ASEAN INVESTMENT & TAX NEWS

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BDO

FOREWORD

This year marks the 10th anniversary of the ASEAN Community, a significant milestone in the region's journey toward deeper integration and cooperation.

As we embark on a pivotal year, the first issue of BDO's ASEAN Investment and Tax News for 2025 reaffirms our commitment to highlighting key regional developments that may significantly impact your business strategies.

In the face of increasing global disruptions and uncertainties, ASEAN stands as a beacon of stability. Driven by deepened regional integration and sustained Gross Domestic Product (GDP) growth, ASEAN is cementing its position as a prominent global business hub. We are witnessing a surge in Foreign Direct Investment (FDI), with emerging opportunities in sectors such as manufacturing, green technologies and digital technologies, as companies seek to diversify supply chains and capitalise on ASEAN's competitive advantages.

In 2024, ASEAN's economy outperformed the previous year, driven by strong exports and investment, alongside stable consumer spending. All but one country in the region closed the year with a GDP growth rate of 5% or higher. Inflation eased across the region, leading to greater price stability. Looking ahead, the region is poised to strengthen its economic resilience and expand by an estimated 4.8% in 2025.

This publication brings together recent tax and investment updates from across six ASEAN markets. One notable development is the Johor-Singapore Special Economic Zone, which offers promising opportunities for cross-border investment. In a bid to draw global investors, the Malaysian government has announced attractive corporate tax rates, 100% Investment Tax Allowance for high-impact industries as well as incentives for knowledge workers.

We delve into key highlights of Singapore's Budget 2025. The Budget proposes a range of tax incentives and financial sector enhancements to bolster Singapore's position as the world's leading business environment amidst global tax changes. These measures also provide substantial support to businesses and workers.

Indonesia has expanded its tax holiday policy to stimulate pioneering industries. This initiative offers tax reductions for targeted sectors to attract strategic investments and accelerate economic growth.

Meanwhile, Myanmar has introduced new regulations, including updated tax rules, stricter import/export registration requirements, and a higher minimum wage to promote fiscal transparency and worker welfare.

In Cambodia, we review notable updates on signboard tax, immovable property rental tax, accommodation tax, and public lighting tax.

Lastly, Laos has implemented VAT compliance regulations for non-resident digital suppliers, reflecting the region's adaptation to the digital economy.

We hope that this publication provides useful insights into the region's dynamic landscape and the opportunities it presents to your business. We welcome any inquiries and encourage you to connect with our BDO teams across ASEAN.

DATO' GAN AH TEE *DNS JP*
Managing Partner,
BDO in Malaysia

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SINGAPORE:
BUDGET 2025

In the Singapore Budget 2025, several tax changes were announced with the aim to enhance the nation's economic competitiveness, support businesses and its innovation, invigorate the equity market, thereby ensuring Singapore's continued economic resilience and growth.

These include:

1. **Corporate Income Tax Rebate and Cash Grant:** To alleviate cost pressures on businesses, a 50% corporate income tax rebate and a cash grant of S$2,000, would be available for the Year of Assessment 2025, with total benefits capped at S$40,000.

2. **Support for Innovation Activities:** A 100% tax deduction is available for payments made by companies under approved Cost Sharing Agreements (CSAs) for innovation activities. This aims to encourage collaborative research and development efforts among businesses.

3. **Employee Equity-Based Remuneration (EEBR) Schemes:** Companies can now claim tax deductions for payments made to a holding company or special purpose vehicle for the issuance of new shares under EEBR schemes. This change provides greater flexibility in structuring employee remuneration packages.

4. **Section 13W of the Singapore Income Tax Act:** To make Singapore more attractive as an investment holding location and offer companies greater certainty regarding the non-taxation of disposal gains, Section 13W will be enhanced as follows:

   a. The scope of eligible gains will include gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting standards; and

   b. The shareholding threshold condition will be assessed on a group basis.

The changes above will take effect for disposal gains derived on or after 1 January 2026.

5. **Financial Sector Incentives:** Effective from 19 February 2025, an additional concessionary tax rate of 15% has been introduced for various Financial Sector Incentive schemes, including the Standard Tier and Trustee Company schemes. It is anticipated that this will also come with reduced economic commitments, with the Monetary Authority of Singapore (MAS) set to provide further details by the second quarter of 2025. This initiative is designed to maintain Singapore's attractiveness as a financial hub.

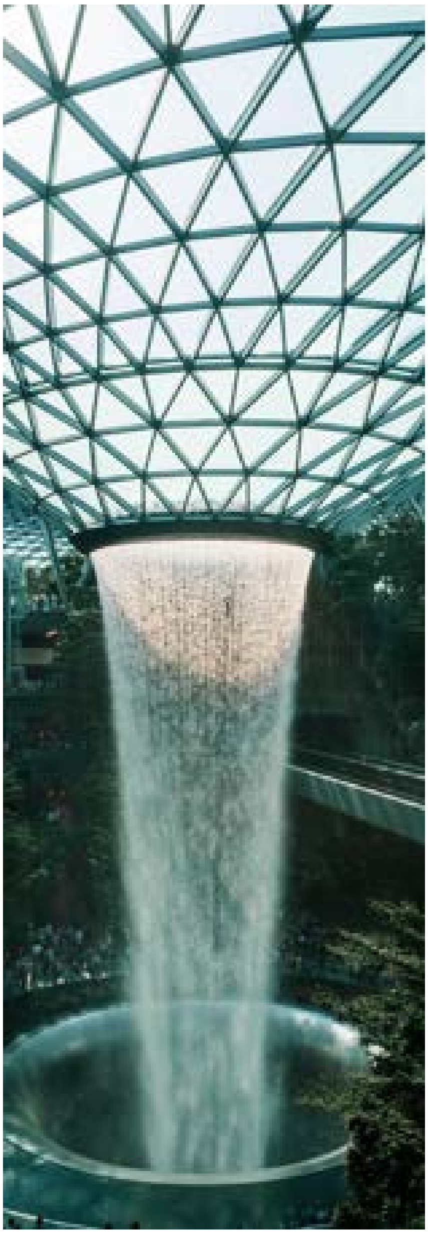
6. **Equities Market Development:** To encourage new listings in Singapore and stimulate increased investment demand for Singapore-listed equities, the following tax incentives will be introduced:

   a. Listing corporate income tax rebate of 10% or 20% for new corporate listings in Singapore for qualifying entities, subject to the rebate cap of:
      - S$6 million per Year of Assessment ("YA") for qualifying entities with market capitalisation of at least S$1 billion; or
      - S$3 million per YA for qualifying entities with market capitalisation of less than S$1 billion;

   b. Enhanced corporate tax rate of 5% for new fund manager listings in Singapore under the FSI-Fund Management ("FSI-FM") scheme, subject to meeting certain conditions; and

   c. Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities under the FSI-FM scheme, subject to meeting certain conditions.

With the plethora of tax measures announced, by strategically aligning their operations with these tax changes, businesses can enhance profitability, invest in long-term growth, and maintain a competitive edge in Singapore's evolving economic landscape.



NEWS

MALAYSIA:
JOHOR-SINGAPORE SPECIAL ECONOMIC ZONE (JS-SEZ)

On 7 January 2025, the governments of Malaysia and Singapore signed a formal agreement on the establishment of a special economic zone in the southern Malaysian state of Johor – the Johor Singapore Special Economic Zone ("JS-SEZ").

The JS-SEZ is aimed at improving cross-border mobility and connectivity for people and goods, strengthen business ecosystems to foster a robust business environment as well as increase talent mobility, talent exchange and collaboration.

The JS-SEZ will cover 9 designated flagship areas and the promoted economic sectors for each flagship area are summarised as follows:-

Flagship areas	Promoted economic sectors
Flagship A – Johor Bharu Waterfront	‣ Business services
Flagship B – Iskandar Puteri	‣ Business services ‣ Education ‣ Health
Flagship C – Tanjung Pelepas	‣ Logistics
Flagship D – Tanjung Langsat – Kong Kong	‣ Manufacturing (Downstream Specialty Chemicals)
Flagship E – Senai - Skudai	‣ Manufacturing (Aerospace and MRO services) ‣ Green economy
Flagship F – Kulai - Sedenak	‣ Manufacturing (Medical devices and Pharmaceutical) ‣ Digital economy (AI and Quantum Computing Supply Chain)
Flagship G – Desaru - Penawar	‣ Tourism
Flagship H – Pengerang Integrated Petroleum Complex	‣ Energy
Flagship I – Forest City	‣ Financial services

The JS-SEZ aims to support the expansion of 50 projects within the first five years and a cumulative of 100 projects within the first ten years that will bring growth to Malaysia and Singapore, with the intention of creating 20,000 skilled job opportunities.

The government of Malaysia has announced an incentive package for JS-SEZ which is effective until 31 December 2034. The incentive package includes granting special corporate tax rate to companies that undertake new investments in high growth and high value-added activities, tailor-made incentives to businesses operating in certain flagship areas, investment tax allowance ("ITA") on qualifying capital expenditure incurred, special tax rate for knowledge workers, stamp duty exemption for certain flagship areas, accelerated capital allowance ("ACA") for renovation cost and others. Further details on the tax incentive application will be available in due course.

To ensure investing in JS-SEZ is made faster and smoother, the Invest Malaysia Facilitation Centre Johor ("IMFC-J") has been established to facilitate and coordinate the end-to-end investment-related process, which includes applications and approvals, investment facilitation, and aftercare and reinvestment. Jointly led and operated by Iskandar Regional Development Authority ("IRDA"), Invest Johor and Malaysian Investment Development Authority ("MIDA"), the centre's strength lies in its sanctioned connection with various federal, state and local agencies and departments, and the relevant private entities, ensuring seamless advisory, application, approval and aftercare investment process experience for investors.

NEWS

INDONESIA:
TAX HOLIDAY FOR PIONEER INDUSTRIES EXTENDED TO 31 DECEMBER 2025

The Indonesian Ministry of Finance ("MoF") issued Regulation No. 69 ("MoF 69") on 8 October 2024 that amends MoF Regulation No. 130 Year 2020 on the provision of corporate income tax holiday facility for 18 pioneer industries. This regulation extends the eligibility period for obtaining the tax holiday applications from 8 October 2024 to 31 December 2025 and to be submitted through Online Single Submission ("OSS"). The following is a list of pioneer industries that are eligible for the tax holiday:

<table>
<tr><th rowspan="2">Investment Value</th><th rowspan="2">Investment Field</th><th colspan="2">Facility</th></tr>
<tr><th>Reduction Period</th><th>Reduction Rate*</th></tr>
<tr><td>IDR 100 billion to IDR 500 billion (USD 6.07M - USD 30.3M)</td><td rowspan="6">1. Upstream basic metal industry
2. Oil & gas and crude oil refinery
3. Basic organic chemical industry sourced from petroleum, natural gas and coal
4. Basic organic chemical industry sourced from agricultural, plantation and forestry products
5. Basic inorganic chemical industry
6. Raw material of pharmaceutical industry
7. Manufacturing of irradiation, electromedical and electrotherapy equipment
8. Manufacturing of main components of electronics or telematics equipment
9. Manufacturing of machine and main machine components
10. Manufacturing of robotic components
11. Manufacturing of power plants' main components
12. Manufacturing of motor vehicles and main components of motor vehicles
13. Ship main component manufacturing industry
14. Railroad main component manufacturing industry
15. Aircraft main component manufacturing industry
16. Processing industry of agricultural, plantation, or forestry products producing pulps
17. Economic infrastructure
18. Digital economy that includes data processing and hosting activities</td><td>10 years</td><td>50%</td></tr>
<tr><td>More than IDR 500 billion up to IDR 1 trillion (USD 30.3M - USD 60.7M)</td><td>5 years</td><td rowspan="5">100%</td></tr>
<tr><td>More than IDR 1 trillion up to IDR 5 trillion (USD60.7M - USD302.2M)</td><td>7 years</td></tr>
<tr><td>More than IDR 5 trillion up to IDR 15 trillion (USD302.2M - USD906.5M)</td><td>10 years</td></tr>
<tr><td>More than IDR 15 trillion up to IDR 30 trillion (USD906.5M - USD1.8B)</td><td>15 years</td></tr>
<tr><td>More than IDR 30 trillion (>USD1.8B)</td><td>20 years</td></tr>
</table>

* After the concession period, the taxpayer can enjoy a 50% reduction in corporate income tax rate for the next two fiscal years.

The criteria and benefits of the tax holiday facility in MoF 69 are mostly unchanged from MoF 130. However, the regulation introduces new provisions related to the implementation of Pillar Two which includes the following:

- Taxpayers granted tax holiday facility and also classified as qualifying taxpayers within a multinational enterprise group that is subject to global minimum tax under Pillar Two must pay an additional domestic top-up tax.
- This domestic top-up tax will also apply to taxpayers who are granted tax holiday facility under MoF 130 which was already granted before the effective date of MoF 69.

Please note, however that taxpayers who have obtained a tax holiday facility for investment in the National Capital "Nusantara" *("Ibu Kota Nusantara" or "IKN")* shall not be eligible for tax holiday under MoF 69.

NEWS

LAOS

NEW VAT COMPLIANCE FOR NON-RESIDENT DIGITAL SUPPLIERS

The Ministry of Finance in Laos introduced a new instruction numbered 0558/MOF on 14 February 2024, concerning the VAT obligations for foreign suppliers of digital goods and services, digital platforms, and e-commerce to users in Laos. This new regulation supersedes the previous VAT rules outlined in Notification 0541/MOF (issued on 24 February 2022).

Scope and Implementation Timeline:

The instruction, set to take effect on 1st August 2024, mandates that foreign digital service providers comply with Laos' VAT obligations, regardless of their residency or enterprise registration status in Laos. Registration on the DTax system will be available from 1st March 2024.

A key feature in the new instruction is the expanded definition of responsible parties. If digital goods or services are supplied via a digital platform, the platform operator is deemed to be the supplier and is accountable for VAT calculation, collection, and remittance to the tax authorities. Responsibilities extend to those who set sales terms, process payments, manage delivery (direct or indirect), or offer customer support.

VAT Rates:

The applicable VAT rate for non-resident suppliers of digital goods, digital platform services, or e-commerce activities will be the rate applicable at the time of supply, which is currently at 7%. However, discussion is underway on increasing the VAT rate to pre-COVID rate of 10%. VAT is calculated at the time of supply based on the total transaction value, ensuring transparent tax compliance.

VAT Filing:

VAT returns covering 4-months period must be filed as follows:

- 1st return (January – April): by end of May
- 2nd return (May – August): by end of September
- 3rd return (September – December): by end of January next year

Taxpayers will use the DTax System for registering, filing and paying VAT. Registrations must be completed on the TaxRIS platform. Payments can be made in USD, EUR, CNY or other currencies as notified by the tax authorities, using wire transfers or payment gateways that support Visa, Mastercard, JCB, Amex, and Union Pay networks.

Invoicing Requirements:

- Business-to-consumer ("B2C") transactions: VAT e-invoices are not mandatory unless requested by tax authorities.
- Business-to-business ("B2B") transactions: VAT e-invoicing are mandatory for supplies to registered Laotian entities. The format of the e-invoices requires prior approval by the tax authorities.

Suppliers must retain all documents and records for 10 years and it must be provided in an electronically readable format within 30 days upon request by the tax authority.

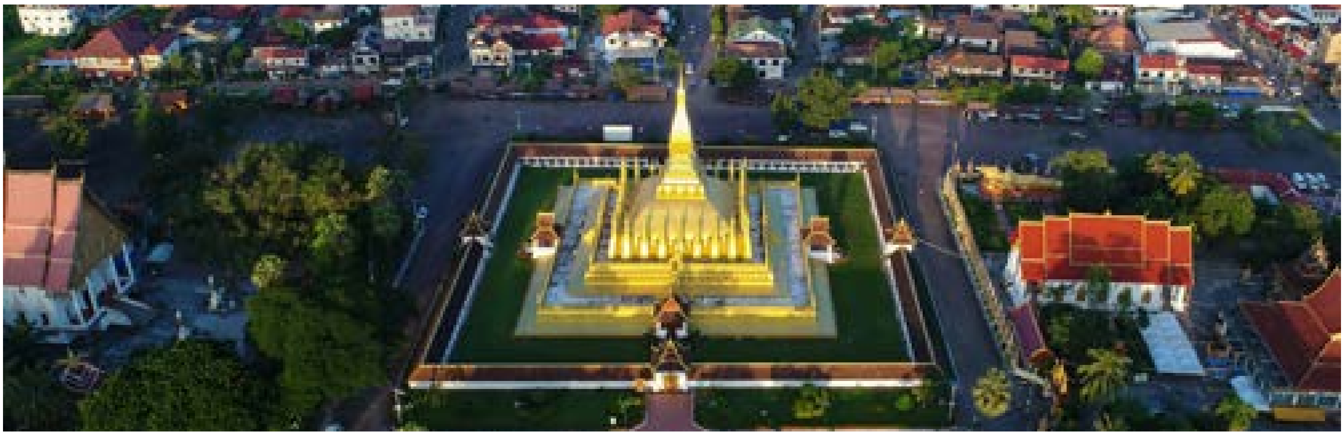
Deductions & Refunds:

Non-resident suppliers cannot deduct input VAT, except in specific cases like order cancellations, invoicing errors, or similar commercial adjustments. VAT refunds are issued as credits applicable to future tax periods and must be used within 183 days. Taxpayers are required to provide proof of refunds processed through banking systems to users.

Penalties:

Non-compliance will incur penalties as follows:

- Late filing of VAT returns: USD800 per return
- Late payment of VAT: Interest of 0.1% per day
- Escalating fines for unpaid VAT: 30% (1st demand), 60% (2nd demand), and 100% (3rd demand) of unpaid VAT
- Suspension and termination: Tax authorities may suspend or terminate access to digital services or payment channels for persistent violators.

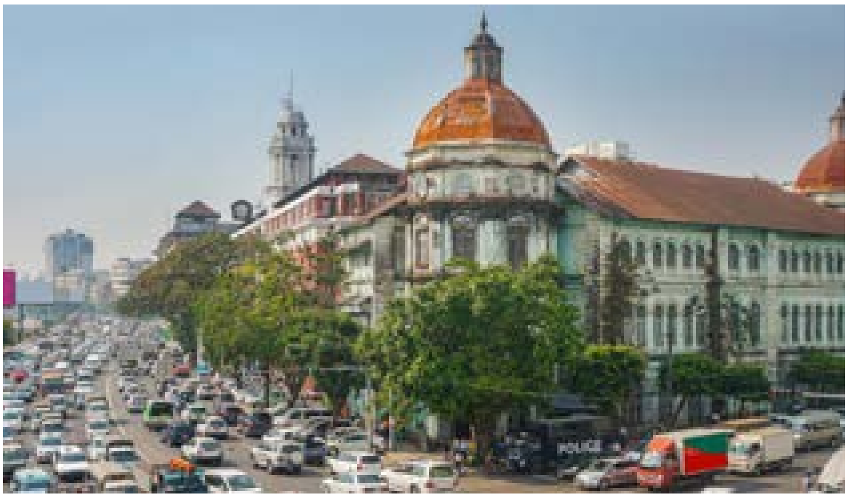


NEWS

MYANMAR

AMENDMENT OF UNION TAXATION LAW 2024

1. The term "Pure gold; gold bars (standard gold bars, gold blocks, gold coins)" described in Serial No. 39 in the schedules for the type of goods exempted from commercial tax attached to Section 14(A) of the Union Taxation Law 2024 is revoked.
2. Section 14(h) of the Union Taxation Law is amended as below:
    - 3% commercial tax shall be levied on the sales proceeds from the sale of Pure gold; gold bars (standard gold bars, gold blocks, gold coins) or jewellery or on the landed costs in the case of imports from abroad. However, the commercial tax paid when buying gold or jewellery domestically or importing it from abroad shall not be set off with the commercial tax payable when selling domestically or exporting.
3. This will be effective from 1 October 2024 to 31 March 2025.



NOTIFICATION FOR PAYING INCOME TAX IN FOREIGN CURRENCY IF RECEIVED IN FOREIGN CURRENCY

1. Pursuant to Section 27(b) of the Union Taxation Law 2024, applicable to taxpayer in MTO 2,10% income tax shall be imposed on capital gains derived from the sale, transfer, or exchange of one or more capital assets, levied in the **currency in which the income was earned,** without deduction of any allowances. This applies to resident citizens, resident foreigners and non-resident foreigners.
2. For the income received in foreign currency across all categories, excluding capital gains, the income tax is payable in the currency received. This applies to resident citizens, resident foreigners and non-resident foreigners.
3. However, if salaries are paid in Myanmar Kyat due to various practical challenges despite agreeing in the employment contracts to pay the salaries in foreign currency, personal income tax is to be paid in Myanmar Kyat if the employees are receiving salaries in Myanmar Kyat.

NOTIFICATION 1/2024 ISSUED BY NATIONAL COMMITTEE FOR DETERMINING THE MINIMUM WAGE

1. For daily employees and workers in government departments and organisations, an extra allowance of 1,000 Kyats has been offered since October 2023 on top of the currently set wage of 4,800 Kyats for an 8-hour working day. With the announcement by the Ministry of Planning and Finance Notification No. 54/2024 dated 26 July 2024, an extra 1,000 Kyats is to be allowed in addition to the 1,000 Kyats allowance which is currently granted. Therefore, the daily workers will be able to enjoy a daily wage of 6,800 Kyats. This is effective from 1 August 2024.
2. These provisions do not apply to small businesses with fewer than ten workers and family-owned businesses.

THE EXPORT AND IMPORT BULLETIN (5/2024)

1. Companies, organisations, and cooperatives applying for a new **Importer/Exporter Registration Certificate** or renewing their certificates are required to apply via the **Internal Revenue Department's website** (https://eregistration.ird.gov.mm/) first. After obtaining the **Taxpayer Identification Number (TIN) Certificate,** the application must then be processed through **Tradenet 2.0** (https://sso.myanmartradenet.com/). This will be effective from **1 November 2024.**

NEWS

CAMBODIA:

UPDATES TO SIGNBOARD, RENTAL, ACCOMMODATION AND PUBLIC LIGHTING TAXES

On 20 March 2024, Cambodia's General Department of Taxation ("GDT") issued nine new Prakas, significantly updating signboard tax, immovable property rental tax, accommodation tax, and public lighting tax.

Signboard tax:

Signboard tax now applies to all individuals and legal entities involved in advertising, resulting in both advertisers and advertisement agents liable for tax compliance. The definition of taxable advertising signage has also expanded to include various materials such as cloth and rubber.

Signage exceeding 100 square decimetres or displayed for over 90 days is now classified as "Board with Text or Graphics" and subject to a higher tax rate. Furthermore, GDT-registered branches can have one business signboard taxed at the lowest applicable rate, provided the displayed name matches the main entity. The taxable category now includes LED screens, and mobile advertising has expanded to include tricycles.

Another major change is that tax must now be declared and paid before an advertisement is displayed, replacing the previous 15-day grace period. Additionally, payments must be made at the tax office where the taxpayer is registered, rather than at the location of the advertisement.

Immovable Property Rental Tax:

The immovable property rental tax remains at 10% but is now calculated based on total monthly rental income, defined as the total agreed monthly rent or the market price.

Lessees are required to provide the GDT with receipts and contract details upon request. The timeline for tax declaration and payment depends on the terms of the rental contract:

i. Monthly payments – due by the 20th of the following month
ii. Lump sum payments covering multiple months – due by the 20th of the month after payment

Lessees registered under the self-assessment system must withhold rental tax and remit it on behalf of the lessor by the 25th of the following month.

Accommodation Tax:

The tax rate of 2% remain unchanged, however the taxable value now includes all charges related to accommodation services, such as meals or gym, excluding VAT and the accommodation tax itself.

The scope has been expanded to include "fitness and other services", including services like food, cleaning, laundry, gym, massage, steam, and saunas. Taxable supplies now include accommodation used personally by the taxpayer, accommodation provided below market value or as a gift. The time of supply for gifts is clarified as when the services is fully provided.

Public Lighting Tax:

The public lighting tax on alcoholic beverages and tobacco products has increased from 3% to 5%. The tax base now includes all recorded invoice amounts, including all taxes excluding VAT and public lighting tax. A new exemption applies for alcohol used in the medical sector, although specific qualification criteria have not been published.

Furthermore, the scope of tax liability has been updated as follows:

i. Manufacturer – defined as the owner (principal) producing taxable products or hiring others (agents) for productions;
ii. Importer – defined as product owner who imports taxable product themselves or authorises an agent; and
iii. Distributor – now excluded from scope

Additionally, agents who act on behalf of taxpayers are now required to notify the GDT with relevant authorisation documents, to halt production or importation upon request. Failure to comply will result in the agent being classified as the primary taxpayer and hence liable for the public lighting tax.

BDO is one of the world's largest professional services firms and the fastest growing international network of accounting firms with over 119,611 partners and staff working in 1,800 offices operating across the globe in 166 countries and territories.

BDO has a dedicated team of Tax specialists who are committed to delivering a consistently high quality of services. With a wealth of global resources within our grasp while possessing an in-depth understanding of local business needs and regulations, combined with the quality of staff and experience with clients, multi range of industries and projects, we can provide excellent value proposition for any business.

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