

A&M's Asia–Pacific Private Capital Tax Top 10 Quarterly Update

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 last quarter.

Hong Kong



01 2026–27 Budget – Continued Enhancement of Asset and Wealth Management Tax Regimes and Stamp Duty Relief for Intra-Group Transfers

Hong Kong's 2026–27 Budget, delivered on February 25, 2026, continues the Government's policy of reinforcing Hong Kong's position as an international asset and wealth management and private capital hub. A detailed overview of the broader Budget measures is available here¹.

Unified Fund Exemption (UFE) and Family-Owned Investment Holding Vehicles (FIHV) Concession

From a private capital perspective, the Budget confirms a number of proposals aimed at enhancing tax certainty for funds and FIHVs managed by single family offices and expanding the exemption to wider asset classes. The key developments relevant to private capital are summarized below.

Consistent with earlier policy direction, the Budget reiterates plans to broaden the scope and usability of the UFE regime, with a view to better aligning the regime with evolving private capital strategies and industry needs.

In particular, the Budget proposes to expand the definition of a "fund" to cover pension funds, endowment funds, and specific fund-of-one structures, and to widen the scope of qualifying investments under the UFE and FIHV regimes to include loans and private credit investments, digital assets, precious metals, and specified commodities under the exemption.

If implemented as proposed, these changes are expected to improve upfront tax certainty for private funds with diversified or bespoke investment strategies, and to enhance the practical attractiveness of Hong Kong as a fund management and structuring platform. The government plans to release the draft legislation in the first half of 2026.

Stamp Duty Relief for Intra-Group Transfers

In addition, the 2026–27 Budget proposes targeted enhancements to intra group stamp duty relief under section 45 of the Stamp Duty Ordinance. The proposal responds directly to structural constraints underscored by recent judicial developments, which confirmed that entities without issued share capital (such as limited liability partnerships) fall outside the scope of the existing relief framework.

The Budget proposes to relax the criteria for the stamp duty relief by expanding the scope of eligible entities to include bodies corporate with separate legal personality that do not issue share capital, and by relaxing the minimum threshold for association between the transferor and the transferee from 90% to 75%.

Subject to legislative enactment, the enhanced relief is proposed to apply retrospectively to instruments executed on or after February 25, 2026. These changes are expected to materially facilitate internal restructurings, pre-IPO structuring exercises, and post-acquisition integrations commonly undertaken by private capital groups.

Taken together, the 2026–27 Budget reflects a deliberate policy effort to move beyond high-level positioning and address

practical structural issues faced by professionals in the private capital space. While further legislative detail is in progress, the direction of policy is clearly supportive of fund managers seeking greater tax certainty and operational flexibility when structuring, managing, and exiting investments through Hong Kong.

02 Proposed Implementation of Crypto Asset Reporting Framework and Common Reporting Standard 2.0

As an international financial and trade center, Hong Kong has been actively supporting international efforts in enhancing tax transparency and combating cross-border tax evasion.

As such, Hong Kong intends not only to implement the Crypto-Asset Reporting Framework (CARF) and the

amendments to the Common Reporting Standard (CRS) introduced by the Organization for Economic Co-operation and Development (OECD), but also to strengthen its CRS administrative framework to address comments from the OECD's second round of peer review.

(1) Enhancement of the CRS Administrative Framework

In the second round of peer review, the OECD commented that Hong Kong's identification of Reporting Financial Institutions (RFI) was inadequate and the existing CRS penalty scale and enforcement mechanism lacked deterrent effect. The Hong Kong Government took into account these comments when formulating *the Inland Revenue (Amendment) (Automatic Exchange of Information) Bill 2026* (Bill), which was gazetted in March 2026.

Key amendments of the Bill are:

a. Mandatory Registration Requirement for RFIs

Under the prevailing Hong Kong CRS rules, only RFIs that maintain reportable accounts are required to register via the Automatic Exchange of Information (AEOI) Portal.

However, the Bill proposes that all Hong Kong RFIs (HKRFIs) are required to register for Hong Kong CRS purposes regardless of whether they have information to report.

The Bill proposes an extended registration deadline of March 31, 2027, for all existing unregistered HKRFIs. New HKRFIs must register by the originally proposed deadline of January 31 of the year following the calendar year in which they first become RFIs.

b. Enhancing Record Keeping Requirements

The Bill also clarified the obligations applicable to dissolved RFIs. Responsibility is placed on every person who was a director, or if there was no director, every person who was a trustee of, or who was responsible for the management of the entity immediately before its dissolution (specified officer). The specified officers are required to keep sufficient records on behalf of the RFI for six years and comply with notices issued by the Inland Revenue

Department (IRD) assessor requesting the provision of information. Failure to comply may result in personal liability.

Such specified officers may appoint a designated third-party custodian to fulfil the record keeping obligation for the dissolved RFIs. Nevertheless, the IRD clarified that the specified officers are not relieved from their record keeping obligation under the proposed legislative amendments.

c. Enhancing Sanctions

The Bill introduced:

- i. New sanctions in respect of RFIs' non-compliance with relevant obligations without reasonable excuse.
- ii. Penalties based on the number of financial accounts involved for certain offenses.
- iii. Administrative penalty as an alternative to prosecution for certain offenses.

The Hong Kong Government targets to have this Bill passed by the Legislative Council (LegCo) by the end of June 2026, with implementation on January 1, 2027.

(2) CARF

CARF has been introduced by the OECD as an extension of the CRS in response to the growth of crypto-assets and increasing digitalization of financial markets.

The Financial Services and the Treasury Bureau (FSTB) released a consultation paper in December 2025, according to which, all Reporting Crypto-Asset Service Providers (RCASP) should be required to:

- i. Register with the IRD.
- ii. Obtain and validate self-certification forms (SCF) from Crypto-

Asset Users (including Controlling Persons) when establishing relationships with them. For Crypto-Asset Users onboarded before 2027, the RCASP has 12 months to obtain the SCF from them.

- iii. Submit annual CARF returns to the IRD.

The Hong Kong Government plans to publish local legislation by 2026, expected effective date is 2027 with the first reporting/exchange in 2028.

(3) Amendments To the CRS (CRS 2.0) Requirements

The scope of the CRS has been expanded to cover Specified Electronic Money Products and Central Bank Digital Currencies, as well as indirect investments in crypto-assets, through derivatives and investment vehicles. Corresponding amendments have been made to, among others, the definition of Investment Entity.

Enhanced due diligence requirements have been introduced in the following circumstances:

- i. Account holders who are tax resident in multiple jurisdictions, but do not declare all jurisdictions relying on tax treaty tie-breaker rules.
- ii. Account Holder/Controlling Person claiming tax residency in a jurisdiction offering potentially high-risk Citizenship by Investment/Residence by Investment schemes.

Additional reporting requirements under CRS 2.0 include:

- Identification of a reportable account as pre-existing or new account.

- Confirming whether a valid self-certification was available for the account.
- Confirming whether an account is a joint account and if yes, the number of joint account holders.
- Identifying the type of Financial Account, controlling person type and Equity Interest Holder type.

The Hong Kong Government intends to implement CRS 2.0 with effect from January 1, 2028, with first exchange in 2029.

HKRFIs should review their readiness for the new requirements under CRS and CARF. Assessing the impact on systems, processes, forms and governance framework will form the foundation for timely and appropriate compliance with these changes.

Australia



03 Thin Capitalization Review

On January 30, 2026, the Australian Government is undertaking an independent review of the recently enacted thin capitalization rules in 2024. The review formally commenced on February 1, 2026, with submissions closing on May 18, 2026, and a final report is due within 12 months. The scope of the review covers whether the various earnings based tests and debt deduction creation rules are working as intended. The review will also consider whether the AUD two million exemption threshold

should function as a net debt deduction concept, and whether the default tax EBITDA calculation appropriately reflects economic activity.

Taxpayers should continue to monitor this space to confirm whether adjustments will be made to the current thin capitalization rules.



04 Regulatory Shift: Scrutiny on Red-Chip Structures for Hong Kong IPOs

A recent regulatory communication from China Securities Regulatory Commission (CSRC) indicates a shift in the authority's approach toward the shareholding structure for Chinese companies seeking to list on the Hong Kong Stock Exchange (HKEX). Reports from early 2026 suggest that CSRC has exerted more scrutiny on the reasonable purposes of using a "red-chip" structure, which refers to an offshore holding structure (usually a Cayman/BVI holding with a HK intermediary holding above the underlying China listed assets). It is reported that the CSRC advised some companies with red-chip structures to reorganize under a China-incorporated holding structure before further processing the IPO application. Market data also reflects this shift from a recent report by China's Security Times – of the 186 companies that applied for Hong Kong listings between January and March 18, 2026, approximately 82.8% opted for the H-share model (i.e., China incorporated structure listed on the HKEX), while red-chip applications fell to roughly 14.5%.

Furthermore, only one red-chip entity received CSRC filing approval as of the report date, compared with 21 during the same period in the previous year.²

The shift necessitates a re-evaluation of the current holding structure and the exit strategies for private capital investors. The move to restructure a red-chip structure into a China holding structure (the so-called "unwinding the red-chip" in Chinese) often results in extended IPO timelines and increased administrative and tax costs. Furthermore, many private capital firms, particularly USD-denominated funds, traditionally utilized these offshore structures to facilitate flexible capital distribution and clear exit paths. Unwinding these structures requires investors to "fall back" into domestic entities, which may impact liquidity and subject the investment to different lock-up requirements and capital repatriation regulations under the H-share framework.

Tax Considerations in the Unwinding Process

The process of "unwinding" a red-chip structure involves several critical tax trigger points:

- **Capital Gains Tax on Equity Transfers:** Unwinding typically involves the transfer of equity in domestic subsidiaries from offshore holding companies to a new domestic holding vehicle. For most cases, to avoid incurring immediate tax cash-out, the transfer price would be set at investment cost or at net asset value (NAV). However, the China tax authority increasingly scrutinizes the transfer price, challenges the valuation and, in some cases, demands a valuation report. In the event that the transfer price shows a large increment over the original investment cost, a withholding tax (WHT) on the capital gain shall be triggered with very limited recourse to relief. To avoid such scenario, advance planning is highly recommended by a joint effort of the sponsor, tax advisors and lawyers.
- **Indirect Transfer tax (Announcement 7):** Any share transfer taking place on the level of offshore holding companies may also trigger the China indirect transfer tax implications. The indirect transfer tax can normally be avoided if the restructuring plan is carefully thought through and implemented through a reasonable sequence of steps.
- **Cost Basis:** As the investors may need to re-invest into the domestic structure, the tax cost base of the domestic subsidiaries could be determined by the direct investment amount into the new domestic holding company. To avoid a loss in the tax cost base, the investors need to consult the tax advisor of their jurisdiction regarding the applicable tax law for cost base determination. Also, in re-investing into the China holding structure, it is important to consider the administrative requirements, such as the foreign investment registration and the foreign exchange regulations.

Vietnam



05 Corporate Income Tax and Capital Transfer Updates: Decree 320/2025 and Circular 20/2026

The new Corporate Income Tax guidance introduces significant structural changes, including a shift to a two percent tax on the gross proceeds of both direct and indirect capital transfers effective December 15, 2025, replacing the 20% tax on net gains.

Under Circular 20/2026 (Circular), taxable revenue for these transfers is recognized when the initial Sale Purchase Agreement (SPA) becomes effective. While the Circular does not have further guidance on the definition of the 'effective date,' the Civil Code stipulates that a lawfully concluded contract is effective from the time of conclusion unless the parties agree otherwise.

Furthermore, Decree 320/2025 now allows real estate transfer losses to offset main business profits (except incentivized income) and establishes tiered SME tax rates of 15% to 17% for qualifying entities. To maintain deductibility, the threshold for

non-cash payment has been drastically reduced from VND 20 million (~USD 760) to VND 5 million (~USD 190). Read the detailed alert [here](#)³.

For Private Capital clients, the 2% gross-based tax simplifies modelling but removes the ability to offset transaction costs or losses. As the SPA's effective date triggers the tax event, taxpayers must carefully define this date, considering all relevant factors. Additionally, companies must immediately adjust internal payment controls to ensure all expenses exceeding ~USD 190 are processed via banking channels/non-cash settlement methods. While certain internal restructurings may potentially qualify for exemptions, the current lack of clear guidance on meeting all regulated requirements necessitates rigorous documentation and continuous monitoring of future Ministry of Finance updates to ensure full compliance.

India



06 Press Note No. 2 (2026 Series) Easing Press Note No. 3 – Restrictions for Investors From Land Bordering Countries

The Government of India (Government), vide its press release dated March 10, 2026, approved certain proposals amending Press Note No. 3 of 2020 (PN3 of 2020) issued in April 2020. Subsequently, the Department for Promotion of Industry and Internal Trade (DPIIT) issued Press Note No. 2 (2026 series) (PN2 of 2026) and amended paragraph 3.1.1 of the FDI policy in relation to investments from land bordering countries (LBC) or where beneficial owner is from LBC.

As per PN3 of 2020, any investment into India from LBC, or where the beneficial owner of such investment is situated in or is a citizen of such country, is permitted only with prior approval from the Government.

The key amendments include the introduction of a definition of 'beneficial ownership' aligned with the Prevention of Money Laundering Act, 2002 (PMLA). Accordingly, a beneficial owner is defined as any natural person who ultimately owns or controls an entity through either a controlling ownership interest (i.e., more than 10% of shares, capital, or profits) or through other means of

control, including the right to appoint majority of directors or the ability to influence management or policy decisions. Thus, investors from LBCs holding up to 10% non-controlling stakes in investing entities are now permitted under the automatic route, subject to sectoral caps.

PN2 of 2026 recalibrates the PN3 regime by introducing a PMLA-aligned 10% beneficial ownership threshold, allowing global funds with passive, non-controlling LBC participation to invest via the automatic route, which is a relief long sought by the investor community.

07 Amendments to the Finance Bill, 2026.

The Finance Bill 2026 (Bill) restored the tax treatment of share buybacks by shifting from the earlier deemed dividend framework to taxation as capital gains in the hands of shareholders. The Bill proposed to tax shareholders (promoters) an effective tax rate of 22% (domestic company)/30% (non-corporate) excluding surcharge and cess.

The Finance Minister, Ms. Nirmala Sitharaman, on March 25, 2026, moved several amendments to the Bill and a key amendment was made with respect to the applicability of the additional 12% surcharge. The 12% surcharge is now restricted only to promoter buy-backs undertaken in accordance with Section 68 of the Companies Act, 2013, as governed under Section 69 of the Income-tax Act, 2025. i.e., both promoters and

non-promoters will otherwise continue to be subject to existing surcharge rates, based on the applicable income thresholds, on the capital gains component. The 12% surcharge rate is restricted only to promoters and applies only to the additional income-tax liability arising on such capital gains. The Bill has now been enacted and is effective from April 1, 2026. This revised regime marks a clear shift from the earlier system of taxing buyback proceeds as dividends. The move to capital gains taxation, combined with a targeted surcharge applicable only to promoters, reflects the Government's intent to streamline buyback taxation while introducing calibrated anti-avoidance measures.

08 Central Board of Direct Taxes (CBDT) Clarifies Non-Application of General Anti-Avoidance Rule (GAAR) to pre-April 1, 2017, Investments

In a much-awaited move clarifying the scope of grandfathering pursuant to the Supreme Court's decision in Tiger Global, the CBDT has issued a notification dated March 31, 2026, amending Rule 128 of the Income tax Rules, 2026 which provides certain circumstances where GAAR shall not apply. The amendment clarifies that grandfathering shall extend to any income arising from the transfer of investments made prior to April 1, 2017.

The amended Rule 128 now explicitly provides that while GAAR shall apply to arrangements generating tax benefits post 2017, it shall not apply to income arising from the transfer of investments made before April 1, 2017, even where such transfer occurs after April 1, 2017.

This clarification addresses the ambiguity surrounding the grandfathering of income from pre-GAAR investments and ensures that GAAR is not applied in a manner that is retrospective in substance.

The amendment is a welcome change providing comfort from a policy intent perspective to protect income arising from transfer of investments made prior to April 2017. It should put to rest the ambiguity and thereby reduce litigations and ensure tax certainty for taxpayers on legacy investments.

09 Reserve Bank of India (RBI) Liberalizes External Commercial Borrowings (ECB) Framework

The RBI, through the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026, has significantly liberalized the ECB regime, marking a structural shift towards facilitating overseas fundraising by Indian entities.

One of the most notable changes is the removal of end use restrictions for capital market transactions (i.e., purchase or sale of listed or unlisted securities), thereby permitting ECB proceeds to be utilized for merger, demerger, amalgamation, and acquisitions with control in Indian companies, subject to compliance with applicable laws.

Further, the amended framework removes the erstwhile all in cost ceiling applicable to ECBs. The Interest rate is now required to be aligned with prevailing market conditions.

The RBI has also expanded the ECB borrowing limits, increasing the cap from the earlier USD 750 million per financial year to the higher of USD one billion or total outstanding borrowing up to 300% of the borrower's net worth .

These changes are complemented by other rationalization measures, including standardization of minimum average maturity, expansion of eligible borrowers and recognized lenders etc.

The revised ECB regime reflects a decisive move towards a more market driven and flexible framework. By permitting acquisition finance, removing pricing caps and expanding borrowing limits, the RBI has significantly enhanced the attractiveness of ECBs as a funding avenue for Indian corporates.

Indonesia



10 Indonesia Double Taxation Avoidance Agreement (DTAA) approach

Indonesia issued Minister of Finance Regulation No. 112 of 2025, on December 30, 2025, effective the same day, introducing a new procedural framework for claiming treaty benefits under Indonesia's double tax treaties. PMK 112/2025 replaces the prior Directorate General of Taxes (DGT)-level rules and signals a broader shift from a documentation-focused approach to a more substance-based treaty entitlement framework. In particular, Indonesian withholding agents are now expected not only to collect the DGT form and certificate of domicile, but also to assess whether the foreign recipient is genuinely entitled to treaty relief and whether treaty abuse concerns may apply. Read the detailed alert [here](#)⁴.

Key highlights of the regulation include a more formal anti-abuse framework, including beneficial ownership analysis, explicit limitation-on-benefits style tests, a principal purpose test, conduit rules, and expanded substance indicators. The regulation also introduces a 365-day holding period requirement for access to reduced dividend withholding tax rates where the treaty provides tiered shareholding-based rates, and a 365-day lookback rule for share disposals involving entities whose value is principally derived from immovable property. In addition, PMK 112/2025 provides more detailed permanent establishment guidance, including on commissionaire arrangements, specific activity exemptions, and contract-splitting rules. At the same time, the regulation offers some procedural flexibility by allowing treaty

documentation to be submitted during an audit, objection, or assessment process, provided the taxpayer can demonstrate substantive eligibility.

These developments are particularly relevant for private capital structures involving intermediary holding companies, financing platforms, and exit planning into and out of Indonesia. The practical focus is now less on form alone and more on whether the relevant entity has sufficient substance, commercial rationale, and governance to support treaty access. Fund managers and investors should revisit cross-border dividend, interest, royalty, and capital gains flows; review withholding tax procedures and documentation workflows; and pressure-test whether existing structures can withstand beneficial ownership, anti-abuse, and permanent establishment scrutiny. A further point to monitor is that the regulation appears to import certain multilateral instrument style concepts even where the underlying treaty-text may not expressly contain them, which could lead to interpretive tension in practice and increased controversy risk.

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