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ASEAN INVESTMENT & TAX NEWS

FEATURE ARTICLE

MALAYSIA RE-TABLING OF BUDGET 2023

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BDO

FOREWORD

Greetings and welcome to the first instalment of the ASEAN Investment & Tax News of 2023.

The ASEAN region is expected to maintain its position as one of the world's fastest-growing regions in 2023, although global economic growth is projected to slightly decline compared to 2022 due to the deteriorating global economic conditions and the implementation of tighter monetary policies.

According to the Asian Development Outlook 2023 report by Asian Development Bank, the 2023 growth rate for ASEAN is expected to grow by 4.7% in 2023, down from 5.6% last year. This continuing recovery is largely because of the subregion's economic reopening.

In this publication, our tax experts continue to analyse and bring you the latest in-depth updates in ASEAN.

Malaysia takes its place as the feature article as we discuss the key highlights of the re-tabling of budget 2023 on 24 February 2023, focusing on driving economic growth, implementing institutional and governance reforms to restore confidence and promoting social justice to reduce inequalities.

In Cambodia, we take a look at the government's efforts in mitigating the economic impact of COVID-19 on the tourism sector and the requirement introduced by the General Department of Taxation for Display of Tax Registration Documents at business premises.

Over in Indonesia, we discuss the Regulation No. 33 PMK.010/2021, providing insights into the impact of these guidelines on businesses operating within the Special Economic Zones.

In Myanmar, we delve into the Public Rulings issued by the Internal Revenue Department, the newly enacted 2023 Union Tax Law by the State Administration Council as well as the latest requirements implemented by the Directorate of Investments and Company Administration, highlighting additional information newly incorporated companies must now submit with their annual returns.

Meanwhile, in Singapore, our colleagues discuss the Tax Governance and Corporate Tax Risk Management and Control Framework, which aims to promote the voluntary adoption of good tax governance principles and practices by companies.

In Thailand, our colleagues discuss the updates on the Board of Investment, corporate income tax measures implemented in response to COVID-19 and the approved extension of tax measures to support e-tax systems.

Finally, in Vietnam, we look into government's consideration of several tax policies guidelines for 2023, with a focus on potential changes to the value-added tax rate and extensions to tax payment and land rent deadlines.

We trust this publication will offer insights for your business and investment strategies in and around the region. BDO in our various offices across ASEAN are ready to assist, should you require any further information.

DATO' GAN AH TEE DNS JP
Regional Senior Partner,
BDO in ASEAN

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FEATURE ARTICLE: MALAYSIA

RE-TABLING OF BUDGET 2023

The Malaysian Government's 2023 Budget was re-tabled on 24 February 2023. With a theme of Developing Malaysia Madani the 3 key thrusts are:

- Driving economic growth that is inclusive and sustainable;
- Institutional and governance reforms to restore confidence; and
- Social justice to reduce inequalities.

The key tax proposals in the Budget are as follows:

- **Personal Tax**

    - Effective from year of assessment ("YA") 2023, the income tax rates for resident individuals are revised as follows:

Chargeable Income	Existing Tax Rate	Revised Tax Rate	Increase/ Reduction in Tax Rate
First RM5,000	0%	0%	-
RM5,001 – RM20,000	1%	1%	-
RM20,001 – RM35,000	3%	3%	-
RM35,001 – RM50,000	8%	6%	-2%
RM50,001 – RM70,000	13%	11%	-2%
RM70,001 – RM100,000	21%	19%	-2%
RM100,001 – RM250,000	24%	25%	+1%
RM250,001 – RM400,000	24.5%	25%	+0.5%
RM400,001 – RM600,000	25%	26%	+1%
RM600,001 – RM1,000,000	26%	28%	+2%
RM100,001 – RM2,000,000	28%	28%	-
Above RM2,000,000	30%	30%	-

- Effective from YA 2023, the income tax relief for medical expenses is expanded to include intervention expenditure for a child who is 18 years and below at any time in the year for autism spectrum disorder, attention deficit hyperactivity disorder, global developmental delay, intellectual disability, down syndrome and specific learning disability, limited to RM4,000. The total tax relief for medical expenses is also increased to RM10,000 from RM8,000.

- Effective from YA 2023, the income tax relief for life insurance premium/takaful contribution is expanded to include additional voluntary Employee Provident Fund contributions made by civil servants under the pension scheme.

- The income tax relief period for fees paid to childcare centres and kindergartens up to RM3,000 is extended to YA 2024.

- Tax deduction of up to 10% of aggregate income is given for contributions to non-profit organisations that carry out sports development program.

FEATURE ARTICLE: MALAYSIA

RE-TABLING OF BUDGET 2023 (Cont'd)

- **Corporate Tax**

  - Effective from YA 2023, the income tax rates for micro, small and medium enterprises ("MSME") are reduced as follows:

Chargeable Income	Existing Tax Rate	Revised Tax Rate	Increase/ Reduction in Tax Rate
First RM150,000	17%	15%	-2%
RM150,001 – RM600,000	17%	17%	-
Above RM600,000	24%	24%	-

  - However, the above rates will not be applicable to a MSME if more than 20% of its ordinary share capital or capital contribution is directly or indirectly owned by one or more companies incorporated outside Malaysia or by one or more individuals who are not Malaysian citizens. This restriction is effective from YA 2024.

  - Hoteliers are given a special tax deduction of up to RM150,000 on qualified Malaysian-made handicraft purchased from local handicraft entrepreneurs. This special deduction is applicable to expenditure incurred from 1 January 2023 to 31 December 2025.

  - The tax deduction for expenses incurred by technology-based companies for listing in the Access, Certainty, Efficiency ("ACE") Market or by MSME in the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia is extended by another 3 years from YA 2023 to YA 2025. In addition, the tax deduction is expanded to include expenses incurred by technology-based companies for listing in the Main Market of Bursa Malaysia.

  - Tax deduction is given on the cost of issuing sustainable and responsible investment ("SRI") linked sukuk that is approved or permitted or deposited with the Securities Commission for a period of 5 years from YA 2023 to YA 2027.

  - For rental of non-commercial electric vehicles ("EV"), the maximum rental amount that is allowable for tax deduction is RM300,000. This tax deduction is effective from YA 2023 to YA 2025.

  - Tax deduction is given for donation/sponsorship of smart artificial intelligence-driven reverse vending machines. The tax deduction is applicable to such donation/sponsorship and application received by the Minister of Finance ("MOF") from 1 April 2023 until 31 December 2024.

  - Chicken farmers adopting environmentally friendly closed house system are given accelerated capital allowance of 100% and income tax exemption of 100% on the qualifying capital expenditure ("QCE"). This is given on the QCE incurred from YA 2023 to YA 2025.

  - Effective from YA 2023 to YA 2025, double tax deduction is given for remuneration paid to inmates and ex-inmates of Henry Gurney School under the Malaysian Prison Department and protection and rehabilitation institutions and non-government care centres registered under the Social Welfare Department.

  - A charitable hospital registered as a company limited by guarantee can apply for income tax exemption equivalent to the amount of expenditure incurred for charity/ welfare purposes for a period of 5 YAs. Donors to such a charitable hospital are given a tax deduction of up to 10% of aggregate income on their cash donations.

  - Tax deduction is given to employers on the remuneration paid for the employment of former national athletes.

  - Effective from 1 January 2023, the deadline for remitting the withholding tax on payments made to agents, dealers or distributors to the Inland Revenue Board ("IRB") is changed to not later than the end of the following calendar month after that payment is made.

  - Effective from YA 2023, intangible assets are removed from the exclusion list in the definition of "plant" for capital allowance purposes. However, MOF may prescribe any other assets as assets which are excluded from this definition.

- **Tax Incentives**

  - New tax incentive for carbon capture and storage ("CCS") technology:

    (i) For companies undertaking CCS in-house activity:

      (a) investment tax allowance ("ITA") of 100% on QCE for a period of 10 years which can be set off against 100% of statutory income ("SI");
      (b) full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 to 31 December 2027; and
      (c) Tax deduction for allowable pre-commencement expenses within 5 years from the date of commencement of operations.

    (ii) For companies providing CCS services:

      (a) ITA of 100% on QCE for a period of 10 years which can be set off against 100% of SI, or tax exemption of 70% on SI for a period of 10 years;

FEATURE ARTICLE: MALAYSIA
RE-TABLING OF BUDGET 2023 (Cont'd)

- **Tax Incentives (Cont'd)**

(ii) For companies providing CCS services (Cont'd):

(b) Full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 to 31 December 2027; and

(c) Tax deduction on fees for the use of CCS services incurred in YA 2023 to YA 2027 is given to companies engaging CCS services.

The tax incentives above are for applications received by the MOF from 25 February 2023 until 31 December 2027.

- Manufacturers of EV charging equipment are given either tax exemption of 100% on SI from YA 2023 to YA 2032, or ITA of 100% on QCE for a period of 5 years which can be set off against 100% of SI. This tax incentive is for applications received by the Malaysian Investment Development Authority ("MIDA") from 25 February 2023 until 31 December 2025.

- Extension of the application period for the tax incentive for food production projects by another 3 years and to expand the scope of this tax incentive to include agricultural projects based on Controlled Environment Agriculture. This tax incentive is for applications received by the Minister of Agriculture and Food Security ("MAFS") from 1 January 2023 until 31 December 2025.

- Extension of the application period for the tax incentive for BioNexus status companies by another 2 years and to increase the tax exemption on SI from 70% to 100%. This tax incentive is for applications received by the Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.

- Expansion of the scope of the tax incentive for automation in the manufacturing and services sector to include the adaptation of Industry 4.0 elements and the agriculture sector, and the maximum QCE be increased to RM10,000,000. This tax incentive is for applications received by MIDA and MAFS from 1 January 2023 until 31 December 2027.

- Extension of the application period for the tax incentive for ship building and ship repairing industry by another 5 years. This tax incentive is for applications received by MIDA from 1 January 2023 until 31 December 2027.

- Extension of the application period for the tax incentive for aerospace industry by another 3 years. This tax incentive is for applications received by MIDA from 1 January 2023 until 31 December 2025.

- Extension of the application period for the tax incentive for manufacturing companies to relocate their operations to Malaysia be extended to 2024. This tax incentive is for applications received by MIDA from 1 January 2023 until 31 December 2024.

FEATURE ARTICLE: MALAYSIA

RE-TABLING OF BUDGET 2023 (Cont'd)

- **Real Property Gains Tax ("RPGT")**
  - The transfer of chargeable assets between former spouses pursuant to an order of any court in consequence of the dissolution or annulment of their marriage is deemed to be at a disposal price equal to the acquisition price. This provision is effective upon the coming into operation of the Finance Act 2023.
  - For a transfer of chargeable assets to a controlled company under Schedule 2, paragraph 3(1)(b)(ii) of the RPGT Act 1976, whereby the disposal price is deemed to be equal to the acquisition price, the said company must be incorporated in Malaysia. This provision is effective upon the coming into operation of the Finance Act 2023.
- **Stamp Duty**
  - For the transfer of property by way of gift between parents and children or between grandparents and grandchildren, the stamp duty chargeable on the instrument of transfer is fully exempted, limited to the first RM1,000,000 of the property's value. The remaining balance of the property's value is subject to ad valorem duty rate but is given a 50% remission of the stamp duty chargeable. This provision is applicable to instruments of transfer of property executed from 1 April 2023.
  - Education loan/scholarship agreements to pursue education at all levels including certificate in any educational and training institution is chargeable with stamp duty of RM10. This provision is applicable to education loan/scholarship agreements executed from 1 June 2023.
  - The stamp duty exemption on the instrument of loan/financing agreement relating to the restructuring/rescheduling of a loan/financing between a borrower and a financial institution is extended by another 2 years. This provision is applicable to such instrument or agreement that is executed from 1 January 2023 to 31 December 2024.
  - A charge or a mortgage or an assignment by way of security of accounts receivables and an absolute sale of any accounts receivable or book debts to any government bodies/agencies that provide financing to small and medium enterprises are chargeable with stamp duty of RM10. This provision is effective upon the coming into operation of the Finance Act 2023.
  - Stamp duty exemption of up to 75% is given on sale and purchase agreements executed for the first residential home priced higher than RM500,000 up to RM1,000,000.
- **Indirect Tax**
  - Import duty and sales tax exemption on studio and filming production equipment is given to providers of studio equipment, production and post-production services for a period of 3 years. This exemption is applicable to applications received by the MOF from 1 April 2023 until 31 March 2026.

FEATURE ARTICLE: MALAYSIA

RE-TABLING OF BUDGET 2023 (Cont'd)

- **Indirect Tax (Cont'd)**
  - The excise duty and sales tax exemption on the sale/transfer/private use/disposal of individually owned taxis and hired cars is expanded to include executive taxis, TEKS1M and airport taxis (budget and family). In addition, the vehicle age condition is relaxed to at least 5 years from the date of registration. This exemption is applicable to applications received by the Royal Malaysian Customs Department ("RMCD") from 1 March 2023.
  - The full import duty exemption on components for locally assembled EV and full excise duty and sales tax exemption on Completely Knocked-Down ("CKD") EV is extended to 31 December 2027. In addition, the full import duty and excise duty exemption on imported Completely Built-Up ("CBU") EV is extended to 31 December 2025.
  - Import duty and sales tax exemptions are given to nicotine gum and nicotine patch products for a period of 3 years. This exemption is applicable to applications received by the MOF from 1 April 2023 until 31 March 2026.
- **Others**
  - Effective from YA 2023, a taxpayer other than a company, trust body, co-operative society or limited liability partnership is allowed to revise its advance tax instalment scheme for a YA twice i.e., once not later than 30 June and/or once not later than 31 October of that YA.
  - Effective from YA 2024, all taxpayers are required to furnish to the IRB their tax returns (including amended returns and returns by employer) in electronic form or by way of electronic transmission.
  - It is proposed that luxury goods tax be imposed on luxury goods such as watches and fashion items above a certain threshold according to the type of goods.
  - The Government is studying a proposal to introduce from the year 2024 capital gains tax at a low rate on the disposal of unlisted shares by companies.
  - It is proposed that the IRB and the RMCD will reintroduce their voluntary disclosure programmes with penalty waiver of 100% for submissions from 1 June 2023 to 31 May 2024.
  - Effective from YA 2023, the tax payable based on the tax return or amended tax return submitted by a taxpayer which is deemed as an assessment may be paid by instalments subject to approval by the IRB.

Given the number of proposals and the relatively short time frame available for their implementation, BDO Malaysia shall be pleased to assist our clients to review their current business structures and processes for tax compliance and efficiency.

NEWS

CAMBODIA:
MITIGATING THE IMPACT OF COVID-19 ON THE TOURISM SECTOR

The Cambodian Government has issued a press release dated 30 January 2023 on the Additional Measures to Mitigate the Economic Impact of COVID-19 and Support the Recovery of the Tourism Sector ("Press Release 01").

The measures announced in Press Release 01 include:

Exemption from monthly tax payments
Hotels, guesthouses and travel agencies that are operating in Siem Reap province and registered with the General Department of Taxation ("GDT") are exempted from paying monthly tax, except for Value Added Tax ("VAT"), for the months of January 2023 to March 2023.

These businesses are still required to file their monthly tax returns and to use the e-filing system to manage their VAT ("E-VAT") during this period.

Freezing of tax liabilities
The Government will continue to freeze the tax liabilities of businesses in the tourism sector up to the end of the year 2019, and will not impose penalties in 2023.

Staff training
The Government will continue to support the tourism sector by assisting to provide skills development training to their staff and to provide funding for these trainings if required.

DISPLAYING TAX CERTIFICATES

The General Department of Taxation ("GDT") has issued Instruction No. 27185 GDT (Instruction 27185) on the Display of Tax Registration Documents at Business Premises on 14 November 2022.

Under Instruction 27185, all enterprises are required to display their valid tax registration document at their business premises as set out below:

Head Office of an Enterprise
- Certificate of tax registration or letter confirming tax registration; and/or
- Patent tax certificate.

Local Branch of an Enterprise
- Certificate of branch registration; and/or
- Patent tax certificate.

Failure to comply with the above requirement will be considered an obstruction of the tax law and will be penalised in accordance with Article 133 of the Law of Taxation.

NEWS

INDONESIA

IMPLEMENTATION GUIDELINES FOR TAX FACILITY IN SPECIAL ECONOMIC ZONES

General overview

The Indonesian Ministry of Finance ("MoF") has issued MoF Regulation No. 33 PMK.010/2021 ("PMK-33") as an implementing regulation for Government Regulation ("GR") No. 40 Year 2021 in lieu of PMK-237 PMK.010/2020 ("PMK-237"). This regulation provides a more detailed explanation on the criteria of facilities to business entrepreneurs doing business in Special Economic Zones *(Kawasan Ekonomi Khusus* or "KEK"), the requirement of IT infrastructure and expansion of VAT facilities for certain transactions.

Tax Facilities

By virtue of PMK 33, business entrepreneurs domiciled in KEK shall be eligible for the following facilities:

a. Income tax;
b. Value Added Tax ("VAT") and Tax on Luxury Goods ("LST");
c. Import duty and tax; and
d. Excise.

Requirements of KEK Application System

Business entrepreneurs within KEK have the obligation to establish information technology ("IT") based inventory system and implement KEK application system to monitor the delivery and movement of taxable goods and services. The following principles must be applied during the implementation of KEK application system:

- Single document;
- Performed through electronic system;
- Integrated with IT based inventory system;
- Standardization and automatic exchange of information with Indonesia National Single Window ("SINSW") system for customs and excise purposes; and
- Integration with SINSW for tax purposes.

Expansion of VAT Facilities

VAT facilities are extended under PMK 33 and shall not be imposed on the following transactions:

- Import of certain taxable goods to KEK;
- Import of consumer goods to Tourism KEK;
- Delivery of certain taxable goods to KEK from Indonesian Customs Area, Free Trade Zone ("FTZ"), and Bonded Storage ("TPB");
- Delivery of certain taxable services and intangible taxable goods from Indonesian Customs Area;
- Delivery of certain tangible taxable goods among business entrepreneur within or among KEK;
- Delivery of taxable services and intangible taxable goods within or among KEK, including land and building rental; and
- Utilization of taxable services and intangible taxable goods from outside Indonesia.

Delivery of taxable goods and services made by business entrepreneurs from KEK to customers domiciled in other places within Indonesian Customs Area will be subject to VAT and/or LST in accordance with the prevailing Indonesian VAT regulation. If the taxable goods or services are originated from outside Indonesian Customs Area, Indonesian Customs Area, FTZ and/or TPB, then the business entrepreneurs are obliged to settle the VAT or LST which are not collected at the time of acquisition. The VAT and LST cannot be claimed as input VAT by the business entrepreneurs for the purpose of monthly VAT calculation purposes.

NEWS

MYANMAR

SUBMISSION OF ADDITIONAL INFORMATION WITH ANNUAL RETURNS FOR NEWLY INCORPORATED COMPANIES

The Directorate of Investments and Company Administration ("DICA") announced on 1 April 2023 that newly incorporated companies are required to submit to the DICA within 2 months after the date of incorporation additional information along with the submission of their first annual return.

The additional documents that are to be submitted are as follows:

a.) Evidence that the paid-up capital of the company shown in the Myanmar Companies Online ("MyCo") system has been remitted into the bank account of the company.

b.) For company directors and shareholders who are individuals:
- For Myanmar citizens, a copy of the National Identification Card and certificate from the relevant township police confirming the residential address of the directors and shareholders.
- For foreign nationals: Proof of compliance with Registration of Foreigner Rules, 1948, such as Immigration Form C.

c.) If a shareholder of the new company is a legal person or legal entity, documentary evidence of the organisation or person must be provided.

d.) Confirmation from the relevant township police that the registered office address of the company listed on the MyCo system is valid and that the company is opening an office at that address.

If the new company fails to provide the additional information above when submitting its annual return, the company may be suspended and subsequently deregistered.

NOMINEE DIRECTORS AND NOMINEE SHAREHOLDERS ARE NOT ALLOWED UNDER MYANMAR COMPANIES LAW

On 17 January 2023, DICA issued directive no 7/2023, which stipulates that the registration of nominee directors and nominee shareholders are not allowed under Myanmar Companies Law ("MCL").

Under Division 18 of the MCL, those who direct or control the affairs of the company are defined as directors regardless of whether they are appointed to that position.

While alternate directors may be appointed according to the MCL, the appointment of nominee directors are not allowed.

The directive also provides that Myanmar does not allow the registration of nominee shareholders and considers only the person or legal entity registered at the Registrar and in the company's register of members as the beneficial owner.

NEWS

MYANMAR

PUBLIC RULING 1/2022

On 7 October 2022, the Internal Revenue Department ("IRD") issued Public Ruling 1/2022 which sets out their practices regarding tax refunds as follow:

- Conditions for entitlement to claim the refund;
- Steps to offset liabilities to get the refund;
- How to compute the advance tax to offset the refunds; and
- Issuance of refunds.

PUBLIC RULING NO 3/2022

On 16 November 2022, the IRD issued Public Ruling 3/2022 which clarifies how the tax authorities interpret tax avoidance, underpayment of tax, false or misleading tax information and tax evasion.

- If any person who understands the tax laws and violates tax compliance practices to avoid taxes due and reduces the taxable income/tax to be paid, this shall be considered as tax avoidance.

- If any person files their tax return by under stating the tax payable fraudulently, this shall be considered as negligent or fraudulent underpayment of tax.

- If any person submits false or misleading statements to a tax officer in order to either reduce tax or to avoid the tax payment or to receive a refund of tax which the person is not entitled to and the tax officer has considered the submission of such statements as the correct submission made by the person, this shall be considered as false or misleading statements.

- If any person violates the tax law willingly, commit the fraudulent underpayment of tax and false or misleading statements repeatedly and causes losses to the State's revenue due to the person's failure to fulfil their tax obligation, this shall be considered as tax evasion.

2023 UNION TAX LAW

The State Administration Council enacted the 2023 Union Tax Law which is effective from 30 March 2023. There are a few changes to the tax rate on various types of liquor as below. Apart from this, other tax rates such as income tax, commercial tax and personal income tax remain unchanged.

Price level of various types of liquor	Tax Rate
Between 200-1400 kyats per litre	209 kyats per litre
Between 1,401-2,600 kyats per litre	550 kyats per litre
Between 2,601-4,100 kyats per litre	940 kyats per litre
Between 4,101-5,600 kyats per litre	1,320 kyats per litre
Between 5,601-7,100 kyats per litre	1,716 kyats per litre
Between 7,101-8,600 kyats per litre	2,112 kyats per litre
Between 8,601-10,100 kyats per litre	2,508 kyats per litre
Between 10,101-11,600 kyats per litre	2,904 kyats per litre
Between 11,601-13,100 kyats per litre	3,300 kyats per litre
Between 13,101-14,600 kyats per litre	3,696 kyats per litre
Between 14,601-16,350 kyats per litre	4,092 kyats per litre
Between 16,351-18,100 kyats per litre	4,653 kyats per litre
Between 18,101-19,850 kyats per litre	5,071 kyats per litre
19,851 kyats and above	60% of the price of a litre

NEWS

SINGAPORE

SINGAPORE TAX AUTHORITY INTRODUCES TAX GOVERNANCE AND CORPORATE TAX RISK MANAGEMENT AND CONTROL FRAMEWORK

The Inland Revenue Authority of Singapore ("IRAS") has implemented the Tax Governance Framework ("TGF") and Tax Risk Management and Control Framework for Corporate Income Tax ("CTRM") which aim at encouraging companies to adopt good tax governance principles and practices voluntarily.

Coupled with the existing Goods & Services Tax Assisted Compliance Assurance Programme ("GST ACAP"), these frameworks would provide companies with the relevant tools to step up their tax governance holistically.

TGF is a principle-based framework featuring a set of broad principles and key practices that a company should incorporate in its tax governance policy for effective management of corporate income tax ("CIT") risk.

Companies can apply for TGF status with IRAS, this include publishing its Tax Governance Policy statement on its corporate website or annual report and confirming adherence to the IRAS guiding principles and key practices.

CTRM framework is intended to assist entities in conducting self-assessment of the strength and efficiency of their internal control procedures established to manage compliance risks related to corporate income tax.

To apply for CTRM status, companies must have in place three levels of controls namely Tax Governance Structure, Entity Level Control and Tax Reporting Control.

In addition, companies must meet the following conditions:-

i) the statutory auditor's opinion of the last three (3) years' financial statements is unqualified;
ii) the company is not currently under any CIT audit for tax avoidance or investigation conducted by the IRAS;
iii) the company has good compliance records for CIT (including withholding tax), GST and property tax for the last three (3) years and no outstanding tax with the IRAS as at the date of application; and
iv) the company appoints a qualified CTRM Reviewer to conduct the review.

Benefits of adopting TGF and CTRM

Companies that have been granted the TGF status can enjoy a one-time extended grace period of two years for voluntary disclosure of errors made within two years from the date of award of TGF status.

As for CTRM status, companies would enjoy a one-time waiver of penalties for voluntary disclosure of prior years' CIT and/or withholding tax errors made within three years from the date of award of CTRM status. There will also be a step-down on CIT compliance audit.

In line with transparency towards environmental, social and governance ("ESG") policies, the TGF and CTRM frameworks are indeed timely. By participating in the above programmes, companies may initially have to invest additional time and resources in their tax compliance matters. However, in the long run, TGF/CTRM-status companies would give assurance to the IRAS of their effective tax risk management, robust tax governance and transparency in tax matters. Overall, quicker finalisation of tax assessments and reduction of tax compliance cost can be expected.

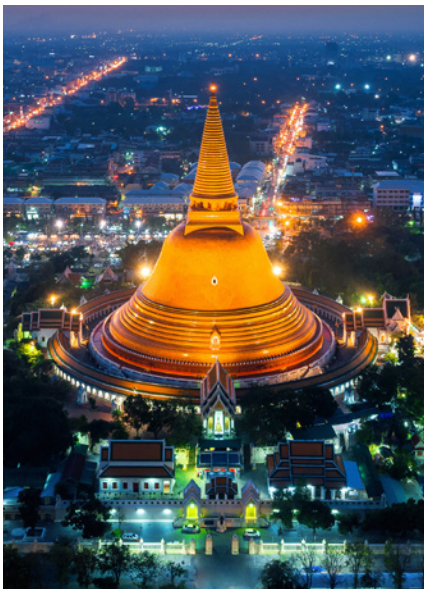
BDO, as a qualified CTRM Reviewer would be pleased to assist you.

NEWS

THAILAND

AN ENHANCED FOCUS ON INTERNATIONAL BUSINESS CENTER ("IBC")

Thailand has been active in providing necessary regulatory landscape to house regional headquarters in the country. The government offers both tax and non-tax incentives to investors establishing IBC companies in Thailand as it continues to promote the country as a hub in the region.



An IBC company is engaged in the provision of managerial and technical support or financial management services to its associated enterprises ("AEs") located in Thailand and overseas. The incentives available include:

- Import duty exemption on machinery to be used for R&D and training activities.
- Permission to bring in foreign skilled personnel and experts to work on the IBC investment promoted activities.
- The majority or 100% foreign ownership of the IBC company.
- Ability to own land for use in the IBC business.
- Lending foreign currency to AEs in foreign countries, Thai Baht to AEs in Thailand, Vietnam and other countries bordering Thailand.

The Foreign Business Act restricts foreign owned businesses from lending funds to group entities overseas unless a license is obtained. BOI, as the government agency in charge of promotion of foreign investments, grants permission to IBC and Trade and Investment Support Office businesses to engage in lending business to related companies, subject to certain conditions.

In December 2022, BOI issued an Announcement promoting the "Relocation Program". The program offers various incentives to foreign businesses that would relocate to Thailand. However, existing promoted businesses engaged in the manufacturing activity can also benefit from the program. Thus, the program covers the following categories:

1. New manufacturing businesses and BOI promoted companies under Group A activities. For new businesses, both manufacturing and IBC businesses shall be applied, and the promoted company must submit the applications by the end of 2023.
2. For existing manufacturing promoted companies, an IBC promotion application must be submitted by the end of 2023.

An additional 3-year income tax holiday ("ITH") benefit awaits successful applicants engaged in both manufacturing and IBC businesses. For companies setting up an R&D center together with an IBC business, an additional 5-year ITH will be granted.

CORPORATE INCOME TAX ("CIT") MEASURES

On 18 July 2022, the Government of Thailand announced the following CIT measures in response to the Covid-19 Pandemic:

1. Exemption from income tax and VAT for persons and companies donating money or property to the government from 6th March 2022 until 31st December 2023 to support COVID-19 related measures.
2. Tax exemption for proceeds from sale of property with buy-back option.
3. CIT and VAT exemption for importing goods used for treatment, diagnosis, or COVID-19 prevention for donation to specified organizations from 1 April 2022 to 31 December 2023.

On 24 January 2023, the Government of Thailand approved the extension of the tax measures to support the e-tax systems for three years from 1 January 2023 to 31 December 2025 with the aim to promote the continuous use of the e-tax invoice, e-receipt, and e-withholding tax systems.

In addition, the Cabinet also approved the reduction of the withholding rate to 1% for certain types of payment through e-withholding tax system from 1 January 2023 and 31 December 2025. The payments are:

- Service income (e.g. commission);
- Goodwill and copyright;
- Property rental, except boat rental;
- Income derived from liberal professions, contract of work, hire of work including prizes received from competitions, lucky draws, or others of a similar nature; and
- Income paid to actors and actresses who are residents of Thailand.

NEWS

VIETNAM

TAX POLICIES BEING CONSIDERED BY THE GOVERNMENT OF VIETNAM IN 2023

1. **Proposal for the reduction of value added tax ("VAT") rate from 10% to 8% (expected to be effective 1 July 2023 to 31 December 2023). The VAT reduction may be implemented using either of the following methods:**

   - Method 1: Reducing the VAT rate by 2% for all groups of goods and services that is subjected to the 10% tax rate; or

   - Method 2: Reducing the VAT rate by 2% for all groups of goods and services that is subjected to the 10% tax rate, except for the groups of goods and services provided in the Resolution 43/2022/QH15 dated 11 January 2022 of the National Assembly on fiscal and monetary policies to support the Socio-economic recovery and development program.

2. **Extension of tax payment and land rent 2023 (draft):**

   The Ministry of Finance is drafting a Decree to extend the deadline for paying VAT, corporate income tax ("CIT"), personal income tax ("PIT") and land rent in 2023, in which:

   - The extension of the VAT payment deadline is as follows:
     - VAT payable from January 2023 to May 2023 and the first quarter of 2023 is extended for another 6 months.
     - VAT payable of June 2023 and the second quarter of 2023 is extended for another 5 months.
     - The extension period is counted from the end of the VAT payment deadline according to the provisions of the law on tax administration.

   - The extension of the CIT payment deadline is as follows:
     - CIT temporarily paid in the first and second quarters of 2023 is extended for 3 months.
     - The extension period is counted from the end of the CIT payment deadline according to the provisions of the law on tax administration.

   - The VAT payment and PIT payment deadlines for business households and individuals shall be extended to 30 December 2023.

   - The deadline for the payment of the first 50% of land rent due in 2023 shall be extended by 6 months from 31 May 2023 to 30 November 2023.

The draft Decree is currently being deliberated by the Ministry of Finance. The Decree is expected to officially take effect from the date of signing until 31 December 2023.

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