# APAC News

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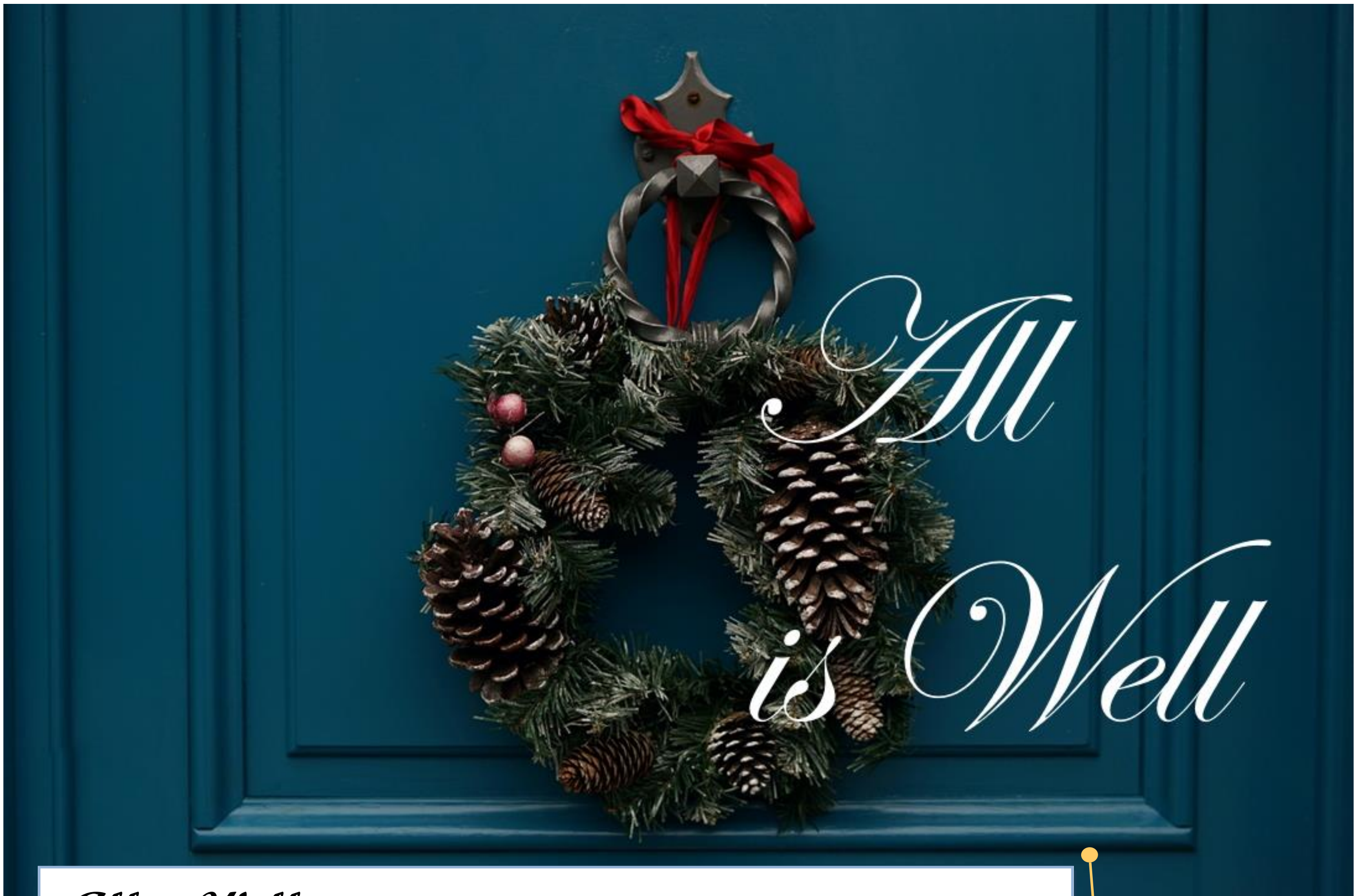


## *All is Well*

2020 has been a most challenging year.  At the close of the year, it is a great relief for us to say "***All is Well***" and to hear the same from you.

Stephen Hamlet, CEO of Russell Bedford International, said "this year, we saw accountants demonstrate incredible resilience, empathy, passion and delivery.  You'll find words that are not normally associated with the accounting profession.  It adapted.  It was shown to be flexible".   Indeed, despite the pandemic, he was greeted with some surprising and unexcepted success in the network – including record attendance of online meetings and conferences, and double-digit growth in the number of new members in the network.

In Asia Pacific, our recent joiners are Hibiscus Audit Corporation of Japan and Samhwa Accounting Corporation of South Korea.   Hibiscus focuses on statutory audits, mainly listed companies, special purpose audits, IPO preparation / consulting, internal control support and financial due diligence.   Hibiscus is a fantastic development of the network in Japan and complements the existing Tokyo firm, Shinsei International Tax Co., who specializes in tax, accounting and consultancy.

*Inside this issue:*

Likewise, Samhwa provides a comprehensive range of assurance, accounting, tax and business consultancy services. Registered with the Financial Services Commission as an auditor of stock exchange listed companies, Samhwa has 38 directors/ partners and more than 230 personnel, of which 110 are qualified CPAs and members of the Korean CPA institute.

Regarding regulatory updates, we bring to you in this edition of newsletter changes in tax laws in China, Hong Kong, Malaysia and the Philippines, and economic relief measures in response to Covid-19 in Singapore

**CHINA**

## CHINA ISSUES THREE QUALITY CONTROL STANDARDS

*"Independent review of important engagements by partners who are not involved in engagement execution is a powerful measure for quality control of accounting firms."*

On 19 November 2020, the Ministry of Finance of China approved and issued three quality control standards for Chinese CPAs, namely "Accounting Firm Quality Control Standard No. 5101 - Business Quality Control" (revised), "Accounting Firm Quality Control Standard No. 5102 - Engagement Quality Review" (new) and "Auditing Standards for Chinese Certified Public Accountants No. 1121 - Quality Control for Audit of Financial Statements" (revised).

According to the CICPA, the issuance of the standards was to respond to the concerns of the community in regards to audit quality; the objectives are to guide accounting firms to establish a sound quality control system, to improve the quality control capabilities of accounting firms, to enhance audit quality and prevent audit risks.

"Accounting Firm Quality Control Standard No. 5101 - Business Quality Control" regulates how to manage overall business quality at the whole accounting firm level. This standard requires the accounting firm to adopt a new risk-oriented quality control method and apply the internal control theory to establish, improve and effectively operate the unified quality control system of the whole firm, and determine the specific contents of the system and the specific responsibilities of the relevant personnel such as the leadership of the firm.

Independent review of important engagements by partners who are not involved in engagement execution is a powerful measure for quality control of accounting firms. This kind of independent review is called engagement quality review. "Accounting Firm Quality Control Standard No. 5102 - Engagement Quality Review" addresses this issue in details. This standard defines the objectives and positioning of the engagement quality review, puts forward higher requirements for the professional skills, authority and objectivity of the engagement quality review personnel, and also makes detailed provisions on the specific review work and working paper requirements.

"Auditing Standards for Chinese Certified Public Accountants No. 1121 - Quality Control for Audit of Financial Statements" regulates how to control the engagement quality of

## CHINA

(Continued)

financial statement audit at the engagement team level. This standard focuses on strengthening and refining the responsibilities of engagement partners in the audit quality control, requiring engagement partners to fully participate in the whole audit process, and making detailed provisions for their guidance, supervision and review of the work of engagement team members.

The formulation (revision) of the quality control related standards, according to the CICPA, follows the principle of maintaining the continuous and comprehensive dynamic convergence with international standards. They cover all the requirements and contents of international quality control standards. Although some provisions are slightly different from international standards, they are specific to the application of principles of international standards in the specific practice of China's CPA industry. For example, in view of the prominent problems existing in the "integration" of some accounting firms in China arising from activities of merger and acquisition, the relevant standards clearly require that accounting firms should establish and strictly implement a perfect integrated management mechanism to realise the unified management of personnel, finance, business, technical standards and information management, and the merged branches should not be an exception. For another example, in view of the problem of "mere formality" in partner rotation of accounting firms, relevant standards clearly require that accounting firms should establish and improve partner rotation mechanism, clarify rotation requirements, ensure substantive rotation, and conduct real-time monitoring of rotation by establishing a list of partner service years, etc.

According to the Notice of the Ministry of Finance, accounting firms engaged in securities service business shall establish and put into operation a quality control system from 1 January 2023. Other firms may postpone the implementation date by one year, that is, from 1 January 2024. The operation of the system shall be evaluated within one year after the operation.

***"…accounting firms should establish and improve partner rotation mechanism, clarify rotation requirements, ensure substantive rotation, and conduct real-time monitoring of rotation …"***

# CERTIFICATE OF RESIDENCE (COR)

Russell Bedford
taking you further

*"...offshore jurisdictions such as the BVI, Cayman Islands, Bermuda, are subject to ES reporting requirements unless they are tax residents in other jurisdictions. "*

Following the 2020 annual meeting between the Hong Kong Inland Revenue Department (**IRD**) and the Hong Kong institute of Certificate Public Accountants (**HKICPA**), the HKICPA has released the official minutes covering, amongst other things, the IRD's position on issuance of HK CoR under situations other than for tax treaty purposes and the impact of COVID-19 on HK tax resident status.

## CoR for Economic Substance (ES)

Commencing from 2020, entities in offshore jurisdictions such as the BVI, Cayman Islands, Bermuda, are subject to ES reporting requirements unless they are tax residents in other jurisdictions.

There are many such offshore entities carrying on businesses in Hong Kong, including listed companies. These companies are managed and controlled in Hong Kong and their group has business substance in Hong Kong. According to the ES guidelines issued by the BVI, Cayman Islands and Bermuda governments, they would fall outside the ES reporting requirements if they could furnish supporting documents such as CoR, tax assessments, receipts of tax payment of a tax liability issued by a foreign jurisdiction. For entities that are in tax loss, CoR is likely the only option as there are no assessment notices or tax receipts.

Also, a CoR may be used as support for claiming VAT exemption in a foreign jurisdiction.

As the current IRD's practice is to issue CoR for the purpose of claiming tax treaty benefits, the HKICPA requested whether the IRD could consider issuing a special class of CoR or other proof (e.g., letter stating that the entity is considered to be a Hong Kong tax resident) for serving the offshore ES law purposes or other non-treaty purposes.

The IRD responded as follows:

(a) The IRD had to act in good faith in accordance with the terms of the tax treaties as to uphold the purposes of the treaties which are to avoid double taxation and prevent tax avoidance or evasion and to prevent treaty abuse. If a CoR was issued for serving the offshore ES law purpose or other non-treaty purpose, it would discredit Hong Kong. This may lead to tax treaty partners not accepting CoR as a proof of Hong Kong tax resident status. It would also be a departure from international practice for issuing CoR under a non-treaty situation.

(b) Regarding the suggestion of issuing other form of documentation proof, the IRD pointed out that such documents could just state the facts of the case (e.g., a confirmation of tax payment, meaning not expressing any option on residence). Whether the information on such documents would be regarded relevant by other foreign jurisdictions remained a matter for such jurisdictions.

(c) For claim of VAT exemption, the IRD noted that tax authorities of most European countries would normally accept a certified copy of the applicant's Business Registration Certificate in processing the application for VAT exemption. In this respect, a HK entity may obtain a certified copy of Business

Registration Certificate to meet the requirements without difficulties.

CoR for private equity SPV

Under a private equity (**PE**) fund structure, it is quite common to use a Hong Kong entity as a SPE to hold the investment, particularly investment in the PRC in view of the treaty benefits under the Mainland-Hong Kong tax treaty. Such SPE only acts as an investment holding company and normally does not have business activities other than holding board meetings.

According to the current practice, the IRD generally would not issue a CoR because such SPE has little or no employee, nor does it maintain an office in its own name in Hong Kong. In the absence of the CoR, the SPE would be denied the treaty benefits.

To align with the government's policy of encouraging the asset management industry in Hong Kong, the HKICPA requested the IRD to consider the business nexus of the group as a whole for issuing CoR to SPE of a PE fund.

The IRD responded as follows:

(a) the place of residence of the SPE generally followed that of the PE fund. In this respect, the fund structure and their operations as a whole, including those of the fund manager, would be looked at to consider whether appropriate to issue a CoR.

(b) the issuance of a CoR would be refused if the SPE was a mere conduit of an offshore fund and is not the "beneficial owner" of the income.

Impact of COVID-19

Apart from the Mainland-Hong Kong tax treaty, the CoR issued for the purpose of other jurisdictions are generally valid for 1 calendar year. The HKICPA noted that in handling application for CoR for a particular year, the IRD often request for information of other years. The HKICPA requested the IRD to clarify the reasons for such request.

The IRD responded that when processing an application for the CoR, the IRD officer would thoroughly examine the relevant facts and exercise professional judgement. The information requested might not be limited to the year of claim. The IRD pointed out that the Commentary of the 2017 OECD Model Tax Convention suggested a range of factors should be taken into account, including where directors' meetings are <u>usually</u> held and where senior executives <u>usually</u> carry on their activities. Information of prior years may therefore be relevant in the determination of the usual and ordinary place of effective management.

In this respect, the IRD also pointed out that similar guidelines were applied in the OECD Secretariat's analysis of the impact of the COVID-19 situation on tax treaties. The COVID-19 lockdown leaves many executives / employees stranded in locations and unable to travel. Rather than considering 2020 in isolation, the IRD would examine all relevant facts and circumstances to determine the entity's "usual and ordinary" place of effective management, and not just those pertaining to an exceptional / temporary period.

*"Rather than considering 2020 in isolation, the IRD would examine all relevant facts and circumstances to determine the entity's "usual and ordinary" place of effective management..."*

MALAYSIA

# MALAYSIA BUDGET 2021

Malaysia's Budget 2021 was announced on 6 November 2020. Themed "Stand United, We Shall Prevail", this budget focuses on three integral goals which are rakyat's well-being, business continuity and economic resilience. Budget 2021 that amounts to about RM322.5 billion will be the largest budget in Malaysian history.

Against the backdrop of the Covid-19 pandemic, a series of fiscal stimulus have been injected by the government in its efforts of helping victims of this pandemic and the ailing economy in 2020. With all these being put in place, together with the Budget 2021 initiatives and supported by recovery of the global economy, the Government expects the economy to grow by between 6.5% and 7.5% in 2021, representing a significant improvement from the projected contraction of 4.5% in 2020.

The highlights of Budget 2021 include:

## PROPOSALS AFFECTING INDIVIDUALS

### 1. Reduction in individual tax rates

Tax rate for resident individuals be reduced by 1% (from 14% to 13%) for chargeable income band from RM50,001 to RM70,000.

*Effective from Year of Assessment ("YA") 2021*

### 2. Tax reliefs

*"…the Government expects the economy to grow by between 6.5% and 7.5% in 2021…"*

| Type of relief | Current | Proposed |
|---|---|---|
| Expenses on medical treatment, special needs and parental care | RM5,000 | RM8,000<br>*(Effective from YA 2021)* |
| Medical expenses for treatment of serious diseases for self, spouse, and child and expenses for fertility treatment (including full medical check-up) | RM6,000 (including RM500 for full medical check-up) | • RM8,000 (including RM1,000 for full medical check-up).<br>• Expanded to cover the cost of vaccination expenses up to RM1,000.<br><br>*(Effective from YA 2021)* |

(Continued)

| Type of relief | Current | Proposed |
|---|---|---|
| Lifestyle | RM2,500<br><br>• For the purchase of reading materials, personal computers, sports equipment, printed daily newspaper, smartphone/tablet, internet subscription and gym membership | RM3,000<br><br>• Expanded to include subscription of electronic newspapers.<br><br>• The additional relief of RM500 is for the purchase of sports equipment, rental/entrance fee to any sports facilities and registration fees for any approved sports competition.<br><br>*(Effective from YA 2021)* |
| Special tax relief for purchase of smartphone, personal computer or tablet | | RM2,500<br>• For the purchase of smartphone, personal computer or tablet between ***1 June 2020 to 31 December 2020*** (has not been claimed under lifestyle relief)<br><br>*(For YA 2020)* |
| Fees paid to registered child care centres and kindergartens | RM2,000 | RM3,000<br><br>*(For YAs 2021 and 2022)* |
| Domestic tourism expenditure | - | RM1,000<br><br>• For domestic travelling expenses incurred by tax resident individuals on accommodation and entrance fees to tourist attractions from 1 March 2020 to 31 December 2021.<br><br>*(Effective for YAs 2020 and 2021)* |

### 3. Personal tax exemption

| Tax exemption | Current | Proposed |
|---|---|---|
| Investment in equity crowdfunding<br>(made through equity crowd funding platform approved by Securities Commission Malaysia) | - | • Tax exemption on aggregate income equivalent to 50% of the amount of investment, up to a maximum of RM50,000 for each YA.<br><br>• Deductible amount is limited to 10% of aggregate income for that YA.<br><br>*(For investments made from 1 January 2021 to 31 December 2023)* |

## PROPOSALS AFFECTING COMPANIES

### 1. Tax rebate for companies and limited liability partnerships (LLPs)

Newly set up companies and LLPs are eligible for income tax rebate equivalent to the capital or operating expenditure incurred or RM20,000, whichever is the lower, for each YA for 3 consecutive years beginning from the YA in which they commence operations.

*(Effective from YA 2021)*

### 2. Transfer pricing

| | Current | Proposal |
|---|---|---|
| Failure to furnish contemporaneous transfer pricing documentation within 30 days upon request by the Director General of Inland Revenue ("DGIR") | - | On conviction<br>Penalty of RM20,000 to RM100,000 or prison term of up to 6 months or both<br><br>Without conviction<br>Penalty of RM20,000 to RM100,000<br><br>(Effective from 1 January 2021) |

| | Current | Proposal |
|---|---|---|
| Power to disregard and recharacterize any structure in a controlled transaction if:<br><br>The economic substance of that transaction differs from its form; or<br>The form and substance of that transaction are the same but the arrangement made in relation to the transaction, viewed in totality, differ from those which would have been adopted in an arm's length transaction. | - | The DGIR shall disregard and make adjustment to any structure as he thinks fit to reflect the structure that would have been adopted in an arm's length situation having regard to the economic and commercial reality.<br><br>*(Effective from 1 January 2021)* |
| Surcharge on transfer pricing adjustment | - | Imposition of a surcharge of not more than 5% of the amount of increase of any income or reduction of any deduction or loss arising from transfer pricing adjustment.<br><br>*(Effective from 1 January 2021)* |

## INVESTMENT INCENTIVES

| Category | Tax incentive |
|---|---|
| Companies manufacturing pharmaceutical products including vaccines | • 0% up to 10% for the first 10 years; and 10% for the subsequent period of 10 years<br><br>*(Applications received by MIDA from 7 November 2020 to 31 December 2022)* |
| Review of Principal Hub incentive | • The application period for principal hub incentive is extended for an additional 2 years from 1 January 2021 until 31 December 2022.<br><br>• Relaxation of conditions of the number of high value jobs, annual operating expenditure and the number of key posts for renewal of the incentive for a second 5 years.<br><br>*(Applications received by MIDA from 1 January 2021 to 31 December 2022)* |
| Global Trading Centre<br>• For companies carrying out qualifying trading activities | Preferential income tax rate of 10% for a period of 5 years and extendable for a further 5 years.<br><br>*(Applications received by MIDA on from 1 January 2021 until 31 December 2022)* |

<table>
<tr><th>Category</th><th>Tax incentive</th></tr>
<tr><td>Preferential tax rate for non-citizen individuals in companies carrying on business of qualifying activities</td><td>Non-citizen resident individual exercising employment in a company carrying on qualifying activity under an incentive scheme approved by a Minister is subject to tax at a rate of not more than 20%.<br><br>The qualifying activities include any high technology activity in a manufacturing and services sector and any other activities which would benefit Malaysia’s economy.<br><br>(Effective from YA 2021)</td></tr>
<tr><td>Companies relocating operations to Malaysia and undertaking new investments</td><td>For manufacturing sector except selected industries:<br><br>
<table>
<tr><th></th><th colspan="2">New company</th><th colspan="2">Existing company</th></tr>
<tr><th>Investments in fixed assets</th><th>Tax incentive</th><th>Incentive period</th><th>Tax incentive</th><th>Incentive period</th></tr>
<tr><td>RM300 million – RM500 million</td><td rowspan="2">0% tax rate</td><td>10 years</td><td rowspan="2">100% Investment Tax Allowance</td><td rowspan="2">5 years</td></tr>
<tr><td>Above RM500 million</td><td>15 years</td></tr>
</table>
<br>For selected services sector including companies adapting IR4.0 and digitalization technology with investment that contribute to significant multiplier effect:<br><br>
<table>
<tr><th colspan="2">New company</th><th colspan="2">Existing company with new services segment</th></tr>
<tr><th>Tax incentive</th><th>Incentive period</th><th>Tax incentive</th><th>Incentive period</th></tr>
<tr><td>Tax rate of 0% to 10%</td><td>Up to 10 years</td><td>Tax rate of 10%</td><td>Up to 10 years</td></tr>
</table>
<br>Tax rate of 15% for a period of 5 consecutive years for up to 5 non-citizens holding key positions / C-Suite positions in a company that has been granted relocation tax incentive.<br><br>Conditions:<br>i) Receiving monthly salary of not less than RM25,000; and<br>ii) A tax resident for each YA throughout the preferential tax treatment period<br><br>Effective date:<br>Manufacturing sector – Applications received by MIDA until 31 December 2022<br>Selected services sector – Applications received by MIDA from 7 November 2020 to 31 December 2022</td></tr>
</table>

In view of the state of continuing national emergency due to the COVID-19 pandemic, as well as the expiration in June 2020 of Republic Act (R.A.) No. 11469, Bayanihan to Heal as One Act (Bayanihan I law), the President signed into law R. A. No. 11494, Bayanihan to Recover as One Act (Bayanihan II law), which is effective until December 19, 2020. The Senate and the House of Representatives are now looking at extending the Bayanihan II law up to March or June 2021.

The fiscal provisions of the Bayanihan II law are as follows:

1. Net operating losses suffered in taxable years 2020 and 2021 shall be carried over for the next five consecutive taxable years.
2. Repeal of percentage tax imposed on sale, barter or exchange of shares of stock listed and traded though initial public offering tax under Section of 127(B) of the Tax Code.
3. Tax exemption on retirement benefits received by officials and employees of private firms, whether individual or corporate, from June 5 to December 31, 2020. Any re-employment in the same employer within the succeeding 12-month period shall be considered proof of non-retirement, which will subject the retirement benefits to tax.
4. Liberalization of the grant of incentives for the manufacture and importation of critical or needed healthcare equipment or supplies or essential goods.
5. Exemption from import duties and taxes, including donor's tax, of personal computers, laptops, tablets or similar equipment appropriate for use in schools, donated for distribution to public schools regardless of level, including state universities and colleges and vocational institutions under TESDA.
6. Moving of statutory deadlines and timelines for the filing and submission of any document, the payment of taxes, fess, and other charges required by law.
7. No additional documentary stamp tax (including those imposed on debt instruments, on mortgages, pledges and deeds of trust, and on assignments and renewals of certain instruments) on term extensions and credit restructuring, micro-lending, or any part thereof, on or before December 31, 2020.
8. Income tax exemption on the COVID-19 special risk allowance provided by the national government to both public and private health workers directly catering to on in contact with COVID-19 patients.
9. Tax exemption of compensation paid to public and private health workers who have contracted COVID-19 in the line of duty.
10. Income tax exemption on active hazard duty pay received by temporary Human Resources for Health serving in the front line during the state of national emergency.

*" Net operating losses suffered in taxable years 2020 and 2021 shall be carried over for the next five consecutive taxable years."*

The following are some of the non-fiscal provisions under the Bayanihan II law:

1. Emergency subsidy of PHP5,000 to PHP8,000 to affected low-income households in areas under granular lockdown and of households with

*" Minimum 30-day grace period on residential and commercial rents of lessees not permitted to work..."*

recently returned overseas foreign workers (OFWs).

2. Unemployment or involuntary separation assistance of PHP5,000 to PHP8,000 to displaced employees of workers due to COVID-19.

3. Monthly COVID-19 special risk allowance for all public and private health workers directly catering to or in contact with COVID-19 patients.

4. Assumption of all medical expenses of public and private health workers exposed to COVID-19 or in case of work-related injury or disease during the state of national emergency.

5. Implementation of a one-time 60-day grace period for the payment of all existing, current and outstanding loans falling due on or before December 31, 2020, as well as credit card payments without incurring interest on interest, penalties and other charges and thereby extending the maturity of said loans. This applies not only to banks, quasi bank, financing and lending institutions but also to real estate developers, insurance companies and pre-need companies.

6. Minimum 30-day grace period on residential and commercial rents of lessees not permitted to work, MSMEs and cooperatives ordered to temporarily cease operations, falling due within the community quarantine period. There should be no increase in rent during the community quarantine.

7. Non-discrimination against persons confirmed, suspected, probable, exposed or recovered of the COVID-19 virus, returning OFWs, health workers, front liners, other service workers or indigent which result in unjust distinction, exclusion, restriction, physical, psychological harm or suffering, intimidation, harassment, damage to property, public ridicule or humiliation, verbal abuse arbitrary ejectment from dwelling or unlawful deprivation of liberty.

## CORPORATE RECOVERY AND TAX INCENTIVES FOR ENTERPRISES ACT (CREATE)

On November 26, 2020, the Senate approved the CREATE bill, which, according to the Department of Finance, is the first-ever revenue-negative tax reform package and the largest fiscal stimulus program for enterprises. The measure aims to immediately trim corporate income taxes from 30% to 25%. For firms whose income is below PHP5 million a year, taxes would be even lower at 20%. The Philippines has currently the highest corporate income taxes in the region.

The Acting Socioeconomic Planning Secretary said in a statement that the bill, once signed into law, "will help small and medium enterprises become more competitive and productive to support the recovery of our economy. With CREATE, the country will also be able to attract more foreign direct investment with an improved incentives menu, which will maximize desirable economic outcomes such as job creation, domestic value-added and technology transfer."

The Chairman of the House of Representative's Ways and Means Committee said that there will be no need for a

Bicameral Conference Committee since the House will adopt the version approved by the Senate.

The key amendments in the Tax Code under the CREATE bill are, among others, as follows:

1. **Corporate Income Tax (CIT)**

   a. Adoption of graduated CIT rate (from the current CIT of 30%) effective July 1, 2020

      i. 20% CIT for domestic corporations with total assets not exceeding PHP100 million, and with net taxable income not exceeding PHP5 million

      ii. 25% CIT for other domestic corporations

   b. 25% for resident and non-resident foreign corporations effective July 1, 2020

   c. Reduction of minimum corporate income tax (MCIT) to 1% (from 2%) from July 1, 2020 to June 30, 2023

   d. Reduction of CIT for proprietary, non-profit educational institutions and hospitals to 1% (from 10%) from July 1, 2020 to June 30, 2020

   e. Tax exemption of foreign-sourced dividends of domestic corporation, subject to certain conditions

   f. Clarification on the types of reorganizations covered by tax-free exchanges under Section 40(C)(2) of the Tax Code

   g. Repeal of improperly accumulated earnings tax (IAET)

   h. Repeal of 10% special income tax rate on regional operating headquarters (ROHQ) starting January 1, 2022

2. **Value-added Tax (VAT) and Percentage Tax**

   a. VAT exemption on the sale or importation of digital or electronic reading materials

   b. VAT exemption on the sale or importation of drugs, vaccines and medical devices specifically prescribed and directly used for the treatment of COVID-19, registered with and approved by the Food and Drug Administration, from January 1, 2021 to December 31, 2023

   c. VAT exemption on the sale or importation of medicines for cancer, mental illness, tuberculosis, and kidney diseases to take effect on January 1, 2021, instead of January 1, 2023

   d. Adjustment on the threshold of VAT exemption on the sale of real property to account for inflation as follows:

      i. Residential lots from PHP1.5 million to PHP2.5 million

      ii. House and lot and other residential dwellings from PHP2.5 million to PHP4.2 million

      iii. Reduction of percentage tax for non-VAT taxpayers from 3% to 1% starting July 1, 2020 to June 30, 2023

3. **Fiscal Incentives**

   a. Uniform fiscal incentives for newly registered business enterprises (RBE)

      i. Income tax holiday (ITH) for four to seven years

      ii. Gross income tax (GIT) of 5% or enhanced deductions for 10 years

   b. Increase of the total period of incentive availment to a maximum of 17 years, the length and period of which will depend on the location and type of

*" Tax exemption of foreign-sourced dividends of domestic corporation, subject to certain conditions."*

## PHILIPPINES

**(Continued)**

*" Repeal of improperly accumulated earnings tax (IAET)"*

the registered activity

c. Superior incentive package for up to 40 years, which include ITH for a maximum of eight years, for highly desirable projects with a minimum investment capital of PHP50 billion or those that can generate 10,000 employees

d. Sunset period for existing RBEs

   i. Firms enjoying ITH can continue to enjoy the same within the remaining ITH period

   ii. Firms enjoying 5% GIT can continue to enjoy the same for 10 years

e. Existing RBEs may re-apply for the fiscal incentives under the CREATE bill after the lapse of the sunset period

f. Approval of fiscal incentives for new projects or activities with investment capital of PHP1 billion and below shall be delegated to the respective Investment Promotion Agencies (IPA). Fiscal incentives application for projects or activities with investment capital exceeding PHP1 billion shall be subject to the approval of the Fiscal Incentives Review Board (FIRB)

g. Duty exemption on certain importations, VAT exemption on importations, and VAT zero-rating on local purchases shall still apply

The bill was certified as urgent by the President, so investors and business owners are eagerly awaiting for the passage of the bill.

## SINGAPORE

## GRANTS FOR OVERSEAS BUSINESS EXPANSION

Steven Tan Russell Bedford PAC
Public Accounting Corporation

*" In fact, some great companies started during a recession."*

Risk aversion amongst companies has prevailed due to uncertainties about global demand and supply chain brought about by the COVID-19 outbreak. Business expansion is the last thing on everybody's mind now as the immediate priority is to manage costs and minimise spending in order to wait out the economic storm. However, companies that engage in excessive cost cutting in a downturn will suffer from a difficult recovery when the economy rebounds.

There are many benefits of expanding in a downturn e.g., things are cheaper, good people are out looking for work, credit is cheap and competition is arguably less fierce. In fact, some great companies started during a recession. General Electric was founded in the aftermath of the Panic of 1873 which brought about the Long Depression. Microsoft was established in the 1970s stagflation. Netflix was launched in the dot-com bubble burst of the early 2000s. In the most recent recession of 2008, Airbnb and Uber set up business and grew as successful start-ups.

There are of course risks associated with aggressive expansion during business downturn. However, if managed well, the opportunities presented could very well position your company for the next stage of growth. To help Singapore companies get their feet wet, Enterprise Singapore (the Singapore government agency responsible for championing enterprise development) has rolled out various grants to help companies build on their brand and expand overseas. Of particular interest are the following two grants: ~

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| | Market Readiness Assistance Grant | Enterprise Development Grant: Market Access – Overseas Marketing Presence |
|---|---|---|
| Overview | Small and medium enterprises ("SMEs") will receive an international boost with the Market Readiness Assistance Grant to help expand their business overseas. | Help companies expand into new markets by setting up an overseas presence to begin marketing and/ or business development activities. |
| Support given | • Up to 70% (80% from 1 November 2020 to 30 September 2021) of eligible costs, capped at SGD100,000 per company per new market from 1 April 2020 to 31 March 2023 that covers:<br>  o Overseas market promotion (capped at SGD20,000)<br>  o Overseas business development (capped at SGD50,000)<br>  o Overseas market set-up (capped at SGD30,000)<br>• Each application is limited to one activity in a single overseas market (e.g. market entry, or participation in a trade fair) | • Up to 80% of eligible costs for SMEs and up to 60% of qualified costs for non-SMEs from 1 April 2020 to 30 September 2021 that covers:<br>  o Salary of maximum two business development staff stationed at the market (of which, one has to be a Singaporean or Permanent Resident).<br>  o Rental expenses of the specified location.<br>• All projects are subject to:<br>  o A grant cap of SGD100,000 per project<br>  o Maximum support duration of 12 months per project |
| Eligibility | • Business entity is registered and operating in Singapore<br>• At least 30% local shareholding<br>• New market entry criteria, i.e. target overseas country whereby the applicant has not exceeded SGD100,000 in overseas sales in each of the last three preceding years<br>• Annual sales turnover of not more than SGD100 million or employment size of not more than 200 employees | • Business entity is registered and operating in Singapore<br>• At least 30% local shareholding<br>• Be in a financially viable position to start and complete the project<br>• Use the grant for marketing and/ or business development.<br>• Meet the new market criteria, which is defined as a new city where the company has not had sales in excess of SGD100,000 in any one year for the past three years.<br>• Post at least one Singaporean or Permanent Resident to be based in the market to conduct marketing and/ or business development work. |

*" Help companies expand into new markets by setting up an overseas presence to begin marketing and/ or business development activities."*

*Disclaimer*

*The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.*

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NETWORK OF THE YEAR
Winner 2019
International Accounting Bulletin

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