Contents

1 Corporate Income Tax 1

2 Income Tax Treaties for the Avoidance of Double Taxation 5

3 Indirect Tax 6

4 Personal Taxation 7

5 Other Taxes 8

6 Free Trade Agreements 9

7 Tax Authority 10
## 1 Corporate Income Tax

<table>
<thead>
<tr>
<th><strong>Corporate income tax</strong></th>
<th>Income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax rate</strong></td>
<td>The tax rate for resident and non-resident companies is 20 percent.</td>
</tr>
<tr>
<td><strong>Residence</strong></td>
<td>A company, whether incorporated locally or abroad, is considered to be resident in Brunei Darussalam for tax purposes if the control and management of its business are exercised in Brunei Darussalam. The control and management of a company are vested in its directors and a company is normally regarded as resident in Brunei Darussalam if, among other things, its directors’ meetings are held in Brunei Darussalam. A resident company is taxed on its worldwide income, whereas a non-resident company is taxed solely on income that has a source in Brunei Darussalam or on profits from business(es) in Brunei operated through a branch or permanent establishment.</td>
</tr>
<tr>
<td><strong>Compliance requirements</strong></td>
<td>From the 2012 year of assessment, the assessment system is self assessment. All filing is required to be done online under a system introduced by the Revenue Division of the Ministry of Finance known as The System for Tax Administration and Revenue Services (STARS). STARS was introduced in 2012. Filing due date: 30 June of the year of assessment.</td>
</tr>
<tr>
<td><strong>International withholding tax rates</strong></td>
<td>Dividends are not subject to withholding tax in Brunei Darussalam. Royalties paid to a non-resident are subject to withholding tax at a rate of 10 percent. This may be reduced under a tax treaty. Interest payments made to a non-resident are subject to withholding tax at a rate of 15 percent. This may be reduced under a tax treaty. Other withholding tax rates on payments to non-residents include technical assistance and service fees (20 percent), management fees (20 percent), rent of movable property (10 percent) and director’s remuneration (20 percent).</td>
</tr>
<tr>
<td><strong>Holding rules</strong></td>
<td>Dividends accruing in, derived from, or received in Brunei Darussalam by a corporation are included in its taxable income, with the exception of dividends received from a corporation taxable in Brunei Darussalam. No tax is deducted at source on dividends paid by a Brunei Darussalam corporation (i.e. Brunei Darussalam does not impose any withholding tax on dividends). There are currently no dividend stripping rules or participation exemption rules in Brunei Darussalam.</td>
</tr>
<tr>
<td><strong>Tax losses</strong></td>
<td>Tax losses can be carried forward for six years and the loss offset is not restricted to the same trade. Unabsorbed capital allowances can be carried forward indefinitely, but must be offset against income from the same trade. There is no requirement regarding continuity of ownership of the company. Foreign tax losses incurred by a locally incorporated company can be offset against the local profit, or carried forward and offset against future profits for up to six years. Tax losses can be carried back one year.</td>
</tr>
<tr>
<td><strong>Tax consolidation / group relief</strong></td>
<td>There are no provisions in the existing tax legislation for the filing of group tax returns or group relief.</td>
</tr>
<tr>
<td><strong>Transfer of shares</strong></td>
<td>Stamp duty is required to be paid for share transfers in accordance with the Stamp Act. This is ad-valorem and is payable at 10 cents for every BND100 or part thereof when the name of the transferee is filled in prior to execution of the transfer; or 30 cents for every BND100 or part thereof when the name of the transferee is not filled in prior to execution of the transfer.</td>
</tr>
<tr>
<td><strong>Transfer of assets</strong></td>
<td>Stamp duty is applicable for transfer of property. The rate of stamp duty varies depends on the nature of the asset.</td>
</tr>
<tr>
<td><strong>CFC rules</strong></td>
<td>There is no CFC regime in Brunei Darussalam.</td>
</tr>
<tr>
<td><strong>Transfer pricing</strong></td>
<td>Transactions involving related resident and non-resident entities must be conducted on an arm’s length basis.</td>
</tr>
<tr>
<td><strong>Thin capitalisation</strong></td>
<td>There is no thin capitalisation regime in Brunei Darussalam.</td>
</tr>
</tbody>
</table>
### General anti-avoidance
There is currently no legislation on general anti-avoidance in Brunei Darussalam.

Since there is no personal income tax in Brunei Darussalam, there are obvious advantages for directors, who are also shareholders, to receive generous salaries and benefits. However, the tax authority will attempt to disallow payments which it considers excessive, as being not wholly and exclusively incurred in producing income.

### Anti-treaty shopping
There is no legislation regarding anti-treaty shopping in Brunei Darussalam.

### Other specific anti-avoidance rules
None.

### Rulings
There are no formal or published rulings in Brunei Darussalam.

### Intellectual property incentives
There are currently no intellectual property incentives available in Brunei Darussalam.

### R&D incentives
The Investment Incentive Order, 2001 has a provision for R&D activities to be classified as qualifying activities for pioneer service companies (see below). Under the Income Tax Act, approved R&D expenditure (subject to certain conditions), is allowed as a deduction in deriving chargeable income.

### Other incentives
Pioneer status is an incentive allowing tax holidays to be granted for between five and 20 years, dependant on certain criteria being met.

Brunei tax law also provides the following tax incentives:
- Pioneer industry tax exemption
- Tax relief for capital expenditure in excess of BND 1 million
- Withholding tax exemptions for interest on certain loans from non-residents

### Hybrid instruments
There is no legislation regarding hybrid instruments in Brunei Darussalam.

### Hybrid entities
There is no legislation regarding hybrid entities in Brunei Darussalam.
Special tax regimes for specific industries or sectors

Special legislation exists in respect of income from petroleum operations, which is taxable under the Income Tax (Petroleum) Act 1963. This legislation follows the general pattern of most Middle East oil-producing countries.

The petroleum tax rate is a fixed rate of 55 percent.

Insurance companies (other than life companies), are taxed on a different basis, under the Income Tax Act.
## 2 Income Tax Treaties for the Avoidance of Double Taxation

<table>
<thead>
<tr>
<th>In Force</th>
<th>Bahrain</th>
<th>Japan</th>
<th>Malaysia</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Laos</td>
<td>Oman</td>
<td>United Kingdom</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Kuwait</td>
<td>Pakistan</td>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Negotiated, not yet in force at time of publication | A treaty with The Republic of Tajikistan and The State of Qatar was signed on 3 April 2010 and 17 January 2012 respectively but at the time of writing is not yet in force. |

Source: Revenue Division, Ministry of Finance, Brunei Darussalam
3 Indirect Tax

Indirect tax

There is currently no VAT or equivalent consumption based tax in Brunei Darussalam.

Further information

For information relating to indirect taxes operating in various jurisdictions around the world see KPMG International’s VAT/GST essentials available from www.kpmg.com/indirecttax
4 Personal Taxation

Income tax

There is no personal tax on individuals in Brunei Darussalam (residents and non-residents).

Social security

There are no social security taxes in Brunei Darussalam. However, all citizens and permanent residents of Brunei Darussalam must contribute 5 percent of their salary to a State managed provident fund (Tabung Amanah Perkerja (TAP)). The employer will have to also contribute the same amount for its employees to the provident fund.

In addition to the above, all citizens and permanent residents of Brunei Darussalam must also contribute 3.5 percent of their salary to a Supplemental Contributory Pension Scheme (SCP). The employer will have to also contribute the same amount for its employees to the Scheme. However, both the employer’s and employee’s monthly contributions are capped up to a salary of $2,800 per month.

Further information

For more information regarding the personal tax regimes relevant to various countries around the world, see KPMG’s Thinking Beyond Borders.
## Other Taxes

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customs duty</strong></td>
<td>Import duties vary depending on the nature of the goods. In general, basic foodstuffs and goods for industrial use are exempt from import duties. Cigarettes and manufactured tobacco are dutiable items and, importers will have to pay more than 200 percent duty for these items. Brunei has no export duty.</td>
</tr>
<tr>
<td><strong>Excise duty</strong></td>
<td>The Excise Act covers retail sale of liquor. However, as Brunei Darussalam prohibits the sale of any form of alcohol, there are no excise duties.</td>
</tr>
<tr>
<td><strong>Stamp duty</strong></td>
<td>Stamp duties are levied on a variety of documents. Certain types of documents attract an ad valorem duty, whereas with other documents, the duty varies with the nature of the documents.</td>
</tr>
<tr>
<td><strong>Property taxes</strong></td>
<td>Properties under commercial use are subject to property tax based on the estimated value of the property. The rate is decided by the local municipal board.</td>
</tr>
<tr>
<td><strong>Estate duty</strong></td>
<td>Estate duties range from 1 percent on an estate worth between BND3,000 and BND5,000 up to a maximum of 20 percent for an estate of over BND10 million. Estate duty is levied on all immovable property in Brunei and movable property (wherever situated) for persons domiciled in Brunei Darussalam at time of death; and on all property situated in Brunei Darussalam for persons not domiciled in Brunei Darussalam at time of death. However, with effect from 1 January 2013, estate duties have been abolished.</td>
</tr>
</tbody>
</table>
6 Free Trade Agreements

In force

- ASEAN Free Trade Agreements
- Brunei-Japan Economic Cooperation Partnership Agreement (BJEPA)
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP)
- ASEAN-China Free Trade Area (ACFTA)
- ASEAN-Korea Free Trade Area (AKFTA)
- ASEAN-India Free Trade Area (AIFTA)
- ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
- Trans-Pacific Strategic Economic Partnership Agreement (TPSEP/P4)

Source: Ministry of Foreign Affairs and Trade, Brunei Darussalam
## 7 Tax Authority

<table>
<thead>
<tr>
<th>Tax authorities</th>
<th>Collector of Income Tax, Ministry of Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link to Ministry of Finance</td>
<td></td>
</tr>
</tbody>
</table>

### Tax audit activity

The tax authority can audit every company annually. It is the current practice of the Collector of Income Tax to request information and clarification without commencing a formal audit process. It is often the case that such enquiries can be resolved or addressed without the need for a formal audit process. KPMG in Brunei Darussalam is not aware of any company being subject to a formal tax audit.

### Appeals

All appeals can be made to the Collector of Income Tax. If no agreement can been reached, further appeals can be made at the High Courts of Brunei Darussalam.

### Tax governance

The Collector of Income Tax expects all companies to pay their share of tax from their business operations in Brunei Darussalam as good corporate citizens.
Contact us

Shazali Sulaiman
Partner
KPMG in Brunei Darussalam
T +673 226888
E shazalisulaiman@kpmg.com.sg

Diane Wei
Manager
KPMG in Brunei Darussalam
T +673 2226888
E dianewei@kpmg.com.sg

www.kpmg.com/tax

This profile was provided by professionals from KPMG’s member firm in Brunei Darussalam.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2013 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.