Doing business in Asia Pacific

2026

forvis mazars

The Asia Pacific region plays an important role as a driver of the global economy. As international businesses seek to expand overseas, the region offers some of the best opportunities for growth.

This guide has been prepared to assist those interested in doing business in Asia Pacific. It does not cover the subjects it treats exhaustively, but is intended to answer some of the important broad questions that may arise. When specific issues arise, it will often be necessary to consider the relevant laws and regulations and to obtain appropriate professional advice.

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Who we are

Forvis Mazars is a leading global professional services network operating under a single brand with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Both members share a commitment to providing an unmatched client experience, delivering audit & assurance, tax, advisory and consulting services across the globe.

With a legacy spanning more than 100 years, Forvis Mazars is a natural extension of both firms' heritage. At our core is our commitment to providing a different perspective and an unrivalled client experience that feels right, personal, and natural. As a network of just two firms, we respect and reflect the range of perspectives, knowledge and local understanding of our people and clients. We take the time to listen to deliver consistent audit & assurance, tax, advisory and consulting services worldwide.

We nurture a deep understanding of our clients' industries, delivering greater insight, deeper specialism, and tailored solutions through people who listen to understand, are responsive, and consult with a purpose to deliver value.

Forvis Mazars is built to deliver robust, nuanced, and individual answers for our clients. Global to see the big picture and local to understand it. We provide advice that builds our clients' confidence and prepares them for what's next.

Forvis Mazars in Asia Pacific

Present in the Asia Pacific since 1997, Forvis Mazars operates in 15 countries and territories in the region and draws on the expertise of over 4,900 professionals in more than 30 offices. We work as one integrated team, leveraging expertise, scale, and cultural understanding to deliver exceptional and tailored services in audit and accounting, as well as tax, financial advisory, outsourcing, consulting, sustainability, and legal services.

With offices throughout the region, we help businesses operate locally, enter new markets and streamline their regional and global operations. We collaborate seamlessly across various sectors, services, and geographies to deliver consistent quality to our clients, combining our skills and expertise with a global perspective and local knowledge to provide clients with a holistic array of professional services.

As you develop your business in the Asia Pacific, you will find in Forvis Mazars a strategic business partner which can provide you with a single point of contact in the Asia Pacific region and help you make the most of opportunities in this business environment.

Key figures of Forvis Mazars in Asia Pacific:

15	30+	4,900+	180+
Countries & territories	Offices	Professionals	Partners

Data as at 1 January 2026, unless stated otherwise.

Doing business in Asia Pacific
Australia

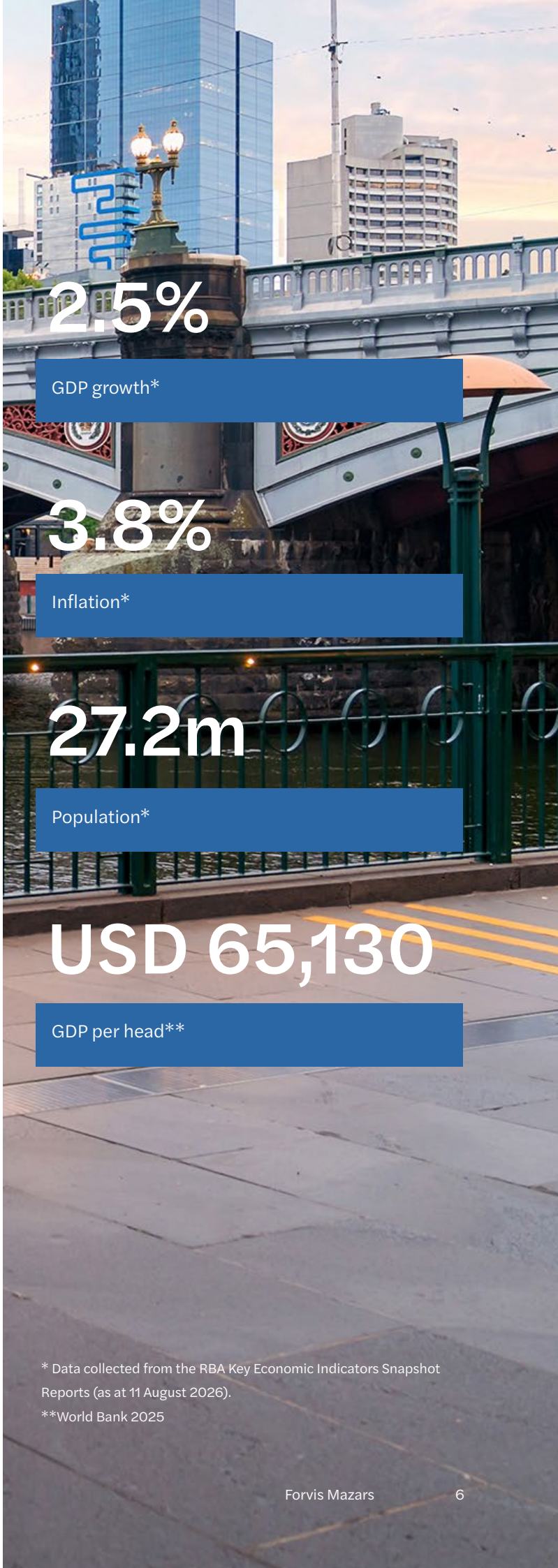
Australia

Establishing an entity

The legal structures available for foreign businesses wishing to operate in Australia are a subsidiary company or a registered foreign company (where the foreign company registers to conduct business in Australia, i.e., a branch registration). The concept of a representative office exists in Australia, but can only involve limited business activities of the foreign company in the country, such as marketing and maintenance of stock.

A company is much simpler to establish and to obtain the various registrations to trade. For this reason, it is the most popular approach to setting up in Australia. In order to establish a company, you must have at least one Australian resident director and an Australian resident "public officer" for dealings with the Australian Taxation Office (ATO). The same person can perform both roles.

A branch (registered foreign company) is essentially treated the same as a company from the corporate tax perspective. The initial registration of the foreign company with the Australian Securities and Investments Commission (ASIC) and the ATO can be a difficult process due to proof of identity requirements for foreign parties. This can add up to three months to the establishment process. From 5 April 2022, both Australian and foreign directors also need to obtain a director identification number with the Australian Business Registry Services (ABRS) before appointment. In order to establish a branch, you must have appointed a local agent who is responsible for any obligations the company must meet with the ASIC.



* Data collected from the RBA Key Economic Indicators Snapshot Reports (as at 11 August 2026).
**World Bank 2025

Foreign business restrictions

Under the Foreign Acquisition and Takeovers Act, 1975, foreign individuals or foreign-owned companies must seek approval from the Foreign Investment Review Board (FIRB) before purchasing significant interests in real estate, certain shares of Australian-owned private companies, or shares in foreign companies which own Australian assets. The thresholds that apply to acquisitions of interests can be found on the FIRB's website.

Investment incentives

An Australian resident company can obtain income tax incentives for research and development expenditure and grants for exporting. A foreign company conducting business through a branch in Australia can obtain these incentives if it is incorporated in a country that Australia has entered into a double tax agreement with.

Tax incentives are available for investors in early-stage innovation companies. The incentives provide a tax offset for the initial cost of investment and an exemption from capital gains tax on the sale of shares held between 12 months and 10 years. However, these benefits are subject to strict eligibility criteria, and investors must ensure both they and the company meet all ESIC requirements for the incentives to apply.

For large entities wishing to establish a presence in Australia with a large number of employees, there may be state-based grants or state payroll tax allowances available. These are negotiated individually on a case-by-case basis.

Work permits and visas

An expatriate travelling to Australia for business purposes (such as attending a meeting/conference, negotiating a contract, or making enquiries) can usually obtain a business visitor visa (depending on their nationality). Expatriates who wish to work in Australia must obtain the appropriate working visa, which is generally a Skills in Demand (SID) visa, or alternatively, a Temporary Work (Short Stay Specialist) Subclass 400 visa.

Companies operating in Australia, or those seeking to establish an Australian presence, may sponsor skilled overseas workers under the Skills in Demand (SID) visa (subclass 482). The visa enables approved employers to fill positions where they are unable to source an appropriately skilled Australian worker. Subject to the relevant stream and eligibility requirements, visas may be granted for up to four years and may provide a pathway to permanent residence.

Taxation

All businesses trading in Australia must obtain an Australian Business Number (ABN) as well as a Tax File Number (TFN).

The main business taxes in Australia are company tax, GST and withholding tax. The general company tax in Australia is 30%, which applies to taxable income. However, a lower rate of 25% applies to companies that conduct a business, have passive income of less than 80% of their annual income, and have an annual group turnover of less than the relevant annual threshold. The threshold is AUD 50 million from 2021/2022 onwards.

The income tax return is due annually and it's due date will depend on the taxpayer's year end and turnover. After the first year of operation, the company may also be required to pay a monthly or quarterly instalment of company tax, depending on the size of the business. These monthly or quarterly instalments are then applied to the tax liability at the fiscal year-end.

The standard fiscal year-end in Australia is 30 June. However, a taxpayer can apply to have an alternative year-end to match group reporting dates. For taxpayers that elect to have a 31 December year end, it's tax return will be due 15 July of the following year. Losses are available to be carried forward indefinitely, subject to meeting specific loss tests. All Australian entities in a wholly owned group can choose to consolidate and therefore be treated as a single entity for income tax purposes.

In general, Goods & Services Tax (GST) registration is required for all businesses where turnover exceeds AUD 75,000. The rate of GST is 10%. A registered business must lodge GST returns either monthly or quarterly via a business activity statement. The net GST (GST payable minus input tax credits) is paid to the ATO at the same time.

Withholding tax is required to be deducted from the overseas payment of interest, unfranked dividends (i.e., dividends paid from profits not previously subject to tax in Australia), and royalties. Australia defines royalties more broadly than most other countries. The rate of withholding tax will be determined with reference to whether Australia has a double tax agreement with the relevant country.

Audit and accounting

The reporting requirements of proprietary companies and registered foreign companies depend on whether the company is defined as large or small under the Corporations Act.

A company is classified as small if it meets two of the following three criteria:

1. Consolidated gross operating revenue is less than AUD 50 million a year.
2. Consolidated gross assets is less than AUD 25 million at year-end.
3. Number of employees at year-end is less than 100 for that entity and all controlled entities.

A proprietary company is otherwise categorised as large.

Small foreign controlled companies are required to prepare and lodge audited financial reports with the ASIC unless they meet the criteria for the application of one of the following exemptions:

- Where their results are included in a consolidated financial report lodged with the ASIC by a registered foreign company or an Australian company.
- Where the company obtains relief from the ASIC because it meets the above criteria as small and the relief is within the prescribed time period (being from three months prior to the commencement of the fiscal year to four months following the end of the fiscal year).

The standard fiscal year-end in Australia is 30 June. However, subject to specific legislation, a company can notify the ASIC (in writing) of an alternative year-end in order to synchronise its fiscal year with that of its foreign parent.

Financial statements prepared for Australian statutory purposes must comply with Australian Accounting Standards (AASB), which are largely aligned with International Financial Reporting Standards (IFRS), subject to specific Australian disclosures.

Country quirks

- Fringe benefits tax applies to benefits provided to employees, such as cars, entertainment, health insurance, etc.
- Payroll tax is payable on a state-by-state basis, depending on which state employees are located in (subject to state thresholds).
- Workers' compensation insurance is payable on a state-by-state basis, depending on which state employees are located in.
- Superannuation (paid by the company) is compulsory for all employees at the rate of 12% on on ordinary time earnings by the required date.
- Australia's thin capitalisation regime was substantially reformed from 1 July 2023. Interest deduction limits generally operate under the Fixed Ratio Test, Group Ratio Test or Third-Party Debt Test, subject to eligibility requirements.

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Doing business in Asia Pacific
China

China

Establishing an entity

The main legal structures available for foreign businesses wishing to operate in China include a wholly foreign-owned enterprise (WFOE), joint venture, branch office and representative office.

A WFOE is a limited liability company wholly owned by one or more foreign investors. The WFOE was originally introduced to promote manufacturing activities that were either export-oriented or advanced technology. Since China's entry into the World Trade Organisation, WFOEs have increasingly been used for consultancy and services, wholesale, retail and franchise activities.

A joint venture in China is formed by foreign investors and a Chinese party, either as a limited liability entity (equity joint venture) or a co-operative entity (co-operative joint venture). In some industries, joint ventures are mandatory, as WFOEs are prohibited.

For any corporate structure, the company registration process mandates a registered address and appointment of one legal representative. Depending on the shareholder structure, a company may appoint a supervisor or an audit committee, but this is not mandatory for a limited liability enterprise. There is no minimum capital requirement except in specific industries. However, the capital must be sufficient to finance operations due to the foreign exchange control regulations. Capital must be contributed in line with the articles of association within a maximum of five years under local provisions. If the investor wishes to establish a presence rather than a separate legal entity in China, it may establish a representative office. This arrangement is treated as an extension of the overseas head office. A representative office can only facilitate market entry and/or act as a liaison for the group, and cannot conduct business transactions or provide services to other entities.

Approval for branch offices is rarely granted in certain industries. Therefore, it is essential to confirm whether a foreign-invested enterprise has already been established in China and has satisfied all capital and regulatory requirements. It is necessary to verify whether the relevant industry permits the establishment of branches, taking into account special arrangements, such as those in the financial sector.

Foreign business restrictions

Foreign investment in China operates under a negative-list framework. Investors must comply with two key instruments: the Market Access Negative List (2025 Edition), which applies to all investors and the Special Administrative Measures for Foreign Investment (Negative List) (2024 Edition), which imposes additional restrictions specific to foreign investors.

If the business involves regulated telecommunications or online services, it is essential to review sector-specific licensing obligations and equity caps, particularly for value-added telecom services. Notably, certain pilot programs in the Shanghai Free Trade Zone have adjusted these caps for designated sub-sectors, subject to compliance with applicable conditions.

Some of the activities require a joint venture, some limit the maximum percentage of shares held by the foreign partner, while others can be engaged in through a 100% foreign-owned company.

Investment incentives

Foreign investment incentives are focused on some key sectors and less developed areas. Specifically, incentives are offered for high-end manufacturing, high technology, new sources of energy, energy efficiency and environmental protection industries, subject to certain conditions. Entities in these key sectors may qualify for a lower enterprise income tax rate of 15%, as compared to the regular enterprise income tax rate of 25%. Research and development activities are also incentivised with 150% of the related expenses deductible for corporate income tax purposes.

In addition, foreign enterprises are encouraged to increase investments in China's central and western regions through tax incentives and other favourable policies. Enterprises operating in these regions may enjoy a lower enterprise income tax rate of 15%.

Notably, laws relating to investment incentives change from time to time. Professional advice should be sought when considering an investment.

Work permits and visas

To work legally in China, foreign nationals must first secure a work permit and a residence permit through their sponsoring employer. The eligibility criteria for a work permit typically require the applicant to hold a bachelor's degree, have at least two years of relevant work experience and present a valid employment contract.

The application must include original academic degrees and a certificate of no criminal record, both translated into Chinese, notarised and legalised. However, individuals whose taxable income exceeds a specified threshold may be exempted from the legalisation requirements when submitting educational and non-criminal record certificates.

Taxation

The main taxes in China are value-added tax (VAT), withholding tax, corporate income tax, and individual income tax.

Starting from 1 January 2026, the new VAT Law has become effective. For the first time in the history of PRC VAT, VAT has been regulated in China in the form of Law. In the previous years, VAT had been guided by Provisional VAT Regulations.

There are two VAT payer categories: general VAT payers and small-scale VAT payers. The VAT rates for general VAT payers are 13% and 9% respectively for specific tangible goods and services while 6% is applicable for services in general. The levy rate for small-scale VAT payers and some simplified VAT transactions is 3% and they cannot set off input VAT against output VAT. Preference VAT levy rate of 1% is currently provided to small-scale VAT payers up to 31 December 2027. Such preference policy is subject to further extension.

In most cases, VAT returns and related payments must be submitted by the 15th day of the following month.

Payments made from the mainland of China to the outside world are generally subject to withholding taxes. If the payments are in relation to passive income, such as dividends, interest or royalties, they are subject to a withholding tax of 10% (which may be reduced by applicable double tax arrangements). In addition, VAT applies to items such as interest or royalties. Where payments relate to the provision of services, and are protected under double tax arrangements, such service income may be exempted from withholding corporate income tax. In the absence of such protection, profits derived from such services are subject to corporate income tax ranging from 7.5% to 12.5%. It should be noted that VAT on these services is generally not covered by double tax arrangements.

Corporate income tax (sometimes called enterprise income tax) is generally applied at a rate of 25% on net profits. Two types of declarations are required: an annual declaration and a quarterly declaration.

These quarterly declarations represent a prepayment of the tax payable on the expected net profit for the year. It is worth noting that, whilst operating losses may be carried forward for up to five years, there is no provision for the carry-back of losses or for group relief in respect of affiliates' consolidated losses. The annual declaration must be submitted before May of the following year, together with the statutory audit report.

Individual Income Tax (IIT) in China is withheld on a monthly basis by the employer. It is a progressive system and the responsibility for computation and declaration is shared between the employee and the employer.

In practice, however, employers are held responsible for this by the tax authorities and are subject to penalties for failing to withhold or report this properly. Additionally, interest of 0.05% per day on late payments due is imposed. The penalty could be as high as three times the amount of IIT payable. Any underpaid IIT remains the responsibility of the employee.

A person classified as a resident individual in China should settle his/her annual IIT before 30 June of the following year if he/she meets one of the following conditions:

1. The individual has obtained composite income subject to IIT (such as salary income, labour income, royalty income and manuscript income)
2. The individual receives taxable income under IIT and there is no withholding agent to withhold the relevant IIT (An example is the situation where that individual receives income sourced outside China).
3. The individual receives taxable income under IIT and there is a withholding agent. However, that withholding agent does not withhold the relevant IIT accordingly.

Foreign currency transactions controls

The State Administration of Foreign Exchange (SAFE) is tasked with the promulgation of rules and regulations governing foreign exchange transactions, monitoring foreign exchange activities, and setting the renminbi convertibility policy.

Foreign companies in China will typically have to deal, directly or indirectly, with the SAFE when receiving funds from, or paying them to, overseas parties. In the case of a loan from an overseas sister or mother company, for instance, the China-based borrowing company would have to register the loan with the SAFE prior to receiving the funds in a dedicated bank account.

Such procedures with the SAFE should not be underestimated, as they can be time consuming and complex.

Audit and accounting

All Foreign-Invested Entities (FIEs) operating in China must have their financial accounts prepared by a registered Chinese accountant and audited by a registered Chinese CPA firm. The fiscal year-end for all such entities is uniformly set at 31 December and a statutory financial audit report must be issued by a qualified CPA firm.

China's generally accepted accounting principles (China GAAP) are broadly converged with the IFRS, with some exemptions applying to specific sectors or areas.

Country quirks

- Legal structure and capital required are sector dependent.
- Accounts must be prepared by a Chinese accountant and audited by a Chinese CPA Firm.
- All FIEs in China must be audited.
- Two categories of business activities: permitted and prohibited.
- Foreign exchange controls exist on all transactions in and out of China.

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Disclaimer

In the context of this publication, China, Chinese Mainland, or the PRC refers to the People's Republic of China, but excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan Region.

Doing business in Asia Pacific

Hong Kong

Hong Kong

Establishing an entity

There are four basic ways of establishing a business in the Hong Kong Special Administrative Region (HKSAR).

A sole proprietorship has minimal restrictions on operation, but it involves unlimited liability for the owner, and therefore it is not normally recommended.

A partnership can be general or limited. In a general partnership, partners are jointly and individually liable for debts and obligations. A limited partnership, governed by the limited partnership ordinance, requires at least one partner to have unlimited liability.

A limited company can be private or public and is subject to the Companies Ordinance. Most businesses in the HKSAR are private companies limited by shares. These companies restrict share transfers, limit the number of shareholders to 50, and prohibit public offerings of shares. Public companies have additional requirements.

A branch or representative office of any overseas company establishing a place of business in the HKSAR must register under the Companies Ordinance. If the office serves a liaison function without conducting business that creates legal obligations, it must register as a representative office under the business registration ordinance.

3.8%

GDP growth*

1.4%

Inflation*

7.51m

Population*

USD 56,960

GDP per head*

*Data collected from censtatd.gov.hk based on a 2025 report.

Foreign business restrictions

There are no restrictions on setting up a foreign business in Hong Kong and no foreign exchange controls. There is also no Hong Kong residence requirement for shareholders or directors of an entity in the HKSAR.

Investment incentives

There are few incentives to promote business investments, as Hong Kong's low tax rates, excellent financial infrastructure, and favourable investment climate are considered sufficient to attract investments. In recent years, Hong Kong has introduced tax incentives for certain targeted industries or sectors, such as the asset and wealth management industry, insurance and insurance brokerage businesses, corporate treasury centres, and aircraft and ship leasing.

A tax deduction of up to 300% for the first HKD 2 million of qualified R&D expenditure may be claimed. A tax deduction of 200% of the remainder (uncapped) may be taken.

Work permits and visas

Other than those who have the right of abode or right to land (for ships) in the HKSAR, all foreigners require a visa to live and work in Hong Kong.

As a general rule, any person who wishes to study, enter into employment, invest in Hong Kong, settle in Hong Kong for permanent residence, or stay as a visitor longer than the allowed visa-free period, must obtain a proper visa before coming to the HKSAR via a Chinese consulate or visa office in his country of residence or citizenship.

People who take up residence in the HKSAR are required to register for an identity card. After living in the HKSAR for seven years, one can apply for a permanent identity card. If successful, there will be no subsequent requirement for a visa or a work permit.

Taxation

There are no value-added tax, sales tax, or capital gains tax in Hong Kong (capital gains may be subject to "profits tax" under certain circumstances).

Profits tax

Profits tax is imposed for each tax year on Hong Kong-sourced profits derived from a trade, profession, or business conducted in Hong Kong. There is no distinction between residents and non-residents. The source of profits is determined by an "operations test" (i.e., identifying the activities which directly produce the relevant profits and the place where these activities are carried out). Expenses are generally deductible to the extent that they are incurred in the generation of assessable profits.

Under the refined foreign-sourced income exemption regime now in place, foreign-sourced interest income, dividends, IP income, and gains on the disposal of all types of property received in Hong Kong by a member of a multinational enterprise conducting a trade, profession, or business in Hong Kong may be deemed to be sourced from Hong Kong and subject to profits tax if member of the multinational enterprise fails to meet the exception criteria, i.e., economic substance, participation, or nexus requirements.

A tax year covers a period of 12 months, from 1 April to 31 March of the following year. Profits earned by a business during an accounting year ending within a tax year will be deemed to be its profits for that tax year.

Tax losses incurred cannot be carried back, but can be carried forward indefinitely to be set off against any future assessable profits. Anti-avoidance provisions restrict the use of tax losses where a change in shareholding was made solely or predominantly for the purpose of utilising the losses to obtain a tax benefit.

Under the two-tiered profits tax rates regime, the profits tax rate for corporations is 8.25% on assessable profits up to HKD 2 million, and 16.5% on any part of assessable profits over HKD 2 million. For unincorporated businesses, the profits tax rate is 7.5% on assessable profits up to HKD 2 million, and 15% on any part of assessable profits over HKD 2 million. However, for two or more connected entities, only one of them may elect for the two-tiered profits tax regime.

Salaries tax

Salaries tax is imposed for each tax year on an individual's income arising in or derived from Hong Kong from any office, employment, or pension. For Hong Kong employment, all income derived is typically subject to salaries tax, even if some services are performed outside of Hong Kong. Income employment not related to Hong Kong is only taxed to the extent that it is derived from services rendered in Hong Kong.

In determining whether employment is classified as Hong Kong employment or non-Hong Kong employment, the practice of the inland revenue department is to take into account all of the relevant facts, with particular emphasis on where the employment contract was negotiated, entered into, and where it is enforceable; where the employer is resident; and where the employee's remuneration is paid to him. Income from services rendered during visits to Hong Kong by a person not exceeding 60 days in a tax year is exempt.

Salaries tax is charged at progressive rates from 2% to 17% on a taxpayer's net chargeable income (i.e., income after deduction of expenses and personal allowances), with the maximum limited to the standard rate of 15% on the taxpayer's first HK$5 million of net assessable income (i.e., income after deduction of expenses with no any personal allowances granted) and 16% on the remainder.

Audit and accounting

All companies incorporated under the companies ordinance (unless specifically exempted), regardless of size, must have their (annual) financial statements audited by a practicing CPA registered with the Accounting and Financial Reporting Council (AFRC).

The Hong Kong Financial Reporting Standards (HKFRS) Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), which are almost fully converged with the International Financial Reporting Standards (IFRS) Accounting Standards, are commonly adopted for the preparation of financial statements of companies incorporated under the Companies Ordinance.

Hong Kong also adopts the Hong Kong variation of IFRS for SMEs Accounting Standard, which is known as the HKFRS for Private Entities Accounting Standard, for companies that do not have public accountability. SMEs that meet certain criteria, such as a size test and shareholders' approval (if applicable), can also choose to apply the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS).

Country quirks

- Legal system originated from and based on English common law, unlike that of Mainland China.
- No restriction on foreign business, and no foreign exchange control.
- The HKD has been pegged to the USD since 1984 at a fixed rate of USD 1 = HKD 7.8 +/- 0.05.
- Official languages are English and Chinese.

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Doing business in Asia Pacific
India

India

Establishing an entity

Investors may establish a business or presence in India either as a foreign company or as an Indian company.

A foreign company is one that has been incorporated outside of India and conducts business in India. The structures available include branch office, representative (liaison) office, or project office. The latter can be set up for specific projects with the approval of the reserve bank of India. Each of these structures represents an extension of the parent company.

A foreign investor may incorporate a company under the Indian Companies Act of 2013. Foreign equity ownership in such Indian companies can be up to 100% depending on the business plan, prevailing government investment policies, and receipt of the requisite approvals. Operations through an Indian company may be established via a joint venture or wholly owned subsidiary.

Every Indian company having paid-up share capital of INR 100 million or more is required to appoint a qualified person as company secretary, who must be a member of the Institute of Company Secretaries of India.

Foreign business restrictions

Foreign investment is prohibited in a number of activities, including, but not limited to: chit funds, nidhi companies, agricultural or plantation activities, media, real estate (with the main exception being construction or development), construction of farmhouses, trading in Transferable Development Rights (TDR), manufacturing of cigars, cigarettes or of tobacco substitutes, atomic energy, and railway operations.

In the sectors or activities that are not categorised as prohibited, foreign investment is either: (i) approved by the government, up to limits indicated in policy on foreign investment (approval route); or (ii) permitted up to 100%, subject to applicable laws and regulations (automatic route). In a few sectors, additional conditions, such as minimum capitalisation requirements, must be met.

6.5%

GDP growth*

5.0%

Inflation*

1.45bn

Population*

USD 2,695

GDP per head*

*Data collected from data.worldbank.org based on the most up-to-date 2024 report.

For any investment (whether direct or indirect) made from Bangladesh, China, Pakistan, Nepal, Myanmar, Bhutan, or Afghanistan, or where the beneficiary of an investment in India is situated in or is a citizen of those countries, requires the prior approval of the government, regardless of the sector or activities in which the investment is made. There are similar restrictions on the appointment of directors who are citizens of these countries.

Investment incentives

Tax incentives are available for investment in India. India has a number of Special Economic Zones (SEZ). SEZs are considered foreign territories for tax and customs purposes. Companies in an SEZ are eligible for a full tax exemption for the first 5 years and a 50% exemption from tax due for the next five years. Entrepreneurs who supply infrastructure resources in an SEZ are eligible for a 10-year tax exemption. Deduction of taxable profits if operating in an SEZ is available if operations commenced on or before 1 April 2020.

A 100% deduction of profits and gains is available for eligible start-ups engaged in innovation, development, or commercialisation of new products, processes, or services driven by technology or intellectual property, provided turnover is less than INR 250 million. Entities can claim this deduction for any 3 consecutive years out of 10 years from incorporation.

Work permits and visas

All foreign residents entering India must have a visa. The main visa classes in India are:

1. **Tourist Visa**

   This visa is given to a foreigner who intends to visit India solely for purposes of tourism or other non-business purposes.

2. **Transit Visa**

   Valid for a period of 15 days for the sole purpose of enabling the holder to travel through India to reach his/her ultimate destination.

3. **Business Visa**

   This visa is intended for a foreign resident who visits India for business purposes, including opening a business.

4. **Employment Visa**

   This visa is granted to a foreign resident who intends to work in India. This is required by any foreign authorised representative of a liaison office, branch office, or project office.

Visas are usually issued by Indian representative offices in a foreign country. Applications may be made to the ministry of home affairs in India for an extension of an existing visa.

Foreign residents who wish to live in India for over 180 days must register with the registration office within 15 days of their entry into India. Residence permits in India are issued for a period corresponding to the period of the employment visa. I tis not necessary to obtain a separate work permit.

Taxation

Goods and services tax (GST 2.0)

GST was introduced on 1 July 2017, replacing indirect taxes such as service tax, VAT and excise duties. In 2025, India implemented a major overhaul, GST 2.0, significantly simplifying the rate structure.

GST registration thresholds remain:

- Services: turnover exceeding INR 2 million
- Sale of goods: turnover exceeding INR 4 million

GST 2.0 rate structure (effective 22 September 2025)

Category	GST rate
Essential goods and daily use items	0% / 5%
Packaged food, medicines and basic electronic accessories	5%
Standard goods and services (default rate)	18%
Sin goods (tobacco and luxury items)	40%
Items previously taxed at 28%	18% (revised)
Items previously taxed at 12%	5% (revised)

The 12% and 28% slabs have been largely eliminated, with most items moving to the 5% or 18% rates. Sin goods, including tobacco and luxury items, are taxed at 40%.

Corporate and individual income tax rates

The rates of income tax for various types of entities (including surcharges, health and education levies) are presented below:

Entities	
1. Individual (maximum marginal rate presented for individuals)	31.20%
2. Firm and LLP	31.20%

Entities	
3. Domestic company having opted for the new tax regime	25.168%
4. Newly set up manufacturing company (set up after 2020)	17.16%
5. Foreign company	41.60%

Companies can opt to be taxed under the old tax regime, under which they can claim certain exemptions, but are then subject to a higher corporate tax rate (approximately 34%), as well as being subject to pay Minimum Alternate Tax (MAT). Companies that continue to pay taxes under the old tax regime are liable to pay MAT on their adjusted book profits (other than income from a life insurance business), where the tax liability under the normal provisions (excluding surcharge and health and education levies) of the Income Tax Act for the tax year is not more than 15% (excluding surcharges, and health and education levies) of such book profits.

Companies must make advance payments on their corporate income tax quarterly based on estimated annual income. Business losses and capital losses may be carried forward 8 years. Unabsorbed depreciation losses can be carried forward indefinitely.

Withholding tax (TDS/TCS)

Withholding tax, being tax deducted at source (TDS) or tax collected at source (TCS), applies to payments including rent, advertising, professional fees, technical services, royalties and interest. Tax withheld must be remitted to the government by the 7th day of the following month. Returns are filed quarterly and withholding tax certificates are issued to income recipients.

Presumptive tax regimes

Businesses, including individuals and partnership firms, with turnover not exceeding INR 20 million may opt for presumptive taxation, with taxable income deemed at 8% of turnover, or 6% for receipts other than cash.

Professionals with gross receipts not exceeding INR 7.5 million may opt for presumptive taxation at 50% of gross receipts.

Non-residents providing services or technology to electronics manufacturing companies are taxed on a presumptive basis at 25% of gross consideration (Finance Act 2025).

Audit and accounting

A statutory audit of all companies is mandatory in India. Furthermore, entities with turnover exceeding INR 10 million per annum (or INR 5 million for certain professions) require a tax audit.

Indian GAAP is broadly aligned with IFRS, although some of the more complex standards, such as IAS 39, 'Financial Instruments', are yet to be adopted. Standards converged with IFRS (known as Ind-AS) apply after certain thresholds – such as net worth of not less than INR 5 billion for an unlisted company.

Country quirks

- A statutory audit of all companies is mandatory.
- Entities with turnover exceeding INR 10 million (INR 5 million per annum for certain professions) require a tax audit.
- Every company with paid-up capital of INR 100 million or more needs to appoint a full-time company secretary, who must be a member of the Institute of Company Secretaries of India.

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Doing business in Asia Pacific

Indonesia

Indonesia

Establishing an entity

Foreign businesses may establish a limited liability company (LLC) or a representative office in Indonesia. Due to the limitation of liability, the most common entity used by investors looking to earn profit/income is an LLC. In most cases, a representative office is not permitted to earn profit/income and therefore is only considered when the purpose of the entity is to provide services to an overseas head office (e.g., data collection, handling promotional activity, checking quality, and/or providing after-sales support). The trade representative acts as an advisory liaison between the principal and the Indonesian firm. A licence for a representative office is valid for an indefinite period.

Many foreign investors entering the Indonesian market at an early stage usually choose to conclude an agency agreement or set up a representative office. However, once the business starts to grow, they can apply for status as a company receiving foreign direct investment.

Registering a limited liability company requires a minimum of two shareholders. Upon registration, the shareholders must subscribe for and fully pay up share capital of minimum IDR 2.5 billion to the company. It is required for the company to be managed by a board of directors, which should be supervised by a board of commissioners. Both boards are appointed by the shareholders.

5.0%

GDP growth*

2.2%

Inflation*

283.5m

Population*

USD 4,925

GDP per head*

*Data collected from data.worldbank.org based on the most up-to-date 2024 report.

Foreign business restrictions

A foreign business is any business with even the smallest percentage of foreign shareholding. The type of business activity dictates the level of foreign ownership permitted.

Since 2020, the government has opened most industries to 100% foreign ownership. Some require local equity partnerships, and a few industries remain protected from foreign investment and reserved only for Indonesians, particularly small ventures that include the agricultural, handcrafts, and informal sectors. The Job Creation Law No. 11 of 2020 ("Omnibus Law") and Presidential Regulation No. 49 of 2021 ("Positive List of Investment") detail further the investment restrictions that apply to foreign investments.

Foreign capital investment is governed by the Ministry of Investment/Indonesian Investment Coordinating Board (BKPM), which administers and approves foreign capital investment in the majority of economic sectors. Investments in the oil and gas, mining, banking, finance, and insurance industries also require approval from the related ministries. The BKPM is the one-stop government agency for foreign investors for all approvals, licences, and permits required to establish a company. It usually takes approximately two months to set up an Indonesian company.

In 2015, the BKPM launched a 3-hour investment licensing service for foreign investors with a minimum investment of IDR 100 billion and/or a plan to employ more than 1,000 workers.

Investment incentives

Law no. 25/2007 sets out the incentives that may be obtained by a foreign limited liability company. These incentives may take the following form:

- Income tax through a reduction of net income to a specified extent based on the total investments made within a defined period;
- Exemptions from or waivers of import duties on capital goods, machinery, or equipment not yet produced domestically.
- Exemptions from or waivers of import duties on raw materials or components for a set period, if certain requirements are met.

The Indonesian government also provides tax incentives in the form of tax allowances, tax deductions, tax holidays, and super deduction facility. Those incentives are usually available for entities making investments in specified business sectors, pioneer industries, labour-intensive industries, R&D activities, and certain regions.

Work permits and visas

In 2016, Indonesia implemented a major visa-waiver policy (Presidential Decree No. 21 of 2016) which exempted citizens of 169 countries from visa requirements. Citizens of those countries are eligible to enter and remain in Indonesia without a visa for a maximum of 30 days. The visa exemption facility cannot be extended or changed into another type of permit.

Based on decree of the minister of law and human rights No. M.HH-01.GR.01.07 of 2023 related to temporary suspension of visit visa free for countries, only tourists from ASEAN countries (Brunei Darussalam, Cambodia, East-Timor, Laos, Malaysia, Myanmar, The Philippines, Singapore, Thailand, and Vietnam) are entitled to visa-free visits at the time of this publication.

Business visas

The government issues business visas for those visiting the country for normal business activities, including attending a conference, provided their visit does not involve taking up employment or paid work. Several types of business visas can be obtained: a visa on arrival, a single-entry visa, or a multiple-entry visa:

1. **Visa On Arrival (VOA)**

   This visa is valid for 30 days, but can be extended for another 30 days (without the need to leave the country). It allows one to carry out activities related to business, meetings, or the purchase of goods, including but not limited to, checking goods at the office, factory, or production site of the goods, to discuss, negotiate, and/or sign business contracts, and to conduct activities related to tourism, and to visit friends or family.

2. **Single-entry Business Visa**

   This visa is valid for a maximum of 60 days, but can be extended up to four times, on a monthly basis, by the immigration department to provide a total maximum stay of six months. This visa is useful for buying trips, negotiations, and consultations. However, this visa does not permit an individual to work in Indonesia. What is considered 'work' is determined by the immigration office.

3. **Multiple-entry Business Visa (MEBV)**

   This visa is valid for up to five years and is more convenient if one has to travel to Indonesia frequently. One may enter and leave Indonesia at any time within the 5-year period, but is required to leave the country every two months, which is the maximum length of stay permitted. This visa is issued by the Indonesian embassy in the applicant's country with the authorisation of the immigration office in Indonesia. When applying, one's business counterparts or sponsors in Indonesia must provide assistance.

Electronic temporary stay permit

An electronic Temporary Stay Permit (e-ITAS) is issued to work permit holders, students, dependents of Indonesian citizens, or foreigners with a work permit. This visa, which requires a sponsor, can be issued for a period up to five years and can be renewed. It is subject to authorisation from the immigration office in Indonesia.

Work permit

Obtaining a work permit in Indonesia requires company sponsorship for any foreigner who wants to work in Indonesia. In order to protect the local job market, there are strict guidelines on who can be issued a work permit. National, multinational, or joint venture firms must submit a manpower plan to the Department of Manpower detailing their annual foreign labour requirements. A domestic company planning to hire a foreigner must submit an expatriate placement plan (Rencana Penempatan Tenaga Kerja Asing or RPTKA). Once the RPTKA is approved (which serves as a work permit), a limited stay permit (IzinTinggalTerbatas or ITAS) is issued. Employment of foreigners in Indonesia requires payment of an annual Skill and Development Fund fee (DPKK) amounting to USD 1,200 per foreigner.

Taxation

The main business taxes in Indonesia are value-added tax (VAT), income tax, and corporate income tax.

Indonesia's VAT is a major source of revenue for the government. VAT applies to the import and delivery of most goods and services. Insurance and banking activities are not subject to VAT.

VAT is collected at a standard rate of 11%. However, for some services, the effective VAT rate is 1%. In addition, luxury tax varies from 10% to 200%. For the exportation of goods, the VAT rate is zero. Taxpayers are required to file returns with details of all output and input VAT in the following month. The monthly VAT report must be filed by the end of the following month and net output VAT should be paid before filing.

Income tax is applied to resident corporations and individuals. Income tax is collected both directly and at source through a wide range of withholding taxes. Individuals who are residents in Indonesia for more than 183 days in any 12-month period or who intend to settle in Indonesia are taxed on their worldwide income and are generally allowed a credit for taxes paid abroad. Non-residents are taxed only on their Indonesian-sourced income.

The corporate income tax rate is 22%. Micro, small, and medium-sized businesses (MSMEs/UMKMs) with turnover of up to IDR 4.8 billion (approximately USD 300,000) are subject to 0.5% final income tax on turnover under certain conditions. Companies with turnover of less than IDR 50 billion (approximately USD 3.1 million) are categorised as MSMEs/UMKMs, and may be granted a discount on the tax rate of 50%, depending on their revenues. Companies that list at least 40% of their shares on the Indonesian Stock Exchange are entitled to a tax cut of 3% from the top rate. This provides an effective tax rate of 19%.

Audit and accounting

All publicly listed firms, state-owned companies, firms handling public money (such as banks and insurance companies) and companies having turnover of more than IDR 50 billion (approximately USD 3.1 million) must have their accounts audited by an Indonesian CPA firm (KAP).

Indonesia's stated policy is to maintain its national accounting standards (PSAK), but these standards have effectively already converged with IFRS, with only minor differences remaining to date.

Country quirks

- Accounts must be prepared in local language (Bahasa Indonesia) for tax purposes.
- Foreigners cannot manage human resources in Indonesia.

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Doing business in Asia Pacific
Japan

Japan

Establishing an entity

Foreign companies establishing a business entity in Japan can choose from four basic types of entities:

- A subsidiary in the form of a joint stock company (Kabushiki Kaisha or KK)
- A subsidiary in the form of a limited liability company (Godo Kaisha or GK)
- A branch
- A representative office

A KK is generally the most trusted form of entity in Japan but the GK is gaining in popularity as a simpler alternative to setup. The documents for setting up a KK in Japan must be submitted in Japanese, and the process typically takes one month to complete.

Both a KK and a GK can be set up with a minimum capital of JPY 1. However, it is recommended to invest a larger amount for various reasons, such as to opening a bank account, rent office space, to sponsor visas, or to demonstrate substance and credibility to potential clients, staff and partners.

In Japan, a KK and a GK require at least one authorised representative, who does not need to be a resident of Japan, while a branch and representative office require at least one authorised representative who is a resident of Japan.

0.1%

GDP growth*

2.7%

Inflation*

123.9m

Population*

USD 32,487

GDP per head*

*Data collected from data.worldbank.org based on the most updated (2024) report.

Foreign business restrictions

The majority of industries in Japan have been liberalised and are accessible to foreign direct investment (FDI). Pursuant to the Foreign Exchange and Foreign Trade Law (Foreign Exchange Law), FDI is treated distinctly from financial and portfolio investment. As a general rule, advance approval is not required; a post investment report submitted to the Minister of Finance and the competent minister for the relevant industry is sufficient.

Prior notification is required, however, where the contemplated investment (i) poses potential risks to national security, public order, or public safety; or (ii) falls within an industry that has not yet been liberalised.

Additionally, investments by entities from certain designated countries are subject to mandatory prior notification.

Investment incentives

As a means of attracting corporate investment, some local administrative bodies offer tax incentives and subsidy programs when companies establish or expand their headquarters within a region, create employment opportunities, or invest in new R&D projects or specific industries or projects (such as digital transformation, carbon neutrality, etc.).

Work permits and visas

Japan's immigration system accepts foreign nationals based on the specific requirements of each residence status (visa) and is administered by the Immigration Bureau of Japan.

In Japan, it is first necessary to apply for a certificate of eligibility (COE). The immigration system is not particularly simple, but the acquisition of the COE is not particularly difficult for foreign professionals. After the COE is issued, a foreign national can file an application for a visa along with the COE at a Japanese embassy or consulate in his home country. At the time of entry into Japan, a residence card is issued. The permitted scope of activity is limited to respective residence statutes. The standard processing time is 1 to 3 months.

The Japanese immigration system allows the employment of foreign professionals while strengthening measures to supervise illegal or undocumented residents.

To strengthen the acceptance of highly skilled talent, the Highly Skilled Professional visa was introduced in 2015. It provides certain privileges, including a maximum five-year period of stay and, under specific conditions, the ability to apply for permanent residence in as little as one year. In April 2023, the Special Highly Skilled Professional system (J-Skip) was also launched, offering qualified individuals—based on education, work experience, and income—a streamlined visa process with fewer documents and faster approval, separate from the traditional points-based system.

At the same time, the expansion of foreign talent acceptance has been accompanied by stricter and more rigorous screening. As a result, processing times have lengthened, particularly for applications for permanent residence, Business Manager visas, and foreign employees of newly established companies. From October 2025, the screening for Business Manager visas became more stringent, requiring detailed evidence of the business plan's feasibility, source of funds, and proof of an actual office.

Additionally, foreign nationals engaged in work requiring Japanese language proficiency are increasingly expected to meet a certain level of skill, and in some residence categories, submission of a Japanese Language Proficiency Test (JLPT) certificate or equivalent will be mandatory.

Overall, Japan's immigration system is characterised by the dual approach of promoting the acceptance of highly skilled foreign talent while simultaneously tightening and standardizing the screening process.

Payroll

Payroll in Japan is generally processed on a monthly basis and involves the calculation and withholding of national income tax, local inhabitant tax, and mandatory social security contributions. National income tax is levied on a progressive scale with marginal rates ranging from 5% to 45%, increasing as taxable income rises, while inhabitant tax is generally imposed at a flat rate of around 10%, comprising prefectural and municipal components. Social security consists mainly of health insurance, pension insurance, employment insurance, and workers' accident compensation insurance, with costs shared between employer and employee and subject to statutory caps. In addition, employers are responsible for registering with the relevant labour, social insurance, and tax authorities and for complying with Japan's year-end tax adjustment and reporting obligations, which add complexity to ongoing payroll administration.

Japan has concluded social security (totalization) agreements with many countries, allowing eligible assignees to avoid double social insurance contributions and, in some cases, remain covered only in their home country for a defined period.

These treaties are particularly relevant for expatriates and short- to medium-term assignments, but eligibility and documentation requirements must be carefully managed. In addition, employers are responsible for registering with the relevant labour, social insurance, and tax authorities and for complying with Japan's year-end tax adjustment and reporting obligations, which add complexity to ongoing payroll administration. This complexity leads many firms to outsource their payroll requirements, especially where they do not have in house human resource teams.

Taxation

Corporations engaged in economic activities in Japan are subject to taxes in Japan on the profits generated by those activities. Taxes include corporate tax (national tax), corporate inhabitant tax (local prefectural and municipal tax), and corporate business tax (local prefectural tax) (collectively referred to herein as "corporate taxes"). Taken all together, the effective tax rate of national corporate tax, corporate inhabitant tax, and business tax (the tax burden on corporate income) is around 30% to 35%.

Capital gains from investments are generally treated as part of ordinary taxable income for corporate tax purposes. Where a tax loss is realised in a given tax year, it may be carried forward by the company to be utilised against taxable profits in future tax years for nine years (10 years from the fiscal period starting on or after 1 April 2018), provided the company has a "blue-form" tax return filing status and is not subject to anti-abuse rules. The amount that can be used in one year as a carryforward is limited to 50% of taxable income in the case of large corporations. The ability to carry back losses has been suspended since 1992, except in certain situations.

Consumption tax is categorised as a value-added tax applied to most domestic transactions and every import transaction. The exceptions are for financial transactions, capital transactions, medical services, welfare services, and educational services. The provision of digital services by foreign service providers to domestic businesses or domestic consumers is also subject to consumption tax. The consumption tax rate is 10%, except on food and beverages, which are taxable at 8%. With the introduction of the qualified invoice system in 2023, a qualified invoice is generally required to claim input tax credits. There is a transitional measure which allows taxpayers to take partial credit of input tax without a qualified invoice to mediate the impact of the introduction of the qualified invoice system for the period from October 2023 to September 2031.

Companies classified as small and medium-sized enterprises (SMEs) are eligible for significantly lower corporate tax rates. To qualify as an SME, a company's capital must not exceed JPY 100 million and its group capital must be less than JPY 500 million. Eligible SMEs are subject to an effective combined national and local corporate tax rate of approximately 21% to 25% on the first JPY 8 million of taxable income. For SMEs, there is also a provision to carry back losses for one year, which is not available to large companies.

The Japanese withholding tax rate on dividends, interest, and royalties payable to a non-resident is generally 20.42% (15.315% for certain types of interest). Many countries have tax treaties with Japan that can reduce these withholdings paid to overseas countries provided the required forms and supporting documents are submitted prior to the transfer of funds. On payments of dividends, interest, and royalties made to a resident, withholding taxes are levied at rates between 10.21% and 20.42%.

Japan taxes its residents on their global income, but there are transitional concessions for five years for foreigners living in Japan for the first time.

Japanese companies conducting cross-border transactions with related foreign entities are required to comply with Japanese transfer pricing regulations, ensuring that intercompany pricing reflects the arm's length principle.

Audit and accounting

The Japanese Companies Act stipulates that a large company (company with reported capital of JPY 500 million or more, or total liabilities of JPY 20 billion or more, at the end of its most recent fiscal year) or a "company with committees" is required to have an external accounting auditor and to have its financial statements audited by such.

An accounting auditor must be either a certified public accountant (CPA) or a licensed audit firm. Companies that are neither classified as large companies nor structured as "companies with committees" are generally not required to appoint an auditor under the Companies Act. However, statutory audits by a CPA are required under certain other laws, including the Financial Instruments and Exchange Act, which applies to listed companies, regulated entities such as banks and insurance companies, and other companies that raise capital publicly.

Specific to Japan is also the corporate auditor system (Kansayaku). The corporate auditor system is a company structure specified in the Companies Act, and its role is to audit the directors' execution of their overall duties, including those related to accounting. Corporate auditors in Japan do not need to be CPAs or accredited accounting firms.

Country quirks

- Smaller companies may have the option of choosing whether to register for consumption tax in the opening period of the business year. Some significant tax-planning opportunities may exist in this area, and this issue must be considered carefully when registering a company.
- Representative offices of foreign companies can, in most cases, be set up without any formal process of approval other than registering for taxation. However, a representative office tends to face difficulty in holding a bank account or leasing real property. Therefore, in practice, an individual such as an appointed representative will act as a proxy for the office.
- Functional currency accounting is not allowed.

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Doing business in Asia Pacific

Korea, The Republic of

Korea, The Republic of

Establishing an entity

Most foreign entities in Korea are structured either as a type of company, branch office, or representative office.

The majority of companies are chusikhoesa, or stock companies. However, yuhanhoesa, or private companies, may also be suitable for foreign investors. Domestic commercial law applies to investments made through a company.

A branch office is not considered a foreign investment, but it does create a legal presence in Korea. A branch can own assets and generate taxable profit. However, if an entity expects to grow large enough to necessitate the establishment of a company, it may be more cost effective to do this at the outset.

Unlike a branch, a liaison office is not permitted to perform any business activity. Since it performs non-business tasks for the head office, it is only required to obtain a unique business number as a business owner registered with the jurisdiction tax office without the need for court registration. The tasks performed by a liaison office are limited to preliminary and auxiliary work, such as business-related contact with the head office, market research, research and development activities, quality assurance, advertisement, data collection, etc.

Foreign business restrictions

Foreign business restrictions fall into two categories: prohibited activities and partially restricted activities. Prohibited activities include public interest industries, such as postal services, banking, securities trading, public education, and radio & television. Foreign investors are prohibited from investing in a total of 61 types of business. Most partially restricted activities also have public interest traits. Foreign shareholding of up to 50% in these activities is allowed.

2.0%

GDP growth*

2.3%

Inflation*

51.8m

Population*

USD 36,239

GDP per head*

*Data collected from data.worldbank.org based on the most up-to-date 2024 report.

Investment incentives

The foreign investment promotion act and Korea's domestic commercial law apply to investments of over KRW 100 million made through a company.

Invest Korea is the national investment promotion agency and offers a number of incentives to support the entry and successful establishment of foreign businesses into Korea. For foreign investors that meet the requirements, incentives may include some tax support, cash support, and site location support.

Foreign investment zones are designated to attract foreign investments. Businesses located in these zones are provided with incentives.

Work permits and visas

A D-8 visa is issued to foreigners who are sent as specialists to work in a company receiving foreign investment or who are going to invest in and manage their own business in South Korea. Alternatively, a company may sponsor a skilled employee with at least five years of experience in a related field to obtain an E-7 visa.

An employer must register all foreign workers' employment permits and must typically maintain the employment ratios stipulated by the law.

Taxation

The main business taxes in Korea are value-added tax (VAT), withholding tax, corporate income tax, and personal income tax for individuals.

In general, VAT registration is required for all businesses. The nominal rate of VAT is 10%. Quarterly VAT returns and related payments must be filed by the 25th day of the month following the quarter-end.

Withholding tax is a deduction made from certain types of payments (e.g., royalties, dividends, and interest). The amount of tax withheld depends on the category of services provided and the tax status of the recipient. Rates can range from 0% to 22% (including local income tax), depending on the type of income, such as interest paid by financial institutions to domestic companies or royalties paid to foreign corporations. Withholding tax rates vary, depending on the tax treaty with each country. Tax withheld must be reported and submitted by the 10th day of the month following the month in which payment is made, and is set off against the final corporate income tax liability.

Corporate income tax (including local income tax) is applied at the following aggregate rates: 11% on taxable income of up to KRW 200 million; 22% on taxable income in excess of KRW 200 million and up to KRW 20 billion; 24.2% on taxable income in excess of KRW 20 billion and up to KRW 300 billion; and 27.5% on taxable income over KRW 300 billion.

Two corporate tax returns are required, an annual return and a half-year return. The half year return represents a prepayment of tax payable based on estimated net profit for the year. The annual tax return should be filed and paid within three months of the fiscal year-end. Operating losses reported since 1 January 2021 can be carried forward for up to 15 years. For small and medium-sized enterprises (SME), there is no limitation on the amount of losses carried forward which can be utilised. However, for those which are not SMEs, the maximum amount which can be utilised in a fiscal year is 80% of taxable income.

There are four types of social insurance payments for which contributions must be made: the national pension, health insurance, unemployment insurance, and workers' compensation insurance. These social insurance contributions amount to approximately 9.75% of wages for the employee's portion and between 10.6% to 28.6% of wages for the employer's portion.

Audit and accounting

An external audit is required in Korea in the following cases:

1. For a stock company (chusik hoesa) meeting any of the following three criteria:
   - A listed company (on the stock market, KOSDAQ, KONEX) or a company to be listed.
   - A company with at least KRW 50 billion in total assets or sales at the end of the last fiscal year.
   - A company meeting two or more of the following four requirements at the end of the last fiscal year: (i) total assets of KRW 12 billion or more; (ii) total liabilities of KRW 7 billion or more; (iii) total sales of KRW 10 billion or more; (iv) employees of 100 or more.
2. For a limited company (yuhan hoesa) meeting any of the following two criteria:
   - A company with at least KRW 50 billion in total assets or sales at the end of the last fiscal year.

- A company meeting three or more of the following five requirements at the end of the last fiscal year: (i) total assets of KRW 12 billion or more; (ii) total liabilities of KRW 7 billion or more; (iii) total sales of KRW 10 billion or more; (iv) employees of 100 or more; (v) unitholders of 50 or more.

K-IFRSs are compulsory for listed companies and non-listed financial institutions. Unlisted companies have the choice between full K-IFRS and Korean Accounting Standards for non-public entities.

Country quirks

- All B2B domestic transactions are required to issue tax invoices through the Korean tax platform, Hometax.
- All employees working in a company for over one year are entitled to severance pay.
- For companies which have a fiscal year-end on 31 December, all external audit contracts should be signed by 14 February for the renewal of an audit, or by 30 April for a first-time audit.
- External audit contracts should be reported to the financial supervisory service within 14 days of being signed, in case of compulsory audit.

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Doing business in Asia Pacific
Malaysia

Malaysia

Establishing an entity

The principal forms of business organisation in Malaysia are sole proprietorships, general partnerships, limited liability partnerships, limited liability companies, and branches of foreign companies. These entities must be registered with the Companies Commission of Malaysia.

Generally, it takes about one week to incorporate a company, and 1 to 2 months to register a branch of a foreign company in Malaysia. Off-the-shelf companies are readily available and can be bought and used within days.

A limited liability company must have at least one resident director, who must be either a Malaysian or a foreigner residing principally in Malaysia with a valid residence pass, MM2H pass, or equivalent pass. A limited liability company must have minimum paid-up share capital of MYR 1. Companies must have a registered office and keep their statutory records in Malaysia. The company is also required to appoint one company secretary to assist with secretarial matters once the company is incorporated.

A branch of a foreign company in Malaysia must conduct the same business activities as the parent company and have the same company name and director as the parent company. It must appoint at least one Malaysian as a resident agent.

A limited liability partnership must have at least two partners consisting of individuals or corporate entities, or both. It must have one compliance officer who must be a Malaysian or a foreigner with permanent residence. One of the partners is usually appointed to this position. Foreigners can also be partners of limited liability partnerships.

Foreign business restrictions

Only a Malaysian citizen or a permanent resident of Malaysia can register a sole proprietorship or a general partnership business in Malaysia. However, foreign investors are permitted to incorporate a 100% foreign-owned company in Malaysia.

5.1%

GDP growth*

1.8%

Inflation*

35.5m

Population*

USD 11,874

GDP per head*

*Data collected from data.worldbank.org based on the most up-to-date 2024 report.

Investment incentives

Companies in manufacturing, agriculture, hotels and tourism, or other encouraged sectors intending to participate in a promoted activity or manufacture a promoted product, are eligible to apply for either pioneer status or Investment Tax Allowance (ITA) incentives. These sets of incentives are mutually exclusive.

Generally, a company enjoying pioneer status is given a tax exemption of 70% on statutory income (i.e., adjusted profit after deduction of capital allowances) for 5 or 10 years, with the remaining income subject to tax at the prevailing corporate tax rate. Unabsorbed losses and unabsorbed capital allowances during the pioneer period can be carried forward to the post-pioneer period to be utilised against future business income. Any unabsorbed pioneer losses at the end of the pioneer period can be carried forward up to a maximum of seven consecutive years.

Companies granted ITA incentives are generally entitled to claim a 60% allowance on qualifying capital expenditure incurred within five years from the date on which the incentives became effective. ITA incentives can be set off against 70% of statutory income, whilst the remaining 30% is subject to tax at the prevailing corporate tax rate. Unabsorbed ITA incentives can be carried forward to subsequent years until fully utilised. ITA incentives are granted in addition to normal tax depreciation, known as a capital allowance.

Pioneer status and ITA incentives are further enhanced for certain promoted activities and promoted products.

A company that is resident in Malaysia which is involved in manufacturing or agricultural activities is eligible to claim a Reinvestment Allowance (RA) of 60% if it incurs qualifying capital expenditure for expansion, modernisation, automation, or diversification projects, and has been in operation for at least 36 months. The RA claimed can be set off against 70% of statutory income, whilst the remaining 30% of statutory income is subject to tax at the prevailing corporate tax rate. Any unabsorbed RA at the end of the RA period can be carried forward for utilisation up to a maximum of seven consecutive years.

Attractive and enhanced tax incentives are also available for approved service projects, approved food production projects, real estate investment trusts, the biotechnology industry, the tourism industry, research and development activities, integrated logistics services, global services hub activities, Islamic finance activities fund management businesses, the venture capital industry, Malaysia Digital status companies, and companies operating in Labuan or in specific development regions, such as Iskandar Malaysia (IM), the Johor-Singapore Special Economic Zone (JS-SEZ), etc.

Work permits and visas

Generally, a visa is not required for a stay of less than one month for ASEAN nationals, except for those from Myanmar. Visas are required for a stay exceeding one month, except for Brunei and Singaporean nationals.

An Employment Pass (EP) is a work permit that enables an expatriate to take up employment with an organisation in Malaysia. Issuance of the pass is subject to the foreigner obtaining a contract of employment (up to 60 months). The Expatriate Committee (EC) or relevant authorities must approve having a foreigner fill a position before the EP can be issued by the immigration department of Malaysia.

A Professional Visit Pass (PVP) is granted to foreigners with acceptable professional qualifications or skills. They can enter the country and provide services or undergo practical training with a Malaysian company on behalf of an overseas company on a temporary basis for up to 12 months.

Foreign-owned companies incorporated in Malaysia are allowed to bring in expatriates to fill positions (including key ones) where there is a shortage of trained Malaysians. However, this applies only to certain companies. For example, it does not apply to public limited companies, companies limited by a guarantee, or associations and organisations incorporated under specific acts. In order for a company to be allowed to do this, it must meet certain requirements regarding paid-up capital, based on the type of company:

- A 100% Malaysian-owned company: MYR 250,000 (i.e., approximately USD 60,900)
- A company jointly owned by both Malaysians and foreigners: MYR 350,000 (i.e., approximately USD 85,300)
- A 100% foreign-owned company: MYR 1 million (i.e., approximately USD 243,600)

The company must also comply with other requirements, such as the foreigner receiving a minimum monthly salary of MYR 5,000 and having certain minimum academic qualifications and experience. The number of expatriate posts allowed will depend on the guidelines applicable at the time of application and the merits of each case.

Taxation

Malaysia applies tax on a territorial basis, taxing income accrued in or derived from Malaysia. Exceptions include income from banking, insurance, and air or sea transport operations, which are taxed in Malaysia on a worldwide basis. Since 1 January 2022, foreign income remitted to Malaysia by tax residents is taxable unless it meets the conditions for exemption until 31 December 2026. Budget 2026 proposes to extend this exemption to 31 December 2030. Non-residents are exempt from tax on foreign-sourced income received in Malaysia.

Personal income tax rates for residents range from 0% to 30%, with relief and rebates available.

Non-residents are taxed at a flat 30% rate. Tax residency is based on physical presence in Malaysia, and taxes must be prepaid through an instalment scheme. Expatriates must obtain tax clearance before leaving Malaysia after employment ends.

Corporate tax is 24% for all companies, with SMEs enjoying a preferential rate of 15% on the first MYR 150,000 of chargeable income and 17% on the next MYR 450,000. The chargeable income in excess of MYR 600,000 is taxed at 24%.Companies are considered tax residents if their management and control are in Malaysia and must file returns within seven months of the fiscal year-end. Unabsorbed capital allowances can be carried forward indefinitely, while unabsorbed losses can be carried forward for up to 10 years. Dividends are generally tax-exempt under the single-tier tax system. Despite the single-tier tax system in Malaysia, a tax on dividends distributed by a company to individual shareholders exceeding RM100,000 per annum will be subject to tax at the rate of 2% commencing from the year of assessment 2025.

Withholding tax of 10% applies to payments made to non-residents for services performed in Malaysia, rental, royalties, commissions, and guarantee fees, or of 15% for interest payments. Service fees to non-resident contractors are taxed at 13%. Dividends to non-resident shareholders are not subject to withholding tax.

Real Property Gains Tax (RPGT) applies to gains from disposal of property or shares in real property companies, with rates varying based on the holding period. From 1 January 2024, capital gains tax (CGT) replaced RPGT for certain disposals. CGT rates are 10% on net gains or 2% on gross disposal price if conditions are met. Exemptions from CGT are available for specific scenarios.

Indirect taxes include excise duty on certain goods, import duty, and stamp duty on certain documents. Goods and Services Tax (GST) was repealed in 2018, replaced by sales and service taxes. Sales tax is charged on taxable goods at 5% or 10%, and low-value goods from abroad are taxed at 10% from 1 January 2024. Service tax is imposed at 8% (effective 1 March 2024) on most taxable services, while certain sectors including food and beverage, telecommunications, parking, logistics, rental, construction, private healthcare and education services continue to be taxed at 6%. Registration for service tax is required when a business meets the prescribed taxable services thresholds.

Digital services provided by foreign suppliers are also subject to service tax if income exceeds MYR 500,000 annually, in which case registration as a foreign registered person is required.

Audit and accounting

The directors of every company should prepare financial statements and have their annual financial statements audited by an approved company auditor. Financial statements should be prepared in accordance with the approved accounting standards in Malaysia.

Private companies should prepare financial statements using the Malaysian Private Entities Reporting Standards (MPERS) or the Malaysian Financial Reporting Standards (MFRS). All other companies should prepare financial statements using the MFRS. The MPERS is word-for-word the same as IFRS for SMEs, except for the requirements on income tax and property development activities. The MFRS are identical to the International Financial Reporting Standards (IFRS) in all respects other than nomenclature.

Subject to the conditions summarised below, some private companies may be exempt from being audited. These companies are required to prepare and file a set of unaudited financial statements which must be prepared using the Malaysian Private Entities Reporting Standard (MPERS) and an audit exemption certificate. The requirements for audit exemption are as follows:

Category I (Dormant companies)

a. it has been dormant from the time of its incorporation; or

b. it has been dormant throughout the current fiscal year and in the immediately preceding fiscal year

Category II (Zero-revenue companies)

a. it has not had any revenue during the current fiscal year; and

b. it has not had any revenue in the immediate past two fiscal years; and

c. its total assets in the current financial statements, as well as in the financial statements of the immediate past two fiscal years, have not exceeded MYR 300,000.

Category III (Threshold-qualified companies)

a. it has had revenue during the current fiscal year, as well as in the immediate past two (2) fiscal years, not exceeding MYR 100,000; and

b. its total assets in the current financial statements, as well as in the financial statements of the immediate past two fiscal years, have not exceeded MYR 300,000; and

c. it had, at the current fiscal year-end, as well as at each of the immediate past two fiscal year-ends, not more than five employees.

Country quirks

- Nominee shareholdings are not allowed.
- Accounts must be prepared by a Malaysian accountant and audited by a Malaysian auditor.
- The registered office address must be the actual office address. P.O. boxes and lawyers' addresses are not permitted.
- Proxy and circulated resolutions of board meetings are not permitted.

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Doing business in Asia Pacific
Philippines

Philippines

Establishing an entity

The Philippines has become an increasingly attractive destination for foreign businesses, thanks in part to its liberalised foreign investment laws. This guide provides a high-level introduction to establishing a business entity in the Philippines, taking advantage of the opportunities presented by these regulations. Foreign corporations can enter the Philippine capital market in several ways, as discussed below.

Domestic subsidiary

This is a regular corporation, formed as stock or non-stock, with incorporators, directors (or trustees for non-stock), shareholders (or members for non-stock), and officers. Foreign stockholdings are generally limited to 40% of the total authorised capital stock. Incorporators and board members are not required to be citizens or residents of the Philippines, but must hold at least one "qualifying share." There can be any number of incorporators from 2 to 19, but a maximum of 15 directors/trustees.

Branch office

A branch office is a foreign corporation licensed to do business in the Philippines, generating income as an extension of its head office abroad. It is represented by a resident agent who handles legal processes. Within 60 days of the issuance of a licence from the Securities and Exchange Commission (SEC), it must deposit securities worth PHP 500,000 or as required by the SEC. Capitalisation varies, with USD 200,000 being required for domestic market enterprises (DME) and PHP 5,000 being required for export enterprises (EE).

Representative office

A representative office, also known as a liaison office, is similar to a branch office, but does not generate income in the Philippines. It is fully subsidised by its head office and focuses on information dissemination, marketing, product promotion, and quality control. Similar to a branch, it is represented by a resident agent. The required capitalisation is USD 30,000.

5.7%

GDP growth*

3.2%

Inflation*

115.8m

Population*

USD 3,985

GDP per head*

*Data collected from data.worldbank.org based on the most up-to-date 2024 report.

Regional operating headquarters

A Regional Operating Headquarters (ROHQ) is a foreign business entity engaged in international trade with affiliates, subsidiaries, or branch offices in the Asia Pacific region and other foreign markets. Its business activity allows the ROHQ to derive income in the Philippines. It is represented by a resident agent and the required capitalisation is USD 200,000.

Regional area headquarters

A Regional Area Headquarters (RHQ), similar to an ROHQ, is a foreign company engaged in international trade with affiliates, subsidiaries, or branch offices in the Asia Pacific region. Its activities are limited to supervisory communications and coordination of its affairs, subsidiaries, or branches in the region. It cannot derive income or manage any subsidiary or branch office in the Philippines. It is represented by a resident agent, and the required capitalisation is USD 50,000.

Partnership

A foreign partnership can also apply for a licence to do business in the Philippines. The requirements, including capitalisation, are similar to those for a branch office.

Joint venture

A foreign corporation can do business in the Philippines by entering into a joint venture agreement or forming a joint venture company through a corporation or partnership. Said foreign corporation will first need to sure a License to Do Business with the SEC.

Foreign business restrictions

The Foreign Investments Act allows up to 100% foreign ownership of export enterprises (exporting at least 60% of products/services) and domestic market enterprises (exporting less than 60%). However, the Foreign Investment Negative List restricts certain activities based on nationality requirements.

Under Republic Act 11647 (RA 11647), micro and small domestic market enterprises with paid-up capital of USD 200,000 are reserved for Philippine nationals, unless specified by the Retail Trade Liberalization Act (RA 8762) and other laws.

RA 11647 also aims to foster technological innovation and support startups by lowering the capitalisation requirement to USD 100,000, in line with the Innovative Startup Act (RA 11337).

Investment incentives

Foreign investors can register with the Philippine Economic Zone Authority (PEZA) or the Board of Investments (BOI) to benefit from investment incentives. The PEZA grants incentives to export businesses in economic zones, while the BOI provides incentives for businesses in areas and activities under the Investment Priorities Plan (IPP).

Incentives are also available for businesses in special economic zones and free ports, such as Subic and Clark, or Pampanga. These incentives include exemptions from tariffs, customs duties, other taxes and fees, Income Tax Holidays (ITH), and reduced tax rates.

Work permits and visas

To promote foreign involvement in the economic development of the country, the Philippine government has liberalised the visa requirements for certain types of foreigners.

The visas that may be granted to foreigners who will work or provide services in the Philippines are as follows:

1. Treaty Trader's/Investor's Visa under Section 9(d) of the Philippine Immigration Act
2. Prearranged Employee's Visa under Section 9(g) of the Philippine Immigration Act
3. Special Non-immigrant Visa under Section 47(a)(2) of the Philippine Immigration Act
4. Special Non-immigrant Visa under Executive Order (E.O.) No. 226
5. Special Non-immigrant Visa under Presidential Decree (P.D.) No. 1034
6. Special Investor Resident Visa (SIRV)
7. Special Work Permit (SWP)
8. Provisional Work Permit (PWP)
9. Alien Employment Permit (AEP)
10. Special Subic Work Visa

Taxation

Corporate taxes imposed by the National Internal Revenue Code of the Philippines, as amended, includes corporate income tax, Value-Added Tax (VAT), and Withholding Tax (WT). Other taxes include capital gains tax, percentage tax (generally for activities not subject to VAT), excise tax, and documentary stamp tax. Local business and real property tax are imposed by the local government unit where the entity has the principal place of business.

Since July 2020, the corporate income tax rate is generally 25% on net taxable income or 20% for corporations with net taxable income not exceeding PHP 5 million and total assets not exceeding PHP 100 million excluding real property.

The Philippines has 44 active double tax agreements with other countries including Japan, Singapore, Vietnam, Thailand, China, the US, Korea, and the Netherlands.

Tax returns are usually filed monthly, quarterly and annually based on the tax type.

Audit and accounting

PFRS for SMEs

An entity that has total assets between PHP 3 million and PHP 350 million (USD 70,000 to USD 8,000,000) or total liabilities between PHP 3 million and PHP 250 million (USD 70,000 to USD 5,500,000) must follow these standards.

PFRS for SE

An entity that has total assets or total liabilities of over PHP 3 million but not more than PHP 100 million must follow these standards.

Country quirks

- Corporate applications with the SEC are a mix of electronic and manual filing.
- Company setup is fast, but closure takes an average of two years.
- On the 4th year of operations following the year of registration, corporate tax is either 2% of gross income or the minimum corporate income tax (MCIT) or 25% (regular corporate income tax - RCIT) of taxable income, whichever is higher
- Withholding tax rates range from 1% to 25%, depending on the nature of the payment.
- Documentary stamp tax applies to certain transactions as enumerated the Tax Code, usually loan agreements, advances, transfer of shares or transfer of real property.
- Fringe benefit tax is 35% on the grossed-up value of fringe benefits granted to managerial employees, excluding rank and file employees.
- Net Operating Loss Carry-Over (NOLCO) allows losses to be carried over as deductions for the next three years following the year of such loss.
- Personal income tax rates range from 0% to 35% for annual income over PHP 250,000.
- Certain allowances treated as "de minimis" benefits are tax exempt. These are usually small value benefits given to employees such as rice, medicine, and transportation allowances.
- A 13th month salary and bonuses of up to PHP 90,000 are exempt from personal income tax. Any amount over this threshold will be taxable.
- All employers and employees must contribute monthly to the government-mandated employee benefits (SSS, PhilHealth, and HDMF).
- Eligible female employees are entitled to 105 days of paid maternity leave, with an option for an additional 30 days of unpaid leave, if they have made at least three monthly contributions in the 12 months before childbirth, miscarriage, or emergency termination of pregnancy (ETP).

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Doing business in Asia Pacific
Singapore

Singapore

Establishing an entity

Foreign entrepreneurs are generally free to establish a business entity in Singapore.

There are several types of business structures available in Singapore. These include a limited liability company (often called a private limited company and abbreviated to "Pte. Ltd."); a Limited Liability Partnership (LLP), and a Sole Proprietorship (SP), just to name a few. However, setting up a Pte. Ltd. is the preferred incorporation vehicle and the one most widely used by foreign investors.

A Pte. Ltd. is the most flexible and advanced type of business entity available. It is a legal entity, separate from its owners. This means that its liabilities do not extend to its owners. Furthermore, foreigners residing overseas can be 100% owners of a Singapore Pte. Ltd.

The required paid-up capital when registering a Singapore company is nominal and the concept of authorised capital no longer exists. The company should have a minimum of one director, one shareholder, and at least one director must be a local resident (a Singapore citizen, permanent resident, or Employment Pass (EP) holder). The company must have a local registered address and a company secretary.

Foreign business restrictions

There are no stringent restrictions on establishing and registering a company in Singapore, provided the minimum requirements outlined above are satisfied. Before commencing business operations, a company must register with the Accounting and Corporate Regulatory Authority (ACRA). Additionally, it is important to determine whether any specific licences are required and to ensure that these are obtained prior to trading.

*Data collected from data.worldbank.org based on the most up-to-date 2024 report.

Investment incentives

Foreign businesses registering a company in Singapore are strategically positioned to benefit from the nation's pro-business environment. Key advantages of establishing a business in Singapore include straightforward company formation procedures, competitive tax rates, political stability, world-class business infrastructure and a highly efficient regulatory framework, among other benefits.

The Economic Development Board (EDB) actively encourages investment in Singapore by offering a range of incentives and development programmes. These initiatives fall into two main categories: financial incentives, which primarily support specific business activities, and tax incentives, which grant exemptions or reduced tax rates for qualifying transactions and operations. Incentives are usually evaluated and granted on an individual basis.

Work permits and visas

Foreign nationals must apply for the appropriate work passes in order to reside and work in Singapore. The most common categories are the S Pass and Employment Pass (EP), both of which are applied for following the incorporation of the company. Securing a work pass is subject to evaluation and approval by the relevant government authorities.

The S Pass is a work permit intended for mid-skilled foreign workers who possess the necessary qualifications and professional experience to work in Singapore. Eligibility requires meeting a minimum qualifying monthly salary, which differs according to sector and increases for older applicants.

As of 2026 , the minimum qualifying salary for S Pass applicants is:

- SGD 3,300 per month for most sectors (with a higher minimum for older candidates)
- SGD 3,800 per month for the financial services sector (with a higher minimum for older candidates)

Companies are subject to a quota on the number of S Pass holders they can employ, which is based on their industry and the number of local employees. As of September 2025 , employers must pay a monthly levy of SGD 650 for each S Pass holder.

The EP is a work visa designed for foreign professionals, managers and executives seeking employment in Singapore. There is no quota for EPs, but applicants must meet certain requirements to qualify.

Qualifying salary

As of 1 January 2026:

- The minimum qualifying salary is SGD 5,600 per month for most sectors.
- The minimum qualifying salary is SGD 6,200 per month for the financial services sector

From 1 January 2027:

- The minimum qualifying salary will increase to SGD 6,000 per month for most sectors.
- The minimum qualifying salary will increase to SGD 6,600 per month for the financial services sector.

For EP renewals, the new 2027 rates will only apply to renewals from 1 January 2028.

Complementarity Assessment Framework (COMPASS)

New EP applicants must pass a two-stage eligibility framework:

Stage 1: Meet the qualifying salary requirement.

Stage 2: Pass the COMPASS assessment, a points-based system that evaluates an applicant's skills, experience, and contributions to the Singaporean economy.

COMPASS applies to all new EP applications from 1 January 2026 and to EP renewals for passes expiring on or after 1 July 2026.

Other requirements:

In addition to the qualifying salary and COMPASS assessment, EP applicants must meet other requirements, such as having acceptable qualifications and a job offer from a Singapore-based company.

The Entrepreneur Pass (EntrePass) is a work visa designed to attract foreign entrepreneurs with innovative business ideas to Singapore. It offers an opportunity for serial entrepreneurs, high-calibre innovators, and experienced investors to establish and grow their businesses in the country.

To be eligible for the EntrePass, you must meet the following conditions:

1. **Business ownership**: Applicants must have started or intend to start a private limited company registered with the Accounting and Corporate Regulatory Authority (ACRA). Applicants must also own at least 30% of shares in the company.

2. **Innovation or funding**: The company must either be venture-backed or own innovative technologies. Alternatively, applicants may qualify if they can demonstrate their entrepreneurial track record and potential, such as raising at least SGD 100,000 in funding.

Application timeline

One can apply for an EntrePass either before incorporating a company or within six months of its registration date.

Operating from overseas

Individuals who do not intend to relocate to Singapore can still own and operate a Singapore company from overseas. It is possible to visit Singapore on a visitor visa for business-related activities, such as meetings or conferences. However, active management or operation of the company is not permitted while on a visitor visa. Company owners should therefore consider appointing a local director or a local team to handle day-to-day operations in Singapore.

Taxation

Singapore companies are subject to corporate income tax (CIT) on their taxable income. The standard corporate tax rate is a flat 17% of chargeable income. However, income exemptions and CIT rebates are available, which can reduce the effective tax rate for taxable income of up to SGD 300,000 to less than 6%. These benefits apply to both resident and non-resident companies, in line with the corporate tax rebate policies described for the 2026 fiscal year.

For the 2026 fiscal year, all companies subject to corporate income tax (CIT), regardless of tax residency status, will receive a CIT rebate of 40% of tax payable. Companies that have employed at least one local employee in 2025 (the "local employee condition") will also receive a CIT rebate cash grant of SGD 1,500. Therefore, such companies will receive a minimum benefit of SGD 1,500. The total amount a company can receive from CIT rebates and CIT rebate cash grants is capped at SGD 30,000.

To prevent double taxation, Singapore companies may claim a tax credit for foreign taxes paid, provided the relevant conditions are satisfied.

Goods and Services Tax (GST) in Singapore is a tax levied on domestic consumption. GST is payable when expenditure occurs on goods or services, including imported items. Generally, goods supplied or services rendered in Singapore constitute taxable supplies subject to GST, with certain exceptions such as financial services and the sale or lease of residential property, which are exempt. GST is currently charged and accounted for at a rate of 9% of the value of the supply, and companies must file GST returns within one month following the end of each quarter (March, June, September, December).

GST registration in Singapore can be either mandatory or voluntary. Mandatory registration applies when a company's annual turnover exceeds, or is expected to exceed, SGD 1 million. Companies must register for GST within 30 days from the end of the quarter during which the threshold is crossed or within 30 days from the date they become aware that turnover will exceed the threshold in the next 12 months.

Transfer pricing (TP) refers to the determination of prices for goods, services and intangibles transacted between related parties. The Inland Revenue Authority of Singapore (IRAS) adopts the arm's-length principle as the standard for transfer pricing, ensuring that related-party transactions are priced as if they were between independent entities. Taxpayers engaging in such transactions must apply the arm's-length principle and maintain appropriate records to demonstrate compliance. These records, known as TP documentation, are required for transactions exceeding certain thresholds in Singapore.

The adoption of the arm's-length principle provides both taxpayers and tax authorities with a consistent basis for addressing related-party transactions.

To ensure consistent and co-ordinated implementation of the Base Erosion and Profit Shifting (BEPS) recommendations and promote inclusiveness, the OECD/G20 expanded its discussions to include over 135 jurisdictions through the Inclusive Framework (IF) on BEPS. In October 2021, the IF reached agreement on a two-pillar solution to address the tax challenges arising from the digitalisation of the economy, commonly referred to as BEPS 2.0. Under Pillar 1, Singapore will relinquish some taxing rights over profits from economic activities conducted locally, but will gain limited benefits due to its relatively small domestic market. To provide a simplified pricing matrix for baseline marketing and distribution activities, Singapore has implemented a pilot period for the Simplified and Streamlined Approach (SSA) (Amount B) from 1 January 2026 to 31 December 2028.

In response to the Global Anti-Base Erosion (GloBE) rules under Pillar 2, Singapore implemented the Income Inclusion Rule (IIR) and a Domestic Top-Up Tax (DTT) in February 2023. The IIR and DTT will top up a multinational enterprise's (MNE) effective tax rate in Singapore to 15%. These rules apply to MNEs operating in Singapore with annual revenue of at least EUR 750 million.

Audit and accounting

A company incorporated or registered in Singapore must maintain accounting books and other records that adequately explain its transactions and financial position, facilitating the preparation of true and fair profit and loss accounts and balance sheets. If these records are kept outside Singapore, copies must be maintained within Singapore.

In accordance with the Singapore Companies Act, a company is required to submit its audited accounts to the ACRA on an annual basis, unless it qualifies as a dormant company or meets the criteria to be classified as a small company exempt from audit obligations.

A dormant company is exempt from audit requirements provided that no accounting transactions, other than those permitted under the Companies Act, have occurred during the period since its incorporation or since the end of the previous fiscal year.

A company qualifies as a small company if, in the current financial year, it is a private company and meets at least two of the following three criteria in each of the two financial years immediately preceding the current financial year:

a. Total annual revenue is equal to or less than SGD 10 million.

b. Total assets is equal to or less than SGD 10 million.

c. The number of employees is equal to or less than 50

If the company is part of a group, both the company and the group must qualify as small. The group will be considered a small group if it meets at least two of the three criteria above on a consolidated basis in each of the two financial years immediately preceding the current financial year.

Singapore adopts the Singapore Financial Reporting Standards (SFRS), which are established by the Accounting Standards Council of Singapore. The SFRS are closely aligned with the International Financial Reporting Standards issued by the International Accounting Standards Board. All companies incorporated or registered in Singapore are required to comply with the SFRS, unless approval to use alternative standards is granted by ACRA.

Compliance with the Code of Corporate Governance (the Code) is not mandatory; however, companies listed on the Singapore Exchange (SGX) must disclose their corporate governance practices and provide explanations for any departures from the Code in their annual reports.

Annual financial statements must be filed with both ACRA and IRAS. For clarification, small companies (except for solvent private companies that are exempt) are required to submit their annual financial statements in XBRL format to ACRA, even if they are exempt from audit, provided they meet the relevant criteria. All Singapore companies (apart from representative offices) must also file annual tax returns with IRAS.

Country quirks

- A company secretary must be appointed within six months of the incorporation of a company, and must be a resident of Singapore.
- The company must have at least one local resident director, a local resident company secretary, and a registered office address which is open to the public.

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Doing business in Asia Pacific

Taiwan

Taiwan

Establishing an entity

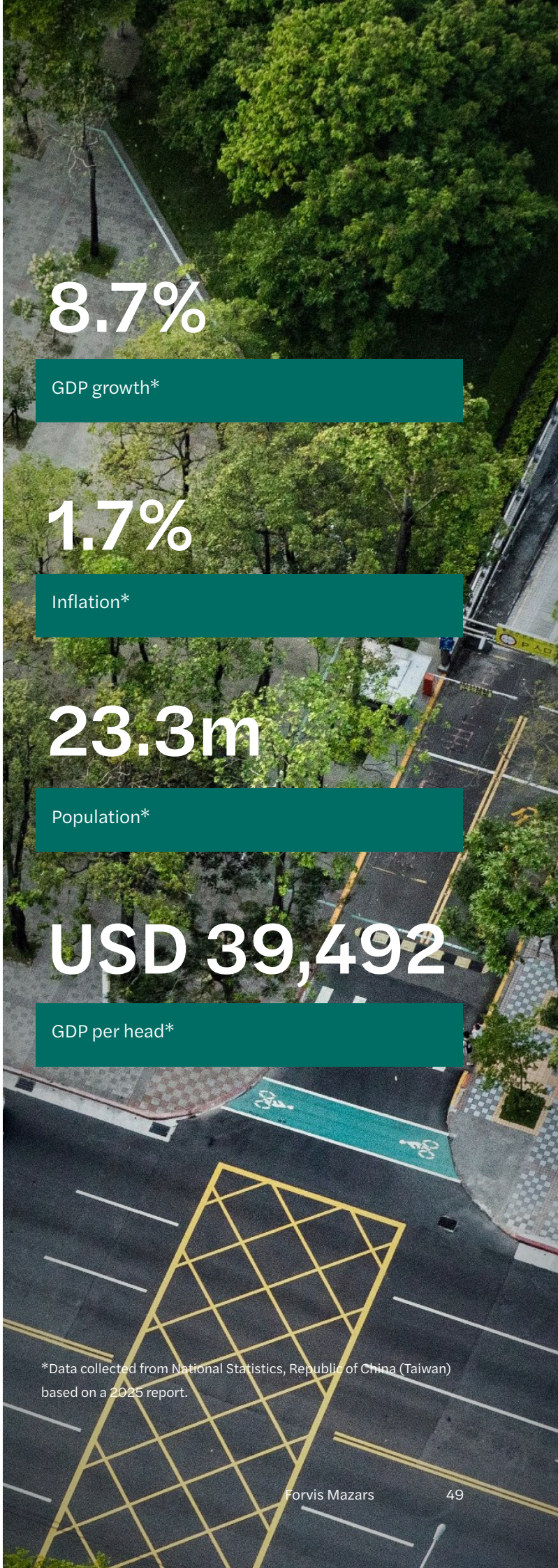
In Taiwan, business organisations include representative offices, branch offices, and subsidiary companies. A subsidiary can take the form of an unlimited company, an unlimited company with limited liability shareholders, a limited company, or a company limited by shares. The most common types are a limited company and a company limited by shares.

A limited company can have one shareholder (an individual or a foreign company) with liability limited to the capital contribution. It can be converted to a company limited by shares with shareholder consent. Shareholders cannot transfer their capital contribution without majority consent.

A company limited by shares requires at least two individuals or one corporate shareholder. Shareholders' liability is limited to their shares, and equity can be transferred without other shareholders' consent.

A branch office is a simpler form of business than a subsidiary, acting as an extension of the foreign head office without an independent legal identity. It must be capitalised (also known as "working capital") and have a designated responsible person and branch manager, who can be either a foreigner or a Taiwanese. It is considered a profit-seeking enterprise under the Taiwan Income Tax Act and can perform all permitted business activities.

A representative office is for companies needing a presence in Taiwan without conducting business activities. It acts as an agent for sourcing information and procuring goods, only carrying out liaison activities without needing to file corporate income tax or VAT returns. It can sign contracts, provide quotations, negotiate prices, submit tenders, and procure items on behalf of its head office.



8.7%

GDP growth*

1.7%

Inflation*

23.3m

Population*

USD 39,492

GDP per head*

*Data collected from National Statistics, Republic of China (Taiwan) based on a 2025 report.

Foreign business restrictions

Foreign capital investment in Taiwan falls under the jurisdiction of the Department of Investment Review. The approval of this department is necessary for any injection of foreign funds. When funds or management involve China, the investment process follows a distinct review procedure, separate from that of other foreign investments.

Presently, Taiwan has deregulated nearly 95% of all foreign investment. The country permits foreign investment across all sectors, with a few exceptions where conditional restrictions apply. These restricted sectors encompass areas that may impact national security, public harmony, social behaviour, and public health, as well as those restricted by law or prohibited under international agreements. Consequently, certain foreign investments in Taiwan are subject to management under the negative list.

Work permits and visas

Foreigners working in Taiwan must obtain a work permit sponsored by an employer, and are also required to apply for an Alien Resident Certificate (ARC), which is a physical ID card proving that foreigners can live in Taiwan legally.

The approved work that foreign professionals can apply to do fall into seven categories : (i) specialised or technical works; (ii) acting as a director or manager of an approved business invested in or established by overseas Chinese or foreigners;(iii) a school teacher; (iv) a full-time foreign teacher in a cram school; (v) a sports coach or athlete; (vi) a person involved in the arts and performing arts; and(vii) a person managing contracts with foreigners.

For companies, employer requirements are as follows:

1. **Established for less than one year:**

   Working capital must reach TWD 5 million or turnover must reach TWD 10 million.

2. **Established for more than one year:**

   Average turnover in the most recent year or for the past three years must have reached no less than TWD 10 million. The monthly average salary for employed foreigners must be no less than TWD 47,971.

In addition to the aforementioned work permit, the Taiwan employment gold card introduced in 2018 offers a comprehensive solution for foreign professionals seeking to work and reside in Taiwan. This all-in-one card combines a resident visa, work permit, ARC, and re-entry permit, facilitating multiple entries into Taiwan over a period of 1 to 3 years. Applicants can conveniently apply online without the need for sponsorship.

Qualification for the gold card is primarily determined by an evaluation of the applicant's professional skills, eliminating the requirement to secure employment in Taiwan beforehand.

Taxation

In Taiwan, corporate taxes consist of business tax (including VAT), corporate income tax, and a surtax on undistributed earnings. The VAT rate is set at 5% and required bimonthly returns. It applies to goods, services, and imports, with zero-rated items including exports and specific services. Certain industries fall under a special VAT system, which adds an extra cost to buyers since the VAT is non-recoverable.

The corporate income tax rate for Taiwan-based companies is 20% on worldwide income, with an additional 5% surtax on earnings not distributed by the end of the following year. Non-resident enterprises, such as foreign company branches, are taxed only on Taiwan-sourced income. A Taiwanese subsidiary must withhold 21% dividend tax when distributing earnings to foreign shareholders, while a branch is exempt from withholding tax when repatriating after-tax earnings to its head office. Representative offices must register with the tax authorities and keep proper records for compliance.

Taiwan charges a 20% withholding tax on various payments to foreign enterprises, but reduced rates may apply through different provisions. Under double taxation agreements (DTA), business profits from treaty countries without a permanent establishment in Taiwan can be exempt from withholding tax. Article 25 of the Taiwan Income Tax Act allows for a 3% effective tax rate on deemed profits from technical assistance, rental, and construction projects. Article 4-21 provides for 0% withholding tax on charges related to patents and specific technical assistance in eligible industries, though this involves a detailed application process.

A ruling amended in December 2021 clarifies reduced tax rates on certain management fees and other payments. For instance, only a portion of fees charges by a headquarters to a Taiwanese subsidiary might be taxed, resulting in an effective rate lower than the standard 20%. Multinational enterprises should consult with tax advisors to navigate these provisions and ensure compliance.

Audit and accounting

Listed companies, unlisted public companies, and financial institutions regulated by the Taiwan Financial Supervisory Commission (FSC) must use the International Financial Reporting Standards (IFRS) for the preparation of their financial statements. Private companies must follow the Enterprise Accounting Standards and the Business Entity Accounting Act, which has been revised based on the IFRS. A Taiwanese company with paid-up capital of at least TWD 30 million must prepare audited financial statements. Starting from 1 January 2019, private companies with paid-up capital of less than TWD 30 million, but with more than 100 employees or annual net operating revenue exceeding
TWD 100 million, must also have audited financial statements. Taiwan's auditing standards follow the standards issued by the International Auditing and Assurance Standards Board.

Country quirks

- Contributions to labour pension funds (deducted by the company) are compulsory for all employees at the rate of 6% of their remuneration.
- In Taiwan, local banks typically mandate the physical presence of a representative of a company when opening a bank account.
- When the company is established, the capital must be transferred to a bank account in Taiwan, and the capital must be certified by an accountant before company registration can be finalised.

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Doing business in Asia Pacific
Thailand

Thailand

Establishing an entity

Thailand recognises several types of business entities, including partnerships, limited companies, unincorporated joint ventures, and other forms of corporate entities.

Due to the limited liability offered, the most commonly used structure for investors looking to earn income is a limited company.
A representative office is not permitted to earn income and is therefore only considered when the purpose of the entity is to provide services to an overseas head office, subsidiaries, and affiliates, such as collecting data, sourcing goods, checking quality, and providing clients with after-sales support. A regional office provides management or technical services to associated companies or branches in Asia.

The registration process for a limited company requires at least two individual promoters.
Each promoter should be available during the application process and will be required (at least in the short term) to hold a minimum of one company share. Upon registration of the company, the shareholders must pay up a minimum of 25% of the registered capital.

Foreign business restrictions

A foreign business is any business where 50% or more of share capital is from foreign shareholding. Foreign businesses are regulated by the Foreign Business Act, which categorises restricted business activities into three lists: List 1; List 2; and List 3.

Foreign businesses are not permitted to engage in List 1 activities, such as rice farming. Foreign businesses engaging in list two activities require cabinet approval, and foreign businesses engaging in list 3 activities require the permission of the director-general of the department of business development and the supervision of the committee of foreign business affairs. Foreign businesses wishing to engage in list 2 or list 3 activities need to obtain a foreign business licence or a foreign business certificate before commencing operations.

2.5%

GDP growth*

1.4%

Inflation*

71.6m

Population*

USD 7,346

GDP per head*

*Data collected from data.worldbank.org based on the most up-to-date 2024 report.

There are two alternatives to obtaining a foreign business certificate. The first is available to certain nationalities, such as Americans, regardless of whether or not the entity is a corporation or an individual, through the Thai-US Treaty of Amity. The treaty is hugely beneficial to US companies, offering virtually the same business rights as those enjoyed by a local company, except for certain businesses, such as banking and telecommunications. Other nationalities which are treated favourably are Australians, Japanese, and those from ASEAN countries through specific agreements, such as TAFTA, JTEPA, AFAS, and ACIA.

The second alternative is applying through the Board of Investment (BOI) or the Export Processing Zone under the Industrial Estate Authority of Thailand (IEAT).

Manufacturing businesses and export businesses are not restricted. Therefore, 100% foreign ownership is permitted.

Historically, a common technique used by foreign companies to enjoy the benefits associated with being classified as a local company was to make an agreement with one or more Thai nationals to hold shares in name only. However, such nominee shareholdings are illegal, and serious penalties apply to such practices.

Investment incentives

For investors looking to engage in specific types of projects, there are a number of tax and non-tax incentives that may be offered by the BOI. These include 100% foreign ownership, reductions of and/or exemptions from customs duties and corporate taxes, relaxation of the rules relating to visas and work permits, and the ability to own land.

The IEAT is able to offer similar non-tax incentives for those who choose to operate businesses on an industrial estate and offer import duty exemption incentive for those locate in the Free Zone.

Work permits and visas

Foreigners applying to work in Thailand require a valid work permit and a non-immigrant business visa.

For those businesses (in the form of a limited company) not receiving BOI or IEAT incentives, each work permit requires THB 2 million of paid-up capital. An applicant must earn a minimum amount of income as prescribed by law, which varies by nationality. In order to renew the expatriate's visa in Thailand, the employer must typically maintain an employment ratio of at least four permanent Thai staff members to one expatriate.

Typically, a maximum of 10 expatriate work permits are allowed per company. However, this limitation can be relaxed in certain situations, such as where the employer has paid income tax of at least THB 3 million in the previous year, or where the employer employs no less than 100 Thais.

Taxation

The main business taxes in Thailand are value-added tax (VAT), withholding tax, and corporate income tax.

In general, all businesses with sales exceeding THB 1.8 million a year must register for VAT. The nominal VAT rate is 10%, but has been temporarily reduced to 7% for the past several years. VAT returns and related payments must be filed by the 15th of the month following that in which the tax invoice was issued.

Withholding tax is a deduction made on certain types of payments, such as rental, advertising, royalties, dividends, and interest. The amount of tax withheld depends on the category of the service provided and the tax status of the recipient. For example, rates range from 1% on interest paid to domestic companies to 15% on royalties paid to foreign corporations. Tax withheld must be submitted by the 7th of the month following that in which payment was made. The tax withheld can be set off against the final corporate income tax liability.

The standard corporate tax rate is 20%, while the rate for SMEs (small and medium-sized companies whose paid-up capital does not exceed THB 5 million and whose revenue does not exceed THB 30 million) is nil on the first THB 300,000 and 15% on profits up to THB 3 million.

Apart from general deductions of all business expenses incurred in connection with the acquisition of profits or for business purposes, a Thai company may be entitled to special additional tax deductions for expenses. The rates of those special deductions vary depending on specific promotions of the government, but typically range from 25% to 200%.

Whilst operating losses may be carried forward for up to five years, there is no provision for the carry-back of losses, or for group relief or tax consolidation.

Dividends can be fully or partly tax exempt, if specific conditions are met.

Two corporate income tax returns are required, an annual return and a half-year return. The half-year return represents a prepayment of tax payable on estimated net profits for the year.

Transfer-pricing provisions are effective for accounting periods that started on or after 1 January 2019. Taxpayers which have related parties and have annual turnover of at least THB 200 million are required to prepare transfer-pricing documentation, including a disclosure form and a local file.

Audit and accounting

Financial reporting in Thailand requires all legal entities, regardless of size, to have their accounts prepared by a registered Thai accountant and audited by a registered Thai auditor. For Non-Publicly Accountable Entities (NPAEs), the Thai Financial Reporting Standards (TFRS) for NPAEs, similar to the International Financial Reporting Standards (IFRS) for SMEs, have been in effect since 1 January 2011. The TFRS for NPAEs were revised in 2022 and effective for reporting periods beginning on or after 1 January 2023. This revision was made to address the dynamic nature of the business environment and the increasing complexity and diversity of transactions.

Publicly Accountable Entities (PAEs) follow a reporting framework that is broadly aligned with the IFRS. Both NPAEs and PAEs must now comply with the 'Definition of the Abbreviated Components Required in the Financial Statements', 2566 B.E. (2023), announced by the department of business development. This new requirement is effective for reporting periods beginning on or after 1 January 2024. It introduces additional abbreviated components required in financial statements, aligning with the improvements in both the revised TFRS for NPAEs and full TFRS. These new components cover areas such as inventory; the revaluation of land, buildings, and equipment; the measurement of the fair value of investment property; provisions and contingent liabilities; leases; biological assets; and investments in subsidiaries.

Country quirks

- Nominee shareholdings are not allowed.
- Accounts must be prepared by a Thai accountant and audited by a Thai auditor.
- The registered office address must be the actual office address. P.O. boxes and lawyers' addresses are not permitted.
- Proxy and circulated resolutions of board meetings are not permitted.

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Doing business in Asia Pacific
Vietnam

Vietnam

Establishing an entity

The legal structures available for foreign investors wishing to establish an enterprise in Vietnam generally include a Limited Liability Company (LLC) and a Joint Stock Company (JSC).

The business establishment and investment project to be implemented shall be governed by the Law on Investment and Law on Enterprises. In order to officially operate in Vietnam, an enterprise that receives foreign investment needs to obtain two kinds of certificates issued by the licensing authorities (additional sublicences may be required depending on the business, e.g., a trading licence is required for trading activities):

- An investment registration certificate for the project being implemented
- An enterprise registration certificate for the enterprise being established

Alternatively, foreign investors may consider establishing a representative office in Vietnam at the initial stage of their market entry strategy. A representative office is established when the foreign company submits a registration dossier and obtains a licence from the provincial Department of Industry and Trade in the city or province in which the representative office is to be set up. Representative offices are only allowed to carry out liaison and market development functions and cannot perform business activities in Vietnam.

Foreign business restrictions

Foreign investors may invest in sectors and industries that are open for foreign investors under Vietnam's commitments to international treaties (e.g., the WTO) and Vietnamese laws. Generally, prohibited sectors/industries are those that are detrimental to the people, environment, defence, or history and culture of Vietnam. The conditions imposed on projects in conditional sectors/industries are stipulated in the relevant laws, ordinances, decrees, and international treaties.

8.0%

GDP growth*

3.3%

Inflation*

102.3m

Population*

USD 5,026

GDP per head*

*Data collected from data.worldbank.org based on a 2025 report.

Work permits and visas

Foreigners working in Vietnam must obtain a work permit, unless they qualify for an exemption (such as foreigners working in Vietnam for less than three months providing services or handling complicated technical issues that affect production or business, which cannot be handled by Vietnamese or foreign experts in Vietnam). Work permits are also required for foreign employees being dispatched to Vietnam for the implementation of projects in Vietnam (except for ODA-funded projects, where an exemption from a work permit may be granted to foreign experts subject to certain conditions).

The term of the work permit matches the length of employment, but should not exceed two years.

In addition to work permits and business visas, foreigners working in Vietnam might need to obtain temporary resident cards. Temporary resident cards, which enable longer-term stays, are available for up to two years in line with the valid work permit, and are subject to renewal from time to time. The cards also permit multiple entries and exits.

Taxation

Value-added tax (VAT)

VAT is charged on most goods and services in Vietnam. Generally, goods and services are subject to the standard VAT rate of 10%. In a number of special cases, VAT is waived or charged at the rate of 5% (for basic necessities) or 0% (for exported goods and services).

For 2026, the standard VAT rate was adjusted from 10% to 8% (with exception of some groups of goods and services) thanks to the incentive program of the Government under Decree 174/2025/ND-CP.

Corporate income tax (CIT)

Scope & Compliance CIT applies to the net profits of all entities operating in Vietnam. While formal quarterly declarations are no longer required, businesses must make provisional quarterly payments. Final tax settlement is mandatory on an annual basis or upon significant corporate changes such as M&A, dissolution, or restructuring.

Tax Rates The standard CIT rate is 20%. To support smaller enterprises, preferential rates are applied based on annual revenue:

- 15%: Revenue below 3 billion VND
- 17%: Revenue between 3 billion and 50 billion VND
- 25% – 50%: Specialised rates for oil, gas, and high-value natural resource sectors

Taxable Income & Deductions Taxable income is calculated as Total Revenue minus Deductible Expenses. Revenue includes all global income, whether collected or not. To be deductible, expenses must be business-related and supported by valid invoices. Notably, any transaction of 5 million VND or more (VAT inclusive) requires non-cash payment (bank transfer) for tax recognition.

Loss Carry-Forward Enterprises may carry forward operating losses to offset future taxable profits for a maximum of five consecutive years following the year the loss was incurred.

Tax incentives

- **Investment Incentives**: Vietnam offers preferential tax rates and tax holidays (0% periods followed by 50% reductions) based on a project's sector or location. Special incentives also target manufacturing, construction, and transportation firms that maintain a high ratio of female or ethnic-minority employees.
- **Global Minimum Tax (GMT)**: In compliance with OECD's Pillar Two, Vietnam enforces a 15% minimum CIT rate for multinational enterprises (MNEs) with consolidated revenues exceeding 750 million EUR. Since this may offset traditional tax breaks, the government established an Investment Support Fund to provide non-tax incentives—such as grants for R&D and high-tech infrastructure—to maintain jurisdictional competitiveness.
- **Regulatory Framework**: Effective from 2025, Decree 236/2025/ND-CP provides the formal implementation guidelines for the GMT. This decree outlines specific rules for taxpayers, calculation methods, and filing procedures, ensuring MNEs can meet their compliance obligations in Vietnam.

Withholding tax (WT)

Withholding tax, which is a combination of VAT and CIT (or personal income tax), is charged on payments made by companies in Vietnam for certain purchases of goods and services from overseas suppliers (corporate or individual). It is a composite tax consisting of Value Added Tax (VAT) and Income Tax (CIT for organizations or PIT for individuals).

The WT declaration is categorised into three types:

- **Direct Method (Withholding)**: The most common choice. The Vietnamese party withholds and pays a "deemed" tax rate (typically 0.1% to 10%) on gross turnover. The contractor has no local accounting requirements.

- **Declaration Method (VAS)**: For long-term projects (≥ 183 days). The contractor registers for a tax code, follows Vietnamese Accounting Standards (VAS), and pays 20% CIT on actual net profit, similar to a local company.
- **Hybrid Method**: A flexible option for large projects. VAT is calculated based on revenue minus expenses (credit method), while CIT is paid at the simple deemed rates of the Direct Method

Overseas suppliers conducting an e-commerce or digital business and providing other services in Vietnam without a permanent establishment can now directly carry out tax registration, as well as declaration of and payment for its revenue, in Vietnam through the online portal of the General Department of Taxation quarterly or another authorised party can do so on their behalf. If the overseas suppliers do not perform these duties, Vietnamese parties involved in the related transactions (including Vietnamese contractual parties, commercial banks, or payment intermediary companies) shall bear certain responsibilities.

Personal income tax (PIT)

PIT is applied to taxable income received by individuals, with the most common being employment income. As a general rule, PIT is a liability of the employee, but the obligation to temporarily withhold or pay the PIT may initially rest with the employer (if the employer is a Vietnam-based organisation – if not, the employee shall be responsible for his own tax filing). Where employees are remunerated on a gross basis, the employer is liable to withhold PIT payable before paying the income to the employees, and to remit the tax withheld to the state. If the employer remunerates the employees on a net basis, the employer is liable to gross up the net income, calculate the applicable PIT, and pay that PIT to the tax office.

The obligation to pay PIT is based on a number of factors, mainly the taxpayer's residence status in Vietnam for the relevant tax year.

For employment income, tax residents are taxed at progressive rates ranging from 5% to a top marginal rate of 35%. Those who are not tax residents are taxed at a flat rate of 20%.

Other incomes are taxed at flat rates, summarised as below:

No.	Income category	Residents	Non-residents
1	Business income (*)	Business individuals are subject to a 15%–20% tax on earned profit, depending on their annual revenue. Those with revenue under VND 3 billion may choose between taxing actual profit or applying a deemed tax rate on revenue of 0.5%–5%	1%-5% on revenue (depending on type of business)
2	Gain on capital transfer	A 20% tax applies to capital gains, or a 2% tax on sale proceeds if the original cost and related expenses cannot be determined.	
3	Income from capital investment	5%	
4	Gain on securities transfer	0.1% on sales proceeds	
5	Gain on real estate transfer	2% on sales proceeds	
6	Income from prize-winning/ heritance/gifts	10% on portion exceeding VND 20 million	
7	Income from royalty/franchising	5% on portion exceeding VND 20 million	
8	Interest/Dividend	5% on income	
9	Income from transfer of Vietnamese internet's domain/carbon credits/auction-won vehicle license	5% on portion exceeding VND 20 million	
10	Income from transfer of digital assets/gold bars(**)	0.1% on sales proceeds	

Audit and accounting

Vietnam Accounting Standards (VAS) were developed based on older versions of IAS and IFRS, but Vietnam adopted and modified these standards according to local regulations. While IFRS continue to evolve, VAS have remained mostly unchanged since they were first issued. This has created gaps between Vietnamese and international accounting practices, affecting the comparability of financial statements globally.

On 16 March 2020, the Ministry of Finance set out the roadmap for adopting IFRS in Vietnam and introducing Vietnam Financial Reporting Standards (VFRS). The implementation plan includes two phases:

Phase	Timing	Who is involved?
Phase I: Voluntary	2022 – 2025	Companies with the resources and desire to switch. This includes State-Owned Enterprises, listed companies, and Foreign-Invested Enterprises (FIEs).
Phase II: Compulsory	2026 onwards	Adoption becomes mandatory. Depending on the type of company, they must use either IFRS or the new VFRS for their financial statements.

Foreign-invested enterprises (FIEs) in Vietnam typically use the calendar year as their fiscal year, though an alternative 12-month period aligned with full quarters may be adopted. The first and final fiscal years may extend up to 15 months.

FIEs must have their annual financial statements audited by a licensed Vietnamese audit firm, while Representative Offices and Project Management Offices are exempt but must maintain simplified VAS-compliant records.

In addition, internal audit is mandatory for listed companies, state-owned parent companies, and entities where the State holds at least 50% of charter capital, a requirement in force since April 2021.

Country quirks

- Companies are required to employ a chief accountant (except micro enterprises).
- Nominee shareholdings are not legally recognised, even though they are widely used.
- The registered office address must be the actual office address. P.O. boxes and lawyers' addresses are not permitted.
- Law and regulations are frequently changed or amended. Private rulings are not legally binding in some cases.
- Copyright law is very weak in Vietnam. However, Vietnam has significantly strengthened its copyright system since joining TRIPS, CPTPP, and EVFTA, and has implemented modern IP laws.

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