DOING BUSINESS IN ASIA PACIFIC

2015–2016

MAZARS

INTRODUCTION

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 it is intended to answer some of the important broad questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations and to obtain appropriate professional advice.

Asia has become a global growth driver and as such both local and international companies are seeking assistance from firms offering a large range of expertise, whilst having a presence across the principal markets of the region. This is the case for Mazars, which is forever striving to strengthen its presence and services.

MAZARS IS AN INTERNATIONAL, INTEGRATED AND INDEPENDENT ORGANISATION, SPECIALISING IN AUDIT, ACCOUNTANCY, TAX, LEGAL AND ADVISORY SERVICES. THE GROUP DRAWS ON THE EXPERTISE OF OVER 15,000 PROFESSIONALS TO ASSIST MAJOR INTERNATIONAL GROUPS, SMES, PRIVATE INVESTORS AND PUBLIC BODIES IN 73 COUNTRIES THAT ARE PART OF ITS INTEGRATED PARTNERSHIP.

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MAZARS

Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. As of 1 January 2015, Mazars and its correspondents operate throughout 92 countries. 73 of these countries are part of Mazars' integrated partnership and 19 are Mazars correspondents. They draw on the expertise of over 15,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development. The Praxity Alliance offers Mazars operating capacity via professional teams in 18 additional countries.

Since 2004, Mazars has enjoyed dramatic growth in the Asia Pacific region and now has more than 2,350 professionals sharing the same values and sense of responsibility across Asia in 14 different countries.

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Asia Pacific - "Compliance Made Easy"

Mazars provides compliance and advisory services across Asia Pacific. Our clients include owner-managed businesses, international corporate organisations and blue chip companies. We provide services in the following areas: company registration, accounting, payroll, tax compliance, legal compliance, immigration and other services as requested by our clients. Our integrated structure enables Mazars to ensure quality of service and cooperation across the region. We use our local knowledge to ensure that you remain compliant, allowing you to focus on developing your business. When you choose Mazars in one or more countries, you can be assured of a cost effective, one point of contact service.

Pudong New Area, Shanghai

CHINA

GDP GROWTH	7.4%
INFLATION	2.0%
POPULATION	1364.3 M
GDP PER HEAD	USD 7,594
WORLD BANK EASE OF DOING BUSINESS RANK	90

Data collected from data.worldbank.org based on 2014 report.

CHINA

ESTABLISHING AN ENTITY

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

A WFOE is a Limited Liability Company, wholly owned by a foreign investor(s). WFOEs were originally introduced to promote manufacturing activities that were either export oriented or encouraged advanced technology. Since China's entry into the World Trade Organisation, the WFOE is also increasingly being used for consultancy & service, wholesale, retail and franchise activities.

A joint venture is an entity formed by a foreign investor(s) and a Chinese party. It could be a Limited Liability Entity (equity joint venture) or a Co-operative Entity (co-operative joint venture). For foreign investors new to the market, a Chinese partner offers the advantage of familiarity with the Chinese market and may help shortcut the learning curve. In some industries, the Chinese government prohibits the formation of WFOEs and requires joint ventures to be formed.

The company registration process for any structure requires at least 1 representative. The minimum capital required is based on the business plan and feasibility study of each case. The capital must be contributed as specified in the articles of association.

If the investor wishes to establish a presence but does not wish to establish a separate legal entity in China, the investor may choose to establish a branch office or a representative office. These two arrangements are treated as extensions of the head office overseas. Branch offices are rarely approved and a representative office can only be used to facilitate market entry and/or act as a liaison for the group.

A representative office cannot carry on business transactions or provide services to other entities.

FOREIGN BUSINESS RESTRICTIONS

Foreign businesses are regulated by the Ministry of Commerce (MOC) under the Catalogue for the Guidance of Foreign Investment. This catalogue categorises business activities into 4 groups: Encouraged, Permitted, Restricted and Prohibited. Company established in the Free Trade Zone in Shanghai are only subject to the Prohibited list related to this zone. An activity is allowed as long as it is not classified as “prohibited”. Each group includes a list of the sectors and the legal structures required in each case: some of the activities require a joint venture, some limit the maximum percentage of shares held by the foreign partner, whilst others can be engaged 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 from corporate income tax.

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

We should underline that the laws relating to investment incentives are constantly changing. Professional advice should be sought when considering an investment.

WORK PERMITS AND VISAS

Foreigners applying to work in China require a work permit.

To obtain a work permit, the applicant must hold a Bachelor degree; have at least 2 years of working experience and have a local contract in China. Please note that visa application procedures should be completed in the country of origin or in the country of residence (relevant residence documentation will be requested by the delivering body – Chinese embassy or consulate).

TAXATION

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

VAT and business tax are sales taxes. In general, VAT applies to sales of tangible goods and more recently to sales of some services (so-called "modern services"), while business tax applies to fees for services rendered in China or services received by an entity in China. There are 2 VAT payer categories: general VAT payers and small-scale VAT payers. The VAT rates for general VAT payers are mainly: 6% for service, 13% for utilities and 17% as a normal rate. A small-scale VAT payer rate is 3%. Small-scale VAT payer cannot offset input VAT with output VAT. VAT returns and related payments must be submitted by the 15th day of the following month.

Business tax generally applies to service income, except for modern service (e.g. consulting, marketing) where VAT applies. The rate varies from 3% to 20% depending on the service category. Business tax declarations and related payments must be submitted by the 15th day of the following month. Unlike the VAT system, where input VAT can be offset against output VAT, no input credits are offered in the business tax system. The Chinese government recognises the potential for double taxation and aims to gradually replace business tax with VAT.

Payments made from China are generally subject to withholding tax. If the payments are in relation to passive income, such as dividends, interest or royalties, they are subject to a withholding tax of 10% (to be reduced by the relevant tax treaty). In addition, business tax may be charged on items such as interest or royalties. If the payments are in relation to the provision of services, depending on whether there is protection by virtue of tax treaties, profits on such services are subject to corporate income tax at 25%. In addition, such services are subject to business tax or VAT (under the modern services regime as stipulated in the VAT reform). VAT or business tax is not covered by tax treaties.

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. The quarterly declarations represent a prepayment of the calculated tax payable on the forecasted net profit for the year. It is worth noting that whilst operating losses may be carried forward for up to 5 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 and once the statutory audit report has been issued.

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 employee and employer. In practice however, employers would be held responsible by tax authorities and would be subject to penalties for failure to report and withhold. The penalty could be as high as five times the amount of IIT payable. The underpaid IIT remains the responsibility of the employee. It should also be noted that an annual declaration is also required for certain individual employees e.g. those with annual income exceeding RMB 120,000 and those with income from more than one source.

SOCIAL CONTRIBUTIONS

Since October 2011, foreign employees in China are required to register with the National Social Security Management Centre and contribute to all 5 contribution schemes: pension, medical, work-related injury, unemployment and maternity. German and South Korean employees are exempt from this requirement due to the social contribution treaties their governments have signed with China.

Social contributions are declared and paid for on a monthly basis. The rates and basis of calculation vary depending on the location of employment.

FOREIGN CURRENCY TRANSACTIONS CONTROLS

The State Administration of Foreign Exchange (SAFE) is tasked notably 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 SAFE when receiving funds from, or paying to, overseas parties. In the case of a loan with an overseas sister/mother company for instance, the China-based borrowing company would have to register the loan with SAFE prior to receiving the funds to a dedicated bank account.

Such procedures with SAFE should not be underestimated as they can be long and complex.

AUDIT AND ACCOUNTING

All legal entities in China must have their accounts prepared by a registered Chinese accountant and audited by a registered Chinese CPA firm. The financial year-end date for all entities is the 31st of December. A financial and statutory report must be issued by a CPA firm. For foreign entities, a foreign exchange report is also required.

People's Republic of China (PRC) GAAP is broadly aligned to IFRS, although some of the more complex standards, such as IAS39 Financial Instruments, have yet to be adopted.

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 legal entities in China must be audited.
- Four categories of business activities: Encouraged, Permitted, Restricted and Prohibited.
- Foreign exchange control exists on all transactions in and out of China.

YOUR CONTACT:

Thomas Chen

thomas.chen@mazars.cn

Skyline of Hong Kong

HONG KONG

SPECIAL ADMINISTRATIVE REGION (HKSAR)

GDP GROWTH	2.5%
INFLATION	4.4%
POPULATION	7.2 M
GDP PER HEAD	USD 40,170
WORLD BANK EASE OF DOING BUSINESS RANK	3

Data collected from data.worldbank.org based on 2014 report.

HONG KONG

SPECIAL ADMINISTRATIVE REGION (HKSAR)

ESTABLISHING AN ENTITY

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

- Sole proprietorship or partnership.
- Limited liability companies.
- Branch office or representative office of a foreign company incorporated outside of HKSAR.

A. Sole Proprietorship

Other than ensuring that business registration requirements are complied with, there are no statutory restrictions on the way in which an owner runs the business (provided it is legal). However, a sole proprietorship gives rise to unlimited liability for the owner and therefore it is not normally recommended.

B. Partnership

General and unlimited partnerships are formed under the Partnership Ordinance.

In a general partnership, all partners are jointly and severally liable without limit for the debts and obligations of the partnership. Partners are also each personally liable, without limitation, for all the debts and obligations of the partnership not satisfied by the partnership assets.

It is possible to register, with the Registrar of Companies, a limited partnership, which is governed by the Limited Partnership Ordinance, under which the liability of at least one of the partners must remain unlimited.

C. Limited Companies

Limited companies may be either private or public companies limited by shares or a guarantee company without share capital, the operation of which is mainly subject to the provisions of the Companies Ordinance. The liability of members of a company, for the company's debts, is limited to the issued share capital or, in the case of a company limited by guarantee, to the amount of the guarantee.

Most business operations in the HKSAR are private companies limited by shares, whose articles of association:

- Restrict the right to transfer the company's shares.
- Limit the number of members to 50.
- Prohibit any invitation to the public to subscribe for shares or debentures.

Any company, whose articles of association do not contain the three restrictions specified above, is a public company.

D. Branch or Representative Office

Any overseas company which establishes a place of business in the HKSAR is required to register pursuant to the Companies Ordinance. A place of business includes a share transfer or share registration office, any place used for the manufacture or warehousing of goods, and/ or a place used by the company to transact any business which creates legal obligations.

If the office in the HKSAR has a liaison function and no business is conducted in the HKSAR that creates legal obligations, then the only action that must be taken is for the company to register a representative office under the Business Registration Ordinance.

FOREIGN BUSINESS RESTRICTIONS

Essentially, there is no restriction on foreign business nor is there any foreign exchange control. There is also no Hong Kong residential requirement for shareholders and directors of an entity in the HKSAR.

WORK PERMITS AND VISAS

Other than those who have the Right of Abode or Right to Land 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 the HKSAR, settle in Hong Kong for permanent residence, or stay as a visitor longer than the allowed visa free period, must obtain a visa before coming to the HKSAR, via a Chinese Consulate or Visa Office in his/her country of residence or citizenship.

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

TAXATION

Profits tax is imposed for each tax year on Hong Kong-sourced profits derived from a trade, profession or business carried on 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 production of assessable profits. However, capital expenditure is not tax-deductible.

A tax year covers a period of 12 months commencing on 1st April and concluding on 31st March. Profits earned by a person during an accounting year ending within a tax year will be deemed to be his profits for that tax year.

Tax losses incurred cannot be carried back but can be carried forward indefinitely to offset against any future assessable profits. Anti-avoidance provisions contained in the Inland Revenue Ordinance restrict the use of tax losses where a change in shareholding was undertaken solely or dominantly for the purpose of utilising the losses to obtain a tax benefit.

The prevailing profits tax rate is 16.5% for corporations and 15% for unincorporated businesses.

Salaries tax is imposed for each tax year on income arising in or derived from Hong Kong from any office, employment or any pension. For Hong Kong employment, all income derived will normally be subject to salaries tax, even if some services are performed outside of Hong Kong. Income from non-Hong Kong employment is only taxed to the extent that is derived from services rendered in Hong Kong. In determining whether an employment is a Hong Kong employment or a 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 will be 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 amount of tax limited to the standard rate of 15% on the taxpayer's net assessable income (i.e. income after deduction of expenses but no personal allowances are granted). Subject to certain exceptions, both employer and employee are required to contribute 5% of the monthly income of the employee to a Mandatory Provident Fund (capped at HKD 17,500 p.a. for 2014 / 2015 and HKD 18,000 p.a. for 2015 / 2016).

There is no value added tax, sales tax or capital gains tax in Hong Kong.

AUDIT AND ACCOUNTING

All companies incorporated under the Companies Ordinance, regardless of size, must have their (annual) financial statements audited by a practicing Certified Public Accountant registered with the Hong Kong Institute of Certified Public Accountants (HKICPA). Hong Kong GAAP is commonly adopted for the preparation of financial statements though it is not mandatory by law. Hong Kong GAAP (also generally referred to as Hong Kong Financial Reporting Standards (HKFRS) issued by the HKICPA) is almost fully converged with International Financial Reporting Standards (IFRS). Hong Kong also adopts the Hong Kong variation of the IFRS for SMEs, which is known as HKFRS for Private Entities, for companies that do not have public accountability. SMEs that meet certain criteria including size test and shareholders' approval can also choose to apply the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS).

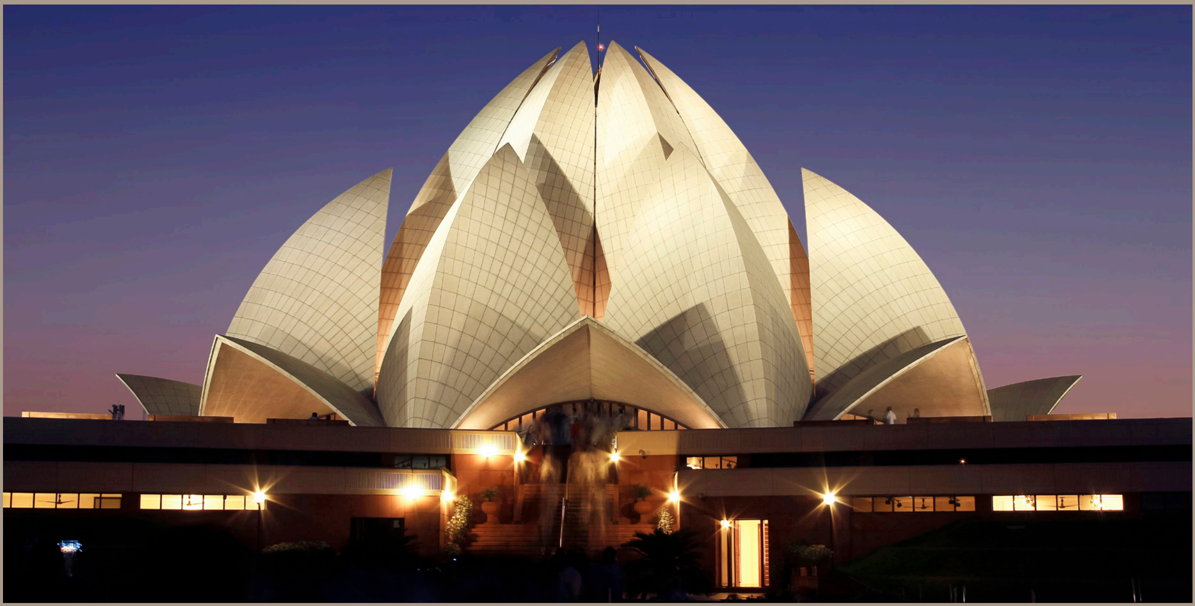
COUNTRY QUIRKS

- Legal system: originated and based on British Common Law, unlike that of the mainland
- There is no restriction on foreign business nor is there any foreign exchange control.
- The HKD has been pegged to the USD since 1984 at a fixed rate of HKD 7.8 = USD 1
- Capital expenditure is not tax deductible
- Official languages: English and Chinese

YOUR CONTACT

Stephen Weatherseed

stephen.weatherseed@mazars.hk



Lotus Temple, Delhi, India

INDIA

GDP GROWTH	7.4%
INFLATION	6.4%
POPULATION	1267.4 M
GDP PER HEAD	USD 1,631
WORLD BANK EASE OF DOING BUSINESS RANK	142

Data collected from data.worldbank.org based on 2014 report.

INDIA

ESTABLISHING AN ENTITY

Investors may establish a business or presence in India either as a Foreign Company, Foreign Limited Liability Company, or Indian Company.

A Foreign Company is one which 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 represent an extension of the parent company. To reduce risk, the establishment of an independent legal entity in the form of a Foreign Limited Liability Company may be preferred.

As an alternative to the Foreign Limited Liability Company, an 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 company having a paid up share capital of INR 50,000,000 or more is required to appoint a qualified person as Company Secretary.

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 (other than construction or development, which is permitted), construction of farm houses, trading in Transferable Development Rights (TDRs), manufacturing of cigars, cigarettes or of tobacco substitutes and multi brand retail trading.

INVESTMENT INCENTIVES

Tax incentives are available for investment in India. India has a number of Special Economic Zones (SEZ). The SEZs are considered as foreign territories in all that concerns taxes and customs. Companies in a SEZ are eligible for a full tax exemption for the first 5 years and a 50% exemption from the tax due for the next five years. Entrepreneurs who supply infrastructure resources in a SEZ are eligible for a 10 year tax exemption.

Companies whose main objective is scientific and industrial research are also eligible for a 100% exemption from tax for 10 years starting from 1 April 2007.

Industries located in North East India or the state of Sikkim are entitled to a 10-year tax exemption for activities performed between 1 April 2007 and 1 April 2017.

TAXATION

The main business taxes in India are sales tax, service tax and corporate income tax.

The rates of sales tax and the associated thresholds vary by state. In the state of Delhi, sales tax registration is required for all businesses with sales volumes in excess of INR 2,000,000 per annum. Sales tax returns must be submitted on a quarterly basis and monthly sales tax payments must be paid before the 21st day of the following month in which the tax invoice was raised.

Service tax registration is required for businesses with service volumes in excess of INR 1,000,000 per annum. The rate of service tax is 12.36%. Service tax returns must be submitted every six months. Service tax must be paid within the 5th day of the following month in which the tax invoice was raised except for the month of March which is to be paid by 31st March only.

Withholding tax is a deduction made on certain types of payments (e.g. rental, advertising, professional services, royalties, dividends and interest). The amount of tax withheld depends upon the category of service provided and the tax status of the recipient. Rates range from 1% to 10% if the Permanent Account Number (PAN) of the payee is available. In case the payee's PAN is not available, tax may be withheld at 20%. Tax withheld must be submitted within the 7th day of the following month and will be offset against the final corporation tax liability. The withholding tax returns are filed on a quarterly basis. Along with advance tax payments, this is the way in which income tax is collected. For all foreign payments, the entire tax component is withheld at source, where income is liable to tax in India.

Corporation tax is applied at a rate of 30% for domestic companies and 40% for foreign companies on net profits. This rate is subject to an additional levy consisting of a surcharge and a cess. The surcharge is 5% of the tax in the case of domestic companies and 2% in the case of foreign companies. However, no surcharge is payable if the net income does not exceed INR 10 million. The cess is a further 3% of the tax payable (inclusive of the surcharge where applicable). Where the tax payable is less than 18.5% of the company's booked profits, a Minimum Alternate Tax (MAT) is levied at 18.5%. The surcharge and cess is also applied. Companies must make advance payments of their corporation tax, on a quarterly basis, based on estimated annual income. Business losses and capital losses may be carried forward eight years. Companies are also liable to pay Dividend Distribution Tax at the rate of 16.995%.

WORK PERMITS AND VISAS

All foreign residents entering India must have a visa.

The main classes of visas in India are:

- A tourist visa is given to a foreigner who intends to visit India solely for purposes of tourism; a maximum period of 6 months is granted under multiple entry regime without any authorisation for an extension.
- A transit visa for a period of 15 days only under the single/double entry regime with the condition of having a return/onward journey ticket is available.
- A business visa is intended for instances in which a foreign resident visits India for business purposes, including opening a business. The visa can be granted up to a period of 5 years under the multiple entry regime with the facility of a visa extension in India.
- An employment visa is granted to a foreign resident who intends to work in India. A letter of invitation from the employer in India should be provided. It is normally granted for a period of 1 year depending upon the period of contract. An employment visa also provides for multiple entries and also carries the facility of an extension in India.

The visas are usually issued by the 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. Residential permits in India are issued for a period that corresponds with the period of the employment visa. It is not necessary to obtain a work permit.

AUDIT AND ACCOUNTING

Statutory audit of all companies is mandatory in India. Furthermore, companies with income exceeding INR 10,000,000 per annum (INR 2,500,000 in the case of a service company) require a tax audit.

Indian GAAP is broadly aligned to IFRS, although some of the more complex standards such as IAS39 Financial Instruments are yet to be adopted. Convergence with IFRS (known as Ind-AS) is being phased in from 1 April 2016, though a company may voluntarily adopt Ind-AS with effect from 1 April 2015.

COUNTRY QUIRKS

- Statutory Audit of all companies is mandatory.
- Companies with income exceeding INR 10,000,000 (INR 2,500,000 in the case of a service company) per annum require a tax audit.
- Every company with a paid-up capital of more than INR 50,000,000 or more needs to appoint a full-time Company Secretary who must be a member of The Institute of Company Secretaries of India.

YOUR CONTACT

Shavak Kapadia
shavak.kapadia@mazars.in

Terrace rice fields in Bali, Indonesia

INDONESIA

GDP GROWTH	5.0%
INFLATION	6.4%
POPULATION	252.8 M
GDP PER HEAD	USD 3,515
WORLD BANK EASE OF DOING BUSINESS RANK	114

Data collected from data.worldbank.org based on 2014 report.

INDONESIA

ESTABLISHING AN ENTITY

Foreign businesses may establish a Limited Liability Company (LLC) or a representative office. Due to the limitation of liability offered, the most common entity used by investors looking to earn profit/income is a Limited Liability Company. 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, for example: 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. License for representative office is given for 3 years and can be extended for 1 year, twice.

Many foreign investors at the early stage of entering the Indonesian market choose to set up an Agency Agreement or a Representative Office. However, once the business starts to grow they will apply for Foreign Direct Investment Company (FDI) status.

The Limited Liability Company registration is a threephase process. It requires a minimum of two shareholders, and upon registration of the company, the shareholders must pay a minimum of 25% of the Authorised Capital into the company. It is required for the company to be managed by a Board of Directors, which in turn should be supervised by a Board of Commissioners. Both boards are appointed by the shareholders.

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.

The government of Indonesia opens foreign investment opportunities to a long list of industries, some of which may require local equity partnership. For some commercial activities that include retailing, tourism and mining, an Indonesian partner is obligatory with the percentage of equity required varying across the different fields of activity.

Some activities permit 100% foreign ownership, others less. There are some areas that are protected from foreign investment and reserved only for Indonesians, in particular small ventures that include agricultural, handcrafts and informal sectors. A more complete list of these areas can be found in the latest Negative Investment List in the Presidential Regulation of the Republic of Indonesia No. 39/2014.

Foreign capital investment is governed primarily by the Indonesian Investment Coordinating Board (BKPM), which administers and approves foreign capital investment in the majority of economic sectors. Investment in oil and gas, mining, banking, finance and insurance industries also requires approval from the related ministries. BKPM is the one-stop government agency for foreign investors regarding all approvals, licenses and permits required to establish a company. Once the Investment Approval is issued, the investor can set up an Indonesian company, which will normally take approximately 2 months to complete.

INVESTMENT INCENTIVES

The Law No. 25/2007 concerning investments stipulates the incentives that may be obtained by a foreign limited liability company. Incentives may take the form of:

- Income tax through a reduction of net income to a specified extent based on the total investments made within a defined period;
- Exemptions or relief on import duty of production capital goods, machines, or equipment not yet produced domestically;
- Exemptions or relief on import duty of production raw materials or components for a finite period and with specified requirements;
- Exemptions or deferment of value-added tax (VAT) for a finite period on import of production capital goods or machines or equipment not yet produced domestically;

- Accelerated depreciation or amortization; and
- Relief on Land and Buildings Tax, particularly for specified business sectors in specified regions or areas or zones.

WORK PERMITS AND VISAS

Visa to enter Indonesia

Since 26 January 2010, visas on arrival for a 30-day stay are available for citizens of 63 countries. The visa costs USD 35 (cash only) and may be extended for a further 30 days at the nearest immigration office.

Furthermore, on 9 June 2015, free visit visa policy was issued by presidential regulation for citizens of 45 countries. The free visit visa is for a maximum of 30-day stay.

The full list of countries entitled to visa on arrival or free visit visa may be checked at your local Indonesian Embassy.

Temporary Residence Visa (KITAS)

KITAS is issued to work permit holders, students and dependents of Indonesian citizens or foreigners with a work permit. This visa, which requires a sponsor, is valid for up to 12 months. It is subject to authorization from the Immigration Office in Indonesia.

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. There are two types of business visas

(1) A Single Entry Business Visa

This visa is valid for a maximum stay of 60 days but can be extended up to four times on a monthly basis by the Immigration Department to give a total maximum stay of six months. This visa is easier and cheaper to obtain. It is also useful for buying trips, negotiations and consultations. The visa however, does not permit you to 'work' in Indonesia, the definition of which is as determined by the Immigration Office.

(2) A Multiple Entry Business Visa (MEBV)

This visa is valid for 12 months and is more convenient if you have to travel to Indonesia on a frequent basis. You may enter and leave Indonesia at any point of time within the 12 months period, but you are required to leave the country every two months (maximum stay permit). It is issued by the Indonesian embassy in your country with the authorization of the Immigration Office in Indonesia. When applying, your business counterparts/sponsors in Indonesia must apply locally on your behalf.

Work Permit

Organizing a work permit in Indonesia is a complicated and lengthy process. Company sponsorship is required for any foreigner who wants to work in Indonesia. In order to protect the local job market, there are strict guidelines to determine 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, a TA-01 is issued and upon your arrival, a work permit (Izin Mempekerjakan Tenaga Kerja Asing or IMTA) and limited stay permit (Kartu Izin Tinggal Terbatas or KITAS) are issued. This requires payment of an annual Skill and Development Fund fee (DPKK). The original approval letter of TA-01 is also needed to obtain a temporary residence visa (VITAS or Visa Tinggal Terbatas).

TAXATION

The main business taxes in Indonesia are value-added tax (VAT) , income tax and corporate income tax. Indonesia VAT has also become a major source of revenue for the government. VAT applies to the import and delivery of most goods and services. Insurance and banking are not subject to VAT.

VAT is collected at a standard rate of 10%, but for some services the VAT effective rate is 1%. In addition, luxury tax varies from 10% to 200%. For the exportation of goods, the VAT 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 on most sources of increase in economic wealth. 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 tax rate was reduced to 25% in 2010. Starting July 2013, micro, small and medium-sized business (MSMEs/UMKM) with turnover of up to IDR 4.8 billion (USD 370,000) are subject to 1% final income tax. Companies with a turnover of less than IDR 50 billion (USD 3.8 million) are categorised as MSMEs/UMKM may have a tax discount from the tax rate of 25% depending on their revenues. Companies that list at least 40% of their shares on the Indonesian Stock Exchange will have a tax cut of 5% from the top rate. This provides an effective tax rate of 20%.

AUDIT AND ACCOUNTING

All public listed firms, state owned companies, firms handling public money (banks, insurance companies) and companies having a turnover above IDR 50 billion (USD 3.8 million), must have their accounts audited by a registered Indonesian CPA.

Indonesia's stated policy is to maintain its national GAAP and gradually converge it with IFRS. As of 1 January 2015, Indonesia has converged to IFRS applicable as of 1 January 2014 (one year gap difference).

COUNTRY QUIRKS

- Accounts must be prepared in local language (Bahasa Indonesia) for tax purposes.

YOUR CONTACT

Sebastien Gautier
sebastien.gautier@mazars.id

View of Yokohoma and Mt. Fuji

JAPAN

GDP GROWTH	-0.10%
INFLATION	2.7%
POPULATION	127.3 M
GDP PER HEAD	USD 36,194
WORLD BANK EASE OF DOING BUSINESS RANK	29

Data collected from data.worldbank.org based on 2014 report.

JAPAN

ESTABLISHING AN ENTITY

Foreign companies establishing a business entity in Japan can choose from 5 basic types of entities: (1) subsidiary company being a joint stock company (Kabushiki Kaisha or KK), (2) subsidiary company being a limited liability member company (Godo Kaisha), (3) branch (of a foreign company), (4) limited liability partnership (LLP) and (5) representative office.

A KK is generally the most trusted form of entity in Japan. The procedure for setting up a KK in Japan must be conducted in Japanese and typically takes one month to complete.

Subsidiary companies can be set up with a minimum capital of JPY 1.

A KK, a GK and a branch all need at least 1 authorised representative who does not need to be a resident of Japan. A LLP needs at least 2 partners.

FOREIGN BUSINESS RESTRICTIONS

The vast majority of industries have been liberalized and made available for foreign direct investment. Such investment is treated as “foreign direct investment in Japan” under the Foreign Exchange and Foreign Trade Law (Foreign Exchange Law) and is differentiated from financial and portfolio investment. In principle, advance authorisation is not required and the submission of ex post facto notification (subsequent report) to the Minister of Finance and the Minister(s) with authority over a particular industry is sufficient.

Prior notification is, however, required for investments in industries which 1) threaten the nation’s security, become an obstacle to the maintenance of public order, or hinder public safety; or 2) are categorized as belonging to industries which Japan has not yet liberalised.

Furthermore, investment by companies from certain countries is also subject to prior notification requirement.

INVESTMENT INCENTIVES

As a means of attracting corporate investment, local administrative bodies have enacted various regulations and programs to authorize tax incentives including reductions of and exemptions from business, fixed asset, real estate acquisition taxes, subsidies and loans to finance the acquisition of land and buildings, operating expenses and facilities investment. There are even some grants available for a very restricted range of investments.

WORK PERMITS AND VISAS

A Certificate of Eligibility is issued before an application is made for various kinds of visas and is evidence that a foreign national meets the conditions for landing in Japan, as well as the requirements for the activity in which the foreign national wishes to engage in Japan

Although the process is not particularly simple and the criteria for receiving a work permit is not particularly clear, in practice, Japan is quite liberal towards allowing the employment of foreign professionals.

TAXATION

Corporations engaged in economic activities in Japan are subject to taxes in Japan on the profits generated by those economic activities. Taxes include corporate tax (national tax), corporate inhabitant tax (local prefectural and municipal tax) and corporate business tax (local prefectural tax) (hereinafter collectively referred to as "corporate taxes"). The effective tax rate combining national corporate tax, corporate inhabitant tax and business tax (tax burden on corporate income) is calculated at around 32 to 35%.

Capital gains from investments are generally treated as part of ordinary taxable income for corporate tax purposes. Where a tax loss is realized in a given tax year, provided the company has a "blue-form" tax return filing status, that loss may be carried forward by the company for use in sheltering taxable profits of future tax years for 9 years. The loss carry back rule has been suspended since 1992, except in certain limited situations.

Consumption tax is categorized as a value added tax applied to almost every domestic transaction and every import transaction except for financial transactions, capital transactions, medical services, welfare services and educational services. Provision of digital services by foreign service providers to domestic businesses or domestic consumers is also included as a domestic chargeable transaction. The aggregate consumption tax rate is now 8% rising to 10% in 2017.

Companies classified as Small and Medium-sized Enterprises (SMEs) can get significant reduced rates across the board for corporate taxes but only for the first JPY 8 million of profit. To qualify as an SME, companies must not have a capital exceeding 100 million yen and a Group capital of less than JPY 500 million. These companies will have an effective rate of national and local corporate tax of 21 to 25% on the first JPY 8 million of profit only. For SMEs there is also a provision to carry back losses for one year which is not available to larger 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). The withholding tax rate on dividends from certain listed shares is 15.315% from 1 January 2014 prior to any reduction resulting from any applicable double tax treaties. On payments of dividends, interest and royalties made to a resident, withholding taxes are levied at rates between 10.21% to 20.42%.

Personal Taxation and Welfare Insurance is quite complex. The deduction systems and timing of deductions for national income tax, local income tax, state health pension contributions and labour insurance are all completely different and in practice are difficult for smaller companies without dedicated HR departments to operate by themselves, leading to the widespread outsourcing of payroll to professional providers. Japan taxes its residents on their global income but there are transitional concessions for foreigners taking up residence in Japan for the first time.

AUDIT AND ACCOUNTING

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

An accounting auditor must either be a CPA professional or a licensed audit firm. If a company is neither a large company nor a "company with committees", it is not required to have an accounting auditor. Some other laws also stipulate a statutory audit by a CPA, including the Financial Instruments and Exchange Act, which is applicable to listed companies, certain regulated entities such as banks and insurance companies and other companies that raise capital publicly.

All KK are required to make an annual return and should provide updates on changes of directors and other key information. They are also required to disclose a summary of their balance sheet either through the official gazette, another newspaper or on their own website.

Specific to Japan is also the corporate auditor system (Kansayaku). The corporate auditor 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. One should be aware of the fact that corporate auditors in Japan do not need to be CPA professionals or accredited accounting firms.

COUNTRY QUIRKS

- The registered office address must be the actual place of work.
- Smaller companies may have the option of choosing whether or not to register for consumption tax in the opening period of the business year. Some significant tax planning opportunities exist in this area and careful consideration needs to be taken of this issue 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.
- Functional currency accounting is not allowed.

YOUR CONTACT

Bruce Darrington
bruce.darrington@mazars.jp

Petronas Towers at night, Kuala Lumpur

MALAYSIA

GDP GROWTH	6.0%
INFLATION	3.1%
POPULATION	30.2 M
GDP PER HEAD	USD 10,830
WORLD BANK EASE OF DOING BUSINESS RANK	18

Data collected from data.worldbank.org based on 2014 report.

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.

Businesses carried out under sole proprietorships and general partnerships must be registered with the Companies Commission of Malaysia. Likewise, an application for the incorporation of a company or a limited liability partnership and the registration of a branch of a foreign company must be made to the Companies Commission of Malaysia.

Generally, it takes about 1 to 2 weeks to incorporate a company or to register a branch of a foreign company in Malaysia. Shelf companies are readily available and can be bought and used within days.

A limited liability company must have at least two directors who must have a principal or only place of residence in Malaysia. Such a company must have a minimum authorised share capital of MYR 100,000 and a minimum paid-up share capital of MYR 2. The company must have a registered office in Malaysia and must keep its accounts and records in Malaysia. A branch of a foreign company in Malaysia must keep the records of its Malaysian operations in Malaysia.

A limited liability partnership must have at least two partners consisting of individuals or corporate bodies. The limited liability partnership must have a compliance officer and a registered office in Malaysia and must keep its accounts and records in Malaysia. Foreigners can be partners of limited liability partnerships.

FOREIGN BUSINESS RESTRICTIONS

Only a Malaysian citizen or a permanent resident of Malaysia can register a sole proprietorship business or a general partnership business in Malaysia.

Foreign investors are permitted to incorporate a 100% foreign-owned company in Malaysia.

INVESTMENT INCENTIVES

Companies in manufacturing, agriculture, hotel and tourism, or other encouraged sectors and 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.

Generally, a company enjoying pioneer status is given a tax exemption of 70% of statutory income (i.e. profit after deduction of capital allowances) for 5 or 10 years, with the balance of 30% of the statutory income being subject to tax at the prevailing corporate tax rate. Unabsorbed losses and unabsorbed capital allowances can be carried forward to subsequent years until fully utilised.

Companies granted ITA are given a 60% allowance on the qualifying capital expenditure incurred within 5 years from the date the incentive takes effect. ITA is allowed to be set off against only 70% of the statutory income, whilst the remaining 30% of statutory income is subject to tax at the prevailing corporate tax rate. Unabsorbed ITA can be carried forward to subsequent years until fully utilised. ITA is granted in addition to the normal tax depreciation, known as capital allowance.

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

A company resident in Malaysia which is involved in manufacturing or agricultural activities is eligible to claim reinvestment allowance (RA) of 60% if it incurs qualifying capital expenditure for the purpose of expansion, modernisation, automation or diversification projects, and has been in operation for at least 36 months. The RA granted is allowed to be set off against only 70% of statutory income, whilst the remaining 30% of statutory income is subject to corporate tax. Unabsorbed RA can be carried forward to subsequent years until fully utilised.

Attractive and enhanced tax incentives are also available for approved service and food production projects, operational headquarters, regional distribution centres, international procurement centres, real estate investment trusts, biotechnology companies, tourism industry, research and development activities, Islamic banking, insurance and fund management businesses, venture capital industry, multimedia super corridor status companies, companies operating in Labuan, the Iskandar Development Region and in Treasury Management Centres.

WORK PERMITS AND VISAS

Generally, a visa is not required for citizens of Commonwealth and ASEAN countries, except for India, Bangladesh, Cameroon, Ghana, Mozambique, Nigeria, Pakistan, Sri Lanka and Myanmar.

Foreigners can obtain a visit pass for social or business visits, but such a pass cannot be used for the purpose of employment or work. A foreigner intending to work in Malaysia must be sponsored by an entity in Malaysia and he must apply for either a visit pass (temporary employment or professional) or an employment pass. A dependant's pass can be applied for, relating to his spouse and children.

Foreign-owned companies incorporated in Malaysia are allowed to bring in expatriates to fill in positions where there is a shortage of trained Malaysians. These positions may be given key post status.

Manufacturing companies in Malaysia with paid-up capital from foreign shareholders of at least USD 2 million are given automatic approval for 10 expatriate posts, including 5 key posts. Manufacturing companies with foreign paid-up capital of between USD 200,000 and USD 2 million are given automatic approval for 5 expatriate posts, including 1 key post. For manufacturing companies with foreign paid-up capital of below USD 200,000, the number of expatriate posts allowed will depend on the guidelines applicable at the time of application and on the merits of each case.

TAXATION

Malaysia adopts the territorial basis of taxation where income is taxed if it is accrued in, or derived from, Malaysia. Foreign income remitted into Malaysia is not subject to tax in Malaysia. The exception to the general rule is that income derived from banking, insurance and air or sea transport operations is taxed on a world-wide basis.

Personal Income Tax

Resident individuals are taxed at a graduated rate, ranging from 0% to 26%. They are entitled to claim personal reliefs and rebates, where applicable. Non-resident individuals are taxed at a flat rate of 26% without any relief.

The tax resident status of an individual depends on the number of days the individual is physically present in Malaysia. Employees and self-employed individuals are required to prepay their taxes through a prescribed instalment scheme.

Expatriates are required to seek tax clearance from the Malaysian tax authorities before leaving Malaysia upon cessation of their employment in Malaysia.

Corporate Tax

Companies, regardless of whether they are resident in Malaysia, are subject to corporate tax at 25% of their chargeable income. Small and medium-sized enterprises (SMEs) are eligible for the preferential tax rate of 20% for the first MYR 500,000 of their chargeable income.

A company is a tax resident in Malaysia if the management and control of its business/affairs are exercised in Malaysia. Companies are required to provide an estimate of their tax liability and pay their tax in advance on a monthly basis based on the estimate provided. A corporate income tax return must be filed within 7 months after the end of the company's financial year end.

Unabsorbed losses and unabsorbed capital allowances can be carried forward to subsequent years until fully utilised.

Dividends distributed to shareholders are tax exempt under the single tier tax system.

Withholding Tax

Payments made to non-residents for installation or technical services performed in Malaysia; rental of moveable property; royalties, commission or guarantee fees, are subject to withholding tax at the rate of 10%, unless a lower rate is prescribed under a Double Taxation Agreement (DTA).

Payment of interest on loans or borrowings obtained from non-residents will attract withholding tax at 15%, subject to any preferential rates stated under a DTA.

Payments of service fees to non-resident contractors carrying out a project in Malaysia are liable to withholding tax at the rate of 13%. This is not a final tax as the non-resident contractor is required to file a Malaysian tax return to determine his actual tax liability.

Dividends distributed to non-resident shareholders are not subject to any withholding tax.

Real Property Gains Tax (RPGT)

There is no capital gains tax in Malaysia. However, disposals of real property or shares in a real property company are subject to RPGT. With effect from 1 January 2014, the RPGT rates are as follows:

	RPGT Rate (%)		
Disposal	Citizen; Permanent Resident	Company	Non-Citizen; Non-Permanent Citizen
Within 3 years	30	30	30
In the 4th year	20	20	30
In the 5th year	15	15	30
After 5 years or thereafter	0	5	5

Indirect Taxes

Sales tax is imposed on taxable goods manufactured in Malaysia or on goods imported into Malaysia. The rates of sales tax are between 0% and 10%. Returns need to be filed within 28 days of the close of the taxable period.

Service tax is charged on the provision of taxable services such as professional service fees and also food, drinks and tobacco at the rate of 6%. The tax is submitted every two months.

Excise duty is imposed on certain goods manufactured in Malaysia or on goods imported into Malaysia, such as hard liquor, motor vehicles and tobacco. The rates of excise duty range from 15% to 105%.

Import duty is generally imposed on goods imported into Malaysia at rates ranging from 2% to 60%.

Stamp Duty

Stamp duty is chargeable on certain instruments and documents. The rate of stamp duty may be at ad valorem on the transacted value, or at a flat rate of MYR 10, depending on the type of instrument or document involved.

Goods and Services Tax (GST)

A new consumption-based tax known as GST has been implemented on 1 April 2015. GST is charged on any taxable supply of goods and services made in the course or furtherance of any business by a taxable person in Malaysia. GST is also charged and levied on the importation of goods and services into Malaysia for the purpose of a business. GST on imported services is payable by the recipient of the services using the reverse charge mechanism.

A taxable supply is either standard-rated or zero-rated. A standard-rated supply is subject to GST at a rate of 6%. A zero-rated supply is a taxable supply which is subject to a 0% rate of GST. An exempt supply is not a taxable supply. A supplier making a taxable supply is eligible to claim GST incurred on inputs whereas an exempt supplier is not eligible to do so.

A taxable person is a person in business who makes taxable supplies in Malaysia and whose annual turnover exceeds the threshold of RM 500,000 at any time within a 12-month period. Such a person is required to be registered under the Malaysian GST Act 2014. A person in business who is not required to be registered for GST purposes may opt to be registered for GST voluntarily.

AUDIT AND ACCOUNTING

All companies are required to have their annual financial statements audited by independent licensed auditors.

Public interest entities adopt Malaysian Financial Reporting Standards (MFRS) in Malaysia which are similar to International Financial Reporting Standards (IFRS), whilst SMEs adopt the Private Entity Financial Reporting Standards (PERS).

Malaysia has adopted IFRS.

COUNTRY QUIRKS

- Foreign wholesale and retail businesses must have 30% bumiputera ownership. (Bumiputera is a Malaysian term to describe the Malay race and other indigenous peoples of Southeast Asia). Companies listed on the Bursa Malaysia Securities Berhad must also adhere to this requirement.

YOUR CONTACT

Chong Fah Yow
fah-yow.chong@mazars.my

The glowing National Mausoleum of the Founder of Pakistan

PAKISTAN

GDP GROWTH	5.4%
INFLATION	7.2%
POPULATION	185.1 M
GDP PER HEAD	USD 1,334
WORLD BANK EASE OF DOING BUSINESS RANK	128

Data collected from data.worldbank.org based on 2014 report.

PAKISTAN

ESTABLISHING AN ENTITY

The legal structures available for foreign businesses wishing to operate in Pakistan are (1) Incorporated company in Pakistan having foreign/local shareholdings (2) Branch office and (3) Representative or Liaison office.

In the case of a foreign incorporated company wishing to establish an entity in Pakistan for profit, then one has to establish a branch office. Otherwise, a representative office may be appropriate. Permission has to be obtained from the Board of Investment (BOI) and security clearance needs to be obtained from the Interior Ministry.

An alternative, which is often preferred, is that a foreign investor may incorporate a company under the Companies Ordinance of 1984. Foreign equity in such Pakistani companies can be up to 100% with a few exceptions i.e airline, banking, agriculture and media.. There is no minimum foreign equity investment limit. Repatriation of capital and dividends net of tax is also allowed.

In recent years, the Government of Pakistan has substantially simplified the regulatory environment for setting up a business. Administration of investments is now concentrated with the BOI and the Securities and Exchange Commission of Pakistan (SECP) in a one-stop shop system. The resulting reduction in the number of days required to set up a business is significant and ranks the country amongst the best in Asia in this regard.

FOREIGN BUSINESS RESTRICTIONS

A number of government agencies oversee commercial and financial regulatory regimes, including the SECP, the Federal Board of Revenue (FBR), the BOI and the State Bank of Pakistan (SBP).

FOREIGN INVESTMENT

Foreign investment is generally subject to the same rules as domestic investment, with the exception of certain sensitive areas such as defence production.

The privatization of substantial government holdings in the energy, financial services, and telecom sectors has attracted considerable foreign investor interest. Foreign investors are permitted to bid on state-owned industries and financial institutions on terms equivalent to those offered to local investors. Mergers are allowed between multinationals, as well as between multinationals and local companies. The Companies Ordinance of 1984 governs mergers and takeovers.

INVESTMENT INCENTIVES

Pakistan has one of the most liberal investment policies in the South Asia region. New incentives and further liberalization measures include:

- Almost all economic sectors are open for foreign investors
- Foreign equity up to 100% allowed
- Attractive incentives package including:
  - 0 to 5% customs duty on import of machinery
  - Sales tax on import of certain machinery exempted
  - No withholding tax on import of machinery by an industrial undertaking for its own use.
  - Remittance of capital, profits, royalty, technical and franchise fees is allowed.
  - Equal treatment towards local and foreign investors
  - Network of export processing zones/industrial estates
  - Export of goods zero-rated
  - Tax credit at 100% of tax payable for equity investment in new industrial activities and for Balancing, Modernization and Replacement (BMR) in existing industrial activities
  - A first year plant and machinery allowance at the rate of 90% for certain industries

WORK PERMITS AND VISAS

The new policy for the countries listed below* is as follows:

- Businessmen and investors from the listed countries with substantial investment in Pakistan will be granted a 3-year multiple entry visa.
- Businessmen from the listed countries who want to establish business offices in Pakistan will be issued a multiple entry visa for one year on the basis of a recommendation from their Embassy/Mission in Pakistan.
- Businessmen/investors from any of the listed countries, where there is no Pakistan Embassy will also be allowed thirty days landing permission on arrival.
- Multiple entry resident visas for a period of three years will be issued to the nationals of all countries, except those not recognized by Pakistan, who bring in an amount of USD 200,000
- Pakistani industrialists/businessmen interested to invite foreign entrepreneurs, for the promotion of trade and industrial co-operation, from countries other than those listed, would be allowed to issue visa facilities through the Chamber of Commerce and Industry at Lahore, Karachi, Peshawar, Quetta, Islamabad and the Federation of Pakistan Chamber of Commerce and Industry.
- Businessmen and investors of the following countries can be granted a multiple journey visa:

  **Australia, Austria, Bahrain, Belgium, Brunei, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, Ireland, Iceland, Indonesia, Iran, Italy, Japan, Kenya, Kuwait, Luxembourg, Malaysia, Netherlands, New Zealand, Norway, Oman, Poland, Portugal, Qatar, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, UAE, UK, USA*

TAXATION

The main business taxes in Pakistan are Income tax, Sales tax, Federal excise duty and Customs duty.

The corporate tax rate is 33%. Subject to specified conditions, small companies are taxed at 25%. Certain revenue streams attract fixed tax i.e. exports, dividends, and trading. Taxes are payable on a quarterly basis in the case of income which is not applicable to fixed tax. Employers are required to withhold income tax from the salary of employees who draw salary above the exemption threshold.

A sales tax at the rate of 17% is levied on the value of goods supplied within Pakistan. Sales tax on certain services is also levied under the respective provincial sales tax laws. The Sales tax is usually payable on a monthly basis.

Federal excise duty at various rates is levied on the local supply of such excisable goods and services which are stated in the first schedule to the federal excise law prevailing in Pakistan. Examples of such excisable goods and services are cigarettes, aerated water, motor cars, oil seeds, insurance companies, banking companies, and non-banking financial institutions.

Customs duty is levied at various rates as listed in the first schedule of the currently prevailing customs duty law. Examples of items included are kraft papers, flat rolled products, silicon electrical steel sheets, LCD panels in CBU forms, plasma display panels, etc.

AUDIT AND ACCOUNTING

All companies have to get their financial statements audited by a firm of Chartered Accountants. The financial year is July to June except under special circumstances. Public companies and private companies with paid up capital of PKR 7.5 million or more must file annual financial statements with the Securities and Exchange Commission of Pakistan.

In Pakistan, majority of the IFRS's are adopted.

COUNTRY QUIRKS

- Official Languages: Urdu and English
- Do ensure that the people you are talking to are credible, have the right level of finances, the capabilities, certification and the type of products you want before you start discussing prices.
- Pakistanis know Pakistanis best—and can deal with them across geography, language and cultures. There are companies which can help you to source for local contacts.

YOUR CONTACT

Rodney Rahman
rodney.rahman@mazars.pk

City view of Busan, South Korea

REPUBLIC OF KOREA

GDP GROWTH	3.3%
INFLATION	1.3%
POPULATION	50.4 M
GDP PER HEAD	USD 27,971
WORLD BANK EASE OF DOING BUSINESS RANK	5

Data collected from data.worldbank.org based on 2014 report.

REPUBLIC OF KOREA

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 foreigners if the number of shareholders is not expected to exceed 50. Domestic commercial law applies to investments made through a company.

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

A representative office can undertake non-sales activities such as market research, research and development as well as customer liaison. Unlike branches, representative offices are not required to register as a legal entity and instead are given a unique business code number at the District Tax Office.

FOREIGN BUSINESS RESTRICTIONS

Foreign business restrictions fall into 2 categories: prohibited activities and partially restricted activities. Prohibited activities include: public interest industries such as postal services, banking, security trading, public education, and radio & television. Within the agriculture sector, rice and barley farming is restricted. In total, 60 types of business are prohibited to foreign investors.

Most partially restricted activities also have public interest traits. Foreign shareholdings in these activities are allowed up to 49.99%. Partially restricted business activities include: fishing, newspapers and magazines, beef cattle farming and distribution, internal transportation, telecommunications, electronic network business and power plants (except nuclear power).

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 set requirements, the incentives include: tax support, cash support and site location support.

Foreign investment zones are designated to attract foreign investments. Businesses that are located into these zones will be provided with incentives.

WORK PERMITS AND VISAS

A D-8 visa is issued to foreigners who are sent as specialists to work in an international business 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 5 years or more experience in a related field, to obtain an E-7 visa.

In cases where a work permit is required for a non–professional worker, those who satisfy the required conditions based on the Law of Foreign Employee's Employment are eligible for an E-9 visa.

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

TAXATION

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

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

Withholding tax is a deduction made on certain types of payments e.g. rental, advertising, royalties, dividends and interest. The amount of tax withheld depends on the category of service provided and the tax status of the recipient. Rates range from 0% to 20% 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 submitted by the 10th day of the following month and will be offset against the final corporation tax liability.

Corporation tax (including local income tax) is applied at the aggregate rates of 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 and 24.2% on taxable income over KRW 20 billion.

Two corporate tax returns are required, an annual return and a half year return. The half year return represents a prepayment calculated on the tax payable on the forecast net profit for the year. The annual tax return should be filed and paid within 3 months after the financial year end date. It is worth noting that operating losses may be carried forward for up to 10 years.

AUDIT AND ACCOUNTING

External audits, by a registered KICPA, are mandatory for (1) stock-listed corporations and corporations planning to be listed, (2) corporations with over KRW 12 billion of assets, (3) corporations with over KRW 7 billion of assets and over KRW 7 billion of liabilities, (4) corporations with over KRW 7 billion of assets and more than 300 employees. K-IFRSs are compulsory for listed companies and non-listed financial institutions. Unlisted companies have the choice between full K-IFRSs and Korean Accounting Standards for non-public entities.

COUNTRY QUIRKS

- All audit contracts should be finalised and reported to FSS by 15 May for 31 December year-ended companies.

YOUR CONTACTS

Seung-Ha Park
seung-ha.park@mazars.kr

Julien Herveau
julien.herveau@mazars.kr

Singapore skyline with the famous Merlion statue

SINGAPORE

GDP GROWTH	2.9%
INFLATION	1.0%
POPULATION	5.5 M
GDP PER HEAD	USD 56,287
WORLD BANK EASE OF DOING BUSINESS RANK	1

Data collected from data.worldbank.org based on 2014 report.

SINGAPORE

ESTABLISHING AN ENTITY

Foreign entrepreneurs are free to incorporate and operate a Singapore company.

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

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

The minimum required paid-up capital when registering a Singapore company is SGD 1 and the concept of authorised capital no longer exists. The company should have a minimum of one director and one shareholder, and at least one director must be a local resident director (Singapore citizen, permanent resident or Employment Pass holder). The company must have a local registered address and a company secretary.

FOREIGN BUSINESS RESTRICTIONS

There are no strict rules on establishing and registering a company in Singapore so long as it complies with the minimum requirements mentioned in the preceding paragraphs. However, it is worthy of note that a company registered in Singapore cannot start to trade until it has been successfully registered with the Accounting and Corporate Regulatory Authority (ACRA).

WORK PERMITS AND VISAS

Foreigners need to apply for relevant work visas to stay and work in Singapore. The most common types are the S Passes and Employment Passes. These passes are applied for after the incorporation of the company. The approval of a work visa is subject to review and approval by the government authorities.

The S Passes are for mid-level income skilled workers earning a minimum of SGD 2,200 per month. They operate under a quota system with the number of passes that the company is entitled to, being dependent upon the number of Singaporean and PR staff it employs.

There is no quota for the Employment Passes but the applicant has to be earning a minimum of SGD 3,300 per month, with tertiary educational qualifications and reasonable number of years of relevant experience.

There is another type of Pass targeted specifically for entrepreneurs known as EntrePass which requires the applicant to prepare a detailed business plan, invest a minimum of SGD 50,000 of which 30% must be owned by the applicant and to hire local employees.

For those who do not plan to move to Singapore but just need to incorporate a Singapore company, they may do so and operate the company from overseas. They are free to visit Singapore on a typical visitor visa for company meetings, meetings with business partners, corporate retreats or to attend seminars and conferences as a participant. It is important to note that a foreigner on the visitor visa cannot operate/ manage the Singapore company while in Singapore. A valid work visa is required for such. Therefore, the company needs to identify a local resident director or appoint a local team for the management of the operations instead.

TAXATION

The company's taxable income for the year is subject to corporate tax in Singapore. Corporate tax rate in Singapore is a flat, low rate of 17%. Income exemptions and tax rebates are available that make the effective tax rate for annual profits of up to SGD 300,000 less than 6%. There is no tax on capital gains (unless constructed as trading income) or qualifying dividend distributions. Any after-tax income can be distributed by the Singapore company to its shareholders anywhere in the world tax free. It is also important to note that Singapore companies can claim a tax credit for any tax paid overseas, subject to certain conditions.

Goods and Services Tax (GST) in Singapore is a tax on domestic consumption. The tax is paid when money is spent on goods or services, including imports. In general, goods sold or services performed in Singapore are taxable supplies subject to GST. Some of the exceptions are financial services or the sale or lease of residential properties, which are exempt supplies. In Singapore, GST is currently charged and accounted for at a rate of 7% on the value of supply.

GST registration can be mandatory or voluntary. Mandatory registration is required when the company's annual turnover exceeds or is expected to exceed SGD 1 million. Companies are required to register for GST in Singapore within 30 days of the last day of the quarter of crossing the threshold or within 30 days from the day of recognising that the revenue will exceed threshold in the coming 12 months.

AUDIT AND ACCOUNTING

A company registered in Singapore is required to keep accounting and other records that will sufficiently explain the transactions and financial position of the company, and enable true and fair profit and loss accounts and balance sheets to be prepared. If such records are kept in a place outside Singapore, copies must be kept in Singapore.

As per the Singapore Companies Act, a company must file its audited accounts with ACRA on an annual basis unless it is an exempt private company and its annual income is below SGD 10 million. A company is called an Exempt Private Company (EPC) if it has less than 20 shareholders, and none of the shareholders is a corporation.

Accounting standards in Singapore are closely modelled on International Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. All companies in Singapore have to comply with Financial Reporting Standards (FRS). Listed companies must adhere to the Code of Corporate Governance and are required to submit a complete description of their corporate governance practices, including disclosures of non-compliance of the Code.

Annual financial statements must be submitted to both ACRA and the Inland Revenue Authority of Singapore (IRAS). All Singapore companies (with the exception of a representative office), must also submit annual tax returns to the IRAS.

COUNTRY QUIRKS

- A company secretary must be appointed within 6 months of the incorporation of a company. The company secretary 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.

YOUR CONTACT

Chris Fuggle
chris.fuggle@mazars.com.sg

Gene Kwee
gene.kwee@mazars.com.sg

Panorama of Bangkok from Wat Arun temple

THAILAND

GDP GROWTH	0.7%
INFLATION	1.9%
POPULATION	67.2 M
GDP PER HEAD	USD 5,561
WORLD BANK EASE OF DOING BUSINESS RANK	26

Data collected from data.worldbank.org based on 2014 report.

THAILAND

ESTABLISHING AN ENTITY

The legal structures available for foreign businesses wishing to operate in Thailand include a limited company, a branch office, a representative office and a regional office. Due to the limited liability offered, the most commonly used structure for investors looking to earn income is a limited company. Representative offices are not permitted to earn income and are therefore only considered when the purpose of the entity is to provide services to an overseas head office, such as for 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.

The registration process for a limited company requires at least 3 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 1 company share. Upon registration of a company, the shareholders must pay a minimum of 25% of the registered capital into the company.

FOREIGN BUSINESS RESTRICTIONS

A foreign business is any business with 50% or more foreign shareholding. Foreign businesses are regulated by the Foreign Business Act, which categorises business activities into 3 groups: 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 2 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. Foreign businesses wishing to engage in List 2 or List 3 activities need to obtain a foreign business license or a foreign business certificate before commencing operations.

There are 2 alternatives to obtaining a foreign business certificate. The first is available to US companies via the 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. The second alternative is an application 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 and therefore 100% foreign ownership is permitted.

Historically, a common technique utilised by foreign companies, to enjoy the benefits associated with being classified as a local company, was to make an agreement with 1 or more Thai nationals to hold shares in name only. These nominee shareholdings are illegal and serious penalties apply.

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 on and/or exemptions from customs duties and corporate taxes, relaxation of the rules relating to 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.

WORK PERMITS AND VISAS

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

For non-BOI promoted businesses (in the form of a limited company), each work permit requires THB 2 million of paid-up capital. An applicant must earn the minimum income prescribed by law, which varies by nationality and to renew the expatriate's visa in Thailand, the employer must typically maintain an employment ratio of at least 4 permanent Thai staff members to 1 expatriate.

Typically, there are a maximum of 10 expatriate work permits allowed per company. However, this maximum can be relaxed in certain situations, for example where the employer has paid income tax of no less than THB 3 million in the previous year; or where the employer employs no less than 100 Thai employees.

TAXATION

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

In general, VAT registration is required for all businesses with sales volume in excess of THB 1,800,000 a year. The nominal VAT rate is 10%. However, this has been temporarily reduced to 7%. 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. 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 offset against the final corporation tax liability.

Corporation tax is generally applied at a rate of 20% on taxable profits. However, progressive rates up to 20% are granted to SMEs. Two corporation tax returns are required, an annual return and a half-year return. The half-year return represents a prepayment calculated from the tax payable on the forecasted net profit for the year. It is worth noting that, whilst operating losses may be carried forward for up to 5 years, there is no provision for the carry back of losses, or for group relief in the event of affiliates' consolidated losses.

AUDIT AND ACCOUNTING

All legal entities, regardless of size, must have their accounts prepared by a registered Thai accountant and audited by a registered Thai auditor. In 2011, the Thai Financial Reporting Standards for Non-Publicly Accountable Entities (TFRS for NPAEs) were introduced. The TFRS for NPAEs are similar in nature to IFRS for SMEs. For Publicly Accountable Entities (effectively, listed companies), the reporting framework is broadly aligned to IFRS, although some of the more complex standards, such as IAS39 Financial Instruments, have yet to be adopted.

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.
- Board meetings require physical attendance. Proxy and circulated resolutions are not permitted.

YOUR CONTACTS

Rob Hurenkamp

rob.hurenkamp@mazars.co.th

Jonathan Fryer

jonathan.fryer@mazars.co.th

Ho Chi Minh City by night with its iconic Bitexco Tower

VIETNAM

GDP GROWTH	6.0%
INFLATION	4.1%
POPULATION	90.7 M
GDP PER HEAD	USD 2,052
WORLD BANK EASE OF DOING BUSINESS RANK	78

Data collected from data.worldbank.org based on 2014 report.

VIETNAM

ESTABLISHING AN ENTITY

The legal structures available for foreign investors wishing to establish an enterprise in Vietnam generally include Limited Liability Company (LLC) and 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 (the new laws have just come into effect on 1 July 2015). Accordingly, in order to officially operate in Vietnam, a foreign invested enterprise will need to obtain two kinds of certificates issued by the licensing authorities:

- Investment Registration Certificate for the project being implemented
- Business Registration Certificate for the enterprise being established

Alternatively, foreign investors may consider establishing a representative office in Vietnam as an initial stage of their market entry strategy. A representative office is established when the foreign company logs a registration dossier and obtains a license from the provincial Department of Industry and Trade in the city or province where the representative office is to be set up. Representative offices are only allowed to carry out liaison and marketing functions and cannot earn business income in Vietnam.

FOREIGN BUSINESS RESTRICTIONS

Foreign investors may invest in all sectors and in all industries which are not prohibited. Generally, prohibited sectors/industries are those which are detrimental to the people, environment, defense or history and culture of Vietnam. The conditions imposed on projects in conditional sectors/industries will be stipulated in the relevant laws, ordinances, decrees and international treaties.

INVESTMENT INCENTIVES

Subject to the type of business and/or location of the investment, foreign investors may enjoy the following investment and tax incentives:

- An exemption of corporate income tax for specific years, subject to the type of business and location of the investment.
- A 50% reduction of corporate income tax payable for up to 9 years, depending on certain conditions.
- A reduced corporate income tax rate of 10%, 15% or 20% for specific years, depending on the qualified conditions.
- Exemption of import duty for imported fixed assets for specific cases.
- Exemption of import duty for materials for 5 years for specific cases.

WORK PERMITS AND VISAS

Foreigners working in Vietnam must obtain a work permit, unless they qualify under an exemption case (such as foreigners working in Vietnam for less than 3 months offering 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 exemption of work permit may be granted to foreign experts subject to certain conditions).

The term of the work permit shall be the employment contractual term but should not exceed 2 years.

In addition to work permits and normal visas, foreigners working in Vietnam might need to obtain business visas and temporary resident cards, where required. Temporary resident cards, which enable longer term stays, are available for up to 1 year and are subject to renewal. 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 exempted or charged at the rate of 5% (for fundamental items) or 0% (for exported goods and services). Companies are required to register with the tax offices in order to obtain a VAT code.

Corporate Income Tax (CIT)

CIT is charged on profits of companies in Vietnam. The current standard CIT rate is 22% from 2014 and will be further reduced to 20% from 2016 (tax rate of 20% is applied to small and medium-sized enterprises right from 2014). Tax incentives are also offered to investment projects which meet certain conditions, primarily in relation to encouraged business lines and geographical areas. CIT is provisionally calculated and paid on a quarterly basis (quarterly CIT declaration is no longer required), before being finalised for the fiscal year, within 90 days of the financial year end. Tax losses incurred in any tax year are allowed to be offset against different business activities of the same company and be carried forward 5 years. Tax losses of a quarter can be carried forward the following quarter of the same fiscal year. Carry back of tax losses is not allowed.

Withholding Tax (WT)

Withholding Tax, which is a combination of VAT and CIT (or PIT), is charged on payments made by companies in Vietnam for certain purchases of goods and services from overseas suppliers (corporate or individual). The WT declaration is categorised into 3 types:

- Withholding Method (or also referred to as Direct Method by law)
- Hybrid Method
- Vietnamese Accounting System (VAS) Method (or also referred to as Declaration Method by law)

Personal Income Tax (PIT)

Foreign and Vietnamese employees working in Vietnam are subject to PIT. 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. Where employees are remunerated on a gross basis, the employer is liable to withhold PIT payable before making the income payment to the employees, and 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 such PIT to the tax office.

The PIT obligation is determined on a number of factors but mainly on the taxpayer's physical presence in Vietnam for the relevant tax year.

AUDIT AND ACCOUNTING

The Vietnamese Accounting System and Standards (VAS) are compulsory for all enterprises in Vietnam.

There is no requirement to register the application of VAS with the local authority. However, the enterprise is required to obtain written approval from the Ministry of Finance (MOF) for any permissible departure from the VAS.

The tax year normally commences on 1 January and ends on 31 December. The first tax year is generally from the date of the investment certificate to 31 December of the same year. The MOF or its delegated agency, may also approve a financial year ending on 31 March, 30 June or 30 September.

Companies are required to employ a Chief Accountant who holds either a relevant certificate or diploma. Many businesses coming to Vietnam outsource their accounting to qualified firms who can take on the responsibility of the Chief Accountant role.

Companies must appoint an independent auditing firm to audit their annual financial statements. Companies must submit their audited annual financial statements to the tax authority, licensing authority and several other relevant authorities for reporting purposes within 3 months of the end of the fiscal year.

COUNTRY QUIRKS

- Companies are required to employ a Chief Accountant.
- Nominee shareholdings are not legally recognised.
- The registered office address must be the actual office address. PO boxes and lawyer 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.

YOUR CONTACT

Jean-Marc Deschamps
jean-marc.deschamps@mazars.vn

Nguyen Hai Minh
minh.nguyen@mazars.vn

Mazars is present in 5 continents.

CONTACT

Mazars Asia Pacific

135 Cecil Street
#10-01 MYP Plaza
Singapore 069536

Tel: (65) 6224 4022
Fax: (65) 6225 3974

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