

***Asian Tax law
Business Planning in East Asia***

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ASEAN: “One vision, One identity, One Community”

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand.

Since then, membership has expanded to include Brunei, Burma (Myanmar), Cambodia, Lao PDR and Vietnam.

Its aims include accelerating economic growth, social progress, cultural development among its members, protection of regional peace and stability and opportunities for member countries to discuss differences peacefully.

ASEAN covers a land area of 4.46 million squared km with a population of approximately 600 million people.

In 2011, its combined nominal GDP had grown to more than \$2 trillion.

If ASEAN was a single entity, it would rank as the eight largest economy in the world.

GENERAL INFORMATION

INFORMATIONAL COMPARISON

	China	Vietnam	Thailand
Area	9,560,900 sq. km (30x Vietnam) (18.6x Thailand)	331,114 sq. km	513,120 sq. km
Population	1.35 bil. (15x Vietnam) (20x Thailand)	90.4 mil.	66.7 mil.
Av. Ann. Pop. Growth	0.47 %	1.04%	0.57%
Governement	Communist, single party	Communist, single party	Democracy, multi-party
Currency	RMB 1 USD = 6.09 RMB	VND 1 USD = 21.05 VND	THB 1 USD = 31.65 THB

CAPITAL CITIES AND POPULATION SIZES

China: Beijing (population: 20.6 million)

Vietnam: Hanoi (population: 6.5 million)

Thailand: Bangkok (population: 8.29 million)

CITIES WITH A POPULATION GREATER THAN 5 MILLION

China: Chongqing, Shanghai, Beijing, Tianjin, Chengdu, Guangzhou, Harbin, Shenzhen, Wuhan, Qingdao, Hangzhou, Xi'an, Shenyang, Nanjing, Changchun, Ningbo, Jinan, Dalian

Vietnam: Ho Chi Minh City, Hanoi

Thailand: Bangkok

China

Total Area: 9,706,961 square kilometers.

Population: 1,353.8 million.

Median Age: 35,8 years.

Literacy: 92.5%.

Border Countries: Mongolia, Russia, India, Kazakhstan, Pakistan, Myanmar, Afghanistan, Vietnam, Laos, Kyrgyzstan, Nepal, Tajikistan, North Korea, Buthan.

Languages: Chinese (official).

INFRASTRUCTURE

Ports and harbors: Shanghai, Shenzhen, Qingdao, Ningbo, etc.

Airports: 45 international airports (more under construction) **Internet:** 495 million users.

CURRENCY

The state currency is Chinese Yuan (CNY); 1 USD = 6.09 CNY, 1 EUR = 8.24 CNY

China

POLITICS AND LAW

- The primary organs of the People's Republic of China are the National People's Congress (NPC), the President, and the State Council.
- The country is divided into 22 provinces, 4 municipalities, 5 autonomous regions, and 2 special administrative regions (Hong Kong and Macau).
- The country is ruled by the Communist Party of China, whose power is enshrined in the Constitution.*
- The Chinese legal system is basically a civil law system, mainly influenced by the German civil law system.

INTERNATIONAL ORGANIZATIONS

- Joined the World Trade Organization in 2001
- The China-ASEAN (Association of Southeast Asian Nations) Free Trade Area came into effect on January 1, 2010
- The Deng Xiaoping government made the first reform in order to open the economy

Vietnam

Total Area: 331,114 square kilometers.

Border Countries: Cambodia, China, Laos.

Population: 90.39 million (30.4% urban).

Median Age: 28.5 years.

Languages: Vietnamese (official);
English (increasingly favored as a second language); **French, Chinese, and Khmer.**

Literacy: 92.5%.

INFRASTRUCTURE

Highways: 222,179 kilometers.

Ports and harbors: Da Nang, Hai Phong, Ho Chi Minh City.

Airports: 4 international airports (10 within 2020).

Internet: 23 million users.

CURRENCY

The state currency is Vietnam Dong (VND); 1 USD = 21.05 VND, 1 EUR = 28.59 VND

Vietnam

POLITICS AND LAW

- The Socialist Republic of Vietnam is composed of a parliament, a state president, and a government led by the prime minister.
- The current constitution was enacted on April 15, 1992 (amended in 2001) in replacement of the previous one (1980).
- The constitution recognizes only one political party: the Vietnamese Communist Party*
- Vietnam's legal system is basically a civil law system, mainly borrowed from French civil law system but also influenced by other legal systems, notably by the Chinese system.

INTERNATIONAL ORGANIZATIONS

- Vietnam is member of ASEAN (Association of Southeast Asian Nations)—an organization of mostly Southeast Asian countries that seeks to accelerate economic growth and cultural development
- Joined the World Trade Organization in January 2007
- After opening up the economy to foreign investors, Vietnam's GDP grew by 7% on average from 2001 to 2010

Thailand

Total Area: 513,120 square kilometers. **Border Countries:** Cambodia, Myanmar, Laos, Malaysia

Population: 66.7 millions (34.0% urban) **Median Age:** 34.7 years.

Languages: Thai (official) **Literacy:** 93.5%.

INFRASTRUCTURE

Ports and harbors: Bangkok, Nonthaburi.

Airports: 7 international airports

Internet: 18.3 million users.

Highways: 63,062 kilometers.

CURRENCY

The State currency is Thailand Baht (THB); 1 USD = 31.65 THB, 1 EUR = 42.87 THB

Thailand

POLITICS AND LAW

- Thailand's political system is a constitutional monarchy under a parliamentary democracy.
- *Power is balanced through three major independent authorities: executive, legislative and judicial.*
- Thailand's legal system is basically a civil law system but has also been influenced by the common law system.

INTERNATIONAL ORGANIZATIONS

- Thailand is a member of ASEAN
- Joined the World Trade Organization in January 1995
- Thailand has been a member of APEC (Asia-Pacific Economic Cooperation) since 1989—an organization of 21 Pacific Rim countries that seeks to promote free trade and economic cooperation throughout the region

Brunei Darussalam

Government: Unitary Islamic absolute Monarchy

Capital: Bandar Seri Begawan

Language: Malay, English

Currency: Brunei Dollar

Population: 408,786

Total area: 5,765 square kilometers

GDP 2012: \$ 21.907 billion

Taxation: CIT: 20%, IIT: No, VAT: No, Tax base: territorial

Standard Withholding tax: Dividends: 0%, Interests: 15%, Royalties: 10%

Cambodia

Government: Unitary Parliamentary constitutional Monarchy

Head of Government: Prime Minister Hun Sen

Capital: Phnom Penh

Language: Khmer

Currency: Riel

Population: 14,952,665

Total area: 181,035 square kilometers

GDP (PPP) 2012: \$36.540 billion

Taxation: CIT: 20%, TOP IIT: 20%, VAT 10%, Tax Base: worldwide

Standard Withholding tax: Dividends: 14%, Interests: 14%, Royalties: 14%

Indonesia

Government: Unitary Presidential Constitutional Republic

Capital: Jakarta

Language: Indonesian

Currency: Ruphia

Population: 237,424,363

Total area: 1,904,569 square kilometers

GDP (PPP) 2012: \$1.285 trillion

Taxation: CIT: 25%, tax base: worldwide, top IIT: 30%, VAT/GST: 10% (goods/services/imports)

Standard Withholding tax: Dividends: 20%, Interests: 20%, Royalties: 20%

Lao PDR

Government: Communist single-party state

Head of State: President Choummaly Sayasone

Capital: Vientiane

Language: Lao

Currency: Kip

Population: 6,500,000

Total area: 236,800 square kilometers

GDP (PPP) 2012: \$19.158 billion

Taxation: CIT: 24%, TOP IIT: 24%, VAT/GST: 10%, Tax Base: specific

Standard Withholding tax: Dividends: 5%, Interests: 5%, Royalties: 5%

Malaysia

Government: Federal constitutional elective monarchy and federal parliamentary democracy

Capital: Kuala Lumpur

Language: Malay, English, Chinese, Tamil

Currency: Ringgit

Population: 28,334,135

Total area: 329,847 square kilometers

GDP (PPP) 2012: \$521.963 billion

Taxation: CIT: 25%, TOP IIT: 26%, VAT: No, service tax 6%, sales tax 5/6%, Tax Base: territorial

Standard Withholding tax: Dividends: 0%, Interests: 15%, Royalties: 10%

Myanmar

Government: Unitary Presidential constitutional republic

Head of State: President Thein Sein

Capital: Nay Pyi Taw

Language: Myanmar

Currency: Kyat

Population: 60,280,000

Total area: 676,578 square kilometers

GDP (PPP) 2012: \$111.120 billion

Myanmar: CIT: 25%/30%, TOP IIT: 35%, VAT: No, Commercial Tax 5%/8%, Tax base: worldwide

Standard Withholding tax: Dividends: 0%, Interests: 15%, Royalties: 20%

Philippines

Government: Unitary Presidential constitutional republic

Capital: Manila

Language: Filipino, English, Spanish

Currency: Peso

Population: 98,630,000

Total area: 300,000 square kilometers

GDP (PPP) 2012: \$ 454.286 billion

Taxation: CIT: 30%, TOP IIT: 32%, VAT: 12%, Tax Base: territorial WOFE/worldwide domestic

Standard Withholding tax: Dividends: 15/30%, Interests: 20%, Royalties: 30%

Singapore

Government: Unitary Presidential constitutional republic

Head of Government: Prime Minister Lee Hsien Loong

Capital: Singapore

Language: English, Malay, Mandarin, Tamil

Currency: Singapore Dollar

Population: 5,399,200

Total Area: 716,1 square kilometers

GDP (PPP) 2012: \$ 327.557 billion

Singapore: CIT: 17% , TOP IIT: 20%, Goods and Service Tax: 7%, Tax base: territorial

Standard Withholding tax: Dividends: 0%, Interests: 15%, Royalties: 10%

INVESTMENT SECTORS & ECONOMIC COMPARISON

MAIN TRADING PARTNERS

- China's main trading partners are the United States, Hong Kong, Japan, South Korea, and Taiwan.
- Vietnam's main trading partners are the United States, China, Japan, Singapore, and South Korea.
- Thailand's main trading partners are the United States, China, Hong Kong, Japan, and the United Arab Emirates.

ECONOMIC COMPARISON – Gross Domestic Product

	GDP(PPP) US\$ bl. 2014 est.	Av. GDP growth (2009-2013)	GDP (PPP) per head US\$ 2013	GDP world ranking
China	15.039	7.8%	9.828	No. 1
Vietnam	745	5.1%	4.001	No. 34
Thailand	264	6.5%	10.849	No. 23

GDP ORIGIN (% OF TOTAL)

	Agriculture	Industry (manufacture)	Services
China	11	44 (34)	45
Vietnam	21	40 (20)	39
Thailand	13	34 (34)	53

China-Vietnam-Thailand Comparison

TAX RATES COMPARISON			
	Corporate Income Tax Rate	VAT	PIT
China	25%	3-6-13-17%	3-45%
Vietnam	25%-20% in 2014	0-5-10%	5-35%
Thailand	20%	0-7%	0-35%

CHINA: 2008 tax reform, changed from tax benefit country to a standard tax country. No more tax holidays, only high-tech incentives, and small profit tax. Anti-avoidance rules. 2012-2013 BT/VAT reform.

VIETNAM: 2009 tax reform, still a tax benefit country, tax holidays and reductions for CIT/PIT/VAT. Export VAT refund 100%. No thin cap rules, no CFC provisions, no special provisions for anti-avoidance, TP implemented.

THAILAND: benefit tax country, tax holidays and reductions for CIT/PIT/VAT. The country has recently considered the adoption of anti-tax avoidance legislation, such as a thin cap rule, CFC provisions, and an anti-avoidance rule that are still not in force.

December 2012 the cabinet approved a new personal income tax structure which slashes the maximum tax rate from 37% to 35%.

The new tax has effect in Thailand from 2013.

Business Comparison in Asia

CHINA:

- Higher labor and manufacturing costs
- Changing from manufacturing to services economy
- Changing from export-oriented economy to domestic market
- Targeting new and high-tech projects
- Growth in second tier cities

VIETNAM:

- Low labor and manufacturing costs
- Changing from agriculture to manufacturing economy
- ASEAN opportunities
- Developing infrastructures
- Export-oriented economy

THAILAND:

- Low labor and manufacturing costs
- Changing from commodity-based to manufacturing economy
- Developing infrastructures
- Largest automotive manufacturer of Southeast Asia
- Incentives for developing of rural areas

Q&A

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