A&M | TAX

A&M's Asia-Pacific Private Capital and Asset Management Tax

Top 10 | Quarterly Update

Private Capital and Asset Management 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 and asset management tax in the Asia-Pacific region for the last quarter.

Hong Kong

01 Hong Kong Expands Tax Incentives for Funds, Family Offices, and Carried Interest

Hong Kong has proposed significant enhancements to its preferential tax regimes for funds, family offices, and investment managers through the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Bill 2026 (the Bill). The reforms are intended to strengthen Hong Kong's competitiveness as a regional asset and wealth management hub and to address longstanding industry concerns around the scope of existing tax concessions and exemption regimes.

1A - Expanded Tax Exemptions for Funds and Family Offices

The proposed amendments substantially broaden the scope of Hong Kong's Unified Fund Exemption (UFE) and family office regimes. Notably, the definition of a 'fund' would expand to cover a wider range of investment structures, including certain single-investor funds, pension funds, and endowment funds. The Bill also expands the scope of qualifying transactions to include private credit, digital assets, overseas real estate, carbon credits, and certain other alternative asset classes, reflecting increased diversification of investment strategies across the private capital industry. Importantly, the changes address several longstanding areas of uncertainty under the current regime and are expected to apply to and benefit a broader range of fund and family office structures. For a detailed analysis of the proposed UFE and family office regime enhancements, please refer to our previous publications on the topic.[1]

1B - Enhanced Carried Interest Tax Concession

The Bill also proposes significant enhancements to Hong Kong's carried interest tax concession regime. In particular, the proposed amendments expand the definition of eligible carried interest and broaden the types of investment strategies and/or arrangements that can generate eligible carried interest or performance fee returns. The tax concession would also extend to employees hired by a qualifying person (or closely related entities of the qualifying person) providing investment management services in Hong Kong, better aligning the concession regime with commercial remuneration arrangements commonly adopted by fund managers.

These changes are expected to further strengthen Hong Kong's competitiveness relative to other regional fund management hubs by improving after-tax economics for investment managers, general partners, and investment professionals. For a detailed analysis of the proposed carried interest enhancements, please refer to our previous publications on the topic.[2]

Singapore

02 Fund Tax Incentive Scheme Enhancements: Monetary Authority of Singapore (MAS) Circular 05-2026

On July 31, 2026, MAS released FDD Cir. 05-2026 Tax Incentive Schemes for Funds (the Circular), introducing enhancements and clarifications to Singapore's fund tax incentive scheme for non-single-family office (non-SFO) funds.

The updates are particularly relevant to private capital funds (e.g., private equity, venture capital, infrastructure, real estate, and credit funds) approved under Section 13D, Section 13O, Section 13OA, and Section 13U of the Income Tax Act 1947 (ITA) (the S13D, S13O, S13OA and S13U Schemes, or collectively, referred to as the Schemes), and to fund managers considering Singapore as a preferred location for raising capital and holding investments.

The changes apply both to new awards and, through a transitional mechanism, to existing awards. The key changes to the conditions of the Schemes include:

- Removal of the annual year-end minimum Assets under Management (AUM) in Designated Investments (DI) requirement, with retrospective effect from January 1, 2025.
- Clarification that S13O/OA Scheme applicants under closed-end fund treatment require the S$5 million AUM in DI condition to be met at the point of application, without access to the grace period.
- Clarification that guarantee fee derived as part of investing activities in respect of a DI should qualify for tax exemption under the Schemes.
- Recognition of tokenized interests as DI where they confer the same interests, rights, and obligations as the underlying DI.
- Clarification that foreign-sourced income must be both derived and remitted during the incentive period to qualify for tax exemption under the Schemes.
- Recognition of the tax filing waiver process with the Inland Revenue Authority of Singapore (IRAS) for foreign investors in a Singapore limited partnership fund under the S13OA and S13U Schemes.

Overall, the updates are expected to improve certainty, reduce compliance burden, and further strengthen Singapore's attractiveness as a preferred location for holding investments. Fund managers should review existing and proposed structures to assess whether the revised conditions and clarifications provide additional operational flexibility or opportunities to streamline compliance. For a detailed analysis of the enhancements to the fund tax incentive schemes, please refer to our previous publications on the topic.[3]

03 Section 10L of the Singapore Income Tax Act 1947 (Foreign-Sourced Disposal)

Broadly, Section 10L of the Singapore Income Tax Act 1947 (Section 10L) applies to gains from the sale or disposal of foreign assets (foreign-sourced disposal) on or after January 1, 2024, where such gains are received in Singapore by an entity of a relevant group and are not otherwise subject to Singapore income tax. Where applicable, such gains may be brought to tax unless the entity has adequate economic substance in Singapore (or other specific exclusions apply).

On July 1, 2026, the IRAS published two advance ruling summaries that provide useful illustrations of how the economic substance requirement under Section 10L may apply.

In the first ruling, Advance Ruling Summary No. 9/2026, IRAS considered a Singapore-incorporated, non-pure equity holding entity headquartered in Singapore that carried out head office, centralized administrative, and subsidiary management functions. The company’s operations were managed and performed in Singapore by full-time employees with the necessary qualifications and experience, and key business and investment decisions were made in Singapore. IRAS ruled that the company satisfied the economic substance requirement and would be regarded as an excluded entity for purposes of Section 10L.

In the second ruling, Advance Ruling Summary No. 11/2026, IRAS considered a Singapore-incorporated special purpose vehicle (SPV) that held foreign equity investments and had no employees. The SPV was wholly owned by its immediate holding company (HoldCo), which had been awarded a fund tax incentive and had met the relevant compliance requirements and qualifying conditions. On the facts, HoldCo exercised effective control over the SPV, derived the economic benefits from the SPV's investment holding activities, and defined the core investment strategies implemented by the SPV. The IRAS ruled that the economic substance test could be applied at the HoldCo level, such that the SPV would be regarded as satisfying the economic substance requirement for purposes of Section 10L. The ruling was subject to HoldCo continuing to meet the relevant fund tax incentive requirements for the applicable periods.

These rulings are consistent with the approach reflected in the IRAS e-Tax Guide and Circular FDD Cir 04/2024 on Section 10L, published by the Monetary Authority of Singapore, which recognizes that economic substance may, depending on the facts, be demonstrated through substantive activity, Singapore-based management and decision-making, or, for certain SPV structures, at the immediate holding entity level where that entity exercises effective control and defines the SPV's investment strategy.

That said, the rulings should be read in context. Section 10L applies only to entities within its statutory scope, including entities of relevant groups. Accordingly, not all entities will necessarily be within scope. Furthermore, published IRAS advance ruling summaries are binding only on the relevant applicant and specified transaction and should be treated as useful guidance rather than general precedent.

Australia

04 Proposed Expansion of Australia's Foreign Resident Capital Gains Tax Rules

On July 14, 2025, the Australian Government announced measures to strengthen the integrity of the foreign resident capital gains tax (CGT) regime, designed to capture a broader range of transactions involving Australian assets. Key changes include broadening the types of assets on which foreign residents are subject to CGT, amending the current point-in-time principal asset test to a 365-day testing period, and introducing enhanced Australian Taxation Office (ATO) notification requirements for transactions exceeding AUD 50 million in value. The reforms are intended to strengthen Australia's ability to tax gains realized by non-residents on investments connected with Australian real property.

The 2026-27 Federal Budget (Budget) included two announcements within the foreign resident CGT reform package that are directly relevant to private capital and infrastructure investors. First, the Government announced a time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector, applying to foreign investors disposing of certain renewable energy infrastructure assets from the first quarter following Royal Assent of the law until June 30, 2030. Second, the Government announced its intention to amend the law to clarify that the concept of 'real property' in Australia is determined by Commonwealth legislation rather than state and territory laws. According to the draft legislation, this clarification is intended to operate with retrospective effect, confirming the ATO's long-standing administrative view that 'real property' is not limited to its narrow, technical legal meaning. The ATO has indicated that it would continue its current compliance approach for disposals under review or occurring within the past four years.

The changes are particularly relevant to private capital investors, infrastructure funds, and multinational groups investing in Australia through holding company structures. Although the measures are not yet operative, foreign investors contemplating acquisitions, restructures, or exits should factor the proposed rules into transaction planning early in the transaction lifecycle, as they may affect transaction structuring, due diligence requirements, and the availability of Australian tax exemptions on exit once enacted.

05 Australian Federal Budget 2026–27

The Budget also contained significant tax reform measures relevant to Australian residents. Most notably, the Government announced that, from July 1, 2027, it will replace the existing 50% CGT discount with a discount based on inflation (cost base indexation) and introduce a minimum 30% tax on capital gains. The reform is intended to tax investors only on real (post-inflation) gains and will apply only to gains arising after July 1, 2027, with a limited exception allowing investors in new builds to choose between the 50% discount and the new arrangements. This is a material change for corporate taxpayers and private equity groups. It directly affects the after-tax economics of exit gains and the interaction with management equity plans (MEP), where the value of the concessional CGT treatment on realization is often central to the incentive design. Investment structure with MEPs should be reviewed and, where appropriate, re-modelled ahead of the July 1, 2027 start date.

The Budget also continued the Government's focus on tax integrity, compliance, and revenue collection, with additional funding for ATO compliance programs (including the Private Capital Taskforce) and measures intended to improve tax transparency and administration.

Private capital investors should continue to monitor the Government's broader tax reform agenda, particularly in areas involving cross-border investments, tax integrity, and enhanced regulatory scrutiny. Increased compliance activity by the ATO is expected to remain a feature of the operating environment, reinforcing the importance of robust governance, documentation, and transaction planning for both investors and portfolio companies.

06 Private Capital Program

The ATO significantly expanded public content for its Private Capital Program (PCP) from May to June 2026, providing the clearest view yet of the Commissioner’s focus on private equity, foreign funds, collective investment vehicles, and infrastructure/stapled structures. In a June 4, 2026 ‘Spotlight’ bulletin, program lead Assistant Commissioner Aaron Bennett confirmed the ATO is now scrutinizing risks across the entire investment lifecycle (pre-acquisition through to exit) rather than concentrating on disposals alone. Engagements increasingly involve holding-period reviews, early engagement on acquisitions and disposals, and firm-level reviews of managers with multiple Australian investments, with a stated 12-month focus on disposal and asset-dissipation risks.

The two most significant items are new web pages published on June 11, 2026. Regarding pre-disposal security arrangements, the ATO says that, where it identifies a real risk of asset dissipation and a likely tax liability on disposal (e.g., a foreign investor exiting its only Australian asset), it may require a security arrangement to hold funds before proceeds flow offshore untaxed. Triggers include complete market exits, significant or infrastructure disposals, declining tax performance during the holding period, bifurcation to access concessional withholding or avoid taxable Australian property, and poor compliance or aggressive positions. Regarding fiscally transparent entities (FTEs) (commonly limited partnerships and US LLCs), the ATO now expects primary evidence of ultimate investors’ residency for treaty claims (treating statutory declarations as insufficient), requires residency certificates and tax ID documentation, applies no de minimis by holding size, and expects FTEs to maintain a look-through investor spreadsheet.

The PCP is funded by the Tax Avoidance Taskforce and aims to assure the community that private capital investors owning Australian assets are paying the right amount of tax. It consolidates the ATO’s work across the most commonly used private capital structures (private equity, foreign funds, collective investment vehicles, and infrastructure and business fragmentation (including stapled structures)). The ATO frames its engagement around a five-stage investment lifecycle: pre-acquisition, acquisition, holding, pre-exit, and exit.

The consistent theme across all these materials (reinforced by the June 26, 2026 ‘new guidance’ bulletin) is to engage early by assembling robust residency evidence and raising intended exits with the ATO before transactions, which would reduce the likelihood of a compliance review or a security demand. Practically, sponsors and managers should treat treaty-residency substantiation as a pre-exit task rather than a response to a later query.

Korea

07 Korea Courts Curb the Korean National Tax Service (NTS) Attempts To Tax Offshore Indirect Share Transfers

The NTS has increasingly challenged multi-tier offshore holding structures by seeking to treat the disposal of an upper-tier foreign company as a direct transfer of underlying Korean shares or real estate. In the recent Jeju litigation, a Singapore company sold shares in a British Virgin Islands (BVI) holding company that indirectly owned a Korean company. The NTS alleged that the BVI entity lacked sufficient substance and assessed Korean corporate income tax and securities transaction tax on the basis that the transaction should be recharacterized as a sale of the underlying Korean investment. The Jeju District Court (2023GuHap5879) and the Gwangju High Court (2025Nu1053) cancelled the assessments, and the Supreme Court proceeding concluded on April 2, 2026 (2026Du30033), leaving those judgments in place.

The courts drew an important distinction between using the substance-over-form principle to determine the true character of an existing taxable transaction and to create a new taxable event. Article 93 of Korea’s Corporate Tax Act identifies the categories of Korean-source income taxable in the hands of a foreign corporation. Because the disposal of the foreign shares was not expressly brought within those categories on the facts of the case, the courts held that the NTS could not fill the statutory gap by treating the transaction as an indirect transfer of Korean assets. Such an approach would be inconsistent with the constitutional principle of legality in taxation and would materially undermine taxpayer certainty and predictability.

For private capital investors, the outcome provides meaningful support for respecting conventional offshore exits where the legal asset transferred is shares in a foreign holding company and no express Korean indirect-transfer provision applies. It also reinforces the broader principle that taxpayers may select from legally available structures to achieve their commercial objectives and that a multi-tier holding arrangement is not inherently abusive merely because it produces a more favorable tax result. The case should not, however, be viewed as a blanket safe harbor, meaning the NTS may continue to scrutinize beneficial ownership, treaty entitlement, sham arrangements, and transactions involving the disposal of Korean shares.

Sponsors contemplating a Korean exit should therefore maintain contemporaneous evidence supporting the commercial rationale, governance, capitalization, decision-making, and ongoing functions of each entity in the holding chain. The Jeju outcome significantly narrows the NTS’s ability to rely on substance-over-form alone to tax an offshore upper-tier share sale, but it may also increase the prospect of a targeted legislative response. Transaction structures should accordingly be reviewed against the law in effect at both signing and closing, with sufficient flexibility to address future changes.

New Zealand

08 Consultation Signals Broader Taxation of Land Transactions

New Zealand's Inland Revenue (IR) has reopened consultation on one of the more contested questions in the land-tax area, whether a disposal of land can be taxed (the general 'profit-making undertaking or scheme' provision), or whether the specific land sale rules in the Act form a code that exhaustively determines when land gains are taxed. The draft interpretation statement, PUB00519, was released for comment on July 2, 2026, with submissions closing August 13, 2026. It follows an earlier 'questions we have been asked' version consulted in December 2024. After receiving a range of submissions, IR refined its analysis and elevated it to a full interpretation statement, given the more comprehensive guidance now provided.

The draft's central conclusion is that section CB 3 can apply to tax land disposals and the specific land sale rules are not a code that displaces the general provision. Practically, IR considers that three requirements must be met, including:-

1. The disposal is part of an undertaking or scheme.
2. The undertaking or scheme is carried on for the dominant purpose of making a profit.
3. The disposal amounts to more than the mere realization of a capital asset.

A key refinement from the 2024 draft is IR's position that the more specific development and division provisions in the Act do not comprehensively capture every profit-making undertaking or scheme involving land, leaving room for section CB 3 to apply where those provisions do not.

For investors, the significance is that a broadly framed general provision may reach land transactions that fall outside the specific land-sale timing and development rules, expanding the analysis required for any profit-oriented land dealing beyond the usual development-focused checks.

Vietnam

09 New Filing Procedures for Foreign Corporate Capital Transfers

Circular 89/2026, effective from July 1, 2026, introduces a new Form 05/TNDN for capital transfers by foreign enterprises. Most notably, the form adds a new 'no income arising' declaration for qualifying internal group restructurings that do not change the ultimate ownership or the direct or indirect ownership of the Vietnamese target company. In addition, the previous requirement to submit supporting documentation evidencing capital contributions has been removed, aligning the filing requirements with the revised capital transfer tax regime under which tax is calculated at 2% of the transfer proceeds rather than on net gains.

The new form provides a clearer filing route for qualifying internal restructurings. However, taxpayers claiming that no income arises should retain documents demonstrating that the transaction does not alter the group's ultimate ownership or its direct and indirect ownership of the Vietnamese company. The return continues to be filed with the tax authority directly managing the Vietnamese investee company.

India

10 Exemption on Income from Government Securities

The Income-tax (Amendment) Ordinance, 2026, issued on June 5, 2026, introduces a significant tax incentive for Foreign Institutional Investors (FIIs), Foreign Portfolio Investors (FPIs), and the Bank for International Settlements (BIS) by exempting interest income and capital gains arising from Indian Government Securities (G-secs). Effective from April 1, 2026, the exemption has been incorporated under section 11, read with Schedule IV of the Income-tax Act, 2025.

Prior to this amendment, interest income from G-secs was generally taxable at 20% (plus applicable surcharge and cess), subject to relief under applicable tax treaties, while capital gains on transfer or redemption of G-secs were taxable under the domestic tax regime, with treaty exemptions available in certain cases. The amendment aligns with the government's broader objective of deepening foreign participation in India's sovereign debt market, particularly following the expansion of the Fully Accessible Route (FAR) and the relaxation of investment-related restrictions for foreign investors.

The exemption is expected to enhance the attractiveness of Indian G-secs for overseas investors and promote greater foreign capital inflows into the government securities market. The amendment, however, does not impact the tax treatment of corporate bonds, which remain taxable under the domestic law, subject to applicable treaty benefits. Taxes already withheld or paid from April 1, 2026 to date may be set off against taxes payable on other income for Tax Year 2026–27 or, alternatively, claimed as a refund in the income-tax return for that Tax Year. While the ordinance is effective immediately, it will need to be approved by both the Houses of the Parliament in the next working session to be enacted into the Income-Tax Act, 2025.

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