

The Asian Family Office

Key to Intergenerational Planning



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working world

About EY

EY Global Family Business Center of Excellence

EY is a market leader in advising, guiding and recognizing family businesses. With almost a century of experience supporting the world's most entrepreneurial and innovative family firms, we understand the unique challenges they face – and how to address them.

Through our EY Global Family Business Center of Excellence, we offer a personalized range of services aimed at the specific needs of each individual family business – helping them to grow and succeed for generations.

The Center, the first of its kind, is also a powerful resource that provides access to our knowledge, insights and experience through an unparalleled global network of partners dedicated to help family businesses succeed wherever they are.

For further information, please visit ey.com/familybusiness.

EY Family Office services

Our services for families and Family Offices are a reflection of our broad range of expertise, and a symbol of our commitment toward family businesses around the world. Our comprehensive and integrated approach helps families to structure their wealth, and preserve it for future generations. Our goal is to unlock the development potential of the family through a multidisciplinary approach that scrutinizes operational, regulatory, tax, legal, strategic and family-related aspects.

For more information about the full range of our Family Office services, please visit ey.com/familyoffice.

About DBS Private Bank

DBS is a leading financial services group in Asia with a presence in 18 markets. Headquartered and listed in Singapore, DBS is present in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank's "AA-" and "Aa1" credit ratings are among the highest in the world.

Recognized for its global leadership, DBS has been named "World's Best Bank" by Euromoney, "Global Bank of the Year" by The Banker and "Best Bank in the World" by Global Finance. The bank is at the forefront of leveraging digital technology to shape the future of banking, having been named "World's Best Digital Bank" by Euromoney. In addition, DBS has been accorded the "Safest Bank in Asia" award by Global Finance for ten consecutive years from 2009 to 2018.

DBS provides a full range of services in consumer, small-to-medium enterprise (SME) and corporate banking. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region's most dynamic markets. DBS is committed to building lasting relationships with customers, and positively impacting communities through supporting social enterprises, as it banks the Asian way. It has also established a SGD 50 million foundation to strengthen its corporate social responsibility efforts in Singapore and across Asia.

In 2018, DBS Private Bank was also awarded "Best Private Bank in Asia-Pacific" by Global Finance and "Best Private Bank for Innovation" by PWM/The Banker. Building on years of experience in building wealth and an award-winning research team, DBS Private Bank continues to provide clients with an innovative suite of products and services, cementing its position as one of the largest private banks in Asia-Pacific and a leading wealth manager in Asia.

For wealth customers who wish to find out more, visit www.dbs.com.sg/private-banking.



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Foreword by DBS

70%

of wealthy families lose their wealth by the second generation.

To our readers,

With great wealth comes great privilege. And with great ability comes great responsibility. However, it also presents a unique set of challenges that many may be unprepared for. One such challenge we are increasingly finding at DBS Private Bank relates to the significant inter-generational transfer of wealth which the world will see in coming years.

This transition is unique due to the sheer size of wealth and financial assets being transferred as well as the differing aspirations the inheriting generation is likely to have from their elders.

For example, we at DBS Private Bank have observed that our next-gen clients are as concerned with environmental, social and governance (ESG) benchmarks – as they are with financial returns. Their philanthropic interests are shifting away from traditional charities and toward social enterprises. These next-gen wealth owners are also showing increased interest in becoming involved in businesses with disruptive and innovative technologies as opposed to their parents' preferences for more traditional brick-and-mortar concerns.

This shift in values, as well as the knowledge that 70% of wealthy families typically lose their wealth by the second generation and 90% by the third, are leading to the rise of Single Family Offices (SFOs) across the globe.

Commonly known as SFOs, the financial and personal affairs of a single family may be merged, centralizing the control of assets so they may be better managed. In Asia, where the SFO concept is still in its infancy, we at DBS Private Bank have specifically enhanced our Family Office service offering to help meet this need. As the pre-eminent Singapore private bank, we are also leveraging on the highly favorable tax and immigration regimes in the Singapore SFOs ecosystem to ensure that Ultra High Net Worth (UHNW) families have access to the full suite of Family Office and family governance solutions in Singapore. In this respect, we work with global families to help protect their wealth which was created through years of hard work and perseverance. DBS Private Bank's role as your banker is to help you create wealth, enable success and in the process, we hope to enrich your lives.

We are pleased to partner with EY in the publication of this study, which details this growing global phenomenon and focuses on families in the Asia-Pacific region. It identifies the key issues business families need to address. We hope it proves to be a helpful road map for those ready to take the next step and better prepare for the future. We welcome the opportunity to discuss this further.



Sim S. Lim

Group Head
Consumer Banking & Wealth Management

Executive summary

It gives us great pleasure to bring to you this publication.

Currently, it is believed that there are more than 10,000 SFOs globally, with at least half being set up in the last 15 years.

The term 'Family Office' is a term often used and also often misunderstood. It may refer to a family-controlled investment group (e.g. an SFO), a multi-Family Office or even Family Office services provided by financial institutions or consulting firms. The focus in this publication is on SFOs, which can involve more complicated structures that can be challenging to understand and implement.

Since the early 2010s, we have seen an increasing number of SFOs being set up by Asian families. Irrespective of geography, there are consistencies to the motivations behind setting up a Family Office. These range from having greater control over investments, preserving family wealth and ensuring its inter-generational transfer, consolidating assets, dealing with a sudden liquidity influx, increasing wealth management efficiency and mitigating family conflicts.

This publication offers guidance and insights that aim to demystify what is involved in setting up and running a Family Office. It also discusses other related aspects such as compliance obligations and other cross border issues that Family Offices often face, as well as how family businesses, together with their Family Offices, can navigate the pathways to growth, divestment or IPO.

We trust that you will find this report helpful and illuminating for your decision-making as you plan the path for your family into the future.

10,000

SFOs globally with at least half being set up in the last 15 years.



Ian Burgess

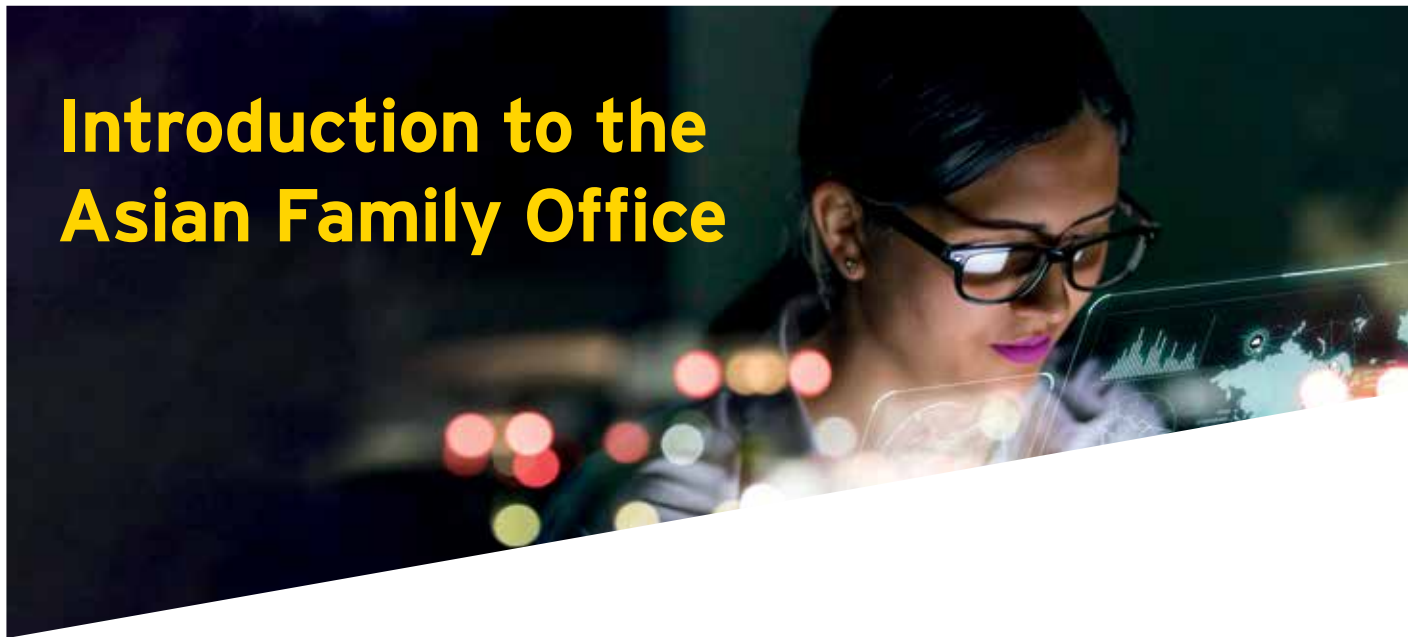
EY Family Enterprise
Asia-Pacific Leader



Desmond Teo

EY Financial Services
Growth Markets
Asia-Pacific Leader

Introduction to the Asian Family Office



What is a 'Family Office'?

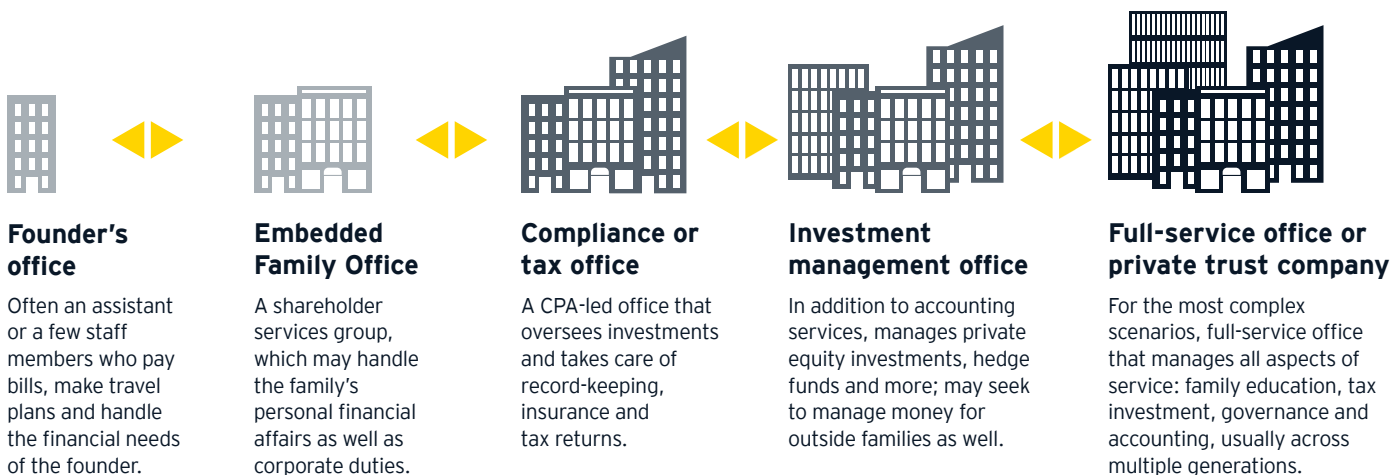
According to EY's Asia-Pacific Family Business leader Ian Burgess, "in simplistic terms, some form of Family Office is generally considered to exist where a family has employees dedicated to helping the family manage their financial affairs". As family wealth increases and family needs get more complex, the Family Office may evolve over time from a simple founder's office into a complex full service office as depicted below.

In the stages prior to creating a single Family Office (SFO), families would tend to manage their own affairs with some level of assistance from professionals such as accountants, lawyers, private bankers, brokers, etc. (these professionals may describe their services as 'Family Office services'). Alternatively, the family may engage a professional 'multi-Family Office' (MFO) to provide some of these services.

In this publication, references made to "Family Office" refer to an SFO. That is, where a family chooses to engage employees to manage some or all of the affairs of only their family (albeit possibly across multiple generations).

In Asia, Family Offices are used by ultra-high net worth families to address financial and non-financial needs such as family governance, legacy preservation, education, insurance, charitable giving, investing and oversight of family-owned businesses. The financial capital under the care of the Family Office is the family's own wealth, often accumulated over many family generations.

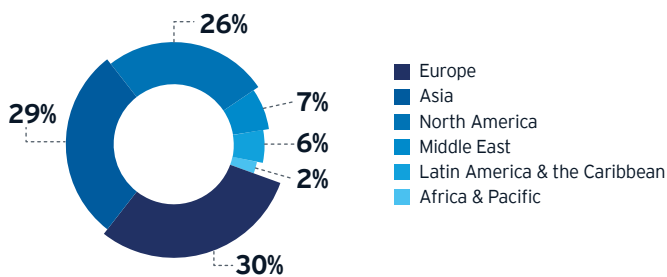
Being set up solely for the family, Family Offices have a singular purpose and focus – to look after the family's interest independently. A Family Office is also tailored to the preference of the family. For this reason, it is vital that it is supported by trusted and competent in-house staff and external professionals, who are trusted advisors and often there to ask the 'inconvenient' questions.



The Growth of Family Offices in Asia

Family Offices are gaining popularity in Asia for a number of reasons. Based on the *2018 IMF Outlook*, China's GDP is currently ranked second (nominal) & first (purchasing power parity or PPP) in the world. As a comparison, China's GDP (PPP) was US\$619 billion less than that of the US in 2013. Based on the 2018 IMF Outlook, its GDP (PPP) is US\$216 billion more than the US GDP. As a region, ASEAN is the 6th largest economy in the world. With the rise of capital in Asia, the wealth of Asian families has grown substantially in tandem.

2017 Global billionaires by region



Source: Wealth-X's Billionaire Census 2018

According to Wealth-X's Billionaire Census 2018, Asia's billionaire population shot up by almost a third last year (29.2%) to 784 individuals. Asia is now home to more than a quarter of the world's 2,754 billionaires.

For the first time in history, Asia's billionaire population has exceeded that of North America. While the U.S. houses the greatest number of billionaires for a single country, the increase in Asia marks a broader shift in regional wealth trends.

The explosive growth of wealth opens up a realm of investment opportunities for the Asian families. Coupled with direct access to investment opportunities due to the proliferating network of contacts, the option of making direct investments for part or all of their assets is now a reality. With the combined purchasing power, this also translates into cost savings, while maintaining full confidentiality of the family's wealth.

Correspondingly, the size of the wealth also demands an increasing need for diversification and risk mitigation. This may require the Family Office to tailor the investment strategy and mandate to the family's needs, holistically taking into consideration the family's assets and liabilities, goals and objectives, and family dynamics. This may entail seeking investments outside the usual range of marketable securities managed by professional fund managers and seeking direct investment into more 'time intensive' investments such as direct property and private business assets, as well as some less conventional or "exotic" assets. It will also allow the family to take a contrarian view towards investing, including the timing of investing. With the singular focus on the family and its needs, the expectation is on the Family Office to be swift in making decisions or be reactive in waiting out periods of uncertainty.

Economic, financial and political risks – a key push factor

According to Capgemini's *Asia-Pacific Wealth Report 2017*, almost a quarter of investors saw economic and financial market risks as the most important driver of international investments in Q2 of 2017. This is more pronounced for investors in emerging markets (as compared to mature markets). Another driver of international investments is political risks, which accounts for 16.8% of the responses. These risks identified are often the reasons behind Asian families setting up Family Offices in Asian financial centers, such as Singapore and Hong Kong and in making investments into developed countries that may offer more stability such as the US, UK, Canada, Australia and New Zealand.

The fourth Industrial Revolution

With the fourth Industrial Revolution taking root, there is significant impact from the fusion of technologies that is blurring the lines between the physical, digital, and biological spheres. This is leading to technology breakthroughs, including robotics, artificial intelligence, blockchain, the internet of things (IoT), etc. It has brought about new phenomena of business dynamics, such as the emergence of disruptors challenging conventions and creating new wealth through new business models, restructuring of old businesses and Initial Public Offerings (IPOs).

The new digital economy is a key opportunity for high wealth family groups and the next generation has increasingly been tasked to take the family forward in pursuing this. This is often aligned with the next generation's desire to forge their own future by pursuing new businesses as part of their investment strategy. They may not be contented in merely carrying on with the established core businesses, nor just investing in bankable assets and real estate. The emergence of the fourth Industrial Revolution is precipitating the next generation getting involved in growing the families' wealth.

Seismic change in the family reins

We observe that Asian families are growing in member size and are branching out as the future generations start their own families. At the same time, the patriarchs and matriarchs are advancing in age. It was reported in a *Financial Times* article on 9 March 2018 that around 35% of Asia-Pacific's wealth will change hands in the next five to seven years, possibly higher than any change in the rest of the global market. In that same article, the banks interviewed say that 25% to 40% of their clients expect wealth to be passed on within the coming decade. In particular, another rising occurrence is the passing on of wealth to female members of the family, with growing signs that wealthy families are passing the baton to their daughters.



It is echoed by Desmond Teo, EY FSO Asia-Pacific Growth Markets Leader, "As clients hand over their reins to the next generation, that generation is seeking to institutionalize the Family Office, hiring professionals with experience in the financial sector and putting in place sophisticated, disciplined investment mandates".

As the next generation forge their own future by pursuing new areas, the patriarch or matriarch may desire to preserve the family legacy, whether in terms of the core business or the family name, as well as keeping the family together and aligned. This delicate balance is often achieved through the holding and managing of the family's wealth through a Family Office. Ian Burgess, EY Asia-Pacific Family Business Leader says, "all these factors are driving the need to increase the professionalism of management of the family's affairs and creating a Family Office (with employees dedicated to these tasks) is a natural step for Asia's high wealth family groups".

Beyond capital growth

Lastly, as families mature, their focus has shifted beyond the conventional pursuit of capital growth, to include philanthropy and pursuing social causes or special interests. Laying down the foundation of continual education of the current and future generations is also an increasingly important aspect of a Family Office, as families view this as a necessity to strengthen the family for the future and to minimize intergenerational conflicts. This often extends beyond formal education, to include educating family members on financial matters, creating opportunities for experience and instilling desired family values.

As the Asian family wealth continues to grow and their affairs evolve over time, it is clear that Family Offices are here to stay and a force to be reckoned with.



Setting up the Family Office

Understanding the purpose of the Family Office

Typical focus of Family Offices in Asia, currently			
Typical focus of Family Offices in US and Europe			
<ul style="list-style-type: none"> ▶ Preserving the family legacy ▶ Keeping the family and wealth together ▶ Reinforcing family values and goals 	<ul style="list-style-type: none"> ▶ Governance beyond lifetime of patriarch and matriarch ▶ Clear succession that is efficient ▶ Insurance ▶ Preparing future generations 	<ul style="list-style-type: none"> ▶ Clear investment goals and mandate ▶ Capital preservation vs. growth ▶ Robustness and tax efficiency ▶ Flexibility and ease of liquidity 	<ul style="list-style-type: none"> ▶ Philanthropy ▶ Travel & administrative support for the family, real estate and its vehicles ▶ Bookkeeping ▶ Tax filing

Today, the typical Family Office in Asia is focused on:

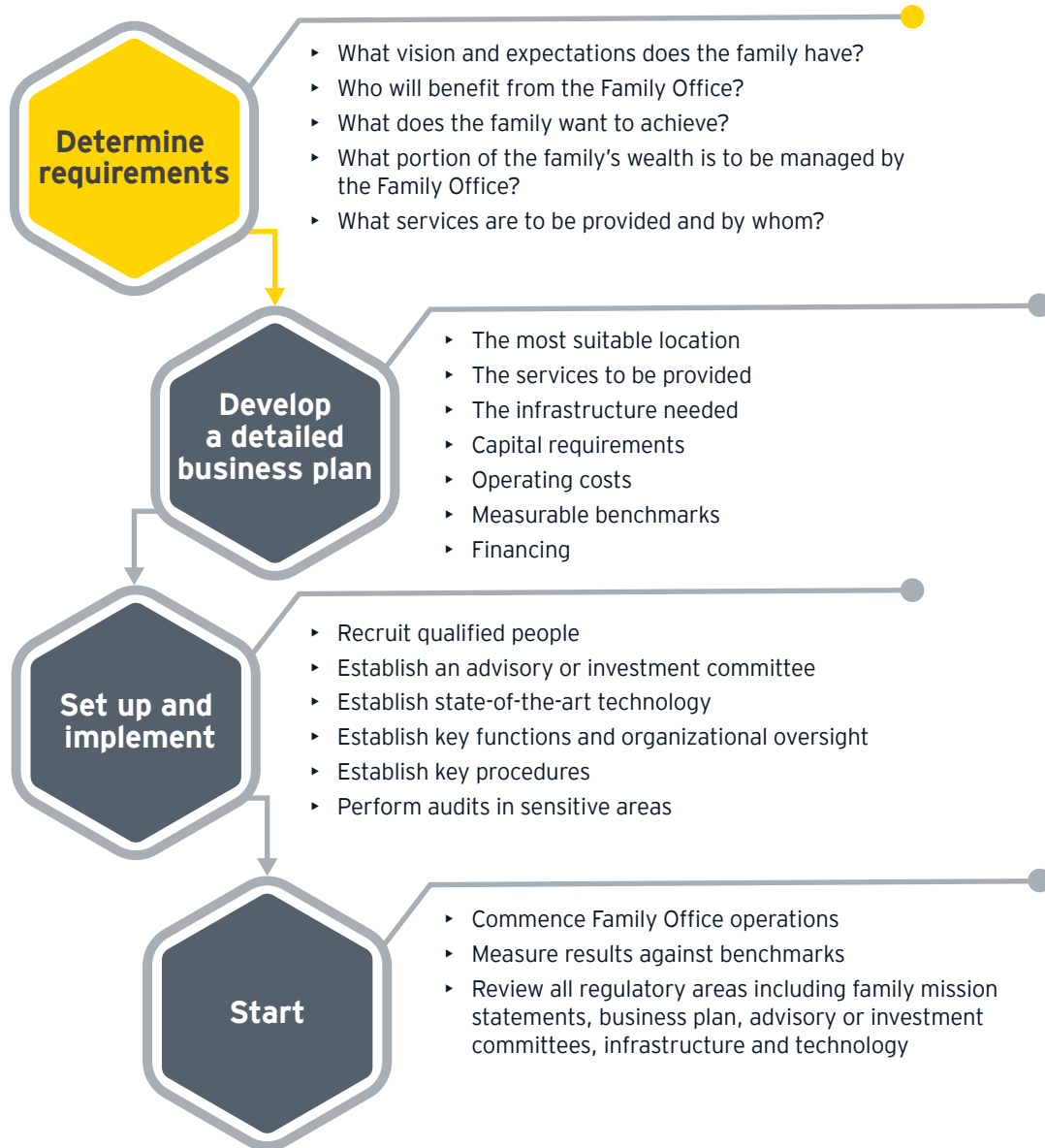
- ▶ Managing and maintaining the family's assets and core businesses
- ▶ Investing the family's wealth (principal and recurring income) through:
 - ▶ Alignment of the family's objectives to the risk/return of the investment mandates
 - ▶ Managing/hedging of risks
 - ▶ Assets Under Management (AUM) allocation between active and passive strategies
 - ▶ Exploring various asset classes such as:
 - ▶ Bankable assets
 - ▶ Alternatives (hedge fund, private equity funds, venture capital opportunities)
 - ▶ Privately held companies

- ▶ Real estate
- ▶ Choice of managing internally or placing to external fund managers
- ▶ Family governance
- ▶ Succession planning and the transfer of established wealth across generations
- ▶ Preparing future generations through formal education, as well as providing opportunities for practical experiences in various fields, including the areas of finance and investment.

Family Offices that look after more established families with more family branches may coordinate philanthropy, and also provide personal services, such as managing household staff and making travel arrangements. Other services typically handled by the traditional Family Office may include property management, day-to-day accounting and payroll activities, and management of legal affairs.

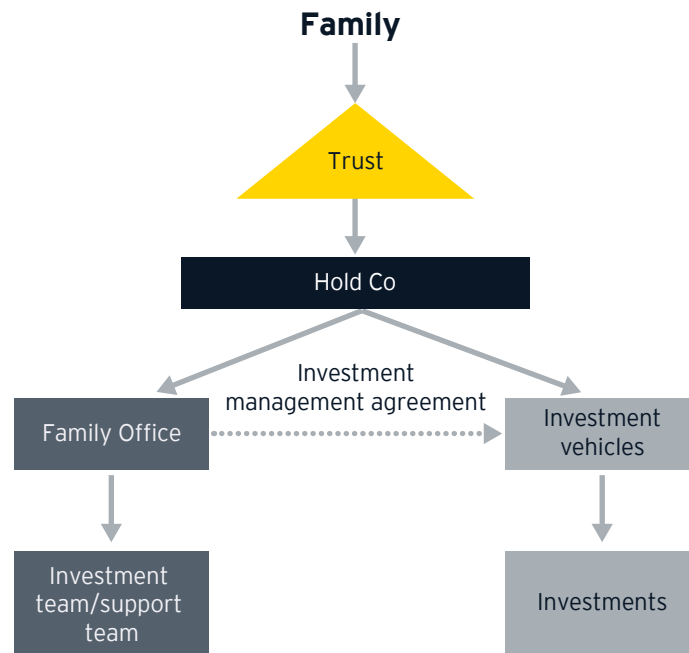
Pathway to a successful Family Office

The setup of a Family Office should be tailored to the needs and requirements of each family. Below are the broad steps and questions to address in order to build a successful Family Office.



Typical Asian Family Office structure and key considerations

A Family Office structure in Asia typically involves the family's holding company (Hold Co), the Family Office and investment vehicle(s) via a trust.



There are various commercial, legal, regulatory, tax and operational factors when deciding which structure to adopt. When making a decision, the family should ask themselves the following key questions:

Trust
<ul style="list-style-type: none"> ▶ Is a trust necessary & do you need more than one trust? ▶ Is this the right time for the family to set up a trust? ▶ Should the trustee be given discretion? ▶ Should the trust be irrevocable? ▶ Should a trust be administered by a private trust company or a professional trustee? ▶ Where should the trust be constituted? ▶ What should be included in the Letter of Wishes? ▶ Do you want to grant a power of attorney? ▶ Do you need protectors to oversee the interest of the beneficiaries and the trust?

Hold Co
<ul style="list-style-type: none"> ▶ Where should it be set up? ▶ What is the legal form? ▶ Is the ease and flexibility of repatriation of monies important? ▶ How should it be funded? ▶ Is confidentiality of the family's financial information from the public protected? ▶ Are your audited financials inadvertently revealing the family's financial information to the public?

Family Office
<ul style="list-style-type: none"> ▶ What is the regulatory status of the Family Office? ▶ What is the headcount and profile of resources required? ▶ Are such resources available from within the family or do they need to be recruited externally? ▶ How do you recruit the right talent, as well as retain and motivate them? ▶ How much investment authority should be given to the Family Office – AUM allocation, liquidity/risk management, decision making, etc.? ▶ Does the family want oversight over the investments made, or do they want to be involved? ▶ Are you comfortable with the commitment in terms of resourcing and financial costs in operating such an outfit, in the medium term and long term? ▶ Is the ownership structure of the Family Office aligned with the family's objectives? ▶ Are your audited financials inadvertently revealing the family's financial information to the public?

Investment vehicles
<ul style="list-style-type: none"> ▶ What are the investment objectives and investment mandate? ▶ What are the asset classes you are planning to invest into? ▶ Are these asset classes readily available for investments through your usual investment channels? ▶ Are you able to acquire these investments better and more cost efficiently than through the conventional channel? ▶ What is the legal form of the investment vehicles and where should these vehicles be located? What are the related tax implications?

Aside from the considerations above, another key factor to be taken into account is cost – often a key driver on whether an SFO or a MFO is established. A Family Office can typically cost over US\$1 million annually to operate, so it is generally worthwhile if the family’s Assets Under Management (AUM) to be placed under the care of the Family Office exceeds US\$100 million.

Where the AUM is below US\$100m, it may sometimes be more cost efficient to appoint an MFO instead, until the family is ready to and needs to set up an SFO.

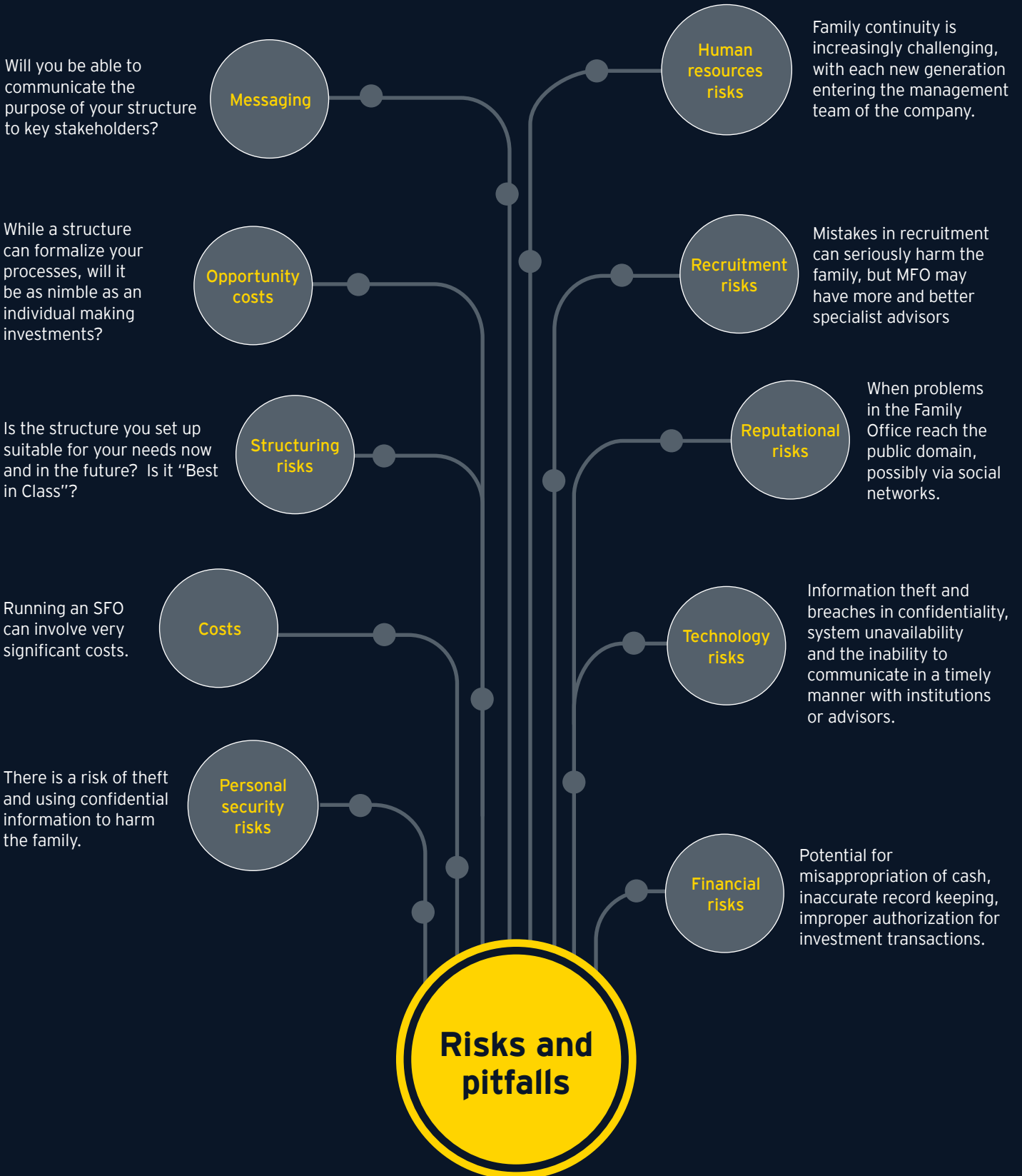
Typical setup costs	Typical recurring operating expenses
Legal, tax and accounting advice on the structuring and implementation of the trust, Family Office and investment vehicle	Salaries for investment professionals and support staff
Employment of head-hunters and compensation specialists	Trustee fees and director fees (if any)
Relocation costs and legal setup, and legal/tax documentation	Office rental
Search for and setup of infrastructure, e.g. office space and IT solutions	Overheads including IT system & databases
Costs to constitute the trust arrangement (if applicable)	Statutory and professional service fees, including legal, audit and tax fees
Associated costs of transfer of assets	Transactional costs



Risks and pitfalls to be considered

As Family Offices gain popularity, we often highlight that it is not a “silver bullet” – there are risks and pitfalls that need to be considered before plunging into setting up a Family Office. This

can avoid any painful and often costly mistakes when the risks and pitfalls are not adequately considered and mitigated.



Family Office leading practices

To avoid painful and costly mistakes when the risks and pitfalls are not adequately considered and mitigated, it is advisable for the family to consider some of the Family Office leading practices below.

Tax and legal advisory:

- ▶ Outside resources leveraged to ensure best thinking
- ▶ Proactive approach to tax planning
- ▶ Cooperation and coordination of outside advisors

Compliance and regulatory assistance:

- ▶ Full family commitment to global tax and regulatory compliance
- ▶ Year-round mindset, not deadline based

Risk management and insurance services:

- ▶ Focus on risk management
- ▶ Adequate insurance of assets
- ▶ Annual review of overall insurance needs
- ▶ Documented disaster recovery plan
- ▶ IT security and physical protection at high level

Reporting and record keeping:

- ▶ Holistic, timely and accurate
- ▶ Relevant level of detail
- ▶ Detailed business and liquidity plans
- ▶ Online access to documents and reporting
- ▶ Secure document storage

Succession planning:

- ▶ Active family and Next-Gen involvement
- ▶ Succession plans for ownership of family assets
- ▶ Succession plans for Family Office and business

Investment management services:

- ▶ Clear investment and asset management strategy and guidelines
- ▶ Investment committee
- ▶ Governance and monitoring
- ▶ Controlling and reporting

Philanthropic management:

- ▶ Strategy, professional management and measurement
- ▶ Philanthropy encouraged
- ▶ Impact investing
- ▶ Set up trusts and foundations

Life management and budgeting:

- ▶ Personalized advice given
- ▶ Cash flow is actively managed
- ▶ Travel, leisure, education and home and garden
- ▶ Household budgeting plans
- ▶ Security management

Training and education:

- ▶ Emphasis on lifelong training
- ▶ Long-term investment for whole family
- ▶ Next-Gen involvement
- ▶ Family Office staff and family exchange know-how to ensure quality



Administrative services:

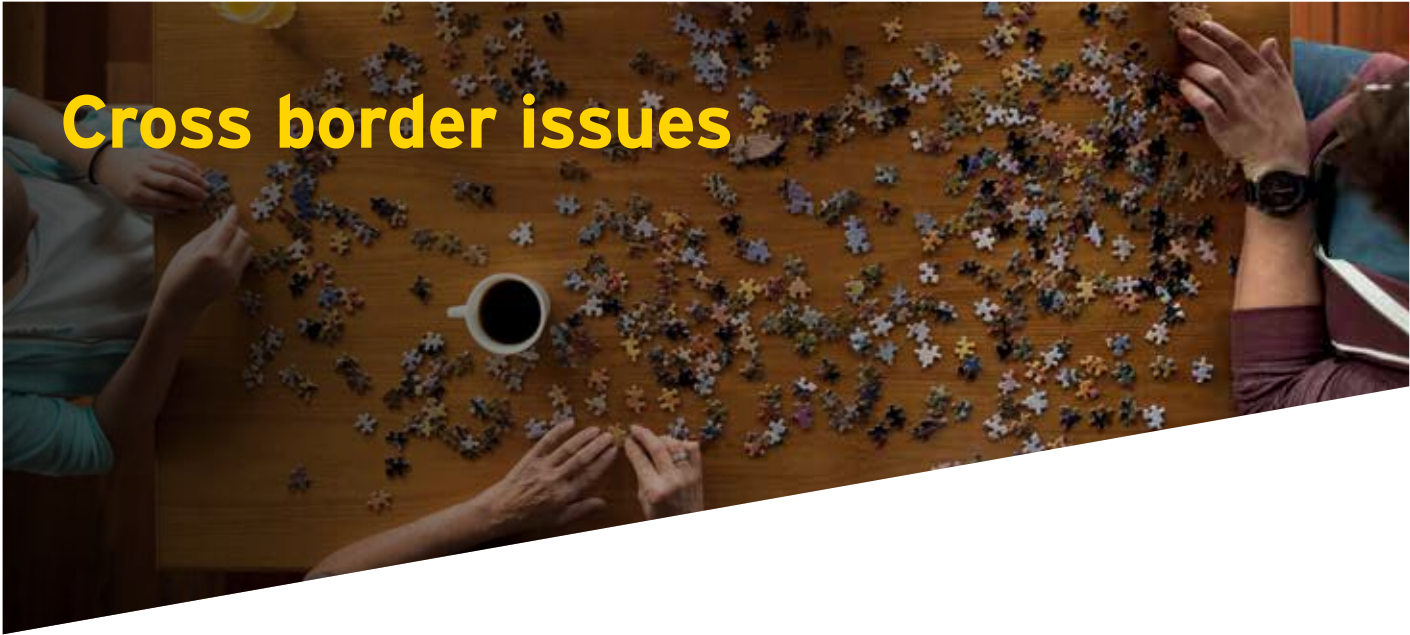
- ▶ Family charter or constitution in existence
- ▶ Long-term and holistic perspective
- ▶ Documented family employment policy
- ▶ Strategic planning existing process
- ▶ Family communication is priority with regular gatherings
- ▶ Peer comparison actively carried out
- ▶ Documented confidentiality policy
- ▶ Adequate investment in Family Office

Business and financial advisory:

- ▶ Efficient pooling of family members for certain services
- ▶ Professional Family Office management including budgeting
- ▶ Family encourages entrepreneurialism
- ▶ Family Office offers point of identification for whole family, especially, if family business is sold

Estate and wealth transfer:

- ▶ Written estate plans for all family members
- ▶ Ensure implementation
- ▶ Prenuptial agreements
- ▶ Training for role as trustee or beneficiary
- ▶ Guidance on distribution policies

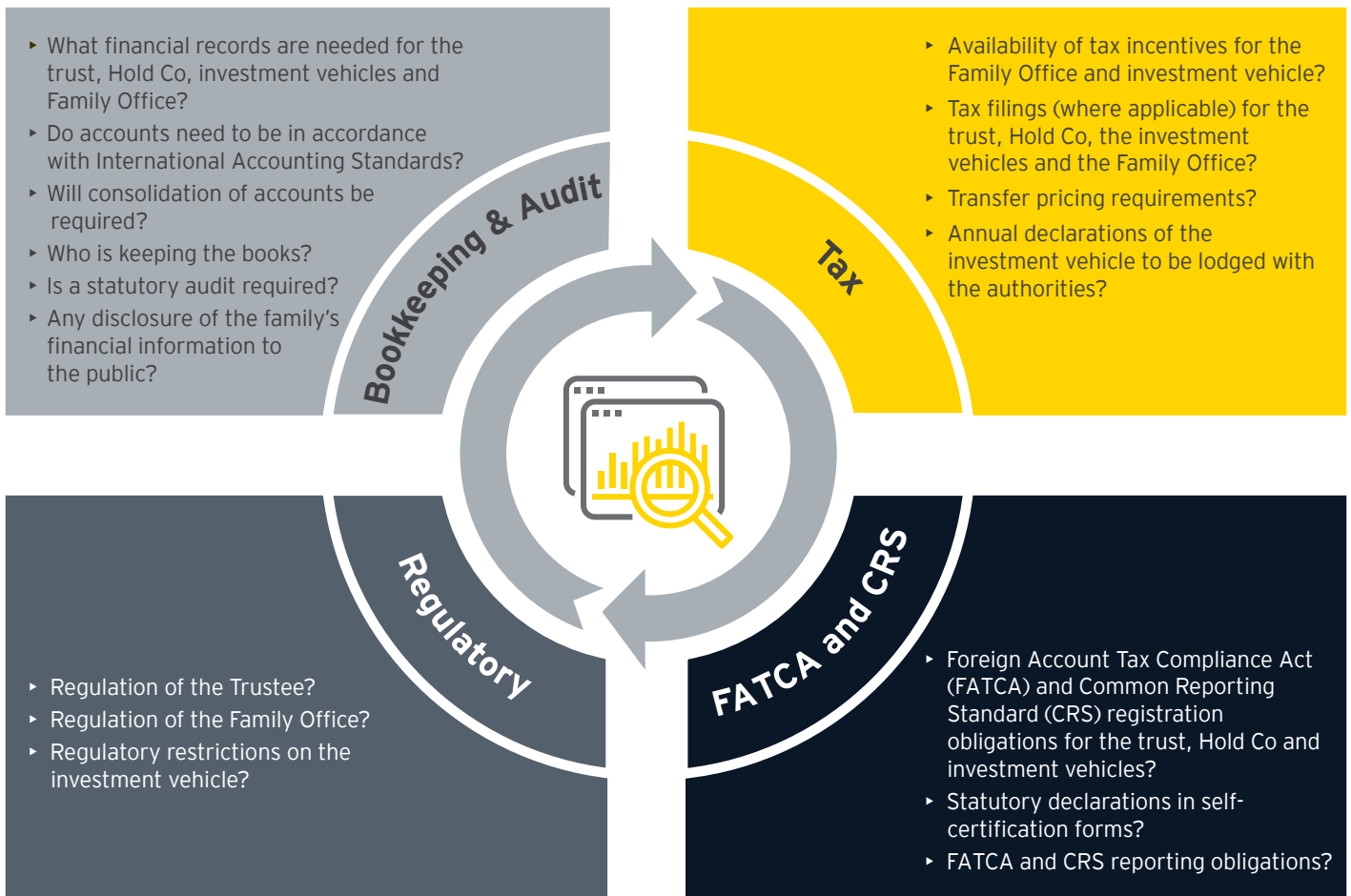


Cross border issues

With an increasing focus by revenue authorities on wealthy families in many jurisdictions, it is crucial to also consider the key ongoing compliance obligations and other cross border considerations involved in running a Family Office.

With the slew of compliance requirements being introduced over the past decade, Family Offices are increasingly aware of the need to step up their game in these areas. We discuss below the salient compliance requirements, as well as other cross border issues.

Examples of Compliance Obligations and Other Cross Border Considerations



Common Reporting Standard (CRS) challenges and implications

Overview and outcomes achieved so far

In a globalized world with widespread international financial flows, international cooperation on tax compliance and information sharing between tax authorities has been considered critical. The Organisation for Economic Co-operation and Development (OECD), working with G20 countries and in close cooperation with other stakeholders, developed the Standard for Automatic Exchange of Financial Account Information in Tax Matters, also known as the Common Reporting Standard (CRS). The CRS requires participating jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions that are required to report, the different types of accounts and persons covered, as well as common due diligence procedures to be followed by financial institutions.

As at June 2019, 108 countries have committed to implement CRS in their respective jurisdictions and exchange information with participating countries. The expectation is that this number will grow over time.

The framework requires identification and reporting of financial account information pertaining to account holders who are foreign tax residents, for countries which have entered into agreement with the country of the financial institution. It is worthwhile to go through a few points to help demystify the CRS framework:

- ▶ For CRS purposes, the term “financial institution” is generally different from the regulatory definition of “Financial Institution” in most countries. More likely than not, a trust managed by a professional trustee can qualify as a Financial Institution. Similarly, investment holding entities that grant discretionary portfolio mandates to financial institutions to manage their investments are likely to qualify as Financial Institutions for CRS reporting.
- ▶ CRS entity classification is relevant for all kinds of entities regardless of the nature of their business and their shareholders.
- ▶ The discussion on corporate tax residency has been brought to the forefront due to CRS.
- ▶ Every year, Financial Institutions will be required to provide the identifying information of the account holder together with the financial account information. The financial account information depends on the nature of account. A savings bank account will have reporting obligations on the account balance and interest, while a fund will report its equity and debt interest holders’ net asset value as well as any distributions

made during the year, whereas a custodial account will have reporting obligations on the account balance, any income paid/credited to the account as well as gross sale proceeds arising from the financial assets in the account.

- ▶ There are penalties under local law for not complying with the CRS obligations for financial institutions.

In the OECD’s AEOI Implementation Report 2017, the monitoring results in relation to jurisdictions that have exchanged information in 2017 essentially showed the full delivery of each aspects of the commitments made, including collecting the data domestically and ensuring its widespread exchange internationally.

State of play in each country

Participating jurisdictions must translate CRS into domestic law. Exchange relationships between jurisdictions are typically based on the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, in which more than 100 jurisdictions are participating, and the CRS Multilateral Competent Authority Agreement (CRS MCAA). Relying on these agreements allows for successful implementations and seamless exchanges of information. However, alternatively, jurisdictions may rely on a bilateral agreement, such as a double tax treaty or a tax information exchange agreement.

How CRS impacts Family Offices

For Family Offices, CRS brings a number of new challenges such as the following:

- ▶ For structures with limited regulatory oversight, CRS introduces new rules for due diligence, registration, and reporting. This additional compliance burden comes with no additional commercial benefit for the business itself and therefore, CRS implementation and ongoing compliance will need to be effective in meeting the requisite reporting requirements, while balanced against managing the costs.
- ▶ CRS is particularly complex as different jurisdictions may have their own interpretations of the law, and even within jurisdictions, there may be challenges posed due to unfamiliarity with the regulations.
- ▶ Within the group, while some entities need to report information, some entities and persons may be reported on. It is critical to keep track of which information is reported to which jurisdictions, in order to be ready in case questions are raised by the authorities at a future date. Embracing the new norm of transparency, while also balancing the families’ key needs for privacy and security, is another challenge to be navigated.

Choice of jurisdiction for Family Offices and investment vehicles

Aside from concerns surrounding compliance (e.g. CRS) requirements, another pivotal decision to make is the jurisdiction where one's Family Office and investment vehicle should be set up.

Investing through Singapore or Hong Kong

With the rise of Family Offices in Asia, there is a trend of Family Offices and investment vehicles congregating in Hong Kong or Singapore, and this is by no means a coincidence.

A typical Family Office structure involves one or more investment vehicles and a Family Office, which acts as the fund manager for the investment vehicle(s). The family may hold the structure directly or via a trust depending on various factors. The key considerations of a host jurisdiction for an investment vehicle are:

- ▶ The families' familiarity with the country and geographical proximity.
- ▶ Respected jurisdiction with a conducive ecosystem that supports the Family Office in terms of talent, professional service providers, strong and deep financial system, with a broad array of investment and banking options.
- ▶ Regulatory framework that does not over burden the Family Offices with compliance requirements and operational constraints.
- ▶ Strong force of law which is clear and respected, along with stability and consistency of policies and legislation.
- ▶ Safe environment in terms of crime, social unrest and political instability.
- ▶ Ease of injection and repatriation of capital and monies.
- ▶ Tax neutrality for the investment structure – where the investment vehicle does not create any undue tax leakage for the family. This is important as every dollar of tax that is saved, means an additional dollar that can be used to pursue a philanthropic/social cause, provide education or preserve capital for the future generation, etc.

A Perennial Contest – Singapore or Hong Kong

These attributes are broadly found in both Hong Kong and Singapore, so where are the battle lines drawn?

Hong Kong

Hong Kong adopts a territorial basis of taxation whereby only persons that carry on a trade, profession or business in Hong Kong and derive Hong Kong sourced profits from that trade, profession or business would be chargeable to Hong Kong profits

tax. In other words, an entity will not be subject to Hong Kong profits tax even if it carries on a business in Hong Kong but derives profits that are arising or derived outside of Hong Kong.

Unlike Singapore, Hong Kong does not have tax exemption schemes available to investment vehicles managed by Family Offices. To achieve tax neutrality in Hong Kong, an offshore tax treatment needs to be pursued in order for such income not to be taxed in Hong Kong.

The question of locality or source of profits is a hard and practical matter of fact. As a broad guiding principle, "one looks to see what the taxpayer has done to earn the profits in question and where they have done it". It is necessary to appreciate the reality of each case, focusing on effective causes for earning the profits without being distracted by antecedent or incidental matters.

Broadly, the Hong Kong tax authority's view on certain major types of income that family business/Family Offices could generate are as follows:

- ▶ Trading profits: the place where the contracts of purchase and sale are effected
- ▶ Service income: the place where the services are rendered
- ▶ Profits from listed shares: location of the stock exchange where the shares or securities in question are traded
- ▶ Profits from unlisted shares: the place where the contracts of purchase and sale are effected

If the aforementioned activities are performed outside of Hong Kong, the profits derived therefrom will be offshore sourced and not subject to Hong Kong profits tax. On the contrary, if any of such activities are conducted in Hong Kong, the profits derived therefrom will be onshore sourced and subject to Hong Kong profits tax. Apportionment of onshore and offshore profits is possible for service income derived from activities carried out partially in and outside of Hong Kong.

Lastly, Hong Kong profits tax compliance procedures are relatively simple and straightforward. A person is generally only required to file its profits tax return once a year together with its audited financial statements.

Singapore

Similar to Hong Kong, Singapore adopts a territorial basis of taxation whereby Singapore income tax is payable on the income of any person that is accrued in or derived from Singapore (i.e. sourced in Singapore), or on foreign-sourced income when received in Singapore from outside Singapore, unless any tax exemption under the Singapore Income Tax is applicable. In addition, Singapore has a Goods and Services Tax (GST) regime, unlike Hong Kong.

To provide greater clarity surrounding the tax outcome for the family, the Singapore government introduced various tax incentive schemes to attract foreign families to use Singapore as the base for their Family Office investment activities. This shapes a conducive tax environment and further anchors Singapore as the leading Asian hub for fund management. Since 2017, there is a further push by Singapore to retain the wealth of local families to be managed locally.

Three fund tax incentive schemes (under Section 13CA, Section 13R and Section 13X of Singapore's Income Tax Act) allow for family investment vehicles (whether in or outside of Singapore) to enjoy Singapore tax exemption on Specified Income derived from Designated Investments. These investment vehicles must meet prescribed conditions, and may also require upfront approval from the Singapore authorities, in order to enjoy the Singapore tax exemption. For Family Offices structures, the

investment vehicles used are typically companies incorporated in or outside of Singapore.

The table below provides a comparison of the different tax exemptions typically available to Family Office Structures.

One of the key conditions under the abovementioned tax exemption schemes is that the applicant must be managed by a Singapore-based Family Office. Such a Singapore-based Family Office needs to either:

- ▶ Hold a capital markets services (CMS) licence under Singapore's Securities and Futures Act (Cap. 289) for fund management
- ▶ Register as a fund manager under that Act
- ▶ Be exempt under that Act from holding such a CMS licence for fund management

Comparison of Section 13CA, 13R and 13X Tax Exemption Regimes (as at June 2019)

	Section 13CA	Section 13R	Section 13X
	Offshore funds	Approved Singapore tax resident company	Enhanced tier funds
Prior Monetary Authority of Singapore (MAS) approval required?	No	Yes	
Managed by a Singapore-based fund manager?	Yes		
Exemption restricted to "specified income" from "designated investments"?	Yes		
Use of Singapore tax treaties?	No	Yes	Depends
Restriction on non-individual Singapore investor threshold?	Yes*		No
Minimum assets under management?	No		Yes, S\$50 million
Minimum annual business spending?	No	Yes, S\$200,000	
Employ at least 3 experienced investment professionals each earning at least S\$3,500 per month?	No		Yes
Suitability	<ul style="list-style-type: none"> ▶ More for families based outside Spore ▶ Lower commitments ▶ Direct shareholding by individuals ▶ Board meetings to be held outside Singapore 	<ul style="list-style-type: none"> ▶ More for Spore-based families ▶ Lower commitments ▶ Direct shareholding by individuals ▶ All Board meetings to be held in Singapore 	<ul style="list-style-type: none"> ▶ Larger families (based in or outside Spore) ▶ at least S\$50 million AUM to start ▶ hire at least 3 investment professionals ▶ Flexibility re Board meetings & shareholding

* Based on the Singapore Budget 2019, with effect from financial year 2019, 100% of the value of issued securities of a 13CA or 13R fund can be held by Singapore persons. However, the 'Qualifying Investor' test which imposes a penalty on certain non-individual Singapore investors exceeding a prescribed threshold in the 13CA or 13R fund, remains in place.

Other incentives that may be enjoyed along with the abovementioned tax exemptions are:

- ▶ Withholding tax exemption on interest payments made by the qualifying tax exempt vehicles for the purpose of their trade or business
- ▶ GST remission for the qualifying tax exempt vehicles to recover GST incurred on all expenses for the purposes of the tax exempt vehicles' investment activities (with the exception of expenses that are statutorily disallowed), at a fixed recovery rate, without the tax exempt vehicles having to register for GST.

Typically, a Family Office which carries on business in fund management solely for the family (and not manage any assets from persons outside the family), is exempt from such licensing

under Singapore's Securities and Futures Act. A legal opinion from the lawyers is generally required by the MAS to ensure that the Family Office is able to rely on the exemption.

In some situations, instead of setting up and maintaining a Family Office to manage the investments of the family's investment vehicle, some families appoint MFOs to manage the family's investments.

The tables below provide a high-level comparison of corporate taxation as well as types of investment vehicles available in Singapore and Hong Kong.

Overview of Taxation of Companies in Singapore and Hong Kong

		Companies that are incorporated or controlled and managed in Singapore	Companies that are incorporated or controlled and managed in Hong Kong
Basis of taxation		Territorial basis of taxation	Territorial basis of taxation
Income sourced in Singapore/Hong Kong		Taxable regardless of where it is received	Taxable regardless of where it is received
Income sourced outside Singapore/Hong Kong	Dividend	Taxable when received (deemed received) in Singapore from outside Singapore May be tax exempt if certain conditions are met or if vehicle enjoys S13R or S13X tax exemption	Not taxable
	Interest	Taxable when received (deemed received) in Singapore from outside Singapore May be tax exempt if vehicle enjoys S13R or S13X tax exemption	Not taxable
Capital gains		Not taxable	Not taxable
Corporate income tax rate (as at June 2019)		17%	16.5%
Availability of tax treaties (as at June 2019)		Yes Over 80 tax treaties	Yes Over 35 tax treaties
Requirement for relying on tax treaties		Qualified as a Singapore tax resident, i.e. control and management is exercised in Singapore.	Qualified as a Hong Kong tax resident, i.e. either normally managed or controlled in Hong Kong or centrally managed and controlled in Hong Kong
Value Added Tax/GST		7% (increasing to 9%)	NA

Types of investment vehicles available in Singapore and Hong Kong

	Partnership	Trust	Company
Definition of Vehicle	A relationship where 2 or more persons carry on business in common with a view to profit	A fiduciary relationship in which the settlor transfers (settles) a property (often but not necessarily a sum of money) upon the trustee for the benefit of the beneficiary(s)	Separate legal entity, distinct from its shareholders and directors
Key stakeholders	Between 2 and 20 partners	Trustee, settlor, beneficiaries, protector	At least 1 shareholder and at least 1 director
Pros and cons of choosing this vehicle			
Pros	<ul style="list-style-type: none"> ▶ Easy to set up and dissolve ▶ Distribution is not limited by sufficient profits ▶ Possibility for respective partner to enjoy tax treaty benefits 	<ul style="list-style-type: none"> ▶ Flexibility in assigning beneficial interest to beneficiaries ▶ Distribution is not limited by sufficient profits ▶ Protection against creditors may be achieved ▶ Beneficiaries not personally liable for trust's debts and losses incurred by trustee or other beneficiaries 	<ul style="list-style-type: none"> ▶ Shareholders' liability is limited to share capital of the company ▶ Shareholders not personally liable for debts and losses of company ▶ Can only sue or be sued in company's name ▶ Can own property in company's name ▶ Protection against creditors may be achieved ▶ Possibility to enjoy tax treaty benefits
Cons	<ul style="list-style-type: none"> ▶ Not a separate legal entity ▶ In a traditional partnership, partners have unlimited liability ▶ Can sue or be sued ▶ Partners personally liable for partnership's debts and losses incurred by other partners ▶ No tax treaty benefits 	<ul style="list-style-type: none"> ▶ Not a separate legal entity ▶ Some local jurisdictions do not recognize trusts (or may have forced heirship rules that may adversely affect a trust arrangement) ▶ Avoidance of probate ▶ No tax treaty benefits 	<ul style="list-style-type: none"> ▶ Dissolving can only be done by liquidation or striking off ▶ Dividend distribution is limited by sufficient profits and availability of cash ▶ Stamp duty
Common use	<ul style="list-style-type: none"> ▶ Entering into simple joint ventures with other parties 	<ul style="list-style-type: none"> ▶ Family succession ▶ Protection against creditors ▶ Avoidance of probate 	<ul style="list-style-type: none"> ▶ Family succession ▶ Protection against creditors

Taxation of investment vehicles available in Singapore and Hong Kong

Taxation		Partnership	Trust	Company
Singapore	Who is taxed	A partnership is transparent for Singapore tax purposes Each partner is taxed on his or its share of the income from the partnership	Generally, for trusts constituted for succession planning, the trust income derived is typically not distributed yearly. Hence, the trustee (on behalf of the trust) is subject to tax in Singapore and any subsequent trust distributions are not taxable in Singapore in the hands of the beneficiaries. The trustee, on behalf of the trust, may not suffer actual Singapore tax if tax exemptions applies to the trust. For other trust arrangements where the trust income are distributed yearly or where its beneficiaries are beneficially entitled to the annual trust income, such beneficiaries may be subject to Singapore tax on their share of the trust income.	Company is taxed on its income Subsequent dividend distributions are not taxable, as long as company is tax resident in Singapore
	Tax rate (as at June 2019)	If partner is a company – 17% If partner is an individual – up to 22%	17% if trustee/beneficiary is a company Up to 22% if trustee/beneficiary is an individual	17% Partial exemption on the 1st S\$300,000 of taxable profits
	Any tax exemption?	Section 13X tax exemption may be available	Section 13G/13Q/13CA/13X tax exemption may be available	Section 13G/13Q/13CA/13R/13X tax exemption may be available
Hong Kong	Who is taxed	A partnership is generally not transparent for Hong Kong profits tax purposes. The partnership itself is subject to profits tax in Hong Kong on taxable income Subsequent partnership distributions are not taxable	The trust, through the trustee, is subject to profits tax in Hong Kong on taxable income Subsequent trust distributions are not taxable	A company is subject to profits tax in Hong Kong on its income. Subsequent dividend distributions are not taxable
	Tax rate (as at June 2019)	If partners are individuals, for the first HK\$2 million of taxable profits, 7.5% (i.e. half of the standard 15% profits tax rate), subject to conditions Thereafter, standard profits tax rate of 15% If partners are corporations, for the first HK\$2 million of taxable profits, 8.25% (i.e. half of the standard 16.5% corporate profits tax rate), subject to conditions Thereafter, standard corporate profits tax rate of 16.5%	If a corporate trustee, for the first HK\$2 million of taxable profits, 8.25% (i.e. half of the standard 16.5% corporate profits tax rate), subject to conditions Thereafter, standard corporate profits tax rate of 16.5%	For the first HK\$2 million of taxable profits, 8.25% (i.e. half of the standard 16.5% corporate profits tax rate), subject to conditions Thereafter, standard corporate profits tax rate of 16.5%
	Any tax exemption?	None	None	None

Interaction with family tax position

In addition to reviewing the considerations for setting up the investment vehicles above in Hong Kong or Singapore and the taxation of their income, it is equally essential for the Asian families to consider holistically how these investment vehicles may fit within their home tax jurisdictions. Other considerations include the taxation of such dividends, interest or disposal gains derived through such investment vehicles.

Please refer to the Appendices for the relevant home jurisdiction considerations.

Relocation considerations

A discussion on cross-border issues would not be complete without considering immigration. Often, family members choose to relocate to where the Family Office or its investment vehicles

are established. When considering migrating to another location, it is helpful to appreciate that each jurisdiction has its own set of immigration rules and requirements that must be carefully navigated when crossing borders. The immigration framework will vary from country to country due to different economic, political, social and historical considerations.

It is imperative that the immigration requirements of each country are adhered to. Non-compliance with these requirements will have a negative impact on one's stay in that country and may also adversely impact future applications to return to that country, as well as entry to other countries.

As a rule of thumb, the following factors should be considered to determine the most appropriate pathway to enter and stay in a proposed location:



There may be restrictions imposed on your ability to extend your stay period in your proposed location or to apply for a further visa to remain there permanently. These will depend on the requirements prescribed by each country.

Other considerations

Other factors that need to be considered include the following:

- ▶ Passport requirements: required validity period of your passport
- ▶ Passport renewal: ability to renew your passport in your proposed location
- ▶ Impact of visa status: how your proposed travelling plans will affect your current visa status, including your ability to return to your current location
- ▶ Travel facilities permitted: whether your proposed visa will permit single entry or multiple entry travel

Relocating to Singapore

Singapore has attracted a fair share of applications from foreigners wishing to work or even live here on a more permanent basis. Aside from having a stable political environment, a clear regulatory framework and a competitive tax regime, its passport provides visa-free access to 189 countries and is ranked the second most powerful passport in the world in 2018 by Henley passport index.

Qualified professionals, technical personnel and skilled workers may apply for permanent residence on obtaining an Employment Pass (EP), or S Pass (a work pass for individuals with a minimum fixed monthly salary of S\$2,200 and an acceptable tertiary qualification) to work in Singapore.

Under the Global Investor Program (GIP) administered by Singapore's Economic Development Board (EDB), foreign investors may seek permanent residence (PR) in Singapore for themselves and immediate family members by committing to invest at least S\$2,500,000 in certain approved categories of business and investment activities and maintain the investment for a period of five years. If applicable, the investment must be made in a Singapore-incorporated entity.

For Asian families who have set up their Family Offices in Singapore, often, some members of the families relocate to Singapore by applying for EPs, with the intention to apply for PRs in the near future. Where the GIP – Family Office (GIP-FO) route is pursued, a Singapore-based Family Office would need to be established to employ a minimum number of employees, incur a minimum level of annual business expenditure and to manage an aggregate AUM of at least S\$200m. Under the GIP-FO option, the foreign investor is eligible to apply for PR in Singapore if the investor has at least five years of entrepreneurial, investment or management track record and an individual or direct family net worth of at least S\$400m.

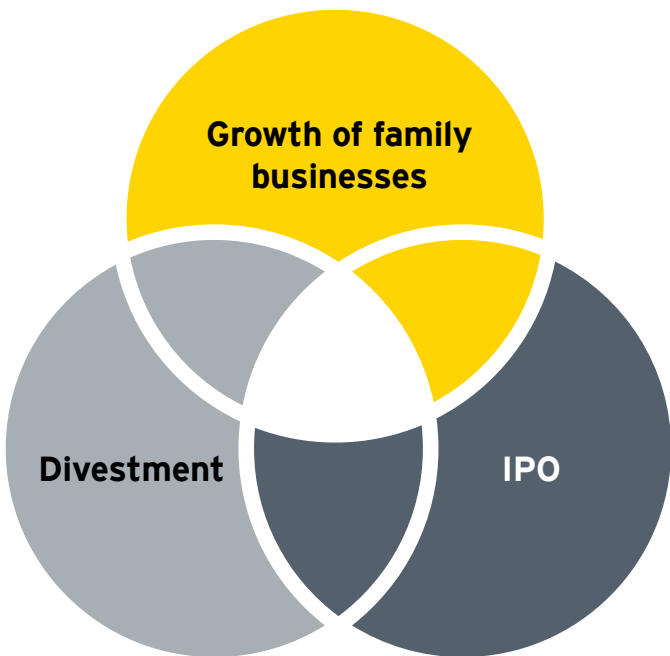
Specific tax considerations for individuals if you are planning to migrate to Singapore

- ▶ In general, income which is sourced in Singapore or received in Singapore from sources outside Singapore will be subject to tax in Singapore.
- ▶ Resident individuals who derive income from sources outside Singapore are not subject to tax on such income.
- ▶ Foreign-source income received in Singapore by a non-resident is specifically exempt from tax.
- ▶ Tax residents are subject to graduated rates ranging from 0% to 22% (as at June 2019).
- ▶ Non-residents are taxed based on a flat rate of 15% (without personal relief) or the resident rates (with personal reliefs), whichever is higher (as at June 2019).
- ▶ Non-resident individuals employed for not more than 60 days in a calendar year in Singapore are exempt from tax on their employment income derived from Singapore.
- ▶ Many forms of Singapore-source investment income are tax exempt.
- ▶ Capital gains are not taxed in Singapore, provided the individual is not regarded by the Inland Revenue Authority of Singapore to be carrying on a trade.



Evolution of family businesses

The Family Office is often instrumental in helping the family to manage its shareholdings in one or more businesses, given its appreciation of the family’s long-term goals and objectives, and the family dynamics. A typical family business goes through three key phases, Growth, Initial Public Offering (IPO) and Divestment, and in each phase, the Family Office can help to facilitate this transition.



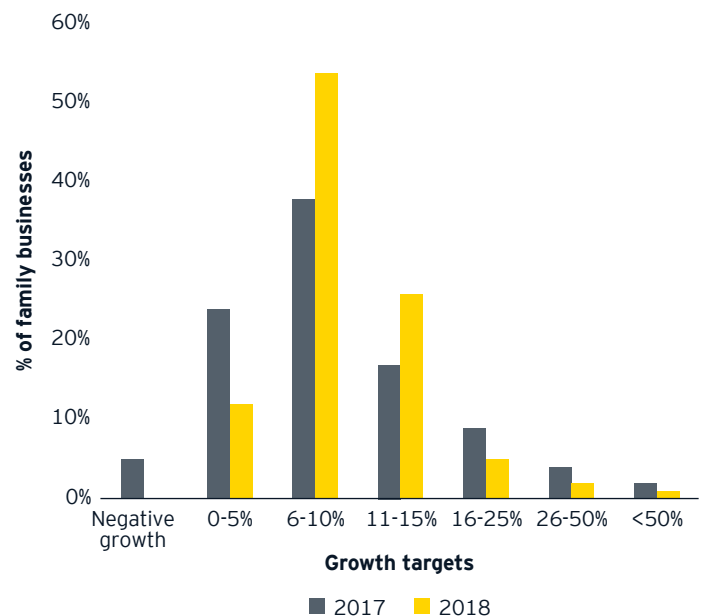
Growth of family businesses

Based on the *2018 EY Growth Barometer report*, over one-third of family businesses are targeting growth rates over 10% in the coming year. By comparison, only about one-quarter of non-family businesses are targeting similar growth.

There is also a broad uplift in optimism for family businesses in term of growth, with a 9% increase (over 2017) in family businesses targeting double-digit growth and a 16% increase for those targeting growth of a 6%-10% range.

Lastly, it is observed that all companies surveyed are targeting growth, contrasting starkly to the findings in 2017 where 5% of the total cohort of respondents was looking at declining revenues.

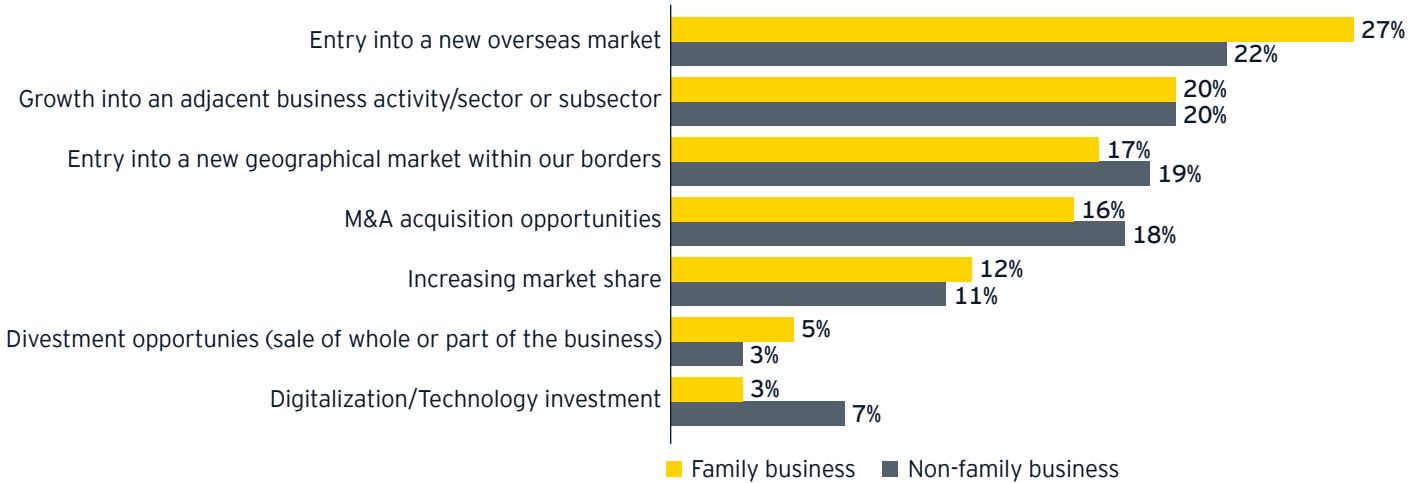
Growth targets of family businesses



"We see here two factors at work," says Marnix van Rij, EY Global Family Business Leader. "Across the world, middle-market companies are grasping the upside of disruption, expanding beyond their borders and creating new business opportunities.

But we also see family businesses using the advantages of greater agility and streamlined decision-making to move faster than their non-family business peers."

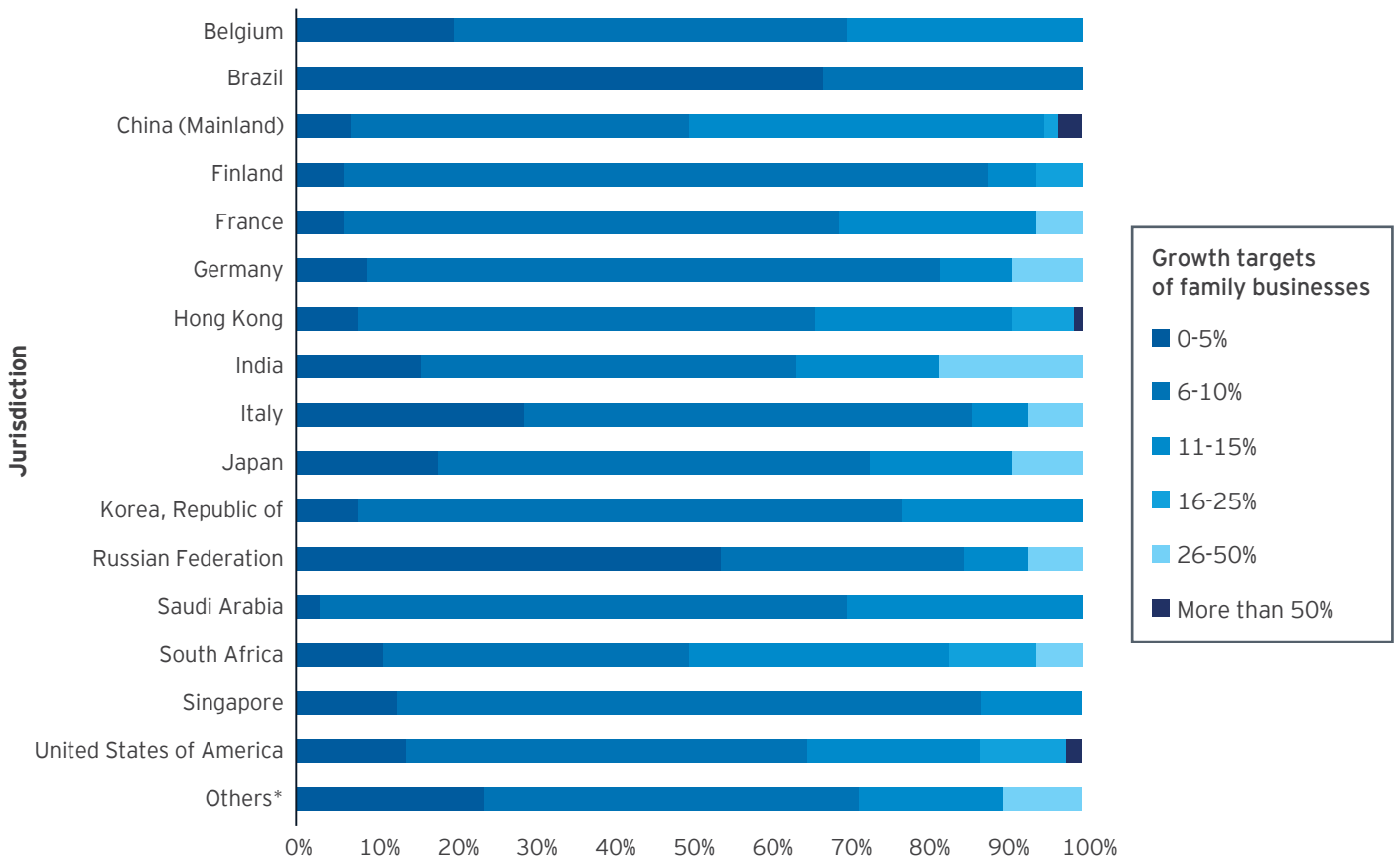
Strategic priorities for growth



Family businesses are more likely (compared to non-family businesses) to prioritize entry into a new overseas market as a growth strategy. Another key growth strategy for family businesses is to expand into an adjacent business activity or sector/sub-sector.

Growth targets of Asian family businesses are being led by economies in Asia-Pacific with particular strength in India and China.

Growth targets of family businesses (by jurisdiction) for 2018



In Asia, the story is similar. Business optimism amongst Asian family businesses continues to rise in 2018 due to the bullish economies of Asia-Pacific. Growth is being led by economies in Asia-Pacific with particular strength in India and China. Here, over 70% of family businesses based in these 2 economies are planning a double-digit growth this year. This is well in line with IMF/World Bank's GDP growth forecasts where India and Mainland China are expected to grow the fastest. "China's advancement of the Belt and Road (B&R) Initiative brings fresh unprecedented overseas investment opportunities for Chinese companies." says Loletta Chow, EY Asia-Pacific Growth Markets Leader.

"President Xi's significant investment in projects, such as the Belt and Road Initiative, the creation of a Silicon Valley in the Greater Bay Area and the ambition to dominate areas of new technologies, especially AI, robotics and biotech, all offer significant opportunities for Chinese millennials," says Dr Roger King, Professor of Finance, Hong Kong University of Science and Technology Business School.

The growth optimism of Indian family businesses is unparalleled with more than 70% of companies expecting to grow at more than 10%. This is despite the introduction of a transformational tax regime under GST in India. Almost half of family businesses in 2018 plan to grow in terms of employees and hire more full-time staff.



China's advancement of the Belt and Road (B&R) Initiative brings fresh unprecedented overseas investment opportunities for Chinese companies.

Loletta Chow, EY Asia-Pacific Growth Markets Leader

Successful Family Businesses often focus on these key growth enablers:-

- Talent
- Technology
- Regulations
- Agility

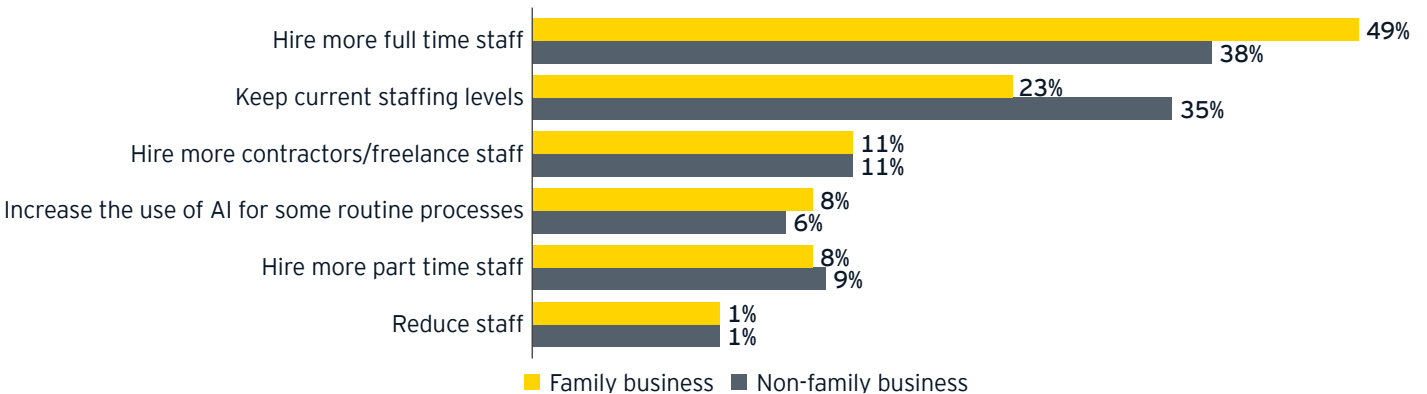
Talent

Family businesses have a greater focus on talent as a growth enabler than their peers. Almost half (49%) in 2018 plan to grow in terms of employees and hire more full-time staff, compared to 38% of non-family businesses. They also prefer to hire full-time staff, rather than to rely on the gig economy for contractors/ freelance staff or hire part time staff, as they see the ability to harness the power of their employees' creativity and insight as the most important approach to increasing innovation for family businesses.

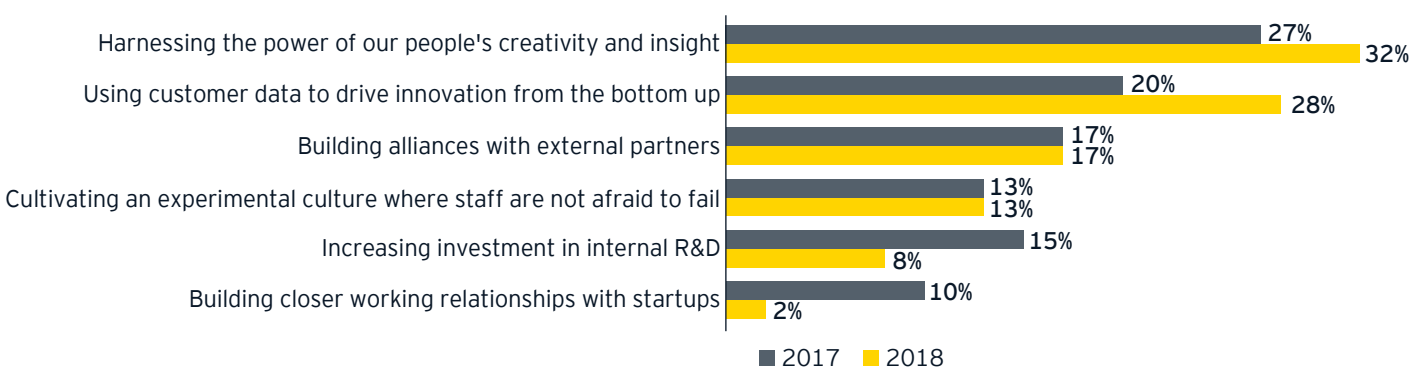


We see family business seeking to lock in scarce talent, building on established skills in motivating staff over the long term.

Hiring plans



Priorities of family businesses

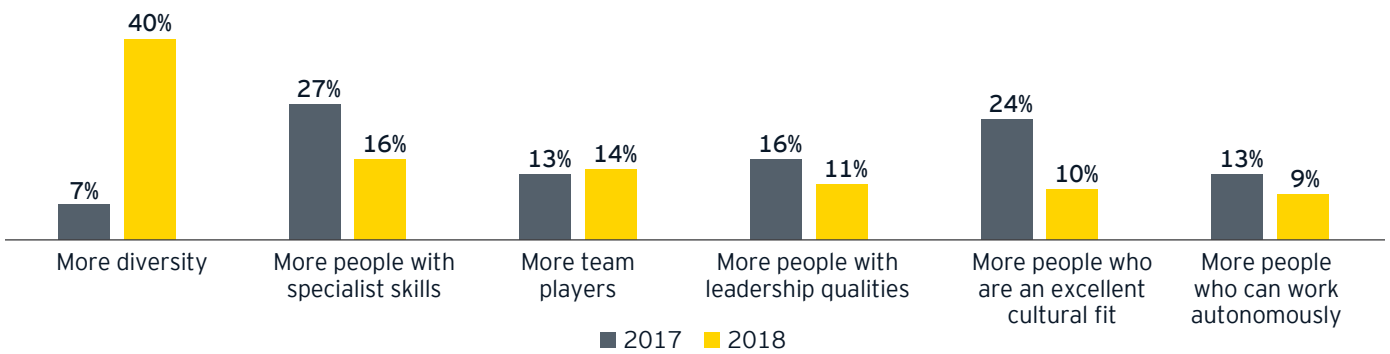


“We see family businesses seeking to lock in scarce talent,” says van Rij, “building on established skills in motivating staff over the long term, while determinedly looking to attract young digital talent into their organizations.”

40% of family businesses see diversity as their biggest priority for their recruitment agenda. The 37% increase in focus from 2017 reflects a growing recognition that diversity is a key contributor to team efficiency, success and decision-making.

Another key priority is recruiting talent with specialist skills in view of the importance to build a strong foundation for science, technology, engineering and mathematics (STEM) subjects in education.

Focus on Talent for Family businesses

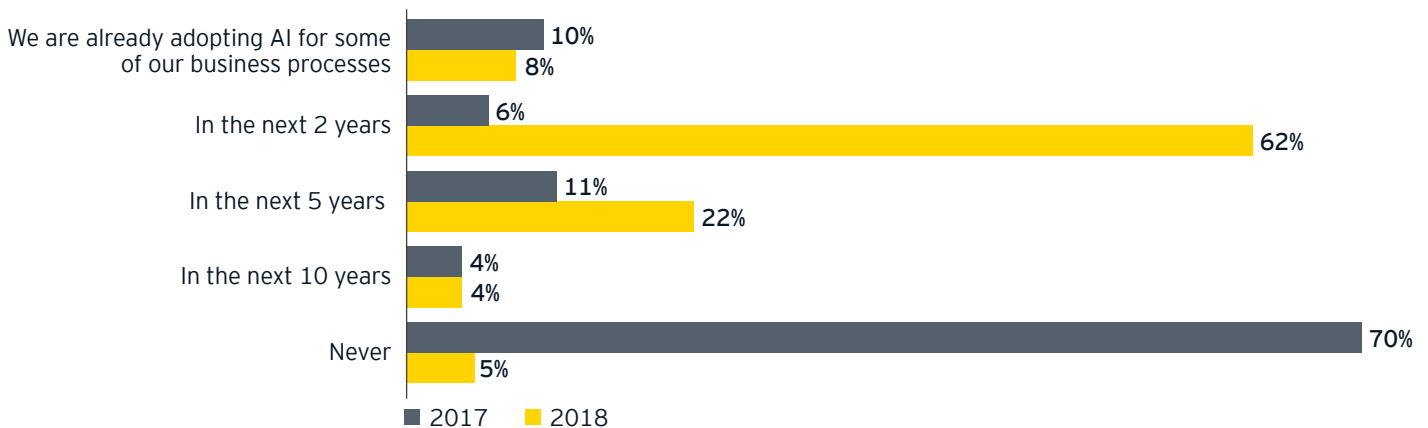


Technology

The digitization of everything, while long-predicted, is now happening at such an accelerated pace that in line with all middle market leaders, family business CEOs are also racing to embrace Artificial Intelligence (AI). As with all respondents, 62% of family business leaders plan to adopt AI within 2 years, a massive 56% swing upward from just 12 months ago.

Cognitive systems are transforming almost every area of business processes from routine back-office to the customer experience. Almost one in three family business C-suites are employing technology to improve productivity, just as almost one in four views sector convergence as the disruptive megatrend having the biggest impact on business (after demographic shifts with 33% of responses).

Stages of AI adoption by family businesses



As talent becomes ever more mobile, “family businesses are leveraging the special characteristics that can build loyalty and trust to attract scarce talent,” says van Rij.

The focus on talent extends to factors that would most accelerate the growth of family-owned companies. Here it is the top-rated option, with over third of responses (34%), and 5% ahead of non-family businesses.

“40% of family businesses see diversity as their biggest priority for their recruitment agenda.”

From the *EY Growth Barometer 2018* survey results, 31% of family business leaders are looking to technology investment to transform processes, while 21% see technology as a means to deliver an improved customer experience and to create new business models. The use of customer data is also one of the most important approaches to increasing innovation for family businesses. While the respondents are at different stages of AI adoption, none doubt its critical role in the future.

“62% of family business leaders plan to adopt AI within 2 years, a massive 56% swing upward from just 12 months ago.”

Varun Mittal, EY ASEAN Fintech Leader explained the growing role of AI in businesses:

“Real AI is not artificial, it is real intelligence which helps them take real-time actions and decisions which impact their business.

- ▶ Augmented Intelligence: augments existing solutions and human beings in undertaking their tasks more effectively.
- ▶ Actionable Intelligence: enables stakeholders to take decisions or trigger actionable recommendations instead of just insights.
- ▶ Auditable Intelligence: logic and trail of actions which lead systems to behave in a specific way to prove to regulators in the scenario of error/dispute.”

In terms of opportunities with digitization, for example, Bitcoin’s underlying technology – distributed ledger technology – could potentially offer some use and benefit in businesses. The focus is not about investing in bitcoins but rather what the technology could mean for business and operations.

Regulations

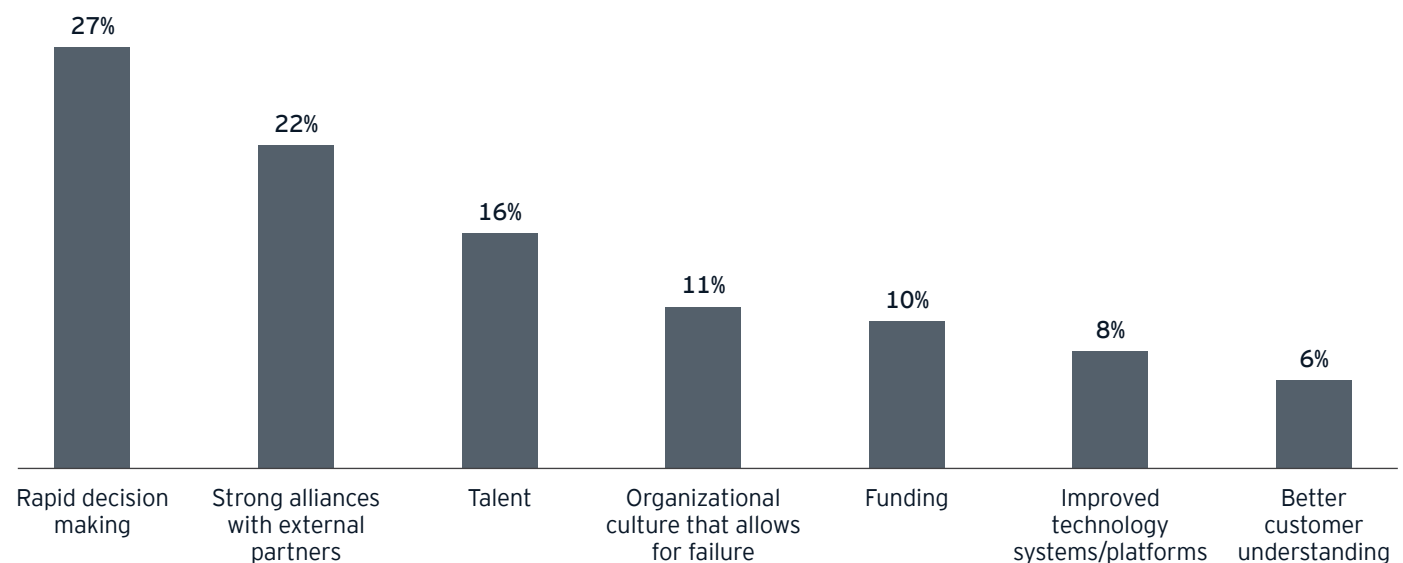
In a clear shift from 2017, regulation emerges as a new force in stimulating innovation for more than one in four of family business executives globally.

“We have seen the impact of regulation on carbon emissions in helping accelerate innovations in electric vehicles,” says van Rij, “and new European data privacy laws will spawn a new subsector of start-ups focused on helping companies comply with these stringent new regulations.”

Agility

As the pace of change ramps up, company agility becomes more critical to survival and growth. Globally, 27% of CEOs rate rapid

Factors improving company agility



decision-making as the number one factor in improving agility, similarly concurred by family business leaders.

Another key approach to increase innovation is by building external alliances. These external alliances can take many shapes, from project-based collaboration to whole supply chain ecosystems. Other companies are systematically scanning the horizon for start-ups that can accelerate their innovation strategy.

“Owners of family businesses are tightly linked with the management and execution of strategy,” says Thomas Zellweger, Professor of Business Administration with a focus on Family Business at the University of St Gallen. “This allows them to make decisions fast and to execute them. However, it is also true that they can wait out periods of uncertainty, waiting for clarity and then acting fast, but later in the cycle.”

Family business executives are responding to accelerated change with one in four saying they are spending at least half their time on future strategy, 8% more than their non-family business peers. Of those that agree that even this is not enough, four in ten are looking for a wider pool of managers to help take on some operational activities to free them up to focus on the future.

Family businesses are focused on sustainable growth, protecting the assets of the business in the long term. Decisions are also made with the involvement of fewer people, they are made fast and with a percentage of gut rather than data. In that sense, they are more entrepreneurial.

“Globally, 27% of CEOs rate rapid decision-making as the number one factor in improving quality, similarly concurred by family business leaders.

Headwinds to growth

External risks

With family business leaders' focus on overseas expansion, slow global growth is unsurprisingly the top-rated external risk to growth in 2018.

Other external risks that should be on the radar of family businesses include slow local growth and costs/availability of financing via equity or credit, risks that have increased since 2017.

Where family businesses are the greatest challenges to growth, insufficient cash flow rises to the top, and this has significantly increased from 2017.

"Top-line revenue growth can lead to a squeeze on cash flow without strict cash flow management," says Dr Joseph Astrachan, Professor Emeritus, Kennesaw State University. "As

new markets are explored, the terms and conditions covering receivables may lengthen.

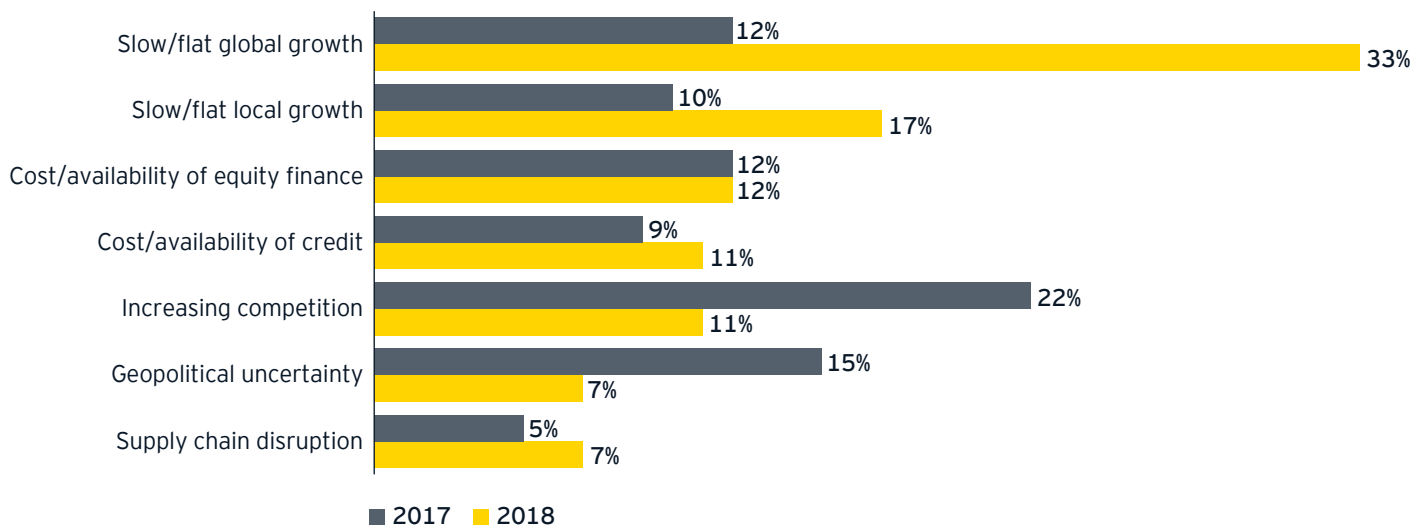
Adjusting to new patterns of cash out and in requires good data analysis."

The pressure on working capital is not matched by access to capital, which hardly registers. "The issue is not accessing long-term finance," says Rij, "but finding working capital fast to respond to the rapidly changing business environment leaders find themselves in."

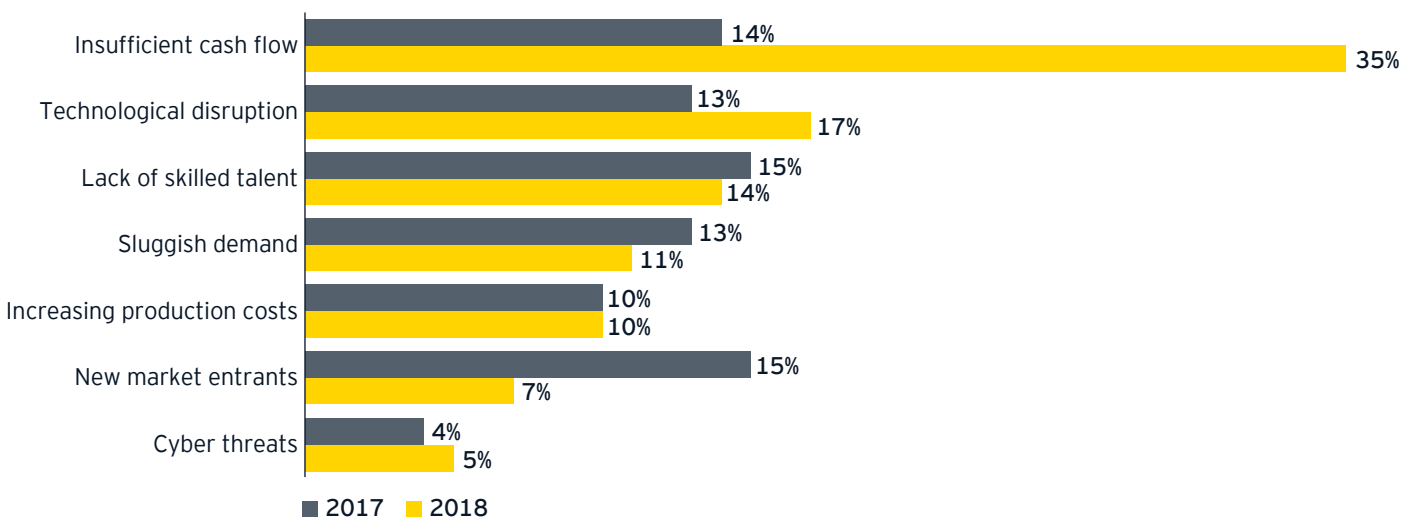
The Future of family businesses

A long-term focus allows family businesses to be more strategic, to invest for the long-term in both people and technology and to respond fast to the accelerated pace of change. They are growing faster and hiring more than non-family peers.

Greatest external risk to growth of family businesses



Greatest challenge to growth of family businesses



Initial Public Offering (IPO)

Global IPO activity in 2018

EY's Global IPO trends: Q2 2018 report observes that risks and uncertainties returned to the IPO market in Q2 2018 as geopolitical frictions and shifting trade policies softened IPO confidence in many parts of the world, resulting in declines in IPO activity for the first half of 2018 (H1 2018). However, there were several highlights to note:

- ▶ With 660 IPOs raising US\$94.3b in H1 2018, H1 2018 saw the highest proceeds for the first half of the year since H1 2015 (704 IPOs raising US\$110.1b).
- ▶ The Americas, led by the US, were up 18% by deal numbers and 31% by proceeds in H1 2018 relative with H1 2017. There were 122 IPOs on Americas exchanges, which raised US\$35.3b for H1 2018. This is the first time since 2014 where Americas regained the lead in proceeds among regions.
- ▶ India's IPO market continues to thrive, being the second most active exchanges by number of IPOs globally in Q2 2018. India's H1 2018 IPO activity was 32% and 31% higher respectively than H1 2017 in terms of number of deals and proceeds.

Given the current uncertainties in the IPO market, issuers may want to consider a multi-track approach, where organizations prepare for their IPO so that they are ready to go when the window opens, but remain open to alternate funding options and be flexible in terms of timing and pricing. The M&A market is one such alternative.

Asia-Pacific

Despite investor appetite for IPOs across the Asia-Pacific region, volumes in the half of 2018 declined 37% while proceeds were down 17%, compared with 2017. However, Asia-Pacific still accounted for a 46% share of global IPOs and 31% of global IPO proceeds in H1 2018. Cross-border IPO activity is up across the Asia-Pacific region in Q2 2018, with 17 outbound IPOs representing 5.4% of all Asia-Pacific issuers listed outside Asia-Pacific. Five of the ten most active exchanges by deal numbers were from this region in H1 2018.



Strong macroeconomic fundamentals and investor appetite act as a counterbalance to the otherwise volatile performance of IPO activity across the region. Following the general declines in IPO performance in the first six months of 2018, largely resulting from recent interest rate increases, global political and economic uncertainties, we expect to see a rebound in the deal size of the IPOs in the second half of the year as a number of mega IPOs begin to hit the market.

Ringo Choi, EY Asia-Pacific IPO Leader

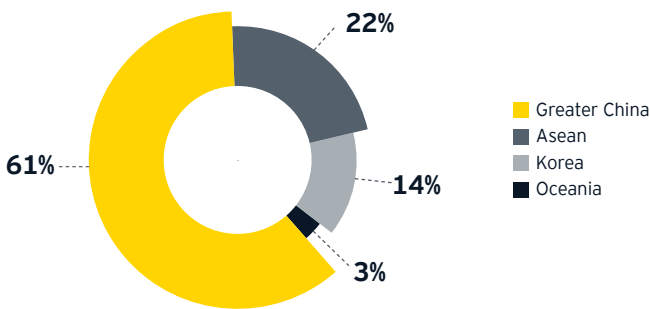
Snapshot of IPOs Across Asia-Pacific in 1st half of 2018

<p>Greater China</p>	<p>Japan</p>
<p>Government policies that keep a tight rein on the IPO approval process for mainland China exchanges may partly explain the drop in IPO activity.</p>	<p>Japan is performing well compared with the rest of the region, boosted by big gains in Q2 2018 with 21 IPOs raising US\$1.5b. Q2 2018 IPO activity pushed Japan to see only a 5% decline in volume and an 8% increase in proceeds in H1 2018.</p>
<p>Southeast Asia</p>	<p>Australia</p>
<p>IPO activity has been driven by entrepreneurial companies coming to market. However, geopolitical uncertainty, trade issues and macroeconomic conditions are dampening investor enthusiasm for IPOs.</p>	<p>Australia's Q2 2018 deal volumes may have been down slightly compared to Q2 2017, but proceeds are continuing to rise at 117% as the size of the companies coming to the public market keeps growing.</p>

Financials and technology dominate the top 10 deals on Asia-Pacific exchanges in Q2 2018, representing 21% and 45% of proceeds and 7% and 20% of Asia-Pacific IPO deal numbers, respectively.

As of 30 June 2017, among the global Top 500 Family Businesses (source: EY statistics), 59 were from Asia-Pacific. Of the 59 family businesses, 52 (or 88%) of them were listed and the other 7 were private. Among these 52 listed enterprises (23, or 44%) were listed on HKSE, ranking the number one position. The second largest stock exchange is Korea Stock Exchange, of which 7 (or 13%) were listed.

Regional headquarter region



Key Benefits of IPO

A majority of the family business in Asia-Pacific from the global Top 500 are listed. Some geographies, such as the US, have been more profitable for IPOs than others; as have some sectors, such as life sciences and technology. But for companies overall, IPOs offer some key advantages:

- ▶ An IPO remains a great opportunity to fund growth and increase a company’s exposure among stakeholders and the public. This can boost the brand and help attract new talent.
- ▶ IPOs can help investment funds keep their capital moving while keeping control of the company. Unlike M&A, an IPO can enable a company to continue functioning independently – without being absorbed by a larger entity – thus maintaining its strategic freedom.
- ▶ IPOs are an increasingly viable and highly attractive exit route. Sixty percent of institutional investors believe PE or VC-backed IPOs offer equal or better returns on investment than offerings without financial sponsors.



“ Technology unicorns were the driving force behind Greater China’s IPO activity in Q2 2018. With several more technology mega IPOs in the pipeline, and IPO activity in the financial services and biotech sectors heating up, we anticipate stronger IPO activity levels in second half of 2018.

Terence Ho, EY Greater China IPO Leader

Challenges of a family business IPO

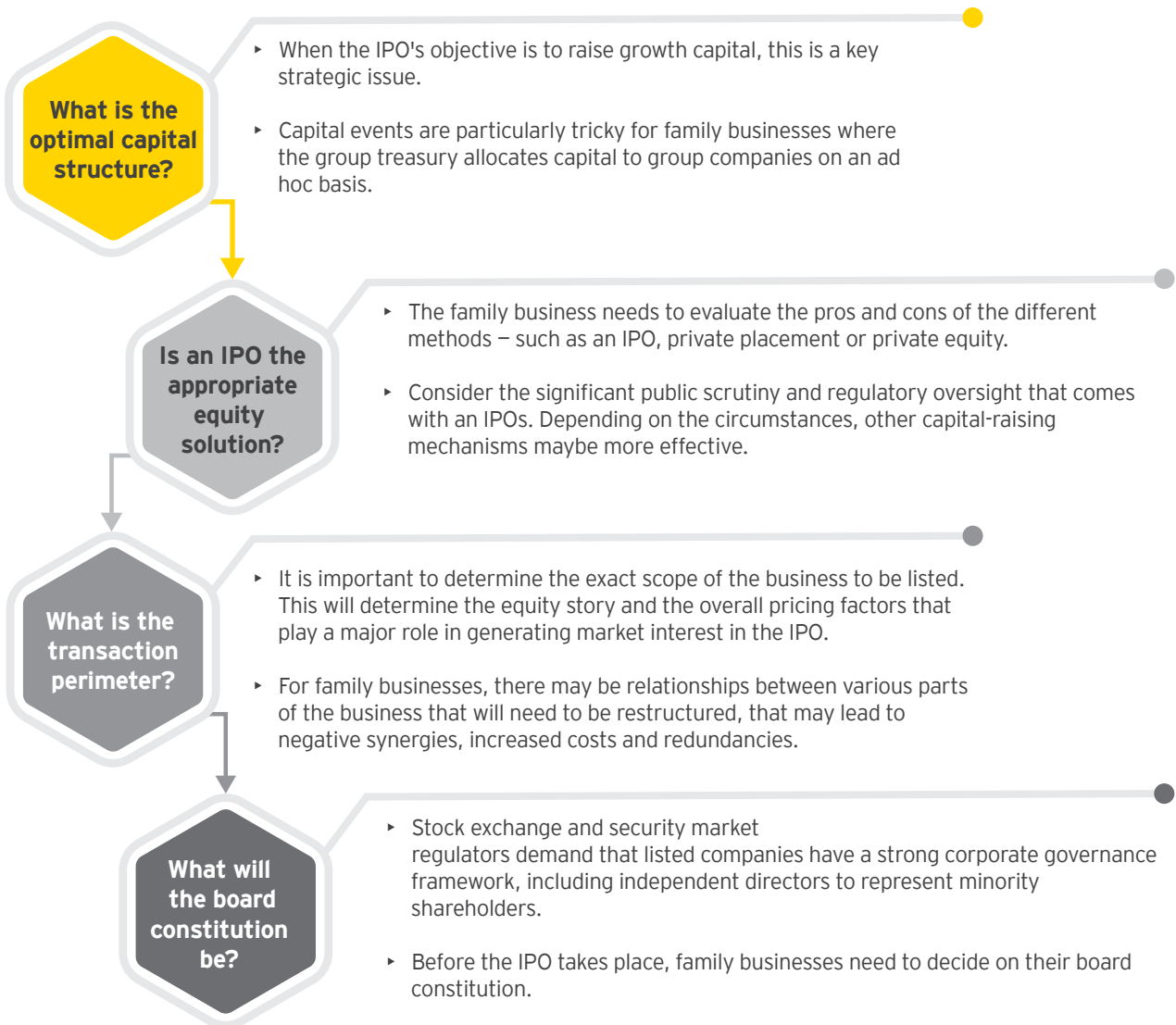
There are many reasons why a Family Business might consider an IPO, such as to enable succession and estate planning, to monetize existing investment, to increase visibility or to raise growth capital.

IPOs are once-in-a-lifetime events that need careful planning and preparation. One of the biggest mistakes a company can make is to approach an IPO purely as a capital event. The changes involved in the IPO journey, from private to public company, are permanent and far-reaching.

Pre-IPO questions for Family businesses

Pathway to a Successful IPO

There are a number of strategic issues family business considering an IPO must address, including:



Finding the right spot: how can companies ensure they select the right market for their IPOs?

IPO candidates have a choice of market

In a global environment with highly connected electronic market platforms and converging regulatory requirements, many issuers now have a choice about where to list.

Most companies – 89% of global IPOs, accounting for 78% by IPO volume – go public in their home markets (where they are incorporated). This is where investors expect listings to take place because companies are often tightly linked to economic environments in their home country (the economy, culture, infrastructure, technology base and taxes) and because it shows a company's commitment to the relevant capital market regulations.

However, it could be argued that a company is most at home where the people can best understand and evaluate its business model.

Listening to investor insight

In EY's global survey of institutional investors, over half of those surveyed said they considered the exchange venue to be an important factor when making investment decisions.

When asked what the main criteria for their assessments of IPO destinations were, investors cited liquidity availability, confidence in the regulatory environment, and corporate governance standards. Further, if the IPO is listed abroad, they expect compelling reasons for this decision and expect that the company will have a presence in the local market where the listing is made.

Setting goals before picking a venue

When embarking on an IPO, the first thing a company must do is set its goals. This will enable it to establish the specific requirements for its IPO, which will help to determine which

capital market or listing zone (the Americas, Europe, Asia, etc.), and which stock exchange and segment will actively support its strategy.

To achieve the right combination of corporate and capital market strategy for the IPO, companies can choose from more than 100 stock exchanges and listing options worldwide.

But which stock exchange is right? Does it make sense to go public or have a primary listing outside the company's country of incorporation? How flexible is the company on the capital market?

Assessing each potential destination

A guided assessment of potential IPO destinations can help a company clearly establish which destination best fulfils its main criteria. Decisions about the potential location of your IPO should involve careful consideration of 5 main factors:



Selling brands abroad: cross-border listing

Today, companies have an increasing range of options when deciding to go public, including:

- ▶ Listing on their domestic stock exchange
- ▶ Accessing foreign capital markets
- ▶ Considering a dual listing

The chosen path will significantly affect the value attributed to the business, available liquidity, the volatility of shares, and future performance for investors.

Traditionally, companies floated on their domestic markets. But with the increasing globalization of capital markets, a growing number of issuers are seeking better growth prospects by listing abroad. And, in truth, the choice of listing market can be a critical factor in an IPO's success.

In Asia-Pacific, the main markets attracting cross-borders are HKSE and SGX. Hong Kong has been the hot spot for China based enterprises for years and is now attracting more applicants from ASEAN, most of whom would previously consider Singapore as the first choice. For certain specific industries, such as hi-tech and education, NYSE and NASDAQ would be the first choices.

IPO process

For many fast-growing private companies looking to fund growth, the rejuvenated market is an attractive route to raising capital. However, it also presents a number of challenges.

Planning your IPO

Ideally, planning should begin up to two years before the listing and take into account a number of factors when designing an IPO road map:

- ▶ Decide whether an IPO is right for your business. Some businesses may not be ready for an IPO, and some may not have the right culture.
- ▶ Identify the best market for your IPO. There are a number of high-performing markets companies should consider and the choice of venue needs to be carefully considered from a regulatory and financial perspective.
- ▶ Ensure a strong management team is in place. For successful pre- and post-IPO phases, the management team needs to have a blend of capabilities and a high level of experience.
- ▶ Prepare your business for life on a public market. Ensure the business's systems, operations, reporting and corporate governance will meet the level expected of a listed company.
- ▶ Formulate your equity story. Outline a clear direction and strategy to deliver growth and returns to potential investors.

Simple steps to an IPO

When considering an IPO, companies should not underestimate the scale of the undertaking. A few simple steps can make the process an achievable, value-enhancing journey:

- ▶ Begin the IPO readiness process early enough to allow time for getting the pre-listed company to function like a public company
- ▶ Commit enough resources to build a quality management team, a robust financial and business infrastructure, and a corporate governance and investor relations strategy that will attract the right investors
- ▶ Carefully consider the level of scrutiny and accountability you will face as a public company

Key tasks

A good IPO planning process should include the following key tasks:

- ▶ **Carry out an IPO readiness assessment**
One of the first steps in preparing for an IPO is an IPO readiness assessment. EY can assist with this through a combination of direct observation, and interviews and workshops with senior management to help identify gaps that need to be addressed
- ▶ **Formulate a strategy and road map**
Develop a strategy and road map to address all the identified gaps. EY can offer a range of services to assist with this, covering governance, financial reporting, performance improvement, IT, and risk
- ▶ **Appoint trusted advisors**
Advisors should be appointed to help deliver the program of improvement initiatives, and IPO specialists should be enlisted to provide advice throughout

Divestments

EY's annual *Global Corporate Divestment Study 2018* reveals that divestments are now a strategic imperative in every sector, and that technology – both as threat and an opportunity – is influencing the thinking around divestment. This includes family owned businesses.

Based on the study in 2018, two of the key divestment drivers that prompted the more recent divestments in Asia-Pacific are a business unit's relative weakness in competitive position in its marketplace – cited by 82% of companies in Asia-Pacific, and opportunistic situations (including unsolicited approach by a buyer) – cited by 71% of companies in Asia-Pacific.

Looking forward, a record number (83%) of companies in Asia-Pacific are planning to divest in the next two years – strikingly higher than the 36% reported in EY's previous 2017 study. Key to this shift is the intense pressure to evolve business models using rapidly advancing technology and the need to navigate ongoing macroeconomic and geopolitical issues like the recent US tax reform and Brexit. All of these pressures are placing divestments at the core of companies' growth and transformation strategy.

One of the key drivers for influencing divestment is changing the technology landscape, which is directly influencing around three-quarters of executives on their divestment plans. As new technologies power innovation, business models in almost every industry look starkly different than they did just a few years ago. For example, cloud computing is prompting a wholesale shift to the platform economy, where the "as-a-service" model now dominates. Digital technologies such as social and mobile have

significantly changed the way consumers interact with many businesses. In manufacturing, 3D printing promises to transform supply chain and logistics practices, negating the need to ship parts that can simply be printed on-site. Automated processing is also driving efficiency savings in every part of the service economy.

Globally, almost two-thirds of companies also expect to see divestments related to industry consolidation over the next 12 months.

Companies may also divest to fund technological changes, and the purpose of the technology changes are primarily to improve operating efficiency (around 82%) and address changing customer needs in their remaining businesses (around 80%).



Questions faced by companies today regarding divestment

- ▶ When should one dispose of a business that no longer fits into the future business model?
- ▶ Does one need capital to invest in new technology?
- ▶ Should divestment proceeds be invested in a different sector to enhance their product line or operating model?



Another key driver of divestment decisions is macroeconomic and geopolitical triggers, impacting about 62% of senior executives' divestment decisions. However, these companies were less likely to achieve the valuation multiple they anticipated on the remaining business, or complete the deal within the expected time frame.

In Asia-Pacific, a staggering 89% of companies cite geopolitical triggers affecting their future divestment plans.

As future buyers will take a similar view of these macroeconomic and geopolitical risks, sellers need to evaluate whether the time is right to divest. To minimize negative impacts on price, sellers can target buyers that are less concerned about macroeconomic and geopolitical impacts. These may be direct competitors or companies already operating in the relevant geography. A broad auction may also help retain pricing tension in the divestment process.

Understanding tax dynamics is becoming increasingly essential to the strategic decision of whether and how to divest in the first place, rather than treated as a detail to be handled during execution after the decision to divest has been made.

Another significant factor affecting plans to divest is tax policy changes, according to 87% of the respondents. More than ever, tax is affecting sellers' ability to achieve desired results. Tax policy can make divestment plans less viable or, alternatively, offer new opportunities to improve value. 80% of companies highlighted tax policy changes as one of the most significant geopolitical shifts that may affect their plans to divest. New policies are reshaping the tax profile of businesses, from US tax reform to the OECD/G20 Base Erosion and Profit Shifting (BEPS) project cascading through Europe.

Lastly, sector convergence trends may widen the pool of potential buyers, but it also creates more competitive tension among sellers.

Sellers should take an outside-in perspective of their business portfolio – understanding shifts in customer expectations, future revenue models and growth trajectories, as well as competitive positioning.

Preparing for divestments

Ramp up analytic skills

Nearly two-thirds (64%) of companies struggle to find people with the right blend of technical and analytics skills to lead a data-driven portfolio review process.

Given that a complete set of these skills is rarely found in one person, it is recommended building teams with a mix of deep business knowledge, specialized functional skills (e.g., strategy, finance, marketing, supply chain) and analytics skills, including data management, modeling and visualization.

With analytics skills in particular, companies will need to consider all options in finding the right talent. Do I hire? Should I acquire a company with the expertise? Should I outsource this function? Should I retrain my workforce to acquire analytics skills? Companies should consider a combination of these options based on timeline, budget and sector-specific requirements.

Optimize performance with dynamic decision modeling analytics

Dynamic decision-modeling, or prescriptive, analytics can help companies determine how to optimize performance across their portfolios, by taking action on operational data outputs and feeding results back into the model.

Companies should use prescriptive analytics to understand their current portfolio's performance and valuation, and how to best allocate and raise capital. For example, prescriptive analytics can help identify where to

Scrutinize your business levers with performance analytics

Performance, or descriptive, analytics can summarize a company's historical data to unearth critical, value-driving insights. Performance analytics enables companies to learn from past behaviors – whether around customers, cash flow, logistics or workforce – and understand how they may affect future outcomes. For example, companies can analyze historical customer buying patterns to determine product preferences, which can be used to streamline the sales cycle.

Performance analytics and visualization tools can also be applied to portfolio decisions, helping to define divestment parameters and presenting them clearly and efficiently to the board and the strategy team. Companies that use these tools are 24% more likely to achieve a sale price above expectations, and 20% more likely to complete the deal faster than expected.

make investments as well as potential divestments, and where the capital raised can be reinvested in the portfolio to drive growth.

In our survey, more than two-thirds (69%) of sellers say they expect to make greater use of prescriptive analytics for portfolio decisions over the next two years. Those that use these analytics are 76% more likely to achieve a higher than expected price for the business being sold.

Make a decision whether to divest?

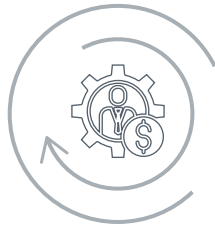
In this fast-moving market, companies need a portfolio review process that makes them ready to act. Those that conduct portfolio reviews annually are twice as likely to exceed performance expectations for divesting “at the right time.” However, many businesses are at risk of acting too slowly, as 56% of the companies indicated in EY’s survey that they have held on to assets too long. Many do not regard divestments as a catalyst for growth, or want to admit “failure” in one of their business units.



Companies should start their review process with the following questions:



Do we have the right capital structure to meet our strategic priorities?



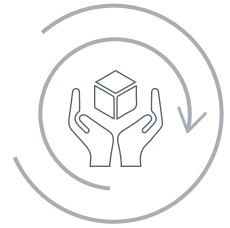
What is the best way for our company to grow – and is it aligned with our core businesses?



What steps can we take to enhance our portfolio’s performance?



How can we improve the performance of our assets?



Are we the best owner of certain assets?

The answers will help companies develop their divestment road map. This also gives the board and the strategy team a framework for further discussion and action.

Consider applied analytics as no longer optional

Strategy teams are making greater use of applied, or predictive, analytics capabilities in their portfolio reviews.

In particular, they are using applied analytics to:

- ▶ Understand impact on various divestment scenarios in real time
- ▶ Help identify incremental investments or operational improvements to position the business for sale
- ▶ Identify how to re-invest capital generated by the divestment and measure its impact on growth

Companies with effective predictive analytics capabilities are 81% more likely to achieve a sale price that exceeds their expectations and 35% more likely to close their deals ahead of schedule.

Build an "always-on" review process

Businesses that assess their portfolios to determine business units or brands to grow or divest twice a year – rather than on an opportunistic basis – are 41% likelier to achieve a sale price above expectations.

They are also three times more likely to complete an exit sooner than expected.

Portfolio optimization requires timely and frequent feedback through a decision analytics platform that transforms data into insight.

Seek out social metrics

Social media is often overlooked as a vital source of data, despite its potential value to companies – especially those with a strong connection to consumers. Social media can reveal market sentiment, key stakeholder perceptions and trends that may not be evident from internal data. For example, what are customers, suppliers and employees saying about the company’s reputation? What product or pricing strategy is generating positive feedback from customers and the media?

Just over half (51%) of companies expect to make greater use of social media analytics in the future – more than double the number in our 2017 survey. Removing functional silos between a company’s marketing teams that may be managing social tools, and the strategy team that can benefit from access to the data, will unlock the value of social media in portfolio decisions.

Lead with a data-driven story

Assess your proprietary financial and operational data alongside relevant external data, to understand current valuation, manage company growth objectives, assess the impact of various scenarios, and allocate and manage the return on capital.



Conclusion

The last decade is witness to a number of momentous developments on multiple fronts, ranging from commercial to regulatory matters, such as:-

- ▶ The fourth Industrial revolution is changing the world and how businesses operate, as well as creating the next wave of wealth
- ▶ The rise of Asia, with the emergence of industry leaders from Asia, has become a key driver of global economic growth
- ▶ As the patriarchs and matriarchs in Asia advance in years, it is leading to the hand-over of the reins of family wealth to the next generation
- ▶ There has been a significant increase in cross-jurisdictional transparency of financial assets, and a marked global shift towards a focus on substance (rather than on mere legal form) and a coordinated alignment of tax rules across various jurisdictions

These have necessitated an evolution of how families plan their wealth for future generations, and permanently transforming the face of family wealth planning.

For many Asian families, a fully operational Family Office will be a key component of any successful intergeneration planning. As you embark on this journey, you should:

- ▶ Take stock of where your activities are to be carried out practically, and align your wealth planning structure with them
- ▶ Accept that transparency across jurisdictions is the new norm, understand what it entails and embrace the compliance that comes along
- ▶ Have a holistic management of the sharing or exchanging of financial data across various sources
- ▶ Consider the sustainability of the structure, not just in the next decade, but across generations

The image shows two men in business suits standing outdoors. The man on the left is pointing at a tablet held by the man on the right. They are both looking at the tablet. The background is a modern building with a grid-like facade. The text is overlaid on the right side of the image.

Appendix

Home Jurisdiction Considerations

Below are some of the key home jurisdiction tax considerations that may need to be considered when setting up your investment vehicles.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice. Unless otherwise stated, the information contained is current as of 1 January 2019.



Considerations in home jurisdictions

China (Mainland)

1. Overview of taxation for individuals

The New Individual Income Tax (“IIT”) Law is effective from 1 January 2019. Under the New IIT Law, it states that “An individual, who has a domicile within the territory of China or who has no domicile but has stayed within the territory of China for 183 days or more, shall pay IIT for his/her income obtained in and/or outside the territory of China according to the provisions of this Law. An individual who has a domicile in China refers to an individual who has household registration, family ties or economic interests in China. Individuals with no domicile in China could be exempt from the China IIT on non-China sourced income paid by foreign companies or individuals, after a tax registration with competent tax authorities, if they are China tax residents for no more than six consecutive years. When an individual resides outside of China for more than 30 consecutive days in any tax year during which he or she resides in China for 183 days or more, the consecutive years in which the individual resides in China for 183 days or more will be re-counted again.

Real estate located in China

In general, China exercises tax jurisdiction over the transfer of real estate or land-use rights located in the territory of mainland China regardless of the holder’s domicile or residency status.

Real estate located outside of China

IIT law and regulations stipulate that individuals who are domiciled in China are subject to IIT on their worldwide income. Individuals who are domiciled in China may be liable for IIT on the gain arising from the transfer of real estate located outside China.

2. Types of tax

Inheritance tax

At the time of publication, no statute has been passed to provide guidance on inheritance tax.

Gift tax

No gift tax is levied in China.

Real estate transfer tax

From an estate and succession perspective, no real estate transfer tax is levied in China. However, an individual’s transfer of real estate or land-use rights in China may be subject to IIT, Value-added Tax (VAT), deed tax, stamp duty, and land appreciation tax.

If a transfer of real estate or land use rights is made without consideration, the property received would be considered a source of “other income” to the recipient and subject to IIT at a flat tax rate of 20%. However, the transfer by virtue of inheritance or gift under the following circumstances will be exempted from IIT:

Gratuitous transfer of land-use rights or real estate to:

- ▶ Lineal relatives (i.e. spouse, children, parents, grandparents, grandchildren and siblings)
- ▶ Dependents
- ▶ Statutory heirs and legatees upon the death of the decedent
- ▶ Spouse by virtue of divorce

If the transferee later resells the land-use rights or real estate, such a transfer will be subject to IIT. The tax base will be the proceeds from the sale of land-use rights or real estate, less the original purchase cost of the decedent or the donor, and the expenses and taxes paid by the heir in the transfer.

Business tax

The business tax has been replaced by the VAT effective 1 May 2016.

VAT

Individuals selling non-residential real estate properties should generally be subject to VAT at 5% on a net basis, (i.e. total payment collected minus the purchasing cost of the property).

For individuals selling residential real estate properties, the relevant VAT implications are as follows:

	VAT rate
Sale of residential property acquired within two years	5% on the total payment collected
Sale of “non-ordinary residential property” based on local rules in Beijing, Shanghai, Shenzhen and Guangzhou	5% on total payment collected less purchasing cost
Sale of “ordinary residential property” held for more than two years in Beijing, Shanghai, Shenzhen and Guangzhou Sale of residential property held for more than two years in cities other than those mentioned above	Exempted

Gratuitous transfer of land-use rights or real estate to lineal relatives, dependents, statutory heirs and legatees upon the death of the decedent and transfer of land-use rights or real estate as a gift to a spouse by virtue of divorce are exempted from VAT.

Deed tax

Inheritance by statutory successors (i.e. spouse, children, parents, sibling, and grandparents) is exempt from deed tax. However, China levies deed tax on non-statutory successors who acquire real estate or land-use rights by virtue of inheritance or gift.

Deed tax rates range from 3% to 5% depending on the location. Effective 22 February 2016, the tax rate applicable to residential properties was reduced to 1%, 1.5% or 2%, depending on the size and utility of the housing.

Stamp duty

A stamp duty is imposed when a contract of property transfer is concluded. Both signing parties of the contract are liable for the stamp duty. The tax rate applicable to the contract concluded for transferring property rights is 0.05%.

Land appreciation tax (LAT)

The sale or compensated transfer of real estate or land-use rights is subject to LAT. A transferor who benefits from the transfer is liable for LAT. However, transfer of real estate or land-use rights without consideration, such as inheritance by statutory successors or gratuitous transfer to lineal family members, is not liable for LAT.

Other tax

China does not impose endowment tax, transfer duty, or net wealth tax.

3. Assessments and valuations

The tax base of properties that are acquired by virtue of inheritance or gift is the fair market value (FMV) of the property at the time of the transfer. The specific method of valuation may vary depending on the type of property.

Land-use rights and real estate

The value of land-use rights and real estate is generally determined based on the value specified in the transfer contract, which should be assessed and approved by the administration offices of land or real estate. In most cases, the tax authority relies on the assessed value. However, if the tax authority considers the assessed value to be far from the FMV, the tax may be levied on a deemed basis.

4. Trusts, foundations and private purpose funds

For the purposes of succession and estate planning, China has not issued specific tax regulations on the income from trusts or foundations.

5. Life insurance

Life insurance proceeds are exempted from China's IIT.

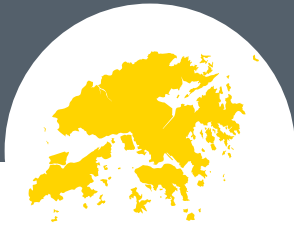
6. Exchange controls

In general, the Chinese government permits the free convertibility of current account items of China incorporated enterprises. Current account items are defined as transactions occurring daily that involve international receipts and payments. Current account foreign-exchange receipts and payments include trading receipts and payments, service receipts and payments, unilateral transfers and dividends paid from after-tax profits.

Recently, China has been relaxing its foreign-exchange controls in phases by permitting settlement in renminbi yuans (CNY) for cross-border trading transactions, including cross-border trades in commodities, services and other current account items, on a nationwide basis and then extending the CNY settlement to both inbound and outbound investments. Remittances of dividends to foreign investors and other items including income derived from share transfers, capital reductions, liquidation and early withdrawals of investments may be settled in renminbi yuans.

7. CRS regime

CRS legislation has been in force as at July 2018.



Considerations in home jurisdictions

Hong Kong

1. Overview of taxation for individuals

Individuals earning income that arises in or is derived from a Hong Kong office or Hong Kong employment, or from services rendered in Hong Kong during visits of more than 60 days in any tax year, are subject to salaries tax.

Hong Kong observes a territorial basis of taxation; therefore, the concept of tax residency has no significance in determining tax liability, except in limited circumstances.

Three separate income taxes are levied in Hong Kong instead of a single unified income tax. The following rates are the applicable rates for the three taxes for the period from 1 April 2018 through 31 March 2019:

- ▶ Profits tax: levied on non-corporate professional, trade or business income at a flat rate of 15% (or at a rate of 7.5% for the first HK\$2 million of assessable profits, subject to certain conditions).
- ▶ Property tax: levied at a flat rate of 15% on 80% of the rent receivable on non-corporate owners of real estate in Hong Kong
- ▶ Salaries tax: levied on net chargeable income (assessable income less personal deductions and allowances) at progressive rates ranging from 2% to 17%, or at a flat rate (maximum rate) of 15% on assessable income less personal deductions, whichever calculation produces the lower tax liability

2. Types of tax

Gift tax

No gift tax is levied in Hong Kong.

Estate tax

Estate duty was abolished, effective from 11 February 2006. Estates of persons who pass away on or after that date are not subject to estate duty.

Social Security

Hong Kong does not impose any social security taxes. Employers and employees are each required to contribute the lower of 5% of the employees' salaries or HKD1,500 per month to approved mandatory provident fund schemes unless the employees are covered by other recognized occupation retirement schemes.

Profits tax

Companies carrying on a trade, profession or business in Hong Kong are subject to profits tax on profits arising in or derived from Hong Kong. However, certain royalties received from a Hong Kong payer by a foreign entity that does not otherwise carry on a trade, profession or business in Hong Kong are liable to a withholding tax in Hong Kong.

The basis of taxation in Hong Kong is territorial. The determination of the source of profits or income can be extremely complicated and often involves uncertainty. It requires case-by-case consideration. To obtain certainty concerning this and other tax issues, taxpayers may apply to the Inland Revenue for advance rulings on the tax implications of a transaction, subject to payment of certain fees and compliance with other procedures.

The corporate rate of profits tax is 16.5% (or at a rate of 8.25% for the first HK\$2 million of assessable profits, subject to certain conditions).



Stamp duty

A stamp duty of 0.2% is imposed on share transfers.

Stamp duty on land transfers are as follows:

HK\$	Scale 1 duty rates ^{1,2}	Scale 2 duty rates ^{1,3}	Flat duty rate
Up to 2m	1.5%	HK\$100	15%
2m-3m	3.0%	1.50%	
3m-4m	4.5%	2.25%	
4m-6m	6.0%	3.00%	
6m-20m	7.5%	3.75%	
Over 20m	8.5%	4.25%	

¹ Subject to marginal relief.

² Subject to note 3 below, the rates are applicable to agreements in respect of non-residential properties executed on or after 23 February 2013 and agreements in respect of residential properties executed between 23 February 2013 and 4 November 2016.

³ Applicable to a Hong Kong Permanent Resident who does not own any other residential property in Hong Kong at the time of acquiring a residential property and certain other limited circumstances.

⁴ Subject to note 3 above, the flat rate of 15% is applicable to sale and purchase or transfer agreements in respect of residential properties executed on or after 5 November 2016.

On top of the rates listed above, transfers of residential properties which are acquired on or after 27 October 2012 within three years will be subject to an additional Special Stamp Duty at rates ranging from 10% to 20%.

In addition, residential properties acquired by any person, except a Hong Kong Permanent Resident on or after 27 October 2012, will be subject to an additional Buyer's Stamp Duty at a flat rate of 15%.

3. Exchange controls

Hong Kong does not impose foreign-exchange controls.

4. CRS regime

CRS legislation has been in force as at January 2017.





Considerations in home jurisdictions Indonesia

1. Overview of taxation for individuals

Indonesian resident taxpayers are subject to tax on income earned globally. Non-residents are subject to tax on Indonesia-sourced income. Diplomats and representatives of certain international organizations are exempt from Indonesian tax if the countries they represent provide reciprocal exemptions.

An individual is considered an Indonesian tax subject if the individual domiciles or resides in Indonesia; or if present in Indonesia for more than 183 days in a given year; or if the individual presents in Indonesia during a calendar year with the intention to reside in Indonesia.

The resident tax subject shall become a resident taxpayer if he/she has obtained Indonesia-sourced or foreign-sourced income and the amount of such income exceeds the Non-Taxable Income. Indonesian resident taxpayers are taxed on worldwide income.

Non-Resident

Individuals who do not fulfil the criteria as resident tax subjects, as mentioned above, shall constitute as non-resident tax subjects. Further, non-resident tax subjects are individuals who run business or conduct activities through permanent establishment in Indonesia, but do not reside in Indonesia or exceed 183 days in a year in Indonesia; or individuals who are able to receive or obtain income from Indonesia which is not derived from running business or conducting activities through permanent establishment in Indonesia.

Non-resident tax subjects are taxed only on Indonesia-sourced income, with respect to any applicable tax treaty between the governments (i.e., double tax avoidance).

The table below shows the statutory income tax rate for a resident taxpayer:

Taxable income bracket (IDR)	Tax rate (%)
Up to 50 million	5
Over 50 million but not exceeding 250 million	15
Over 250 million but not exceeding 500 million	25
Over 500 million	30

Non-resident tax rate

The tax rate for a non-resident taxpayer who receives Indonesia-sourced income is 20% (final).

2. Types of tax

Wealth tax

There is no wealth tax in Indonesia. However, Indonesian income tax law states that an increment in wealth originating from income not yet subject to tax is taxable. In the Indonesian individual income tax return, the individual is required to declare assets and liabilities owned at the end of the fiscal year. From this figure, the tax office will assess whether there is any increment or addition of assets and/or liabilities which may be originating from income not yet reported in the tax return.

Stamp duty

In general, documents (i.e. letters, notarial deed, securities, checks and deposit checks) are subject to stamp duty with tariff up to IDR 6,000 (less than S\$1). The need of the stamp duty depends on the use and purpose of the documents.

Gift and grant tax

Indonesian income tax law stipulates that gifts from parents directly to children, or vice versa, and gifts or grants received by religious organizations, educational organizations, or social organizations, as stipulated by the Minister of Finance (MoF), are not taxable as long as there is no relation with business, employment, ownership, or control among the parties concerned.

Real estate transfer tax

The transfer of real estate is subject to a tax based on the purpose of the sale, being in the course of business, personal use or public interest.

Acquisition duty

A land and building acquisition duty of 5% is payable on the gross proceeds when a person obtains the rights to land or a building with a value greater than IDR60 million. A number of exemptions may apply to certain transactions or events. The acquisition duty is governed by regional tax regulation.

Estate income

When an individual passes away, his/her estate will be a “taxpayer” entity. The tax obligation of the “decedent’s estate” will be fulfilled by his/her heir. The tax obligation will be considered complete at the time the estate is distributed.

Other taxes

There is no inheritance tax, endowment tax, or net wealth tax (refer to wealth tax above) in Indonesia.

3. Key local country considerations when relocating overseas

Possibility of changing tax residency

The possibility of changing tax residency depends on the qualification of the individual to the tax subject criteria as mentioned above.

An individual of Indonesian nationality who is overseas shall be deemed as not residing in Indonesia if he/she has a permanent residence overseas, as proven by one of the official identity documents still valid as resident overseas, namely: green card, identity card, student card, validation of address overseas on the passport by the Representative Office of Republic of Indonesia overseas, statement from the Embassy or Representative Office of Republic of Indonesia overseas, or officially written representation on the passport by the Immigration Office of the relevant country.

Individual Tax Subjects shall be deemed as intending to reside in Indonesia in the following events:

- ▶ Individual Tax Subject firmly shows his/her intention to reside in Indonesia, which can be proven by work visa or limited stay permit for more than 183 days or contract/agreement to conduct work, business, or activities in Indonesia for more than 183 days
- ▶ Individual Tax Subject takes action showing that he/she will reside in Indonesia or is preparing to reside in Indonesia, including renting a place of residence in Indonesia, moving his/her family members, or obtaining a place made available by another party

Deemed disposals

There is no deemed disposal in Indonesia.

4. Rates

Real estate transfer tax

The final tax rate for resident taxpayers is as follows:

- ▶ 1% for the transfer of a basic house and basic flat by the taxpayer whose main business engages in the transfer of land or buildings
- ▶ 2.5% for the transfer of land and/or buildings
- ▶ 0% for the transfer of land and/or buildings for public interest by the government

Rent of land and/or building

This is subject to final tax with statutory rate 10%.

5. Exemptions and reliefs

There are several tax exemptions and reliefs with regard to individual taxation, including but not limited to the following items. For real estate transfer tax, an exemption is available under the following conditions:

- ▶ The transfer of land and/or buildings as part of a gift/grant, as long as the transfer is in accordance with the requirements mentioned in the gift/grant tax section above
- ▶ The transfer of land and/or buildings as part of inheritance
- ▶ The transfer of land and/or buildings when the transfer value is less than IDR60 million by an individual whose annual income is less than the threshold of non-taxable income (i.e. IDR54 million)
- ▶ The transfer of land and/or buildings as part of a gift/grant by an individual or corporate to a religious organization, education foundation, or social organization

6. Trusts, foundations and private purpose funds

Indonesia does not recognize the trust concept, and there is no specific tax regulation concerning trusts, foundations and private purpose funds.

7. Life insurance

An insurance premium paid by an Indonesian employer to an insurance company is taxable income, and is subject to employee income tax withholding with the progressive tax rates (5% to 30%). If paid by the individual, the premium paid is not deductible. Further, when there is a claim for a life insurance benefit, the amount received is not taxable to the beneficiary.

8. Civil law on succession

Under Indonesian law, there are two ways to receive an inheritance: as heirs based on the law or appointed in a testament.

9. Exchange controls

Indonesia adopts an open capital account with some transaction limitations. Of these limitations, only authorized banks may carry out foreign trade-related operations and the central bank requires the submission of evidence of underlying transactions to support the purchase of foreign currency exceeding US\$25,000 per month.

It is mandatory for all domestic transactions to be conducted in Rupiah.

10. CRS regime

CRS legislation has been in force as at July 2018.



Considerations in home jurisdictions

Malaysia

1. Overview of taxation for individuals

Resident and non-resident individuals are subject to income tax on all income derived in Malaysia.

Generally, employment income is deemed to be derived in Malaysia when employment is exercised in Malaysia or performed outside of Malaysia for the purposes of the employment in Malaysia. Some benefits and amenities may be tax-exempt if specific circumstances exist or conditions are met.

Short-term visitors to Malaysia receive a tax exemption on employment income if the employment does not exceed any of the following:

- ▶ A period totaling 60 days in a calendar year
- ▶ A continuous period or periods totaling 60 days spanning two calendar years
- ▶ A continuous period totaling 60 days spanning two calendar years, plus other periods in either of the calendar years

Individuals who carry on a business in Malaysia (a profession, a vocation, or a trade) are taxed on the profits derived in Malaysia. Any remittance of foreign-source income into Malaysia by individuals is not subject to Malaysian income tax.

Individuals are considered residents in the following circumstances:

- ▶ Physically present in Malaysia for 182 days or more during the calendar year; or
- ▶ Physically present in Malaysia for less than 182 days during the calendar year, but physically present in Malaysia for at least 182 consecutive days in the second half of the immediate preceding calendar year or in the first half of the immediate following calendar year. Periods of temporary absence are included in a period of consecutive presence if the absence is related to the individual's service in Malaysia, personal illness, illness of an immediate family member, or social visits not exceeding 14 days; or
- ▶ Physically present in Malaysia for at least 90 days during the calendar year, and have been resident or present in Malaysia for at least 90 days in any three of the four preceding years; or

- ▶ Have been resident for the three preceding calendar years and will be resident in the following calendar year. This is the only case in which an individual may qualify as a resident without being physically present in Malaysia during a particular calendar year

A tax resident is subject to tax at graduated rates and is allowed to claim personal reliefs. A non-tax resident is taxed at the flat rate of 28% and is not entitled to claim any personal reliefs.



Individual income tax rates

Income tax is payable by resident individuals at the following graduated rates:

Taxable income (RM)	Tax rate (%)	Tax due (RM)	Cumulative tax due (RM)
First 5,000	0	0	0
Next 15,000 (from 5,001-20,000)	1	150	150
Next 15,000 (from 20,001-35,000)	3	450	600
Next 15,000 (from 35,001-50,000)	8	1,200	1,800
Next 20,000 (from 50,001-70,000)	14	2,800	4,600
Next 30,000 (from 70,001-100,000)	21	6,300	10,900
Next 150,000 (from 100,001-250,000)	24	36,000	46,900
Next 150,000 (from 250,001-400,000)	24.5	36,750	83,650
Next 200,000 (from 400,001-600,000)	25	50,000	133,650
Next 400,000 (from 600,001-1,000,000)	26	104,000	237,650
Above 1,000,000	28	-	-

Non-resident individuals are subject to withholding taxes on certain types of income (e.g. royalty income). Other income derived from Malaysia is taxed at a rate of 28%.

2. Types of tax

Stamp duty/Transfer duty

A stamp duty is imposed on instruments and documents, and is levied at rates depending on the type of instrument or document executed.

Examples of the applicable stamp duty rates are as follows:

Subject of transfer	Stamp duty rate	Chargeable person
Property or land	i. 1% on the first RM100,000; ii. 2% on any amount in excess of RM100,000 but not exceeding RM500,000; iii. 3% on any amount in excess of RM500,000 but not exceeding RM1,000,000; iv. 4% on any amount in excess of RM1,000,000 on the higher of consideration or market value of the property or land	Transferee
Shares	0.3% on the higher of price or value of the shares on the date of transfer	Transferee



A stamp duty exemption is provided for transfers of immovable property between a husband and wife, while a transfer of immovable property between a parent and child qualifies for a 50% stamp duty remission.

For properties transferred to a legatee or beneficiary under a will, the instrument of transfer will generally be subject to nominal stamp duty.

Real estate transfer tax

Real property gains tax (RPGT) is levied on capital gains derived from the disposal of chargeable assets, which generally comprise of real property located in Malaysia, and shares of closely controlled companies with substantial real property interests.

RPGT applies to gains derived by both residents and non-residents. The RPGT rates are as follows:

- ▶ Where the disposer is a company:

Category of disposal	Tax rate
Disposal within three years after the date of acquisition	30%
Disposal in the fourth year after the date of acquisition	20%
Disposal in the fifth year after the date of acquisition	15%
Disposal in the sixth year after the date of acquisition or thereafter	10%

- ▶ Where the disposer or executor of the estate is a Malaysian citizen or permanent resident (PR):

Category of disposal	Tax rate
Disposal within three years after the date of acquisition	30%
Disposal in the fourth year after the date of acquisition	20%
Disposal in the fifth year after the date of acquisition	15%
Disposal in the sixth year after the date of acquisition or thereafter	5%

- ▶ Where the disposer or executor of the estate is neither a Malaysian citizen nor permanent resident:

Category of disposal	Tax rate
Disposal within the fifth year after the date of acquisition	30%
Disposal in the sixth year after the date of acquisition or thereafter	10%

In addition, in special circumstances the disposer is deemed to have received no gain and suffered no loss on the disposal and thereby, suffers no RPGT liability. These circumstances include (but are not limited to):

- ▶ Gifts between family members (i.e. between husband and wife, parent and child, or grandparent and grandchild), provided that the disposer is a Malaysian citizen
- ▶ Devolution of a deceased person's assets to his legatee

Generally, losses incurred on a disposal of real property may be carried forward to offset future real property gains. However, losses incurred on a disposal of shares subject to RPGT are disregarded.

Estate income

All income accrued by a deceased individual up until the date of death is taxable under the name of the deceased individual. All income accruing thereafter forms the income of the estate of the deceased, and is taxable under the name of the executors.

Other taxes

Malaysia does not have inheritance tax, wealth tax, gift tax, endowment tax, or net wealth tax.

3. Exemptions and reliefs

In determining taxable income, an individual resident in Malaysia may subtract from his total income the following types of personal deductions:

Type of allowance	Amount (RM)
Self	9,000
Additional relief for personal disability	6,000
Spouse (if has no source of income or is jointly assessed)	4,000
Additional relief for spouse's disability	3,500
Child	
▶ Younger than 18 years of age	2,000
▶ For each child 18 years of age or older receiving full-time education or serving under articles	8,000
Disabled child (in addition to child deductions)	6,000
▶ For each disabled child studying in a recognized institution of higher learning in or outside of Malaysia	8,000
Medical expenses for parents	Up to 5,000
Parental care (can be shared equally with other siblings and may not exceed MYR1,500 per parent)	Up to 1,500 (per parent)

Purchase of basic support equipment for self, spouse, child or parent who is disabled	Up to 6,000
Study fees incurred for courses of study (including post-graduate studies) at recognized institutions or professional bodies in Malaysia for the purpose of acquiring any skill or qualification	Up to 7,000
Life insurance premiums paid for self or spouse, and provident fund contributions	Up to 6,000
Contribution to private retirement scheme and deferred annuity	Up to 3,000
Contribution to Social Security Organisation (SOCSO) under the Employees' Social Security Act 1969	Up to 250
Medical and educational insurance premiums paid for self, spouse, or child	Up to 3,000
Medical expenses for self, wife, or child with serious disease (including up to MYR500 for complete medical examination expenses for self, spouse, or child)	Up to 6,000
Child saving deposits, which are net deposits paid into Skim Simpanan Pendidikan Nasional for children's education	Up to 6,000
Lifestyle expenses (internet, newspapers, books, smartphones, tablets and computers, sports equipment, and gymnasium membership fees)	Up to 2,500
Purchase of breastfeeding equipment (for female taxpayer only)	Up to 1,000
Fees paid to registered childcare centers and kindergartens for children 6 years old and younger	Up to 1,000

4. Trusts and foundations

Trusts

A trust body (comprising the trustees) is a chargeable person for income tax purposes, subject to income tax at a rate of 24% on income derived in Malaysia by the trust.

Each beneficiary to the trust is responsible to file his or her own income tax return in relation to his or her entitlement to income from the trust. To avoid double taxation, income tax

payable by the trust is generally given as a tax credit to the beneficiaries of the trust. The trustees are responsible for income tax administrative matters, and for the payment of income tax relating to the trust.

Foundations

An organization established in Malaysia for the purpose of carrying out charitable or non-profit activities may apply for tax exemption.

Generally, the activities to be carried out by such an organization need to benefit the public at large in order to qualify for the tax exemption (e.g. medical or educational advancement, animal protection or preservation, etc.)

Where an organization is granted the tax exemption, donations or gifts of money to the organization are generally allowed as tax deductions to the donor (subject to certain statutory limits).

5. Life insurance

Personal life insurance pay outs are not taxable in Malaysia.

6. Exchange controls

Over the years, the Foreign Exchange Administration (FEA) rules have been progressively liberalized and simplified. The following are notable extracts from these rules:

General rules applicable to non-resident individuals

Non-residents are free to make direct or portfolio investments in ringgit assets in Malaysia. No restrictions are imposed on the repatriation of capital, profits, or income arising from these investments in Malaysia. However, repatriation must be made in foreign currency.

General rules applicable to resident individuals

Resident individuals are free to undertake investment abroad, although there are some restrictions in respect to the source of funds, such as:

- ▶ Up to RM10 million equivalent of foreign currency borrowing is permitted from a licensed onshore bank or a non-resident
- ▶ Up to RM1 million equivalent in aggregate per calendar year using funds from conversion of ringgit, or transfer from Trade Foreign Currency Account

7. CRS regime

CRS legislation has been in force as at July 2018.





Considerations in home jurisdictions

Philippines

1. Overview of taxation for individuals

Philippine-residents are subject to tax on worldwide income. Non-resident citizens, resident aliens, and non-resident aliens are subject to tax on Philippine-sourced income.

Employees of a Philippine entity who are working abroad for most of the tax year but remain on the local payroll are resident citizens, and their income earned is subject to withholding tax in the Philippines.

For foreign nationals, residence is determined by the length and nature of an individual's stay in the Philippines. If an alien makes his or her home temporarily in the Philippines because an extended stay is necessary for the accomplishment of the individual's purposes, the individual becomes a resident. Individuals who reside in the Philippines with the intention to remain permanently are considered residents. Foreign individuals who acquire residence in the Philippines remain residents until they depart with the intention of abandoning that residence.

Non-resident aliens are classified as either engaged or not engaged in trade or business in the Philippines. A non-resident alien who stays in the Philippines for more than a total of 180 days during any calendar year is deemed to be engaged in trade or business in the Philippines. As a result, he/she will be liable to tax at graduated rates of 5% to 32%, for all years of assignment in the Philippines.

2. Types of tax

Estate tax

The Philippines imposes estate tax which applies on the fair market value (FMV) of a decedent's estate at the time of the person's death. The value of the gross estate includes the FMV of all properties, real or personal, and tangible or intangible, regardless of their location.

With respect to non-resident aliens, only properties located in the Philippines are subject to estate tax. Intangible personal properties of non-resident aliens will be excluded in the gross estate if the foreign country did not impose a transfer tax, in respect of intangible personal property of Philippine citizens residing in that foreign country (reciprocity rule).

The estate tax is now a flat rate of 6% beginning 1 January 2018 based on FMV at the time of death.

Stamp Duty

A documentary stamp tax (DST) is applicable on any transfer/disposition of real property or shares of stock in a domestic company during the lifetime of the person.

Gift tax

Residents and non-residents are subject to gift tax, which is payable by the donor on total net gifts made in a calendar year.

Donor's tax is a flat rate of 6% beginning 1 January 2018 based on FMV at the time of donation, whether the recipient is a stranger or related to the donor. Also, the first Philippine Peso (PhP) 250,000 for every donation is not subject to donor's tax. Hence, the 6% will only apply in excess of the PhP250k.

Real estate transfer tax

In the Philippines, a real estate transfer tax is imposed on all transfers of real estate, including transfer by way of inheritance. This is referred to as local transfer tax (LTT) and is imposed by the local government unit having jurisdiction over the location of the property. For cities, the maximum rate of LTT is 75% of 1% of the FMV, zonal value, or consideration received, whichever is higher of the three. On the other hand, municipalities cannot impose a LTT that is higher than 50% of 1% of the FMV, zonal value, or consideration received, whichever is higher.

Other tax

There is no inheritance tax, endowment tax, transfer duty, or net wealth tax in the Philippines.

3. Exemptions and reliefs

Estate tax exemptions

The following transmissions are not subject to estate tax:

- ▶ The merger of usufruct in the owner of the naked title
- ▶ The transmission or delivery of the inheritance or legacy by the fiduciary heir or legatee to the fideicommissary

- ▶ The transmission from the first heir, legatee or donee in favor of another beneficiary, in accordance with the desire of the predecessor
- ▶ All bequests, devises, legacies or transfers to social welfare, cultural and charitable institutions, no part of the net income of which insures to the benefit of any individual; provided, however, that no more than 30% of the said bequests, devises, legacies or transfers shall be used by such institutions for administration purposes

Donor's tax

The following donations of a Philippine resident during his or her lifetime are also exempt from donor's tax:

- ▶ Gifts made to or for the use of the national government or any entity created by any of its agencies that is not conducted for profit, or to any political subdivision of the said government
- ▶ Gifts in favor of an educational and/or charitable, religious, cultural or social welfare corporation, institution, accredited nongovernment organization, trust or philanthropic organization or research institution or organization provided, however, that no more than 30% of said gifts shall be used by such donee for administration purposes

4. Assessments and valuations

The estate shall be appraised at its FMV as of the time of death, at the higher of:

- ▶ The FMV as determined by the Commissioner; or
- ▶ The FMV as shown in the schedule of values fixed by the provincial and city assessors

With respect to usufruct, the value of the right of usufruct, use or habitation, as well as that of annuity, there shall be taken into account the probable life of the beneficiary in accordance with the latest Basic Standard Mortality Table approved by the Secretary of Finance, upon recommendation of the Insurance Commissioner.

The book value based on the latest audited financial statements of the company is presumed to be the FMV of the shares of stock of a domestic company for estate tax purposes.

For shares that are listed and traded in the stock exchange, the market price nearest to the date of death is considered the FMV of the listed shares.

5. Trusts, foundations and private purpose funds

Irrevocable trusts

As an estate planning tool, only irrevocable trusts can be used to reduce the estate and minimize estate tax. However, transfers to an irrevocable trust are considered full transfer of all rights and ownership over the assets that are placed in the trust, and they are considered as a donation inter vivos (donation during the lifetime of the giver) and hence are subject to donor's tax.

For the trust to be considered irrevocable, the trustor must not retain any right to amend, alter, or revoke the trust. The trustor must not also retain the power to possess or enjoy the property or any of its fruits or income.

Life insurance trust

Since the proceeds of life insurance are not considered as part of the gross estate, such proceeds may be placed in a trust and be the subject of certain conditions, such as a gradual and periodic release of funds, in order to ensure that an improvident child-beneficiary, for example, will not be able to squander the entire amount.

Generation-skipping trust

The merger of usufruct in the owner of the naked title is not subject to estate tax, and a trust may be formed whereby the naked title to the asset of the trust can be placed in the name of a grandchild but the usufruct or right to use the same can be given to the immediate child of the decedent. Hence, when the child of the decedent dies, the usufruct and the title on the asset will merge in the grandchild, which is exempt from estate tax. Thus, one generation of estate tax is saved.

However, this can only be done on properties that are not part of the legitime of forced heirs, as legitime cannot be the subject of any condition, burden, or substitution.

Foundations

The formation of foundations is useful in terms of reducing the taxable estate and retaining valuable assets (e.g. expensive paintings) within the family line.

Donations to foundations created for charitable purposes are exempt from donor's tax, and such donations even become tax-deductible expenses if the foundation is an accredited donee institution.

6. Grants

From an estate tax perspective, grants forming part of the estate of the decedent at the time of his estate are considered subject to estate tax. Grants given by the decedent during his lifetime are subject to donor's tax unless they will qualify as one of the donations exempt from donor's tax as enumerated above.

7. Life insurance

Premiums paid, as well as proceeds of the life insurance, do not form part of the gross estate for estate tax purposes provided:

- ▶ It is taken out of the life of the decedent
- ▶ The beneficiary is other than decedent, his estate, executor or administrator
- ▶ The designation of the beneficiary is irrevocable

If any of these conditions are not met, then the proceeds of the life insurance should be included in the gross estate and will become subject to estate tax.

8. Civil law on succession

Estate planning

As briefly mentioned above, there are several estate planning tools that can be used to cushion the impact of estate tax, such as donations or gifts, life insurance, trusts, foundations, straight sale and tax-free exchange.

Sale of asset

This mode of transfer during the lifetime of the decedent is the simplest way to reduce an estate, and the tax implications of a sale transaction can be lower than donor's tax and estate tax over time for assets that tend to appreciate like real property.

It should be noted that transfer by the way of sale of real estate properties that are classified as ordinary assets is not recommended since this will entail higher taxes.

Tax-free exchange

This is more popularly known as a "property-for-shares swap" and is a very tax-efficient tool for transferring real properties that normally appreciate in value over time.

Philippine tax laws require that the transferor (e.g., parent) gain control, that is, 51% of the transferee corporation (NewCo) so that the property-for-shares swap will qualify as a tax-free exchange. The CGT on the exchange is deferred until the shares are sold by the parent. The transfer of the real property is also exempt from stamp duty. Stamp duty will only apply to the new issuance of shares at the rate of PHP2 for every PHP200, or fraction thereof, of the par value of the shares subscribed.

The next step would be for the parent to sell his or her NewCo shares to his or her child at par value. The sale of shares to the child is subject to 15% CGT on net gain (book value or selling price of the shares, whichever is higher, less historical cost of the land). The sale of shares is also subject to stamp duty of PHP1.50 for every PHP200, or fraction thereof, of the par value of the shares sold.

Please note that the Bureau of Internal Revenue issued a revenue regulation that requires the incremental increase in value of the underlying real property to be included in the computation of the book value of the shares in case of sale of shares. The revenue regulation purportedly is meant to capture the gain from the increase in value of the real property.

The transferor in a tax-free exchange has, of course, the option of retaining ownership of the shares until he or she passes on, in which case the incremental increase in value of the underlying real property will not be included in the computation of the book value of the shares of stock for estate tax purposes.

However, the BIR recently issued a revenue regulation that requires the incremental increase in value of the underlying real property to be included in the computation of the book

value of the shares. The revenue regulation purportedly is meant to capture the gain from the increase in value of the real property. However, the transferor in a tax-free exchange has the option of retaining ownership of the shares until he or she dies, in which case the incremental increase in value of the underlying real property will not be included in the computation of the estate tax.

Succession

The Philippines has institutionalized the concept of compulsory heirs and their legitime. Thus, regardless of the wishes and desires of a testator as provided in his or her will, the legitime of compulsory heirs must be respected. Legitime cannot be the subject of any burden, restriction, condition or substitution.

Intestacy

Intestate succession rules will govern when a citizen dies without a will.

When a citizen dies with a will, the will has to be probated in court where the extrinsic (formal) and intrinsic (substantive) validity of the will and testament will be determined.

For aliens, resident or not, the formal validity of wills is determined by the rules of the jurisdiction in which the will was executed. Generally, the rules of succession of the foreign country of his/her nationality will determine the hereditary rights of the heirs. The rules of the country of domicile/residence may also come into play. In some cases, Philippine rules on succession will apply if his/her country of nationality or residence adheres to the renvoi doctrine.

Probate

As long as a will exists, a probate proceeding has to take place during which the validity or invalidity of the will is determined. If the entire will is invalidated for violating formal or substantive rules in making a will, the intestate succession will be determined in the same proceeding.

9. Exchange controls

The Philippines has adopted liberal foreign-exchange policies. In general, no restrictions are imposed on the repatriation of capital, profits or income earned in the Philippines. Foreign loans and foreign investments may be registered with the Philippine Central Bank (BSP). Only loans registered with the BSP are eligible for servicing through the use of foreign exchange purchased from the banking system. However, the registration of a foreign investment is required only if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings is sourced in the banking system.

10. CRS Regime

A General Tax Amnesty Bill containing a provision proposing accession to the CRS was refiled in February 2019.





Considerations in home jurisdictions

Singapore

1. Overview of taxation for individuals

In general, income which is sourced in Singapore or received in Singapore from sources outside Singapore will be subject to tax.

Resident individuals who derive income from sources outside Singapore are not subject to tax on such income. However, this exemption does not apply if the foreign-sourced income is received through a partnership in Singapore. Foreign-source dividend income, foreign branch profits, and foreign-source service income received by any individual resident in Singapore through partnerships may be exempted from Singapore tax if certain prescribed conditions are met. Foreign-source income received in Singapore by a non-resident is specifically exempt from tax.

Individuals are considered tax residents in Singapore if they reside in Singapore (excluding temporary absences as may be unreasonable and inconsistent with a claim by such persons) in the year preceding the assessment year. This also includes persons who are physically present or who exercise employment (other than as a director of a company) in Singapore for at least 183 days during the year preceding the assessment year.

A concession is available for foreign employees whose employment period straddles two calendar years (the "two-year administrative concession"). Under the two-year administrative concession, the individual is considered a resident for both years if he stays or works in Singapore for a continuous period of at least 183 days straddling the two years, even if fewer than 183 days were spent in Singapore in each year.

Non-resident individuals employed for not more than 60 days in a calendar year in Singapore are exempt from tax on their employment income derived from Singapore. This exemption does not apply to a director of a company, a public entertainer, or a professional in Singapore.

Tax residents are subject to graduated rates ranging from 0%-22%. Non-residents are taxed based on a flat rate of 15% (without personal relief) or the resident rates (with personal reliefs), whichever is higher.

Income subject to tax

Employment income: For employees, taxable employment include cash remuneration, wages, salary, leave pay, directors' fees, commissions, bonuses, gratuities, perquisites, gains received from employee share plans and allowances received as compensation for services. Benefits-in-kind derived from employment, including home-leave passage, employer-provided housing, employer-provided automobiles and children's school fees, are also taxable.

Self-employment and business income: Individuals who carry on a trade, business, profession or vocation in Singapore are taxed on their profits. Whether an individual is carrying on a trade is determined based on the circumstances of each case.

Investment income: Many forms of Singapore-source investment income are tax exempt. For example, under the one-tier system, dividends paid by Singapore tax-resident companies are exempt from income tax in the hands of shareholders, regardless of whether the dividends are paid out of taxed income or tax-free gains. In addition, interest derived directly by individuals from specified financial instruments, including standard savings, current and fixed deposits, is exempt from tax. Examples of such income include interest from debt securities, annuities and distributions from unit trusts. Net rental income from properties located in Singapore aggregated with other types of income are taxed.

Capital Gains

Capital gains are not taxed in Singapore, provided the individual is not regarded by the Inland Revenue Authority of Singapore to be carrying on a trade. The determination of whether such gains are taxable is based on a consideration of the facts and circumstances of each case.

Social Security

The Central Provident Fund (CPF) is a statutory savings scheme to provide for employees' old-age retirement in Singapore. Only Singapore citizens and permanent residents working in Singapore are required to contribute to the CPF.

Both employees and employers must contribute to the fund. The employer and employee contribution rates depend on the age of the employee and there are transitional contribution rates apply to foreigners who become Singapore permanent residents.

2. Types of tax

Singapore generally does not impose inheritance tax, endowment tax, transfer duty, or wealth taxes. However, there are tax implications for certain residential property sales, transfers not made in accordance to the will or law, gifts, estates that continue to generate income after death, and trusts.

Stamp Duty

If a document was executed before 19 February 2011, a nominal fixed duty remains payable upon the distribution of property to a beneficiary of a deceased’s estate. The fixed duty of S\$10 is payable if the properties are distributed in accordance with the individual’s will, the Intestate Succession Act, or the Muslim Law of Inheritance.

If the distributions are not in accordance with the above, the documents are then regarded as a transfer by way of gift.

For any conveyance or transfer operating as gifts, the documents are chargeable with stamp duty as if it were a conveyance or transfer on sale. In such instances, for transfers involving immovable properties and shares, the stamp duty will be computed based on the amount or value of the consideration.

The stamp duty rates are as follows:

- ▶ 1% on first S\$180,000
- ▶ 2% for the next S\$180,000
- ▶ 3% for the remainder

For transfers involving private limited company shares, the stamp duty rate is 0.2% on the amount or value of the consideration.

Real estate transfer tax

For residential properties acquired on or after 20 February 2010, there may be the Seller’s Stamp Duty (SSD) payable upon the sale of a property that was transferred to a beneficiary at death. SSD is also due for any other form of sale or transfer of residential property outside of that transferred via inheritance.

For residential properties transferred because of inheritance or right of survivorship in joint tenancy, the SSD will be payable if the property is disposed of within four years of the property being acquired by the deceased if acquired on or after 14 January 2011, or within three years if acquired on or after 10 March 2017. The rate of the SSD in this scenario is applied to the consideration or value, whichever is applicable, of the residential property, as follows:

Residential property acquired between 20 February 2010 and 29 August 2010 (inclusive)	Disposal within one year: 1% on the first S\$180,000 2% on the next S\$180,000 3% on the remainder
	Disposal after one year: No SSD payable
Residential property acquired between 30 August 2010 and 13 January 2011 (inclusive)	Disposal within one year: 1% on the first S\$180,000 2% on the next S\$180,000 3% on the remainder
	Disposal after one year of ownership but not exceeding two years: 0.67% on the first S\$180,000 1.33% on the next S\$180,000 2% on the remainder
	Disposal after two years of ownership but not exceeding three years: 0.33% on the first S\$180,000 0.67% on the next S\$180,000 1% on the remainder
	Disposal after three years: No SSD payable
Residential property acquired between 14 January 2011 and 10 March 2017 (inclusive)	Disposal within one year: 16%
	Disposal after one year of ownership but not exceeding two years: 12%
	Disposal after two years of ownership but not exceeding three years: 8%
	Disposal after three years of ownership but not exceeding four years: 4%
	Disposal after four years: No SSD payable
Residential property acquired on or after 11 March 2017	Disposal within one year: 12%
	Disposal after one year of ownership but not exceeding two years: 8%
	Disposal after two years of ownership but not exceeding three years: 4%
	Disposal after three years: No SSD payable

SSD is imposed on industrial properties that are bought/acquired on and after 12 January 2013 and sold/disposed of within three years. The SSD rates in these cases are as follows:

- ▶ Within one year: 15% of the amount of consideration or value (whichever is applicable)
- ▶ Within two years: 10% of the amount of consideration or value (whichever is applicable)
- ▶ Within three years: 5% of the amount of consideration or value (whichever is applicable)

For industrial properties acquired prior to 12 January 2013 no SSD will be levied.

Estate income

Assets left behind by the deceased may continue to produce income after his/her death. Income derived during the period from one day after death until the end of the administration period is termed estate income.

When an estate is no longer under administration and there are more investments and assets left in the estate, these will be held in trust for the beneficiaries. Income derived from assets belonging to the trust is covered later in Section 4.

For joint bank accounts, upon the death of a joint account holder, the balance in the account will lapse to the survivor(s), and any interest income earned after the date of death is estate income and therefore shall not be taxable under this provision.

Deemed gains, etc.

Please refer to the above overview on the taxation of individuals in Singapore as well as the above definition of tax residency in Singapore. Generally, there is no specific rule governing the considerations when an individual relocates overseas.

Tax clearance must be sought on leaving Singapore and/or leaving employment in Singapore, unless you are a Singapore Permanent Resident merely changing employment in Singapore. Employment reporting form, Form IR21, must be filed by the company one month prior to you leaving employment/Singapore and the company is required to withhold monies due to you at this time. All outstanding taxes should be paid prior to departure from Singapore/leaving of employment. As part of this process any stock options and stock awards granted to you on or after 1 January 2003 during Singapore employment will be deemed to be taxable. Tax will be due on any deemed gains at this time.

3. Exemptions and reliefs

Personal tax reliefs are available in Singapore.

4. Trusts, foundations and private purpose funds

Trust income is taxed in the same way as estate income as outlined above. If final tax is payable at the trustee level, the rate is 17%.

Generally, for trusts constituted for succession planning, the trust income derived is typically not distributed yearly. Hence, the trustee (on behalf of the trust) is subject to tax in Singapore and any subsequent trust distributions are not taxable in Singapore in the hands of the beneficiaries. The trustee, on behalf of the trust, may not suffer actual Singapore tax if tax exemptions applies to the trust.

For other trust arrangements where the trust income are distributed yearly or where its beneficiaries are beneficially entitled to the annual trust income, such beneficiaries may be subject to Singapore tax on their share of the trust income.

5. Grants

This is not applicable in Singapore.

6. Life insurance

Personal life insurance pay outs are not taxable as estate tax has been abolished.

7. Estate planning

This is not applicable in Singapore.

8. Intestacy

If a person dies without a will with possessed property in Singapore, the property or the proceeds thereof (after payment of expenses due on administration) shall be distributed among persons entitled to succeed them beneficially, as follows:

- ▶ If an intestate dies leaving a surviving spouse, no issue and no parent, the spouse shall be entitled to the whole of the estate.
- ▶ If an intestate dies leaving a surviving spouse and issue, the spouse shall be entitled to one-half of the estate.
- ▶ Subject to the rights of the surviving spouse, if any, the estate (both as to the undistributed portion and the reversionary interest) of an intestate who leaves children shall be distributed by equal portions per stirpes, to and among the children of the person dying intestate and such persons who legally represent those children, in case any of those children are dead.
- ▶ If an intestate dies leaving a surviving spouse and no children but a parent or parents, the spouse shall be entitled to one-half of the estate and the parent or parents to the other half of the estate.

- ▶ If there are no descendants, the parent or parents of the intestate shall take the estate, in equal portions if there are two parents, subject to the rights of the surviving spouse (if any) as provided in the rule above.
- ▶ If there are no surviving spouse, descendants or parents, the brothers and sisters and children of deceased brothers or sisters of the intestate shall share the estate in equal portions between the brothers and sisters, and the children of any deceased brother or sister shall take, according to their stocks, the share that the deceased's brother or sister would have taken.
- ▶ If there are no surviving spouse, descendants, parents, brothers and sisters, or children of such brothers and sisters but grandparents of the intestate, the grandparents shall take the whole of the estate in equal portions.
- ▶ If there are no surviving spouse, descendants, parents, brothers and sisters, or their children or grandparents but uncles and aunts of the intestate, the uncles and aunts shall take the whole of the estate in equal portions.
- ▶ In default of distribution under the foregoing rules, the government shall be entitled to the whole of the estate.

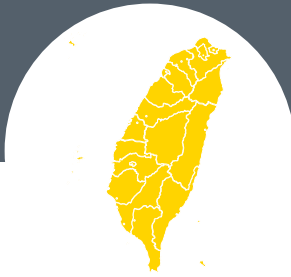
9. Probate

Where there is a will, the estate vests in the executor who has the authority to conduct the deceased's affairs the moment the deceased dies, and any action undertaken on behalf of the deceased will be held valid. However, the executor will normally apply for a grant of probate, as any third parties will usually require the grant before entering into any transactions. In intestacies, the administrator's authority stems from the grant of letters of administration, and until the grant is obtained the administrator has no authority to act on behalf of the estate.

10. CRS Regime

CRS legislation has been in force as at July 2018.





Considerations in home jurisdictions Taiwan

1. Overview of taxation for individuals

Resident and non-resident individuals are subject to consolidated (personal) income tax on the income derived from Taiwan sources.

Individuals are considered a tax resident in Taiwan if they have been domiciled and resided in Taiwan for at least 31 days, the individual is deemed to have met the life and economic substance in Taiwan or they have resided in Taiwan for at least 183 days within a tax year. In determining tax residency in Taiwan, whether or not individuals have “economic substance” in Taiwan shall be taken into consideration.

Income tax rates for Tax Year 2018:

For residents:

- ▶ Progressive tax rates:

Taxable income (TWD)	Tax rate (%)	Tax due (TWD)	Cumulative tax due (TWD)
First 540,000	5	27,000	27,000
Next 670,000	12	80,400	107,400
Next 1,210,000	20	242,000	349,400
Next 2,110,000	30	633,000	982,400
Above 4,530,000	40	–	–

- ▶ Alternate Minimum Tax (AMT) rate: 20%. Income subject to AMT includes Taiwan sourced income, foreign-sourced income, and other AMT taxable items (less NTD 6.7 million of annual exemption of AMT)
- ▶ Tax payable for dividend income (obtained from Taiwanese companies):
 - Option 1: calculated by applying progressive tax rates ranging from 5% to 40% in accordance with the Income Tax Regulations. However, 8.5% of the dividend income shall be deemed as a tax credit, deductible from the tax payable, but capped at TWD80,000
or
 - Option 2: calculated by applying a flat tax rate of 28%

For non-residents:

Income tax for non-residents is at a flat rate based on the type of income received:

Types of income	Tax rate
Salary income, Severance payments, Retirement payments	18
Interest income, Commissions, Rentals, Royalties, Gains from competitions or lotteries, Income from independent professional practice	20
Dividends	21

2. Types of tax

Employment income

For resident individuals, income tax is levied on the income derived from Taiwan sources after exclusions, deductions and exemptions, at the progressive rates of 5%, 12%, 20%, 30%, and 40%. For non-resident individuals, income tax is withheld at the source at flat rates in accordance to the types of income received.

Resident individuals should calculate both the tax liability under the Income Tax regulations and Alternative Minimum Tax (AMT) regulations, and pay the greater amount. To determine the income subject to AMT, the following items should be added back to the net income:

- ▶ Foreign-source income, if such income for each filing household unit exceeds TWD1 million in a tax year.
- ▶ Insurance payments from onshore life insurance policies or annuities contracted on or after 1 January 2006 where the purchaser and the beneficiary are not the same person, and that such payments exceed TWD33,300,000. The amount of the insurance payments to be added back, should be the excess amount of the aforesaid TWD33,300,000
- ▶ Capital gains derived from transactions in beneficiary certificates of privately placed securities investment trust funds

- ▶ Deductions claimed for non-cash charitable contributions
- ▶ Other items published by the Ministry of Finance (MOF)

Inheritance tax

Estate tax is imposed on the estate(s) of a decedent who was a Taiwan national or who has owned a property/properties in Taiwan. If the decedent was a Taiwan national and was regularly domiciled in Taiwan, estate tax is levied on all properties, wherever located. If the decedent was a foreign national or a Taiwan national regularly domiciled outside of Taiwan, estate tax is levied only on properties located in Taiwan. The net amount of the estate value, after exclusions, deductions and exemptions, is taxed at the progressive rates of 10%, 15%, and 20%.

Stamp duty

The stamp duty of Taiwan is chargeable on certain documents drawn up within the territory of Taiwan and not on transactions. In the context of this publication, the relevant stamp duties with regard to wealth transfer (such as sale of movables or real estate) shall include the following:

- ▶ Deeds for sale of movables at TWD 12 per contract
- ▶ Contracts for the sale, transfer and partition of real estate at 0.1% of the contracting price, or the assessed standard price announced by the government

Gift tax

Gift tax is imposed on gifts made by a donor who is a national of Taiwan or who owns a property/properties in Taiwan. If the donor is a Taiwan national regularly domiciled in Taiwan, the tax is levied on any donated property, wherever located. If the donor is a foreign national or Taiwan national regularly domiciled outside of Taiwan, tax is levied solely on the donated property/properties located in Taiwan. The net amount of the gift value, after exclusions and exemptions, is taxed at the progressive rates of 10%, 15%, and 20%.

Real estate transfer tax

Transfer of real estate is subject to income tax and land value increment tax if such transfer is completed through a buy and sale transaction. In respect of income tax, two implications (Old Regime and New Regime) shall be applied, depending on the acquiring date of the transferred real estate property:

- ▶ Old regime is applicable for real estate property acquired before 31 December 2015 (exception: for real estate acquired between 2014 and 2015, and where the holding period of the real estate before transfer is less than two years, the new regime shall apply.) Tax basis is the sales gain of the house or the taxable income at sales gain of the house less deductible costs (acquisition costs and transfer expenses). Taxable gain for residents is reported within individual's income tax return, at income tax progressive tax rates ranging from 5% to 40%. Non-residents are taxed at a flat rate of 20%.

- ▶ New regime is applicable for real estate properties acquired after 1 January 2016. Tax basis is the sales gain of the land and the house or the taxable income at sales price of the land and the house less deductible costs (acquisition costs and transfer expenses) and total amount of land value increment.

Different tax rates shall apply based on the usage and the holding period of the transferred real estate property:

For residents:

In respect of the holding period

Real estate property	Tax rate (%)
Within 1 year	45
Within 2 years, but more than 1 year	35
Within 10 years, but more than 2 years	20
Over 10 years	15

In respect of the usage (preferential tax rate)

Real estate property	Tax rate (%)
Transaction due to job transfer, involuntary separation from employment, or any other involuntary causes announced by the MOF within the holding period of no more than 2 years	20
The house was jointly constructed with a business entity and then sold within 2 years before acquiring the parcel of land	20
For qualified self-use residence purpose	10

For non-residents:

In respect of the holding period

Real estate property	Tax rate (%)
Within 1 year	45
More than 1 year	35

Other taxes

There is no endowment tax, wealth tax, net wealth tax, or transfer duty in Taiwan, nor is there estate income tax in Taiwan as the income that is derived from the decedent's estate after death would be allocated to the successors.

3. Who is liable?

Estate and gift tax shall be imposed on all properties that are located within and outside of Taiwan for Taiwan nationals that reside in Taiwan continuously. For foreigners and Taiwan nationals that do not reside continuously in Taiwan, taxes shall be levied solely on the properties located within Taiwan.

4. Domicile

Estate tax rate:

Net taxable estate (TWD)	Tax rate (%)	Tax due (TWD)	Cumulative tax due (TWD)
First 50,000,000	10	5,000,000	5,000,000
Next 50,000,000	15	7,500,000	12,500,000
Above 100,000,000	20	–	–

Gift tax rate:

Net taxable estate (TWD)	Tax rate (%)	Tax due (TWD)	Cumulative tax due (TWD)
First 25,000,000	10	2,500,000	2,500,000
Next 25,000,000	15	3,750,000	6,250,000
Above 50,000,000	20	–	–

5. Exemptions and reliefs

Estate and gift tax deduction on avoiding double taxation

Foreign estate tax or gift tax paid in respect of any property situated within such foreign country may be deducted from the Taiwan estate tax or gift tax payable, provided the taxpayer presents proof of tax payment issued by the foreign local tax authority. However, the deduction claimed shall not exceed the increase in tax computed by the applicable tax rate in Taiwan.

6. Assessments and valuations

The market value or the net asset value shall be considered during assessment. Specifically, for real estate properties, the basis for valuation is the government assessment value.

7. Trusts, foundations, and private purpose funds

The tax implications for trusts include both income tax and gift tax, depending on how the trust is set up. The gift tax is incurred either at the time when the trust is set up, or at the time when the trust interest is distributed. The income tax is incurred when income is derived from the trust assets.

8. Grants

There are no grant rules in Taiwan.

9. Life insurance

The death proceeds received from life insurance shall be excluded from the gross estate of the decedent. However, the excess amount of TWD33,300,000 of the proceed per income tax reporting household shall be added back to the minimum income to calculate the AMT.

10. Exchange controls

Taiwan adopts limited foreign exchange control. For individuals, if the requested foreign exchange settlement amount exceeds US\$500,000 per settlement, the bank is required to review the relevant contracts or letters of approval to confirm that the declared reason of remittance denoted under the Declaration Statement is consistent and reasonable. If an individual’s accumulated annual foreign exchange settlement amount exceeds US\$5 million in a calendar year, an advanced approval from the Central Bank of Taiwan is required.

11. CRS Regime

CRS legislation has been in force as at January 2019.





Considerations in home jurisdictions

Thailand

1. Overview of taxation for individuals

All resident and non-resident individuals earning Thailand sourced income are subject to personal income tax (PIT). A Thailand resident is also subject to PIT on self-employment and business income from overseas sources if the income is remitted to Thailand. Individuals are considered a resident if they reside in Thailand for a period or periods aggregating 180 days or more during a calendar year. Income earned overseas by Thai residents is also subject to PIT if it is remitted to Thailand in the year it is earned.

Rates

Personal income tax is levied on an individual's net assessable income at the following progressive rates:

Assessable income (THB)	Tax rate (%)	Tax due (THB)	Cumulative tax due (THB)
First 150,000	0	0	0
Next 150,000	5	7,500	7,500
Next 200,000	10	20,000	27,500
Next 250,000	15	37,500	65,000
Next 250,000	20	50,000	115,000
Next 1,000,000	25	250,000	365,000
Next 3,000,000	30	900,000	1,265,000
Above 5,000,000	35	–	–

The taxation of various types of income is described below:

Employment income

All benefits derived from employment are assessable, unless expressly exempt by law. Examples of assessable benefits are wages, salaries, per diem allowances, bonuses, bounties, gratuities, directors' fees, pensions, house rental allowances, the monetary value of rent-free accommodation provided by an employer, and income tax paid and borne by an employer on behalf of an employee.

Self-employment and business income

Taxable self-employment and business income consists of assessable income less deductible expenses and allowances. Generally, all types of income are assessable unless expressly exempt by law.

Investment income

Interest, dividends and other investment income are subject to PIT. A tax credit is granted for dividend income received by an individual domiciled in Thailand from locally incorporated companies.

Capital gains

Gains derived from sales of shares are generally subject to PIT. However, gains derived from sales of securities listed on the Stock Exchange of Thailand are exempt from tax. Gains derived from sales of real property are subject to PIT. A standard allowance is deductible, depending on the number of years of ownership. This tax also applies to gains derived from sales of real property used in a trade or business.

Taxation of employer-provided stock options

Employees are subject to tax on the benefit derived from shares provided either for free or at a favorable price by the employer. The taxable benefit is the difference between the price paid by the employee, if any, and the fair market value of the shares.

PIT filing

All individuals who earn income in Thailand during a calendar year must file personal income tax returns with the Revenue Department by the end of the following March.

2. Other personal taxes

Inheritance tax

Under the Inheritance Tax Act, which was enacted in 2015, inheritances received are taxable only on the accumulated value in excess of THB100 million per benefactor, at a rate of 5% in the case of descendants or parents or 10% in all other cases. The tax filing must be completed within 150 days from the date of receipt or penalties and surcharges are applied.

Gift tax

In general, gifts are taxed at a flat rate of 5%. However, gifts received from a legitimate parent, child or spouse (up to THB20 million per tax year) or in a ceremony or on occasions in accordance with custom and tradition (up to THB10 million per tax year) are exempt from tax.

Relevant taxes on the transfer of properties. The summary of transfer taxes are outlined in the table below:

Nature of transaction	Applicable tax	Tax rate	Payable by
Transfer of immovable properties	Specific business tax	3.3% on transfer value	Seller
	Transfer fee	2% on official appraised value	Seller and buyer equality
Transfer of movable properties	Value added tax	7% on transfer value	Seller but charged to buyer
	Stamp duty	0.5% on vehicle transfer value	Seller
Transfer of shares	Stamp duty	0.1% on the higher of paid-up or transfer value	Seller

A relief from particular taxes may be granted under the tax-saving business transfer scheme provided by Thai Revenue Department.

Other taxes

Endowment tax and net wealth tax are not applicable in Thailand.

3. Trusts, foundations and private purpose funds

On 10 July 2018, the Thai Cabinet approved the draft Private Trust Act bill. However, there are certain proceedings which must be completed before the bill is legislated.

4. Grants

Assets granted for free of charge are considered gifts. However, certain gifts received are tax exempted (refer to gift tax). The granting of assets received by religious institution, educational institution, or social charity institution, as stipulated by the Minister of Finance, can be tax exempted.

5. Life insurance

Group life insurance premiums paid by the employer to an insurance company operating in Thailand on behalf of its employees are tax-exempt benefits if the duration of the group insurance policy does not exceed one year. Further, when there is a claim for a life insurance benefit, the amount received is not taxable to the beneficiary. The life insurance benefit received by the beneficiary from the policy of the deceased person is not subject to inheritance tax.

6. Civil law on succession

Under Thailand Estate law, there are two ways to receive an inheritance: as heirs based on the laws or appointed in a testament.

7. Exchange controls

All foreign exchange transactions are to be conducted through commercial banks and through authorized non-banks, by the Minister of Finance. Generally, the Bank of Thailand will grant approval through commercial banks for the remittance of money outside Thailand providing that the substantiation for the payments can be sufficiently submitted. That is, the repatriation of investment funds and repayment of overseas loans can be remitted upon submission of supporting documents to an authorized bank. For repatriation of investment funds, evidence of sale or transfer of such investment shall be submitted. For loan repayment, evidence of inward remittance of such loan and loan agreement shall be submitted.

Based on the Bank of Thailand, transfers in foreign currency for direct and portfolio investments in Thailand are permitted. Proceeds must be surrendered to an authorized bank or deposited in a foreign currency account with an authorized bank in Thailand within 360 days.

8. CRS Regime

Currently, CRS legislation has not been adopted in Thailand.

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EYG no. 012323-18Gbl

BMC Agency

GA 1011574

ED None.



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