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Volume 2, Issue 1

## Earth Hour & Sustainable Development

27 March, Earth Hour 2010, is perhaps the biggest climate awareness campaign.

Beyond Earth Hour, governments and enterprises are rolling out proposals, new measures and tax incentives relating to energy saving, environmental preservation and work life condition enchantment.

In this issue, we look at some of the initiatives and proposed changes in our region.

Our Melbourne firm reports on new Fair Work Act to enchant our most valuable resource – human capital.

Recognizing that energy and the environment are essential for sustainable development, Malaysia has in place tax incentives to encourage

conservation.

Likewise, incentives are found in the 2010/11 Hong Kong Budget and we have an article summarizing the existing and proposed incentives.

China has its Green Tax incentives too. On top, we also report on recent tax changes affecting equity gain calculation, non-residents and representative offices.

In Indonesia, new regulation is introduced for foreign investment in coal industry.

Meanwhile, both South Korea and Singapore have recently announced their budgets. Highlights are included in this issue.

Finally, we look at what Mauritius has done in



Light for a better tomorrow

energy saving and sustainable development through the use of renewable energy.

Indeed, we can all play a part in Sustainable Development.

### Inside this issue:

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### News of our regional firms

Our member firm in Indonesia has recently expanded its service lines beyond audit and assurance. The following new specialized services are housed under a new company by the name of

#### **Russell Bedford Indomitra:**

- Management advisory;
- Legal consulting;
- Actuarist; and
- Appraiser

Meanwhile, we welcome **THEO Wuey Sze** as audit

partner of our Malaysian firm, **Russell Bedford LC & Company**. Wuey Sze, a former partner of a Big 4 firm, is particularly experienced in the audit of listed and multinational companies.

### Highlights:

- *Indonesia embraces management and legal consultancy services*
- *Malaysia adds new partner*

## MELBOURNE AUSTRALIA

SAWARD DAWSON  
chartered accountants

*"...requirement to issue a Fair Work Information Statement to all employees...."*

### Fair Work Act in Australia

The Fair Work Act came into operation on 1 January 2010.

The Fair Work Act now mandates certain minimum standards and various procedures that apply throughout Australia.

Australian Industrial Relations Law is quite complex. Factors such as the legal status of an employer (company, trust, partnership or individual) and the State in which the employer operates will have an impact on the laws that will apply.

The minimum standards that apply include:

- maximum weekly hours,
- requests for flexible working arrangements,
- leave entitlements (parental leave, annual

- (recreational) leave, personal sick or carer's leave, compassionate leave, community service leave, long service leave and public holidays)
- termination or redundancy obligations
- requirement to issue a Fair Work Information Statement to all employees commencing employment.

The Fair Work Act also introduces revised laws in relation to unfair dismissal which means that employers must follow a formal process in order to avoid an unfair dismissal claim.

Other changes include the streamlining of various employment awards which

have been modernized and now are referred to as Modern Awards.

It is important that Australian employers understand and apply these new laws.

Record keeping and formal performance reviews for employees are not only important under the Fair Work Act but are good practice in order to see employees reap their full potential.

Businesses operating in Australia who would like to know more about the impact of these new rules can obtain further assistance from our Australian member firms in Melbourne, Sydney, Brisbane and Perth.

## MALAYSIA

Russell Bedford  
RUSSELL BEDFORD MALAYSIA

*"...certain incentives have been introduced ...to encourage their conservation"*

### Tax Incentives for Environment Management Activities

Malaysia's rich natural heritage and abundant energy resources have contributed to its strong and continued development. These rapid developments demand proper environmental planning and design.

Globally there is also increasing awareness about the need to safeguard the environment, to harmonize development and environmental goals and to incorporate a framework of

sustainable development.

Recognizing that energy and the environment are essential for sustainable development, certain tax incentives have been introduced in Malaysia in recent years to encourage their conservation.

The major tax incentives available include:

- Investment Tax Allowances (ITA) for capital expenditure

incurred for conserving energy for own consumption.

- Pioneer Status (PS) or ITA for companies:
  - utilizing oil palm biomass to produce value added products such as particleboard, medium density fiberboard, plywood, pulp and paper;

## MALAYSIA

(Continued)

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>- providing energy conservation or energy efficiency services;</li> <li>- generating eligible energy forms using biomass sources as a source of renewable energy;</li> <li>- involving in activities to set up proper facilities to store, treat and dispose of toxic and hazardous wastes in an integrated manner; and</li> <li>- undertaking waste recycling activities (agricultural wastes or agricultural by products, chemicals and restituted wood based panel</li> </ul> | <p>boards or products) of high value added using high technology.</p> <ul style="list-style-type: none"> <li>• PS or ITA for companies establishing forest plantation and existing forest plantation companies that reinvest in expansion.</li> <li>• Tax exemption for income received from the sale of certified emission reduction units.</li> <li>• Tax exemption in respect of statutory income (income after deduction of allowable deductions and capital allowances) to the extent of the qualifying expenditure incurred for obtaining a green building certificate.</li> </ul> | <p>are commonly granted in Malaysia. Tax exemption of 70% (or up to 100% for certain cases or if certain criteria is fulfilled) of a company's statutory income for a period of 5 years (extendable for another 5 years) is granted to PS companies.</p> <p>ITA comes in the form of an allowance (in addition to capital allowance) calculated at the rate of 60% on qualifying capital expenditure incurred (or up to 100% for certain cases or where certain criteria is fulfilled) during a 5 year tax relief period. It is used to set off against 70% (or 100% for relevant circumstances) of a company's statutory income. The initial tax relief period of 5 years may be extended for another 5 years if certain conditions are met.</p> <p>ITA and PS are mutually exclusive.</p> |
|   | <p>PS and ITA are the two main tax incentives that</p>   |   |

*"...PS and ITA are the two main tax incentives..."*

*...tax exemption of 70% (or up to 100%...)... is granted"*

## Tax Incentives for Environment-friendly Facilities

On 24 February Hong Kong released its 2010/11 Budget. Other than an one-off 75% reduction in personal tax liability (capped at HK\$6,000), there are no major tax changes.

Corporation profits tax rate remains at 16.5% and standard rate on

individuals stands at 15%.

To encourage the use of environment-friendly facilities, several tax incentive schemes have been in place since 2008/09. The 2010/11 Budget proposes to extent these incentives to environment-friendly vehicles.

As a recap, starting from the year of assessment 2008/09, accelerated depreciation is allowed to taxpayers in respect of capital expenditure incurred on Environmental Protection Facilities (EPF).

For specified EPF which are additions to a building or

## HONG KONG



Serving Hong Kong Since 1994

## HONG KONG

(Continued)

*"...accelerated depreciation is allowed for taxpayers who use Environmental Protection Facilities..."*

structure the write-off period is shortened from 25 years to 5 year.

For specified EPF which are machinery or plant, the first year allowance is increased from 60% to 100%.

In the machinery or plant category, the 2010/11 Budget proposal seeks to include as EPF electric vehicles, hybrid vehicles and other eligible

environment-friendly vehicles.

Apart from incentives in the form of accelerated depreciation, low emission vehicles have since 1 April 2008 also enjoyed reduced First Registration Tax (FRT).

The FRT reduction on low emission cars ranges from 30% for private cars (reduction capped at

HK\$50,000) to 100% for commercial vehicles designated for use in public transportation operations (with cap determined by reference to the permitted carrying weight of the car).

Electric cars enjoy total waiver of FRT with no cap.

## CHINA



*"... a certain proportion of the investment amount can be used to reduce or offset the taxable income..."*

In recent years, China's efforts in using tax incentives for environmental protection and sustainable development have grown and intensified.

The new Enterprise Income Tax ("EIT") Law, effective from January 1, 2008, provides that EIT may be exempted or reduced on income generated from projects of environmental protection, energy and water saving.

The Law also provides, when the enterprise invests in purchasing special equipment for protecting environment, saving energy and water, work safety, etc., a certain proportion of the investment amount can be used to reduce or offset the taxable income. Since then, a series of Circulars and Catalogues have been published to refine and follow up the stipulations.

### Taxation for a Green China

- On 31 December 2009, "Catalogue (for Trial Implementation) for Environmental Protection, Energy and Water Conservation Projects Qualified for Enterprise Income Tax Preferential Treatments" (*Caishui (2009) No. 166*) was issued. The EIT in respect of income generated by an enterprise from operating in the environmental protection, energy and water saving conservation projects as stipulated in the Catalogue shall be exempted for the 1st to 3rd years and allowed a 50% reduction in the 4th to 6th years beginning from the tax year the project derives its first prosecution and operation income.
- On 20 August 2008, "Catalogue (2008) for

Comprehensive Utilization of Resource Qualified for EIT Preferential Treatments" (*Caishui (2008) No. 117*) was issued. Where an enterprise uses resources stipulated in the Catalogue as its major raw materials to produce products that are not restricted or prohibited by the State and satisfy the relevant State and industrial criteria, only 90% of the income derived shall be used to calculate its total income. On the same day, "Catalogue (2008) of Specific Equipment for Environmental Protection Qualified for EIT Preferential Treatments" and "Catalogue of Equipment for Energy and Water Conservation Purposes Qualified for EIT Preferential

## CHINA

(Continued)

Treatments" (*Caishui (2008) No. 115*) were also released. Where an enterprise acquires and actually uses specific equipment for the purpose of environmental protection, energy and water conservation as stipulated in the above mentioned Catalogues, 10% of its investment in the specific equipment may be offset against its taxable income for the current year, and any excess amount may be carried forward and deductible in the

following 5 tax years.

- On 9 December 2008, "Circular on Value Added Tax Policy of Comprehensive Utilization of Resources and Other Products" (*Caishui (2008) No. 156*) was issued. Preferential VAT treatments, including exemption, immediate refund on VAT levied, refund after VAT collection etc., are implemented for enterprises producing and selling comprehensive utilization of resources

products. On the same day, "Circular on Value Added Tax Policy of Recycling Resources" (*Caishui (2008) No. 157*) was also issued. General VAT taxpayers who meet certain prescribed criteria can enjoy a preferential VAT refund policy for VAT with respect to sales of recycling resources in 2009 and 2010.

*"General VAT taxpayers... can enjoy a preferential VAT refund policy..."*

## New Regulations on Income Tax

### Income tax for equity transfer

On 10 December 2009, the State Administration of Taxation (SAT) issued "Circular on the strengthening Administration of EIT on Non-Resident Enterprises' Equity Transfer Income" (*Guoshuihan (2009) No. 698*).

The circular stipulates that where a non-resident enterprise transfers the equity of a Chinese resident

enterprise, if the investee enterprise has undistributed profits or funds reserved after taxation, the amount of retained earnings being transferred along with the shares shall not be deducted from the equity transfer price in calculating the equity transfer gain.

"Circular on the Tax Issues of Implementation of

Corporate Income Tax Law" (*Guoshuihan (2010) No. 79*), issued on 20 February 2010, also stipulates that the distributable amount in retained earnings that is entitled to the shares to be transferred shall not be deducted from the equity transfer price where a resident enterprise transfers its shares of invested enterprise.

*"... undistributed profits... shall not be deducted from the equity transfer price..."*

### Deemed Method for Income Tax of Non-resident Enterprises

On 20 February 2010, SAT issued "Circular on the Administrative Measures for the Assessment and Collection of Income Tax on Non-resident Enterprises on a deemed basis" (*Guoshuifa (2010) No. 19*)

The Circular provides that non-resident companies that have an establishment in China should maintain accounting books and records in accordance with the relevant regulations, and file the EIT returns

based on these valid invoices and records.

Where a non-resident enterprise fails to accurately calculate and declare its taxable income on an actual basis due to incomplete

*"...deemed profit rate ranges from 15% to 50%..."*

## CHINA

(Continued)

accounting records, the tax authority may adopt the deemed method to assess the taxable income of the

non-resident enterprise's establishment in China. The deemed profit rate ranges from 15% to 50%

depending on the categories of operations.

### New Tax Regulation for Representative Offices

"... previously approved exemptions are to be cleaned up."

For the purpose of regulating the tax administration of representative offices ("RO") of foreign enterprises, SAT formulated "Circular on the Provisional Measures for the Administration on Tax Collection and Administration of Representative Offices of Foreign Enterprises ("the Measures")" (*Guoshuifa (2010) No. 18*) and abolished related previous

tax regulations.

The new Measures are effective retrospective from 1 January 2010.

While RO are required to maintain complete accounting book and records based on valid vouchers, and accurately account for taxable income, if a RO is unable to accurately account for its income and expense, the tax authority reserve the right

to use deemed methods to calculate taxable turnover and taxable income. The deemed profit rate is increased from 10% to no less than 15%.

The Circular also abolishes the approval procedures for tax exemption application. New tax exemption applications would not be entertained and previously approved exemptions are to be cleaned up.

## INDONESIA

### Foreign Capital Investment in Coal Mining Industry



Russell Bedford Indomitra  
Management & Legal Consulting

"...new mining regulations ... concerning Mining Areas... and ...Mining Business Activities..."

Indonesia is rich in natural resources, which include oil, coal, gold, tin, nickel, iron, etc. These natural resources are easily found in various locations within the country, so that Indonesia becomes a centre of the mining industry.

To promote mining industry in the country, on 1 February 2010 the President of the Republic of Indonesia enacted new mining regulations as the implementation regulation of Law No. 4 of 2009 concerning Mineral and Coal Mining ("*Law 4/2009*").

These regulations are:

- (i) Government Regulation No. 22

of 2010 concerning Mining Areas ("*GR 22/2010*"); and

- (ii) Government Regulation No. 23 of 2010 concerning Mining Business Activities of Mineral and Coal ("*GR 23/2010*").

Before the enactment of Law 4/2009, coal business in Indonesia could be conducted under Mining Concession or Coal Contracts of Works.

Following the enactment of the new law, both kinds of license are amalgamated to become Mining Permit (called *Izin Usaha*

*Pertambangan* or "IUP").

GR 22/2010 regulates the authority of government in each level with respect to the determination of Mining Permit Areas (called *Wilayah Izin Usaha Pertambangan* or "WIUP") and the issue of IUP, which comprises

- (i) the central government who in this matter is the Minister of Energy and Mineral Resources,
- (ii) the governors,
- (iii) the regents.

GR 23/2010 describes in details the IUP, *inter alia*: applicants permitted to apply the IUP, kinds of IUP, coverage area to be

## INDONESIA

(Continued)

allowed, and procedure of application for IUP.

Pursuant to GR 23/2010, foreign capital may participate in coal mining business in Indonesia. This regime allows the foreign investor to invest their capital in coal sector in Indonesia by incorporating or acquiring a foreign investment company, called PT PMA, with 100% shares ownership.

Foreign investor (either individual or legal entity) through the PT PMA could hold Coal Exploration IUP with minimum area of 5,000 hectares and maximum of 50,000, while maximum 15,000 hectares for Coal Production Operation IUP.

Coal exploration IUP may be granted for a period of at most 7 years, consisting of 1 year of general surveys, 2 years of explorations,

extendable to 1 year 2 times respectively, as well as 2 years of feasibility studies.

Meanwhile, Coal Production Operation IUP may be granted for a period of at most 20 years, extendable to 10 years 2 times respectively, including 2 years of construction. Nevertheless, this regime regulates that after 5 years of production, the PT PMA shall divest its foreign capital to become at least 20% held by Indonesian participant.

Further, to obtain the IUP, the applicant must prior join auction the WIUP as the basis of the government to grant the IUP.

GR 23/2010 itself stipulates the requirements and procedure of auction. However, if the foreign investor plans to hold the IUP without joining

auction, they could acquire any existing PT PMA which has held the IUP.

Meanwhile, from the tax perspective, benefits will be gained depending on whether a country has a tax treaty with Indonesia or not.

For instance, investors from Singapore could feel the benefit that they will not be charged with tax twice due to the existence of the tax treaty regarding Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, between Indonesia and Singapore which has been ratified by the President Decree No. 60 of 1990.

*"... benefits will be gained depending on whether a country has tax treaty with Indonesia or not."*

## Changes in Tax Law

On 23 December 2009, the government's tax reform proposal for 2010 was approved by the Strategy and Finance Committee of the National Assembly. Subject to the finalization by the Legislation and Judiciary Committee, the reform is to be effective from 1 January 2010 unless specified otherwise. Below is a summary of the reform:

### *Corporate Income Tax Rate*

Under the tax reform previously approved in 2008, the highest corporate income tax rate was scheduled to be lowered

from 22% to 20% in the tax year commencing on 1 January 2010 (FY2010). The decrease is deferred for another two years until the

end of 2011. However, the lower tax rate applicable to tax base of up to KRW200 million is reduced to 10% as scheduled.

Tax base (KRW)	FY 2009	FY 2010 -2011	FY 2012
Up to 200 million	11%	10%	10%
Over 200 million	22%	22%	20%

## SOUTH KOREA

**CJAC** 천지회계법인  
CHEON JI ACCOUNTING CORPORATION

*"...the lower tax rate... is reduced to 10% as scheduled"*

## SOUTH KOREA

(Continued)

“... tax deferral on capital gains will be extended to all assets...”

### *Corporate Restructuring*

Three major changes are provided to stimulate corporate restructuring starting 1 July 2010.

First, the types of transactions considered as M&A will be extended. Comprehensive share exchanges and comprehensive asset transfers will be eligible for the existing M&A taxation, i.e. corporate income tax and dividend income tax is deferred and taxed later on and securities transaction tax is exempt.

Second, assets eligible for tax deferral on capital gains will be extended to all assets – compared to the current merger and split-off regime which limits deferral to tangible fixed assets used for business purposes.

Meanwhile, to prevent tax evasion through M&As, the requirements for corporation’s substantial consistency after M&A will be tightened as follows: (a) shareholder of the merged company must hold the shares for a certain period;

and (b) the merging company must hold 50% of the assets acquired in the merger for a certain period.

Third, the existing tax deferral on capital gains arising on in-kind contributions will be available in the event of capital increase through in-kind contributions by means of any form of assets. The current regulation limits the tax deferral to the event of corporate establishment and in-kind contributions by means of shares or tangible fixed assets used for business purposes.

### *Corporate Tax Filing Period*

Companies subject to the statutory external audit, (e.g. companies listed on the Korea Stock Exchange, those having total assets

worth KRW10 billion at the latest fiscal year-end) may apply for extension of time for tax filing up to 1 month from the statutory filing

due date. Interest at daily rate of 0.03% will be charged for the extension period.

### *Individual Income Tax Rate*

Under the prior year tax reform plan, the highest individual income tax rate was scheduled to be lowered from 35% to 33%

from FY2010. The reduction will be deferred for two more years until the end of 2011. However, the lower income tax rates will

be enforced as scheduled in 2010. The individual income tax rates will be as follows:

Taxable Income (KRW)	FY 2009	FY 2010-2011	FY 2012
Up to 12 million	6%	6%	6%
Over 12 million to 46 million	16%	15%	15%
Over 46 million to 88 million	25%	24%	24%
Over 88 million	35%	35%	33%

“... reduction in earned income tax credit...are suspended for two years...”

Further bad news to the high income earners (those earning KRW100 million in gross annual salaries) is that the planned reduction in earned income tax credit and earned income deduction (from 5% to 1%) are suspended for two years until the end of 2011.

**Individual Pre-filing of Capital Gains**

Capital gains tax shall be reported and paid when filing the global income tax return in May of the following year. To encourage early reporting of capital gains tax on the sale of real estate, a 10% tax credit is currently (FY2009) granted for reporting such gains within 2 months from

the date of sale. Pre-filing will become a compulsory requirement for transaction occurring from 1 January 2010 onwards. Non-compliance with the pre-filing requirements will be subject to penalties (10% for under-filing, 20% for non-filing

and 10.95% per annum for underpayment of capital gains tax). Furthermore, the pre-filing credit will be reduced (limited to 5% for tax base up to KRW46 million) in FY2010 and completely eliminated as from FY2011.

(Continued)

*“Pre-filing will become compulsory...from 1 January 2010”*

**Aggregated VAT Filing**

The aggregated value added tax (VAT) filing will be allowed only by filing an application to the National Tax Service (NTS) rather than the currently-required prior approval from NTS.

**Electronic VAT Invoicing**

The enforcement of compulsory electronic VAT invoicing system will be delayed by one year. Paper VAT invoicing can be used for 2010 without penalties.

For corporations, electronic VAT invoicing will become a compulsory requirement from 2011. Penalties for non-invoicing/non-

reporting will be imposed in two phase - phase one with a lower rate for 2011 - 2012 and phase two with a higher rate from 2013.

For individual VAT business operators, electronic VAT invoicing will become compulsory from 2012.

Certain tax incentives, e.g. KRW100 tax credit per case (annual cap of KRW 1 million) and waiver of submission of VAT invoicing summary, will be granted to those who early adopt electronic VAT invoicing system and submit electronic VAT invoices to NTS.

*“...tax incentives ... granted to those who early adopt electronic VAT invoicing...”*

**Core Technologies and Strategic Growth Industries**

Currently companies can claim a tax credit on qualifying R&D expenditure to the extent of either (a) 3-6% (25% for SMEs) of the current year's R&D expenses; or (b) 40% (50% for SMEs) of the

incremental portion of the current year's R&D expenses over the average of the previous 4 years.

The tax credit will be extended to include R&D in relation to core technologies as authorized by

government ministries and pre-designated strategic growth industries until the end of 2012. For these industries, the credit rate for the current R&D expenses is 20% (30% for SME).

*“... tax credit extended to include R&D in relation to core technologies .”*

## SOUTH KOREA

(Continued)

### *Temporary Investment Credit*

The sunset for temporary investment credit in respect of investment in a non-metropolitan area will be extended by one year until the end of 2010 and the

credit rate is reduced to 7% (from 10%).

For investment in a metropolitan area, the credit (previously 3%) and

the additional credit for incremental increase in investment will no longer be available from 1 January 2010.

## SINGAPORE

STEVEN TAN RUSSELL BEDFORD PAC  
Public Accounting Corporation

### Budget 2010

The Singapore 2010 Budget, announced on 22 March, continues with its usual policy of stimulating selected business sectors / industries with tax incentives. A summary of the major new measures and incentives is set out below:

#### Merger and Acquisition Allowance

A new Merger and Acquisition (M&A) Allowance is introduced to encourage the use of M&A as a strategy for growth and internationalization.

This allowance is at 5% of the value of the acquisition, subject to a cap of S\$ 5 million, to qualifying M&As executed from 1 April 2010 to 31 March 2015. The allowance will be

written down equally over 5 years.

Stamp duty on the transfer of unlisted shares for qualifying M&A deals will also be remitted.

#### Land Intensification Allowance

Businesses may claim the Land Intensification Allowance (LIA) on qualifying capital expenditures incurred for the construction of a qualifying building or

structure if it belongs to one of nine industry sectors. The qualifying business will be granted an initial allowance of 25% and an annual allowance of 5% on the qualifying capital

expenditures. This means qualifying expenditure can be written down over 15 years under LIA. The incentive will commence on 1 July 2010.

#### IBA phase out

With the introduction of LIA, the Industrial Building Allowance (IBA), on qualifying capital expenditures on the construction or purchase of

a building or structure, will be phased out with immediate effect. Qualifying capital expenditures incurred by businesses on or before 22

February 2010, on the construction or purchase of industrial buildings or structures, will continue to qualify for IBA subject to existing IBA rules.

#### Perk for international legal work

The Development and Expansion Incentive scheme will be extended to

cover income derived from the provision of international legal services

to encourage law practices to do more international legal work.

*"...may claim Land Intensification Allowance on... construction of qualifying building..."*

*"...Industrial Building Allowance...will be phased out with immediate effect"*

**Financial Sector Incentive**

With effect from 1 January 2011, the qualifying base for financial institutions will be removed. Instead, the concessionary tax rate under the Financial Sector Incentive (FSI) standard tier awards will be changed in tandem from 10% to 12%.

The FSI will also encompass

incentives to futures members of Singapore Exchange and members of Singapore Commodity Exchange. Currently, these members are granted a concessionary tax rate of 10% on their income derived from qualifying transactions. The existing incentives would be

discontinued on 31 December 2010.

Thereafter, new incentive applicants which engage in qualifying transactions will have to apply for the FSI scheme subject to conditions under the FSI at the point of application.

(Continued)

*"...concessionary tax rate...will be changed in tandem from 10% to 12%"*

**Offshore insurance business**

The Government will introduce changes to the tax incentive with effect from 1 April 2010. The incentive will be subject to a sunset clause of 5 years till 31 March 2015; will be

awarded to an approved recipient for a period of 10 years; and new headcount requirement will be imposed for incentive recipients (except for captive insurers).

New applicants will be required to meet the headcount criterion at the point of application for the tax incentive from 1 April 2010.

**Reits concessions enhanced**

The existing income tax, stamp duty and GST concessions for listed real estate investment trusts (Reits), which expired on 17 February 2010, will be renewed to cover the period

up to 31 March 2015. The current requirement for unlisted Reits to be listed within 1 month (from the date of completion of the agreements for sale) in

order to qualify for the stamp duty remissions will be liberalised to listing within 6 months..

*"...stamp duty remissions will be liberalised to listing within 6 months"*

**Fund manager scheme to lapse**

The Approved Start-up Fund Manager scheme, which expired on 17 February 2010, will be allowed to lapse. No fund

manager will be approved under it after that date. Funds managed by fund managers approved on or

before that date under the scheme will continue to be allowed the 12-month grace period from the date of set-up of the fund.

**Ship broking and FFA incentive**

To grow the activities of ship broking and forward freight agreement (FFA) trading in Singapore, an incentive has been introduced to grant a

company solely carrying on ship broking and/or FFA trading here a concessionary tax rate of 10% for a period of 5 years, subject to conditions.

Taxpayers can apply for the incentive from 1 April 2010 to 31 March 2015.

(Continued)

*"...ship management fee...to qualifying special purple vehicles... exempted from tax..."*



**Maritime Finance Incentive**

To further support Singapore’s development as a maritime financing hub, the expiry date of the Maritime Finance Incentive will be extended from 28 February 2011 to 31 March 2016.

**Ship management fees exemption**

To develop Singapore into an International Maritime Centre, ship management fees derived on or after 22 February 2010 from the rendering of ship

management services to related qualifying special purpose vehicles will be treated as qualifying income to be exempted from tax, subject to

conditions. The Maritime and Port Authority of Singapore will release details by end of March 2010.

**Ship GST zero-rating**

The scope of qualifying ship for zero-rating of GST will be expanded to include pleasure and recreational ships that are wholly used

for international travel regardless of whether they call on a port outside Singapore; and any goods to be used on board or

installation on qualifying ships. These changes will take effect from 1 July 2010.

**Scheme for aircraft rotables**

In line with Singapore’s commitment to develop the Maintenance, Repair and

Overhaul industry, the Investment Allowance scheme for aircraft rotables

will be renewed for another 5 years from 1 April 2010 to 31 March 2015.

**RBT concession renewal**

The GST remission for listed registered business trusts (RBTs) in the sectors

of infrastructure, ship leasing and aircraft leasing, which expired on 17

February 2010, will be renewed for the period up to 31 March 2015.

**Deferring import GST**

New scheme will be introduced to allow approved GST-registered businesses to defer import GST that is payable on their

goods at the point of entry into Singapore. The import GST is deferred for at least 1 month and declared as a payable amount in the

corresponding GST return. This scheme will take effect from 1 October 2010.

*"...to allow approved GST-registered businesses to defer import GST..."*

**Simplifying GST accounting**

The General Rules will be simplified to allow most businesses to account for

GST when a tax invoice is issued or when payment is received, whichever is

earlier. These changes will take effect from 1 January 2011.

**Details of the new measures**

The relevant authorities will be issuing details / guidelines on the new measures /incentives mentioned above to facilitate the understanding and implementation of the same.

## Pioneers Sea-Cooled Data Centre

Mauritius is set to become the first country in the world to run a data centre cooled by sea water air conditioning (SWAC).

Typically, energy consumption accounts for about half of the operating cost of a data centre. With the innovative SWAC technology, the green data centre promises cost saving of 30% over conventional data centres.

The concept is viable thanks to the island's geographical location on the path of a deep sea current. The site on the west coast at Flic-en-Flac was selected for the

shortest distance to reach the current and for the lowest sea water capital development costs.

The cold sea water, at a temperature of 5 to 6 °C, will be pumped onshore through an intake pipe to a cooling station where it is used to chill fresh water in a heat exchanger. The chilled fresh water is then circulated in a closed-loop distribution system through the data centre complex to cool the facility.

An investment of USD 60 million is earmarked for the system of ocean pipes and pumps that will tap the

deep sea current 5 km offshore at a depth of 1 km. Building the green data centre of 10,000 m<sup>2</sup> will cost an estimated USD150 million.

Some may ask “why Mauritius?” The answers are: The Island is ideally positioned at the crossroads of Africa, Asia and Australia and outside major earthquake ridges. It is also well known as a major financial and infocom hub. Being relatively remote but well-connected to the world is a major attribute for Mauritius to position itself as a disaster recovery and business continuity destination.

MAURITIUS



“... the green data centre promises cost saving of 30% over conventional data centres.”

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**Earth Hour** is a global event organized by WWF, also known as World Wildlife Fund, and is held on the last Saturday of March annually, asking households and businesses to turn off their non-essential lights and other electrical appliances for one hour to raise awareness towards the need to take action on climate change.

More information @ [www.earthhour.org](http://www.earthhour.org)

Business consultants with a  
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