



TSG 2009 CONFERENCE Winnipeg

ASIAN COUNTRIES UPDATE

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HONG KONG

香港



HONG KONG

THE ECONOMY

- Last FY: Government surplus over HK\$115B (US\$15B)
- 2007 GDP +6.3%
- 2008 Q1 +7.3%
- 2008 Q2 +4.2%
- 2008 Q3 +1.2%
- Unemployment Q4 4.1%
- Early 08 CPI +6.3%
- Dec 08 CPI +2.1%

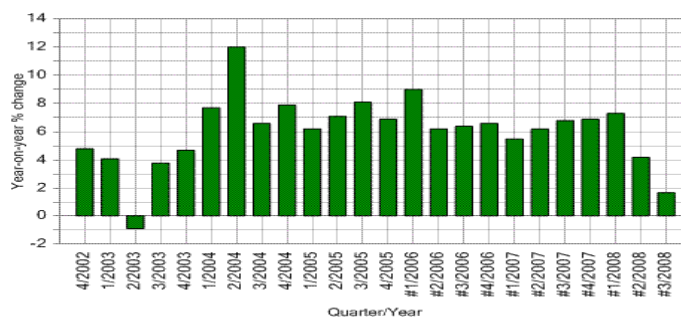


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HONG KONG

THE GDP

Gross Domestic Product (GDP)
In chained (2006) dollars

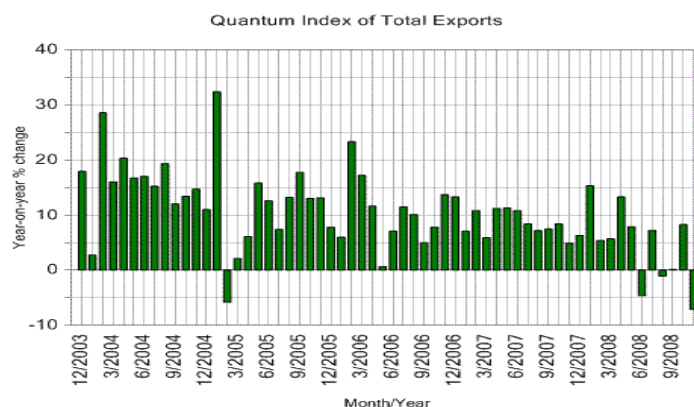


Figures are subject to revision later on as more data become available.
Figures are the latest data released on 14 November 2008.

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HONG KONG

THE EXPORTS



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HONG KONG

RECENT DEVELOPMENT GLOOMIER

- Retail Investors lost HK\$20 to 30B on structured bonds issued by an SPV of Lehman sold through banks
- A run on a bank, only for one day, resulting in Government providing 100% guarantee on all deposits (with certain exceptions) with banks in HK
- HS Index once lost over 50% from peak



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HONG KONG

HS INDEX, HSBC and DOW



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HONG KONG

HSBC (005) SHARE PRICE UNDER ATTACK



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HONG KONG

TAX TREATIES

- BELGIUM
- THAILAND
- MAINLAND CHINA
- LUXEMBURG
- VIETNAM



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HONG KONG

TAX TREATIES

- Based on 1995 OECD Exchange of Information Article, limited to information possessed by IRD for its own purpose of assessment
- Government is consulting the public on the adoption of a more recent EOI Article (2004) to be used in future DTA



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HONG KONG

ESTATE DUTY AND TRUST

- Estate Duty was abolished a few years back, which helps to eliminate any doubt about potential ED liability to foreigners using a HK company to hold investments, local or overseas
- Government has responded to trust industry's proposal and taken initiative to review "the provisions in the Trustee Ordinance with a view to strengthening the competitiveness of Hong Kong's position as an international financial centre"

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HONG KONG

DEVELOPMENT OF WINE TRADING AND DISTRIBUTION BUSINESSES IN HK

Government announced the abolition of all duties on wine earlier this year, which has helped to attract a number of expensive rare wine auctions to Hong Kong. Expected to see a lot more activities related to wine storage and distribution in HK in future.



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HONG KONG

INCOME TAXES

Profits Tax reduced by 1% to 16.5%

Standard rate of salaries, personal and property taxes reduced by 1% to 15%



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MACAO



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MACAO

DIRECT TAX

- Industrial tax
- Complementary tax (corporate tax)
- Professional tax (employment)
- Property tax



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(million of patacas)

MACAO

INDIRECT TAX

- Tourism tax
- Consumption tax
- Stamp duty
- Gaming tax



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MACAO

Complimentary Tax (CIT)

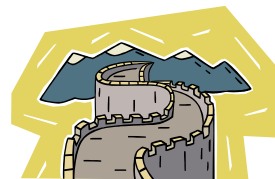
Taxable income (MOP=0.125 USD)	Tax rate
Taxable income up to 32,000	Exempt
From 32,001 to 65,000	3%
From 65,001 to 100,000	5%
From 100,001 to 200,000	7%
From 200,001 to 300,000 IT	9%
Over 300,000	12%

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MACAO

TAX TREATIES

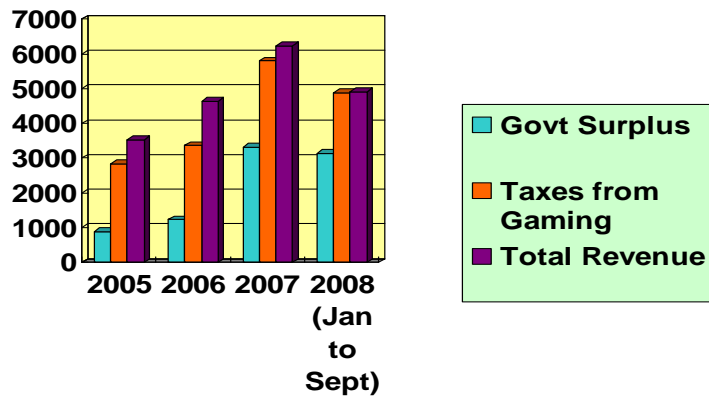
- Mainland China
- Portugal



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MACAO

(Million US\$)



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MACAO

GROSS GAMING INCOME (Million/per quarter)



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MACAO

FACTS AND FIGURES

○ Inflation 08	8.61%
○ Unemployment (Nov 08)	3.3%
○ Median Wage Level	US\$1,000
○ GDP Growth 2007	27%
○ GDP per Capita	US\$36,520
○ Population	557,400
○ Total area	29.2 SQ KM

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CHINA



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CHINA

TOTAL SPENDING BY CHINESE GOVERNMENT FOR RELIEF OF SICHUAN EARTHQUAKE

Up to November 2008
RMB 91.2 B (USD13.4B)

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CHINA

FACTS AND FIGURES

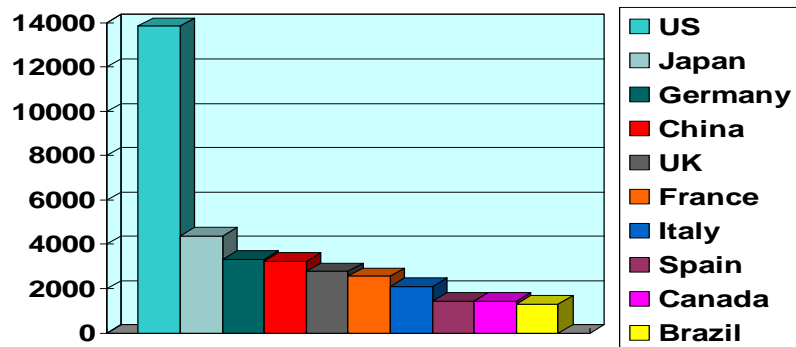
○ CPI 2008	+5.9%
○ GDP 2007R (RMB 25730 B)	+13%
○ GDP 2008 (RMB 30067B)	+9%
○ GDP 2009 (target)	+8%
○ GDP per Capita 2007	US\$2,460
○ Population (official)	1.3 Billion
○ Forex Reserve (latest)	US\$1,900 B
○ Total tax revenue 2008	US\$878B (+19%)

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CHINA

2007 GDP RANKING

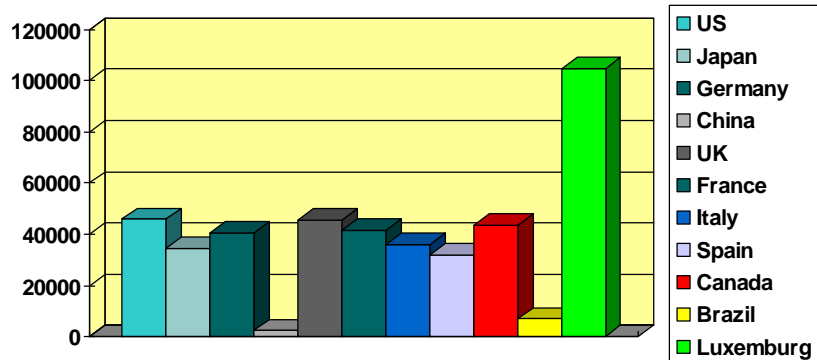
(US\$ Billion, before China adjusted upward its 07 GDP)



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CHINA

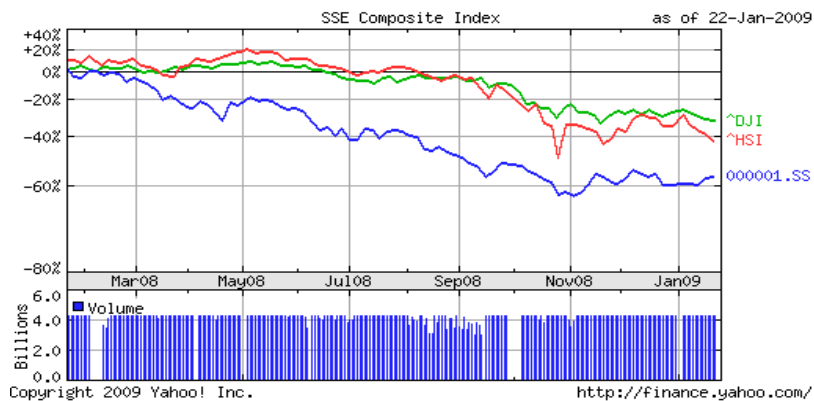
2007 GDP PER CAPITA (US\$)



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CHINA

Shanghai A Shares SSE Composite Index



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CHINA

Central Government announced major measures to reduce impact of the financial crises (4 trillion RMB):

- Increase low cost housing
- Village infrastructure investment (road, water safety, electric grid)
- Rail, highway and airport investments
- Healthcare and education
- Environmental and sewage treatment
- High tech and service industries
- Efforts to increase income of farmers

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CHINA

ENTERPRISE INCOME TAX (EIT) REFORM (2008)

- Merged the two separate Enterprise Income Tax systems for foreign investment enterprises and domestic enterprises
- Effective 1 January 2008



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CHINA

RESIDENT ENTERPRISES

- Enterprises formed under the laws of China, and enterprises formed under foreign laws but whose effective management is located in China
- Taxed on income derived from within and outside of China



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CHINA

NON RESIDENT ENTERPRISES

- Formed under foreign laws and not effectively managed within China
- With permanent establishment (PE) in China, or no PE in China but derived income sourced in China
- Only tax income sourced in China

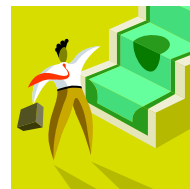


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CHINA

TAX RATES

- One National tax rate at 25%
- Small and "thin-profit" companies taxed at 20%
- Non treaty WHT rate 10%



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CHINA

EXEMPTIONS AND REDUCTIONS

- Abolished incentives to attract manufacturing foreign invested enterprises
- New preferential tax treatments gear primarily towards encouraged industries and activities, such as high tech, infrastructure, forestry, farming and fishery, energy and water preservation, environmental protection and venture capital businesses, mostly taxed at 15%

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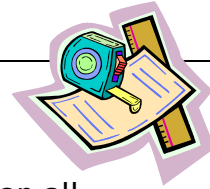
CHINA

GRANDFATHERING

- Tax rates for enterprises in low tax regions (lower than the former national rate of 33%), e.g. in Shenzhen SEZ at 15%, will be increased to the new national rate of 25% gradually over 5 years
- Grandfathering of tax exemption and reduction (half rates) granted by Chinese Government before 2008
- Loss making foreign enterprises which have not yet started its tax exemption year commences its first year of tax exemption in 2008

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CHINA



OTHER NEW MEASURES

- Standardization of deductions for all enterprises – in the past different rules applied to domestic and foreign enterprises
- Legislation to empower tax authorities to make transfer pricing adjustments
- Corporations required to complete forms on related party transactions every year when they file their annual tax returns

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CHINA

OTHER NEW MEASURES

- Adopt accrual basis of taxation and international accounting standard
- Thin capitalization - adjustment of excessive interest expenses by reference to related party debt to equity ratio of (1) 2:1 for non-financial enterprises (2) 5:1 for financial enterprises. Excessive interest remitted to overseas related lender treated as dividend subject to WHT (at interest or dividend WHT rate whichever is higher)

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CHINA

OTHER NEW MEASURES

- Introduction of cost sharing arrangement
- Introduction of CFC concept and provides for immediate taxation as deemed dividend the profits retained by SFC in low tax country (<12.5%) not required for normal business operations

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CHINA

OTHER NEW MEASURES

- **General Anti-Avoidance Rules (GAAR)** – tax authority may commence a GAAR investigation into situations where it suspects that there was instance of abuse of preferential tax treatments, tax treaties or corporate structures; use of tax haven to avoid taxes or use of other arrangements that do not have a reasonable business purpose
- Substance over form
- May disregard the tax benefits obtained

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CHINA

VAT REFORM (effective 2009)

- Formerly VAT on fixed assets were capitalized and not allowed as input VAT credit, therefore a heavy burden on capital intensive industries
- Effective 2009, newly purchased equipments including machines, means of transportation (excludes cars etc for private purposes), tools etc, are allowed as VAT input credit
- Buildings and structures excluded, not applicable to small scale VAT payers
- Excess VAT input shall be carried forward

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CHINA

VAT REFORM (others)

- VAT refund treatment of purchases of domestically made equipments cancelled
- Exemption treatment of VAT for imported equipments cancelled
- Reduction of VAT rates to 3% and turnover ceilings for **small scale VAT payers**:
 - ✓ Commercial enterprises reduced from 4%, turnover not exceeding RMB 0.8 M
 - ✓ Industrial enterprises reduced from 6%, turnover not exceeding RMB 0.5 M

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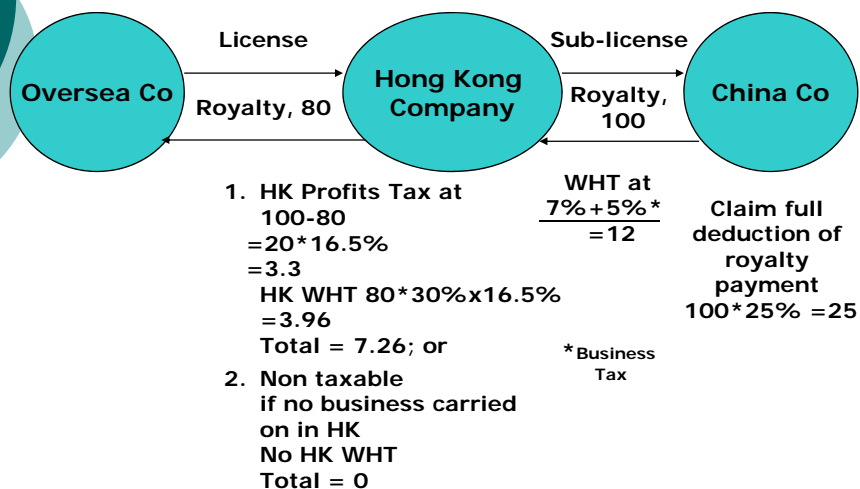
DTA between HK and China Mainland

Reduction of WHT provided in the new
DTA effective 2007

Type of Income	Non treaty rates	HK company	Remarks
Dividend	10%	5%/10%	Participation of at least 25%/others. Dividend income is not taxed in Hong Kong
Interest	10%	7%	Not taxed in Hong Kong (offshore nature)
Royalty	10%	7%	5% Business payable in PRC

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Using HK Co to reduce WHT on licensing royalty



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SINGAPORE



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SINGAPORE

- GDP 2008 +1.2%
- GDP 2008 Q4 -3.7% QoQ
- GDP 2009 projected to contract 2-5%
- Inflation 08 +6.5%
- Inflation 09 expected to fall to zero
- Unemployment 3.3% in Sep 08 and expected to rise

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SINGAPORE

BUDGET 2009

- **RESILIENCE PACKAGE** OF S\$20.5 B
 - 1) **HELP TO PRESERVE JOB** - Employers receive from Government monthly Jobs Credit payments of S\$900 or 12% of salary/month per employee on Central Provident Fund
 - 2) **STIMULATING BANK LENDING** - Government to share 50% to 80% of the risks of lendings by banks for working capital, trade finance etc (in addition to guaranteeing all bank deposits in Oct 08)

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SINGAPORE

- 3/ **REDUCTION OF TAX BURDEN** -
 - a. Reduction of corporate income tax rate from 18% to 17%
 - b. Accelerate full write-down of P & M to 2 years (75% + 25%)
 - c. Double GST credits to households and those needed
 - d. 20% Personal tax rebate for FY 09 (cap at 2,000)

SINGAPORE

- e. 40% rebate on property tax for owner occupied residential properties, and commercial and industrial properties
- f. Automatic extension of payment of income tax by residents who lose their jobs in 08 or 09 by 24 monthly instalments
- g. Tax deductions of charitable donations increased from 200% to 250%

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-Thank You -

