2021

BUILDING A TREASURY CENTRE FOR SUSTAINABLE GROWTH

A collaboration between:

RSM

UOB

RAJAH & TANN Singapore

DEACONS 的近律師行

CONTENTS

DISCLAIMER

This Regional Treasury Centre (RTC) booklet is designed to provide businesses with an overview of RTC functions and a comparison of selected locations (Singapore, Hong Kong SAR, Malaysia and Thailand) in relation to relevant economic, tax and legal factors. This information is provided with the intention that the authors do not offer any legal, accounting, regulatory, tax, financial or other professional advice. In the case of a need for any such expertise, please consult the appropriate professional. This is not an exhaustive guide on the subject and was not created to be specific to any individual's or organisation's circumstances or needs.

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Holistic Approach towards Setting Up a Treasury Centre

The role of treasury function has evolved from payment processing to encompass comprehensive responsibilities such as financial risk management, cash efficiency management, and strategic planning.

Centralisation of the treasury function has been driven by globalisation, technology and the changing regulatory environment. Cross-border transactions, coupled with enhanced banking facilities, have played the most significant role in the process.

Corporations have the option to establish either a Global Treasury Centre or multiple Regional Treasury Centres that consolidate treasury activities of business units in a single region such as the Asia-Pacific region.

Key steps to build a treasury centre:

1. Understand business objectives and expansion plan
2. Determine treasury centre operating model
3. Suitability study
4. Self-assessment
5. Execution

Location, being the imperative of a treasury centre, is not the sole factor. To drive operational efficiency, reduce cost, and minimize financial risks, corporations should adopt a 3-tier Decision Matrix to facilitate self-assessment and seek advice accordingly.

1 ORGANISATION STRUCTURE

- Objectives
- Governance

2 TAX, FINANCIAL, LEGAL FACTORS

- Tax Savings
- Banking Capabilities
- Regulatory Climate

3 OVERALL COMPETITIVENESS

- Talent
- Connectivity
- Technology

Tax Profile Analysis

TAX PARAMETER	SINGAPORE	HONG KONG SAR	MALAYSIA	THAILAND
Tax System	Territorial			World Scope
Corporate Tax Rate	17%	16.5%	24%	20%
Number of DTA	88	45	73	61
Number of FTA	26	8	14	14
Dividend WHT	0%			0% (IBC)/10%
Interest WHT	0%		15%	0%*
Capital Gains Tax	0%			15% for overseas recipients
Debt-equity Ratio	No thin capitalisation rules		Thin capitalisation rules	No thin capitalisation rules
Incentive	Finance Treasury Centre (FTC)	Corporate Treasury Centre (CTC)	Principal Hub (PI)	International Business Centre (IBC)
Concessionary Tax	8%	8.25%	0%, 5% or 10%	3%, 5% or 8%
Incentive Period	5 years, extendable	Indefinite period unless conditions not met	5 + 5 years	15 years
FX Control	Not regulated		Regulated	
Fund Transfer	Not restricted		Restricted	

*0% withholding tax on qualifying interest paid by the IBC to an overseas loan provider in connection with a loan obtained for re-lending as a result of its treasury activities.

Preferred location for each category

KEY CONSIDERATIONS

SINGAPORE

1. Ageing population
2. High labour and infrastructure costs
3. High cost of living

HONG KONG SAR

1. Geopolitical environment
2. Limited DTA networks, but growing
3. High cost of living

MALAYSIA

1. Geopolitical environment
2. Less developed financial markets
3. Slower adoption of technology
4. More restrictions on qualifying conditions and currency

THAILAND

1. Geopolitical environment
2. Cumbersome application procedures
3. Restrictions to get loans by issuing bonds

SELF-ASSESSMENT QUESTIONNAIRE

QUESTIONS	HOW WE CAN HELP
▪ Should the group enter into interest rate swap arrangements? ▪ How does the group manage interest rate risk?	Advice on tax treatment of interest rate swaps
▪ How does the group manage foreign exchange risk on financing activities?	Advice on tax treatment of accounting hedges
▪ How do I qualify for concessionary tax rate in different jurisdictions? ▪ Which concessionary tax rate is more beneficial to my operational needs?	Advice on qualification tests, criteria, application process and comparison study
▪ How do I achieve higher tax savings for corporate tax, interest withholding tax, and dividend withholding tax?	Advice on withholding tax and corporate tax rates
▪ How do I minimise tax implications for different financing options?	Advice on thin capitalisation rules
▪ How long is the incentive period for a concessionary tax rate?	Advice on the tenure of incentives
▪ How are offshore incomes treated?	Advice on offshore income treatment
▪ How do I benefit from capital gains tax deduction for sale of assets?	Advice on capital gains tax
▪ Should the group plan to base its HQ in Singapore to qualify for a further concessionary tax rate?	Advice on concessionary tax rate of incremental income

Business Objectives

The location should align with the strategic expansion plan and business objectives. Although Malaysia and Thailand also offer tax incentives for the setting up of treasury functions, the pre-existing controls on foreign exchange and fund transfers may have additional barriers to the management of treasury activities. Therefore, we shall only focus on Singapore and Hong Kong SAR tax incentives.

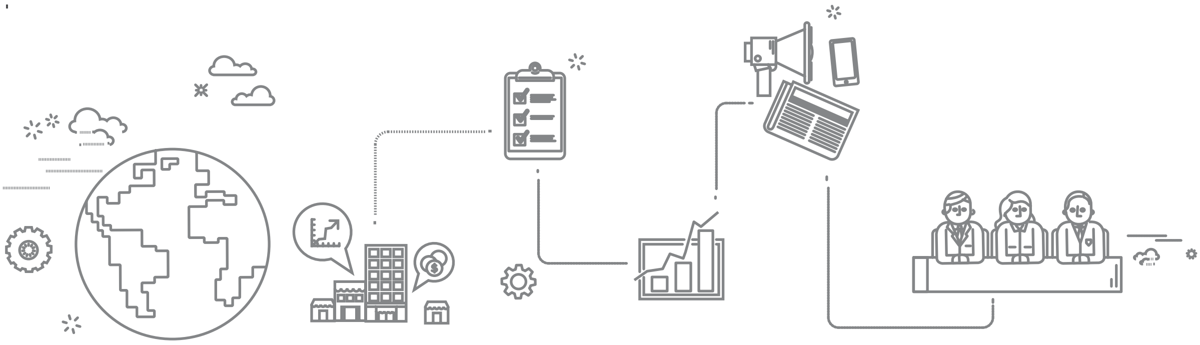
The tax regime of Singapore and Hong Kong SAR are **equally competitive**. With its proximity to Mainland China, Hong Kong SAR is a premier location for **multinational corporations (MNCs) looking to expand into Mainland China and Mainland China corporations looking to venture overseas**. Singapore's competitive advantage lies in its **extensive ASEAN networks and tax treaties**. Corporations looking to expand into ASEAN or South Asian countries might prefer Singapore over Hong Kong SAR.

1. Strong economic links with other ASEAN countries
2. Political stability
3. Partnership with global banks
4. Extensive double taxation agreements

1. Strong economic links to Mainland China
2. Largest RMB offshore centre
3. Access to Greater China market
4. Over 60% of Mainland China's FDI was made via Hong Kong SAR in 2018

Synergy with Operations

Companies prefer to set up Regional Treasury Centres (RTCs) closer to their other operations for cost-efficiency and better control and more accurate forecast of cash and treasury needs.



Regional Comprehensive Economic Partnership (RCEP)

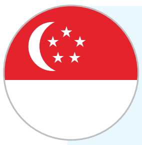
After eight years of negotiation, the Regional Comprehensive Economic Partnership (RCEP) free trade agreement (FTA) that involves all 10 ASEAN member countries, Mainland China, Japan, South Korea, Australia and New Zealand was signed in November 2020. The RCEP is the world's largest FTA, covering 30 per cent of the global GDP and world's population, and 27 per cent of the world's total trade value in 2019. Furthermore, RCEP members produced nearly half of the world's manufacturing output.

Eliminates tariffs of 92% of goods traded

Single, unified set of rules of origin

Simplified customs procedures

The RCEP not only lowers tariffs but also, more importantly, harmonises the "rules of origin" among the 15 participating countries. This would enhance the region's competitiveness as a location for supply chains. With the ability to offer investors a broad array of production locations with differing comparative advantages, and the opportunity to export at preferential tariff rates to a wide economic area comprising both high-income consumers and a large and growing middle-income segment, investments into ASEAN countries is expected to increase. This would deepen cross-border production linkages and increase regional flow of intermediate products. This would in turn drive a greater need for a RTC to manage the increased investments and currency flow in ASEAN countries.



Singapore
Singapore is the first RCEP participating country to complete the official ratification process, signaling the nation's strong commitment to strengthen trade and economic connectivity with its partners. As a key FTA, the RCEP will complement Singapore's existing network of FTAs, and provide businesses with more opportunities and preferential access into growing markets in the region.

Hong Kong SAR
Hong Kong SAR has maintained tight economic relationship with RCEP members over the years, particularly with Mainland China and ASEAN countries. It has signed FTAs with 13 members (Mainland China, 10 ASEAN countries, Australia and New Zealand) of the RCEP. Hong Kong SAR has expressed strong interest in joining the RCEP as early as possible.

Banking & Financial Markets

Banking capabilities of Singapore and Hong Kong SAR are comparable. Hong Kong SAR has a stronger capital market which provides easier funding in the equity market, whereas Singapore has a higher share of global foreign exchange (FX) turnover, providing better liquidity for RTCs.

	SINGAPORE	HONG KONG SAR
BANKING CAPABILITIES		
The Global Financial Centres Index[1]	5th	4th
Number of banks[2]	4 local banks, 127 foreign banks and 21 merchant banks	161 licensed banks and 16 restricted licence banks
FINANCIAL MARKET EFFICIENCY		
Market capitalisation[3]	US$697 billion	US$5 trillion
Share of global FX turnover[4]	7.7% (US$640 billion, 3rd globally)	7.6% (US$632 billion, 4th globally)
Estimated FDI inflows[5]	US$91 billion	US$119 billion

Preferred location for each category

Sources:

[1] The Global Financial Centres Index 29, March 2021, published by Long Finance And Financial Centre Futures and produced by Z/Yen in partnership with CDI

[2] Monetary Authority of Singapore (MAS) (information extracted on 12 May 2021), and Hong Kong Monetary Authority 2020 Annual Report (as at 31 December 2020)

[3] The World Bank Data, Market Capitalisation of listed domestic companies (current US$)

[4] 2019 Triennial Central Bank Survey of the global FX and over-the-counter (OTC) derivatives markets conducted by the Bank for International Settlements (BIS)

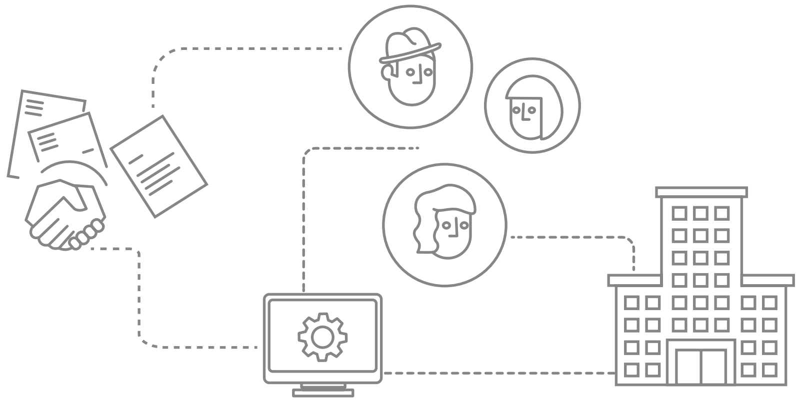
[5] United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2021

Legal & Regulatory Environment in Singapore

Apart from attractive tax incentives, a conducive legal environment for foreign exchange, payment systems, and setting up a business entity play a part in attracting global corporations to set up their regional treasury centres (RTCs) in a location. In addition, a robust and well-regulated financial system that supports innovation and offers a wide array of risk management options for investors are elements of an ideal RTC location. Below is a brief description of the legal and regulatory regimes in Singapore that help it to establish itself as a popular RTC location in Asia.

Financial and Treasury Centre (FTC) Incentive

The Singapore Economic Development Board (EDB) has a RTC incentive scheme (which is FTC) to encourage companies to grow their treasury management capabilities. An approved FTC company enjoys reduced corporate tax rate of 8 per cent on income derived from qualifying FTC services to approved network companies. To qualify for FTC incentives, companies must establish substantive activities in Singapore and perform strategic functions. Substantive activities and strategic functions include control over the management of cash and liquidity positions, provision of corporate finance advisory services, management of interest rate, foreign exchange, liquidity and credit risks, as well as overall business planning, and investment research and analysis.



EASE OF DOING AND STARTING A BUSINESS

The Doing Business 2020 study published by The World Bank Group ranks Singapore as the **easiest place to do business in Asia**. Singapore records the best regulatory performance in Asia in the area of starting a business. The Accounting and Corporate Regulatory Authority (ACRA) regulates business registration. One of the most commonly used business vehicles is a private limited liability company.

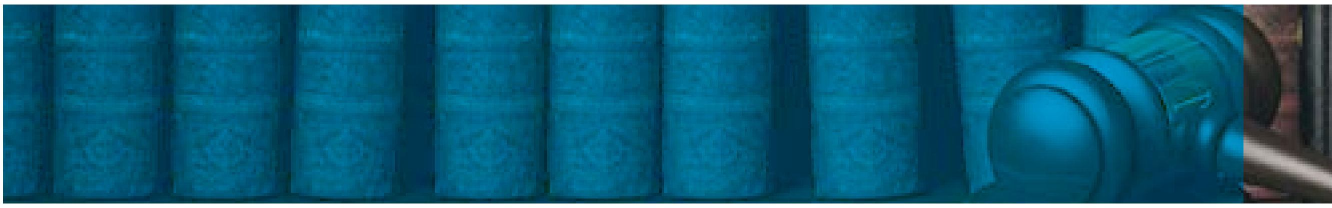
SETTING UP A BUSINESS	TIME TO COMPLETE
Registration of a company with ACRA	Less than one day (online)
Purchase of Workman Injury Compensation Insurance	One day (online)

Cross-border Payment System

Three Singapore banks (including United Overseas Bank Ltd.) settle their eligible foreign exchange (FX) trades through the Continuous Linked Settlement (CLS) Bank. CLS is a global multi-currency settlement system that is set up with the objective of eliminating FX settlement risk due to time-zone differences. CLS is regulated and supervised by the US Federal Reserve. The Monetary Authority of Singapore (MAS) participates in the CLS Oversight Committee chaired by the US Federal Reserve.

Exchange Control

No exchange control formalities or approvals are required for all forms of payments or capital transfers in and out of Singapore. The Singapore dollar is managed against a basket of currencies of our major trading partners and competitors.



LEGAL & REGULATORY REGIMES SUPPORT CASH MANAGEMENT AND RISK HEDGING TOOLS

#1 Singapore is the largest FX centre in Asia Pacific

Legal and regulatory considerations

Payment services

- Payment systems and payment services providers are regulated under the Payment Services Act 2019 by MAS, the Singapore central bank. The Payment Services Act which came into force in January 2020 sets out a forward-looking and flexible framework that facilitates innovation in payment services and mitigates risks across the payments value chain. MAS supervises critical payment systems by a designation regime under the Payment Services Act to ensure stability, fair competition and market efficiency in the financial system of Singapore.

Dealing in exchange-traded and OTC derivatives contracts

- A person who carries on business in dealing in capital markets products must be licensed as a capital markets services holder under the Securities and Futures Act (SFA), unless exempted. Capital markets products include securities, units in a collective investment schemes, exchange-traded as well as over-the-counter (OTC) derivatives contracts, and spot foreign exchange contracts for the purpose of leveraged foreign exchange trading.

Mandatory reporting obligations of OTC derivatives contracts

- Financial institutions and persons with significant derivatives activities may be subject to the requirements to report prescribed information of specified derivatives contracts to a licensed trade repository or licensed foreign trade repository. Specified derivatives contracts include interest rate, credit, foreign exchange, commodity and equity derivatives contracts which are traded or booked in Singapore. This reporting obligation applies only to OTC derivatives activity and does not apply to inter-branch transactions. Intra-group transactions are however subject to the reporting obligation.

Clearing and trading obligations for specified interest rate swaps

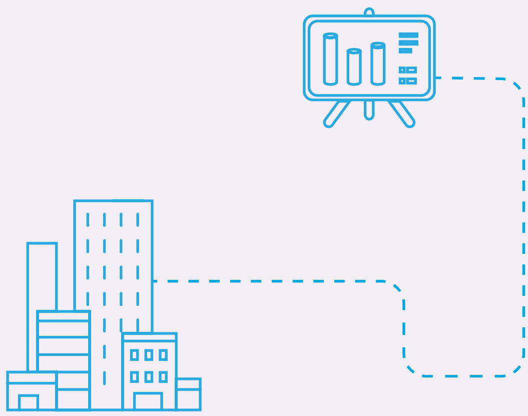
- · Banks with significant OTC derivatives activity are subject to both clearing and trading obligations under the SFA. Derivatives contracts that are subject to trading on an organised market operated by an approved exchange or a recognised market operator consist of fixed-to-floating interest rate swaps denominated in USD, EUR and GBP with the contract specifications prescribed under the SFA.
- · Derivatives contracts that are subject to clearing by an approved or recognised clearing house comprise fixed-to-floating interest rate swaps denominated in SGD, USD, EUR and GBP with the contract specifications prescribed under the SFA.

Orderly and transparent organised markets

- MAS supervises market operators under the SFA with the aims of promoting fair, orderly and transparent markets and reducing systemic risk. Systematically-important market operators are regulated as approved exchanges, while the rest of the market operators are regulated as recognised market operators. Approved exchanges are subject to more onerous statutory regulations. Currently, there are four approved exchanges: Singapore Exchange Securities Trading Limited (SGX-ST), Singapore Exchange Derivatives Trading Limited (SGX-DT), ICE Futures Singapore Pte. Ltd and Asia Pacific Exchange Pte. Ltd.

Innovative and socially responsible products

- In line with the increasing global focus on sustainability investing, and the increasing importance of positive ESG (environmental, social and governance) impact on institutional investors. SGX launched a suite of ESG-linked equity index derivative products in 2021. Following this, SGX offered the world's first green REIT derivative which aims to allow global investors to manage exposure to the Japanese market while incorporating ESG metrics into risk management. Complementing all these efforts, SGX is developing Climate Impact X, a new Singapore-based global carbon exchange and marketplace which will offer distinct platforms and products that cater to the needs of different carbon-credit buyers and sellers.



Legal & Regulatory Environment in Hong Kong SAR

Hong Kong SAR is the premier international financial centre of Asia, with a strong banking system, mature capital markets, developed financial infrastructure, and quality professional services. With its tax incentives, supportive legal and regulatory environment, and unique connection with the economy of Mainland China, Hong Kong SAR is a prime location for multinational corporations to establish RTCs.

TAX INCENTIVES ENCOURAGE THE ESTABLISHMENT OF RTCS [KNOWN AS CORPORATE TREASURY CENTRE (CTCS)] IN HONG KONG SAR

In terms of financial incentives, the Hong Kong SAR Government has enacted various tax rules to attract multinational corporations to set up their CTCs in the region. The amendments to the Inland Revenue Ordinance (Cap. 112; IRO) introduced in 2016 provide that under specified conditions, qualifying CTCs can enjoy a 50 per cent tax concession, at a reduced rate of 8.25 per cent, for qualifying profits derived from corporate treasury activities. CTCs can also enjoy a deduction of interest expenses paid to non-Hong Kong SAR associated corporations in certain intra-group financing transactions under the IRO.

To be a qualifying CTC, the corporation managing the CTC must be centrally managed and controlled in Hong Kong SAR and the activities generating profits must be carried out or arranged by the corporation in Hong Kong SAR. Corporate treasury activities include carrying out intra-group financing business, providing a corporate treasury service, and entering into corporate treasury transactions. Additionally, the corporation must satisfy one of the following criteria:

- Carried out only corporate treasury activities in Hong Kong SAR
- Satisfied the "safe harbour rules" under section 14E of the IRO
- Obtained the Commissioner of Inland Revenue's determination that it is a qualifying CTC in the relevant year of assessment

EASE OF DOING AND STARTING A BUSINESS

Hong Kong SAR is one of the easiest places to set up a company in Asia. With straightforward rules and regulations, a streamlined process that allows the completion of both incorporation and business registration in the same procedure, and low costs, setting up and registering a company with the Companies Registry (CR) in Hong Kong SAR is fast and easy. Limited company is the preferred form of incorporation thanks to its more straightforward and advantageous nature.

SETTING UP A BUSINESS	TIME TO COMPLETE
Incorporating a new company in Hong Kong SAR	Less than one day (online)
Sign up for Employee's Compensation Insurance and Mandatory Provident Fund (MPF) Schemes with a private company/bank	One day

CROSS-BORDER PAYMENT SYSTEM

Hong Kong SAR has established six cross-currency Payment-versus-Payment (PvP) links among the HKD, USD, EUR and RMB Real Time Gross Settlement (RTGS) systems, which improves efficiency and eliminates cross-border FX transaction risks arising from time lags and time zone differences. Hong Kong SAR's USD RTGS system has three cross-border PvP links with the RTGS systems of Malaysia, Indonesia and Thailand. There are also cross-border payment arrangements with the Domestic Foreign Currency Payment System in Mainland China (which facilitates foreign currency funding and liquidity management of Mainland China banks and commercial payments).

Additionally, various banks in Hong Kong SAR also settle eligible FX trades through the CLS system covering 17 currencies, thereby further mitigates cross-border payment risks. The Hong Kong Monetary Authority (HKMA) also participates in the oversight of the CLS system through the CLS Oversight Committee.

Hong Kong SAR's proximity to Mainland China is another unique advantage. Hong Kong SAR is the key centre for offshore RMB, and the RMB RTGS (being an extension of Mainland China's National Advanced Payment System) facilitates the efficient processing of interbank payments, RMB bulk clearing, and settlement of payments. There are also strong links with the debt securities settlement systems between Hong Kong SAR and Mainland China, with the introduction of a Bond Connect Linkage Service that allows Mainland China and overseas investors to trade, settle and hold bonds in both markets.

Hong Kong SAR has also taken the initiative in incorporating and developing new technologies for use in payment systems. With new technologies and services being introduced regularly, further innovations are expected to come into operation in the near future. Such developments include:

1. Introducing the Faster Payment System (FPS) by the HKMA and operated by the Hong Kong SAR Interbank Clearing Limited at local level. The FPS is a payment system through which Hong Kong SAR individuals can make payments to other persons and merchants instantly
2. Facilitating cross-border initiatives, including the linkage between eTradeConnect and the People's Bank of China's (PBoC) Trade Finance Platform for cross-border trade finance transactions, and the possible expansion of the FPS into providing cross-border payment services through connecting the FPS with other payment systems
3. Incorporating the potential of fintech into payment systems and cross-border payments generally, including research on central bank digital currency (CBDC) in cross-border payments through the m-CBDC Bridge by the HKMA, and the HKMA's preparation for the use of e-CNY (digital RMB issued by the PBoC) for making cross-boundary payments in Hong Kong SAR

These developments all work to highlight Hong Kong SAR's current capabilities and future potential for multinational corporations looking to establish a CTC in the Asia-Pacific region, particularly those with a focus on Mainland China.

EXCHANGE CONTROL

There is no foreign exchange control in force in Hong Kong SAR and the HKD can be freely convertible into other currencies. The HKD is pegged to a narrow trading band between HK$7.75 and HK$7.85 per USD, which helps provide a stable exchange rate environment that allows Hong Kong SAR to develop into an international financial centre.

RELEVANT LEGAL & REGULATORY REGIMES

Payment Services

Payment systems are regulated under the Payment Systems and Stored Value Facilities Ordinance (Cap. 584, PSSVFO) by the HKMA. The PSSVFO, which came into operation in 2015, established a licensing regime for stored value facilities (SVFs), and outlines the criteria and factors based on which the HKMA determines whether a clearing system or retail payment system (RPS) should be designated, and the requirements that the designated payment systems should comply with. However, with regards to payment systems, only payment systems that have a large impact on Hong Kong SAR's economy will be designated for regulation. Currently, only the large payment card operators are designated.

Close regulation by the HKMA and the introduction of the PSSVFO have helped to bring Hong Kong SAR's payment system regulation forward and provided greater clarity to a number of areas of the payment process, enhancing public confidence in Hong Kong SAR's payment services.

Securities markets and Trading

Hong Kong SAR has a well-developed securities regulatory regime, primarily outlined under the Securities and Futures Ordinance (Cap. 571; SFO). The securities industry is regulated by the Securities and Futures Commission (SFC). The SFC handles a number of responsibilities, including:

1. Licensing and supervising licensed corporations that conduct regulated activities (such as dealing in and advising on securities and futures contracts, advising on corporate finance, asset management, and so on)
2. Investigating breaches of regulatory rules, and market misconduct
3. Setting standards on investment products
4. Overseeing listing matters in Hong Kong SAR, and regulating takeovers, mergers and privatisations
5. Overseeing the performance of The Stock Exchange of Hong Kong Limited as frontline regulator of listing matters
6. Regulating OTC derivative activities by the SFC and the HKMA. In particular, authorised institutions and money brokers regulated by the HKMA (deposit taking businesses such as banks) and licensed corporations are subject to clearing and record keeping obligations in relation to specified OTC derivative transactions once certain thresholds are reached. Additionally, certain activities related to OTC derivatives – namely, any person that is managing OTC derivative portfolios or advising on or dealing in OTC derivative products – will need to be licensed with the SFC

Thanks to the impartial regulators and a strong regulatory and compliance regime in Hong Kong SAR, participants in the securities and derivatives markets of Hong Kong SAR, including any CTC looking to use such markets for hedging purposes, can be assured that they are operating and conducting their operations in one of the most mature and well-regulated securities and derivatives markets in Asia.

Overall Competitiveness

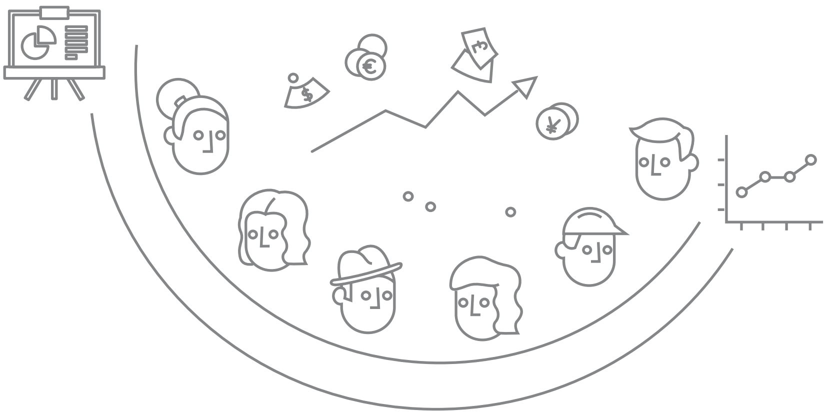
Singapore ranks 1st in the World Economic Forum's Global Competitiveness Report 2019. It tops the infrastructure, health and labour market pillars. Hong Kong SAR is ranked 2nd overall in the Report in the health, product market and financial system pillars. Singapore and Hong Kong SAR's pillar scores in the Global Competitiveness Report are compared in the diagram below.

Singapore is more competitive for businesses looking at global expansion and market penetration. Its competitive talent pool and English-speaking population are valuable assets for companies. With higher spending on R&D and government incentives for adopting digitalisation, Singapore is the preferred location for companies to harness greater efficiency from technology.

Hong Kong SAR, due to its close proximity to Mainland China, makes it an attractive location for companies looking to enter the Mainland China market, and also due to its digitalised and skilled workforce.

Singapore and Hong Kong SAR Pillar Scores in Global Competitiveness Report 2019

Source:
Global Competitiveness Report 2019, World Economic Forum



	Singapore	Hong Kong SAR
Information Communication Technology (ICT) adaption[1]	5th	3rd
Airport statistics[2]	▪ 68.3 million passengers (2019) ▪ 2.01 million tonnes of air freight (2019) ▪ Flights to over 400 destinations (2019)	▪ 71.5 million passengers (2019) ▪ 4.8 million tonnes of air freight (2019) ▪ Flights to over 220 destinations (2019)
Labour market[1]	1st	7th
Language	English, Mandarin, Malay, Tamil	English, Cantonese, Mandarin
Innovation[1]	13th	26th

Sources:
[1] Global Competitiveness Report 2019, World Economic Report
[2] Singapore Changi Airport and Hong Kong International Airport

Conclusion

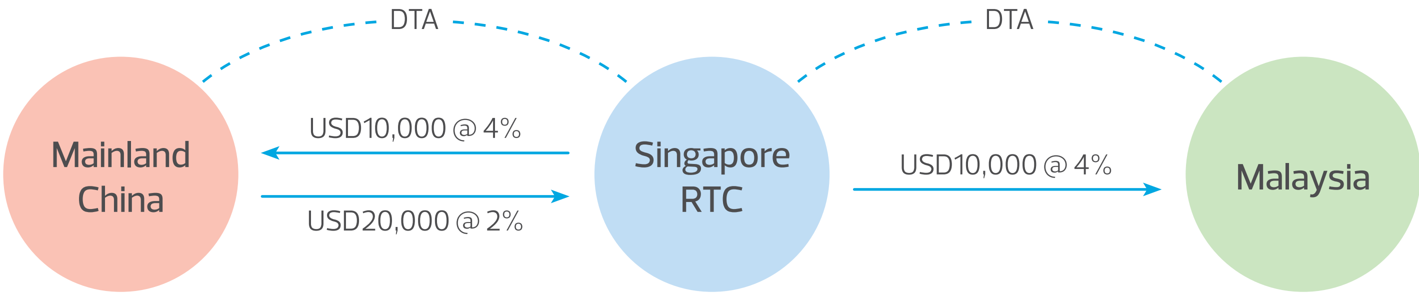
Hong Kong SAR's key distinction from Singapore is its proximity to Mainland China, making it a gateway for inward and outward investments with Mainland China companies. Its access to the Chinese market offers a springboard for MNCs.

If your company has significant transactions in ASEAN countries or South-Asia or plans to expand into the region, Singapore is a preferred location given its extensive treaty networks and its free-trade agreements. Singapore's banking capabilities, advanced infrastructure, competitive talent pool and pro-investment policies are enablers of sustainable growth and success.

Appendix: Visualising the Numbers – Case Studies

Tapping on DTA with ASEAN Countries

1. LOCATING IN SINGAPORE WITH OPERATIONS IN MALAYSIA

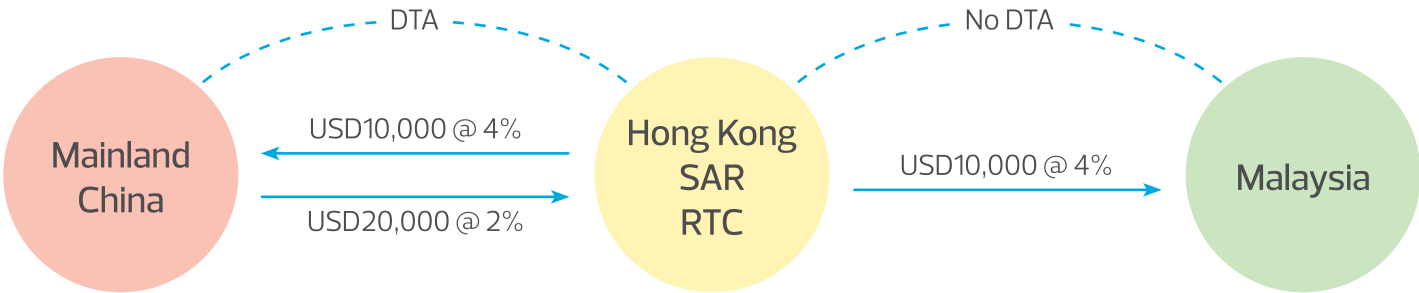


	Mainland China	Singapore	Malaysia	
Corporate / concessionary tax rate	25%	8%	24%	
Withholding tax (WHT) on inter-company interest payables	10%	0%	10%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(32)	0	(32)
Foreign tax credit	0	32	0	32
WHT – Mainland China	0	(40)	0	(40)
WHT – Malaysia	0	(40)	0	(40)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	296	(400)	
Total tax outflows				(104)

Assumptions:

1. Mainland China company 1 has excess funds. It places USD20,000 with Singapore RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Singapore RTC.
3. Malaysia company needs funds. It loans USD10,000 from Singapore RTC.
4. The interest rates are on an arm's length basis.
5. Singapore RTC is a tax resident in Singapore. Otherwise, the Malaysia withholding tax rate on interest payment is 15%.
6. Malaysia company has no income for the current period.

2. LOCATING IN HONG KONG SAR WITH OPERATIONS IN MALAYSIA

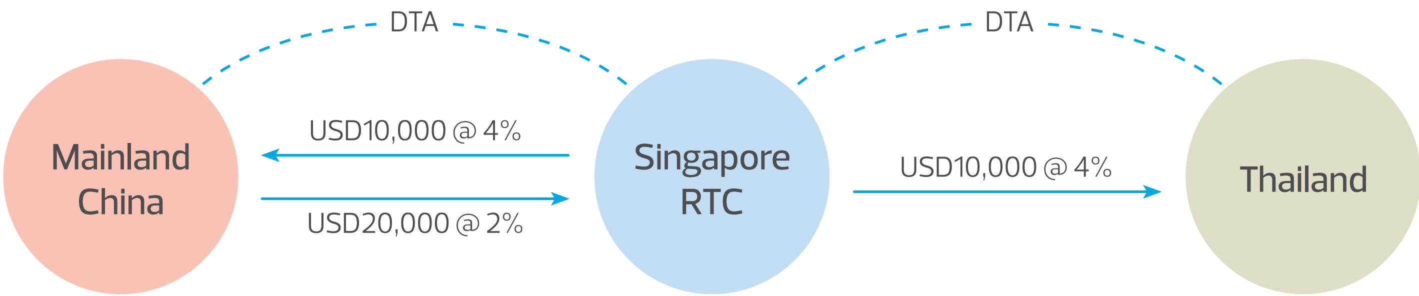


	Mainland China	Hong Kong SAR	Malaysia	
Corporate / concessionary tax rate	25%	8.25%	24%	
Withholding tax (WHT) on inter-company interest payables	7%	0%	10%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(33)	0	(33)
Foreign tax credit	0	33	0	33
WHT – Mainland China	0	(28)	0	(28)
WHT – Malaysia	0	(40)	0	(40)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	308	(400)	
Total tax outflows				(92)

Assumptions:

1. Mainland China company 1 has excess funds. It places USD20,000 with Hong Kong SAR RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Hong Kong SAR RTC.
3. Malaysia company needs funds. It loans USD10,000 from Hong Kong SAR RTC.
4. The interest rates are on an arm's length basis.
5. Hong Kong SAR RTC is a tax resident in Hong Kong SAR. Otherwise, the Mainland China and Malaysia withholding tax rate on interest payment is 10% and 15% respectively.
6. Malaysia company has no income for the current period.

3. LOCATING IN SINGAPORE WITH OPERATIONS IN THAILAND

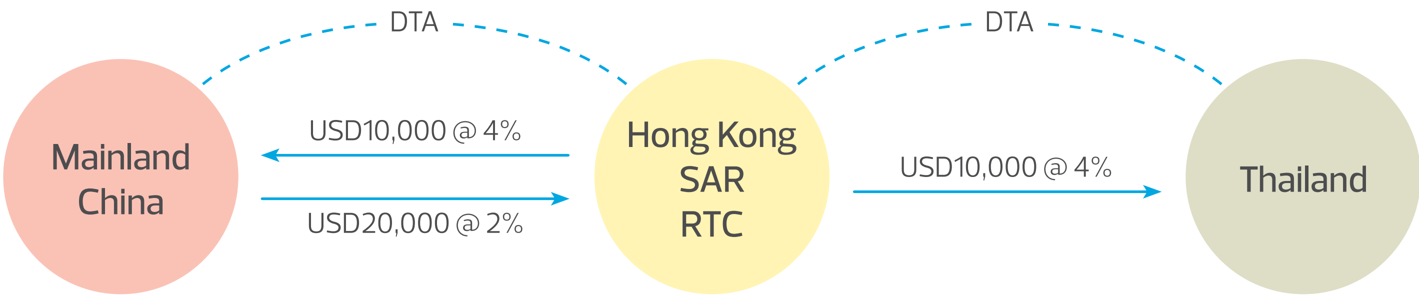


	Mainland China	Singapore	Thailand	
Corporate / concessionary tax rate	25%	8%	20%	
Withholding tax (WHT) on inter-company interest payables	10%	0%	15%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(32)	0	(32)
Foreign tax credit	0	32	0	32
WHT – Mainland China	0	(40)	0	(40)
WHT – Thailand	0	(60)	0	(60)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	276	(400)	
Total tax outflows				(124)

Assumptions:
1. Mainland China company 1 has excess funds. It places USD20,000 with Singapore RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Singapore RTC.
3. Thailand company needs funds. It loans USD10,000 from Singapore RTC.
4. The interest rates are on an arm's length basis.
5. Thailand company has no income for the current period.

Notes:
1. Certain transactions are subject to Specific Business Tax (SBT) in Thailand. Interest income on debt instruments are taxed at a rate of 0.1%.
2. A municipal tax is charged at 10% on top of SBT.

4. LOCATING IN HONG KONG SAR WITH OPERATIONS IN THAILAND

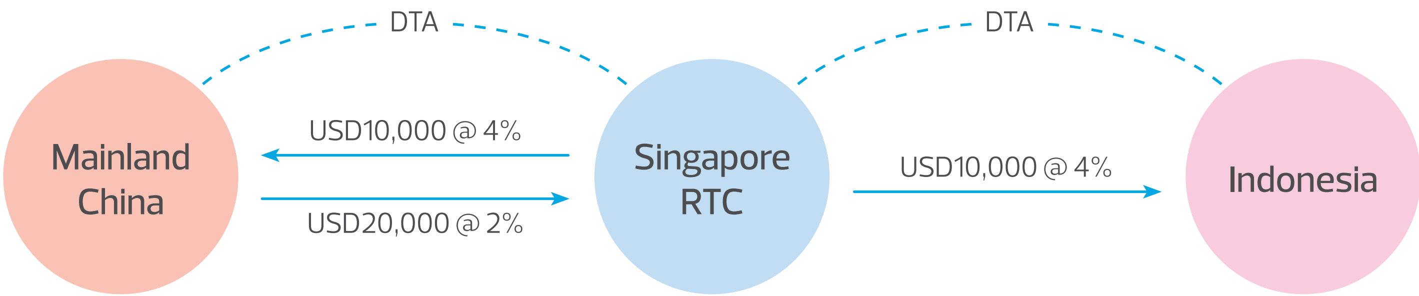


	Mainland China	Hong Kong SAR	Thailand	
Corporate / concessionary tax rate	25%	8.25%	20%	
Withholding tax (WHT) on inter-company interest payables	7%	0%	15%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(33)	0	(33)
Foreign tax credit	0	33	0	33
WHT – Mainland China	0	(28)	0	(28)
WHT – Thailand	0	(60)	0	(60)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	288	(400)	
Total tax outflows				(112)

Assumptions:
1. Mainland China company 1 has excess funds. It places USD20,000 with Hong Kong SAR RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Hong Kong SAR RTC.
3. Thailand company needs funds. It loans USD10,000 from Hong Kong SAR RTC.
4. The interest rates are on an arm's length basis.
5. Hong Kong SAR RTC is a tax resident in Hong Kong SAR. Otherwise, the Mainland China withholding tax on interest payment is 10%.
6. Thailand company has no income for the current period.

Notes:
1. Certain transactions are subject to Specific Business Tax (SBT) in Thailand. Interest income on debt instruments are taxed at a rate of 0.1%.
2. A municipal tax is charged at 10% on top of SBT.

5. LOCATING IN SINGAPORE WITH OPERATIONS IN INDONESIA

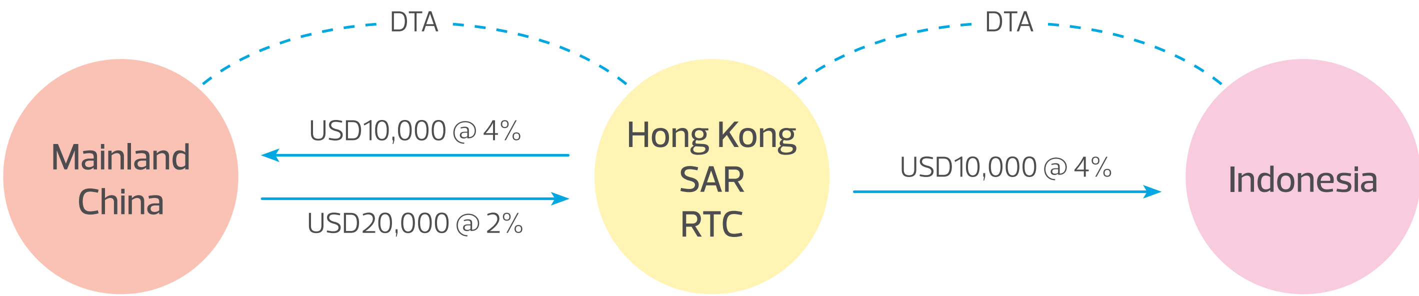


	Mainland China	Singapore	Indonesia	
Corporate / concessionary tax rate	25%	8%	22%, then 20%*	
Withholding tax (WHT) on inter-company interest payables	10%	0%	10%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(32)	0	(32)
Foreign tax credit	0	32	0	32
WHT – Mainland China	0	(40)	0	(40)
WHT – Indonesia	0	(40)	0	(40)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	296	(400)	
Total tax outflows				(104)

*Fiscal year 2020-2021 (22%); Fiscal year 2022 onwards (20%)

Assumptions:
1. Mainland China company 1 has excess funds. It places USD20,000 with Singapore RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Singapore RTC.
3. Indonesia company needs funds. It loans USD10,000 from Singapore RTC.
4. The interest rates are on an arm's length basis.
5. Singapore RTC is a tax resident in Singapore. Otherwise, the Indonesia withholding tax rate on interest payment is 20%.
6. Indonesia company has no income for the current period.

6. LOCATING IN HONG KONG SAR WITH OPERATIONS IN INDONESIA

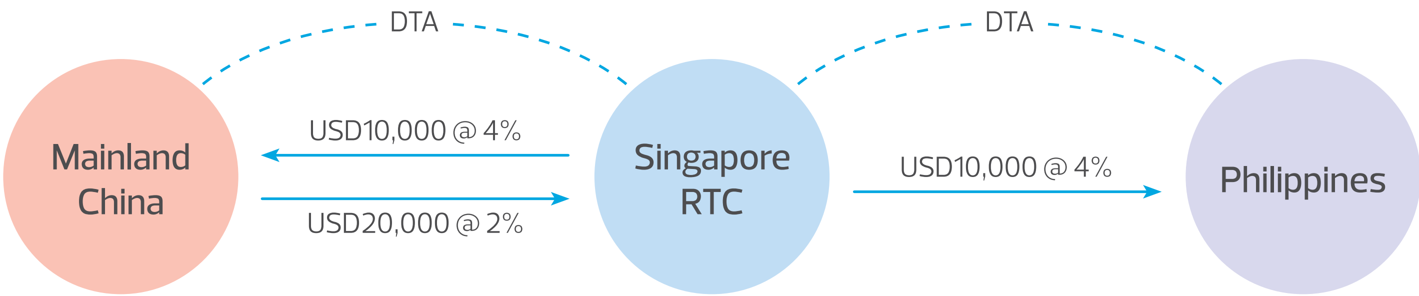


	Mainland China	Hong Kong SAR	Indonesia	
Corporate / concessionary tax rate	25%	8.25%	22%, then 20%*	
Withholding tax (WHT) on inter-company interest payables	7%	0%	10%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(33)	0	(33)
Foreign tax credit	0	33	0	33
WHT – Mainland China	0	(28)	0	(28)
WHT – Indonesia	0	(40)	0	(40)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	308	(400)	
Total tax outflows				(92)

*Fiscal year 2020-2021 (22%); Fiscal year 2022 onwards (20%)

Assumptions:
1. Mainland China company 1 has excess funds. It places USD20,000 with Hong Kong SAR RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Hong Kong SAR RTC.
3. Indonesia company needs funds. It loans USD10,000 from Hong Kong SAR RTC.
4. The interest rates are on an arm's length basis.
5. Hong Kong SAR RTC is a tax resident in Hong Kong SAR. Otherwise, the Mainland China and Indonesia withholding tax rate on interest payment is 10% and 20% respectively.
6. Indonesia company has no income for the current period.

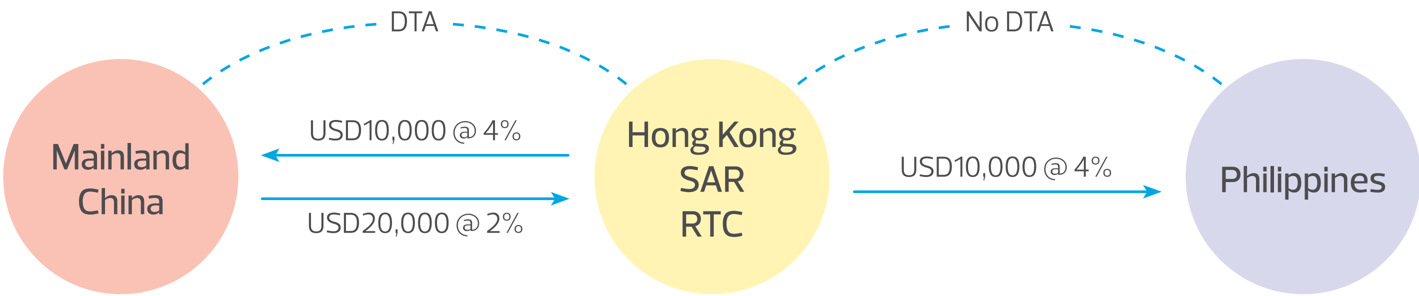
7. LOCATING IN SINGAPORE WITH OPERATIONS IN PHILIPPINES



	Mainland China	Singapore	Philippines	
Corporate / concessionary tax rate	25%	8%	30%	
Withholding tax (WHT) on inter-company interest payables	10%	0%	15%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(32)	0	(32)
Foreign tax credit	0	32	0	32
WHT – Mainland China	0	(40)	0	(40)
WHT – Philippines	0	(60)	0	(60)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	276	(400)	
Total tax outflows				(124)

Assumptions:
1. Mainland China company 1 has excess funds. It places USD20,000 with Singapore RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Singapore RTC.
3. Philippines company needs funds. It loans USD10,000 from Singapore RTC.
4. The interest rates are on an arm's length basis.
5. Singapore RTC is a tax resident in Singapore. Otherwise, the Philippines withholding tax rate on interest payment is 30%.
6. Philippines company has no income for the current period.

8. LOCATING IN HONG KONG SAR, WHICH DOES NOT HAVE A DTA WITH THE PHILIPPINES



	Mainland China	Hong Kong SAR	Philippines	
Corporate / concessionary tax rate	25%	8.25%	30%	
Withholding tax (WHT) on inter-company interest payables	7%	0%	20%	
VAT	6%	–	–	
	Profit and loss (USD)	Profit and loss (USD)	Profit and loss (USD)	Tax outflows (USD)
Income	400	800	0	
Expense	(400)	(400)	(400)	
Profit/(loss) before tax	0	400	(400)	
Corporate tax	0	(33)	0	(33)
Foreign tax credit	0	33	0	33
WHT – Mainland China	0	(28)	0	(28)
WHT – Philippines	0	(80)	0	(80)
VAT – Mainland China	0	(24)	0	(24)
Profit/(loss) after tax	0	268	(400)	
Total tax outflows				(132)

Assumptions:
1. Mainland China company 1 has excess funds. It places USD20,000 with Hong Kong SAR RTC.
2. Mainland China company 2 needs funds. It loans USD10,000 from Hong Kong SAR RTC.
3. Philippines company needs funds. It loans USD10,000 from Hong Kong SAR RTC.
4. The interest rates are on an arm's length basis.
5. Hong Kong SAR RTC is a tax resident in Hong Kong SAR. Otherwise, the Mainland China withholding tax rate on interest payment is 10%.
6. Philippines company has no income for the current period.

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0821