sector;
- 83.3 percent of the total workforce for the construction sector;
- 60 percent for the manufacturing sector;
- 77.8 percent for marine shipyard sector; and
- 83.3 percent for the processing industry.

## Entrepreneur Pass

The Entrepreneur Pass (EntrePass) is designed for foreign entrepreneurs and business professionals who wish to establish and operate a business in Singapore. The initial pass is valid for one year, and subsequent renewals may be granted for up to two years each, provided the business meets renewal benchmarks.

Eligibility for a new EntrePass requires, among other things, that the applicant's company (which must be or become a Singapore-registered private limited company) meets at least one of the following: it has secured funding from an accredited investor, it holds registered intellectual property offering a competitive advantage, it is engaged in research collaboration with a recognized institution, or it is incubated by a government-supported accelerator.

Certain low-value business activities such as coffee shops, hawker centers, food courts, bars, nightclubs, karaoke lounges, massage parlors and employment agencies are excluded from the scheme.

The EntrePass is not subject to foreign-worker quotas or levies. Renewal of the pass requires fulfilment of the company's business spending and local employment criteria (for example, reaching specified thresholds of annual business spending and creation of local jobs) and the pass holder must hold at least 30 percent shareholding of the company.

Once these criteria are met, the EntrePass holder may bring eligible family members to Singapore under Dependent's Pass or Long-Term Visit Pass (LTVP) schemes.

### **Documents for EntrePass application**

Applicants must submit the following documents for the EntrePass application:

- Copy of the personal information page of the applicant's passport;
- Past employment testimonials in English; and
- A business plan in English.

For businesses registered with the ACRA:

- Company's latest business profile.

## Overseas Networks & Expertise Pass

The Overseas Network & Expertise Pass allows high-earners and achievers to live in Singapore without the need to secure employment first. Applications opened on January 1, 2023, and is applicable to top talent in all sectors.

### **Qualifying salary**

Applicants must earn a fixed monthly salary of at least S\$30,000 (US\$23,054) for 12 consecutive months before applying and must continue to earn this amount under an established company in Singapore. Overseas candidates must also have worked for an established company abroad for at least one year at the time of application. An “established company” is defined as one with a market capitalization of at least US\$500 million or annual revenue of at least US\$200 million.

### **Duration and work criteria**

The ONE Pass is valid for five years and renewable for another five years if the holder meets one of the following renewal requirements:

- Earned an average fixed monthly salary of S\$30,000 (US\$23,054) in Singapore over the past five years; or
- Founded and operated a Singapore-based company employing at least five local workers, each earning at least S\$5,000 (US\$3,700) per month.

ONE Pass holders may concurrently work for, start, and operate multiple companies in Singapore. Their spouse is eligible to work through a Letter of Consent (LOC) issued by the Ministry of Manpower.

### **Not subject to the Fair Consideration Framework requirement**

The pass holder will also not be subject to the Fair Consideration Framework job advertising requirement in addition to the upcoming COMPASS. Under the FCF, employers who want to submit EP applications must first advertise the job position on MyCareersFuture.sg to promote labor market transparency and fair employment practices.

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## **The banning of employer of record sponsorship**

Singapore's Ministry of Manpower has now banned non-Singaporean entities from using an Employer of Record (EOR) to sponsor employment permits for foreign employees.



The EOR handles all legal and compliance requirements, while the original company maintains direct day-to-day management of the employee. The EOR could sponsor the foreign worker for Work Permits, S Pass, and Employment Pass.

It had been common practice for non-Singaporean entities to use an EOR without having to establish a local presence.

However, with the Ministry of Manpower effectively closing this loophole, the EOR will be restricted to hiring local employees only and a foreigner wishing to work in Singapore must be directly employed with a local business that adheres to the country's labor regulations.

## Social insurance

The Central Provident Fund (CPF) is a social security savings scheme funded by contributions from employers and employees. This mandatory program is an important pillar of Singapore's social security system and aims to meet the retirement, housing, and healthcare needs of its people.

Individual CPF funds are further subcategorized into three savings accounts: Ordinary Account, Special Account, and Medisave Account. The Ordinary Account can be used at any time to purchase a home, make investments, and provide for education. The Special Account cannot be utilized until the account holder reaches retirement unless the money is used to purchase retirement-related financial products. This account will serve as the income a retired person receives.

The Medisave Account is used to pay for medical expenses, hospitalization expenses, and pay for approved medical insurance. When a worker turns 55, savings from their Special and Ordinary accounts are transferred to their Retirement Account, at which point they can start withdrawing their savings. Workers begin to receive monthly payouts of their savings at age 65.

CPF earn risk-free interest on their savings. Interest rates vary for different CPF accounts and age groups and are updated on the CPF government website. Employers can submit CPF contributions and make payments through the CPF EZPay system, which also automatically calculates the employer's and employee's contributions and updates the amount when the employer changes age group. A SingPass login is required for employers to make payments through CPF EZPay.

## Composition of Singapore's Retirement Sum Scheme



## Increase of retirement and re-employment ages

As of 2025, Singapore's minimum retirement age remains 63 and the re-employment age 68, following the increases implemented in 2022. These will gradually rise to 65 and 70 respectively by 2030, as part of Singapore's long-term plan to support an ageing workforce. With one in four Singaporeans projected to be aged 65 or above by 2030, the policy aims to maintain economic competitiveness and workforce participation among senior workers. Employers are encouraged to adopt the higher limits early.

## CPF Contribution Rates 2025

| Employee's age | By employer (% wages) | By employee (% wages) | Total (% wages) |
|----------------|-----------------------|-----------------------|-----------------|
| 55 and below   | 17                    | 20                    | 37              |
| Above 55 to 60 | 15.5                  | 17                    | 32.5            |
| Above 60 to 65 | 12                    | 11.5                  | 23.5            |
| Above 65 to 70 | 9                     | 7.5                   | 16.5            |
| Above 70       | 7.5                   | 5                     | 12.5            |

Beginning January 1, 2026, CPF contribution rates for employees aged above 55 to 60 and above 60 to 65 will increase by 1.5 percentage points in total (combined employer + employee) to help older workers build higher retirement savings.

#### Increase in CPF monthly salary ceiling

The CPF monthly salary ceiling will be increased in stages from September 1, 2023, to Jan 1, 2026.

The increased ceilings will be implemented in four stages:

| Effective date   | CPF monthly salary ceiling | Change  |
|------------------|----------------------------|---------|
| 1 September 2023 | S\$6,300 (US\$4,830)       | +S\$300 |
| 1 January 2024   | S\$6,800 (US\$5,220)       | +S\$500 |
| 1 January 2025   | S\$7,400 (US\$5,670)       | +S\$600 |
| 1 January 2026   | S\$8,000 (US\$6,140)       | +S\$600 |

This means that employees earning above the ceiling rate will take home a lower net salary – to set aside more for their CPF.

## Thailand

### Labor law

Employees are protected by various law provisions, which include:

- Labor Protection Act 1998;
- Civil and Commercial Code;
- Labor Relations Act 1975;
- Social Security Act 1990;
- Skill Development Promotion Act 2002;
- Act on Establishment of the Labor Court and Labor Dispute Procedure 1979;
- Emergency Decree on Managing the Work of Aliens 2017;
- Provident Fund Act 1987;
- Occupational Safety, Health and Environment Act 2011; and
- Workmen Compensation Act 1994.

## Relevant visa categories

Foreigners who wish to work or do business in Thailand must apply for a non-immigrant visa—the B or IB category. The visa fee is 2,000 baht (US\$56) for a single-entry visa valid for three months, and 5,000 baht (US\$140) for a multiple-entry visa valid for one year.

### Application process for visa category B (business visas)

Foreigners who wish to work in Thailand must provide the following documents:

- Completed visa application form;
- Valid passport and travel documents;
- Evidence of adequate financing (20,000 baht per person (US\$617) or 40,000 baht (US\$1,212) per family);
- Letter of approval from the Ministry of Labor (to obtain this, the employer in Thailand needs to submit a WP3 Form to the Office of Foreign Workers Administration, Department of Employment at the Ministry of Labor; and
- Copy of the work permit only if the applicant has previously worked in Thailand.

### IB visas (investment and business visa)

This visa type is issued to foreign investors who are involved in projects endorsed by the Thailand Board of Investment (BOI). These projects must bring benefits to Thailand in the following ways:

- Increase local employment;
- Utilize raw materials;
- Export-orientated; and
- Encourage knowledge transfer to Thai nationals.

Foreigners who wish to conduct business in Thailand must provide the following documents:

- Valid passport and travel documents;
- Evidence of adequate financing (20,000 baht per person (US\$560) or 40,000 baht (US\$1,119) per family);
- Letter from the applicant's company stating the applicant's length of employment, salary, position;
- Corporate documents associated with the company; and
- Evidence of tax registration and payment.

## Social insurance

Employees contribute five percent of their monthly wage to the Social Security Fund (SSF), capped at 15,000 baht (US\$ 455) per month, with employers matching the same five percent contribution. The contribution covers:

- 
- Sickness, maternity, disability, and death benefits;
  - Child and old-age benefits; and
  - Unemployment benefits (maximum payout increased to 9,000 baht (US\$ 273) per month as of mid-2025).

Work-related accidents and occupational diseases are covered separately under the Workers' Compensation Fund (WCF), financed solely by employers at rates ranging from 0.2 to 1 percent of total wages depending on industry risk level.

#### Employee Welfare Fund

Contributions to the EWF have been postponed to 1 October 2026. Employers and employees will each contribute 0.25 percent of wages from October 2026 to September 2031, increasing to 0.5 percent thereafter.

## Timor-Leste

### Labor law

Timor-Leste's employment relations are governed by the Labor Code (Law No. 4/2012), which outlines the rights and obligations of employers and employees. The law applies to both national and foreign workers and covers areas such as employment contracts, wages, working hours, leave entitlements, termination, and social protection.

### Relevant visa categories

Foreign nationals who wish to work or invest in Timor-Leste are required to obtain the appropriate visa and stay permit from the Immigration Service under the Ministry of Interior. The main categories include.

#### Investor visa

Foreigners intending to invest or engage in business in Timor-Leste may apply for an Investor or Business Visa. There are two main categories:

- **Class I** – issued for short-term business activities, such as investment meetings and contract negotiations, valid for up to 60 days; and
- **Class II** – issued to long-term investors or company administrators who intend to reside in Timor-Leste for more than 183 days per year.

## Requirements

- Valid passport (minimum six months' validity) with at least one blank page;
- Completed visa application form and two passport-sized photographs;
- Proof of onward or return travel;
- Proof of sufficient financial means;
- Certificate of investment registration or business license from TradeInvest Timor-Leste (for Class II applicants); and
- Proof of accommodation in Timor-Leste.

Class I visas are generally non-extendable, while Class II visas can be renewed annually. Applicants must demonstrate sufficient financial capacity and a legitimate investment project approved by local authorities.

## Work visa

The Work Visa allows foreign employees to work in Timor-Leste under a valid employment contract with a registered local entity. Employers must secure prior approval from the Secretariat of State for Vocational Training and Employment (SEFOPE). Work visas are valid for up to 12 months and are renewable. Foreigners must also apply for a residence permit once in the country.

## Requirements

- Valid passport with at least six months' validity;
- Police clearance certificate from the applicant's home country;
- Signed employment contract and letter of sponsorship from the employer;
- Copy of the employer's business registration and tax identification number;
- Medical fitness certificate; and
- Proof of accommodation and financial means.

Employers must obtain prior approval from the Secretariat of State for Vocational Training and Employment (SEFOPE) before hiring a foreign worker. Upon arrival, the employee must register for a residence permit with the Immigration Service.

## Short-term work visa

This visa is issued to foreign professionals engaging in technical, advisory, or project-based work for a duration not exceeding six months. The visa cannot be converted into a long-term work or residence visa.

## Requirements

- Valid passport with at least six months' validity;
- Invitation or service contract from a Timorese entity or government agency;
- Proof of relevant qualifications or technical expertise;
- Proof of financial means and accommodation; and
- Return or onward travel ticket.

Applications are submitted to the Immigration Service under the Ministry of Interior. Processing typically takes 10 to 15 working days.

## Social insurance

Timor-Leste's social security system is managed by the National Social Security Institute (Instituto Nacional de Segurança Social – INSS) under Decree-Law No. 37/2018. The program covers both Timorese and foreign employees.

### Contribution rates

Employers contribute 6 percent of the employee's gross monthly salary, and employees contribute 4 percent. The contribution base is capped at US\$1,000 per month, resulting in a maximum monthly contribution of US\$60 by the employer and US\$40 by the employee.

### Benefits

The INSS provides:

- Old-age pension – available at age 60 with at least 15 years of contributions;
- Disability pension – for employees permanently unable to work;
- Survivor's pension – for dependents of deceased insured employees;
- Maternity allowance – equal to 100 percent of the insured wage for 12 weeks; and
- Employment injury benefits – covering medical expenses and compensation for workplace accidents.

Foreign employees must be registered with the INSS if their employment contract exceeds three months. Employers are required to remit contributions by the 15th of the following month.

# Vietnam

## Labor law

Foreign companies wanting to do business in Vietnam must ensure they follow the provisions of the Labor Code, which contains the legal framework for the rights and obligations of employers and employees with respect to working hours, labor agreements, social insurance, overtime, strikes, and termination of employment contracts, among others.

## Employment contracts

Employment contracts can be fixed-term or indefinite. Fixed-term contracts are limited to a maximum duration of three years and may be renewed once. If renewed beyond this limit, the contract becomes indefinite. Employment must be formalized in writing, specifying the employee's role, remuneration, working hours, and duration.

## Working hours and overtime

Normal working hours are set at 8 hours per day and 44 hours per week. Overtime is compensated at 150 percent of the employee's hourly wage for the first hour and 200 percent for subsequent hours. Work performed on public holidays or rest days is compensated at double the regular hourly rate.

## Leave entitlements

Employees are entitled to 12 days of paid annual leave after 12 months of continuous service. In addition, workers are entitled to 10 public holidays per year and 30 days of paid sick leave annually, provided they can produce medical certification. Maternity leave is set at 12 weeks, of which at least 6 weeks must be taken after childbirth.

## Termination of employment

Employers may terminate employment contracts based on just cause, including serious misconduct, redundancy, or expiry of a fixed-term contract. Severance pay is mandatory for dismissals without just cause and is calculated as one month's salary for each year of service. In cases of resignation, employees must provide 30 days' written notice.

## Relevant visa categories

To enter Vietnam, a foreigner needs a visa issued by the Vietnamese Embassy or Consulate. A Vietnamese visa can be granted while in a third-party country or from within Vietnam.

Citizens of ASEAN countries receive a free entry visa to Vietnam lasting between 15 and 30 days. In addition, Vietnam has implemented an e-visa policy for citizens of all countries and territories, valid for up to 90 days and available for single or multiple entries.

However, to work in Vietnam and remain for an extended period, foreigners need to apply for a longer-term three-month single or multiple-entry visa.

Relevant visa types are stated in the table below.

| Vietnam Visa Types |                                                                               |           |
|--------------------|-------------------------------------------------------------------------------|-----------|
| Visa type          | Description                                                                   | Validity  |
| DL                 | Tourist visa                                                                  | 3 months  |
| HN                 | Meetings/Conferences                                                          | 3 months  |
| LD                 | Foreign workers/Working visas                                                 | 2 years   |
| LV1-LV2            | Working with Vietnamese authorities                                           | 12 months |
| DT                 | Investor Visas                                                                | 5 years   |
| DN                 | Working with Vietnam businesses                                               | 12 months |
| NN1-NN2            | Chief Representative Office in Vietnam, Head of Project Office of foreign NGO | 12 months |
| NN3                | NGO Staff, Representative Office                                              | 12 months |
| DH                 | Student/Internship                                                            | 12 months |
| NG1-NG4            | Diplomatic visas                                                              | 12 months |

## Changes to employing foreign workers in Vietnam

In response to Vietnam's tightening labor-market requirements, Decree No. 70/2023/ND-CP, which took effect in September 2023, continues to shape foreign-labor policy in 2025. The decree revises and supplements Decree No. 152/2020/ND-CP, introducing procedural simplifications while maintaining the government's focus on prioritizing local employment.

Under the current framework, employers must justify the need for foreign personnel by reporting to the Ministry of Labor, Invalids, and Social Affairs (MoLISA) at least 15 days before the intended start date of work — reduced from the previous 30-day requirement. This change shortens the lead time but increases the importance of clear documentation showing that no qualified Vietnamese candidate is available for the position.



Since January 1, 2024, all positions intended for foreign hires must be advertised on official job portals – either the Electronic Information Portal of MoLISA's Department of Employment or a provincial Employment Service Center – for a minimum of 15 days before submitting the request to use foreign labor. Each posting must specify the job title, responsibilities, number of vacancies, qualifications, experience, remuneration, working hours, and work location.

## Requirements

A work permit remains mandatory for any foreign national employed in Vietnam for more than three months. Employers are required to submit the application to the provincial Department of Labor, Invalids, and Social Affairs (DoLISA) at least 15 days before the employee's intended start date. Processing typically takes 10 working days.

If the position qualifies for a permit exemption, the employer must still notify the DoLISA seven days prior to commencement. Work permits are valid for a maximum of three years and cannot be renewed; a new application is required if employment continues beyond the expiry date.

To be eligible for a work permit, the applicant must comply with the following conditions:

- Be at least 18 years of age;
- Be in good enough health to satisfy the job requirements;
- Be a manager, executive director, or expert with technical skills and knowledge necessary for the job;
- Have a bachelor's degree or higher and having at least three years of experience working in the relevant field to the job position that the foreign employee has been hired for;
- Have at least five years of experience with a practice certificate relevant to the job that the foreign employee has been hired for; and
- Be not currently subject to criminal prosecution or any criminal sentence in Vietnam or overseas or have a criminal record.

A work permit may be terminated in the following circumstances:

- Expiration of work permit;
- Termination of labor contract;
- The content of the labor contract is not consistent with the work permit granted;
- The foreign employee is fired by the foreign employer;
- Withdrawal of work permit by authorized state agencies;
- Termination of operation of the company, organization, and partners in Vietnam; and
- The foreigner is sentenced to prison, dies or is proclaimed missing by court.

The following situations exempt the foreigner from needing a work permit:

- They work in Vietnam for less than three months;
- They are an owner or member of a limited liability company with a capital contribution of at least VND 3 billion (US\$114,135);
- They are a member of the board of a joint stock company with a capital contribution of at least VND 3 billion ;
- They come to Vietnam to market products and services;
- They come to Vietnam for less than three months in order to resolve an emergency or technologically complex situation that could affect production, which Vietnamese experts or foreign experts currently in Vietnam are unable to resolve;
- They are a lawyer who is granted a professional permit in Vietnam;
- They are a head of a representative office, chief of a project office or someone working for foreign non-government organization in Vietnam;
- They were internally transferred within an enterprise, which has a commercial presence in the committed service list of Vietnam with the World Trade Organization, including: business service, information service, construction services, distribution service, education service, environment service, financial service, health service, tourism service, cultural and recreational services and transportation service;
- They come to Vietnam to supply consulting services on tasks serving to research, build, appraise, monitor and evaluate, manage and process programs and projects that use Official Development Assistance (ODA) in accordance with regulations or agreements in an international treaty on ODA signed between an authorized Vietnam agency and foreign agency; and
- They are teaching or conducting research at international schools affiliated with diplomatic missions.

Violations of these provisions are treated seriously. Individuals found working without a valid permit face administrative fines of VND 15 million to VND 25 million (US\$590 – US\$980) and deportation within 15 days. Employers may be fined VND 30 million to VND 75 million (US\$1,180 – US\$2,950) depending on the number of unauthorized employees.

## Temporary residence cards

Foreigners who hold work permits valid for one year or more, as well as senior management, can be granted a Temporary Residence Card (TRC). A TRC is issued by the immigration agency under the Ministry of Public Security and is valid from one to five years depending on the visa type. People granted a TRC can enter and exit Vietnam without a visa within the valid terms of their TRC. The processing time typically takes five working days while the fee varies between US\$145 to US\$155, depending on the duration of the card.



Holders of work visas are eligible for a Temporary Residence Card, as well as members of management boards, members of councils and boards of directors, heads of company branches and Chief Representatives of representative offices of foreign enterprises in Vietnam.

### **Permanent residence cards**

An expatriate who has a legal residence while earning a living in Vietnam may also apply for a Permanent Residence Card (PRC); however, they are subject to the following conditions:

- The expat works for the development of Vietnam and is awarded a medal or title by the government;
- The expat resides temporarily in Vietnam for three or more consecutive years and is sponsored by his parent, spouse or child who is a Vietnamese citizen and has a permanent residence in Vietnam; and
- Foreign scientists or experts recommended by the head of a ministerial or government agency.

The processing time typically takes five working days with a fee of US\$100. A PRC holder can stay in Vietnam without a visa however, a PRC must be re-issued every 10 years.

## **Social insurance**

There are three types of mandatory social security in Vietnam that must be covered by foreign enterprises seeking to hire local staff:

- Social insurance;
- Health insurance; and
- Unemployment insurance.

Since December 2018, social insurance was made compulsory for foreign staff as well, in accordance with Vietnam's Labor Code. Employers register and pay insurance contributions monthly on behalf of their employees at the provincial Department of Labor, Invalids and Social Affairs (DoLISA).

Employers in Vietnam are required to make monthly contributions to social, health, and occupational insurance on behalf of their employees. The capped salary base for these contributions is 20 times the government-prescribed reference level, currently VND 2,340,000 per month. This sets the maximum contribution base at VND 46,800,000 (US\$1,840).

| Social Insurance in Vietnam                             |                              |                       |                       |
|---------------------------------------------------------|------------------------------|-----------------------|-----------------------|
| Type of Insurance                                       | Capped Salary Base (maximum) | Employer Contribution | Employee Contribution |
| Social Insurance (SI)                                   | VND 46,800,000 (US\$1,840)   | 17.5 %                | 8 %                   |
| Health Insurance (HI)                                   | VND 46,800,000 (US\$1,840)   | 3 %                   | 1.5 %                 |
| Labor Accident & Occupational Disease Insurance (LAODI) | VND 46,800,000 (US\$1,840)   | 0.5 %                 | —                     |

Unemployment insurance (UI) contributions do not apply to foreign employees, but remain mandatory for Vietnamese workers.

## Minimum wages in ASEAN

### Brunei

Brunei's Labor Department does not prescribe a minimum wage. Pay rates are agreed upon directly with the employer.

### Cambodia

In Cambodia, the minimum wage is mainly guaranteed for workers in the country's garment, textiles, and footwear manufacturing industry.

The National Council on Minimum Wage (NCMW), a tripartite body comprising equal representation of labor unions, employer's associations, and the government sets the minimum wage.

The new minimum wage for the textile, garment, footwear, and travel product industries in 2025 will be:

- US\$210 per month for regular workers; and
- US\$208 per month for probationary workers.



In addition to a minimum wage, workers in the garment, textile, and footwear industries are also entitled to:

- Attendance bonus — US\$10 per month;
- Transportation or accommodation compensation — US\$7 per month;
- Food allowance — US\$0.50 per day (or one free meal per day);
- Overtime and seniority bonus — US\$2-US\$11 per month for those between their second to the eleventh year of work.

## Indonesia

Indonesia's minimum wage system is governed by Government Regulation No. 36 of 2021 on Wages (GR 36/2021) and its amendment Government Regulation No. 51 of 2023 (GR 51/2023). Under these regulations, the provincial, district, or city wage councils calculate proposed minimum wages, which are then finalized through decrees issued by the respective governors or mayors/regents.

The local government will determine the minimum wage based on economic and employment conditions. These comprise of the following variables:

- Purchasing power parity;
- Manpower absorption levels; and
- Median wage variables (the margin between the 50 percent of the highest wages and 50 percent from the lowest 50 percent of the lowest wages from employees in the same position).

These variables are combined with an  $\alpha$  index — a range between 0.10 and 0.30 — determined by the wage council. The  $\alpha$  index reflects local labor and economic conditions, allowing flexibility between regions. Economic growth or inflation data are also included in the formula to ensure the wage adjustment reflects real-time economic performance.

### Who does the minimum wage apply to?

The minimum wage applies to all workers with less than one year of working in the company. After one year, the employee is eligible to be paid in accordance with the scale of wages in the particular company, if they wish to do so. Moreover, businesses are no longer permitted to postpone the payment of the minimum wage for their employees like before, unless they are classified as micro or small businesses.

### Hourly wages for part-time workers

Part-time workers are eligible for hourly wages — a first for Indonesia. Hourly wages are reserved for part-time workers only.

The formula for determining the hourly wage is as follows:

$$\text{Hourly wage} = \text{Monthly wage}/126$$

To calculate the daily wage:

Six working days/week

$$\text{Daily wage} = \text{Monthly wage}/25$$

Five working days/week

$$\text{Daily wage} = \text{Monthly wage}/21$$

The employer and employee are allowed to set their agreement, but the final salary should not be lower than the calculation using the aforementioned formulas. The agreed-upon wage structure must also be reported to the Ministry of Manpower.

The wage must be paid in Rupiah or the Rupiah equivalent of a foreign currency. Any non-cash portion in payment may not exceed 25 percent of total wages.

### Minimum wages for micro and small businesses

Micro and small enterprises are exempted from paying the provincial, regional, or city-level minimum wage. However, their workers should be paid at least 50 percent of the average public consumption or 25 percent above the poverty line at the provincial level.

## Deductions

Any deductions made from an employee's salary must only be for one of the following:

- The payment of fines;
- Payment of damages caused by the employee (must not exceed 50 percent of the employee's monthly salary);
- Salaries paid upfront;
- Rent for property rented by the employer for the employee;
- Employee debts or installments to the employer; or
- Salary overpayments.



### KNOWLEDGE RESOURCE



**An Introduction to Doing Business in Indonesia 2025**  
*ASEAN Briefing Magazine*  
May, 2025

This publication, designed to introduce the fundamentals of investing in Indonesia, was compiled by the experts at Dezan Shira & Associates, a specialist foreign direct investment practice, that provides corporate establishment, business intelligence, tax advisory and compliance, accounting, payroll, due diligence, and financial review services to multinationals investing in emerging Asia.

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## Sanctions

Employers who fail to pay their employees within the specified deadline can face a fine of five percent of the employees' wage, every day, starting from the fourth day after the deadline. If the wage is unpaid after the eighth day, the employer will be imposed an additional one percent of the employees' wage, per day.

Further, if an employer does not prepare a wage structure and wage scale for the employee, they can face the following sanctions:

- Written warning letters;
- Restriction on business activities;
- Temporary suspension of business; and/or
- Revocation of business license.

## What are the minimum wage rates?

The following rates represent the minimum wage of each province in Indonesia.

| Indonesia Minimum Wage 2025 (Provincial Level) |                      |
|------------------------------------------------|----------------------|
| Province                                       | Monthly minimum wage |
| Aceh                                           | 3,685,615 (US\$225)  |
| North Sumatra                                  | 2,992,559 (US\$183)  |
| West Sumatra                                   | 2,994,113 (US\$183)  |
| Riau                                           | 3,508,775 (US\$214)  |
| Riau Islands                                   | 3,623,653 (US\$221)  |
| Jambi                                          | 3,234,533 (US\$197)  |
| South Sumatra                                  | 3,681,570 (US\$224)  |
| Bangka Belitung                                | 3,876,600 (US\$236)  |
| Bengkulu                                       | 2,670,039 (US\$163)  |

| Indonesia Minimum Wage 2025 (Provincial Level) |                      |
|------------------------------------------------|----------------------|
| Province                                       | Monthly minimum wage |
| Lampung                                        | 2,893,069 (US\$176)  |
| Banten                                         | 2,905,119 (US\$177)  |
| DKI Jakarta                                    | 5,396,760 (US\$329)  |
| West Java                                      | 2,191,232 (US\$134)  |
| Central Java                                   | 2,169,348 (US\$132)  |
| Special Region of Yogyakarta                   | 2,264,080 (US\$138)  |
| East Java                                      | 2,305,984 (US\$141)  |
| Bali                                           | 2,996,560 (US\$183)  |
| West Nusa Tenggara                             | 2,602,931 (US\$159)  |
| East Nusa Tenggara                             | 2,328,969 (US\$142)  |
| West Kalimantan                                | 2,878,286 (US\$176)  |

| Indonesia Minimum Wage 2023 |                      |
|-----------------------------|----------------------|
| Province                    | Monthly minimum wage |
| South Kalimantan            | 3,496,194 (US\$213)  |
| Central Kalimantan          | 3,473,621 (US\$212)  |
| East Kalimantan             | 3,579,313 (US\$218)  |
| North Kalimantan            | 3,580,160 (US\$218)  |
| Maluku                      | 3,141,699 (US\$192)  |
| North Maluku                | 3,408,000 (US\$208)  |
| Gorontalo                   | 3,221,731 (US\$196)  |
| North Sulawesi              | 3,775,425 (US\$230)  |
| Southeast Sulawesi          | 2,914,583 (US\$178)  |
| Central Sulawesi            | 2,073,551 (US\$126)  |
| South Sulawesi              | 3,657,527 (US\$223)  |
| West Sulawesi               | 2,104,430 (US\$128)  |

| Indonesia Minimum Wage 2023        |                      |
|------------------------------------|----------------------|
| Province                           | Monthly minimum wage |
| Papua                              | 4,285,850 (US\$261)  |
| Central Papua                      | 4,285,848 (US\$261)  |
| Highlands Papua (Papua Pegunungan) | 4,285,848 (US\$261)  |
| South Papua                        | 4,285,848 (US\$261)  |
| Southwest Papua (Papua Barat Daya) | 3,615,000 (US\$220)  |
| West Papua                         | 3,615,000 (US\$220)  |

## Laos

As of November 2025, the national minimum wage in Laos remains at LAK 2.5 million (US\$115) per month, following the last adjustment in October 2024. The rate continues to apply nationwide and was the outcome of tripartite negotiations between the government, employers' associations, and labor representatives.

Meanwhile, the Lao government is still implementing its plan to raise the base salary for civil servants to between LAK 2.0 million (US\$92) and LAK 2.2 million (US\$101) per month, alongside incremental increases to living allowances to help offset inflation and improve household purchasing power. Further adjustments are being discussed for 2026, but no new wage decree has been finalized.

## Myanmar

The daily minimum wage rate is 6,800 kyat (US\$3.23) for an 8-hour day. The rate impacts both public and private sector workers in the country.

## Malaysia

Since August 2025, the monthly minimum wage in Malaysia's 56 major cities has been set at 1,700 ringgit (US\$382).

The minimum wage works out as follows for employees in city-council or municipal-council areas:

- 65.38 ringgit (US\$14.70) per day for employees working six days per week;

- 78.46 ringgit (US\$17.63) per day for employees working five days per week; and
- 98.08 ringgit (US\$22.03) per day for employees working four days per week.

## Philippines

The Philippines has daily minimum wage rates that vary from region to region, set by tripartite regional wage boards located in every region.

| Region                                                  | Minimum Wage                      |
|---------------------------------------------------------|-----------------------------------|
| National Capital Region (NCR)                           | 695 (US\$11.78) – 658 (US\$11.16) |
| Cordillera Administrative Region (CAR)                  | 470 (US\$7.97)                    |
| Region I (Ilocos Region)                                | 435 (US\$7.37) – 468 (US\$7.93)   |
| Region II (Cagayan Valley)                              | 460 (US\$7.80) – 480 (US\$8.14)   |
| Region III (Central Luzon)                              | 435 (US\$7.37) – 550 (US\$9.32)   |
| Region IV-A (Calabarzon)                                | 425 (US\$7.20) – 560 (US\$9.49)   |
| Region IV-B (Mimaropa)                                  | 404 (US\$6.85) – 430 (US\$7.29)   |
| Region V (Bicol Region)                                 | 415 (US\$7.03)                    |
| Region VI (Western Visayas)                             | 480 (US\$8.14) – 513 (US\$8.69)   |
| Region VII (Central Visayas)                            | 453 (US\$7.68) – 501 (US\$8.49)   |
| Region VIII (Eastern Visayas)                           | 405 (US\$6.86)                    |
| Region IX (Zamboanga Peninsula)                         | 414 (US\$7.02)                    |
| Region X (Northern Mindanao)                            | 434 (US\$7.36) – 461 (US\$7.82)   |
| Region XI (Davao Region)                                | 438 (US\$7.42) – 481 (US\$8.15)   |
| Region XII (Soccsksargen)                               | 430 (US\$7.29)                    |
| Region XIII (Caraga)                                    | 435 (US\$7.37)                    |
| BARMM (Bangsamoro Autonomous Region in Muslim Mindanao) | 316 (US\$5.36) – 361 (US\$6.12)   |

# Singapore

Singapore's Ministry of manpower does not prescribe a minimum wage. As such, wages are determined on market demand and the supply of labor. Furthermore, employers are to pay employees based on their competencies, skills, and experience.

# Thailand

The following table highlights daily minimum wages in Thailand.

| Province/Region                                                                                                                                                                            | Daily Minimum Wage   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Phuket                                                                                                                                                                                     | 370 baht (US\$10.87) |
| Bangkok, Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, Samut Sakhon                                                                                                               | 363 baht (US\$10.66) |
| Chon Buri, Rayong                                                                                                                                                                          | 361 baht (US\$10.61) |
| Nakhon Ratchasima                                                                                                                                                                          | 352 baht (US\$10.34) |
| Samut Songkhram                                                                                                                                                                            | 351 baht (US\$10.31) |
| Khon Kaen, Chachoengsao, Chiang Mai, Prachin Buri, Ayutthaya, Saraburi                                                                                                                     | 350 baht (US\$10.28) |
| Lop Buri                                                                                                                                                                                   | 349 baht (US\$10.25) |
| Nakhon Nayok, Suphan Buri, Nong Khai                                                                                                                                                       | 348 baht (US\$10.22) |
| Krabi, Trat                                                                                                                                                                                | 347 baht (US\$10.19) |
| Kanchanaburi, Chanthaburi, Chiang Rai, Tak, Nakhon Phanom, Buri Ram, Prachuap Khiri Khan, Phang-nga, Phitsanulok, Mukdahan, Sakon Nakhon, Songkhla, Sa Kaeo, Surat Thani, Ubon Ratchathani | 345 baht (US\$10.14) |
| Chumphon, Phetchaburi, Surin                                                                                                                                                               | 344 baht (US\$10.11) |
| Nakhon Sawan, Yasothon, Lamphun                                                                                                                                                            | 343 baht (US\$10.08) |
| Kalasin, Nakhon Si Thammarat, Bueang Kan, Phetchabun, Roi Et                                                                                                                               | 342 baht (US\$10.05) |
| Chai Nat, Chaiyaphum, Phatthalung, Sing Buri, Ang Thong                                                                                                                                    | 341 baht (US\$10.02) |
| Kamphaeng Phet, Phichit, Maha Sarakham, Mae Hong Son, Ranong, Ratchaburi, Lampang, Loei, Si Sa Ket, Satun, Sukhothai, Nong Bua Lam Phu, Amnat Charoen, Udon Thani, Uttaradit, Uthai Thani  | 340 baht (US\$9.99)  |
| Trang, Nan, Phayao, Phrae                                                                                                                                                                  | 338 baht (US\$9.93)  |
| Narathiwat, Pattani, Yala                                                                                                                                                                  | 330 baht (US\$9.69)  |

# Timor-Leste

In Timor-Leste, the national minimum wage for the private sector was set at US\$115 per month by the National Working Committee (NWC) and entered into force concurrently with Labor Code No. 4/2012.

# Vietnam

The following table highlights daily minimum wages in Vietnam.

| Region | Monthly Minimum Wage    |
|--------|-------------------------|
| I      | VND 4,960,000 (US\$195) |
| II     | VND 4,410,000 (US\$173) |
| III    | VND 3,860,000 (US\$151) |
| IV     | VND 3,450,000 (US\$135) |

**Note:** The National Wage Council has proposed a 7.2 percent increase in regional minimum wages effective January 1, 2026. If approved, the new monthly rates will be:

- Region I: VND 5,310,000 (US\$209)
- Region II: VND 4,730,000 (US\$186)
- Region III: VND 4,140,000 (US\$163)
- Region IV: VND 3,700,000 (US\$146)



Audit compliance is one of the most important tasks that needs to be undertaken by companies at the beginning of a new fiscal year. This process can be even more complex when doing business in the evolving markets of emerging ASEAN, despite steps towards regulatory harmonization.

As the region becomes more attractive for foreign investors, it is important for all companies to be informed on the latest updates and regulations to remain in compliance.



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## Brunei

The Companies Act (Cap. 39, Revised Edition 2021) regulates the audit and accounting requirements that companies must adhere to in Brunei Darussalam.

### Auditing and compliance requirements

A company limited by shares with no more than 50 shareholders must have its accounts audited but is not obligated to submit its audited financial statements to the Registry of Companies and Business Names (ROCBN). However, the audited accounts must be available for inspection and submitted to the tax authorities when required.

Public companies and companies limited by guarantee must have their accounts audited and are obligated to file these accounts with the ROCBN as part of their annual return.

Companies must keep proper books of account that accurately record:

- All sales and purchases of goods and services made by the company;
- Every amount of money received and paid; and
- The company's assets and liabilities.

These records are typically maintained through a cash book, journal, and ledger to ensure accurate tracking of all transactions.

### Annual general meetings

A company's first annual general meeting (AGM) must be held within 18 months of incorporation. Subsequent AGMs must be held once every year and not more than 15 months apart.

The meeting must be called in writing at least 21 days in advance. Directors must circulate a statutory report at least seven days before the meeting, certified by at least two directors, containing:

*“As ASEAN becomes more attractive for foreign investors, it is important for all companies to be informed on the latest updates and regulations to remain in compliance.”*

- 
- The total number of shares allotted;
  - The total amount of cash received by the company;
  - The names and addresses of directors, auditors, secretaries, and managers; and
  - a statement of company receipts.

## Appointing auditors

Every company must appoint an auditor at the AGM, who will hold office until the next AGM. The Public Accountants Oversight Committee (PAOC) regulates all public accountants and ensures adherence to international audit standards.

Auditors have full access to the company's accounts and records and may request information from directors or management. The auditor's remuneration is determined at the AGM, unless appointed to fill a vacancy, in which case the directors decide the amount.

## Audit exemptions

Private companies may be exempt from audit if they meet prescribed conditions under the Companies Act and related regulations, such as being wholly owned by another corporation or meeting a small-company threshold set by the authorities.

Dormant companies — those that have had no accounting transactions since incorporation or throughout the previous financial year — are also exempted from audit.

## Audit committees

Public companies must have an audit committee, which will elect a chairman from amongst them who is not a director or employee of the company. The function of the audit committee will be to:

- Review audit plans with the auditor;
- Evaluate internal accounting controls;
- Evaluate audit reports; and
- Evaluate balance sheets.

## Fiscal periods

The fiscal period runs from April 1 to March 31. All companies must file their tax returns using the e-filing system One Common Portal (previously the STARS system) by June 30 of every year. Businesses are not allowed to submit consolidated returns with each company having to file a separate return.

## Accounting standards

Brunei adopts two types of accounting standards, the IFRS, which is issued by the International Accounting Standards Board (IASB), and the Brunei Darussalam Accounting Standards (BDAS).

The IFRS principles are used for entities that have public accountability (public interest entities, PIE), whereas BDAS is issued for non-public interest entities. The entity has public accountability if its debt or equity instruments are traded in a public marketplace, or it is in the process of doing so.

BDAS was introduced to provide transparency of financial statements prepared by non-public interest entities (non-PIEs), as previously there were several ways businesses could present their financial statements, thus often not reflecting the company and industry they operate in.

## Annual reports

As stipulated in the Companies Act, annual reports must be filed within 28 days after the AGM. The company's officers, such as directors or secretaries, can file the annual returns; the company can also engage the services of a professional firm to file on their behalf.

The required documents needed to file annual reports are:

- Annual return form;
- Date of AGM with proof;
- Audited financial statements (for public companies); and
- Cover letter stating the name of the company and its registration number.

Dormant companies are still required to submit annual returns and will be subject to any fees payable to the Registrar.

## Penalties for non-compliance

Companies that fail to file annual returns or hold AGMs are subject to fines under section 314 of the Companies Act. The Registrar may also take enforcement action against defaulting officers. Penalty amounts are determined by regulation and may include imprisonment for serious or repeated non-compliance.

# Cambodia

Resident taxpayers are subject to tax on their worldwide income while non-resident taxpayers are taxed on their Cambodia-sourced income only.

Resident taxpayers will have their principal place of business in Cambodia whereas a non-Cambodian national will be considered a resident taxpayer if they are in Cambodia for more than 183 days or have their principal place of abode in the country.

## Auditing and compliance requirements

All business entities, that meet the criteria set out in Prakas 643 of the Ministry of Economy and Finance must submit their financial statements to be audited by an independent auditor.

The business must fulfil at least two of the three following criteria:

- Businesses that have annual turnover of 4 billion riel (US\$1 million);
- Businesses that have total assets of over 3 billion riel (US\$750,000); and
- Have more than 100 employees.

## Appointing auditors

Cambodia's Ministry of Finance and Economy Ministerial Order 563 (MO 563) sets out the requirements for the types of business entities that must be independently audited.

Under MO 563, public companies, companies with public accountabilities (businesses that have debt instruments), and 'investment projects', are obligated to be independently audited for each financial period. The regulation also states that other business entities that achieve a certain annual turnover or have assets of a certain value will also need to be independently audited.

Businesses that are obligated to be audited are required to do so for a minimum of three consecutive years, and the issuance of the audit report shall be completed no later than six months from the closing date of the accounting period.

### How are these entities defined?

Companies with public accountabilities are those that have debt instruments traded in the domestic or international stock market.

These also include enterprises that hold assets in a fiduciary capacity (holding or managing assets on behalf of persons that are unrelated to the company. These are banks, insurance companies, credit unions, and mutual funds, among others.



Public companies are those that are effective under the Law on the General Status of Public Enterprise.

Non-profit organizations will also need to be audited if they meet the following criteria:

- Have annual expenses of more than 2 billion riel (US\$498,000); and
- Have more than 20 employees.

## Certificate of compliance

Enterprises classified as QIPs must obtain a Certificate of Compliance (CoC) each year. Under Sub-Decree 139 (2023), QIPs must file their half-year and annual reports with the Council for the Development of Cambodia (CDC) through the PMIS system within 20 days after the tax-return due dates. The CoC is issued after these filings.

The following documents need to be submitted to obtain the CoC:

- Articles of incorporation;
- Articles of incorporation issued by the MoC;
- Latest audited financial statements;
- Latest patent tax certificate;
- Certificate pertaining to tax obligations from the Tax Department;
- Latest information regarding the import of materials or equipment by the QIP;
- The CoC from previous years (if applicable); and
- Latest company information extracted from the MoC website (business extract).

## Fiscal periods

The tax and accounting year in Cambodia do not need to coincide with the calendar year. If a company is established during the financial year, then the first period of accounts will run from the date of incorporation to December 31.

## Accounting standards

The National Accounting Council of Cambodia has adopted the same standards as the IFRS for SMEs. The standards are referred to as the Cambodian International Financial Reporting Standards (CIFRS for SMEs) and the Cambodia International Financial Reporting Standards (CIFRS).

Businesses registered as QIPs must have their financial statements audited by an external independent auditor registered with the Kampuchea Institute of Certified Public Accountants and Auditors.

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Investment projects are defined as QIPs. QIPs are projects that are eligible to receive fiscal and non-fiscal incentives from the Cambodian Investment Board. They are divided into three types – domestic QIPs, export QIPs, and supporting industry QIPs.

## Annual reports

All companies regardless are required to prepare their documents in the Khmer language and must use the Khmer Riel on all accounting records. However, financial statements can also be prepared in English and other foreign currencies if the business activities are with foreign entities.

Businesses should provide the following:

- Financial statements;
- Statement by directors on the financial statements;
- Statutory declaration by the director or officer primarily responsible for financial management; and
- Auditor's report.

All business entities registered with the Ministry of Commerce (MoC) are required to file an Annual Declaration of Commercial Enterprises (ADCEs) on the MoC's online system within three months of re-registration with the MoC. Failure to do so could result in a 2,000,000 riel (US\$500) fine.

Tax returns for monthly taxes, such as withholding tax and corporate income tax, must be filed monthly, and within 20 days of the following month. This will be extended if the 20th day falls on a public holiday or non-working day.

## Penalties for non-compliance

Penalties for non-compliance apply to failure to file, late filing, or filing fraudulent returns. The resultant penalties range from 10, to 25, to 40 percent and interest of 1.5 percent for late or unpaid taxes.

## Indonesia

Indonesia does not have a single, consolidated regulation governing auditing and compliance. Instead, the requirements for auditing, accounting, and financial reporting are dispersed across multiple laws and implementing regulations. For foreign investors, understanding how these rules intersect is essential to maintaining compliance.

In practice, the primary reference point is the Company Law, which sets out when statutory audits are mandatory and outlines the accounting standards that companies must follow when preparing their financial statements. A strong grasp of these obligations helps foreign businesses ensure they remain compliant as they operate in Indonesia.

## Auditing and compliance requirements

The Investment Law lays out the basic requirements on how to operate in Indonesia. These are part of key compliance norms:

- Implementing good corporate governance;
- Undertake corporate social responsibility activities;
- Comply with the labor law;
- Submit quarterly investment activities to the Investment Coordinating Board (BKPM); and
- Honor the cultural traditions of communities.

The Company Law mandates that financial statements of a limited liability company must be audited by a public accountant registered in Indonesia if they meet at least one of the following criteria:

- Companies with assets exceeding 50 billion rupiah (US\$2.9 million);
- Public companies;
- Companies that issue debt instruments;
- Certain types of state-owned enterprises; or
- The company collects or manages public funds (such as banks and insurance companies).

By law, a company must keep its accounting records and books for at least 10 years from the end of its reporting period.

### Public companies

Under the Capital Markets Law, foreign companies are allowed to be listed in the country's bourse.

Their prospectus, however, must first be audited by an auditing firm that is recognized by the country's Financial Services Authority (OJK), the main regulator of Indonesia's financial services sector.

Public companies must now comply with the format set out by OJK and the Indonesia Stock Exchange (IDX). Audited annual financial statements must be submitted no later than the end of the third month after the financial year-end, while annual reports must be filed no later than four months after year-end.



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Public companies must also establish internal audit committees, an internal audit unit, and a company secretary. The audit committee supports the board of commissioners to ensure the effectiveness and integrity of a company's financial statements and internal controls.

As of 2025, listed companies and state-owned enterprises are further required to align their internal audit frameworks with the Global Internal Audit Standards (GIAS) introduced by the Institute of Internal Auditors. These standards are structured around five domains, 15 guiding principles, and 52 standards, focusing on governance, risk management, and compliance (GRC). OJK and the Ministry of State-Owned Enterprises have directed audit units to adopt the GIAS framework to improve audit quality and transparency.

## Auditor independence

Indonesian Auditing Standards require that the auditor must be a registered and independent public accountant as stipulated by the Ministry of Finance (MOF). They must avoid all potential conflicts of interests and adhere to MOF regulations.

Under OJK Regulation No. 9/POJK.03/2023, the same public accountant may audit a particular entity for a maximum of three consecutive years, after which a two-year cooling-off period is required. This rule applies to the individual auditor, not the accounting firm.

## Fiscal year

The annual deadline for reporting and paying corporate income tax is April 30 – if a company's fiscal year begins from January 1 – December 30. If a company's fiscal year differs from the calendar year, then their deadline is four months after the end of their fiscal year..

## Accounting standards

Audits are to be conducted based on the Indonesian Financial Accounting Standards (SAK), which are set by the Financial Accounting Standards Board (DSAK IAI) and the Indonesian Sharia Accounting Standards Board (DSAS IAI), for sharia-based companies.

Since 2015, the DSAK IAI has converged its accounting standards with that of the International Financial Reporting Standards (IFRS), issued by the IFRS Foundation and the International Accounting Standards Board (IASB). Current harmonization revolves around the chronological adoption of past IFRS with emphasis on closing the gap between Indonesia's adoption status and the most up-to-date international standards.

Currently, SAK is broken down into four tiers:

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- Tier 1 SAK – applies to listed companies and other entities with significant public accountability.
  - Tier 2 SAK EP – applies to private entities. Private Entity SAK is intended for use by entities that do not have public accountability and issue general purpose financial statements for external users. However, entities that have public accountability can use Private Entity SAK after obtaining the permission from the appropriate regulatory authority. Private entities may also choose to adopt Tier 1 SAK.
  - Tier 3 – PSAK Syariah applies to companies that the Syariah principle for transaction. For example, Bank Syariah and other Syariah Financial Institutions.
  - Tier 4 – PSAK EMKM is for micro, small and medium enterprise.

This is part of Indonesia's efforts to make local financial statements more comparable and understandable across international boundaries as the country aims to attract greater foreign investment and play a more prominent role within the G20.

## Annual reports

All registered companies' annual financial statements are to be submitted electronically via the Directorate General of Taxes (DGT) e-filing system once a year. Financial statements consist of the following:

- Balance sheet;
- Cash flows;
- Profit and loss statement; and
- Statement of changes in equity.

Financial statements are required to provide both the current and previous year's figures and need to be presented on a comparative basis. All financial statements must be prepared in the Indonesian language. A company can use another language only if it has received permission from the MOF.

The accounting books must also use the rupiah as its currency. Companies may use the US dollar as their functional currency only with prior approval from the DGT, applied for before the start of the new fiscal year.

## Penalties for non-compliance

Under the Harmonized Tax Law (Law No. 7/2021), the fixed 2 percent monthly interest penalty has been replaced with a variable rate determined by the Ministry of Finance. The rate is based on the Bank Indonesia reference rate plus an uplift factor and is recalculated monthly, capped at 24 months of interest.

In addition, companies that issue false tax or accounting documents can face administrative fines and, in severe cases, imprisonment.

## Laos

The Enterprise law and the Law on Independent Audit are the main laws that establish audit requirements in Laos.

### Auditing and compliance requirements

Mandatory audits are required for companies with total assets of more than 50 billion kip (US\$2.3 million). This is also the case for public interest entities (PIE), foreign enterprises, state-owned enterprises, and other external loan and grant projects. These companies must strictly conduct bookkeeping obligations and responsibilities from the date of their registration.

### Appointing auditors

The Ministry of Finance is responsible for setting the auditing standards, which is the International Standards on Auditing (ISA).

There are two types of independent audits:

- Statutory audits – this is a mandatory audit of the auditee's financial statements; and
- Contractual audits – this is the voluntary audit requested by the auditee for the examination of its financial statements.

The audit process for non-PIE is as follows:

1. Auditor selection – this is done by shareholder votes or upon the proposal by an investor;
2. Audit engagement and preparation;
3. Audit planning – defining an audit strategy and program as well as engaging in evidence;
4. Audit performance – performing the audit in accordance with the audit strategy; and
5. Auditor's report preparation.

For PIEs, the audit process is as follows:

1. Selection of statutory auditor – this is done at least 60 days before the shareholders' meeting.
2. Timing and termination of audit agreement – the audit agreement between the PIE and the audit firm is 5 years, which is renewable only once.

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3. Disclosure of audit firm fees – the auditor must publish its fees related to the audit of the PIE in the gazettes of the Ministry of Finance.

Audit practitioners must adhere to the Code of Ethics for Professional Accountants.

## Malaysia

Malaysia operates a self-assessment tax system, and tax returns must be filed within seven months of the company's year-end.

### Auditing and compliance requirements

All companies incorporated in Malaysia must have their accounts audited by a Ministry of Finance approved auditor as mandated by the Companies Act of 2016. These companies are required, under the Companies Act, to keep their accounting books up to date.

Under the Act, private companies are no longer obligated to hold Annual General Meetings (AGMs), and thus the election of auditors, the retirement or election of directors, and the lodgment of audited annual returns are no longer tied to the holding of an AGM and are dealt separately. Public companies are still required to hold an AGM.

Private exempt companies are not required to file audited accounts; an exempt private company is defined as a private company having not more than 20 members, none of whom are corporations having direct or indirect interest in its shares.

The criteria for audit exemption for certain private companies are:

- The company is dormant – this means the business has no accounting transactions occurring and its operations have halted;
- Zero-revenue companies – these are companies that do not generate any revenue during the current financial year, as well as the past two financial years. Further, its total assets do not exceed 300,000 ringgit (US\$71,842) in the current financial year and the previous two financial years; and
- Threshold-qualified companies – these are companies whose revenues do not exceed 100,000 ringgit (US\$23,947) during the current financial year as well as the previous two financial years. Secondly, total assets of the company do not exceed 300,000 ringgit (US\$71,842) in the current financial year and the previous two financial years, and it ended the current financial year and the previous two financial years with no more than five employees.

However, an exempt private company, which is solvent, may still need to audit its accounts if it receives a written notice from the Ministry of Finance.



The certificate that substitutes the attachment of the audited accounts must either be in Bahasa Malaysia or English. If presented in any other language, a translation must be provided.

## New criteria for audit exemption in 2025

From January 1, 2025, the Companies Commission of Malaysia implemented new audit exemption thresholds.

A private company is now exempted from audit requirements if it meets any two of the following criteria for the current and previous two financial years:

- The annual income of the business in the current financial year and in the past two financial years does not exceed 3 million ringgit (US\$674,118);
- The total assets of the business in the current financial year and in the past two financial years does not exceed 3 million ringgit (US\$674,118); and
- The total number of employees in the current financial year and in the past two financial years does not exceed 30.

## Appointing auditors

During the filing process, companies must use the services of a professional accountant qualified under the Accountants Act 1967, which must confirm that the applicant's statements comply with the approved accounting standards.

## Accounting standards

Companies doing business in Malaysia are required to prepare their financial reports in accordance with the following two sets of reporting standards:

- The Malaysian Financial Reporting Standards (MFRS), designed for companies with public accountability; and
- The Malaysian Private Entities Reporting Standards (MPERS) designed for private companies with annual periods beginning on or after January 1, 2016.

The revised MPERS (2025) has been issued and will be effective for financial periods beginning on or after January 1, 2027, with early adoption permitted.

Foreign companies listed in Malaysia may apply either MASB-approved standards or other internationally recognized accounting standards, while Malaysian companies may also elect to use IFRS directly in their financial statements.

## Annual reports

The documents required during an annual audit are similar for both foreign companies operating in Malaysia and Malaysia-incorporated companies. These include the following:

- Director's report;
- Financial statements;
- Principal business activities;
- Statement by directors on the financial statements;
- Total paid-up capital;
- Statutory declaration by the director or officer primarily responsible for financial management; and
- Auditor's report.

## Penalties for non-compliance

Under Section 259 of the Companies Act 2016, failure to lodge financial statements and accompanying reports can result in fines of up to 50,000 ringgit (US\$10,671), with an additional 1,000 ringgit (US\$213) per day for continuing offences after conviction.

Failure to maintain proper accounting records under Section 245 can lead to penalties of up to 500,000 ringgit (US\$106,709) or imprisonment of up to three years, or both.

## Myanmar

The Myanmar Companies Law of 2017 and Myanmar Accountancy Council Law are the main legislation that governs audit and compliance requirements for businesses in the country. If businesses find conflict between the requirements set out under both laws, then the requirements under the Myanmar Accountancy Council Law will be sufficient.

## Auditing and compliance requirements

Myanmar operates two assessment systems: the self-assessment system (SAS) and the official assessment system (OAS).

If the corporate taxpayer is under the SAS, then they are not required to submit audited financial statements to the Internal Revenue Department (IRD). Corporate taxpayers must submit their audited financial statements to the Directorate of Investment and Company Administration (DICA) and the IRD if they are under the OAS.



Small companies, classified as having less than 30 employees and revenue of less than 50 million kyat (US\$23,807), are not required to submit their financial statements to DICA.

## Annual general meetings

A company is required to hold its first AGM no later than 18 months from the date of incorporation and in subsequent intervals of no more than 15 months. Within 21 days of each AGM, an annual return must be filed, and in any case every company must file an annual return no later than one month after each anniversary of incorporation.

During an AGM, the following activities will occur:

- Electing directors;
- Appointing auditors;
- Approval of financial statements by shareholders; and
- Approval of the director's report.

## Fiscal periods

The financial year in Myanmar runs from October 1 to September 30. This financial year is mandatory for all businesses, apart from banks, financial service providers, and mobile financial service providers.

Banks, financial service providers, and mobile financial service providers follow a different fiscal year — April 1 to March 31.

Companies must file any corporate income tax returns and audited financial statements to the IRD.

## Appointing auditors

Companies incorporated in Myanmar must maintain proper books of accounts as well as appoint an auditor by the company's directors. At each AGM, the directors must present the audited financial statements.

A person must hold a certificate from an authorized body entitling them to act as an auditor for companies. All auditors must be either certified public accountants or hold an accountancy degree in a foreign country recognized by the Myanmar Accountancy Council (MAC).

The following people are prohibited from being appointed as auditors:

- The director or officer of the company;
- A partner of the director or officer;

- Any person indebted to the company; and
- Any person in the employment of the director or officer.

It is the duty of the auditor to state in their report the following:

- Have the books and accounts been maintained in accordance with the law?
- Do the balance sheets represent the true state of financial affairs of the company?
- Was the auditor able to obtain the necessary information from the relevant parties in the company?
- Were the balance sheets drawn up in accordance with the law?

## Accounting standards

Financial statements in Myanmar are prepared in accordance with the Myanmar Accounting Standards (MAS) and the Myanmar Financial Reporting Standards (MFRS), implemented by MAC.

MAC has also implemented the MFRS for SMEs, which is adopted from the IFRS for SMEs standards. Publicly accountable companies must only use the MFRS standards.

Both MAS and the MFRS are based on the IFRS principles, except for the following:

- IFRS 9 – financial instruments;
- IFRS 10 – consolidated financial statements;
- IFRS 11 – joint arrangements;
- IFRS 12 – disclosure of interests in other entities; and
- IFRS 13 – fair value measurement.

## Annual reports

All companies incorporated in Myanmar must file annual returns with the DICA within two months of incorporation, and at least once annually after. Companies will receive an electronic reminder from DICA when their annual returns are due.

Annual return documents must contain the following information:

- List of directors;
- Capital structure of the company;
- Information on shareholders; and
- The date when the AGM was conducted.

## Penalties for non-requirements

If the taxpayer is late in filing their tax returns, the penalty will be either:

- A fine of five percent of the tax due and an additional one percent of the tax due for each month; or
- Fixed fine of 100,000 kyat (US\$74).

If the taxpayer deliberately provides incorrect information or omits vital information, which results in the underpayment of the tax liability, then the following penalties will apply:

- A 25 percent penalty of the underpaid tax; or
- A 75 percent penalty of the underpaid tax if this amount is less than 100 million kyat (US\$74,000) or not more than 50 percent of the payable tax.

## Philippines

Under the Philippines' Tax Code, all persons, natural or juridical, who are subject to internal revenue taxes must keep proper records of all business transactions and keep books of their accounts.

## Auditing and compliance requirements

Companies whose gross annual earnings exceed PHP3 million (US\$50,817) are required to have their accounts audited. Companies whose annual sales do not exceed PHP3 million can file their tax returns with unaudited financial statements.

There are several government regulatory bodies who have the power to establish additional reporting requirements. These regulatory bodies are:

- Securities and Exchange Commission (SEC);
- Insurance Commission (IC);
- The Bangko Sentral ng Pilipinas (BSP);
- Professional Regulation Commission (PRC); and
- Professional Regulatory Board of Accountancy (PRBOA).

Regulated entities, such as public utilities, insurance companies, and banks or corporations, are to submit their audited financial statements to their relevant government regulatory agency as well as file with the Securities and Exchange Commission (SEC).



Further, the Securities Regulation Code (SRC) Rule 68 provides the reporting requirements for the following types of entities:

- Regional operating headquarters of foreign companies with capital of more than PHP1 million (US\$16,939);
- Stock corporations with total assets or liabilities of PHP 600,000 (US\$10,163) or more;
- Non-stock corporations with total assets or liabilities of PHP 600,000 or more;
- Branch offices of non-stock foreign corporations with total assets of more than PHP1 million; and
- Branch offices of stock foreign corporations with total assets of more than PHP1 million.

## Appointing auditors

All companies must submit their financial statements accompanied by an auditor's report issued by an independent certified public accountant (CPA). The PRC is the government agency responsible for regulating the accounting profession in the country and the PRBOA is responsible for the licensure examination as well as for CPAs to observe the rules implemented in the Philippine Accountancy Law of 2004. The auditor is appointed by the board of directors of the corporation and the SEC requires external auditors to be rotated every five years.

The BSP and IC apply the same five-year rotation rule for auditors of banks and insurance companies, respectively, with a cooling-off period of at least two years before re-engagement.

## Fiscal period

The Philippines uses a self-assessment tax system, and the accounting period consists of 12 months, normally ending on December 31. Tax returns must be filed on the 15th day of the fourth month following the closing of the taxable year. A company can change its accounting period with prior approval from the Bureau of Internal Revenue (BIR).

## Accounting standards

The Philippine Financial Standards (PFRS) is the most authoritative accounting standards in the country. This applies to all entities with public accountability.

The SRC Rule 68 sets out the applicable framework for the following type of entities:

- For large and publicly accountable entities – PFRS;
- For SMEs – PFRS for SMEs; and
- Micro-enterprises – PFRS for SMEs or other accounting standards issued after 2004.



Large companies are classified based on any of the following criteria:

- Companies with total assets of more than PHP350 million (US\$5.9 million) or have total liabilities of more than PHP250 million (US\$4.2 million);
- Companies that in the process of filing financial statements in order to issue class instruments;
- Companies that are required to file financial statements; or
- Holders of secondary licenses from a regulatory agency.

Medium-sized companies are classified based on the following:

- Companies with total assets of more than PHP100 million (US\$1.69 million) to PHP350 million or have total liabilities of more than PHP100 million to PHP250 million;
- Are not in the process of filing financial statements in order to issue class instruments; and
- Do not hold secondary licenses from regulatory agencies.

A company is classified as an SME if it meets all of the following criteria:

- Have total assets of between PHP3 million and PHP100 million or total liabilities of between PHP3 million and PHP100 million;
- Is not in the process of filing financial statements in order to issue class instruments; and
- Does not hold secondary licenses from regulatory agencies.

SMEs are obligated to follow the PFRS for SMEs unless they fall under one of the below categories:

- Subsidiary of a parent company who are reporting under the full PFRS;
- Is part of a group that is reporting under full PFRS;
- It is a branch office or regional operating headquarters of a foreign company, also reporting under full PFRS; or
- The company is a subsidiary of a foreign parent company that is planning to apply the IFRS system.

## Annual reports

All companies regardless of their size are required to prepare their documents in any native language from the Philippines, such as Tagalog. Companies must maintain their books of account, which consist of a journal and a ledger (or their equivalents). These records may be kept in Filipino or English and must be retained for five years although some industries (such as securities dealers) are required to keep records for six years under SEC rules.

Accounting records must also be kept in Philippine Pesos, or another 'functional currency' used in its operations if approved by the SEC and the BIR.



Companies must maintain a stock and transfers book that must be registered with the SEC; as well as a book of accounts that must be registered with the BIR before use, which consists of the following:

- General ledger;
- General journal;
- Purchase journal;
- Sales journal; and
- Cash receipts/disbursements journal.

The BIR has the power to examine a company's financial records for up to three years from the date of filing.

## Penalties for non-compliance

There is a 25 percent surcharge of the amount of tax due if a company fails to timely file any return plus a 12 percent interest per annum. A 50 percent surcharge of the basic tax due is applied to companies who willfully neglect to file their return or to purposefully submit fraudulent returns.

# Singapore

Singapore's transparent business and legal systems have made the island nation a popular destination for international companies to establish their regional headquarters. In maintaining this vibrant business climate, the country's audit and compliance procedures are considerably less burdensome compared with its ASEAN peers.

## Who is obligated to be audited

The Companies Act states that private limited companies must have their financial statements audited by a qualified public accountant at least once a year. However, not all private companies are automatically required to be audited.

Under current rules, a private company qualifies as a "small company" if it meets at least two of the following for the two preceding consecutive financial years:

- Total annual revenue does not exceed S\$10 million (US\$7.6 million);
- Total assets do not exceed S\$10 million; and
- Number of full-time employees does not exceed 50

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If these criteria are met, the company is exempt from statutory audit. Holding companies and their subsidiaries can also be exempt if they qualify as a “small group” that meets the same thresholds on a consolidated basis.

## Annual general meeting

An annual general meeting (AGM) is no longer automatically obligatory for private companies. A private company may dispense with an AGM by unanimous resolution or by sending financial statements to shareholders within five months of the financial year-end (FYE).

If an AGM is held, it must take place:

- Once every year; or
- Within six months from the FYE date

During the AGM, shareholders discuss the following items:

- Approval of the audit reports;
- Re-elect directors (if required);
- Re-appointing auditors;
- Declare dividends; and
- Transact other

## Appointing auditors

Within three months of company incorporation, company directors must appoint an auditor, unless the company is exempt from audit (i.e., qualifies as a “small company”).

The role of the auditor is to report if the company’s financial statements comply with the relevant financial reporting standards and to provide an objective analysis of the company’s financial performance. Additionally, only public accountants registered with ACRA can conduct company audits.

## Fiscal year

All companies in Singapore should determine a financial year-end (FYE) (that is, the last day of the company’s first financial year) after incorporation.

After the FYE, the company must hold their AGM as well as file their annual returns (AR). Listed companies must file their AR within five months and non-listed companies within seven months. Many companies choose December 31 for their FYE while others have chosen the end of any quarter (March 31, June 30, and September 30).

For certain companies, it is, therefore, more advantageous to have December 31 as their fiscal year-end date.

In deciding an FYE, companies should consider whether the chosen date affects their eligibility to receive tax incentives. Under the Start-Up Tax Exemption (SUTE) scheme, new qualifying companies enjoy a 75 percent exemption on the first S\$100,000 (US\$76,844) of chargeable income and 50 percent on the next S\$100,000 during their first three years of assessment. For certain companies, it is, therefore, more advantageous to have December 31 as their fiscal year-end date.

## Audit exemptions

Companies that qualify as 'small' are exempted from having their accounts audited and from appointing an auditor.

## Group company audits

Holding companies and their subsidiaries can also be exempt from audit compliance if they qualify as a 'small group'. To qualify, the group (comprising of all the companies) should fall under two of the three criteria as written above for small companies. Businesses that are exempt from audits are advised to prepare annual financial statements.

## Accounting standards

Companies in Singapore that have a financial period starting after January 1, 2003 must use the Singapore Financial Reporting Standards (SFRS), which are based on the International Financial Reporting Standards (IFRS).

Financial statements are prepared under the accrual basis of accounting, which is one of the main principles of accounting standards in Singapore. Under this accounting method, revenues are recorded when a transaction occurs rather than when the payment is received. When the International Accounting Standards Board (IASB) issued the IFRS for small entities (SE) in 2009, the Accounting Standards Council of Singapore introduced the SFRS for small entities in 2010.

Some of the advantages for small companies abiding by the SFRS for SE are that the process for preparing a company's financial statements is much simpler, and there is a reduction in the disclosure requirements.



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*ASEAN Briefing Article  
November, 2025*

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partners' true capabilities  
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## Annual reports

Singapore's authorities require companies to submit their estimated chargeable income within three months from the financial year-end.

This is filed with the Inland Revenue Authority of Singapore (IRAS) unless the company meets ECI-filing waiver conditions.

This accounting should include the following:

- Statement of comprehensive income (profit and loss accounting);
- Company details;
- Balance sheet;
- Shareholder details;
- Dates of annual returns and AGM;
- Detail of company officers;
- Cash flow statement; and
- Statement of changes in equity.

## Penalties for non-compliance

Businesses that fail to hold an AGM and are late to file financial statements are at risk of fines, summons, and even an arrest warrant issued by ACRA.

Failure to file tax returns for two years or more can result in a penalty of up to twice the amount of tax and a fine of up to S\$5,000 (US\$3,842), with potential enforcement actions such as warrants of arrest against company officers.

## Thailand

Audit and compliance are outlined in a number of laws in Thailand. These are:

- The Accounting Act of 2000;
- The Securities and Exchange Act of 1992;
- The Bank of Thailand Act B.E. 2485;
- Insurance Commission Act B.E. 2550; and
- Financial Institutions Business Act B.E. 2551.

## Auditing and compliance requirements

All companies, partnerships, joint ventures, and branches of foreign companies must prepare financial statements for their assigned accounting period to the Ministry of Commerce.

Foreign companies (ROs, branch office, regional offices) must submit their financial statements no later than 150 days after the end of the fiscal year. Once an accounting period is chosen, it cannot be changed unless there is written approval obtained from the Revenue Department.

All filings of financial statements and shareholder lists must be done electronically through the DBD e-filing system.

### Annual general meetings

Companies and partnerships must comply with the requirements set out in the Thai Civil and Commercial Code to hold annual general meetings (AGM).

The board of directors must issue a letter to organize the AGM within four months of the end of the fiscal year. The AGM must be held at least once a year.

Following the AGM, companies must file the audited financial statements, the shareholder list, and other required documents within one month.

The AGM should have the following agendas:

- To clarify the minutes of the AGM for the previous AGM;
- Approval of the director's report on the company's business activities;
- Acknowledge the company's operational results from the previous year;
- Select new directors to replace those that have been terminated;
- To appoint an auditor and determination of audit fees; and
- To consider dividends.

### Appointing auditors

Financial statements must be examined and certified by an independent certified auditor. The Thai Accounting Professions Act requires all certified public accountants (CPA) to apply the Thai Standards of Auditing. The audit opinion issued by the CPA is required when submitting financial statements and tax returns.

This auditing should be done regardless of whether the company is traded or not.

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The only exception to this rule is the financial statements of a registered partnership under Thai law, whose total capital, assets, and income are not more than that prescribed in Ministerial Regulations.

## Fiscal year

Thailand operates a self-assessment tax system with the tax year generally set as the 12-month period ending on December 31. A company, however, can choose their own accounting period as long as it does not exceed 12 months.

If a company chooses their own accounting period, they must inform the Director-General of the Revenue Department. Starting from April 2020, financial statements must be filed electronically with the Department of Business Development (DBD) of the Ministry of Commerce.

## Accounting standards

Under Thai law, a company registered in Thailand, irrespective of whether it is a limited company, a foreign company operating in the country, or a partnership, are obligated to keep their accounts and undertake annual audits.

Companies in Thailand should apply the Thai Financial Reporting Standards (TFRS) in the preparation of financial statements. TFRS have made great strides in harmonization with IFRS in recent years.

Currently, SMEs in Thailand are allowed to use one of the two following standards:

- TFRS; and
- Thai Accounting Standard for non-publicly accountable entities (TFRS for NPAEs).

Foreign companies are permitted to use the IFRS system.

Companies listed on the Thailand Stock Exchange must also prepare financial statements which must also be reviewed by Thai auditors on a quarterly basis.

## Annual reports

Limited companies, both public and private, should provide the following documents at the end of each accounting period:

- Company name;
- Type of business;
- Details of directors;

- 
- Audited financial statement;
  - Balance sheet;
  - Profit and loss accounts;
  - List of shareholders, as of the date of the meeting; and
  - Minutes of the annual meeting.

For reporting purposes companies must prepare their documents in the Thai language. While foreign companies may prepare their documents in a language other than Thai, a translation must be attached.

Private and public limited companies must have their financial statements audited at the end of the fiscal year by an independent auditor.

In accordance with the Accounting Act of 2000, businesses are required to retain their books of accounts for at least five years. This may be extended for a period of seven years by the Director-General of the Revenue Department depending on the business activity.

## Penalties for non-compliance

Failure to comply with these regulations may result in a penalty up to 100,000 baht (US\$3,085).

If a business underestimates its profits for an entire year by more than 25 percent, it is subject to a 20 percent surcharge is imposed. A surcharge of 100 percent in the case of an incorrect filing and 200 percent in the case of failure to file a return. The penalty can be reduced by 50 percent if the taxpayer submits a written request to the tax officer.

## Timor-Leste

The principal legislative framework for corporate entities in Timor-Leste is Law No. 4/2004 on Commercial Companies (21 April 2004), which sets out the organization, formation and governance of commercial companies, including provisions for a “single auditor” in joint stock companies.

## Auditing and compliance requirements

Timor-Leste has not yet adopted a comprehensive, jurisdiction-wide set of private-sector accounting standards. Companies are permitted to use full IFRS, but there is no general legal requirement that all companies do so.

Sector regulators may impose audit and reporting obligations. For example, banks and other deposit-taking institutions must prepare a complete set of audited financial statements in accordance with IFRS.

## Appointing auditors

A translated version of the Commercial Companies Law notes that criteria and certification for private-sector company auditors are not comprehensively defined in law, and companies may appoint an auditor (a natural person) under the law's corporate-governance provisions. In practice, entities typically engage professional accountants.

For regulated financial institutions, auditor qualifications and standards are set through Banco Central de Timor-Leste instructions and must align with IFRS and international auditing norms.

## Accounting standards

Jurisdiction-wide adoption of IFRS (or IFRS for SMEs) has not yet occurred. The IFRS Foundation profile states: "Accounting standards have not yet been adopted in Timor-Leste. SMEs are permitted to use full IFRS Standards." Financial institutions are separately required to report under IFRS by the central bank.

## Annual reports

For tax purposes, the standard tax year is the calendar year, and corporate income tax returns are filed by the last day of the third month following year-end. (Monthly filings apply to certain indirect taxes and withholding.) These tax rules sit alongside any sector-specific audit/reporting requirements (e.g., for banks).

## Penalties for non-compliance

Penalty amounts for private-sector accounting/audit failures are not set out in a single, consolidated statute that I could cite publicly. Enforcement generally follows the tax code (for late/incorrect filings) and sectoral rules (e.g., central-bank sanctions for supervised entities), while the Court of Accounts addresses public-sector financial control.

# Vietnam

The Accounting Law governs the principles for accounting, audits, and organizational structure, for businesses to stay compliant in Vietnam.

The tax year in Vietnam is determined according to the calendar year, and a Vietnamese-based auditing company must conduct the audit. The financial reports should then be submitted to the local tax authority, Ministry of Finance, and the statistics office within 90 days after the end of the fiscal year.

## Auditing and compliance requirements

Investors should be aware that the audit and compliance requirements are different for foreign-invested enterprises (FIEs) and representative offices (RO) in Vietnam.

### Annual compliance for foreign-owned companies

FIEs are obligated to provide an annual audit report and the finalization of corporate and personal income taxation.

The statutory audit requirements are as follows:

- Statement of income;
- Statement of financial position (profit and loss);
- Statement of changes in equity, if any; and
- Balance sheets.

Within 90 days after the end of the fiscal year, FIEs need to submit the audited reports to three government agencies:

- Provincial Department of Planning and Investment (DPI) or the Provincial Level Export Processing and Industrial Zone Department in the case of FOEs based in investment zones (IZs) or export processing zones (EPZs);
- Provincial level tax departments; and
- Provincial level statistical offices.

### Annual compliance for representative offices

Representative offices are one of the simplest and fastest ways to establish a legal entity in Vietnam. Their reporting requirements are also more simplified compared to FIEs. ROs are forbidden from directly conducting profit-generating activities and are limited to market research, developing trade contacts, and gathering information on regulations and laws.

ROs must submit an annual activity report to the Department of Industry and Trade (DOIT) by January 30 each year, summarizing the office's activities during the previous calendar year.

## Fiscal year

The financial period in Vietnam usually coincides with the calendar year. FOEs can choose from four fiscal periods with the 12-month period beginning in the first day of each quarter after registering with the Tax Department.



The financial reports should then be submitted to the local tax authority, Ministry of Finance, and the statistics office before the end of the fiscal year.

The four fiscal periods are:

- January 1 – December 31;
- April 1 – March 31;
- July 1 – June 30; or
- October 1 – September 30.

## Annual compliance for representative offices

Representative offices are one of the simplest and fastest ways to establish a legal entity in Vietnam. Their reporting requirements are also more simplified compared to FOEs. ROs are forbidden from directly conducting profit-generating activities and are limited to market research, developing trade contacts, and gather information on regulations and laws.

## Accounting standards

In addition to the Accounting Law, companies in Vietnam must comply with the Vietnamese Accounting Standards (VAS) for statutory bookkeeping and financial reporting, including sector-specific requirements for industries such as insurance, securities, and fund management. This framework is now being reshaped under Circular 99/2025/TT-BTC, which applies to financial years beginning on or after 1 January 2026 and replaces the rigid templates of the previous regime. The new circular allows greater flexibility in designing charts of accounts, vouchers, and financial-statement formats, while updating rules on classification and measurement to more closely reflect international practice.

These changes are part of Vietnam's broader strategy to align VAS with IFRS. Although full mandatory IFRS adoption has not been introduced, the government aims to narrow the gap between the two systems to enhance transparency and comparability for foreign investors. Companies will need to prepare for this transition by ensuring their accounting policies and reporting processes reflect the revised VAS requirements and are capable of adapting to deeper IFRS convergence in the coming years.

## Annual reports

Enterprises under foreign ownership must have their financial statements audited by an independent audit firm operating in Vietnam. Such statutory audits are performed in accordance with VAS and every organization is required to have a Chief Accountant, as annual financial statements must be approved by the chief accountant and the legal representative.



The accounting records should be maintained in the Vietnamese language although this can be combined with another commonly used foreign language, such as English.

Additionally, the Vietnamese Dong must be used as the accounting currency, however, entities that receive and pay with foreign currency can select that said foreign currency in their accounting records and financial statements.

For ROs, the annual reports must include:

- Basic information – contact information, such as office address, telephone numbers, primary bank contacts. Investors should note that the address should match to that written in the RO license.
- Human resource report – ROs must document their policies with regards to salaries, bonuses, insurance, and other benefits. The personal information and position of every employee should also be included.
- Activities report – ROs must document their activities for the preceding year, which includes information such as market research activities, advertising activities, participation in trade fairs, and the promotion of service agreements, among others.

## Penalties for non-compliance

Under the government's New Penal Code, which was issued in 2018, businesses that fail to adhere to the compliance laws can now be held criminally responsible.

If the tax authorities find discrepancies in the financial reports, after an audit, a 20 percent tax will be imposed on the amount that is under-declared. There is also a 0.03 percent daily interest rate for the late payment of tax.

In addition, tax authorities can penalize companies for VAS non-compliance through the disallowance of input VAT credits and withdrawal of CIT incentives.



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