

# THE ANNUAL DELOITTE TOUCHE TOHMATSU/CFO ASIA TAX SURVEY

	Hong Kong	Malaysia	Singapore	Indonesia	Korea
<b>Tax rates</b>	16%	28%	26%	Residents: 10-30%; Non-residents: Various	17.6-30.8% effective rate
<b>Income not subject to tax</b>	Offshore income; Dividends; Capital gains; Interest on bank deposits.	Interest paid on government securities; Dividends paid by companies that enjoy tax incentives; Offshore income; Capital gains (except real property); Income arising in the basis year 1999 or basis period ending 1999.	Interest derived from qualifying debt securities by any non-resident person who did not purchase the qualifying debt securities with funds from operations in Singapore; Interest derived from deposits in an approved bank in Singapore by any non-resident person; Certain shipping income; Certain dividends; Income of foreign investors arising from funds managed by Asian Currency Units.	Dividends from resident companies; Premiums on issue of shares; Income generated by main contractors on aid-funded government projects; Minimum income; Final taxed income.	All income subject to tax.
<b>Non-deductible items</b>	Cost of improvements; Provision for bad debts; Personal expenses; Capital expenditure; Taxes, fines and penalties.	Provision for contingent liabilities; Contributions to non-approved funds; Personal expenses; Capital expenditure; Taxes, fines and penalties; Provisions for diminution in value of assets; Pre-operating expenses; Entertainment expenses; Bonus payment in excess of 2/12 of the employee's salary.	Provisions for contingent liabilities and general provisions; Contributions to non-approved funds; Private expenses; Capital expenditure; Taxes, fines and penalties; Provisions for diminution in value of assets; Pre-operating expenses; Sums recoverable under an insurance contract; Unrealised foreign exchange losses; Car expenses.	Benefits in kind paid on behalf of employees; Provisions; Contributions to non-approved pension funds; Private expenses; Capital expenditure; Income tax, fines and penalties; Donations	Income tax; Fines and penalties; Entertainment above limits.
<b>Tax incentives</b>	None	Tax cuts for increasing exports and increasing R&D spending; Reinvestment allowance of 60% of capital expenditures on plants, machinery and industrial buildings; Stamp duty on loan refinancing waived; Operational headquarters – 10% tax on certain income; In Labuan, 3% or lump sum of RM20,000 for offshore companies.	Qualified pioneer enterprises exempt from tax for up to ten years; Holiday tax losses can be carried forward. Qualified operational headquarters, high technology companies and export services – 0-10% tax; Investment tax allowance of up to 50%.	Exemption from or reduction of import duty on capital goods and raw materials fully used in two years; Tax holidays; KAPET/PET/Bonded zones/Bapeksta (special economic zones).	Ten-year tax incentive program expanded to high-tech services such as industrial design and electronic commerce. Minimum investment and employment criteria apply.
<b>Loss treatment</b>	Carry forward indefinitely	Carry forward, except tax holiday period.	Carry forward indefinitely, subject to less than 50% change in shareholders and their shareholdings in ultimate holding company.	Carry forward five years (up to ten years for investments in certain industries and remote areas).	Carry back for SMEs; Carry forward five years except for tax holiday period.
<b>Are dividends received taxed?</b>	No	Yes, but relief allowed for tax deducted at source from dividends received.	Yes, but subject to imputation; (No at corporate level).	Not between PT companies but foreign-sourced dividends are taxed as ordinary income, and dividends paid to individuals are taxed as ordinary income.	Yes
<b>Taxes on capital gains on sale of assets</b>	Nil	Gains from disposal of real property situated in Malaysia only.	No, but gains on sale of real properties, shares in a relevant investment company or a relevant company within three years taxed as ordinary income.	Taxed as ordinary income, except deemed gains on sale of shares traded on Indonesian stock exchanges are subject to tax at 0.1% of the selling price; Foreigners on disposal of shares in unlisted companies are taxed at 5% of consideration, regardless of gain or loss.	Taxed as ordinary income, surtax of 15-30% on disposal of real property.
<b>Treaty network</b>	China only, negotiating with the Netherlands.	58 countries	38 countries	41 countries	Wide network
<b>Stamp duty</b>	0.25% on shares; Up to 3.75% on land and immovable property.	0.3% on shares, ad valorem rates on other documents	Only on stocks, shares and immovable property, which are subject to varying rates.	Levied at Rp 2,000	Applied to certain documents and deeds
<b>VAT/GST</b>	Nil	Sales tax: 5-10%; Service tax: 5%	3% GST on all taxable supplies except for export of goods, international services, prescribed financial services and residential property.	0-10% VAT; 10%, 35% and 50% sales tax are levied on luxury goods.	10% VAT

	China	Philippines	India	Taiwan	Thailand
<b>Tax rates</b>	33%; Business tax: 3-5%	33%, dropping to 32% in 2000.	Domestic companies - 38.5% (Incl surcharge); Foreign companies - 48%.	NT\$50,000 or less - 0%; NT\$50,001-100,000 - 15%; over NT\$100,000 - 25%; Additional 10% on retained earnings kept more than one year.	30%
<b>Income not subject to tax</b>	All income subject to tax.	Dividends from domestic corporations.	Dividends; Income from units of Unit Trust of India and income from mutual funds specified in section 10(23D).	Dividends from investments in other local companies.	Dividends and/or profit distributions from Thai domestic joint venture; Dividends from domestic corporations to listed company on the Securities Exchange of Thailand or to shareholder that owned shares with voting rights of more than 25%; Other income as specified by Royal Decree No. 10/BE 2500.
<b>Non-deductible items</b>	Interest on capital; Taxes, fines and penalties.	Income, estate and donors taxes; Transfers to reserves; Interest expense to the extent of 39% in 1999 and 38% in 2000, of the interest income subject to final tax.	Income tax and wealth tax; Interest paid on income tax; Provisions for contingent liabilities.	Interest paid which exceeds prescribed maximum rate; Income tax; Donations in excess of 10% of taxable income.	Reserves and provisions for contingent liabilities; Contributions to non-approved fund; Private expenses; Capital expenditure; Fines and penalties; Provision for diminution in value of assets; Entertainment expenses over prescribed limits.
<b>Tax incentives</b>	15% tax rate in special economic zones; Foreign investor reinvesting its share of profits for at least five years gets a 40% refund of tax paid on sum reinvested. Tax holiday for some industries for two years. Starts from first profitable year after utilizing tax losses.	Corporate tax rate falling to 32% in 2000; Tax breaks in special economic zones. Firms registered with the Board of Investment are entitled to a tax holiday.	Tax holiday for ten consecutive years, for companies setting up in free trade zones, electronic hardware technology parks, software technology parks. Tax holiday for ten consecutive years for hundred percent export oriented undertakings.	Service life for R&D, quality control, and energy-saving equipment accelerated by two years; Investment tax credit of 5-25% available for certain industries; 20% deduction of investment cost over five years; Tax waivers and deductions for investments in selected industries.	Tax incentives in certain zones; Export incentives; Tax exemption on extra production to encourage companies to operate at full capacity; Tax holidays of three to eight years for qualifying manufacturing and service firms.
<b>Loss treatment</b>	Carry forward five years	Carry forward three years	Carry forward eight years, except from certain tax holidays.	Carry forward five years	Carry forward five years
<b>Are dividends received taxed?</b>	Yes (unless from FIE)	Yes, except dividends from domestic corporations.	No, but 11% (including surcharge) on distribution of profit	Taxed as ordinary income	No, provided certain conditions are met
<b>Taxes on capital gains on sale of assets</b>	Taxed as ordinary income	Taxed as ordinary income, except gains from shares subject to share transaction tax of 5-10% for unlisted shares and 0.5% for listed shares.	a) Depreciable assets: Sales proceeds are reduced from the written down value of the block of assets. The excess of sales proceeds over the written down value of the block is taxed as short term capital gain. (b) Other assets: (i) Long term capital assets – capital gains (with indexation) - 20%. Capital gains (without indexation) on assets being listed securities - 10%. (ii) Short term capital assets – taxed as ordinary income.	Taxed as ordinary income	Taxed as ordinary income
<b>Treaty network</b>	Wide network	Wide network	Wide network	10 treaties	Wide network
<b>Stamp duty</b>	Yes	Applies to certain business papers and documents	Yes	Range from 0.1-0.4%	Levied on certain legal instruments with varying rates
<b>VAT/GST</b>	Generally 17% VAT; 13% in certain situations.	10% VAT	Each state has its own sales, purchase and use taxes.	Business tax (5% standard, but rate varies)	7% VAT on most goods and services; rate will revert back to 10% from April 1, 2001.

Source: Deloitte Touche Tohmatsu