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Incentives in ASEAN 2025

Manufacturing and regional corporate support and headquarter

Fourth edition

The better the question.
The better the answer.
The better the world works.

Contents page

Information collected in Q2 2025, This article reflects
information accurate as of its release.

Foreword

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Welcome to our fourth edition of Incentives in ASEAN.

Since the third edition of this publication was released in 2021, the environment has continued to evolve significantly. The current state of geopolitics, including the ongoing wars in Russia and Ukraine, and the Middle East, as well as rising trade tensions due to US tariff policies, has created a complex and dynamic landscape for businesses. These factors have significant implications for global trade and investment considerations.

As we move forward in 2025, governments are placing a renewed emphasis on economic development and recovery. According to the International Monetary Fund (IMF), the global Gross Domestic Product (GDP) growth rate for 2024 was 3.2%, with a forecasted growth rate of 3.5% for 2025*. The ASEAN region, supported by resilient domestic demand and strong foreign direct investment inflows, continues to place emphasis on incentives on attracting FDI-driven investments, which are essential for maintaining the region's global economic position and fostering sustainable growth.

This fourth edition is designed to be an invaluable resource for companies exploring investment opportunities in ASEAN. Our incentives and site selection practice, encompassing eight countries in the region, boasts extensive experience and has further strengthened its ties with the economic development organizations of each ASEAN country. We remain committed to providing a team of incentive professionals to handle all project aspects, regardless of the country or region. In addition to our seasoned core team focused on incentives and site selection, we can swiftly assemble a wider team of EY global professionals with knowledge/ experience in taxation, supply chain, foreign trade, real estate and data analytics to meet our clients' financial requirements. We are confident that our deep technical and market knowledge, combined with industry knowledge/ experience, can support us to assist you in making strategic appeals to government officials, adhering to project timelines and improving the benefits from incentive programs across the region.

We look forward to supporting you as you navigate the myriad of investment considerations in ASEAN.

Source: *The International Monetary Fund World Economic Outlook* (October 2024)

Indonesia

The Indonesian government offers several incentive programs. Historically, these have tended to focus on attracting new investment in targeted industry sectors. For example, the tax holiday, tax allowance and some Special Economic Zone benefits apply only to new investments or expansions. The promoted industry lists tend to suggest a policy objective of moving up the value chain into higher value-added manufacturing and other more advanced industries.

As an implementation of the Indonesian Omnibus Law on Job Creation in 2020, the concept of priority sectors has been introduced, which links openness to foreign investment, as well as certain tax incentives to particular industry sectors. Some newer incentives, including the R&D super deduction and labor-intensive industry concession, are not restricted to new investments but do require certain approvals in advance.

We are noting increased take-up and interest in the tax holiday program in recent years under an expanded set of eligible sectors, a more formalized approach to applications outside those sectors and a streamlined administrative process.

Indonesia incentive regime overview

In recent years, Indonesian tax incentive programs have tended to move toward setting formal eligibility criteria, primarily based on industry code or geographical location and away from discretionary processes. Note, however, that it is still possible to apply for tax holidays outside the specified industry list, where projects have particular merit (see below).

The requirements for each tax incentive vary, but in general, tax incentive programs require approvals from the Ministry of Finance. Like many other processes, these applications are now done through the Online Single Submission (OSS) system.

Some other incentives not dealt with in this publication are those for:

- Reduced Corporate Income Tax (CIT) rate for certain companies listed on the Indonesia Stock Exchange (IDX)
- Small- or medium-scale companies meeting certain conditions
- COVID-19 pandemic-related cash tax incentives
- Various import duty concessions

Incentive administering bodies

Various government institutions are involved based on the administrative requirements of each regime:

- OSS institution
- Ministry of Investment (formerly known as Investment Coordinating Board (BKPM))
- Directorate General of Taxation (DGT)
- The Ministry of Finance
- The National Innovation Research Agency (BRIN)
- Bodies responsible for each Special Economic Zone

General application process (varies by incentive)

- Submission of application through the OSS system administered by the OSS institution.
- The application will be forwarded by the OSS system to the Minister of Finance as a recommendation to obtain the tax incentive, and the OSS system will notify the taxpayer that the application is being processed.
- The Minister of Finance accepts or rejects the request. In principle, the approval must be obtained for the relevant incentives to apply.
- The approval on the application to obtain the tax incentive should be given by the Minister of Finance. However, it should be carried out by the Head of the Investment Coordinating Board or the DGT for and on behalf of the Minister of Finance.
- Unlike other tax incentives, for R&D super deduction, the National Innovation Research Agency should evaluate the conformity between the submitted proposal with the proposal criteria and R&D criteria. The National Innovation Research Agency should coordinate with the ministries and government institutions, which supervise the relevant R&D field covering the activities in the taxpayer's application.
- If the OSS system is not available, the application can be submitted offline.

Incentive application timeline

In general, the decision on the provision of the tax allowance and tax holiday incentives is carried out by the Head of EKPIM for and on behalf of the Minister of Finance, and it should be issued within five business days after the recommendation through OSS system or offline application is completely received.

Other things to note

Taxpayers who are granted incentives will usually be required to submit periodic realization reports to the DGT.
There are generally provisions that prevent a taxpayer from claiming multiple income tax incentives for the same project.

Tax allowance

Income tax incentives are granted by the Indonesian government to meet various economic and social objectives. Government Regulation Number 78 Year 2019 (GR-78) stipulates that taxpayers making a new investment or expanding the current business activity in certain business fields can be granted income tax incentives. Some incentives are available for particular sectors nationwide, while others are available for particular sectors only in certain geographic regions (typically in less economically developed regions). Under GR-78, there are 166 categories of business sectors and 17 other categories of industries in certain areas may qualify for the tax incentives. The designated areas and provinces are generally outside Jakarta — primarily the provinces in Kalimantan and Sumatera.

This regulation also introduces the Online Single Submission (OSS) system as the medium for applications for the tax allowance incentive.

Corporate tax benefits

- Investment allowance in the form of a reduction of net income by 30% of total investment, i.e., fixed capital (tangible assets) including land that is utilized for the company's primary activity. This allowance may be claimed at a rate of 5% each year over a six-year period from the date that the company starts to operate commercially.
- Tax losses may be carried forward for more than five years but not more than 10 years, if the company fulfills the required conditions. Each condition gives one or two additional years to the carry forward.
- Accelerated depreciation of tangible assets and accelerated amortization of intangible assets on the new investment and business expansion, with various benefit periods and depreciation rates.

"

There are generally provisions which prevent a taxpayer claiming multiple income tax incentives on the same project.

Other tax benefits

The dividend withholding tax rate will be reduced to 10% or lower tax rate in accordance with the tax treaty for dividends paid to non-residents.

Key assessment parameters:

- High total investment or the investment is for export purposes
- Local manpower utilization
- High level of local content

Tax holiday incentives

Tax holiday are potentially available for new investments or expansions in companies under 174 Industry codes, within the following 18 business sectors:

1. Integrated upstream base metal industry (steel and non-steel), with or without its derivatives
2. Integrated purification or refinery of oil and gas industry, with or without its derivatives
3. Integrated petrochemical industry with oil, natural gas or coal based, with or without its derivatives
4. Integrated basic organic chemical industry sourced from agriculture, plantation or forestry, with or without its derivatives
5. Integrated basic inorganic chemical industry, with or without its derivatives
6. Integrated pharmaceutical raw material industry, with or without its derivatives
7. Manufacturing industry of irradiation equipment, electro medical or electrotherapy
8. Manufacturing industry of electronical or telematics equipment's main components
9. Manufacturing industry of engines and main components for engines
10. Manufacturing industry of robotic components, which support the engines manufacturing industry
11. Manufacturing industry of main components for power plant machineries
12. Manufacturing industry of automotive and automotive main components
13. Manufacturing industry of main components for ships
14. Manufacturing industry of main components for trains

15. Manufacturing industry of main components for aircrafts and supporting activities for aerospace industry
16. Manufacturing industries that produce pulp, with or without its derivatives, based on agricultural, plantation or forestry products
17. Economic infrastructure
18. Digital economy that covers activities, such as data processing, hosting and other related activities

Under the Minister of Finance Regulation No. 130/PMK.010/2020 (PMK-130) effective 8 October 2020 as amended by the Minister of Finance Regulation No. 69/2024 effective 9 October 2024, there is now a quantitative criteria "scoring guideline", which identifies what can be categorised as a "Pioneer Industry" despite not being one of the specifically listed industry codes. Therefore, companies interested in making new investments have better guidance as to whether a proposed investment can be categorised as a "Pioneer Industry". If a taxpayer can meet the key assessment criteria (other than the pioneer industry criteria) and reach a score of at least 80 on using the scoring guidelines, it may still apply for the tax holiday.

The criteria under PMK-130 to calculate the score on the Pioneer Industry quantitative criteria are:

Extensive interconnectivity, which covers:
- Number of competitors in Indonesia
- The use of local content as the main materials
- The products are used domestically (import substitution)
- Number of similar types of company in the area

Has high value-added or high externality, which covers:
- Number of local personnel to be used
- Investment location

Introducing new technology, which covers:
- Using environmentally friendly technology for the main and supporting production equipment
- Using new technology for the main and supporting production equipment

Priority on the national industry scale, which covers:
- Supporting the national strategic projects
- Production base (supporting international supply chain)
- Establishing its own infrastructure facilities to be used by the company and communities

Corporate tax benefits

The tax holiday incentive provides 50% reduction on the corporate income tax payable for new capital investment from IDR 100 billion up to less than IDR 500 billion, and 100% reduction on the corporate income tax payable for new capital investment of IDR 500 billion or more.

The period for the corporate income tax reduction is as follows:

- Five fiscal years for new capital investment with a minimum amount of IDR 100 billion up to less than IDR 500 billion.
- The following periods for new capital investment with a minimum amount of IDR 500 billion:

Investment made (IDR)	Approximately US$ equivalent	Years for tax reduction
500 billion to less than 1 trillion	35 million to less than 61 million	5 years
1 trillion to less than 5 trillion	61 million to less than 305 million	7 years
5 trillion to less than 15 trillion	305 million to less than 915 million	10 years
15 trillion to less than 30 trillion	915 million to less than 1.83 billion	15 years
30 trillion and above	1.83 billion and above	20 years
500 billion to less than 1 trillion	35 million to less than 61 million	5 years

The above period of reduction in the corporate income tax payable is calculated from the commencement of commercial production.

An additional period of corporate income tax reduction for two fiscal years is also offered following the expiration of the above tax holiday for:

- Twenty-five percent reduction of the corporate income tax payable for the new capital investment with a minimum amount of IDR 100 billion up to less than IDR 500 billion.
- Fifty percent reduction of corporate income tax payable for the new capital investment with a minimum amount of IDR 500 billion.

Key assessment criteria

- Engaged in “pioneer industries”.
- An Indonesian legal entity.
- New capital investment that has not received the decision or the rejection on the corporate income tax reduction from the Minister of Finance under tax holiday, tax allowance, tax incentive for labor-intensive industry and tax incentive on the Special Economic Zone (SEZ) schemes and tax incentives on Nusantara Capital city (IKN).
- New approved investment plans of at least IDR 100 billion (approximately US$6.1 million) .
- Meet debt-to-equity ratio requirement for tax purpose determined by the Minister of Finance regulation.
- Commits to start realising the capital investment plan within a year after the approval to obtain tax holiday incentive is issued.

The tax holiday incentive is also available for corporate taxpayers engaged in certain national priority projects identified by the government, provided it meets the other tax holiday criteria mentioned above.

Tax holiday incentive proposal must be submitted to the Minister of Finance at the latest by 31 December 2025.

labor-intensive industry tax concession

The Minister of Finance Regulation No 16/PMK.010/2020 as replaced by the Minister of Finance Regulation No 81/2024 effective 1 January 2025 as part of Core Tax System, provides a reduction of net revenue, spread over six years, for new capital investment or business expansion in labor-intensive industry sectors. The income tax facility provided to the qualified taxpayer is an investment allowance of 60% (on top of normal tax depreciation) of the amount invested in tangible fixed assets, including land, which are used in the main business activity. This allowance may be claimed at the rate of 10% each year over a six-year period starting in the fiscal year of the start of commercial production.

R&D Super Deduction

The Minister of Finance Regulation No 153/PMK.010/2020 as replaced by the Minister of Finance Regulation No 81/2024 effective 1 January 2025 as part of Core Tax System, provides a 300% super tax deduction for research and development (R&D) activities conducted in Indonesia. A taxpayer can be given a maximum of a 300% deduction, via a reduction to gross revenue, for costs incurred to conduct eligible R&D activities in Indonesia. The maximum 300% reduction of gross revenue covers: (i) 100% reduction on the gross revenue for the costs incurred to conduct R&D activities (i.e., the normal deduction); and (ii) a maximum of 200% additional reductions to gross revenue for the accumulated costs incurred to conduct R&D activities within a certain period, which require certain criteria to be met.

Apprenticeship, internship and teaching activities tax concession

The Minister of Finance Regulation No 128/PMK.010/2019 provides a 200% super tax deduction for apprenticeship, internship and teaching activities. A taxpayer can be given a maximum of 200% reduction on the gross revenue for the costs incurred to conduct apprenticeship, internship or teaching activities for certain competencies. The maximum 200% reduction of gross revenue covers: (i) 100% reduction on the gross revenue for the costs incurred to conduct apprenticeship, internship or teaching activities; (ii) a maximum of 100% additional reduction on the gross revenue for the qualifying costs.

Special Economic Zone (SEZ) tax holiday and tax allowance incentives

Income tax incentives provided in the SEZ (also known as a "KEK") may be a tax holiday or a tax allowance. The more generous tax holiday assistance is typically available to investments within the targeted industries of the particular SEZ, with the tax allowance relevant to other businesses. Various import duty, VAT and excise concessions are also available within SEZs.

The SEZ tax holiday incentives are provided to:

- Corporation, which builds and develops the SEZ (Developer)
- Business entities > Which conducts business activities in the SEZ (business entities)

The developer is provided with a 10-year 100% reduction on the corporate income tax payable for investments (new establishments or expansions) by a corporation, for income:

- From the transfer or rental of land or building in the SEZ.
- Income that it receives from a business that aligns with the targeted "Main activities" in that particular SEZ.

An additional period of a 50% corporate income tax reduction for two more fiscal years is offered following the expiration of the tax holiday.

Meanwhile, the business entities, which business activities aligns with the targeted "Main activities" in the particular SEZ, are provided with the length of holiday depending on the size of investment, noting that these are significantly more generous than the standard tax holiday regime:

Category	New capital investment		Tax holiday period
	IDR	Approximately US$ equivalent	
I	≥ 100 billion up to less than 500 billion	≥ 6.1 million up to less than 30 million	10 fiscal years
II	≥ 500 billion up to less than 1 trillion	≥ 30 million up to less than 61 million	15 fiscal years
III	≥ 1 trillion	≥ 61 million	20 fiscal years

An additional period of a 50% corporate income tax reduction for two more fiscal years is offered following the expiration of the tax holiday.

Tax allowance incentive provided in the SEZ is very similar to the general tax allowance regime. Broadly, this applies to activities within the SEZ that do not align with the main activities targeted in that SEZ. The incentive is in the form of:

- Investment allowance of 30% (on top of normal tax depreciation) of the amount invested in tangible fixed assets including land, which are used in the main business activity. This allowance may be claimed at the rate of 5% each year over a six-year period.
- Accelerated depreciation for tangible fixed assets and amortization for non-tangible fixed assets acquired in the investment.
- A reduced tax rate of 10% for dividend paid to non-residents (or the applicable tax treaty rate).
- The carrying forward of tax losses for the period of ten years.

Case studies

- PSS Consult (EY Indonesia) has assisted a number of foreign investment companies, including Singapore- and US-headquartered groups, engaged in the digital economy (data processing, hosting and associated activities) in pursuing tax holidays for datacentre projects in Indonesia. This included navigating government systems to obtain recommendations from the Investment Coordinating Board, leading to final approval by the Ministry of Finance. The Ministry of Finance granted 100% corporate income tax reduction for a period of five to seven years for each project (depending on capital spend), starting from the point of commercial operation. After the expiration of the period, the company is given a 50% reduction of the corporate income tax payable amount for the next two years. We have also assisted clients with audits undertaken by the revenue authorities to verify expenditure.
- A local company engaged in new and renewable energy. EY Indonesia assisted the company with the process of obtaining tax holiday recommendation and the Ministry of Finance provided its approval. In 2018, the company was granted a 100% corporate income tax reduction for a period of seven years, starting from the commercial operation. A further 50% reduction of the corporate income tax payable amount for the next two years is also given, at the end of seven years period.
- A leading manufacturer of mining machinery and components located in Batam. EY Indonesia assisted the company in meetings with the Ministry of Industry and stakeholders for materials presentation, so that the necessary data and information to support the tax holiday application were complete and sufficiently prepared. The company managed to obtain the recommendation from Ministry of Industry. The process had reached the stage where approval was about to be granted, but the client decided not to proceed.
- EY Indonesia advised a client operating in a SEZ engaged in manufacturing palm oil products industry. This detailed advice provided the basis for our client to successfully apply for a 20-year tax holiday, together with applicable indirect tax incentives.

Tax incentives for investment in Nusantara Capital City (IKN)

- **Tax holiday:** 100% Corporate Income Tax (CIT) payable reduction can be given to a resident corporate taxpayer that makes a capital investment in IKN and partner area with a minimum value of IDR 10 billion between 2023 and 2045. The tax holiday periods range between 10 and 30 fiscal years.
- **Income tax reduction for financial sectors in the financial centre:** 85% or 100% CIT payable reduction can be given to financial institutions invest in or finance the construction, development and economic activities in IKN and partner area, which the investment is mad between 2023 and 2045. The tax holiday period ranges from 20 to 25 fiscal years.
- **Reduction of CIT on the establishment or relocation of head office and regional office:** Tax holiday can be given to non-resident and resident businesses that establish and relocate their head office and regional offices to IKN area. 100% CIT payable reduction can be given for 10 fiscal years and 50% CIT payable reduction for the following 10 fiscal years up to 2045.
- **Apprentice, internship and teaching activities tax concession:** A taxpayer can be given a maximum of 250% reduction on the gross revenue for the costs incurred to conduct apprenticeship, internship and teaching activities for certain competencies carried out in IKN. This tax incentive can be given up to 2035.
- **Research and development (R&D) super deduction:** reduction of gross revenue up to a maximum of 350% of expenses disbursed for certain R&D activities can be given to resident corporate taxpayer that is domiciled and has business activities in IKN that conduct certain R&D activities in IKN. This tax incentive can be given up to 2035.
- **Super deduction for donation and funding to construct public, social and other non-profit facilities:** A reduction of gross revenue in the form of super deduction up to a maximum of 200% of total donation or expenses disbursed to construct public, social or other non-profit facilities can be given to resident taxpayer that provide donation and expenses to construct public, social and other non-profits facilities in IKN. This tax incentive can be given up to 2035.
- **Final Article 21 income tax borne by the government: Article 21 income tax on income received by employees who:**
  a. Received income from certain employer.
  b. Domiciled in IKN.
  c. Obtain tax identification number that registered in the tax office which the working area covers IKN area, can be borne by the government and be final in nature. This tax incentive can be given up to 2035.
- **Final income tax at 0% on income received by micro, small and medium scale businesses with low gross turnover:** Final income tax at 0% on income from gross revenue up to a maximum of IDR 50 billion per fiscal year can be given to a resident taxpayer, not including a permanent establishment, that makes a capital investment less than IDR 10 billion in IKN and meets certain conditions. This tax incentive can be given up to 2035.
- **Income tax reduction on the transfer of land and buildings:** 100% income tax payable reduction on the transfer of land and buildings can be given to a taxpayer that transfer land and buildings in IKN. This tax incentive can be given up to 2035.
- **VAT incentives:** VAT not collected on import and delivery of certain strategic taxable goods and services in IKN and partner area, and exception of luxury sales tax for luxury residentials for individuals and corporate that reside, work or carry out businesses in IKN. This tax incentive can be given up to 2035.
- **Customs incentives:** Exemption on import duty and import taxes can be given to importation of goods and materials for construction and development of industries in IKN and partner area. This customs incentive can be given up to 2045.

Sovereign credit ratings

Standard & Poor's Global Ratings (S&P)	BBB Outlook: Stable (30 July 2024)
Moody's Investors Service (Moody's)	Baa2 Outlook: Stable (16 April 2024)
Fitch Ratings (Fitch)	BBB Outlook: Stable (11 March 2025)

Competitiveness index

WEF's Global Competitiveness 2024: Business dynamism	27
Global Sustainability Competitiveness Index (GSCI) 2021	45
IMD World Digital Competitiveness Ranking 2024	27
INSEAD Global Talent Competitiveness Index 2023	80

Future outlook

- The Indonesian government has implemented Core Tax System, which is a new tax administration system, intended to be more transparent, effective, efficient, accountable and flexible.
- The government continues to evaluate the effectiveness of tax incentives that have been provided to business sectors, especially with the implementation of BEPS 2.0 Pillar 2 starting 1 January 2025.

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2 Laos

Laos incentive regime overview

In Laos, Corporate Income Tax (CIT) incentives are granted to both foreign and local investors. These include preferential CIT rates and CIT exemptions and reductions. The conditions and requirements of tax incentives are stipulated in the Law on Investment Promotion and the income tax law. Generally, tax incentives are offered to:

- New projects in promoted sectors, such as the use of high technology, scientific research, green agriculture, education and human resource development; safe natural resources and energy among other things.
- New projects in promoted locations, including poor rural areas, difficult socio-economic infrastructure and special economic zones.
- Concession investment projects (e.g., mining, hydro power, green energy).
- Expansion investment projects.

Enterprises which have investment projects in the promoted sectors or promoted locations are eligible for tax incentives as follows:

- Corporate tax exemption for up to 17 years and following that paying CIT at 35% of the standard rate for five years depending on the specific sector or location.
- Exemption of customs duty and VAT on imports of certain kinds of material and equipment, machinery and vehicles.
- Exemption on rental and land concession fees depending on the specific sector or location.

In addition, the investor may be able to receive additional promotion incentives, based on negotiation and agreement. This will again depend on the location and sector.

The incentives are available to all taxpayers and typically claimed via self-assessment.

Incentive administering body

Tax incentives are available to new investment projects and expansion investment projects, which have been registered with the relevant administrative authorities such as:

- Management committee of industrial zones and economic zones.
- Provincial Departments of Planning and Investment or Ministry of Planning and Investment.

The local tax authorities, General Department of Taxation and the State Auditor may carry out tax audits and reassess the tax incentives claimed by taxpayers.

General application process

Generally, no tax incentive application is required. Taxpayers will have to make a self-assessment of their entitlement of the applicable tax incentives in accordance with the investment licenses and other special incentive documents given by the Incentive administering authorities.

For concession projects, the tax incentives depend on the terms and conditions of the Concession Agreement.

Incentive application timeline

- In relation to additional incentives which require special agreement, the negotiation of an investor with the Laos government for the grant of incentive may take at least six months.

Things to note

- Under the self-assessment tax mechanism, taxpayers are obliged to justify their entitlement to the tax incentives and will be required to pay any additional tax along with penalties and late payment interest, if they fail to do so.

We provide a summary of the tax incentives and other incentives in Laos that are available to both foreign and local investors.

Name of incentive	Corporate Income Tax (CIT) Incentives
Administering body and official website	Local tax authorities, General Department of Taxation and the State Auditor
Statutory reference	Law on Investment Promotion, Decree on Special Economic Zone and income tax law
Type of incentive	Tax incentive
Objective of incentive program	To sustain and spur the country's economic growth by attracting local and foreign investments
Preferential tax rates	5%, 7% and 13%
Preferential tax rate duration	The CIT preferential tax rate can be applied for the entire period of operation after the tax holiday or only a limited period depending on the specific investment sector
Exemption and reduction duration	▪ Up to 17 years of CIT exemption ▪ Followed by five years of 35% CIT reduction for Special Economic Zone The tax exemption kicks in once the company is generating revenue
Things to note	NA
Qualifying income	Qualifying income is income generated from the investment project which is entitled to CIT incentives. Tax incentives are not applicable to certain income such as gains from capital assignment, income from transfer of real estate, income from transfer of an investment project and income from overseas business operations
Statutory reference	Law on Investment Promotion, Decree on Special Economic Zone, Law of Land, VAT Law and other relevant regulations
Type of incentive	Taxes and non-tax incentives
Exemption, reduced rate	Import duties: ▪ Exemption of import duty on certain kinds of equipment, raw materials, supplies and semi-finished products. ▪ Import of raw material, equipment and spare parts used for production for export shall be exempted from customs duties at the time of import and exempted from customs duties at the time of export. ▪ Exemption from land use fees Rental fee and land concession fee: ▪ Exemption of up to 15 years depending on the specific sector or location
Incentive duration	One-off, or on transactional basis
Incentive criteria[1]	Investing in qualified promoted sectors and locations

[1] Comprehensive details are stipulated in the Investment Promotion Law

Case studies

Example:

Ernst and Young Lao Company Limited (EY Laos) assisted a company in the application for tax incentives in a province in a less-developed area.

The company operated in the agricultural industry and was granted an Investment license to establish a factory in that area.

Given the Laos regulations are unclear on the determination of poor or difficult areas and the tax incentives applicable to each area, the tax authority did not accept the company's claim of CIT exemption for 10 years in according with the investment promotion law. Based on the relevant regulations and discussion, EY Laos assisted the company to successfully argue with the ministries that the area where the company is located is a poor area with difficult social-economic infrastructure and the company should be allowed to enjoy the tax incentives stipulated in investment promotion law and other relevant regulations.

Sovereign credit ratings

Standard & Poor's Global Ratings (S&P)	NA
Moody's Investors Service (Moody's)	Caa2 Outlook: Negative (14 August 2020)
Fitch Ratings (Fitch)	CCC Outlook: NA (23 September 2020)

Competitiveness index

WEF's Global Competitiveness 2019: Business dynamism	137
Global Sustainability Competitiveness Index (GSCI) 2020	82
INSEAD Global Talent Competitiveness Index 2020	98

Future outlook

- Laos tax regulations are still under development but have been improved in order to attract more foreign investment for the purpose of stimulating the Laos economy.
- Generally, the revision to the tax rules is to align with the government's goal of enhancing productivity, product quality, efficiency and competency of Laos in both domestic and international markets.
- Moving forward, it can be expected that tax incentives, especially incentives to encourage the development of supporting industries, application of high technology, energy industry, renewable energy and agriculture will continue to play an important role in the government's economic growth plans for the country.

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3 Malaysia

Complementing Malaysia's pro-business policies, tax incentives have long been used as an effective fiscal policy tool to help promote Malaysia as a preferred investment destination for many multinational corporations (MNCs) and attract quality investments into the country.

The usage of holistic incentive packages to attract foreign direct investment has assisted with the inflow of knowledge and technological capabilities to Malaysians and the government of Malaysia is keen to continue strengthening its capabilities in the high-tech, knowledge-based and capital-intensive industries. This will serve to strengthen Malaysia's competitive position in the region and assist with the country's overarching aspiration of achieving the high-income and developed country status.

Pillar Two of the Organisation for Economic Cooperation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) project introduces new global minimum tax (GMT) rules for Multinational Enterprise (MNE) groups with a minimum jurisdictional effective tax rate set at 15%. This minimum rate will apply in each jurisdiction in which the MNE operates. If an MNE's excess profits (as calculated based on principles of the Pillar Two Rules, which basically take the Financial Accounting Net Income and Loss as a starting point, on which various adjustments are to be made) in a jurisdiction are taxed below the minimum 15% rate, a top-up tax will be imposed. Certain safe harbors and relief may be available subject to meeting the relevant requirements.

Malaysia has enacted its Pillar Two legislation by way of the Finance (No.2) Act 2023 and will implement the GMT on in-scope entities for their financial periods beginning on or after 1 January 2025. Subsequently, the Malaysian Inland Revenue Board (MIRB) has published Guidelines on Implementation of Global Minimum Tax in Malaysia on 2 December 2024 (Guidelines) and a Frequently Asked Questions (FAQs) document to provide further guidance on Pillar Two rules in Malaysia. The Malaysian Pillar Two legislation includes a multinational top-up tax, as well as a domestic top-up tax, which apply to all constituent entities that are members of an MNE Group with annual revenue of at least €750m in the consolidated financial statements of the ultimate parent entity in at least two of the four fiscal years immediately preceding the tested fiscal year.

Depending on the group profile, investors should also assess how and when they might be impacted by Pillar Two rules in Malaysia, as this may impact their choice of incentives.

Malaysia incentive regime overview

There are two broad categories of incentives in Malaysia — statutory and discretionary.

1. Statutory incentives

Statutory incentives, such as the Reinvestment Allowance incentive for manufacturing companies that reinvest for purposes of expansion, modernisation or automation or diversification, are available under Malaysia's Income Tax Act 1967 (the Act). In addition, the approved incentive scheme (AIS) has also been introduced as an incentive scheme for certain qualifying activities, including high-technology activities in the manufacturing and services sectors and other activities which would benefit the Malaysian economy.

Additionally, numerous special or double deductions are available under the Act. Key examples include special and double deductions on various expenses incurred for the promotion of exports, training costs and research expenditure.

Incentive administering body

Such incentives do not require prior approval or submission to the relevant government authorities. Depending on the incentive, the application forms and relevant supporting documents should either be submitted to the Malaysian Inland Revenue Board (MIRB) or be retained on file for MIRB examination during a tax audit.

2. Discretionary incentives

Discretionary incentives are available to encourage certain products and activities identified by the government of Malaysia. A list of "promoted products and activities" and their standard qualifying conditions for different manufacturing and service sectors are available on the Malaysian Investment Development Authority (MIDA) website.

In broad terms, the standard discretionary tax incentives offered by the government of Malaysia include the Pioneer Status (PS) incentive and the Investment Tax Allowance (ITA) incentive. The PS incentive offers an exemption from payment of income tax, whereas the ITA incentive is an allowance, in addition to normal capital allowance (i.e., tax depreciation) on qualifying plant and equipment. The ITA incentive would generally be preferable over the PS incentive for projects which are capital-intensive and which are not expected to generate large profits in a short time.

In addition to the standard incentives, special incentive schemes beyond what is currently specified under the statutory and discretionary incentives are available for projects that the government of Malaysia considers to be of national and strategic importance. There are no standard eligibility criteria for such special incentives, although factors such as investment value, introduction of new technology, development and employment of highly skilled staff and introduction or increase in the level of activities, such as R&D activities are value-added are typically taken into consideration in the negotiations with the authorities.

Lastly, the Global Services Hub tax incentive was introduced to attract MNCs to use Malaysia as a base for corporate support, headquarter services or trading hub activities.

Incentive administering body

MIDA

General application process

The application process involves:

- Preparing the application submission package for submission to the relevant government authorities.
- Clarifying information with the authorities.
- MIDA will then table the report to the National Committee of Investment (NCI) for evaluation and approval.

Generally, the incentive application would be submitted before the project commences.

Timeline

The timeline can vary depending on the complexity of the case. Typically, between three to four months upon submission of complete information to the authorities.

Tax incentives

PS or ITA

Note: The PS and ITA are mutually exclusive — taxpayers may only apply for one of the incentives

Type of incentive program	Tax incentive
Concessionary tax or subsidiary rate	▪ PS: Partial (70%) or full (100%) income tax exemption on statutory income ▪ ITA: Allowance of 50%, 60% or 100% of qualifying capital expenditure (QCE) to be offset against 70% or 100% of statutory income
Incentive duration	▪ PS: Five to ten years ▪ ITA: Allowance is claimable for QCE incurred for five or ten years. Unutilized allowances can be carried forward indefinitely until fully utilized
Other tax benefits	Import duty exemptions (a company may also apply for import duty exemptions on a standalone basis, i.e., without the PS or ITA incentive)
Non-tax benefits	Smoother approval for expatriate positions
Qualifying income or eligible costs	▪ PS: Qualifying income generally includes income generated from undertaking a "promoted activity" or producing a 'promoted product'. The exemption excludes all income derived from Intellectual Property (IP) or royalties. ▪ ITA: QCE available for offset against qualifying statutory income
Incentive criteria	▪ Product or activity is on the "promoted" list ▪ Investment value ▪ Minimum annual revenue and operating expenses ▪ Whether new technology is being introduced ▪ Level of value-added activities (e.g., R&D) ▪ Number of knowledge workers or science and technical staff

Global Services Hub (GS-Hub)

Note: The information below is based on GS-Hub guidelines issued by MIDA. Kindly note that as of the date of this publication, the incentive has yet to be gazetted by the government of Malaysia.

Administering body and official website

Malaysian Investment Development Authority (MIDA): http://www.mida.gov.my/home/

Type of incentive program	Tax incentive	
Objective of incentive program	Similar to the expired Principal Hub (PH) scheme which ended on 31 December 2022, the GS-Hub incentive aims to attract MNCs to use Malaysia as a strategic base for conducting its regional and global operations.	
Effective date of application	Applications to be received by MIDA by 31 December 2027	
Qualifying activity	i. Regional Profit & Loss (P&L) and Business Management Unit ii. Strategic business planning iii. Corporate development iv. A minimum of two other qualifying services – strategic services, business services or shared services	
Applicant type	**New company** a) Incorporated under the Companies Act 2016 and resident in Malaysia b) Established for the purpose of carrying on a qualifying activity: ▪ Does not have an existing entity or related entity in Malaysia ▪ Has an existing entity or related entity in Malaysia which has not carried on a qualifying activity in Malaysia	**Existing company** a) Incorporated under the Companies Act 2016 and resident in Malaysia b) Has an existing entity or related entity in Malaysia and undertaking: ▪ A manufacturing or services activity other than the qualifying activities as specified above prior to the submission of application being made ▪ Any of the specified qualifying activities prior to the application being made Note: If the company or its related company has been approved for tax incentives for any existing qualifying activities, the application for GS-Hub incentive must be submitted after the expiry of the existing tax incentive period
Concessionary tax rate or subsidy rate	▪ Tier 1: Tax rate of 5% ▪ Tier 2: Tax rate of 10% On services income or trading income generated from the qualifying activity	▪ Tier 1: Tax rate of 5% ▪ Tier 2: Tax rate of 10% On value-added services income and trading income generated from the qualifying activity
Incentive duration	Five or ten years (i.e., 5 + 5 years subject to the company meeting the required incremental conditions)	Five years
Incentive criteria	**Tier 1 additional conditions** ▪ Minimum annual expenditure for domestic ancillary services ▪ Minimum key personnel with minimum basic monthly salary of RM35,000 ▪ Other conditions related to sustainable economy development ▪ Any additional conditions deemed necessary by the NCI committee **Tier 2 minimum conditions** ▪ Paid-up capital of at least RM2.5 million ▪ Minimum amount of annual operating expenditure as proposed* ▪ Serve or business control of at least seven network companies, which include at least three related companies ▪ At least 50% of high value jobs with minimum monthly basic salary of RM10,000 must be filled by Malaysian* ▪ For trading income, annual sales turnover and forex in-flow into the local banking system as proposed* Note: * Adequate increase in numbers as proposed for extension of the second five years	
Other tax benefits	Special individual income tax rate of 15% for to a maximum of three eligible non-citizen individuals employed by the company approved with GS-Hub incentive	

R&D services

R&D is defined as any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce or processes, but does not include:

- Quality control or routine testing of materials, devices or products
- Research in the social sciences or the humanities
- Routine data collection
- Efficiency surveys or management studies
- Market research or sales promotion
- Routine modifications or changes to materials, devices, products, processes or production methods
- Cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods

The following R&D companies that perform qualifying R&D services are eligible for PS or an ITA for qualifying R&D capital expenditure:

- **Contract R&D**: Companies which provide R&D services in Malaysia only to companies other than their related companies
- **R&D company:** A company which provides R&D services in Malaysia to its related companies or to any other company
- **In-House research**: R&D carried on in Malaysia within a company for the purposes of its own business (ITA only)

In addition, some of the following measures are introduced to encourage R&D among businesses:

- A special provision under Section 34of the Act (single deduction) for R&D expenditure, non-capital in nature
- A special deduction under Section 34A of the Act (double deduction) for in-house R&D expenditure, non-capital in nature
- A special deduction under Section 34B of the Act (double deduction), for cash contribution to an approved research institute, payment for the use of the services of an approved research institute or approved research company or R&D company or a contract R&D company

PS for R&D

Administering body and official website

Malaysian Investment Development Authority (MIDA): http://www.mida.gov.my/home/

Type of incentive program	Tax incentive
Qualifying activity	▪ An approved contract R&D status company providing R&D services in Malaysia only to companies other than its related companies. ▪ Approved R&D status companies providing R&D services in Malaysia to their related companies or any other companies. Research undertaken should be in accordance with the needs of the country and bring benefits to the economy
Concessionary tax rate or subsidy rate	Full (100%) income tax exemption on qualifying statutory income
Incentive duration	▪ Five to ten years. ▪ Unabsorbed pioneer loss suffered during the pioneer period (pioneer loss) allowed to be carried forward up to a maximum of seven years of assessment after the end of the Pioneer Period.
Qualifying income or eligible costs	Qualifying income is earned from the provision of eligible R&D services. Royalty and other income derived from IP rights that a company owns will be excluded from income tax exemption.
Incentive criteria	Key eligibility criteria for contract R&D company: ▪ At least 70% of income is derived from R&D activities. ▪ For **manufacturing-based R&D**, the company must have adequate number of full-time employees working in Malaysia with degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 50% of the company's total workforce. ▪ For **agricultural-based R&D**, the company must have adequate number of full-time employees working in Malaysia with degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 5% of the company's total workforce. ▪ Companies must incur adequate amount of operating expenditure annually to support the company in conducting its R&D services activities and business operation in Malaysia. The operating expenditure should include local services for insurance, legal, banking, information and communication technology (ICT) and transportation. If those services could be sourced from local and domestic service providers. However, this amount shall not include the cost of goods sold, depreciation, interest on borrowings and expenses that are not directly involved in the company's proposed activities. Note: The key assessment parameters vary on a case-to-case basis and may include conditions, such as investments in fixed assets, local spending, R&D expenditures and number of full-time employees working in Malaysia. Generally, no specific IP requirements are imposed. However, in practice, IP ownership requirements may be imposed depending on the facts of each case.

ITA for R&D

Administering body and official website

Malaysian Investment Development Authority (MIDA): http://www.mida.gov.my/home/

Type of incentive program	Tax incentive
Qualifying activity	▪ An approved contract R&D status company providing R&D services in Malaysia only to companies other than its related companies. ▪ Approved R&D status companies providing R&D services in Malaysia to their related companies or any other companies. Research undertaken should be in accordance with the needs of the country and bring benefits to the economy
Concessionary tax rate or subsidy rate	▪ **R&D company and contract R&D company** Allowance of 100% on QCE for offset against 70% of statutory income ▪ **In-House R&D Company** Allowance of 50% on QCE for offset against 70% of statutory income
Incentive duration	▪ Allowance is claimable for ten years. ▪ Any unabsorbed ITA can be carried forward indefinitely until fully utilized.
Qualifying income or eligible costs	QCE available for offset against qualifying statutory income earned from the provision of eligible R&D services
Incentive criteria	Key eligibility criteria for contract R&D company: ▪ At least 70% of income is derived from R&D activities. ▪ For **manufacturing-based R&D**, the company must have an adequate number of full-time employees working in Malaysia with degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 50% of the company's total workforce. ▪ For **agricultural-based R&D**, the company must have adequate number of full-time employees working in Malaysia with degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 5% of the company's total workforce. ▪ Companies must incur adequate amount of operating expenditure annually to support the company in conducting its R&D services activities and business operation in Malaysia. The operating expenditure should include local services for insurance, legal, banking, information and information & communications technology (ICT) and transportation; if those services could be sourced from local and domestic service providers. However, this amount shall not include the cost of goods sold, depreciation, interest on borrowings and expenses that are not directly involved in the company's proposed activities. Note: The key assessment parameters vary on a case-to-case basis and may include conditions such as investments in fixed assets, local spending, R&D expenditures and number of full-time employees working in Malaysia. Generally, no specific IP requirements are imposed. However, in practice, IP ownership requirements may be imposed depending on the facts of each case.

Double deduction on R&D expenditure

Administering body and official website

Malaysian Inland Revenue Board (MIRB): http://www.hasil.gov.my/

Type of incentive program	Tax incentive
Concessionary tax rate or subsidy rate	Double deduction for in-house R&D expenditure, which is revenue in nature (Section 34A of the Act): ▪ From 1 January 2021, where the amount of R&D expenditure incurred outside Malaysia is more than 30% of the total R&D expenditure in that year of assessment, only a single deduction will be given for the R&D expenses instead of a double deduction. Double deduction (Section 34B of the Act) for: ▪ Contribution in cash to an approved research institute. ▪ Payment for the use of the services of an approved research institute or an approved research company. ▪ Payment for the use of the services of a research and development company or a contract research and development company. Only a tax resident in Malaysia would qualify for the incentives above.
Eligible costs	▪ Revenue expenditures including qualifying R&D expenditure, cash contributions or donations made to approved research institutes and payments for the use of the services of approved research companies, contract R&D companies and R&D companies. ▪ "Qualifying R&D expenditure" for double deduction include raw materials and manpower used in research, technical services procured; travel costs; maintenance and rental of motor vehicles, buildings and equipment. ▪ Expenditure on R&D activities undertaken overseas, including the training of Malaysian staff, will be considered for double deduction on a case-by-case basis. For a PS company that incurs qualifying R&D expenditure for an approved project under Section 34A of the Act during the pioneer period, a double deduction is allowed to be accumulated and claimed in the post-pioneer period.
Administrative requirements	Approval of each research project must be obtained before claiming a double deduction on qualifying R&D revenue expenditures. The double deduction is claimed when the company files its tax return for the particular year of assessment. The deadline to submit tax returns for companies is seven months from the close of the accounting period.

Incentives for commercialisation of research findings

Administering body and official website

Malaysian Investment Development Authority (MIDA): http://www.mida.gov.my/home/

Type of incentive program	Tax incentive	
Category	**Investment in companies undertaking commercialisation of public sector R&D**	**Companies undertaking commercialisation of public sector R&D**
Qualifying activity	A company that invests in its subsidiary company for the sole purpose of financing a project on the commercialisation of R&D findings by approved institutes in Malaysia	A subsidiary company that undertakes the commercialisation of R&D findings by an approved public research institute or public institute of higher learning in Malaysia
Concessionary tax rate or subsidy rate	Tax deduction equivalent to the amount of investment made in the subsidiary company	Full (100%) income tax exemption for ten consecutive years of assessment
Qualifying income or eligible costs	▪ Investment in the form of equity or cash contribution for which the subsidiary company has no obligation to repay ▪ Any loan or advance made by the investing company to the subsidiary is not eligible for the deduction unless converted to equity ▪ Tax deduction shall cease upon the commencement of the tax exemption period of the subsidiary (if any)	▪ Qualifying income received from the commercialisation of research findings; ▪ Pioneer loss allowed to be carried forward up to a maximum of seven years of assessment after the end of the pioneer period
Incentive criteria	▪ Investing company is a Malaysian resident incorporated under the Companies Act 2016 ▪ Locally owned with ≥70% Malaysian equity ownership ▪ Owns ≥70% of the equity of the company undertaking commercialisation of R&D findings	▪ Company is incorporated in Malaysia under the Companies Act 2016 ▪ Locally owned with ≥70% Malaysian equity ownership ▪ Commercialisation undertaking must be verified by the Ministry of Science, Technology and Innovation
Effective date of application	▪ For commercialisation of **resource-based** R&D findings, effective for applications received by MIDA from **11 September 2004** ▪ For commercialisation of **non-resource-based** R&D findings, effective for applications received by MIDA from **7 November 2020 to 31 December 2025**	

Green Technology tax incentives

Administering body and official website

Malaysian Investment Development Authority (MIDA): http://www.mida.gov.my/home/
Malaysian Green Technology and Climate Change Corporation (MGTC): https://www.myhijau.my/

Type of incentive program	Tax incentive		
Category	**Green Investment Tax Allowance (GITA) Asset for own consumption**	**GITA Project for business purposes**	**Green Income Tax Exemption (GITE) Solar Leasing**
Concessionary tax rate or subsidy rate	ITA of 60% or 100% on QCE against up to 70% statutory income	ITA of 100% on QCE against up to 70% or 100% statutory income	70% income tax exemption on the statutory income of the qualifying activity
Incentive duration	▪ Claimed in the year of assessment when the GITA asset is purchased within the period 1 January 2024 until 31 December 2026 ▪ Unutilized allowances can be carried forward indefinitely until fully utilized ▪ Application for verification to MGTC must be made within 24 months from the date QCE is incurred	▪ Based on qualifying projects, allowance is claimable for five or ten years (i.e., 5 + 5 years) ▪ Unutilized allowances can be carried forward indefinitely until fully utilized	Capacity — Incentive duration >3MW - ≤10MW — 5 years >10MW - ≤30MW — 10 years
Qualifying income or eligible costs	a) QCE in green technology investment and all the following criteria are complied with: ▪ Minimises degradation of the environment or reduce greenhouse emissions ▪ Promotes health and improvement of environment ▪ Conserves use of energy, water or other forms of natural resources or promote the use of renewable energy or able to recycle waste material resources b) Approved asset by Ministry of Finance (MOF) verified by MGTC and listed under *MyHIJAU* Directory	QCE purchased and used in Malaysia solely for carrying on a qualifying activity	**a) Solar Power Purchase Agreement (PPA)** Income from sales of energy. Tariff rate (RM/kWj) is based on agreement between Net Energy Metering (NEM) and investors **b) Solar Leasing** Income from fixed monthly payment (RM/month) in return for the lease of solar photovoltaic (PV) system ▪ Exemption is only granted to income generated within the capacity for each tier. ▪ Any income generated from excess capacity is not eligible for tax exemption and the company shall keep separate account
Qualifying income or eligible costs	c) For green building, the QCE must be verified by the locally green building rating tools or certification body approved by the Government.		
Incentive criteria	▪ Must be new and owned by the company ▪ Asset must be used in Malaysia solely for the business and not for income generation by the company in Malaysia	▪ First QCE shall not be incurred earlier than the date the application is received by MIDA ▪ QCE disposed within five years from acquisition date shall be withdrawn in the year of assessment which the QCE is disposed of ▪ Other criteria may apply for specific qualifying projects	▪ Providing solar PV system leasing services in relation to the implementation of NEM Scheme for sales of electricity or solar photovoltaic system leasing ▪ ≥60% equity of the company must be held by Malaysians ▪ Company verified by Sustainable Energy Development Authority (SEDA) and listed under the Registered Solar PV Investor (RPVI) Directory ▪ First sale invoice for proposed project shall not be issued earlier than the date the application is received by MIDA ▪ ≥Five permanent full-time employees in Malaysia, including two personnel competent in green technology to carry on the qualifying activity ▪ Minimum annual operating expenditure for the qualifying activity ▪ Other conditions as specified
Effective date of application	Applications to be received by MGTC by 31 December 2026	Applications to be received by MIDA by 31 December 2026	

Digital Ecosystem Acceleration Scheme (DESAC)

Note: The information below is based on Malaysia's Budget 2022 announcement. As of the date of this publication, DESAC incentive guidelines for digital technology providers have yet to be released by the relevant authorities.

Administering body and official website

Malaysian Investment Development Authority (MIDA): http://www.mida.gov.my/home/

Type of incentive program	Tax incentive	
Objective of incentive program	In Malaysia's Budget 2022 announcement, the DESAC incentive was proposed to support the comprehensive development of the national digital ecosystem for Digital Technology Providers and Digital Infrastructure Providers.	
Qualifying activity	**Digital Technology Provider**	**Digital Infrastructure Provider** ▪ Submarine cable including cable landing station ▪ Data centre and cloud computing and data centre and data hosting
Concessionary tax rate or subsidy rate	**New company**: Tax rate of 0% to 10% **Existing company that diversifies in new service activities and service segments**: Tax rate of 10%	**New company**: ▪ ITA of 60% or 100% on QCE against up to 100% statutory income ▪ Tax rate of 10% to 15% on statutory income (excluding IP income) **Existing company**: ▪ ITA of 30% or 60% on QCE to be utilized against up to 70% statutory income
Incentive duration	Up to ten years	Five to ten years (i.e., 5 + 5 years subject to the company s meeting the required incremental conditions)
Incentive criteria	To be determined	▪ Application to be submitted before commencement of proposed project ▪ Paid up-capital of at least RM2.5 million ▪ Minimum capital expenditure (excluding land) incurred ▪ Number of full-time Malaysian employees with monthly basic salary ≥RM5,000 must represent ≥50% total manpower ▪ Undertake minimum local vendor development program ▪ Adoption of Industry 4.0 elements and green technology
Effective date of application	Applications to MIDA from 30 October 2021 until 31 December 2025	Applications to MIDA from 1 January 2022 until 31 December 2027

Johor-Singapore Special Economic Zone (JS-SEZ)

Malaysia has established special economic corridors and zones that offer fiscal incentives, sector-specific perks and strong infrastructure to attract investors. For the purpose of this publication, we have highlighted JS-SEZ for illustration.

Note: The information below is based on the snapshot and guideline of the incentive package issued by MIDA. As of the date of this publication, the incentive has yet to be gazetted into law by the government of Malaysia.

Administering body and official website

Malaysian Investment Development Authority (MIDA): http://www.mida.gov.my/home/

Type of incentive program	Tax incentive				
Objective of incentive program	Following the signing of the JS-SEZ agreement on 7 January 2025 between the Malaysian government and the Singapore government, the Malaysian Government announced the JS-SEZ incentive package on 8 January 2025 with the aim to accelerate cross-border economic collaboration and investment.				
Effective date of application	Applications to MIDA from 1 January 2025 until 31 December 2034				
Project type	Manufacturing business	Global services hub	Integrated tourism project	Smart logistics complex	Manufacturing – downstream specialty chemicals
Qualifying activities	▪ AI and Quantum Computing Supply Chain ▪ Medical Devices ▪ Pharmaceutical ▪ Aerospace Manufacturing and Maintenance, Repair and Operations (MRO) Services	▪ Regional P&L ▪ Strategic Business Planning ▪ Corporate Development ▪ Regional or Global Treasury and Fund Management conducting cash pooling activities via onshore intermediaries ▪ A minimum of two other qualifying services of either strategic services, business services or shared services	Integrated tourism project: a) Hotel with ≥80 rooms which consists of standard, superior, deluxe and suite b) Minimum 1 tourist attraction (e.g., water park, outdoor park which consists of rides or games, convention centre with capacity ≥3,000 participants, outdoor sport, excluding golf course and driving range).	Smart logistic operator who invests in development of smart logistics and carry out eligible logistic services and activities: a) Regional Distribution Hub; b) Integrated Logistics Services c) Dangerous Goods Storage d) Cold Chain Facilities	▪ Base chemicals – methanol, ethylene, propylene, benzene, aromatics ▪ Organics intermediates – C1 to C6 ▪ Specialty chemical ▪ Fertilisers ▪ Polymers and plastics ▪ Oleochemical and biochemical

Project type	Manufacturing business	Global services hub	Integrated tourism project	Smart logistics complex	Manufacturing – downstream specialty chemicals
Concessionary tax rate or subsidy rate	**New company** Tax rate of 5% **Existing company** ITA of 100% on the QCE to be utilized against up to 100% statutory income	Tax rate of 5%	ITA of 100% on QCE to be utilized against up to 70% statutory income	ITA of 100% on QCE to be utilized against up to 100% statutory income	**Special tax rate** ▪ Tier 1: 5% ▪ Tier 2: 10% **ITA** ▪ Tier 1: 60% on QCE ▪ Tier 2: 100% on QCE To be utilized against up to 100% statutory income
Incentive duration	**New company** ▪ Capital investment (excluding land) between RM500 million to RM1 billion within 10 years ▪ Capital investment (excluding land) above RM1 billion – 15 years **Existing company** Five years	Up to 15 years	Five years	Five years	Up to 10 years (i.e., 5 + 5 years)
Incentive criteria		▪ Annual operating expenditure ≥RM50 million ▪ Serve or have Business Control of ≥10 Network Companies ▪ Annual sales turnover ≥RM500 million and forex in-flow into local banking system ▪ ≥50% full-time Malaysian employees for high-value positions (≥RM10,000 monthly basic salary)	▪ Does not have an existing entity and related entity undertaking same tourism project in Malaysia ▪ Paid-up capital of ≥RM2.5 million ▪ Capital expenditure (excluding land) ≥RM500 million	▪ Capital expenditure (excluding land) of ≥RM500 million ▪ Built-up area of smart warehouse complex using modern construction techniques must be ≥50,000 m² and equipped with at least three Industrial Revolution (IR) 4.0 enabling elements technologies	▪ New and existing company undertaking diversification activities in relation to the eligible activities and products under this project type ▪ Paid-up capital of ≥RM2.5 million at the point of application submission ▪ Capital expenditure (excluding land) ≥RM500 million in the manufacturing sector
Flagship and location	▪ Flagship F: Kulai–Sedenak ▪ Flagship E: Senai–Skudai	▪ Flagship A: Johor Bahru Waterfront) ▪ Flagship B: Iskandar Puteri	Flagship G: Desaru–Penawar	Flagship C: Tanjung Pelepas	Flagship D: Tanjung Langsat–Kong-Kong

Other tax benefits	Sponsor of hallmark event	Accelerated Capital Allowance (ACA) for renovation costs	Knowledge worker
Concessionary tax rate or subsidy rate	Tax deduction not exceeding RM1 million for each year of assessment in respect of cash contribution or contribution in-kind for sponsoring hallmark events	▪ Initial allowance: 20%, ▪ Annual allowance: 40% On renovation costs incurred on a building or part of a commercial building for purpose of qualifying business	15% flat tax rate on chargeable employment income for a period of up to ten years
Incentive criteria	▪ "Hallmark event" is referred to as an event of regional or international significance and supported and verified by MOTAC ▪ Contribution made between 1 January 2025 to 31 December 2034	▪ Additional incentive for companies that have been approved of any tax incentives under the Promotion of Investments Act 1986 (PIA) or the Act between 1 January 2025 to 31 December 2034 ▪ To be utilized only once throughout business operation in JS-SEZ	▪ Malaysian and Non-Malaysian citizen ▪ Not generating employment income in Malaysia 24-months prior ▪ Salary >RM20,000 per month ▪ Subject to academic qualifications and years of professional work experience conditions ▪ Subject to the Malaysia Critical Occupations List (MyCOL) profession and JS-SEZ qualifying sectors
Flagship	Flagship G: Desaru–Penawar	All flagships	All flagships

Case studies

- A leading US-based manufacturer of chocolate and sugar confectionary planned to set up a manufacturing plant in Malaysia. EY teams assisted it to secure a customized incentive package from MIDA for grants and 100% income tax exemption for a period of 10 years, followed by a two-year extension upon assessment of the BEPS Pillar 2 impact.
- A leading manufacturer and distributor of music and products planned to establish their principal hub (PH) in Malaysia to undertake global procurement and trading activities, along with the provision of key services to its related entities. EY teams assisted the company to secure the PH incentive from MIDA for 100% income tax exemption on trading and services income for a period of 10 years.
- A US-based global manufacturer of optical communication products established its first manufacturing plant in Malaysia during the early 2000s and has expanded its capabilities over the years to be a global manufacturing hub for the group. EY teams have built and established a long-term working relationship with the company, having assisted with the company's incentive applications and successfully securing over two decades of tax incentives for the company's manufacturing activities.
- A government-linked entity focusing on attracting large global MNCs to set up businesses in Asia required EY assistance to conduct a market assessment with a view to developing a "go-to-market" strategy. EY teams assisted it in conducting a benchmarking study of Malaysia's existing incentives against similar incentives offered by various countries. Using the benchmarking study, EY teams assisted with the development of new incentive guidelines and associated justifications for the new incentives.
- A US-based leading high-tech medical device company set up a manufacturing facility and distribution centre in Malaysia for export to the Asia-Pacific market. EY teams assisted with post-implementation support, which included an incentive "health check" to assess compliance with the incentive conditions. Following the results of the "health check", EY teams assisted with a successful appeal to the government authorities for relaxation of certain incentive conditions.

Sovereign credit ratings

Standard & Poor's Global Ratings (S&P)	A – Outlook: Negative (28 June 2024)
Moody's Investors Service (Moody's)	A3 Outlook: Stable (24 January 2025)
Fitch Ratings (Fitch)	BBB+ Outlook: Stable (16 December 2024)

Competitiveness index

Kearney Global Services Location Index (GSLI) 2023	3
IMD World Competitiveness Ranking 2024: Economic performance	8
IMD World Digital Competitiveness Ranking 2024	36
INSEAD Global Talent Competitiveness Index 2023	42
Global Sustainability Competitiveness Index (GSCI) 2024	54

Future outlook: Growth amid challenges

- In 2025, Malaysia announced that it had surpassed its economic growth forecasts from the previous year, achieving a historic high in foreign investment inflows. Today, the country's economic strategy is centred on technology-intensive sectors. With overall growth, supported by resilient domestic demand and strategic reforms, expected to remain steady despite global trade uncertainties.
- To sustain this momentum, the government of Malaysia is prioritizing infrastructure development, digital transformation and green energy initiatives. Key programs like the New Industrial Master Plan (NIMP) 2030, which encourages investments in high-growth industries and the National Semiconductor Strategy (NSS), a critical component of the NIMP, are set to solidify Malaysia's position in the global semiconductor supply chain.
- Additionally, the introduction of the New Investment Incentive Framework (NIIF) announced in Budget 2025 focuses on high-value activities and economic spillover to the country, moving away from existing incentives that are based on specific products.
- By balancing short-term stimulus measures with long-term structural reforms, Malaysia is laying a strong foundation for sustainable growth. This approach reinforces its status as a prime destination for business and a vital player in the global economy.

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4 Myanmar

In Myanmar, there are two principal laws governing investment, the Myanmar Investment Law 2016 (MIL) and the Special Economic Zone Law 2014 (SEZL). The MIL applies to both foreign and domestic investments across Myanmar, while the SEZL is a specialized law regulating designated Special Economic Zones (SEZs). Both laws offer regulatory guidelines, tax incentives and other benefits to attract investment.

The MIL and SEZL are overseen and administered by the Myanmar Investment Commission (MIC) and the SEZ Management Committee, respectively. Both governing bodies are responsible for granting investment permits, providing tax incentives, overseeing land use rights, ensuring investment monitoring and compliance, and implementing policies to promote sustainable economic growth among others.

Incentives under Myanmar Investment Law 2016

The MIL provides the following tax incentives for businesses engaging in the promoted sectors in Myanmar:

- Exemption from corporate income tax for the period of three to seven consecutive years, including the year of business commencement, depending on the region where the investment is located:
  - **Zone 1 (Less developed region):** Seven consecutive years
  - **Zone 2 (Moderate developed region):** Five consecutive years
  - **Zone 3 (Adequate developed region):** Three consecutive years
- Exemptions or reliefs from customs duty and commercial tax (similar to VAT) on:
  - Imported machineries, machinery components, equipment, instruments, spare parts, construction materials that are locally unavailable but required during the construction period or the preparatory period of the investment business, as well as the extended period if the business is expanded and the investment volume is increased with the MIC approval.
  - Imported raw materials and semi-finished goods conducted by an export-oriented investment business for the purposes of the manufacture of products for export.
- Reimbursement of customs duty and commercial tax on imported raw materials and semi-finished goods, which are used to manufacture products for export.

- Exemption or relief from corporate income tax on profit reinvested in the business that obtained the MIC permit or endorsement or in any similar business within one year.
- Accelerated depreciation allowance in respect of machinery, equipment, building or other capital assets.
- Deduction for expenses incurred in respect of research and development of the business carried out in Myanmar
- Non-tax incentives include eligibility for long-term land lease for up to 50 years, which may be extended for two further consecutive 10-year periods with the approval of the MIC.
- Guarantee that the investment business operating with the permits under MIL will not be nationalized during the permitted investment period.

Promoted sectors activities eligible for tax incentives:

- Agriculture and its related services
- Plantation and conservation of forest and other businesses with forest
- Livestock production, breeding and production of fishery products and its related services
- Manufacturing (Except manufacturing of cigarette, liqueur, beer and other harmful products to health)
- Establishment of industrial zones
- Establishment of new urban areas
- City development activities
- Construction of road, bridge and railway line
- Construction of seaport, river port and dry port
- Management, operation and maintenance of airport
- Maintenance aircrafts
- Supply and transport services
- Power generation, transmission and distribution
- Production of renewable energy
- Telecommunication businesses
- Education services
- Health services
- Information technology services
- Hotel and tourism
- Science research development business

Incentives under Special Economic Zone Law 2014 (SEZL)

Incentives under the SEZL are currently available to businesses located in special economic zones. Currently, there are three SEZs in Myanmar, namely:

1. Dawei SEZ: Located in the southern part of the country in the Tanintharyi Region
2. KyaukPhyu SEZ: Located in the western part of the country in the Rakhine State
3. Thilawa SEZ: Located approximately 20 kilometers southeast of Yangon.

among the three SEZs, Thilawa SEZ is recognised the most active and developed SEZ in Myanmar.

The SEZL provides the following tax incentives:

Free zone	Promotion zone
Export market oriented	Domestic market oriented
Exemption of corporate income tax for first seven years of commercial operation	Exemption of corporate income tax for first five years of commercial operation
50% corporate income tax relief for second five years	50% corporate income tax relief for second five years
50% corporate income tax relief for third five years (if the profit of the year is reserved and reinvested)	50% corporate income tax relief for third five years (if the profit of the year is reserved and reinvested)
Exemption from customs duty and other taxes on importation of equipment and instruments, spare parts, construction materials for factory, warehouse and own office, motor vehicles and other materials essential for the business and raw materials	Five years exemption (from the date of business commencement) from customs duty and other taxes on importation of capital goods, such as machinery, equipment, construction materials and vehicles for operational use and 50% relief for the following five years
May apply for commercial tax exemption on local purchase and the services obtained locally during the investment period	May apply for commercial tax exemption on local purchase and the services obtained locally for first five years of commercial operation
Carry forward losses for five years after they were incurred	Carry forward losses for five years after they were incurred

The SEZL also provides non-tax incentives, such as land-use rights or up to 50 years, with an extension of an additional 25 years subject to SEZ Management Committee approval, 100% foreign ownership and streamlined regulatory approvals.

Case studies

Example one:

A leading China-based state-owned enterprise proposed to set up and operate a power generation plant project in Myanmar. EY UTW Advisory Limited (EY Myanmar) provided tax advisory services on the tax implications arising during construction and operational phases from a Myanmar tax perspective.

Additionally, EY Myanmar advised on the project's eligibility for tax incentives under the Myanmar Investment Law. As power generation is a promoted sector activity and the project's location is in a moderately developed zone, it may qualify for a corporate income tax exemption for the first five consecutive years. Other potential incentives include exemptions from customs duties and other taxes (such as commercial tax and advance corporate income tax) on the importation of machinery, equipment, instruments, components, spare parts, construction materials unavailable locally and operational materials.

Example two:

A major Thai oil and gas company proposed to establish a company in Myanmar to engage in upstream oil and gas pipeline transportation. EY Myanmar provided tax advisory and tax structuring services, advising on tax implications at setup, holding and exit phases from a Myanmar tax perspective.

EY Myanmar also advised on the business's eligibility for tax incentives under the Myanmar Investment Law. Given the strategic nature, high capital investment and environmental impact of such business, an MIC Permit is typically required for operation in Myanmar. While pipeline transportation is not explicitly listed as a promoted sector activity, tax incentives may still be granted as the oil and gas sector plays a crucial role in Myanmar's energy infrastructure and economic development, making such projects more likely to receive favourable consideration from the MIC.

Competitiveness index

WEF's Global Competitiveness 2019: Business dynamism	NA
Global Sustainability Competitiveness Index (GSCI) 2024	125
IMD World Digital Competitiveness Ranking 2024	NA

Future outlook

- Myanmar's investment landscape has faced significant challenges in recent years, primarily due to political instability and ongoing civil conflict.
- According to the World Bank's Myanmar Economic Monitor (December 2024), foreign direct investment (FDI) commitments reached US$223 million (0.3% of GDP) between April and September 2024. This marks a slight increase compared to the second half of the previous financial year (FY), October 2023 to March 2024. However, FDI commitments were still about half the level recorded in the first half of FY2023-24 (April to September 2023), which stood at 0.6% of GDP.
- The transport and telecommunications sector attracted the largest share of FDI, accounting for 39%, followed by manufacturing (36%) and other services (20%). Singapore remained the top investor during this period, followed by Thailand and China.

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5 Philippines

There has been a recent development in the fiscal and non-fiscal incentives granted to qualified enterprises with the passage of the Corporate Recovery and Tax Incentives for Enterprises maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act on 11 November 2024, which took effect on 28 November 2024. The law aims to enhance the CREATE MORE Act, which rationalised the fiscal and non-fiscal incentives, particularly to develop a more responsive and globally competitive tax incentives regime that is performance-based, targeted, time-bound and transparent.

Incentives for new export and domestic enterprises

It grants incentives based on the industry prioritisation tier and location. The tiers are categorised based on the innovativeness, necessity and job generation of the activity.

The higher the tier and farther the location of the activity from the metropolitan and more developed areas, the longer the incentive period of income tax holiday (ITH) that may be granted which ranges from four to seven years.

In addition to the ITH, registered business enterprises (RBEs) may enjoy 5% special corporate income (SCIT) tax or 20% enhanced deductions regime (EDR).

The registered export enterprise (REE) may opt for one of the following incentives:

1. ITH, which shall be followed by SCIT or EDR.
2. SCIT, which shall be in lieu of all national and local taxes and local fees and charges and may be granted immediately at the start of commercial operations.
3. EDR, which may be granted immediately at the start of commercial operations.

The registered domestic market enterprise (DME) may opt for either:

1. ITH, which shall be followed by EDR.
2. EDR, which may be granted immediately at the start of commercial operations.

The elected incentive package shall be irrevocable for the entire duration of entitlement to such incentives.

The period of availment of incentives will depend on the location of the project, industry tiering and the granting authority.

For registered business enterprises (RBEs) registered with an IPA (with investment capital of ₱15 billion and below), they may avail of:

1. Four to seven years of ITH, which shall be followed by ten years of SCIT or EDR.
2. Fourteen to seventeen years of SCIT or ED immediately at the start of commercial operations.

The SCIT can only be availed of by REE.

For RBEs registered with the FIRB (with investment capital exceeding ₱15 billion), they are entitled to additional ten years of SCIT or ED, as applicable.

Extension of availment of incentives for five or ten years shall be allowed for the same registered project or activity if such project or activity employs at least ten thousand (10,000) direct local employees and maintains the said number during its registration.

Qualified enterprises can also enjoy VAT exemption on importation, VAT zero-rating on local purchases and customs duty exemption on capital equipment, raw materials, spare parts and accessories directly attributable to the registered activity or project.

Directly attributable shall refer to goods and services that are incidental to and reasonably necessary for the registered project or activity of the registered business enterprise, including janitorial, security, financial, consultancy, marketing, and promotion services, as well as services rendered for administrative operations, such as human resources, legal and accounting. The relevant IPA shall determine what is directly attributable to the registered project or activity of the registered business enterprise.

To encourage growth and generation of jobs and opportunities in other parts of the Philippines, the law gives additional incentives to enterprises that will locate their activities in areas recovering from armed conflict or major disaster (e.g., plus two years of income-tax-based incentives) and those that will completely relocate their activities from the (e.g., plus three years of income-tax-based incentives) National Capital Region.

Qualified expansion projects or activities may qualify to avail of SCIT or EDR for eight years if approved by the IPA or thirteen years if approved by the FIRB, subject to the qualifications set forth in the SIPP. Qualified expansion project or activity of registered export enterprises may also be entitled to duty exemption on importation, VAT exemption on importation and VAT zero-rating on local purchases.

In the interest of national economic development and upon positive recommendation of the Fiscal Incentives and Review Board (FIRB), the President can approve extraordinary incentives for up to 40 years, provided that the grant of ITH shall not exceed ten years followed by 5% SCIT or EDR, or SCIT or EDR, which may be immediately granted at the start of commercial operations.

To be granted the modified set of incentives or financial support package, the project must have a comprehensive sustainable development plan and with a minimum investment capital of ₱50 billion (or its equivalent in US$) or minimum direct local employment generation of at least 10,000 personnel within three years from the issuance of the certificate of entitlement, among other conditions.

During the ITH and EDR period of the registered business enterprise, the local government unit may, through ordinance, impose an RBE local tax at the rate of not more than two percent (2%) of an RBE's gross income. This is in lieu of all local taxes and local fees and charges imposed by the local government under the Local Government Code (LGC).

Transitory provisions for existing enterprises

Existing enterprises prior to the effectivity of the CREATE MORE Act are given transitory period within which they can continue to enjoy certain incentives. For existing enterprises granted with ITH only, they will be permitted to continue the remaining ITH period while for those granted with ITH and 5% gross income tax (GIT) after ITH and currently availing of 5% GIT, they will be able to enjoy 5% GIT until 31 December 2034.

These existing enterprises shall be allowed to continue availing of VAT exemption on importation, VAT zero-rating on local purchases and customs duty exemption until 31 December 2034.

The registered export enterprise may continue to avail of the VAT exemption on importation and VAT zero-rating on local purchases pursuant to Sections 106, 108 and 109 of the Philippine Tax Code.

Strategic investment priorities plan (SIPP)

The Board of Investments (BOI), in consultation with the FIRB, other IPAs and OGAs administering tax incentives, shall formulate and recommend the SIPP for approval of the President, that shall provide for the types of fiscal and nonfiscal support needed to:

- Create high-skilled jobs
- Increase sophistication of products and services
- Expand domestic supply and reduce dependence on imports
- Attract significant foreign direct investments
- Promote export diversification and accelerate countryside development
- Develop new industries or support emerging sectors.

The SIPP may include areas of investment that are specific to an area or region, taking into consideration the project or activity that the IPAs in those areas or regions deem fit to promote, in order to foster regional growth and attract investments.

The 2022 SIPP identifies priority sectors eligible for fiscal and non-fiscal incentives. It is structured into three tiers:

1. Tier I: includes all activities listed in the 2020 Investment Priorities Plan and include activities that have a high potential for job creation
2. Tier III: prioritizes research and development resulting in demonstrably significant value-added breakthroughs in science and health and highly technical manufacturing and production of innovative products. These industries are critical to the structural transformation of the economy and require substantial catch-up efforts, including but not limited to cyber-security, artificial intelligence and data-centre facilities.

The 2022 SIPP is due for updating.

R&D activities

R&D activities are included in the industry tiers under the CREATE MORE Act. To be able to enjoy the incentives under the law, the qualifications thereof shall be subject to the provisions of the 2022 SIPP.

Regional operating headquarters (ROHQ)

The CREATE MORE Act has removed the 10% preferential tax rate granted to Regional Operating Headquarters (ROHQs) beginning 1 January 2022. However, this does not prevent the ROHQs from applying for the incentives available under the law.

Key tax incentives

The table below provides an overview of key available tax incentives in the Philippines provided the activity is registered with any investment promotion agencies (IPA) or the FIRB, as the case may be and qualified under the 2022 SIPP while a new SIPP is being drafted.

Activity	Qualified industry	Provision of corporate support or headquarter activities
Name of incentive	CREATE MORE Act	Regional Operating Headquarters (ROHQ)
Corporate tax benefits	For registered export enterprises (REE) approved by IPAs (with investment capital not exceeding capital ₱15 billion) ▪ Four to seven years of ITH depending on the tier and location plus 10 years of 5% SCIT or 20% EDR. ▪ 14 to 17 years of 5% SCIT or 20% EDR if availed of directly at the start of SCO. For registered domestic market enterprises approved by IPAs (with investment capital not exceeding capital Php15 Billion) ▪ Four to seven years of ITH depending on the tier and location plus 10 years of 20% EDR. ▪ 14 to 17 years of 20% EDR if availed of directly at the start of SCO. For REE and High Value DME approved by FIRB (with investment capital of more than Php15 Billion) additional 10 years of SCIT or EDR, as applicable. Extension of the period to avail of incentives not exceeding five or 10 years if the project and activity employs at least 10,000 direct local employees and shall maintain during registration. Qualified expansion project may register and avail of eight or 13 years of SCIT or EDR, as applicable. Additional income tax-based incentives: ▪ Plus two years for activities in areas recovering from armed conflict or major disaster ▪ Plus three years for those relocating their activities from the National Capital Region during the availment of incentives Extraordinary incentives up to 40 years to be granted by the President, subject to conditions. ITH not to exceed 10 years followed by SCIT or EDR, or SCIT or EDR which may be immediately granted at the start of commercial operations.	▪ Since 1 January 2022, ROHQs are subject to 25% of the net taxable income in the Philippines pursuant to the CREATE Act. As such, they are also liable to Minimum Corporate Income Tax (MCIT), which is applicable only on the fourth taxable year immediately following the taxable year in which the company commenced its business operations.
Other tax benefits	To the extent directly attributable to export or the registered activity: ▪ Customs and duty exemption for capital equipment, raw materials, spare parts and accessories ▪ VAT exemption on importation ▪ VAT zero-rating on local purchases Maximum of 2% RBE Local Tax (RBELT).	ROHQ may register as an export enterprise to avail of incentives (e.g., ITH, SCIT or enhanced deductions, among others).
Key assessment parameters	▪ Industry ▪ Location ▪ Technology ▪ Investment capital ▪ Paid-up capital ▪ Job generation	Type of business activities conducted: qualifying services (e.g., general administration and planning, sourcing or procurement, corporate finance advisory, research and development, among others) provided to affiliates, branches or subsidiaries in the Asia-Pacific region and other foreign markets.

Future outlook

- The passage of CREATE MORE Act signals that the Philippines is a viable option for investment. The rationalisation of incentives, coupled with other issuances to ease doing business, will place the Philippines in a more competitive position in the region. Prior to the law's effectivity, each IPA (e.g., PEZA, BOI, Subic Bay Metropolitan Authority (SBMA), among others) has its own governing law, set of incentives and rules and regulations. With the CREATE MORE Act rationalizing the fiscal incentives, qualified enterprises can avail of the single menu of incentives regardless of which IPA they are registered with. This does not prevent the IPA from imposing administrative requirements provided that they are consistent with the provisions of the CREATE MORE Act and the SIPP. The FIRB is vested with the authority to check whether the incentives granted by the IPAs conform with the intent to modernise the incentive system.
- Determining the availment period for incentives will be based on location, industry and granting authority of the registered project or activity. There is a policy to provide longer incentives for activities in areas outside or not adjacent to the National Capital Region (NCR) or other metropolitan areas and activities that offer quality jobs and technology transfer and can introduce new industries that would allow the economy to flourish.
- Some provisions on tax incentives management and transparency are also codified in the Philippine Tax Code, introduced by the CREATE MORE Act. For instance, Republic Act No. 10708 or the Tax Incentives Management and Transparency Act (TIMTA), aims to promote transparency and accountability in the grant of incentives to business entities, private individuals and corporations.
- The proposed 2025 SIPP is currently undergoing consultation with investment promotion agencies, government agencies and stakeholders and is set to be released in 2025. It is expected to include industries and projects identified to have a "high impact on job creation, value creation through innovation, upgrading, moving up the value chain and providing essential support to sectors critical to industrial development." In the meantime, the 2022 SIPP shall be the basis of the tiers and conditions for qualifying a project or activity.

Case studies

Example 1:
A foreign company engaged in the business of selling electronic devices planned to establish a subsidiary in the Philippines to serve as its manufacturing arm. EY teams assisted in the registration as a manufacturing enterprise with PEZA and the subsidiary was subsequently granted four years of ITH and thereafter, was eligible to, among others, 5% gross income tax in lieu of all national and local taxes.

Example 2:
A foreign company wanted to register under Tier 3 but no formal guidelines were issued yet during their application. EY teams assisted with the registration with the IPA, and discussed with the government agencies for possible considerations and guidance, since formal guidelines were pending.

The project was successfully registered under Tier 3 and given longer income tax incentives.

Sovereign credit ratings

Standard & Poor's Global Ratings (S&P)	BBB+ Outlook: Positive (26 November 2024)
Moody's Investors Service (Moody's)	BAA2 Outlook: Stable (21 January 2025)
Fitch Ratings (Fitch)	BBB Outlook: Stable (7 June 2024)

Competitiveness index

WEF's Global Competitiveness 2019: Business Dynamism	**44**
Global Sustainability Competitiveness Index (GSCI) 2024	**67**
IMD World Digital Competitiveness Ranking 2024	**16**
INSEAD Global Talent Competitiveness Index 2023	**84**

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6 Singapore

Singapore offers a comprehensive suite of tax and non-tax incentives to attract businesses engaged in high-value activities that contribute to the nation's economic development. These incentives are strategically designed to foster innovation, enhance capabilities and strengthen Singapore's position as a leading global business hub. Complementing its pro-business environment, these measures support companies in expanding their operations, driving technological advancements and creating long-term value.

Amid evolving global tax reforms, Singapore has introduced the Domestic Top-up Tax (DTT) and Multinational Enterprise Top-up Tax (MTT) under Pillar Two of the BEPS 2.0 initiative, ensuring a minimum effective tax rate of 15% for in-scope multinational enterprise groups from FY2025.

These changes align Singapore's tax framework with international standards while maintaining clarity and compliance simplicity.

To sustain its competitive edge, Singapore has enhanced its incentive framework with targeted initiatives. The Refundable Investment Credit (RIC), introduced in Budget 2024, supports key sectors, including R&D, decarbonisation and headquarters activities, encouraging long-term investment in innovation and sustainability.

Meanwhile, the Enterprise Innovation Scheme (EIS), launched in Budget 2023, incentivises businesses to invest in R&D, intellectual property registration and innovation projects through enhanced tax deductions.

Together, these measures reinforce Singapore's commitment to attracting foreign direct investment, fostering sustainable economic growth and maintaining its status as a global leader in business and innovation.

Singapore incentive regime overview

Singapore tax incentives can be divided into two broad categories; discretionary and statutory incentives.

	Qualified Industry	Provision of corporate support or headquarter activities
Incentive administering body	Key government statutory boards based on industry segmentation include: ▪ Singapore Economic Development Board ▪ Enterprise Singapore ▪ Maritime Port Authority of Singapore for the shipping sector ▪ Monetary Authority of Singapore for the financial sector	Inland Revenue Authority of Singapore (IRAS)
General application process	▪ The typical process begins from preparation of a business plan, meetings with authorities to present on the business plan, discussions on the terms and conditions of the incentive offer, application process and finally agreement on incentive conditions. ▪ Generally, the incentive negotiations should commence before companies embark on the projects.	NA
Incentive application timeline	Between three to six months	NA
Things to note	Specific conditions, level of support and duration of the incentives are typically based on a negotiated outcome with the designated government statutory board. The level of support rendered by the authorities (e.g., Singapore Economic Development Board (EDB)) will be commensurate with the scope and scale of the company's proposed activities. The following are broad key assessment parameters or considerations typically adopted: **Quantitative aspects:** ▪ Total business expenditure in Singapore ▪ Incremental headcount ▪ Fixed assets investment **Qualitative aspects:** ▪ How the project fits into the development blueprint for Singapore (in areas of technology, infrastructure, business and talent) ▪ Spin-offs generated to the rest of the economy ▪ Quality of project ▪ Skills and capabilities acquired from the project	Conditions and requirements are defined in the Income Tax Act. Available to all taxpayers that can fulfill the conditions and requirements, typically claimed through the annual tax filing process.

Headquarters program under the Development and Expansion Incentive

Name of incentive	Headquarters Program under the Development and Expansion Incentive (HQ-DEI) (Discretionary incentive applicable to regional corporate support and headquarter activities)
Administering body and official website	Singapore Economic Development Board (EDB)
Statutory reference	Economic Expansion Incentives (Relief from Income Tax) Act, Part IIIB
Type of incentive program	Tax incentive
Objective of incentive program and eligible activities	The HQ-DEI encourages companies to use Singapore as a base for conducting management activities to oversee, manage and control their regional and global operations and businesses. A substantial level of regional or global headquarters activities, such as strategic planning, business development, marketing, training, shared services in Singapore, are required.
Qualifying income	Includes sales or trading, service fees, licensing*, franchise fees, commissions and management fees from qualifying activities. Note: *IP income will be removed from the scope of the DEI-services or headquarters for new incentive awards with effect from 1 July 2018. Existing incentive recipients will continue to have such income covered under their existing awards until 30 June 2021. IP income will be incentivised under a new IP regime named the IP Development Incentive (IDI), administered by the EDB.
Concessionary tax rate or subsidy rate	A 5%, 10% or 15% concessionary tax rate on the incremental income above a base income level. Base income is the average of the company's past three years' income and this would be subject to tax at the regular prevailing income tax rate throughout the duration of the tax incentive period.
Incentive duration	Up to 40 years (subject to limitations per incentive application or renewal)
Incentive criteria	Paid up capital and substantial ▪ HQ activities ▪ Incremental professionals ▪ Skilled employment ▪ Incremental Total Business Expenditure in Singapore ▪ Other qualitative factors
Administrative requirements	Approval must be granted by the EDB.

Global Trader Program

Singapore tax incentives can be divided into two broad categories — discretionary and statutory incentives.

Administering body and official website	Enterprise Singapore (ESG), formerly known as International Enterprise Singapore
Statutory reference	Income Tax Act, Section 43I
Type of incentive program	Tax Incentive
Objective of incentive program and eligible activities	The objective of the GTP is to facilitate and develop international trading and distribution activities in Singapore and to attract global trading companies to hub their strategic business functions in Singapore. The program targets the trading of a broad range of qualified commodities such as: ▪ Energy commodities and products (including LNG trading) ▪ Metals and minerals ▪ Agricultural commodities and bulk edible products ▪ Building and industrial materials ▪ Consumer goods ▪ Industrial products ▪ Textile and apparel ▪ Machinery components ▪ Electronic and electrical products ▪ Derivatives ▪ Structured commodity financing (e.g., pre-financing, warehouse financing and project financing)
Qualifying income	Covers physical trading income on a principal basis and commissions from acting as a broker in physical offshore trading.
Concessionary tax rate or subsidy rate	A 5%, 10% or 15% tax rate
Incentive duration	Three years or five years
Incentive criteria	Broad evaluation parameters of five-year GTP status (10% tax rate): ▪ Annual trading turnover in Singapore ▪ Annual local business spending ▪ Employment of trading professionals When applying for renewal, growth on turnover, local spending and trading professionals is usually expected. Three-year GTP status (10% tax rate): 1. Annual trading turnover in Singapore: US$100 million for year one and year two and close to US$150 million by end of year three 2. Annual local business spending: S$5 million by end of year one 3. Employment of three to four trading professionals 4. Remarks: Company can upgrade to the five-year 10% GTP scheme upon the expiry Budget 2020 subsumed the qualifying activities for the previous GTP (SCF) scheme under the current GTP with effect from 19 February 2020. The previous concessionary tax rate of 5% on income from qualifying transactions in LNG has lapsed on 31 March 2021 and will no longer be treated differently from other GTP- qualifying commodities.
Administrative requirements	Approval must be granted by the ESG.

Finance and Treasury Centre Incentive

Name of incentive	Finance and Treasury Center Incentive (FTC) (Discretionary incentive applicable to regional corporate support activities)
Administering body and official website	Singapore Economic Development Board (EDB)
Statutory reference	Income Tax Act, Section 43E
Type of incentive program	Tax Incentive
Objective of incentive program and eligible activities	The FTC incentive is aimed at encouraging companies to grow their treasury management capabilities in Singapore and use Singapore as a base to conduct treasury management activities for the region.
Qualifying income	Tax concession on income derived from the provision of: ▪ Qualifying services to approved network companies ▪ Qualifying activities conducted on FTC's own account using qualifying sources of funds An approved FTC company is also eligible for withholding tax exemption on interest payments, such as interest on loans obtained by the approved FTC from banks, non-bank financial institutions and approved network companies (ANCs) outside Singapore, provided the funds are used for its approved qualifying activities or services. Budget 2020 expanded qualifying sources of funds to include funds raised via convertible debt issued on or after 19 February 2020 and qualifying activities to include transacting or investing in private equity or venture capital funds that are not structured as companies, for income derived on or after 19 February 2020.
Concessionary tax rate or subsidy rate	Concessionary tax rate of 8% or 10% and is eligible for withholding tax exemption for interest payments on funds used for its approved qualifying activities or services.
Incentive duration	Conferred for a period of five years (renewal is allowed with incremental commitments)
Incentive criteria	Quantitative parameters assessed by the EDB: ▪ Number of professional staff employed by the FTC ▪ Number of qualifying services to approved network companies ▪ Amount of total business expenditure in Singapore (excluding interest expenses) annually
Administrative requirements	Approval must be granted by the EDB.

The Intellectual Property (IP) Development Incentive (IDI)

Name of incentive	The Intellectual Property (IP) Development Incentive (IDI)
Administering body and official website	Singapore Economic Development Board (EDB)
Statutory reference	Income Tax Act, Section 43X
Type of incentive program	Tax Incentive
Objective of incentive program and eligible activities	It is to encourage the use and commercialisation of intellectual property (IP) rights arising from research and development (R&D) activities
Qualifying income or Eligible costs	Royalties or other income derived from IP if it is receivable as consideration for the commercial exploitation of that right after taking into account tax-deductible expenditures and allowances
Qualifying IP	▪ Patents or patent pending ▪ Copyrights subsisting in software IP can be grouped in families. Once elected into the IDI incentive, it is irrevocable
Concessionary tax rate or subsidy rate	A reduced corporate tax rate of either 5% or 10% on a percentage of qualifying IP income derived by it during incentive period. It is subjected to step-up of at least 0.5% required from the eleventh year onwards
Incentive duration	▪ Initial application cannot exceed 10 years ▪ It may be further extended for a period or periods not exceeding 10 years each
Incentive criteria	▪ Application for the IDI is open to companies that are prepared to make significant investments in contributing to the Singapore economy or in advancement of capabilities toward globally leading industries ▪ Applicants should have good track record and are required to carry out expansionary projects in Singapore ▪ In addition, applicants have to meet the necessary economic commitments
Administrative requirements	Administering of incentive is by Singapore EDB

R&D enhanced deductions

Name of incentive	R&D enhanced deductions (Statutory incentive applicable to R&D activities)
Administering body and official website	Inland Revenue Authority of Singapore (IRAS)
Statutory reference	Income Tax Act, Sections 14C, 14D
Type of incentive program	Tax Incentive
Objective of incentive program and eligible activities	The R&D deductions are to encourage businesses to build up R&D capabilities in Singapore. A qualifying R&D project must satisfy the following conditions: ▪ Its objective is to acquire new knowledge, create new products or processes or improve existing products and processes ▪ It involves novelty or technical risks ▪ It is a systematic, investigative and experimental study in the field of science or technology
Qualifying income or eligible costs	Qualifying expenditure includes: ▪ Staff costs ▪ Consumables ▪ Contract R&D ▪ Cost-shared R&D
Concessionary tax rate or subsidy rate	**Under the Enterprise Innovation Scheme (for YA2024-26):** ▪ 400% enhanced deduction applicable to the first S$400,000 of qualifying R&D expenses incurred every year during the basis period ▪ Beyond the initial S$400,000, the taxpayer can enjoy a 250% enhanced R&D deduction ▪ 400% tax deduction will also be granted on up to S$50,000 of qualifying expenditure incurred on qualifying innovation projects carried out with partner institutions ▪ For R&D projects performed overseas, a 100% deduction on qualifying expenditures is available
Incentive duration	Annually through the tax filing process
Incentive criteria	Taxpayers who incur the R&D expenditures and are the beneficiaries of the R&D activities may claim the incentive
Administrative requirements	To be eligible for the enhanced tax deduction, a company must submit the claim in its income tax return and tax computation, along with the completed R&D claim form, by the annual filing deadline of 30 November. All claimants are required to complete an R&D claim form, which includes a detailed description of each R&D project claimed, based on prescribed guidelines. If a company wishes to claim more than 60% of the sum payable to an R&D organisation, the claimant must submit to the IRAS copies of invoices issued by the R&D organisation detailing a break-down of the expenditure items.

Research and Innovative Scheme for Companies (RISC)

Name of incentive	Research and Innovative Scheme for Companies (RISC) (Discretionary incentive applicable to R&D activities)
Administering body and official website	Singapore Economic Development Board (EDB)
Statutory reference	NA
Type of incentive program	Cash grant
Objective of incentive program and eligible activities	Objective of the grant is to co-fund and assist Singapore companies to set up R&D centers in Singapore and to develop in-house R&D capabilities in strategic areas of technology
Eligible costs	Eligible R&D expenditures include manpower-related costs, cost of living allowance, airfare, equipment and materials, course fees, software costs, professional services and intellectual property rights. These expenditures incurred must be directly related to the R&D activities
Concessionary tax rate or subsidy rate	Different support levels for different cost categories, typically either 30% or 50% of qualifying costs
Incentive duration	Qualifying period up to five years
Incentive criteria	Singapore-registered business undertaking R&D activities The outcomes arising from the R&D project should be tangible and measurable in terms of technology adoption, new competencies and capabilities developed
Administrative requirements	Approval must be granted by the EDB. Grants are awarded on a prospective basis to projects that have not yet commenced at the point of application. Projects should also not be supported under any other grants awarded by the Singapore Government

Refundable Investment Credit scheme

Name of incentive	Refundable Investment Credit scheme
Administering body and official website	Singapore Economic Development Board (EDB) and Enterprise Singapore (ESG)
Statutory reference	Income Tax Act Section 93B
Type of incentive program	Refundable tax credit
Objective of incentive program and eligible activities	Objective of the scheme is to support investment activities aligned with Singapore's key economic priorities. Specifically, it is available for businesses undertaking investments in: ▪ New productive capacity investments ▪ Expansion of digital services, professional services and supply chain management ▪ Establishment of headquarters or centers of excellence ▪ R&D and innovation activities ▪ Decarbonisation-related solutions ▪ Commodity training activities
Eligible costs	▪ Professional fees, materials and consumables ▪ Freight and logistics costs ▪ Training costs for capability development ▪ Intangible asset costs ▪ Financing costs (only for R&D, innovation and ecosystem development projects)
Concessionary tax rate or subsidy rate	Different support rates depending on project's scope and impact, typically at either 10%, 30% or 50%
Incentive duration	Up to 10 years per RIC awarded
Incentive criteria	Potential applicants are evaluated based on three key areas: **Quantitative factors:** ▪ Local business spending, fixed asset investments and employment commitments **Qualitative factors:** ▪ Development and deepening of capabilities, resource efficiency improvements and broader economic multiplier effects (such as collaborations with other private or public sector players) **Track record:** ▪ Track record in Singapore and elsewhere (e.g., fulfillment of projects on schedule) in the sector and resources to successfully carry out the project
Administrative requirements	**Claims process:** ▪ Companies should submit one claim per financial year, which must undergo external audit ▪ Upon verification, a Letter of Confirmation (LOC) will be issued by the EDB and Enterprise SG, specifying the amount of RICs granted and payment schedule ▪ The LOC will be transmitted to the Inland Revenue Authority of Singapore (IRAS) where the RICs will be maintained in an RIC account ▪ RICs are to be used to offset taxes in a first-in, first-out basis ▪ Businesses may opt to receive unused RICs as a cash payout instead **Compliance and reporting requirements:** ▪ Businesses must implement the approved project and meet minimum investment and employment levels ▪ Investment and employment levels will be externally audited annually ▪ The EDB and Enterprise SG may conduct site visits and audit checks on the progress of project implementation and fulfillment of terms and conditions

Case studies

Company A is a global consumer brand with plans to establish its Asean headquarters and supply chain hub in Singapore in line with its global business evolution.

The activities contemplated in Singapore included AI solution development, global procurement and business development. The company expected to expand its presence in Singapore over the next five years, and EY teams assisted to secure incentives support for its expansion plan from the Singapore authorities.

Sovereign credit ratings

Standard & Poor's Global Ratings (S&P)	AAA Outlook: Stable (22 April 2024)
Moody's Investors Service (Moody's)	Aaa Outlook: Stable (27 May 2024)
Fitch Ratings (Fitch)	AAA Outlook: Stable (14 June 2024)

Competitiveness index

WEF's Global Competitiveness 2019: Business dynamism	14
Global Sustainability Competitiveness Index (GSCI) 2024	37
IMD World Digital Competitiveness Ranking 2020	1
INSEAD Global Talent Competitiveness Index 2020	2

Future outlook

- Singapore's Economy 2030 vision and Research, Innovation and Enterprise (RIE) 2025 plan position the nation as a global hub for innovation, trade and sustainability.
- By 2030, Singapore aims to expand its offshore trade activities, increase manufacturing value-add by 50% and enhance SME growth through Enterprise 2030.
- In technology, Singapore is investing in AI, quantum computing and 5G while advancing biotech and green energy solutions.
- The Net Zero 2050 strategy supports hydrogen energy, carbon capture and green finance. Talent development remains a priority, with lifelong learning initiatives and programs like ONE Pass attracting top global talent.
- By integrating sustainability, digital transformation and advanced manufacturing, Singapore reinforces its role as a leader in the future economy. These initiatives improve continued competitiveness, resilience and long-term prosperity in an evolving global landscape.

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7 Thailand

With the aim of enhancing the country's competitiveness and maintaining Thailand's position as one of the most preferred investment destinations in Southeast Asia, the government of Thailand has announced and improved various investment policies to attract Foreign Direct Investment (FDI) into Thailand. The government of Thailand is currently taking serious steps to move Thailand toward a new economic model known as "Thailand 4.0", focusing on moving the Thailand economy from a manufacturing-based economy to a value-based and innovation-driven one, with emphasis on R&D, science and technology and creativity and innovation. Several investment incentives have been continually refined and modified to reflect the transformation and development of the investment promotion under the Thailand 4.0 policy.

In 2017, the Investment Promotion Act has been revised to promote investments in targeted core technologies and hence, corporate income tax exemption period has been increased from the maximum of eight years to 13 years. To support this, the Board of Investment (BOI) has subsequently increased the BOI sectors from seven to eight, with the latest BOI sector targeting technology and innovation development, e.g., biotechnology, nanotechnology, advanced material technology and digital technology. Additional tax incentives will be provided to the targeted industries.

Furthermore, the Competitiveness Enhancement Act has recently been enforced to promote investments in 12 targeted industries and offer corporate income tax exemption of up to 15 years, including cash grant for investment in R&D and innovation activities provided that the investment projects deploy the use of highly advanced technology and innovation which has never been introduced in Thailand. The incentives for area-based development have also been introduced under the Eastern Economic Corridor (EEC) Act. The targeted locations under the EEC Act cover locations in Chachoengsao, Chonburi and Rayong provinces and other designated areas as determined by the EEC committee. These locations are considered as the centre of the east-west economic corridor, with connectivity with the Indian Ocean, Pacific Ocean, Cambodia, Lao People's Democratic Republic, Myanmar, Vietnam and South China. This is mainly to promote investments in targeted core technologies, high-impact and strategic investments to be in line with the Thailand 4.0 policy, enabling Thailand to become the hub of trade and investment in Southeast Asia and the world's investment destination in targeted industries.

The government of Thailand is actively promoting Thailand as a global business hub through an incentive regime called International Business centers (IBC), offering tax and nontax incentives and streamlined regulations to attract foreign investment and boost economic competitiveness. Attractive incentive package is available for companies moving its entire business operation (i.e., manufacturing, regional hub and R&D operation) to Thailand.

The government of Thailand is continuing to transform the country into a value-based economy, which is driven by innovation, technology and creativity. It has given a high priority to the development of infrastructure and transportation within the EEC to enable Thailand to become the hub of trade, investment, logistics and regional transportation and the most strategic gateway to Asia. Additional guidelines on investment applications and incentives are expected for the investments in the EEC area.

Thailand incentive regime overview

The BOI is the main government agency granting both tax and non-tax incentives to the investors in various industries. The incentives, called "activities-based incentives" are granted mainly based on the eligible activities as listed under the BOI-promoted activities. Additional incentives can also be granted under the "merit-based incentives" by taking into consideration:

1. The additional contribution for competitiveness enhancement.
2. Projects located in specific provinces to support the decentralisation.
3. Projects located in certified industrial estate area.

Furthermore, strategic investments in targeted industries and the EEC projects are entitled to more favourable tax and non-tax incentives.

While companies registered under the IBC will only be eligible for non-tax incentives from the BOI, the Revenue Department (RD) is responsible for approving the tax incentives to the companies.

We provide an overview of key tax incentives available in Thailand for various business activities available through application and approval processes from the relevant government agencies.

Tax incentives

BOI privileges

(Statutory incentive applicable to all types of activities so long as they fall under the BOI's list of promoted activities)

Administering body and official website	BOI: http://www.boi.go.th
Statutory reference	The Investment Promotion Act (B.E. 2520) The Competitiveness Enhancement Act (B.E. 2560)
Incentive duration	▪ Three to 13 years for eligible activities ▪ Maximum of 15 years for targeted industries which involve the use of highly advanced technology and innovation
Type of incentive program (cash grant, tax incentive, etc.)	▪ Tax and non-tax incentives ▪ Cash grant
Concessionary tax rate	▪ Exemption of corporate income tax ▪ 50% reduction of corporate income tax rate Note: Amount of corporate income tax exemption will generally be capped at the amount of investment (excluding land and working capital) except for activities that use advanced technologies and classified as those of special importance and benefits to the country, the amount of corporate income tax exemption can be unlimited during the tax exemption period). **1. Standard BOI regime** ▪ Activity-based: 3 to 13 years ▪ Merit-based: Additional one to five years plus additional 50% tax reduction for a maximum period of five years if projects can comply with the conditions set out by the BOI (e.g., under Investment stimulus measures to revive the economy) **2. Competitive enhancement regime** ▪ Maximum of 15 years **3. New investment promotion measures in the EEC** ▪ Projects having human resource development programs Additional two years of tax exemption or three years of 50% reduction of corporate income tax rate ▪ Projects located within the specific zones ▪ Promoted zones for specific industries ▪ Eastern Airport City (EECa) ▪ Eastern Economic Corridor of Innovation (EECi) ▪ Digital Park Thailand (EECd) ▪ Medical Hub Thammasat University (Pattaya) (EECmd) ▪ Genomics Thailand (EECg) ▪ Tech Park Ban Chang (EECtp) Additional one year of tax exemption[1] or 50% reduction of corporate income tax for an additional 2 years ▪ **Other industrial estates or industrial parks within the EEC** Additional one year of tax exemption[1]
Other tax benefits	**Standard tax benefits** ▪ Import duty exemption on new machinery used in the project ▪ Import duty exemption on raw materials or essential materials used in the manufacturing for export ▪ Import duty exemption on materials used for R&D and relevant experiment ▪ Import duty reduction up to 90% of the raw materials or essential materials used in the manufacturing for domestic sale for a period not more than one year each time ▪ Withholding tax exemption on dividend paid out of tax-exempted BOI profit during the tax exemption period or within 6 months after the end of tax exemption period ▪ Double deductions for costs of transportation, electricity and water supply for 10 years ▪ Additional 25% deduction on cost of installation or construction of facilities Special tax benefits (applicable to II. competitive enhancement regime and **III. new investment promotion measures in the EEC**) ▪ A flat rate of 17% personal income tax for experts working in targeted activities within the EEC ▪ Additional 50% tax reduction for a further three to five years after the expiration of the tax-exempt period for certain targeted activities within the EEC ▪ Cash grant for reimbursement of expenses incurred for R&D, training and innovation of targeted industries under the competitive enhancement regime

Note: [1] Additional corporate income tax exemption from the current and existing approved BOI incentives

Other tax benefits (cont'd)	**Measurement for the smart and sustainable industry** Those whose tax exemption period has already expired or those who have only been granted with the nontax incentives and have already requested for the full operation commencement with the BOI or those who have not applied for the BOI promotion but their business activity falls under any of the BOI-promoted activities can apply for the smart and sustainable industry regime with the BOI, which aims to encourage existing companies to upgrade production line or service process by replacing the existing machineries with the more modern ones and use of green energy (e.g., solar cells). If granted approval under this regime, companies will be entitled to the additional amount of corporate income tax exemption, up to 100% of the qualifying investment amount, which must be utilized within the period of three years, including import duty exemption for new machinery imported from the overseas. The application process is generally similar to that of the new BOI application, whereby the applicant is required to demonstrate how the new machinery will improve the production efficiency (e.g., reduce energy consumption or environmental impacts, upgrade to an automation system).
Non-tax incentives (granted by the BOI)	▪ Permission of 100% foreign ownership ▪ Permission of land ownership for BOI activities for foreign-majority-owned companies ▪ Relaxation on the number of expatriates for visa and work permit purposes
Objective of incentive program and eligible activities	To attract FDI into Thailand and enhance the country's competitiveness of the targeted industries
Qualifying income	Income earned as a result of approved BOI activities
Incentive criteria or key assessment parameters	**General** ▪ A company incorporated under Thai laws ▪ Whether the activities fall within the "BOI-promoted activities" list ▪ Minimum capital of at least THB 1 million (excluding cost of land and working capital) or if stipulated otherwise ▪ Debt-to-equity ratio not exceeding 3:1 for application submission purposes ▪ For projects with investment amount for application submission purpose (excluding land and working capital) exceeding THB 2 billion, a feasibility study must be prepared and submitted to the BOI along with the BOI application ▪ Technology involved in manufacturing process ▪ Use of new machinery or used machinery imported from overseas with proper certification ▪ Level of value-added (i.e., assessment on amount of revenue, cost of raw materials and utilities costs) ▪ Types of merit-based considerations: ▪ Competitiveness enhancement ▪ Support establishment of institutes for highly skilled professional development ▪ Decentralisation (i.e., investments in projects located in a specified list of 20 provinces with lowest per capital income) ▪ Industrial area development **Specific for investment promotion measures in the EEC** ▪ Applicants must have a bilateral cooperation with academic institution and research institution and centre of excellence to develop human resource and improve the level of technology ▪ Applicants must offer apprenticeship programs for apprentices equivalent to 10% of their EEC project teams or at least 40 Apprentices, whichever is lower, as the case may be
Incentive criteria or key assessment parameters	**Measurement for smart and sustainable industry** ▪ This regime is applicable to existing BOI-promoted companies whose tax exemption period has already expired or companies that have never applied for the BOI promotion but their business activity falls under any of the BOI-promoted activities. For those whose BOI certificates do not come with the tax incentive, the projects must request and obtain the approval for full operation commencement from the BOI prior to submitting the application under this regime ▪ The promoted activity under the so-expired BOI certificate must still be on the current list of the BOI's promoted activities ▪ Applicants must have a new investment of not less than THB 1 million from purchasing and installing new machineries to upgrade the existing production line or service process ▪ Applicants must not purchase or import new machinery into Thailand until such time its application has been submitted and formally accepted by the BOI online portal (https://boi-investment.boi.go.th/public/)
General application process	The typical application process begins with early contact with the authorities, preparation of application, submission of the BOI application and other supporting documents via the BOI's online system, business plan presentation and interview and final approval on incentive conditions All new BOI applications must be submitted via the BOI's online portal (https://boi-investment.boi.go.th/public/)
Incentive application timeline	Generally, two to six months, provided that all required documents or information are supplied to the authority in the timely manner (but could be longer for activities in targeted industries and investment promotion measures in the EEC)
Administrative requirements	▪ Strictly in compliance with the conditions or requirements as stipulated in the BOI certificate ▪ Submission of relevant BOI forms within the due dates

Eastern Economic Corridor (EEC)

Administering body and official website	EEC Office or BOI https://www.eeco.or.th/ http://www.boi.go.th
Statutory reference	The Eastern Economic Corridor Act (B.E. 2561)
Incentive duration	Maximum of 15 years for targeted industries which involve the use of highly advanced technology
Type of incentive program (cash grant, tax incentive and so on)	Exemption or reduction of corporate income tax and cash grant
Concessionary tax rate	Exemption of corporate income tax 50% reduction of corporate income tax rate
Other tax benefits	▪ Tax and nontax incentives ▪ Cash grant
Non-tax incentives	The key benefits for businesses operators (including foreign-majority-owned companies) in the Special Economic Promotion Zones (SEPZ) within the EEC are as follows: ▪ Permission of land ownership for the purpose of business operations in the SEPZ ▪ Permission of condominium ownership for residence purpose and for business operations in the SEPZ ▪ Permission to lease, sublease or lease-out land within the promotional zone up to 99 years (50-year land lease with right to renew for up to 49 years) ▪ Permission to bring foreign experts, executives and specialists to work in the SEPZ, including the right to bring their spouses and dependent persons into Thailand ▪ Personal income tax deductions and special rights regarding immigration law and other laws for foreign experts and their spouses and dependent person ▪ Exemption from compliance under the custom law, partly or wholly, for imports or exports in the SEPZ ▪ Exemption from the law on foreign currency exchange control and permission to use foreign currency for payment of goods and services in the SEPZ ▪ Other rights and privileges under the BOI Act and the Competitive Enhancement Act can be granted to investors and professionals by the EEC Policy Committee on a case-by-case basis ▪ The authorities to grant license under several laws, e.g., building control law, factory law, immigration law will be transferred to the Secretary-General of the EEC Policy Committee to bypass legal restrictions regarding foreign investment
Objective of incentive program and eligible activities	To attract investments in the following 12 targeted industries in the EEC area: ▪ Next-generation automotive ▪ Smart electronics ▪ High-income tourism and healthcare tourism ▪ Agriculture and biotechnology ▪ Processed food industry ▪ Robotics ▪ Aviation and logistics ▪ Biofuels and biochemical ▪ Digital ▪ Medical and wellness hub ▪ Defence ▪ Education and human resource development
Qualifying income	Income earned as a result of approved activities during specific period
Incentive criteria or key assessment parameters	▪ Must engage in any 12 targeted industries and other related activities that are approved and announced by the EEC Policy Committee ▪ Must conduct the businesses within the SEPZ
General application process	▪ The typical application process begins with early contact with the BOI, preparation of application, business plan presentation and interview and final approval on incentive conditions by the BOI Committee ▪ Once the Investment Promotion Certificate from the BOI is obtained, projects with sophisticated technological advances and within a targeted industry can further submit the application to the EEC Office to obtain additional incentives and supports other than benefits
Incentive application timeline	Generally, two to six months, provided that all required documents and information are supplied to the authority in the timely manner (but could be longer, depending on the complexity of the project and whether it requires a feasibility study).
Administrative requirements	▪ Strictly in compliance with the conditions and requirements as stipulated in the investment certificate ▪ Submission of relevant forms within the due dates

International Business Centre

Name of incentive	International Business Centre (Statutory incentive applicable to activities involving provision of corporate support, headquarter services and treasury centre)
Administering body and official website	RD (tax incentives): http://www.rd.go.th BOI (non-tax incentives): http://www.boi.go.th
Statutory reference	The BOI Announcement No. Sor.6/2561 The Royal Decree No. 674 (B.E. 2561)
Incentive duration	15 consecutive accounting years
Type of incentive program (cash grant, tax incentive, etc.)	Tax Incentive
Concessionary tax rate	Reduced corporate income tax rates of 8%, 5% or 3% on qualifying income earned from associated enterprises located in both overseas and Thailand provided it meets the minimum annual local spending requirements of THB 60 million, THB 300 million or THB 600 million, respectively Note: For Regional Operating Headquarters (ROH) regime I that converts to an IBC, there is no minimum local spending requirement granting entitlement to a reduced 8% corporate income tax rate. For ROH regime II and IHQs that convert into an IBC, they are required to have local spending of at least THB 15 million per accounting year to be entitled to the reduced 8% corporate income tax
Other tax benefits	▪ A 15% personal income tax for qualifying expatriates working for IBC ▪ Exempt from corporate income tax on qualifying dividends received from its associated enterprises ▪ Exempt from Specific Business Tax on qualifying incomes from treasury services ▪ Exempt from withholding tax on dividends distributed by the IBC to its overseas shareholders that are paid out of the reduced corporate income tax profits of the IBC's operations; and out of defined qualifying profits from the ROH's or IHQ's operations within one year after the conversion to an IBC is approved ▪ Exempt from withholding tax on qualifying interest paid by the IBC to an overseas loan provider in connection with a loan obtained for re-lending due to its treasury activities
Non-tax incentives (granted by the BOI)	▪ Permission of 100% foreign ownership ▪ Permission of land ownership for BOI activities for foreign-majority-owned companies ▪ Relaxation on the number of expatriates for visa and work permit purposes
Objective of incentive program and eligible activities	To promote Thailand as a headquarter hub
Qualifying income	Service fees (refer to Appendix B): ▪ Income related to treasury centre services ▪ Royalties ▪ Dividend ▪ Capital gains (on the sale of shares in overseas associated enterprises) Note: Income from trading activities is no longer eligible for tax incentives
Incentive criteria or key assessment parameters	▪ A company incorporated under Thai laws ▪ THB 10 million paid-up capital ▪ Qualifying services (refer to Appendix B) ▪ Qualifying associated enterprises ▪ Qualifying expatriates ▪ Minimum annual operating expense of THB 60 million paid to Thai recipients in each accounting period unless converted from ROH or IHQ ▪ Minimum 10 skilled full-time employees (or at least five employees if only engaging in treasury services)
General application process	**RD tax incentives:** ▪ Eligible companies will typically self-assess whether they have met the assessment criteria before preparing the application and requisite documents for the RD's approval of the IBC status **BOI non-tax incentives:** ▪ The typical application process begins with early contact with the authorities, preparation of application, submission of application and other supporting documents and information via the BOI's online system, business plan presentation and interview and final approval on incentive conditions
Incentive application timeline	RD tax incentives: Two to three months BOI non-tax incentives: Three to four months Given that the activities under the IBC (i.e., service and trading) are considered as restricted businesses for foreigners and thus, foreign-majority-owned Thai companies, looking to apply for the IBC status are required to obtain an approval from the BOI to operate the IBC prior to submitting the IBC application to the RD given that part of the non-tax incentives granted by the BOI for the IBC regime is the foreign ownership

R&D

Name of incentive	Research and development (R&D) (Statutory incentive applicable to R&D activities)
Administering body and official website	BOI (tax incentives and non-tax incentives): http://www.boi.go.th RD (tax incentives): http://www.rd.go.th
Statutory reference	The Investment Promotion Act (B.E. 2520) The Royal Decree No. 598 (B.E. 2559) The Royal Decree No. 319 (B.E. 2541)
Incentive duration	Eight years (possibility of 15-year exemption for target industries, subject to guidelines and notifications)
Type of incentive program (cash grant, tax incentive, etc.)	Tax Incentive
Concessionary tax rate	▪ Exemption of corporate income tax without capped amount ▪ Additional 50% tax reduction for a further five years after the expiration date if qualified merit-based incentives
Other tax benefits	**BOI activities-based incentives:** ▪ Import duty exemption or reduction on machinery and raw materials ▪ Withholding tax exemption on dividend paid out of tax-exempted BOI profit during the tax exemption period and another six months after the tax exemption period ends **BOI merit-based incentives:** ▪ Double deductions for costs of transportation, electricity and water supply for a period of 10 years ▪ Additional 25% deduction on cost of installation or construction of facilities **RD incentives:** ▪ Maximum of 200% tax deduction on R&D expenses paid to the authorised R&D services providers ▪ Accelerated depreciation rate of 40% for qualifying machinery and equipment used in qualifying R&D projects
Non-tax incentives (granted by the BOI)	▪ Permission of 100% foreign ownership ▪ Permission of land ownership for BOI activities for foreign-majority-owned companies ▪ Relaxation on the number of expatriates for visa and work permit purposes
Objective of incentive program and eligible activities	To move Thailand toward a value-based and innovation-driven economy
Qualifying income	Income earned as a result of approved R&D activities

Incentive criteria or key assessment parameters	**BOI incentives:**
	▪ Qualifying R&D activities
	  ▪ Basic research
	  ▪ Applied research
	  ▪ Pilot development
	  ▪ Demonstration development
	▪ Minimum salary expenses to researchers of not less than THB 1.5 million per year
	▪ Other BOI criteria similar to the above
	RD incentives:
	▪ R&D expenses paid to authorised Thai R&D services providers
	▪ R&D projects must be certified by the Thai National Science and Technology Agency (NSTDA)
	▪ Qualifying machinery
	  ▪ New machinery
	  ▪ Minimum useful life of two years
	  ▪ Acquisition cost of not less than THB 100,000

General application process	**BOI (tax incentives and non-tax incentives)** The typical application process begins with early contact with the authorities, preparation of application, submission of application and other supporting documents or information via the BOI's online system, business plan presentation and interview and final approval on incentive conditions. **RD (tax incentives)** The project owners are required to have their project certified by the NSTDA, whereby the process would depend mainly on the project value.
Incentive application timeline	BOI incentives: Two to four months RD incentives: Approximately four to six months
Administrative requirements	**BOI incentives:** ▪ Strictly in compliance with the conditions or requirement as stipulated in the **BOI certificate** ▪ Submission of relevant BOI forms within the due dates **RD incentives:** ▪ These incentives are based on a self-assessment basis ▪ All supporting documents, e.g., project papers certified by the NSTDA and service receipts issued by the authorised R&D services providers, must be properly maintained

Appendix A and Appendix B

Appendix A: BOI-promoted sectors

1. Bio-Circular-Green (BCG) industries
2. Advanced Manufacturing Industries
3. Basic and Supporting Industries
4. Digital, Creative Industries and High Value Service

Appendix B: Types of IBC qualifying services

1. Management, technical and support services

- Business management and administration
- Sourcing of raw materials and parts
- Research and development
- Technical assistance
- Marketing and sales promotion
- Human resources management and training
- Financial advisory services
- Economic and investment analysis and research
- Credit management and control
- Other services, subject to approval, on a case-by-case basis

2. Financial management services

2.1 Provide following financial management functions (including but not limited to):

- Purchase of obligations or invoices and acting as agents in paying or receiving funds
- Netting of income or obligations
- Purchase, sale or exchange of foreign currencies and management of exchange rate risk
- Management of group's liquidity (including receiving and providing loan in foreign currency)

2.2 Obtain and grant loan in Thai Baht

2.3 Must obtain a Treasury Centre license from the Bank of Thailand

3. International Trading Centre (ITC)

3.1 Purchasing and selling goods internationally

3.2 Providing services for the goods which have been purchased or sold as follows:

- Procurement of goods
- Temporary warehousing
- Packaging
- Transportation
- Insurance
- Product consultancy and technical training

Under the new IBC regime, the corporate income tax incentive granted under ITC regime has been abolished (i.e., CIT exemption on international trading income) and the ITC was placed as part of the IBC regime, whereby it cannot be undertaken on a standalone basis but rather will need to be undertaken as part of the IBC operation. Qualifying expatriates working for the IBC in the ITC function can also enjoy the reduced personal income tax rate at the flat rate of 15%, provided that other conditions are met.

Case studies

- **Case 1:** One of the world's largest electronic manufacturing companies is moving majority part of its production lines to Thailand with assistance of EY teams.

  We have been engaged to provide a comprehensive service to the client. This ranges from conducting a feasibility study which covers incentive analysis, assistance with entity incorporation as well as preparation of incentive applications. This assistance has helped the client to secure a substantial amount in tax exemption which can be utilized within the period of six years and additional five years of 50% corporate income tax reduction after the aforementioned tax exemption period expires from the BOI. The favourable tax incentives were granted to this client due to the use of high-technology in the production lines and the amount of investment is highly significant.

- **Case 2:** A leading glass manufacturer purchases new machineries to upgrade its existing BOI-promoted production lines with assistance of EY teams.

  We have been engaged to provide advisory and implementation services to the client for its proposed investment in purchasing new machineries with an aim to upgrade and modernise its existing BOI-promoted production lines which tax exemption periods are already expired under the measurement to improve production efficiency offered by the BOI. If approved, the client will be entitled to additional corporate income tax exemption amount based on the value of the new machinery to be purchased which can be utilized within the period of three years. This measurement has recently gained increasing attention from existing BOI-promoted companies. This is especially so for companies that are planning to upgrade their obsolete production or service lines and are looking for available tax incentives that they may be entitled to. A key consideration of these companies is to avoid having to pour in a huge investment in setting up a whole new production line, especially amid uncertainties brought about by the pandemic.

Sovereign credit ratings

Standard & Poor's Global Ratings (S&P)	BBB+ Outlook: Stable (12 December 2024)
Moody's Investors Service (Moody's)	Baa1 Outlook: Stable (11 April 2024)
Fitch Ratings (Fitch)	BBB+ Outlook: Stable (8 November 2024)

Competitiveness index

WEF's Global Competitiveness 2019: Business dynamism	21
Global Sustainability Competitiveness Index (GSCI) 2020	66
IMD World Digital Competitiveness Ranking 2020	39
INSEAD Global Talent Competitiveness Index 2020	67

Future outlook

Similar to other countries, Thailand is increasingly emphasizing the importance of an innovation-driven economy by encouraging private sector (both local and international) to invest in activities which involve the use of high and advanced technology or involve the R&D process by offering an attractive incentive package. This can be seen in the list of activities promoted by the BOI that has been updated periodically to reflect the country's current focused industries to be in line with the National Economic and Social Development Plan. Activities requiring only basic technology (e.g., manufacturing or service businesses that do not involve substantial value-added process) have continuously been removed from the list. This is part of the nation's policy to guide Thailand from a middle-income country to a high-income country by 2026.

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8 Vietnam

In Vietnam, Corporate Income Tax (CIT) incentives are granted to both foreign and local investors. These include preferential CIT rates and CIT exemptions and reductions. The conditions and requirements of tax incentives are stipulated in the Law on Investment and the CIT regulations. Generally, tax incentives are offered to:

- New projects in promoted sectors, such as high technology, software, new energy, waste recycling and education.
- New projects in promoted locations, including areas of difficult or extremely difficult socio-economic conditions, industrial parks, economic zones, high-tech zones.
- New large-scale investment projects.
- New projects producing specialized industrial products.
- Expansion investment projects.

Enterprises that have investment projects for developing existing investment projects such as expansion of scale of business activities or renewal of existing technology, or increases in production capacity (collectively referred to as expansion investment projects) in the promoted sectors or promoted locations are eligible for CIT incentives if certain conditions are met. Enterprises are allowed to choose either of the following sets of CIT incentives to apply for such expansion investment projects:

- Same preferential CIT rate, CIT exemption and reduction as the existing project for the remaining period of that existing project provided that the expansion projects operate in same incentivised sector or location as the existing project.
- Same CIT exemption and reduction period as a new investment project that is implemented in the same incentivised sector or location, with no preferential CIT rate is available.

Other incentives include exemptions from import duties on equipment, raw materials, supplies, and semi-finished products, as well as exemptions from land use fees.

Incentives are available to all taxpayers and typically claimed via self-assessment.

Incentive administering body

Tax incentives are available to new investment projects and expansion investment projects, which meet the incentive conditions and have been registered with the relevant administrative authorities such as:

- Management boards of industrial parks, export processing zones, high-tech zones and economic zones.
- Provincial Departments of Planning and Investment.

The local tax authorities, General Department of Taxation and the State Auditor may carry out tax audit and reassess the tax incentives claimed by taxpayers.

General application process

Generally, no tax incentive application is required. Taxpayers will have to make a self-assessment of their entitlement of the applicable tax incentives. Application for tax incentives is only required for the following cases:

- High-tech enterprises, enterprises applying high technology.
- High-tech agriculture enterprises.
- Projects in supporting industries.
- Projects having technology transfer which falls within the list of technologies encouraged for transfer.

Incentive application timeline

- Generally, not applicable.

Things to note

- Under the self-assessment tax regime, taxpayers are obliged to justify their entitlement of the claimed tax incentives. If taxpayers fail to do so, they would be required to pay tax along with penalties and late payment interest.

We provide a summary of tax incentives and other incentives in Vietnam that are available to both foreign and local investors.

Tax incentives

Name of incentive	Corporate Income Tax (CIT) Incentives
Administering body and official website	Local and sub-region tax authorities, Department of Taxation and the State Auditor
Statutory reference	Law on Investment, Law on Enterprises, Law on CIT and guiding Decrees and Circulars
Type of incentive	Tax incentive
Objective of incentive program	To sustain and spur the country's economic growth by attracting local and foreign investments
Preferential tax rate	10%, 15%, or 17% depending on the applicable tax incentives Special incentive tax rates of 5%, 7%, or 9% subject to the Prime Minister's approval
Preferential tax rate duration	Depending on the applicable tax incentives, a CIT preferential tax rate can be applied for 10 or 15 years or for entire period of operation from the first year of revenue generation. After the incentive period, the standard CIT rate (currently is 20%) is applied.
Exemption and reduction	Full CIT exemption followed by 50% CIT reduction
Exemption and reduction duration	▪ Two or four years of CIT exemption ▪ This is followed by four, five or nine years of 50% CIT reduction Generally, the tax exemption kicks in once the company is in a taxable position or from the 4th year of revenue generation, whichever is earlier.
Things to note	NA
Qualifying income	In general, tax incentives are only applicable to qualifying income. Qualifying income is income generated from investment project that is entitled to CIT incentives. Tax incentives are not applicable to certain income, such as gains from capital assignment, income from transfer of real estate, income from transfer of an investment project and income from overseas business operations.
Name of incentive	Other incentives
Statutory reference	Law on Investment, Law on Enterprises, Law on Land, Law on Import and Export.
Type of incentive	Taxes and non-tax incentives
Exemption, reduced rate	Exemption of import duty on certain kinds of equipment, raw materials, supplies and semi-finished products. Exemption from land use fees
Incentive duration	One-off or on an individual transaction basis
Incentive criteria	Investing in qualified promoted sectors and locations

Investment Support Fund (ISF)

On 31 December 2024, the government issued Decree No.182/2024/NĐ-CP on the establishment, management and use of the ISF regulating a framework for the government's support for enterprises operating in the high-tech sector and enterprises with investment projects in research and development centers. The decree is applicable from the financial year 2024.

Name of incentive	Government support on expenditure
Administering body	Management boards of industrial parks, export-processing zones, high-tech zones and economic zones, Provincial Departments of Planning and Investment Ministry of Planning and Investment
Statutory reference	National Assembly's Resolution Government's Decree
Type of incentive	Cash grant
Objective of incentive program	Objective of the grant is to stabilise the investment environment, encourage and attract strategic investors and multinational corporations and assist domestic enterprises in encouraged high-tech sectors
Eligible costs	Eligible expenditures on training and development for local workers, investment in social infrastructure, research and development (R&D), fixed asset investment, added manufacturing value of high-tech products, initial investment costs
Concessionary tax rate or Subsidy rate	Different support levels for different cost categories, typically up to either 25% or 50% of qualifying costs
Incentive duration	Annually through the application filing process with qualifying period up to 5 years, unless an extension is granted by the Prime Minister's decision
Incentive criteria	High-tech enterprises, enterprises having investment in the field of manufacturing high-tech products, enterprises with high-tech application project, enterprises engaging in R&D centre investment project with project investment capital of at least VND12,000 billion or project turnover at least VND20,000 billion per year
Administrative requirements	Approval must be granted by either of the following administering governmental bodies, depending on the type of eligible costs Management boards of industrial parks, export-processing zones, high-tech zones and economic zones, Provincial Departments of Planning and Investment Ministry of Planning and Investment

Case studies

Example 1:
EY Consulting Vietnam Joint Stock Company (EY Vietnam) has assisted a foreign-invested company in Vietnam in defending its claim of CIT incentives.

That company was initially granted an investment registration certificate in which it is stated that the company is entitled to tax incentives, including for expansion investment projects in 2009-13.

Given the tax regulations do not provide any tax incentive for expansion projects from 2009 to 2013, the tax authorities denied the company's claim of CIT incentives with respect to its expansion projects during this period.

Based on the general principles of the World Trade Organization's commitments to which Vietnam has agreed, EY Vietnam assisted the company to successfully argue that Vietnam tax authorities need to respect the World Trade Organization commitments and allow the foreign investor to enjoy the incentives offered at the incorporation date as stated in the company's investment registration certificate.

Example 2:
Another foreign-invested company in Vietnam was challenged in respect of its claim of CIT incentives. The tax authorities took the view that the business activity, i.e., carrying out the very final stage of the installation of imported Completely Knocked Down units (CKDs) for selling to the Vietnam market, is a trading activity, which is not entitled to any CIT incentive. EY Vietnam assisted that company to successfully argue that this activity should still be considered as a simple processing activity, therefore, should be entitled to CIT incentives.

Sovereign credit ratings

Standard & Poor's Global Ratings (S&P)	BB Outlook: Positive (24 May 2021)
Moody's Investors Service (Moody's)	Ba3 Outlook: Positive (19 March 2021)
Fitch Ratings (Fitch)	BB Outlook: Positive (1 April 2021)

Competitiveness index

WEF's Global Competitiveness 2019: Business dynamism	89
Global Sustainability Competitiveness Index (GSCI) 2020	91
IMD World Digital Competitiveness Ranking 2020	NA
INSEAD Global Talent Competitiveness Index 2020	96

Future outlook

- The tax regulations of Vietnam are regularly reviewed and revised for the purpose of stimulating the economy and maintaining rapid and sustainable development. Generally, the revision is to align with the government's goal of enhancing productivity, product quality, efficiency and competency of Vietnam in both domestic and international markets. The overarching aim is to propel Vietnam's economy forward by participating in high value-added activities of regional and global production supply chains.
- Going forward, it can be expected that tax incentives, especially incentives to encourage the development of supporting industry, application of high technology, establishment of research and development (R&D) centers, investments in environmental protection and renewable energy will continue to play an important role in the government's economic growth plans for the country.

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