A&M | TAX

Asia-Pacific Private Capital Tax Top 10
2025 Q1

Private Capital Tax in the Asia-Pacific region is progressive and ever-changing. Based upon the latest published news, reports and announcements, here are A&M's Top 10 tax topics for private capital tax in the Asia-Pacific region for the first quarter of 2025.

Hong Kong

01 Proposed Enhancements to Preferential Tax Regimes for Asset Management Industry

The Hong Kong Financial Services and the Treasury Bureau (FSTB) has proposed significant enhancements to the Unified Funds Exemption regime (UFR) in its consultation paper issued on 25 November 2024. A key aspect of these changes is the expansion of qualifying investments under Schedule 16C. The proposal would significantly broaden the exemption scope to include assets such as loans, private credit investments, virtual assets, and interests in noncorporate private entities. This expansion is expected to cover a wider range of investment vehicles, including common forms of real estate investing and holding vehicles like Australian Managed Investment Trusts (MITs), Japan Tokutei Mokuteki Kaisha (TMKs) and Korea Real Estate Fund (REF) Trusts. This move aims to provide greater upfront tax certainty for private investment funds, allowing them to invest with greater confidence across a more diverse range of asset classes.

The proposed enhancements also include an extension of the carried interest tax concession to cover carried interest arising from all types of qualifying assets, broadening its applicability beyond private equity (PE) funds. This expanded coverage aims to simplify and clarify the application of the tax concession across a wider range of investment strategies. Importantly, the proposed amendments should facilitate the coverage of typical carry arrangements commonly used by the asset management industry, in particular through the proposed removal of the requirement for carry to be "paid through the qualifying person," which historically has required a Hong Kong entity.

These changes are a welcome move to reinforce Hong Kong's status as a leading regional hub for wealth and asset management. The government has completed its industry consultation on these enhancements and is formulating the relevant measures with financial regulators based on the feedback received. The government aims to finalize the proposals this year and submit them to the Legislative Council for consideration in 2026, with the measures potentially taking effect from the year of assessment 2025/26, if passed.[1] It is hoped that the final legislation aligns with the stated policy intent as set out in the consultation paper.

Singapore

02 Changes to Singapore's Fund Tax Incentive Schemes

On 1 October 2024, the Monetary Authority of Singapore[2] (MAS) announced in a circular (FDD Cir 10/2024) (the Circular), providing details of (i) the extension of the tax incentive schemes for funds (Section 13D, 13O and 13U) to 31 December 2029, (ii) revision of the economic conditions for the qualifying funds and (iii) introduction of a new fund tax incentive scheme (Section 13OA), which is extended for Singapore limited partnership funds, amongst others.
The key changes of the tax incentive schemes will generally take effect from 1 January 2025 onward and will apply to both existing funds (with incentive awards commencing before 1 January 2025) and for new funds (with incentive awards commencing on or after 1 January 2025). There are grace periods available for qualifying funds to meet certain revised economic conditions and, approved funds can enjoy tax exemption for the life of the fund, provided it meets the relevant conditions for the basis period.

THE EXTENSION OF THE TAX INCENTIVE SCHEMES FOR FUNDS

The sunset date for the tax incentive schemes for funds, originally set for 31 December 2024, will now be extended to 31 December 2029. In addition, the Goods and Services Tax (GST) remission scheme and Withholding Tax (WHT) exemption scheme for qualifying funds have also similarly been extended to 31 December 2029.

REVISION OF THE ECONOMIC CONDITIONS FOR THE QUALIFYING FUNDS

QUALIFYING CONDITIONS	DESCRIPTION
Minimum Assets Under Management (AUM)	Existing and new Section 13O and 13U funds must have minimum AUM of S$5 million and S$50 million in designated investments (DI), respectively, at the end of each financial year. Note that the AUM of the DI shall be computed using the value of investments held by the fund that qualify for DI as opposed to net assets value.
Minimum annual business spending	Tiered local business spending (LBS) requirement based of AUM of the fund at the end of each financial year. AUM < S$250m : S$200k S$250m ≤ AUM ≤ S$2bn: S$300k AUM ≥ S$2bn: S$500k
Minimum number of investment professionals (IPs) employed by the Singapore-based fund manager throughout the basis period	Section 13O: 2 IPs Section 13U: 3 IPs (no change) Section 13D: 1 IP

INTRODUCTION OF "CLOSED-END FUND" TREATMENT

- Funds with 13O/OA/U awards commencing on or after 1 January 2025 may voluntarily opt in for a special treatment that waives the annual AUM requirement from the sixth incentive year and allows LBS requirement to be met on a cumulative basis up to the tenth incentive year and waived from the eleventh incentive year.
- Existing 13O/OA/U funds may opt into the treatment; however, this would entail the revocation of the existing incentive award and require application for a new award.
- Election of the "closed-end fund" treatment is irrevocable.

WHAT TO LOOK FOR OUT, FOR THE NEW AND EXISTING FUND MANAGERS

The revisions of the Singapore tax incentive schemes that apply to existing and new funds could significantly impact fund structuring and compliance obligations:

- For new fund managers, understanding the new conditions is critical to ensuring alignment with regulatory requirements and optimizing commercial outcomes for the funds they manage. Broadly, the updates introduce refinements to the economic conditions that will directly influence how funds are established, administered and scaled and the eventual wind-down of the funds in Singapore's competitive financial landscape. New entrants to Singapore's fund management landscape are urged to familiarize themselves with the new qualifying conditions for the relevant tax incentive schemes thoroughly, assess their implications on existing or planned fund vehicles, and engage with tax advisors to navigate complexities. By staying informed and agile, new fund managers can position their portfolios to leverage Singapore's incentives effectively while safeguarding long-term competitiveness in Singapore's robust fund management ecosystem.

- For fund managers that have been managing tax incentivised funds before October 2024, there are various aspects of the updates to specifically take note of.

The introduction of the closed-end fund treatment provides additional flexibility for existing funds. Where existing funds anticipate that the LBS requirement may not be met in certain years, the closed-end fund treatment provides a solution for such funds. However, note that the closed-end fund treatment is available only for awards commencing on or after 1 January 2025 and therefore, existing funds looking to tap into the closed-end fund treatment will have to revoke its existing award and reapply for the incentive.

The MAS has also announced that the additional minimum AUM and LBS requirements in respect of additional Special Purpose Vehicles (SPVs) or a trading feeder fund in respect of a Section 13U fund structure has been removed. This change provides additional opportunities for existing funds.

03 2025 Singapore Budget

ENHANCEMENT TO THE TAX CONCESSIONS FOR ASSET AND WEALTH MANAGEMENT

Singapore continues to place emphasis on the growth of its financial sectors. To strengthen the attractiveness of the asset and wealth management sector, the government has set up the Equities Market Review Group (Review Group) which has developed its first set of tax measures to encourage more investments in capital markets.

In the Singapore Budget 2025,[3] the prime minister unveiled the following tax incentives, with more details to be shared by the Review Group subsequently.

A. Enhanced corporate tax rate for new fund manager listings in Singapore

The Financial Sector Incentive – Fund Management (FSI-FM) Scheme currently accords concessionary tax rates of 10 percent on income derived from the management or advisory of a qualifying fund (Qualifying Income) derived by a qualifying Singapore fund manager. An enhanced corporate tax rate tier of 5 percent on Qualifying Income will be introduced under the FSI-FM Scheme for qualifying newly listed fund managers that satisfies the following (noting that the minimum conditions are subject to further details from the Review Group):

- Fund manager or its holding company achieves a primary listing on a Singapore exchange and remains listed for five years;

- Fund manager must distribute a portion of its profits as dividends; and

- Fund manager must meet minimum requirements for professional headcount and AUM.

Enhanced FSI-FM awards are granted on a five-year non-renewable basis, and the above scheme is open for award until 31 December 2028. Prior approval is required from the MAS to enjoy the reduced tax rate of 5 percent under the enhanced FSI-FM Scheme.

B. Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities

The FSI-FM scheme will be further enhanced to introduce a corporate tax exemption for management/advisory fees derived by a qualifying fund manager from the management/advisory of a qualifying fund that meets the following additional criteria:

- For new funds: At least 30 percent of the qualifying funds' AUM is invested into Singapore-listed equities.
- For existing funds:
  - At least 30 percent of the qualifying fund's AUM is invested into Singapore-listed equities; and
  - Annual net inflows (i.e., subscriptions less redemptions from the qualifying fund) are equivalent to at least 5 percent of the qualifying fund's AUM in the preceding year.

In order to apply for the above award, fund managers must also meet the existing minimum requirements for professional headcount and AUM, as currently required of existing FSI-FM companies.

The award is granted for a non-renewable period of five years per fund and the above scheme is open for award until 31 December 2028.

Prior approval is required from the MAS to enjoy the above tax exemption under the enhanced FSI-FM scheme.

Whilst these new incentives present opportunities for clients to optimize their tax positions while considering Singapore as a strategic location for listing and investment, fund managers should consider the legal, regulatory, as well as commercial implications of a listing, against the tax savings obtained.

EXTEND AND ENHANCE THE INCOME TAX CONCESSIONS FOR SINGAPORE-LISTED REAL ESTATE INVESTMENT TRUSTS (S-REITS)

To continue promoting the listing of REITs in Singapore, the following tax measures will be enhanced or introduced:

- The trustee of the S-REITs is granted tax transparency on specified income if the trustee distributes at least 90 percent of the specified income to the unitholders in the same year the income is derived by the trustee. The scope of specified income will be expanded to include all colocation and coworking income derived from 1 July 2025.
- There are several refinements to the tax exemption on qualifying foreign-sourced income received by S-REITs (and their wholly owned Singapore sub-trusts and Singapore incorporated and tax resident companies).
- The tax concessions granted to S-REITs and their unitholders will be extended until 31 December 2030.
- The existing GST remission for S-REITs will also be extended until 31 December 2030.

S-REITs are a key part of Singapore's stock market, making up over 12 percent of the SGX's total market capitalization. It is a popular investment for institutions and individuals who intend to derive stable income. The above measure should contribute toward bolstering the Singapore capital markets.

INTRODUCTION OF THE PRIVATE CREDIT GROWTH FUND

Whilst global private credit markets have been gaining momentum, the government recognizes that few private credit funds focus on Asia (including Singapore).

To close the gap, the government is proposing the introduction of a new S$1 billion Private Credit Growth Fund which seeks to provide alternative financing options for high-growth local enterprises.

Singapore's move is in line with similar sovereign wealth funds that have graduated from direct private equity investing to private credit partnerships with global fund houses. The Singapore Budget 2025 was silent on the implementation of the Private Credit Growth Fund. We will have to wait and see whether the government will appoint third-party fund managers to manage said Private Credit Growth Fund, which would be helpful to support the growth of the asset management ecosystem in Singapore.

ALLOW THE VENTURE CAPITAL FUND INCENTIVE (VCFI) AND THE VENTURE CAPITAL FUND MANAGEMENT INCENTIVE (FMI) TO LAPSE

To ensure that our tax incentives remain relevant, the VCFI and the FMI will be allowed to lapse after 31 December 2025. The VCFI scheme provides tax exemption for income from funds that meet the scheme's requirement to invest into unlisted Singapore-based companies, while FMI offers fund management companies managing the associated S13H-approved funds a concessionary tax rate of 5 percent.

The government will continue to support the venture capital sector through a holistic suite of policies and initiatives.

Australia

04 Thin Capitalization Rules

The new thin capitalization rules in Australia present challenges for PE portfolio companies receiving capital through shareholder loans or traditional third-party acquisition financing, particularly in multi-jurisdictional investment structures.

Amendments to the thin capitalization regime are particularly relevant to PE-backed and owned businesses. These businesses often rely on optimized capital structures, which may involve substantial debt.

Following the introduction of the new thin capitalization rules from 1 July 2023, we have, unsurprisingly, seen a dramatic decline in the use of shareholder debt and an increase in debt restructures to remove shareholder debt from the PE investment structures.

Consideration should be given to the investor case and potential exit opportunities with respect to dividend recapitalizations and the Australian Tax Office's (ATO) views on Section 45B of the Income Tax Assessment Act 1936 (Cth).

THIN CAPITALIZATION TESTS

These new rules specifically limit the tax deductibility of interest when the interest cover exceeds 30 percent of tax EBITDA (which broadly includes taxable income adjusted for net debt deductions, tax depreciation and certain other adjustments). If a taxpayer group exceeds the 30 percent interest cover, the most common alternative test is the Third-Party Debt Test (TPDT), which replaces the preexisting arm's length debt test. However, the TPDT has stringent eligibility criteria, making it difficult to apply.

Notably, the TPDT is unavailable where a loan agreement provides the lender with recourse over non-Australian assets of a borrower (or an obligor), including shares in a company that directly or indirectly owns non-Australian assets. The TPDT also prohibits a borrower from using credit support from a foreign associate to back their loan. Additionally, if a borrower opts to rely on the TPDT, they cannot use the loan to fund commercial activities or investments outside of Australia.

DEBT DEDUCTION CREATION RULES

The Debt Deduction Creation Rule (DDCR), effective from 1 July 2024, imposes a positive obligation on taxpayers to scrutinise the purpose of leverage within new and existing capital structures. The DDCR broadly applies where an entity incurs debt deductions on a related party loan used to fund an acquisition from an associate or certain payments and distributions made to an associate

The DDCR denies deductions "to the extent" that they are incurred, or related-party debt funding is used, for one of the two adverse purposes mentioned above.

As a result, if any related-party debt funding has been used for an adverse purpose, debt deductions must be apportioned between what is denied and what is allowed (subject to the other thin capitalization tests that further limit those deductions) under the DDCR.

Whilst there is anticipated to be limited application of the DDCR to funds, the application of the DDCR should always be considered as a part of tax structuring workstreams.

India

05 Key Reforms to the Indian Income-tax Act, 1961, via the Finance Act, 2025

The Union Budget 2025[4] that was presented on 1 February 2025, focused on a new landmark for India's economic trajectory to make growth all-inclusive aiming at empowering the poor, youths, farmers and women. In a bid to strengthen long-term sustainable growth through taxation, infrastructure, agriculture and digitalisation, the Union Budget 2025 came with a strong reform measure in these key sectors. As the finance minister presented the Union Budget 2025, she also announced introduction of a new income tax bill in Parliament, which should seek to simplify the current laws on income tax.

Below are selected relevant highlights of amendments to the Indian Income-tax Act, 1961 via the Finance Act, 2025:

i. Extended timeline for investments by sovereign wealth and foreign pension funds:
   The exemption of income received, in form of dividend, interest, long-term capital gains (LTCG) or certain other incomes, by Sovereign Wealth Funds (SWFs) and Pension Funds (PFs), from its investment in India in the infrastructure sector during the period from 1 April 2020 to to 31 March 2025, has been extended by five years for investments made up to 31 March 2030. LTCG (including unlisted debt securities that are deemed as short-term capital gains) shall be exempt in the hands of SWFs and PFs. This extension for making investments by five years will provide certainty and clarity to SWFs and PFs for their Indian investments, thereby giving a boost to the infrastructure sector in India.

ii. Discontinuation of TCS on sale of goods
A seller of goods (including sale of shares) was required to collect the tax at source (TCS) at 0.1 percent of the sale consideration exceeding INR 5 million, subject to certain conditions if no withholding tax or tax deducted at source (TDS) was deducted. Accordingly, either a seller is responsible for collecting TCS from the buyer; or the buyer is required to deduct TDS on payments made to the seller for the same transaction, which required understanding the other person's turnover. To simplify business operations and reduce the compliance burden on taxpayers (including foreign buyers), the provisions of TCS on sale of goods have been removed from 1 April 2025. While a credit was available, additional compliance in the form of return filing, etc., was required to be undertaken to claim the refund of the TCS paid.

iii. Incentives for International Financial Services Centre (IFSC)
The sunset date for tax incentives for IFSC units in aircraft/ship leasing and fund relocation has been extended to 31 March 2030. Exemption to nonresidents on specified income from derivative contracts issued by IFSC banking units has been extended to such contracts entered with foreign portfolio investors or Foreign Portfolio Investment (FPI) set up in the IFSC. These amendments encapsulate a decisive roadmap for India's economic empowerment, strategic investments and a future-ready economy.

06 India's Proposed Income-Tax Bill, 2025 (Bill)

The Hon'ble Finance Minister of India has introduced the Bill to consolidate and amend the Indian Income Tax Act, 1961, with the proposed changes set to take effect from 1 April 2026. Currently under review by a Select Committee, the Bill aims to enhance clarity and efficiency in tax legislation.

Key features of the Bill include simplification through the reduction of legal jargon and obsolete provisions, structural changes with fewer chapters and sections, and the introduction of a unified "tax year" to replace "assessment year" and "previous year." While ensuring no substantive changes to tax rates, residency rules or income-deeming provisions, the Bill seeks to reduce litigation by addressing ambiguities. Repeal and savings clauses are also included to maintain continuity of existing rights and obligations, ensuring a smooth transition to the new framework.

Below are selected relevant highlights of the new proposals introduced via the Bill:

i. Foreign exchange benefits on LTCG for non-resident taxpayers:
Currently, the Income-tax Act, 1961, restricts nonresident investors from claiming foreign exchange fluctuation benefits on LTCG arising from the sale of unlisted shares or debentures in an Indian company. However, the Bill permits nonresident investors to claim such benefits on LTCG from the sale of shares or debentures in an Indian company, subject to certain conditions. While this provision is likely to be revised before the Bill's final approval, if it remains unchanged, investors could potentially lower their effective tax rate, particularly in light of the recent depreciation of the Indian rupee.

ii. Oversight that may be further rectified at the Bill enactment stage:
    a. Tax neutrality on non-court approved, i.e. fast-track, demergers: The Bill grants tax neutrality only to court approved demergers, overlooking fast-track demergers
    b. Dividend tax benefit omission in the new tax regime: Indian companies currently operating under the concessional tax regime (with a tax rate of 22 percent) are allowed to claim a deduction for dividends received when distributing such dividends to their shareholders. However, this benefit has been denied under the current draft of the Bill.

Thailand

07 Sustainable Investment Initiatives and ESG Fund Development in Thailand

DEVELOPMENT OF ESG FUNDS IN THAILAND

Sustainable investing, or environmental, social, and governance (ESG) investing, has gained significant momentum in recent years, attracting both retail and institutional investors. Focused on promoting environmental stewardship, social responsibility and strong corporate governance, ESG investing aims to manage long-term risks while creating sustainable growth opportunities.

In Thailand, this global shift toward responsible investment has been increasingly reflected in the local capital markets. Thailand investors, asset managers and policymakers have all recognized the importance of integrating ESG principles to ensure sustainable economic development and competitiveness on the world stage. Regulatory bodies such as the Securities and Exchange Commission (SEC) of Thailand have issued guidelines encouraging ESG disclosure, while the Stock Exchange of Thailand (SET) has introduced initiatives to enhance the visibility of sustainable businesses.

In parallel, the Thai government has implemented measures to encourage ESG investment among the public. The Thai ESG Fund was introduced to offer tax incentives for investments in sustainable assets. In March 2025, the government approved the launch of the Thai ESG Extra Fund (Thai ESGX), which provides enhanced tax benefits and imposes stricter investment requirements to strengthen ESG investment standards.

LAUNCH OF THAILAND ESGX FUND WITH ENHANCED BENEFITS

ITEM	THAI ESG FUND	THAI ESGX FUND
Investment Policy	Invest at least 80 percent of NAV in Thai assets with sustainability characteristics.	▪ Invest at least 80 percent of NAV in Thai assets with sustainability characteristics. ▪ *Specific condition for Thai ESGX* minimum of 65 percent of NAV must be invested in sustainable equities
Tax Benefits	Tax deduction up to 30 percent of assessable income, capped at THB 300,000.	Two tax deduction limits: 1. 1st tax deduction limit for new investment in 2025: Up to 30 percent of assessable income, capped at THB 300,000. 2. 2nd tax deduction limit for long-term equity fund (LTF) switching:[5] Up to THB 500,000, spread across 5 years, from 2025 to 2029 tax years without applying the 30 percent income cap condition in the 1st limit ▪ Year 1 (2025): Up to THB 300,000 ▪ Years 2–5 (2026– 2029): Gradually deduct taxes by averaging the excess amount and deducting an equal portion each year (e.g., up to THB 50,000 per year).
Investment Window	Open for investment at any time in the year	Investment must be made during the designated campaign period of two months (from 2 May–30 June 2025).
Minimum Holding Period	For investment made in 2025, at least five years from the date of investment (day count).	1. 1st tax deduction limit for new investment in 2025: At least 5 years from the date of investment (day count). 2. 2nd tax deduction limit for LTF unit switching: At least 5 years from the switching date (day count).

For the Thai ESGX Fund, a total of 19 asset management companies have prepared to offer 37 funds to the public. Interested investors may begin subscribing from 2 May 2025, or request to switch their existing LTF units into ESGX units starting 13 May 2025. Both investments and switches must be completed within June 2025.

The continued expansion of ESG initiatives demonstrates Thailand's commitment to aligning its capital markets with international sustainability standards and advancing national priorities, including long-term environmental and social development goals. The introduction of the Thai ESG and Thai ESGX Funds, with enhanced tax incentives and stricter investment requirements, marks an important step in strengthening Thailand's sustainable finance ecosystem and promoting the growth of ESG investment.

THAILAND BOARD OF INVESTMENT'S COMMITMENT TO SUSTAINABLE INVESTMENTS

Thailand's Board of Investment (BOI) offers various tax incentives to promote sustainable investments, including corporate income tax exemptions (ranging from three to eight years depending on the activity), and import duty exemptions on machinery, equipment and raw materials used in production for export. These incentives target energy saving, renewable energy use, environmental impact reduction, electric vehicle production, adoption of international sustainability standards, carbon capture, utilization and storage technologies, and community development initiatives. The BOI aims to foster a "new economy" that values environmental and social sustainability, reduces inequality and integrates businesses into local communities.

Interested parties are encouraged to plan ahead and look into the details of the incentives and the eligibility criteria.

Vietnam

08 Proposed Amendments to Vietnam's Corporate Income Tax (CIT) Law

Vietnam is preparing to introduce a revised CIT Law, with the draft expected to be passed during the National Assembly in May 2025 and to take effect from 1 January 2026. The proposed amendments aim to broaden the scope of the CIT Law to cover top-up tax and align with global tax base erosion prevention regulations (Pillar 2).

Notable changes include adding new categories of tax-exempt income, such as initial carbon credit transfers, and green bond interest income. The law will also require Vietnamese companies to declare and pay CIT on profits from overseas investments as they are earned, rather than waiting until the funds are brought back to Vietnam.

Adjustments are also proposed for deductible expenses, CIT rates and incentives. Micro/small businesses may see reduced CIT rates. A 2 percent CIT on gross sales from capital/asset transfers is proposed to apply to foreign organizational sellers. However, guidance on calculating Vietnam-related proceeds for this 2 percent CIT is lacking and may remain unclear.

The draft law also dedicates a chapter to the implementation of the OECD's top-up tax model (Pillar 2), aiming to ensure a minimum 15 percent tax rate on large multinational enterprises operating in Vietnam.

The draft CIT law is still open for public consultation, and we await the final draft to provide a comprehensive tax update. Taxpayers should monitor these changes, noting potential changes in the details.

09 *Transfer Pricing (TP) Updates*

SINGAPORE'S 7TH EDITION TRANSFER PRICING GUIDELINES

Until 31 December 2024, the Inland Revenue Authority of Singapore (IRAS) has generally been applying the interest restriction as the arm's length proxy for domestic loans between related parties (in which the lender is not in the business of borrowing or lending). The 7th Edition Singapore Transfer Pricing Guidelines,[6] released on 14 June 2024 by the IRAS, brings changes to the treatment of domestic related party loans.

Domestic loans (i.e., loans between domestic related parties) entered into or refinanced on or after 1 January 2025 will require arm's length interest rates.

Loan arrangements between domestic related parties often features unique commercial terms and conditions. Due to this variability, it is important to evaluate whether such loan agreement between related parties should be regarded as a loan for tax purposes or should be regarded as some other kind of payment, such as equity contribution.

A. Where neither the lender nor the borrower in a domestic loan is in the business of borrowing and lending, the taxpayer may opt to:
   - Apply the indicative margin published by the IRAS on such loans (of any principal amount) and be exempt from the preparation of contemporaneous TP documentation; or
   - Apply an interest rate determined through an arm's length analysis/benchmarking on such loans (of any principal amount), and prepare contemporaneous TP documentation to substantiate the arm's length interest rate.

This also signifies that the IRAS will discontinue the approach of applying the interest restriction as a proxy for the arm's length principle.

B. Where either lender or borrower in a domestic loan is in the business of borrowing and lending, the taxpayer is required to apply an arm's length interest rate for the domestic loan. If the principal amount of the loan does not exceed S$15 million, the taxpayer may opt to apply the indicative margin and seek exemption from the preparation of contemporaneous TP documentation.

Taxpayers using Singapore as a funding hub and taxpayers with substantial domestic related party loans (including interest free loans) should reassess the appropriateness of such intra-group financing arrangements to ensure relevance to market practices and arm's length standard.

VIETNAM'S REVISED TP REGULATION

Vietnam strictly enforces transfer pricing rules for related-party transactions, including services, loans, intellectual property use or goods traded with parent companies, affiliates or SPVs. Taxpayers are required to maintain sufficient supporting TP documentation and benchmark studies supporting their pricing based on comparable independent transactions.

A revised TP regulation, taking effective from 27 March 2025 (i.e., Decree No. 20/2025/ND-CP), was introduced in early 2025. Relevant amendments are summarised below:

- Commercial banks are no longer considered related parties unless there is equity ownership or control, easing compliance for PE-backed firms with bank financing.
- Interest expenses previously disallowed under the 30 percent EBITDA cap may now, subject to conditions, be carried forward and deducted over five years, improving tax efficiency for leveraged buyouts.

These changes enhance access to financing and reduce compliance burdens for PE firms conducting business in Vietnam.

10 *APAC BEPS Pillar 2 Updates*

HONG KONG

Hong Kong is moving forward with implementing a 15 percent global minimum tax and a Hong Kong Minimum Top-Up Tax (HKMTT) for large multinational entity (MNE) groups with annual revenue of at least EUR 750 million, based on OECD proposals to combat base erosion and profit shifting. The Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024, passed by the Legislative Council on 28 May 2025 and expected to be gazetted on 6 June 2025, will codify the HKMTT, while the implementation of the Undertaxed Profits Rule (UTPR) will be postponed.

The HKMTT is a qualified domestic minimum top-up tax (QDMTT) aligned with GloBE rules. Investment and insurance investment entities are generally excluded to maintain their tax neutrality. The HKMTT will be treated as profits tax and utilize existing tax administration mechanisms.

Key requirements include filing top-up tax returns and notifications, with penalties for noncompliance. Safe harbour rules, including the transitional Country-by-Country Reporting Safe Harbour, the transitional UTPR Safe Harbour, the QDMTT Safe Harbour, and the Simplified Calculations Safe Harbour for nonmaterial constituent entities, will be available to reduce the compliance burden for in-scope MNE groups.

The HKMTT will be payable for fiscal years beginning on or after January 1, 2025. Businesses and investors should evaluate the impact of the draft bill and consider measures for managing tax risk to ensure compliance.

SINGAPORE

Effective from 1 January 2025, Singapore will implement a new tax system to enforce a minimum effective tax rate of 15 percent on qualifying profits, in accordance with the BEPS Pillar 2 initiative. This will apply to MNE groups with an ultimate parent entity (UPE) that has recorded annual revenue of EUR 750 million or more in its consolidated financial statement in at least two of the four preceding financial years, subject to certain exclusions.

UPEs of such MNE groups must notify the Singapore tax authorities of their liability to register under the new act and file tax returns on their top-up tax liability.

Additionally, all registered MNE groups must file a GloBE Information Return (GIR) with Singapore unless it is filed with another jurisdiction. Even if filed elsewhere, an annual GloBE notification must be submitted to Singapore tax authorities to inform them of the foreign UPE's identity and the jurisdiction where the GIR is filed.

MALAYSIA

For Malaysia, the fundamentals of implementation of Global Minimum Tax (GMT) are as follows:

- The GMT will take effect for MNE groups with a financial year beginning on or after 1 January 2025. Therefore, the first financial year for the MNE group in scope with 12-months accounting period will end on 31 December 2025.
- The initial submission of GIR and TTR (Top-up Tax Return) will be 18 months from the last day of financial year, i.e., 30 June 2027 (transition year). [However, the submission deadline for local company tax return (i.e., Form C) remains the same, i.e., 31 July (and usually with a grace period of one month)].

- Essentially, the GloBE Rules have been incorporated into Malaysian tax law. Multinational Top-up Tax (MTT) and the Domestic Top-up Tax (DTT) are effective from the financial year beginning on or after 1 January 2025.

As this is a developing space, the Malaysian Inland Revenue Board (IRB) has issued "Guidelines on The Implementation of GMT in Malaysia" and "Frequently Asked Questions on the implementation of the GMT in Malaysia" for further guidance.

1. "Promoting the setting up of family offices in Hong Kong," Inland Revenue Department, Press Release, 2 April 2025, https://www.ird.gov.hk/eng/ppr/archives/25040201.htm
2. Monetary Authority of Singapore, "Circular FDD Cir 10/2024," October 1, 2024, https://www.mas.gov.sg/
3. Government of Singapore, Budget 2025, https://www.gov.sg › budget-2025
4. "Union Budget Documents 2025-2026," Government of India, Ministry of Finance, accessed May 13, 2025, https://www.indiabudget.gov.in/
5. LTF program, originally established to promote long-term savings through tax incentives, was discontinued for new investments after 2019. With a significant volume of LTFs maturing in 2025 and 2026, the government introduced the Thai ESGX framework to mitigate the risk of large-scale fund outflows and to preserve market stability. Investors who wish to switch must transfer (sell) their LTF holdings into Thai ESGX funds to be eligible for the tax incentives.
6. Inland Revenue Authority of Singapore, IRAS e-Tax Guide, Transfer Pricing Guidelines, (Seventh Edition), 14 June 2024, https://www.iras.gov.sg/media/docs/default-source/e-tax/etaxguide_cit_transfer-pricing-guidelines_7th.pdf?sfvrsn=26bfb1a6_18

Key Contacts

Adam Williams
Managing Director

+852 9400 4535
a.williams@alvarezandmarsal.com

Mriganko Mukherjee
Managing Director

+65 9674 9145
mrigankom@alvarezandmarsal.com

Contributors

Neha Shah
Managing Director
neha.shah@alvarezandmarsal.com

Brett Todd
Managing Director
btodd@alvarezandmarsal.com

Kei Ooi
Director
kooi@alvarezandmarsal.com

Emma King
Associate Director
emma.king@alvarezandmarsal.com

Vishal Hakani
Managing Director
vhakani@alvarezandmarsal.com

Anh Ngoc
Senior Director
anh.phung@alvarezandmarsal.com

Christy Ngai
Director
cngai@alvarezandmarsal.com

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