1980

Southeast Asia & Korea & Taiwan

Touche Ross International

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Preface

This study contains the basic information most likely to be needed by a businessman planning to establish a sales office, branch, or subsidiary in Hong Kong, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, or Thailand. The staff of the Touche Ross offices in each of the countries obtained the data, which are necessarily limited and can serve only as a guide. Readers should be aware that such information is often subject to change, and we cannot accept legal responsibility for its accuracy. When dealing with specific business, legal, and tax questions therefore, we recommend seeking the assistance of professional advisers.

Suggestions for revision should be sent to the Executive Office of Touche Ross International.

April 1980
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BASIC DATA

Location and Area

The British Crown Colony of Hong Kong comprises 235 islands and islets and a portion of the Chinese mainland adjacent to the province of Kwangtung, covering a total land area of 1,046 square kilometers (404 square miles).

Language and Population

The official languages are English and the Cantonese dialect of Chinese, but English is the language of government and business. The population is estimated at 4.6 million, with the heaviest concentrations on Hong Kong Island and the Kowloon Peninsula. Over 98% of the population is Chinese.

Communications and Transportation

Mail service is reliable and efficient. Telephone, cable, and telex facilities link Hong Kong to every part of the world. Direct dialing is available to all major international business centers. Daily scheduled flights to the United States, Europe, and major cities in Southeast Asia make Hong Kong easily accessible by air. There is an extensive paved road network in Hong Kong. Between Hong Kong Island and the mainland lies Victoria Harbor, one of the most perfect natural harbors in the world.

Sources of Information

The Hong Kong Trade Development Council is the principal source of investment information. Major banks are also important sources. The Industrial Promotion Branch of the Commerce and Industry Department handles overseas inquiries relating to investment in Hong Kong industries.

Business Hours

Government hours are usually from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m., Monday through Friday, and from 9:00 a.m. to 1:00
Hong Kong

p.m. on Saturday. Normal commercial hours are from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m., Monday through Friday. Banks are open from 10:00 a.m. to 3:00 p.m., Monday through Friday, and from 9:00 a.m. to 12:00 p.m. on Saturday.

GOVERNMENT AND THE ECONOMY

Form of Government
As a British Crown Colony, Hong Kong's leading political figure is the Governor, who is appointed by the Queen. The Governor administers the Colony with the advice and assistance of the executive and legislative councils. The judiciary operates independently under the direction of the chief justice. The Hong Kong legal system is based on English law. Foreign relations of the Hong Kong Government are the responsibility of the British Government.

Economic Factors
Significant statistics are:

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<th></th>
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</thead>
<tbody>
<tr>
<td>Gross domestic product</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(current prices—million HK$)</td>
<td>37,268</td>
<td>47,226</td>
<td>54,823</td>
<td>63,614</td>
<td>n/a</td>
</tr>
<tr>
<td>Real increase (%)</td>
<td>2.9</td>
<td>16.7</td>
<td>11.9</td>
<td>10.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>107.5</td>
<td>111.8</td>
<td>117.9</td>
<td>124.9</td>
<td>n/a</td>
</tr>
<tr>
<td>(1973-74 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (1973 = 100)</td>
<td>117.3</td>
<td>128.9</td>
<td>131.8</td>
<td>138.9</td>
<td>n/a</td>
</tr>
<tr>
<td>Imports (1973 = 100)</td>
<td>142.8</td>
<td>123.7</td>
<td>128.6</td>
<td>134.4</td>
<td>n/a</td>
</tr>
<tr>
<td>Central Bank discount rate at December 31 (%)</td>
<td>6.5</td>
<td>6.0</td>
<td>4.75</td>
<td>8.75</td>
<td>14.5</td>
</tr>
<tr>
<td>Unemployment (% of labor supply)</td>
<td>9.1</td>
<td>5.1</td>
<td>4.5</td>
<td>2.8</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Inflation. The official inflation rate is 15%, but is generally regarded as being understated.

Energy Resources. Hong Kong has no energy resources and relies on imported oil and coal for all its needs.

EXCHANGE CONTROLS
All exchange control regulations in Hong Kong were rescinded and abolished. No exchange control restrictions of any kind apply to the movement of funds into or out of Hong Kong for any purpose.
RESTRICTED BUSINESSES AND INDUSTRIES

Businesses
No distinction is made between foreign and domestic investors. Both may invest in all areas of business except public utilities.

Locations
There are no restrictions on the location of a foreign enterprise.

INVESTMENT INCENTIVES
No distinction is made between domestic and foreign investment. Economically viable land parcels are available to both foreign and domestic investors, especially to those who propose operations involving advanced technology.

Among the major investment incentives are low taxation, availability of industrial sites, a productive labor force, stable currency, and free movement of capital funds and dividends. Other advantages are freedom from government restrictions and a minimum of regulations and formalities.

FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
New manufacturing companies must obtain clearance permits pursuant to the Fire Prevention Ordinance. Building permits are required for the construction of new offices, warehouses, plants, and industrial buildings.

Registration
All business entities must obtain business registration certificates. Limited companies, including foreign corporations doing business in Hong Kong, must register with the Companies Registrar. Companies incorporated outside of Hong Kong and wishing to establish a place of business in Hong Kong must deliver certified documents (as specified in the Companies Ordinance) to the Registrar within one month of establishment of a place of business.

FINANCE

Currency
The monetary unit is the Hong Kong dollar (HK$). The exchange rate is HK$5 to US$1. Since there is no central bank in Hong Kong, currency
Hong Kong

Notes are issued by three commercial banks—the Hong Kong and Shanghai Banking Corporation, which issues over 75% of all bank notes in circulation, the Chartered Bank, and the Mercantile Bank.

Availability of Finance
Hong Kong banks tend to specialize in the financing of international trade. Bank loans and advances are available to both local and foreign concerns developing industrial projects in the Colony. The banks maintain extensive credit information and commercial introduction services for the benefit of their clients and for those who wish to establish business relations in Hong Kong.

The active Hong Kong money market is principally conducted by finance companies and merchant banks. Finance companies provide mortgage and personal installment loans, manage investments, and handle corporate finance. They rely on long-term deposits, but are prohibited from opening checking and savings accounts and from accepting deposits of less than ninety days. Although merchant banks do not possess banking licenses, they engage mainly in the management of syndicated bank credit, foreign exchange services, lease financing, investment management services, and securities underwriting.

Sources of Finance
In order to provide capital for the industrial community, many banks in Hong Kong have assumed the role of medium-term lenders. This type of finance usually takes the form of mortgaging land to the bank for building finance, with the loan repaid over a three- to five-year period. Banks also grant medium-term loans for the purchase of machinery.

A scheme promulgated by the Government provides medium-term loans at reasonable rates of interest to small industrialists with limited capital. The purpose of the scheme is to increase the productivity of small industrial enterprises by enabling them to purchase modern machinery and equipment.

There are four active stock exchanges, which the Government is trying to consolidate.

TAXATION

Principal Taxes
Hong Kong taxes only profit or income arising in or derived from Hong
Kong, irrespective of residency of the taxpayer. Persons and entities are subject to profits tax, salaries tax, property tax, and interest tax.

**Profits Tax.** Any person or entity carrying on a trade or business in Hong Kong is subject to profits tax imposed on net profits, excluding royalties. Corporate profits are taxed at a flat 17%. Capital gains are not taxed.

**Salaries Tax.** A director is liable for salaries tax on income arising in or derived from a Hong Kong 'office.' An individual is subject to salaries tax on income from employment in Hong Kong or from a pension at rates ranging from 5% to 30%, after allowance and concessional deductions. All income derived from services rendered in Hong Kong is included. The total amount of tax payable may not exceed 15% of net income before concessional relief.

**Interest Tax.** A company which does not carry on a trade, profession, or business in Hong Kong is liable for interest tax of 15% on specific interest received. The tax is withheld at source and must be remitted to the Inland Revenue Department within thirty days.

A company carrying on a trade, profession, or business in Hong Kong is subject to profits tax on interest derived from Hong Kong sources. It is not subject to interest tax. Interest earned or accrued by Hong Kong financial institutions from sources outside Hong Kong is subject to interest tax.

**Property Tax.** Property tax is paid on chargeable property at the rate of 15% on the net assessable value of the real property, less 20% allowance for repairs and maintenance. A company which does not carry on a trade, profession, or business in Hong Kong is subject to property tax if the property is situated in Hong Kong. A company which carries on a trade, business, or profession may be exempted from the property tax.

**Royalties.** Tax is charged on only 10% of the gross royalties received so that the effective tax rate is currently 1.7% for corporations and 1.5% for other taxable entities.

**Duties and Other Taxes**

Imports, exports, and re-exports are subject to duty. An excise tax is imposed on alcoholic beverages, tobacco, and petroleum products. There is also a betting duty, entertainment tax, hotel accommodation tax, estate duty, and stamp duty.

Fees for services rendered in the Colony, after deduction of the related expenses, are taxable in Hong Kong. The law ascribes 5% of the costs
Hong Kong

incurred in providing the service as the minimum profit to be derived from such services.

**Taxes on Dividends**
Dividends are exempt from tax if they are paid from profits which have been subject to profits tax. There are no provisions for the taxation of dividends which are paid out of profits which are not subject to profits tax.

**Branch versus Subsidiary**
Since the law recognizes a branch as being part of the whole, it is the company, not the branch, which is taxed in Hong Kong. The company is therefore taxed on profits arising in or derived from Hong Kong by one of three methods:

- Where branch accounts are prepared, on the profits made (if the branch accounts are accepted by the assessor).
- On the taxable profits determined by applying to the company's total profits, i.e., world profits, as adjusted for tax purposes, the ratio of branch turnover to total turnover.
- On a percentage, determined by the Inland Revenue, of the company's total income.

**Groups of Companies**
Subsidiaries are taxed separately from the parent and sister companies. However, the Commissioner of Inland Revenue may assess a non-resident company if it carries on business with a closely connected resident person and the course of business is so arranged that it produces for the resident either no profits from Hong Kong sources or less than the ordinary profits which might be expected.

**Losses**
Losses are computed in the same manner as assessable profits and may be carried forward indefinitely and set off against future profits. There is no carryback of losses.

**Tax Treaties**
Hong Kong has no double taxation agreements with other countries, but some relief from double taxation may be obtained if the income is subject to Hong Kong tax and Commonwealth tax (other than United Kingdom tax).
Taxable Profits

The main differences between tax and book profits are the following:

- Stipulated depreciation rates are applied in computing tax liability irrespective of book rates used.
- Write off of capital items.

Unrealized exchange differences are not taken into account in arriving at profits for tax purposes.

Tax Incentives

There is no special tax legislation designed especially to attract foreign investors. The low tax rates are equally available to foreign and domestic business enterprises. There is no taxation of offshore income except interest income of financial institutions under certain limited conditions, no capital gains tax, and no tax on dividends.

After-Tax Equivalents

The after-tax income of a manager of a small business with 100 employees, married, with two children, earning an average yearly salary of HK$150,000 (US$30,000), is approximately HK$127,500 (US$25,500).

BUSINESS ENTITIES

Principal Forms

Foreign investors most commonly use corporations, branches, and joint ventures. Businesses may also be organized as sole proprietorships and partnerships. The words and Company or and Co. in a business name do not designate a corporate entity in Hong Kong.

Minimum Capital

No minimum share capital is prescribed. A company's authorized share capital is that set out in its memorandum of association.

Formation

In order to form a company, a memorandum of association and articles of association signed by the subscribers of capital (seven for a public company and two for a private company) must be filed with the Registrar of Companies. The memorandum must state the company's name, authorized share capital, the fact that its members' liability is limited, and its objectives. Both documents must be printed in English.
Hong Kong

Subscribers and subsequent shareholders may be of any nationality and need not be Hong Kong residents. The company comes into existence upon issuance of the certificate of incorporation. A public company must issue a detailed prospectus before inviting subscriptions for shares, but a private company may issue shares without further formality.

The appropriate fees for incorporation of a company must be paid. An application should also be made to the Registrar of Companies for approval of the company name. A registered office of the company must be maintained in Hong Kong. In addition, the company must submit its annual balance sheet, profit and loss account, group accounts, directors’ report and auditors’ report.

Formation of a private company is relatively simple since annual financial statements do not have to be filed for public inspection and only two shareholders are required. Formation costs average about $4,200, plus registration fees.

Management Structure
A public company must have at least two directors, appointed by the shareholders, to manage and control its assets. There is no residency requirement, and a director may, with the approval of the shareholders, assign his office to another person. Either a natural or juridicial person may be appointed as director. A private company may have a sole director if so authorized by the articles of association.

Meetings and Votes
Meetings of directors and shareholders may be held anywhere in the world, and shareholders may vote by proxy. Directors who are resident abroad may approve resolutions by letter or other communication. Minutes of all meetings must be kept.

Publication of Information
Every public company must file a copy of its annual financial statements and its annual return with the Registrar of Companies. Private companies are exempt from this requirement.

LABOR

Pay Rates
There is no minimum wage in Hong Kong. Wage levels are determined by the factors of supply and demand.
Working Hours
The maximum number of working hours for men between the ages of sixteen and eighteen and for all women is eight hours a day and forty-eight hours a week. There are no restrictions on working hours for men over the age of eighteen. There are six statutory holidays (Chinese festival days), plus eleven other holidays which are observed by banks and commercial offices. A minimum paid annual vacation of seven days for a full year’s service has recently become law.

Overtime and Bonuses
Women are limited to 200 hours of overtime a year; there is no limit for men. Factories usually pay a lunar New Year’s bonus of one month’s pay to all employees, as well as a ‘good attendance’ bonus. These payments are by custom rather than by law.

Social Security and Fringe Benefits
Employers must take out insurance policies to cover the costs of compensation payable to employees for injuries received on the job. All manual workers irrespective of their earnings and nonmanual workers earning not more than HK$1,500 per month are entitled to twenty-four sick days over a two-year period. Some firms provide free medical services and free or subsidized housing. There are no statutory deductions from wages for social security or other costs, and there are no unemployment benefits.

Termination of Employment
Employment may be terminated by due notice or by severance pay of one month’s wages. If a worker is redundant or laid off, he is entitled to severance pay. However, factories and small businesses prefer to reduce the number of work hours rather than lay off workers.

If the worker’s compensation is based on an hourly wage or piece rate, he is entitled to ten days’ wages for every year of service; if based on a monthly salary, he is entitled to one-third of a month’s pay for every year of service. Severance payments are made provided the employee has worked continuously for twenty-four months immediately prior to dismissal. Workers have the right to damages if proper termination notice is not given.

Unions
All employees have the right to join trade unions. Most unions are affiliated either with the Hong Kong Federation of Trade Unions, which
supports the People's Republic of China, or with the Hong Kong and Kowloon Trade Union Council, which supports the Taiwan Government. In actuality, however, trade union activity is limited. The Government may intervene in trade disputes that cannot be resolved by conciliation.

Work and Residence Permits
All persons other than British subjects must have a visa before being employed in Hong Kong. Applications for employment visas can be made at any British Consulate. The applicant must appear in person with the following documentation: employment contract or letter of appointment citing salary and benefits; details of qualifications and experience relevant to the position offered; and a letter of guarantee from the employer. The initial visa is usually granted for up to six months, regardless of nationality. Renewals and extensions may be applied for.

TRADE PRACTICES

Advertising
The main advertising media are television, radio, cinema, and the press.

Price Controls
There are no price controls on goods or services other than public utilities.

Competition Laws
Hong Kong has no antitrust laws.

Patents, Trademarks and Copyrights
Hong Kong legislation does not provide for the original grant of a patent. Patents may be registered in Hong Kong under the United Kingdom Patents Ordinance. Trademarks may be registered for seven years, but may be renewed indefinitely for additional fourteen-year periods. Copyrights and designs are governed by the Design Copyright Act of 1968.

ACCOUNTING AND AUDITING

Financial Statements
Every company is required to keep proper books of accounts. If the books are kept outside Hong Kong, the accounts and branch returns
disclosing the financial position of the business must be sent to a designated place in Hong Kong. A 'true and fair view' must be presented. A parent or holding company must disclose its investments and financial position, as well as those of its subsidiaries. Group financial statements are not required from a parent company that is itself the wholly-owned subsidiary of another Hong Kong company. There are certain exceptions for private companies.

Accounting Practices
Inventories are recorded at either cost or net realizable value, whichever is lower. Accounting practices are disclosed in notes to the financial statements, and no adjustments are made for the effects of inflation on historic costs; however, it is permissible to restate fixed assets at current prices.

Audit Practices
All companies must submit audited financial statements at their shareholders' annual general meeting. The law requires that one or more auditors be appointed at the meeting. The auditors must hold a practicing certificate issued by the Hong Kong Society of Accountants. Directors and officers of the company may not be appointed as auditors.
BASIC DATA

Location and Area
Indonesia is a huge, sprawling island chain in southeast Asia, stretching 5,161 kilometers (3,200 miles) east to west in the Pacific and Indian Oceans and the South China Sea. The archipelago lies south of the Philippines and north of Australia and comprises a land area of approximately 2,000,000 square kilometers (800,000 square miles). Among a total of over 13,000 islands, Kalimantan is the largest in area, followed by Sumatra.

Language and Population
The official language is Bahasa Indonesia; however, most people engaged in international business speak English. Population is estimated at 142 million. It is expected to increase by 35 million during the next ten years. Over 60% of the population lives on Java, concentrated in the cities of Jakarta, the capital (5.5 million), Surabaya (3 million), and Bandung (1.3 million).

Communications and Transportation
The postal and telegraph systems are adequate. There are scheduled airline flights to major Asian capitals, with connections to the west coast of North America and to northern Europe. Jakarta is connected to Rotterdam, London, Hamburg, and other ports by regular shipping services. Land transportation in the islands is rapidly improving.

Business Hours
Government offices are usually open between 8:00 a.m. and 3:00 p.m., Monday through Thursday; from 8:00 a.m. to 11:30 a.m. on Friday; and from 8:00 a.m. to 1:00 p.m. on Saturday.

Banks are open from 8:00 a.m. to 12:30 p.m. and from 1:30 p.m. to 4:00 p.m., Monday through Friday, and from 8:00 a.m. to 12:30 p.m. on
Indonesia

Saturday. Commercial hours are 8:00 a.m. to 4:00 p.m., Monday through Friday, and 8:00 a.m. to 12:30 p.m. on Saturday. Some offices are closed on Saturday.

Sources of Information
The Capital Investment Coordinating Board, a nondepartmental government organ directly responsible to the President, provides information to investors and processes all applications for investment in the country. Regional offices of the Board have been established in several areas where investment opportunities are plentiful.

GOVERNMENT AND THE ECONOMY

Form of Government
Indonesia is a sovereign, independent republic. The People's Consultative Assembly is the primary power. It has 920 members and must meet at least once every five years. The Assembly elects the President. The House of the People's Representatives has 460 members who sit for five-year terms.

Economic Factors
Significant statistics are:

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<tr>
<th>Year</th>
<th>1975</th>
<th>1976</th>
<th>1977</th>
<th>1978</th>
<th>1979*</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>12,642.5</td>
<td>15,466.7</td>
<td>18,705.9**</td>
<td>21,788.4**</td>
<td>n/a</td>
</tr>
<tr>
<td>Real increase (%)</td>
<td>5.0</td>
<td>6.9</td>
<td>7.4**</td>
<td>7.2**</td>
<td>n/a</td>
</tr>
<tr>
<td>Wholesale price index</td>
<td>247</td>
<td>283</td>
<td>323</td>
<td>354</td>
<td>n/a</td>
</tr>
<tr>
<td>Exports (million US$)</td>
<td>7,102.5</td>
<td>8,546.5</td>
<td>10,852.6</td>
<td>11,643.2</td>
<td>6,539.0</td>
</tr>
<tr>
<td>Imports (million US$)</td>
<td>4,769.8</td>
<td>5,673.1</td>
<td>6,230.3</td>
<td>6,690.4</td>
<td>3,215.0</td>
</tr>
</tbody>
</table>

*First half
**Preliminary figures

Indonesia is a signatory to the Asean Economic Treaty.

Inflation. The inflation rate in 1979 was 22%.

Energy Resources. Indonesia is a net exporter of crude oil and natural gas. Current oil production stands at 1.6 million barrels daily. Natural gas is second only to oil as a valuable source of export revenues. Two
liquefaction plants are expected to produce 1230 million standard cubic feet of liquified natural gas per day.

EXCHANGE CONTROLS

Controls on Inward Direct Investment
Foreign investments must be approved by Bank Indonesia, but there are no exchange controls on inward investments. However, for recording purposes, foreign exchange loans must be reported to Bank Indonesia.

Except for the import and export of local currency, foreign-owned enterprises are not required to secure the approval of Bank Indonesia in order to borrow from local banks and financial institutions. Joint ventures and foreign companies are obliged to open special bank accounts in foreign currency. Withdrawals from these accounts must be reported to Bank Indonesia.

Repatriation Rules
Capital may be freely repatriated except in cases where exemptions from taxes and other tax incentives are in effect. Earnings may be remitted after deduction of taxes and other financial obligations. Payment of interest and principal of foreign loans and obligations is allowed. Remittance of insurance premiums, patent royalties, and salaries of foreign employees is also permitted.

Imports and Exports
No exchange restrictions apply to imports or exports. Payments follow normal procedures.

Controls on Outward Investment
There are no controls on outward investment.

RESTRICTED BUSINESSES AND INDUSTRIES

Industries
Industries vital to national defense, domestic retail trade, and exporting and importing for third parties are closed to foreign investors, as are large areas of trading and distribution businesses. Foreign companies may manufacture for the local market, but the products must be dis-
Indonesia

tributed and sold by a domestic company. Exploitation of the country's natural resources, such as oil, minerals, and forests, is reserved to the Government.

Locations
There are no restrictions on the location of foreign business entities, but the foreign investor may not own the land.

INVESTMENT INCENTIVES
An approved investment is usually granted a two-year tax holiday. The exemption may be extended, however, if the investment is outside Java, if the project involves substantial capital investment for infrastructure facilities, or if it is in agriculture, such as cattle breeding or processing of forestry products. The Government favors those sectors of trade that will strengthen the country's foreign exchange position, create additional employment, and introduce new technology.

Import duties and import sales taxes may be reduced by 50% to 100% on production materials not available locally. This concession is normally granted only once for a two-year period.

FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
Foreign investors should first contact the Capital Investment Coordinating Board in Jakarta to ascertain the status of potential projects before making an application. If a project is listed on the Board's annual 'Priority Rating List' as open to foreign investors, a project proposal is then submitted to the Board for approval. If approved, the application goes to the President of the Republic for signature, after which all licenses and permits are issued.

Registration
The articles of incorporation, together with the consent obtained from the Minister of Justice, must be registered at the registry office of the court within whose jurisdiction the corporation is domiciled.

National Participation
At least 51% of share capital must be held by nationals.
FINANCE

Currency
The monetary unit is the rupiah (Rp), which is divided into 100 sen. It is a freely convertible currency. The current exchange rate is Rp625 to US$1.

Availability of Finance
State-owned banks account for more than 85% of total outstanding bank loans. Commercial banks provide short-term credit through overdrafts. A limited market is open in bank certificates of deposit. Medium and long-term loans are generally provided by investment banks. Industries specified by Bank Indonesia may obtain loans from state banks to support investments in rupiah.

Sources of Finance
Bank Indonesia, in addition to its normal central bank function, makes loans to the Government. Commercial banks may be state or privately owned, the latter being both foreign and domestic. Practically all major international banks are represented in Indonesia either through a branch or a representative office. Other financial institutions also perform investment banking functions, and foreign equity participation is encouraged in these investment banks. In addition, the stock market is developing as a source of capital. At present, three companies are listed, with others expected in the future.

TAXATION

Principal Direct Taxes
The principal taxes in Indonesia are income taxes on both businesses and individuals and on dividends, interest, and royalties.

Corporate Income Tax. Net profits of corporations are taxed at the rate of 20% on the first Rp25 million, 30% on the next Rp50 million, and 45% on any amounts in excess of Rp75 million. Companies whose accounts have received an unqualified opinion by an auditor are taxed at rates of 20% on the first Rp100 million, 30% on the next Rp250 million, and 45% on amounts in excess of Rp350 million.

Resident companies are liable to tax on their worldwide income. Non-residents with a permanent establishment in Indonesia are taxable on
Indonesia

Income derived from operations or realty in Indonesia and from interest on loans secured by such realty. Companies domiciled in Indonesia are resident companies. All other companies are considered nonresident.

**Individual Income Tax.** Net income is taxable at progressive rates ranging from 5% to 50% of taxable income. Tax is imposed on the net income of nonresident taxpayers without the deduction of the exempt income limit. Partnerships are taxed like corporations. The after-tax distributive share of partnership income is again taxed to the individual partners insofar as that amount exceeds the exempted amount promulgated annually by the Minister of Finance.

Employees' income may be eligible for certain allowances, such as a 10% earned income exclusion and additional amounts granted for family allowances. Expatriate employees in projects financed by foreign grants or loans may request total exemption from individual income taxation.

**Dividends, Interest, and Royalties.** Dividends, interest, and royalties are subject to a 20% withholding tax. Residents may apply this tax as an advance payment on individual or corporate income tax; for nonresidents, it is a final tax.

**Branch versus Subsidiary**

Branches are taxed at a rate of 20% on profits remitted to the parent company. The same 20% rate is applied to the remittance of intercompany interest or royalties by a branch and to the remittance of dividends by a subsidiary. Branches and subsidiaries are taxed at the rate of 10% on interest on foreign loans.

**Groups of Companies**

The consolidation of income and expenses of different but related companies is not allowed for tax purposes in Indonesia.

**Losses**

Losses incurred during the first six years of operation may be carried forward indefinitely. Losses incurred after the sixth year may be carried forward for four years. No loss carryback is allowed.

**Tax Treaties**

Indonesia has concluded tax treaties with Belgium, Canada (not yet in force), the Netherlands, the United Kingdom, and West Germany.
Taxable Profits
There are differences between book and tax profits. Net taxable profits are arrived at by deducting allowable expenses, depreciation allowances, and losses. These allowances and losses may differ for book profits.

Tax Incentives
Approved investments may be granted a tax exemption or an increase in deductions to taxable income; and exemption from or reduction of import duties and sales tax on imports. Exemptions may be made for the payment of tax on corporate income, dividends, and net wealth, including exemption from capital stamp duty and transfer duty on ocean-going vessels. Deductions to taxable income may be increased by accelerated depreciation and the loss carryforward and investments allowance.

Exemption or specific reduction of import duties and import sales tax may be granted for the importation of machinery; building, office, and transportation equipment; and raw or auxiliary materials for fabrication or processing.

After-Tax Equivalents
An Indonesian company manager, married, with two children, earning a gross salary equivalent to US$1,000 per month, has an after-tax income of approximately US$870 per month.

BUSINESS ENTITIES

Principal Forms
The main forms of business entities are the limited liability company, the limited or full partnership, the sole proprietorship, and the cooperative. All foreign investors who wish to bring capital into Indonesia must organize a limited liability company (Perseroan Terbatas or P.T.). Rare exceptions are made for branches of foreign banks.

Minimum Capital
There is no minimum capital requirement for a limited liability company.

Formation
A corporation must have at least two founder-members. A notary public must draw up a deed of incorporation in Bahasa Indonesia stating the
Indonesia

amount of authorized, subscribed, issued, and paid-up capital, the number and classification of the shares, the number of shareholders, the manner of management, the number of managing directors, and, optionally, the board of supervisory directors.

Management Structure
The corporation acts through its managing directors who may be supervised by a board of directors. Managing directors may be an individual or a corporate body. The ultimate corporate power rests with the majority of shareholders convened in a meeting.

Meetings and Votes
The shareholders must meet annually in the place where the corporation is established. Voting by written proxy is allowed, but directors may not act as proxy holders for the shareholders. The board of managing or supervisory directors may meet anywhere in Indonesia at any time, if so provided in the deed of incorporation.

Publication of Information
A company's deed of incorporation and bylaws, if any, must be published in the Official Gazette. The financial statements of publicly held companies must be filed with the Capital Market Policy Council.

LABOR
The Department of Manpower administers the laws and regulations governing employment. Foreign enterprises must employ Indonesian manpower whenever eligible applicants are available. Foreign enterprises are also required to provide regular training and educational programs for Indonesians within the country or abroad, with the aim of gradually replacing foreign employees.

Pay Rates
Wage levels are generally at par with the levels prevailing in developing countries. Management and technical personnel, however, are paid at premium rates. Manual factory workers earn an average of US$1 to US$3 a day, while office personnel such as secretaries and bookkeepers receive US$75 to US$125 for a forty-hour week.

Working Hours
Legal working hours are forty per week, with a maximum of seven hours
per day. Night working hours are thirty-five per week, with a daily maximum of six hours. Workers are entitled to at least one day off a week. Some businesses have a five-day work week with an eight-hour day and one hour a day for lunch. Employees are entitled to a paid vacation of two weeks after one year’s service and of three months after each six years’ continuous service.

Overtime and Bonuses
The usual overtime rate is 150% of basic wages for hours worked in excess of forty per week. Payment of a thirteenth month bonus at the end of the fiscal year is an accepted general practice.

Social Security and Fringe Benefits
An employer’s maximum contribution to social security and fringe benefits amounts to 5.6% of an employee’s total compensation. It includes employment accident insurance, pension fund, and life insurance contributions.

Termination of Employment
Employment may be terminated for due cause or valid economic reasons with a minimum of one month’s notice. Mass dismissals due to retrenchment or redundancy must be approved by the Department of Manpower. A separation allowance based on an employee’s years of service must be paid to all regular employees upon termination of employment.

Unions
Union membership is voluntary, and there are no closed shops. Labor disputes are subject to a system of compulsory arbitration which overrides the right to strike.

Work and Residence Permits
All foreign employees must obtain work and residence permits. Foreign companies must apply for work permits both to the Investment Coordinating Board and to the Department of Manpower for all expatriates they wish to employ. After approval, work permits are issued by the Department of Manpower and residence permits by the Immigration Office. In addition to a work permit, foreign technicians also need a temporary visa, which is issued after authorization of the work permit. Work permits are generally issued for one year and, depending on the industry, may be renewed for up to five years.
Indonesia

TRADE PRACTICES

Advertising
Principal advertising media include newspapers, magazines, televisions, cinema, banners, and billboards.

Price Controls
Price controls are in effect on essential goods and services such as rice, sugar, and transportation.

Import Controls
Preferential tariff treatment is accorded certain essential goods.

Patents and Trademarks
There is no patent legislation, but Indonesia is a signatory to the Paris Convention on Patents and the Hague Arrangement of 1925. Trademarks may be registered for ten years and renewed for additional ten-year periods. This is not a necessity, however, since use is the criterion for trademark ownership.

ACCOUNTING AND AUDITING

Financial Statements
The Government recently issued a regulation requiring a standard reporting format for financial statements, which must conform with Indonesian generally accepted accounting principles.

Accounting Practices
Books must be kept in Bahasa Indonesia or in English, and, as a rule, all accounts must be in rupiah. Special permission is required for the keeping of accounts in a foreign currency.

Audit
Independent audits are required for publicly owned companies traded on the stock exchange. Companies audited by independent accountants are taxed at a lower rate than unaudited companies. Joint venture companies within the framework of the Foreign Capital Investment Law must submit audited financial statements to Bank Indonesia and to the tax office. Auditors are certified by the Government.
Korea

BASIC DATA

Location and Area
The Republic of Korea occupies the southern portion of the Korean Peninsula, with Japan to the east and China to the west. It has an area of 98,444 square kilometers (38,002 square miles).

Language and Population
Korean is both the official and commercial language, but English is widely used in business. Population is estimated at 37 million. The main commercial centers are Seoul, the capital (8 million), and the port cities of Pusan (2.4 million) and Inchon (800,000).

Communications and Transportation
Telephone, cable, and telex facilities exist to every part of the world. Mail service is reliable. Korea is served by national and international air carriers. Rail lines, including an electrified line between Seoul and Bukpyong, and paved roads provide a transportation network across the country.

Business Hours
Government and commercial business hours are usually from 9:00 a.m. to 12:00 p.m. and from 1:00 p.m. to 5:00 p.m., Monday through Friday, and from 9:00 a.m. to 1:00 p.m. on Saturday. Banks are normally open from 10:00 a.m. to 5:00 p.m., Monday through Friday, and from 10:00 a.m. to 2:00 p.m. on Saturday during October through February. From March through September, banks are open from 9:30 a.m. to 4:30 p.m., Monday through Friday, and from 9:30 a.m. to 1:30 p.m. on Saturday.

Sources of Information
The Bureau of Foreign Investment of the Economic Planning Board in Seoul provides information on economic conditions, laws, procedures, and investment opportunities in Korea. Other sources of information include diplomatic missions, branches of the Korean Exchange Bank
Korea

and the Korean Trade Promotion Corporation, and professional firms of accountants and lawyers.

GOVERNMENT AND THE ECONOMY

Form of Government

The Republic of Korea has three branches of government: the President is the chief executive; legislative power is in the hands of a unicameral national assembly; and judicial power is vested in the judiciary.

ECONOMIC FACTORS

Significant statistics are:

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<tbody>
<tr>
<td>Gross national product</td>
<td>18,761</td>
<td>25,090</td>
<td>31,077</td>
<td>45,886</td>
<td>29,016*</td>
</tr>
<tr>
<td>(current prices million US$)</td>
<td>18,761</td>
<td>25,090</td>
<td>31,077</td>
<td>45,886</td>
<td>29,016*</td>
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<tr>
<td>Real increase (%)</td>
<td>16</td>
<td>15</td>
<td>10</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Industrial production</td>
<td>100</td>
<td>129.8</td>
<td>155.6</td>
<td>191.2</td>
<td>220.5</td>
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<tr>
<td>(1975 = 100)</td>
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<tr>
<td>Consumer price index</td>
<td>100</td>
<td>115.3</td>
<td>127.0</td>
<td>145.3</td>
<td>173.7</td>
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<tr>
<td>(1975 = 100)</td>
<td></td>
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<tr>
<td>Exports (million US$)</td>
<td>5,081.0</td>
<td>7,715.1</td>
<td>10,046.5</td>
<td>12,710.6</td>
<td>6,769.8</td>
</tr>
<tr>
<td>Imports (million US$)</td>
<td>7,274.4</td>
<td>8,773.6</td>
<td>10,810.5</td>
<td>14,971.9</td>
<td>9,648.2</td>
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<tr>
<td>Central bank discount rate at December 31 (%)</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14.5</td>
<td>14.5</td>
</tr>
<tr>
<td>Unemployment (% of labor supply)</td>
<td>4.1</td>
<td>3.9</td>
<td>3.8</td>
<td>3.2</td>
<td>4.2</td>
</tr>
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*First half

Inflation. The current rate of inflation is approximately 20%.

Energy Resources. The main sources of energy, based on 1978 statistics, are coal (30.34%), crude oil (59.64%), firewood (7.04%), and hydro and nuclear energy (2.98%). All of the oil is imported.

EXCHANGE CONTROLS

Foreign exchange is governed by the Foreign Exchange Control Act. The restrictions currently in force may be relaxed by implementation of the Enforcement Decree of the Foreign Exchange Control Regulations. The Foreign Trade Transactions Act and the Foreign Capital Inducement Act further regulate foreign exchange transactions.
Controls on Inward Direct Investment

Foreign investment in Korea is encouraged. The minimum amount of foreign equity investment is US$200,000, with the following exceptions: US$100,000 or more for electronics and machine industries; US$50,000 or more for investments by Korean nationals residing abroad; and $US50,000 or more for wholly export-oriented projects that principally use domestic raw materials and that are deemed essential by the Minister of the Economic Planning Board for attracting relevant foreign technology.

Repatriation Rules

Repatriation of capital requires prior approval of the Ministry of Finance. The remittance of the proceeds from the sale of stock by the original foreign investor in an enterprise approved under the Foreign Capital Inducement Act is guaranteed for amounts of up to 20% of the capital for each year after a period of two years from the start of operations.

Repatriation of profits, dividends, interest, and royalties is allowed, but requires approval of the Ministry of Finance. At least ninety days prior to the end of each fiscal year, the amount to be remitted abroad during the following year must be reported to the Ministry of Finance through the Minister of the Economic Planning Board.

Intercompany Current Accounts

Foreign investors who own 100% of export enterprises may open intercompany accounts with the Bank of Korea.

Imports and Exports

Importers and exporters must obtain licenses from the Minister of Commerce and Industry. The Minister of Finance designates standard settlement methods for the payment of imports. If an import license has been issued, payment approval is not necessary. If not, the importer must obtain approval for the settlement method from the Bank of Korea or from a foreign exchange bank.

Export proceeds must be collected in accordance with the conditions of the license. Those in foreign currency can either be negotiated at foreign exchange banks or exchanged for equivalent foreign exchange certificates valid for thirty days. Exporters may retain their export proceeds in foreign currency deposits at authorized foreign exchange banks.
Korea

**Controls on Outward Investment**

Overseas investments by Korean residents must be approved by the Bank of Korea pursuant to the Foreign Exchange Control Act.

**Foreign Currency**

Foreign investors may open nonresident accounts with foreign exchange banks before establishing their enterprises in Korea. Nonresidents may maintain foreign currency deposit accounts with foreign exchange banks. Foreign exchange may be brought in without restrictions by travelers, but importation of Korean currency is restricted. Corporations whose main offices are in Korea and branches of foreign companies and other businesses with Korean offices are treated as residents. Overseas branches or offices of domestic corporations are treated as nonresidents.

**RESTRICTED BUSINESSES AND INDUSTRIES**

**Businesses**

Foreign investment is not permitted in any enterprise which directly affects national security. Foreign investment is also restricted in the following areas: water supply, mining, airline and railway services, marine transportation, power projects, and the manufacture of cigarettes, ginseng, primary steel products, wigs, and false eyelashes.

**Locations**

Enterprises may be established anywhere in the country.

**INVESTMENT INCENTIVES**

Free export zones and industrial estates have been established where foreign-owned enterprises may manufacture, process, or assemble products for export using imported tax-free raw materials or semifinished goods. The administrative procedures concerning foreign investment joint ventures, approval of occupancy, and plant construction are simplified in the free zones by the Industrial Estate Administration. In these zones, the Government also provides foreign investors with necessary support and service facilities.

Additional incentives are discussed later under Tax Incentives.
FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
New trading companies must obtain import and export licenses from the Minister of Commerce and Industry. Special permits are not necessary for new manufacturing companies. Foreigners must obtain authorization from the Minister of the Economic Planning Board before acquiring stock in existing companies. Construction permits are required from local authorities for all building projects.

Registration
All business entities must be registered with the District Court. Registration with other public bodies is not legally required except for those corporations registered with the Korean Securities Exchange Commission under the Securities Exchange Act. A branch of a foreign company must also register a statement of the law under which the foreign company is organized and the full name and permanent residence of its legal representative in Korea. The company must report the registration to the director of the appropriate tax office within thirty days.

National Participation
There are no requirements for national participation in share capital.

FINANCE

Currency
The monetary unit is the won (W). Korea has adopted a ‘double basket’ exchange rate system, a formula using the rate of exchange of selected currencies as they relate to the won. The present US dollar exchange rate is W580 to US$1.

Availability of Finance
Financing is available, particularly for businesses in the industrial estates and free zones.

Sources of Finance
Short-term credit is provided by commercial banks, usually through overdraft facilities rather than by bank loans or bill discounting. Short-term finance is available. The commercial banks also provide medium and long-term loans.
Korea

The Korea Development Bank, the Export-Import Bank of Korea, and the Agricultural and Fisheries Cooperatives finance extended export contracts, construction of new facilities, and purchases of machinery and equipment. The stock exchange is a further source of finance.

TAXATION

Principal Taxes
The principal national taxes are the individual and corporate income tax, excess profits tax, defense tax, and value added tax.

Corporate Income Tax. A domestic corporation—one which has its head office in Korea—is taxed on worldwide income. A foreign corporation, which has its head office outside Korea, is taxed on its Korean service income. A nonresident foreign corporation, which does not have a place of business or real estate holdings in Korea, is liable for the full amount of corporate income tax withheld at source on its Korean income.

Public companies are taxed at a rate of 20% to 30% if the major shareholders hold no more than 35% of the shares. If the major shareholders hold more than 35%, the rate is between 25% and 35%. Private companies are taxed at a rate of 20% to 40%. Small and medium-size companies engaged in manufacturing, mining, construction, transportation, and fishing and whose fixed assets amount to less than W300 million or who employ less than 300 persons (50 persons in the case of construction companies) are taxed at a rate of 15% to 35%.

Capital gains are taxed like other corporate income. A special surtax is levied on capital gains arising from the transfer of real estate. The rate is 35% for property held two years and 25% for property held more than two years. In addition, capital gains from real assets whose title is not registered in the Civil Court are taxed at 40%.

Individual Income Tax. A resident, defined as an individual having a domicile or residence in Korea for one year or longer, is taxed on worldwide income. A nonresident is taxed only on income from domestic sources. The progressive tax rate ranges from 6% to 62%.

Foreign nationals employed by foreign enterprises or providing technological services under government contract are exempt, upon application, from payment of personal income tax for a period of five years.
Excess Profits Tax. A 100% excess profits tax is levied on the difference between a basic price determined by the Office of National Tax Administration and the actual transaction price.

Value Added Tax. Value added tax is levied at a rate of 10%. Essentials, exports, and goods and services generating foreign exchange earnings are exempt or zero-rated.

Defense Tax. Taxpayers are subject to defense tax surcharges at different rates. This tax will continue in force until December 31, 1985.

Other Taxes
In the absence of a tax treaty, taxes are withheld at the rate of 25% on dividends and royalties and at variable rates on interest and other income paid outside Korea or to non-Korean taxpayers. There are also a stamp tax and an excise tax.

Branch versus Subsidiary
Branches and subsidiaries are subject to the same tax regulations as corporations. A branch may transfer its profits after paying corporate income tax and after obtaining approval pursuant to the provisions of the Foreign Exchange Control Regulations.

Groups of Companies
For tax purposes, companies cannot consolidate returns.

Losses
In general, losses may be carried forward for three years. Domestic companies meeting special conditions may carry forward losses for four years. Carryback is not permitted.

Tax Treaties
Korea has entered into double taxation agreements with Japan, Thailand, the United Kingdom, the United States, West Germany, Belgium, and Denmark. Treaties with Finland, Canada, France, and the Netherlands have not yet been ratified. Treaties are under negotiation with Malaysia, Morocco, Singapore, and Switzerland.

Taxable Profits
In principle, book and tax profits are identical. However, taxable profit or loss should be calculated according to special tax provisions of the law.
Tax Incentives
Under the Foreign Capital Inducement Act, a corporation is exempt from taxation on its income for five years in proportion to the percentage of stock owned by foreigners. For the next three years, taxes are reduced by 50%, based on the same proportion. Dividends paid out of profits and distributions of surplus to foreign investors receive the same tax treatment.

Income from royalties for technological services is tax exempt for five years, with a 50% exemption for the next three years.

Interest income received by a foreign creditor under an approved loan contract is exempt from tax. Other income accruing in relation to the same loan contract is also tax exempt.

Foreign-owned enterprises are exempt from acquisition taxes and property taxes for five years. A 50% exemption is granted for the following three years.

Foreign investors authorized to import capital goods are exempt from import duties, including customs duties, value added tax, and special excise taxes.

Personal income of foreign employees working in foreign-owned enterprises or under technology inducement contracts are exempt from wage and salary income tax for five years.

After-Tax Equivalents
A Korean manager of a small business with twenty employees, married, with two children, earning between W6 million (US$10,300) and W8.4 million (US$14,500) annually, depending on the industry, would have an after-tax net income of between W5.4 million (US$9,300) and W7.0 million (US$10,100).

BUSINESS ENTITIES

Principal Forms
The form most commonly used by foreign investors in Korea is the joint stock company. Other forms are the limited liability company, general or limited partnership, and sole proprietorship.

Minimum Capital
The minimum capital requirement is between 15 and 20 million won,
depending on the industry. The minimum paid up capital requirement for a domestic company is approximately W3,500 (US$6.03), but in practice the tax office will decline to register companies with such small amounts of capital.

In general, the minimum foreign equity investment in a joint stock corporation is US$200,000. There is no legal maximum limitation on the foreign equity participation of a foreign investor, although the Government prefers joint ventures with Koreans.

**Formation**

At least seven founders are required to form a joint stock company. Foreign investors must obtain an investment license from the Minister of the Economic Planning Board. Directors and auditors must be appointed at the initial general meeting of the shareholders. The cost of incorporating foreign corporations is between US$5,000 and US$8,000. It takes approximately three months for all formation and legal procedures to be completed. The cost of incorporating a domestic corporation is between US$500 and US$1,000, excluding a registration tax of 0.4%, and the time needed is about two weeks.

**Management Structure**

A minimum of three directors is required. They need be neither nationals nor residents, but at least one director must reside in Korea to be responsible for day-to-day management and to represent the company.

**Meetings and Votes**

Directors' and shareholders' meetings must be held in Korea. A general shareholders' meeting must be held at least once a year, and, if necessary, an extraordinary meeting may be convened. Shareholders may vote by proxy.

**Publication of Information**

Only those companies registered with the Korean Securities Exchange Commission are required to make their financial statements available to the public, together with the annual audit report prepared by independent public accountants.

**LABOR**

**Pay Rates**

No legal minimum wage standards have been established, but the Office of Labor Affairs sets a minimum wage according to industry.
Korea

Working Hours
The standard work week is forty-eight hours—eight hours a day, six days a week. This may be extended to sixty hours by mutual agreement according to a labor management contract. Employees are entitled to one paid vacation day a month, which may be accumulated, and to eight paid vacation days for perfect attendance in one year, plus an extra day for each additional year after two consecutive years of service. There are nine legal paid holidays; one of these, the New Year, is celebrated for three days.

Overtime and Bonuses
Hours worked in excess of forty-eight per week are paid at the rate of 150% of the standard hourly rate. Overtime hours in excess of sixty require prior approval by the Office of Labor Affairs. A bonus ranging from 100% to 800% of monthly base wages is paid several times a year.

Social Security and Fringe Benefits
Employers usually provide accident and health insurance, paid holidays, and special bonuses.

Termination of Employment
It is a legal requirement that employees receive a severance payment at the time of retirement or when they leave the company, as pension plans are rare. A company with more than sixteen employees must provide a severance payment of at least one month's average wages, based on the pay for the last three months of service, for each year of continuous service. Justifiable reasons are required for all dismissals and for any disciplinary action against Korean employees.

Unions
Approximately 40% of the labor force belongs to a union. Labor disputes are brought before the labor relations board of the Office of Labor Affairs.

Work and Residence Permits
It is necessary to register with the local authorities for work and residence permits after filing an intention to work with the Ministry of Justice.

TRADE PRACTICES
Principal advertising media are television, radio, and newspapers.
Price Controls
The Government has power under the Price Stabilization and Fair Trade Act to set prices, to order the disclosure of the prices of certain goods or services, and to prevent unfair competition.

Import Controls
A list of items prohibited from importation is prepared semiannually by the Ministry of Commerce and Industry. In addition, the Government imposes high tariff rates on imported products which compete with products produced locally.

Patents and Trademarks
Patents are granted for a twelve-year period and are not renewable. Trademarks registered with the Government are protected by law for ten years and may be renewed for another ten-year period. Trademarks must be used to remain valid. Those unused for a period exceeding one year may be subject to cancellation.

ACCOUNTING AND AUDITING

Financial Statements
Accounting principles and regulations for financial statements have been enacted which define major accounting principles, the scope of financial statements, forms and methods of preparation of financial statements, and other accounting matters. Public companies listed on the Korean Exchange Market must follow specific but similar regulations.

Accounting Practices
Consolidated accounts are required to be included in the financial statements of parent companies.

Audit
The accounts of public companies must be audited by independent public accountants. Professional audits are conducted according to the provisions of the Security Exchange Act.
BASIC DATA

Location and Area
Malaysia is centrally located in Southeast Asia. It comprises Peninsular Malaysia, bounded on the north by Thailand, and the states of Sabah and Sarawak on the island of Kalimantan (Borneo). Malaysia has an area of approximately 332,000 square kilometers (128,000 square miles).

Language and Population
The official language is Malay, but English and Chinese are widely used in government and business circles. Malaysia has a population of over 12 million, more than 80% of whom live in Peninsular Malaysia. Major cities include Kuala Lumpur, the capital, Penang, the chief port, and Ipoh, Kuching, Kota Kinabalu, and Sandakan.

Communications and Transportation
Telephone, telegraph, and postal facilities are well developed and expanding. A satellite earth station has been operational since early 1972. An excellent road system covers Peninsular Malaysia, and adequate sea and rail connections are available. Kuala Lumpur and Penang maintain international airports. Daily flights are scheduled to major Asian cities, with connections to North America and Europe. Key cities in Sabah and Sarawak are also accessible by sea and air.

Business Hours
Government offices are open on Monday to Friday from 8:00 a.m. to 4:30 p.m., and on Saturday from 9:00 a.m. to 1:00 p.m. Banks generally conduct business from 10:00 a.m. to 3:00 p.m., Monday to Friday, and from 9:30 a.m. to 11:30 a.m. on Saturday. Commercial hours are from 8:30 a.m. to 4:30 p.m., Monday to Friday, and from 8:30 a.m. to 12:30 p.m. on Saturday.
Malaysia

Sources of Information
The Federal Industrial Development Authority (FIDA) provides advice and information especially geared to investors' needs. It also approves applications to establish factories and provides technical advisory services to private companies. Information is available to all potential foreign investors at FIDA offices in major cities around the world.

GOVERNMENT AND THE ECONOMY

The Government functions as a parliamentary democracy. The sultans of the eleven states into which Malaysia is divided elect one of their number as head of state for a five-year term. The Senate consists of 54 members appointed for six-year terms, and the House of Representatives, of 154 elected members.

Malaysia is a member of the United Nations Asian and Pacific Council (ASPAC) and the European Commission for Asia and the Far East (ECAFE).

Economic Trends
Significant statistics are:

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross national product (current prices—million M$)</td>
<td>21,861</td>
<td>21,606</td>
<td>27,033</td>
<td>31,074</td>
<td>35,090</td>
</tr>
<tr>
<td>Real increase (%)</td>
<td>9</td>
<td>3</td>
<td>11</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Industrial production (1968 = 100)</td>
<td>167.6</td>
<td>167.6</td>
<td>193.4</td>
<td>210.1</td>
<td>230.3</td>
</tr>
<tr>
<td>Consumer price index* (1967 = 100)</td>
<td>137.8</td>
<td>144.0</td>
<td>147.7</td>
<td>154.8</td>
<td>162.4</td>
</tr>
<tr>
<td>Exports (million M$)</td>
<td>10,195</td>
<td>9,231</td>
<td>13,442</td>
<td>14,959</td>
<td>17,094</td>
</tr>
<tr>
<td>Imports (million M$)</td>
<td>9,891</td>
<td>8,530</td>
<td>9,713</td>
<td>11,615</td>
<td>13,690</td>
</tr>
<tr>
<td>Unemployment (% of labor force)</td>
<td>7.2</td>
<td>7.0</td>
<td>6.5</td>
<td>6.3</td>
<td>6.2</td>
</tr>
</tbody>
</table>

*Peninsular Malaysia only.

Malaysia is a member of the Association of the Southeast Asian Nations (ASEAN) and has trade agreements with Australia, Japan, the United Arab Republic, the USSR, and several East European nations.

Inflation. The current rate of inflation is 5%.

Energy Resources. Malaysia is self-sufficient in oil and plans to expand electrical production in the future.
EXCHANGE CONTROLS

Controls on Inward Direct Investment
There are no exchange limitations on foreign direct or indirect investment in Malaysia.

Repatriation Rules
Payments to countries outside Malaysia may be made in any foreign currency other than the currencies of Rhodesia, South Africa, and Israel. Payments within Malaysia must be made in Malaysian dollars. All payments, including repatriation of capital and remittance of profits and technical assistance fees, are freely allowed. For foreign currency remittances in excess of the equivalent of M$5,000, up to M$2 million, an exchange control form must be completed and approved by an authorized bank. Over M$2 million, approval of the Controller of Foreign Exchange is required. Such approval is normally readily given.

Intercompany Current Accounts
Exchange control permission is not required in order for a company to maintain intercompany accounts with associated companies outside Malaysia, provided proceeds from the export of Malaysian goods and from loans extended to the Malaysian company are excluded from the intercompany accounts. However, companies maintaining intercompany accounts are required to observe certain exchange control procedures.

Exports
An exchange control form must be completed for exports valued at M$5,000 or more. This form may be approved by any commercial or other authorized bank. All export proceeds must be repatriated to Malaysia within six months of the date of export.

Controls on Outward Investment
Permission of the Controller of Foreign Exchange must be obtained by Malaysian residents to invest outside Malaysia.

Foreign Currency
Malaysian residents require the permission of the Controller of Foreign Exchange to take more than M$1,000 or the equivalent in foreign currency out of the country. Nonresidents may bring foreign currency into Malaysia and may take out an equivalent amount.
RESTRICTED BUSINESSES AND INDUSTRIES

Businesses
Foreign ownership is restricted and in some cases totally prohibited in the aviation, banking, petroleum, and mining industries.

Locations
Foreign-owned enterprises may be established anywhere in the country.

INVESTMENT INCENTIVES
The Government has developed twenty-one industrial estates for the benefit of investors. Malaysian controlled companies may receive cash grants or long-term credit at favorable mortgage terms for purchase of sites. They may also lease factories on a long-term basis or for three-year periods.

Free trade zones offer tariff incentives. Industrial land may be leased in these zones, where existing factories and bonded warehouses are also available.

FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
Foreigners may either incorporate a subsidiary in Malaysia or operate through a branch. Incorporation documents must be submitted to the Registrar of Companies who issues the certificate of incorporation. Similarly, a branch, within one month from establishment of a place of business, must file its incorporation papers and other documents with the Registrar of Companies. Audited financial statements of the company’s operations outside Malaysia must also be submitted.

Registration
All foreign-owned corporations and branches must be registered with the Registrar of Companies.

National Participation
Industrial projects dependent for the most part on the domestic market must have a majority of Malaysian equity participation. A minimum of 70% Malaysian equity, of which 30% must be held by indigenous Malays, is required for businesses using depletable natural resources, including the
primary processing of the resources. Export-oriented businesses may have a majority of foreign ownership, in some cases up to 100%.

FINANCE

Currency
The monetary unit is the ringgit (M$), which is divided into 100 sen. The current exchange rate is M$2.18 to US$1.

Availability of Finance
Long-term loans are not readily available unless a company is listed on the Stock Exchange. Subsidiaries of foreign companies usually avail themselves of their parent companies' guarantees to obtain long-term financing. Debt and equity capital can be raised from institutional investors such as insurance companies or investment trusts. Borrowing is generally secured either by a sinking fund or a fixed charge on the assets of the company.

Sources of Finance
Short-term finance is usually raised by bank overdraft. Medium-term loans are provided by commercial banks. Merchant banks make an active market in discounting bills. Export finance, factoring, leasing, and installment purchase financing are widely practiced. Kuala Lumpur is the major financial center through which national and international sources of finance can be tapped.

TAXATION

Principal Direct Taxes
Principal taxes are the personal and company income taxes and the excess profits tax.

Income tax is imposed on all income of a resident company or individual which accrues in or is derived from within or outside of Malaysia. In general, nonresident companies and individuals are not subject to tax on income derived from outside of the country, even if such income is remitted to Malaysia. However, entities that manage and control banking and insurance businesses and sea and air transport operations are taxable on income from foreign sources that is not remitted to Malaysia.

Individual taxpayers are subject to income tax at graduated rates ranging from 6% on income of M$2,500 to 55% on income of over
Malaysia

M$75,000. Resident and nonresident companies pay a flat tax rate of 40%, which in the case of nonresident companies is reduced to 15% if interest and royalty incomes are derived from Malaysian sources. Relief is available for overseas income already taxed by a foreign country and assessed for Malaysian tax. The amount of relief is dependent upon the terms in the double taxation agreements.

Other Taxes
There is a development tax and taxes on tin and timber profits.

Taxes on Dividends
Shareholders are taxed on the gross amount of dividends, and the 40% tax deducted by the company is given as a credit against the shareholders' personal income tax liability.

Branch versus Subsidiary
Branches and subsidiaries are subject to the same rate of corporate income tax. Tin and timber taxes apply only if the branch or subsidiary is involved in tin mining or timber operations. Transactions between a branch and the nonresident entity must be at arm's length. If a branch does not generate any profits because of its close connection with the nonresident entity, the latter will be taxed and the branch be made liable for the payment.

Groups of Companies
A reasonable proportion of administrative and management expenses may be allowed as an allocable deduction to the subsidiary. Parent companies are liable to tax on dividends paid by their subsidiaries. The law does not allow the consolidation of income and expenses of different but related companies.

Losses
Trade or business losses may be set off indefinitely against future profits. The deduction is mandatory and may not be postponed. Losses may not be carried back.

Tax Treaties
Malaysia has tax treaties with Canada, Denmark, France, Germany, Japan, New Zealand, Norway, Singapore, Sweden, Switzerland, Sri Lanka, and the United Kingdom.

Taxable Profits
The main difference between book and tax profits is that book depreci-
ation is not allowed, and capital allowances using rates as prescribed by law are given instead.

**Tax Incentives**

The incentives provided in the Income Tax Act currently include: exemption from taxation of nonresidents on non-Malaysian source income; exemption from taxation of Malaysian source income derived by nonresidents through consignment of specific commodities produced outside of Malaysia, such as rubber, copra, pepper, tin ore, gambier, sago flour, and cloves; exemption from taxation of interest derived from loans approved by the Government, interest on government savings certificates, and interest specifically approved by the Minister of Finance.

The Investment Incentives Act provides beneficial tax treatment to companies making new or expanded investments. The incentives are:

- **Pioneer status**—depending on capital investment, exemption from income and development taxes is allowed for a period of from two to eight years.
- **Investment tax credit**—tax relief based on 25% of capital expenditure on an approved project.
- **Labor utilization relief**—tax relief for pioneer status companies, based on the number of full-time employees engaged.
- **Export incentives**—especially designed incentives for export of domestically manufactured products.
- **Site incentive**—five to ten years’ tax relief for companies setting up businesses outside industrial areas.
- **Hotel incentives**—varied incentives available depending on the type and location of the hotel or tourist complex.

Other incentives include accelerated capital allowance to promote modernization and expansion of factories and production techniques, import duty exemption, tariff and anti-dumping protection, loan facilities, fully developed industrial sites, and free trade zones.

**After-Tax Equivalents**

A Malaysian company manager of a company with 100 employees, married, with two children, earning an annual salary of M$48,000 (US$22,018), would have an after-tax net income of about M$39,400 (US$18,073).
BUSINESS ENTITIES

Principal Forms
The main forms of business entities in Malaysia are the corporation, the partnership, and the sole proprietorship. Other entities are the branch, joint venture, and the cooperative society. The preferred form for foreigners establishing a trade or business in Malaysia is the limited liability company, which may be either private or public. Joint ventures are encouraged by the Government and have increased in recent years, principally for highway construction, petroleum exploration, and manufacturing projects.

Minimum Capital
There are no minimum capital requirements under Malaysian corporation law.

Permits and Licenses
For the construction of new business premises, building permits must be obtained from the local authorities.

Formation
All business entities, except for professional bodies, such as those of lawyers or accountants, must register either with the Registrar of Companies or with the Registrar of Businesses. A certificate of incorporation is issued after the required documents (memorandum of association, company name, articles of association, prospectus) have been submitted and fees paid to the appropriate registrar. Legal and printing costs usually amount to M$2,050, and registration fees range from a minimum of M$300 on authorized capital of M$25,000 to a maximum of M$35,000.

Management Structure
The Malaysian Companies Act requires that every company have a minimum of two resident directors. Company management rests with the directors, whose powers are defined in the articles. There are no requirements for indigenous participation in management in cases where local management expertise is not available. Training programs must, however, be initiated in order that Malaysians may acquire the necessary management expertise to assume, within a reasonable period of time, the positions held by foreign personnel. Under Malaysia's new economic policy, however, foreign management participation will not be phased out as long as foreign ownership exists and expatriates continue to hold a few key positions.
Meetings and Votes
Meetings of shareholders must be convened in the Malaysia state in which the company's registered office is located. Votes at both directors' and shareholders' meetings may be by written proxy.

Publication of Information
An annual return, signed by a director or secretary, and attached signed copies of the audited financial statements and the directors' report must be filed with the Registrar of Companies within one month from the date of the annual general meeting. Private limited companies are exempt from this requirement.

LABOR
Underemployment is a major problem in Malaysia and the Government's aim is to increase employment opportunities, particularly in commerce and manufacturing, with an average of 50% of ethnic Malays employed in all sectors of the economy by 1990.

Pay Rates
There is no legal minimum wage except for some dock workers and for employees in retail stores, hotels, catering, and film making. Wages are determined through individual or collective agreements and vary depending on the industry, firm, and location. The wage rate for an industrial worker is M$5 a day and up. Recent university graduates employed by the Government may earn between M$745 and M$825 a month. Salaries of professionals vary between M$1,200 and M$2,000 a month and of top management, between M$2,500 and M$6,000 a month.

Working Hours
A normal work week is six days, eight hours a day. The maximum work week is forty-eight hours. Every worker is entitled to one unpaid rest day a week and five paid holidays selected from the list of public holidays. A worker is also entitled to seven paid vacation days after one year's service.

Overtime and Bonuses
Overtime pay is one and a half times the basic rate for normal working days and double the basic rate for Sundays and public holidays. Bonuses may average between one and two months' salary, depending on the industry and the discretion of the company.
Malaysia

Social Security and Fringe Benefits
An Employees' Provident Fund, to which the employee contributes 6% and the employer 7% of the employees' wages, is compulsory. Both employers and employees contribute 1% of the worker's monthly wages to the Employment Injuries Scheme, which covers all employees earning M$500 or less, and 0.5% to the Invalid Pension Scheme. Other benefits vary widely according to industry and company, but medical benefits are supplied by most companies.

Termination of Employment
Under normal circumstances, employees with less than two years' service are entitled to one week's notice of termination of employment; between two and five years' service, two weeks' notice; and more than five years, four weeks' notice. Normally, no severance payment is made on termination of employment.

Unions
More than 25% of all wage earners are organized into trade unions. The workers in the tin and rubber industries are highly organized into effective unions. All trade unions are required under the law to be registered with the Registrar of Trade Unions and must comply with the requirements of the Trade Union Ordinance. Trade unions and employers are free to enter into collective bargaining agreements on matters concerning wages and terms of employment and to negotiate for the settlement of disputes and grievances on a voluntary basis.

Work and Residence Permits
Foreigners may be employed provided an employment permit is obtained from the Ministry of Labor and Manpower. Skilled and technical personnel are allowed entry for employment in industry, especially if such skills are unavailable in the local labor market. Employment permits must be applied for by the prospective employer before the expatriate employee arrives in the country, and all applicants must have sponsors in Malaysia who are responsible for the expatriates' support and repatriation if necessary.

TRADE PRACTICES
Advertising
Radio and television are used increasingly, but the most effective advertising medium is the daily newspapers.
Price Controls
Price controls are applied to certain basic staples such as rice and sugar and to locally assembled motor vehicles.

Import Controls
In order to grant protection for newer Malaysian industries, higher duties varying between 25% and 100% are imposed on certain imports. Machinery for industrial purposes is often admitted duty free.

Trademarks
The Trade Marks Ordinance of 1950 provides for the registration and protection of trademarks only in West Malaysia. However, similar legislation exists in East Malaysia.

ACCOUNTING AND AUDITING

Financial Statements
Company directors must keep accounting records which reflect the transactions and financial position of the company. Accounts must be recorded within sixty days of completion of transactions, and if subsidiaries are involved, consolidated accounts or separate audited accounts must be attached. All records and account books must be kept in English or Malay.

Accounting Principles
Accounting principles generally follow those of the United Kingdom, Australia, and the United States.

Audit
All companies incorporated under the Malaysian Companies Act are required to appoint only government-approved company auditors. No officer or employee of a company is eligible to be company auditor. ∆
BASIC DATA

Location and Area
The Philippine archipelago consists of 7,107 islands and is 1,100 kilometers (684 miles) from the Asian mainland. It is bounded by the Pacific Ocean on the east and the South China Sea on the west. The total land area is approximately 300,000 square kilometers (116,000 square miles).

Language and Population
The official language is Pilipino, but Spanish and English, used most often in commerce, law, and business, are the other principal languages. The population is estimated at 45.3 million, with the greatest concentration (4.9 million) in Metro Manila, the major commercial and port city.

Communications and Transportation
Worldwide telecommunications are available throughout the country. International airlines connect to domestic airlines for scheduled flights to all the major cities. The country has sixty-one natural harbors, of which Manila Bay is one of the world's finest. Shipping lines make regular scheduled stops in the Philippines.

The Philippine road network extends for 113,333 kilometers (68,000 miles). The most developed roads, part of the Pan-Philippine road and ferry system, are on Luzon Island. The main railroad system consists of mostly single narrow gauge tracks.

Business Hours
Government office hours are on Monday through Friday, from 8:00 a.m. to 12:00 p.m. and from 1:00 p.m. to 5:00 p.m. Banking hours are on Monday through Friday, from 9:00 a.m. to 6:00 p.m. and on Saturday, from 9:00 a.m. to 12:30 p.m. Commercial offices are open on Monday through Friday, from 8:00 a.m. to 12:00 p.m. and from 1:00 p.m. to 5:00 p.m.
Sources of Information
Prospective investors may obtain information from the Institute of Export Development of the Board of Investments in Makati, Metro Manila, and from Philippine Foreign Trade Promotion representatives.

GOVERNMENT AND THE ECONOMY

Form of Government
The Philippines is a republic with sixty-six provinces. Limited legislative powers were given to a new assembly in 1978, but the right to legislate by decree has been retained by the President, who also holds the position of Prime Minister.

Economic Factors
Significant statistics are:

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (in million $)</th>
<th>CPI (1972 = 100)</th>
<th>Exports (FOB) (million US$)</th>
<th>Imports (million US$)</th>
<th>Unemployment (% of labor supply)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>68,361</td>
<td>166.9</td>
<td>2,294</td>
<td>3,459</td>
<td>4.2</td>
</tr>
<tr>
<td>1976</td>
<td>72,962</td>
<td>182.3</td>
<td>2,574</td>
<td>3,634</td>
<td>5.0</td>
</tr>
<tr>
<td>1977</td>
<td>77,363</td>
<td>200.4</td>
<td>3,151</td>
<td>3,915</td>
<td>5.3</td>
</tr>
<tr>
<td>1978</td>
<td>81,859</td>
<td>215.0</td>
<td>3,425</td>
<td>4,732</td>
<td>5.3</td>
</tr>
<tr>
<td>1979</td>
<td>86,539</td>
<td>250.6</td>
<td>4,400</td>
<td>6,200</td>
<td>4.7</td>
</tr>
</tbody>
</table>

The Philippines is a member of the Colombo Pact, the General Agreement on Tariffs and Trade (GATT), and the Association of South East Asian Nations (ASEAN).

Inflation. The rate of inflation in 1978 was 7.6%.

Energy Resources. Dependence on imported oil has dropped from 94% to 80%. At the present, some offshore oil wells are being developed. Geothermal energy, which now supplies the Luzon grid and the city of Ormoc, continues to be extensively developed.

EXCHANGE CONTROLS

Controls on Inward Direct Investment
Foreign investment must be approved by the Central Bank, and all foreign exchange must be sold to authorized agent banks within three days after receipt. Peso bank accounts may be opened by nonresidents. Such
accounts, however, may be funded only by inward remittances of foreign exchange or by the peso income from or proceeds of conversion of Philippine property.

Repatriation Rules
Foreign investors must register with the Central Bank to repatriate capital and profits. Each kind of investment has a specific repatriation schedule, defining the number of installments and the length of time for repatriation. Full remittance of profits and dividends is permitted. Royalties may be remitted if the licensing agreement is registered with the Central Bank.

Financial loans must be approved by the Central Bank and loan preference is given to pioneer industries. The remittance of foreign exchange to meet payments on foreign loans and obligations arising from technical assistance contracts is assured.

Intercompany Current Accounts
Companies may open numbered accounts under the foreign currency deposit scheme and may make deposits in nine currencies: Canadian dollars, German marks, French and Swiss francs, Italian lire, Japanese yen, Dutch guilders, British pounds, and United States dollars. The deposits should not represent current earnings, income of residents, or payments by nonresidents pursuant to contractual obligations. The balance in the deposit account is transferable.

Imports and Exports
The Central Bank must approve the import of nonessential consumer goods, and semiunclassified and unclassified consumer goods. Payments for wheat, raw cotton, and leaf tobacco are permitted only if they are financed through official credit arrangements. The approval of the Central Bank is required to import factory machinery and spare parts under deferred payment arrangements with maturity periods longer than 360 days.

Approval is not required for cash payments or for payments made within 360 days for nonagricultural machinery and equipment under certain circumstances. Approval will not be given to import machinery which can be manufactured locally.

Export licenses for copra, coconut oil, logs, and embroidery require direct clearance from the Central Bank. Export proceeds must be paid in the currencies of Philippine international reserves. Cash, collection, or
Philippines

Consignment payments for exports must be arranged through an agent bank that must give the exporter a contract to buy the exchange proceeds.

Controls on Outward Investment
Foreign currency accounts may be opened by residents; however, funds deposited by residents must not come from exports, current earnings, or contract payments. Such funds may be transferred abroad.

Foreign Currency
Payments for all exports must be in the nine currencies listed earlier.

RESTRICTED BUSINESSES AND INDUSTRIES

Businesses
Foreigners may not invest in rural banks, mass media, and retail trade. They may not own land, operate public utilities, and exploit natural resources. Firms dealing in rice and corn, considered vital to national security, are restricted to 100% Filipino ownership. The Government limits the degree of foreign ownership in banking, civil aeronautics, finance, land transport, fishing vessels, and coastal shipping.

Locations
Foreign enterprises may establish businesses throughout the country. Investment in the export processing zone in Mariveles, Bataan, is regulated by the Export Processing Zone Authority (EPZA).

INVESTMENT INCENTIVES
Foreign investment is encouraged, particularly in preferred pioneer and nonpioneer industries and in import and export industries. Filipino citizens are given preference in the awarding of government contracts.

Enterprises registered under the Investment Incentives Act and export producers registered under the Export Incentives Act are granted the following nontax incentives: liberalized repatriation of profits and capital; protection from government competition; employment of foreign nationals by registered enterprises; and anti-dumping protection for registered enterprises.

Firms registered with the Export Processing Zone Authority are granted the following incentives: foreign exchange assistance; financial assist-
ance in the form of loans and credits; and preferred power, water, land lease, and factory and housing rental rates.

Registered agricultural enterprises are granted the following incentives: preference in granting of government loans; private financial assistance; loans for investments; antidumping protection; and the right to employ foreign nationals in supervisory, technical, or advisory positions for five years from registration.

Accredited trading companies and contractors and operators engaged in oil exploration and development are granted investment incentives.

FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
Foreign corporations doing business in the Philippines must be licensed. The corporation must file a statement with the Securities and Exchange Commission (SEC) attesting to its solvency and financial soundness. Before a foreign corporation may be licensed by the SEC, it must obtain in writing, from the Board of Investments (BOI) or the government entity regulating that particular type of investment, certification that the proposed enterprise would contribute to the 'sound and balanced development of the national economy.'

Registration
Special investment incentives are granted to enterprises registered with the BOI.

National Participation
In order to be registered with the BOI, an enterprise must be a corporation organized under Philippine law, and at least 60% of its voting stock must be owned by Philippine nationals. Foreign investors are generally permitted to hold 30% to 40% equity in a Filipino corporation. The ownership requirements may be relaxed under special circumstances so that foreigners may invest up to 100% in an enterprise.

FINANCE

Currency
The monetary unit is the peso (₱), which is divided into 100 centavos. The current floating exchange rate is ₱7.35 to US$1.
Philippines

Availability of Finance
Bank financing is available to foreign-owned businesses.

Sources of Finance
Short-term credit is financed by commercial banks and some finance companies, such as commercial and consumer finance companies, credit unions, and commercial paper houses. Medium and long-term credit is financed by investment banks or security houses, investment companies, savings and loan associations, building and loan associations, and rural and development banks.

With the approval of the Central Bank, loans from offshore banks are available to enterprises that are export oriented, registered under the Export Incentives Act, certified by the Central Bank, or BOI-approved as pioneer companies.

Enterprises may not borrow from foreign sources for medium and long-term credits that require short maturity, renewable promissory notes. To be approved by the Central Bank, foreign loan applications must follow special regulations.

There are three Philippine stock exchanges.

TAXATION

Principal Taxes
The main taxes are on corporate and individual income.

Corporate Tax. Domestic corporations (those created or organized in the Philippines under Philippine law) are taxed on their net income from all sources within and without the Philippines at 25% on the first P100,000 and 35% on income in excess of P100,000. An additional 5% development tax is imposed on the corporation's net income that exceeds 10% of net assets under certain conditions. This tax is also imposed on family or closely held corporations.

An additional tax of 25% of undistributed profits is levied on corporations improperly accumulating profits or surplus.

Resident foreign corporations are taxed at the same rate as domestic corporations but only on their net Philippine source income. A resident foreign corporation is one incorporated abroad but licensed to trade or
do business in the Philippines and with an office or place of business in the Philippines. A nonresident foreign corporation engaged in a trade or business in the Philippines is taxed on its gross income at the same rate as a domestic corporation. If the nonresident foreign corporation does not trade or do business in the Philippines, it is taxed a flat 35% on gross income and allowed no deductions. It is taxed at 15% on interest or dividends received from a domestic corporation and on foreign loans.

Interest paid to domestic corporations and resident foreign corporations on bank deposits or interest on savings and time deposits is subject to a 15% withholding tax which may be credited against final income tax. Royalties received by a domestic corporation or resident foreign corporation are subject to a 10% creditable withholding tax. Royalties, rentals, and other payments received by a nonresident foreign corporation are subject to a 15% creditable withholding tax.

Partnerships are taxed at the corporate rate.

**Individual Tax.** Resident citizens and resident aliens are taxed on net income from all internal and external sources at progressive rates from 3% to 70%. Resident aliens must live in the Philippines and may not be transients.

Nonresident citizens are taxed on their Philippine income and on their adjusted gross foreign income. Nonresident aliens engaged in trade or business are taxed on all Philippine source income at the same rate as resident aliens. Nonresident aliens not engaged in trade or business are taxed at a 30% flat rate. Nonresident aliens living in the Philippines a total of more than 100 days in any calendar year are considered to be doing business in the country.

Foreign personnel employed by regional or area headquarters of multinational corporations are taxed a flat 15% on their gross income.

**Other Taxes.** Customs tax ranges from 10% to 100% of value. Advance sales taxes are 7%, 40%, or 70% of total landed cost. Compensating tax (use tax) is levied on all imported goods, including raw materials used in manufacturing. Special rates are imposed on automobiles.

Taxes are levied on the transfer of capital through estate duty, a gift tax, and a stock transaction tax.

A manufacturer’s or producer’s sales tax is imposed on the sale of domestically manufactured goods. If the manufacturer is the exporter, this tax is not imposed on export sales.
Philippines

In addition, there are registration and license duties, value added tax, and many local taxes.

Taxes on Dividends
Dividends received by a domestic corporation or a resident foreign corporation from a domestic corporation are subject to a 10% final tax. The paying corporation must withhold the tax. Dividends received by nonresident foreign corporations are subject to a 15% tax withheld by the paying corporation if the country in which the nonresident foreign corporation is domiciled grants a tax credit equivalent to 20% for taxes deemed to have been paid in the Philippines.

Other dividends are subject to the normal income tax rates.

Branch versus Subsidiary
Branches and subsidiaries are taxed at normal corporate tax rates. Subsidiaries of foreign companies are taxed as domestic corporations. Branches of foreign corporations are taxed on their net income from Philippine sources. Profits remitted by such branches, except those registered with the Export Processing Zone Authority (EPZA), are taxed at 15%.

Groups of Companies
There are no provisions for consolidated tax treatment.

Losses
Loss carryovers are allowed only for pioneer or preferred enterprises registered with the BOI. Loss carrybacks are not allowed. Net operating losses incurred in the first ten years of operation may be deducted during the six years immediately following the year of the loss.

Tax Treaties
The Philippines has tax treaties with Canada, Denmark, France, Singapore, Sweden, and the United Kingdom. Ratification of tax treaties is still pending with Australia, Belgium, Finland, Italy, Japan, Malaysia, New Zealand, Norway, Pakistan, and the United States. Tax treaty negotiations are being conducted with the Netherlands, Romania, Spain, Switzerland, Thailand, and West Germany.

Taxable Profits
Tax and book profits do not have to be identical. For example, depreciation is generally computed on a straight line method, although any
reasonable method may be used. Tax depreciation need not conform to book depreciation.

Tax Incentives

Under the Investment Incentives Act, pioneer firms are granted tax incentives. Pioneer companies are registered enterprises engaged in manufacturing, processing, or producing goods, products, commodities, or raw materials that have not been or cannot be commercially produced in the Philippines.

Tax incentives for pioneer companies include tax exemption—which decreases annually—from all national taxes except income tax. Pioneer industries may choose to use accelerated depreciation methods or straight line methods on their fixed assets. Net operating losses incurred during the first ten years may be carried over as a deduction from taxable income for six years. A deduction is granted for expansion reinvestment and for labor training expenses. Upon recommendation of the BOI, the President of the Philippines may issue a postoperative tariff protection certificate.

Nonpioneer firms operating in preferred areas of investment are granted exemptions from all taxes under the National Internal Revenue Code (NIRC) as well as postoperative tariff protection.

Nonpioneer and pioneer export producers are granted the following additional incentives under the Export Incentives Act: tax credit equivalent to the sales tax and other taxes and duties on supplies, raw material, and semimanufactured products used to make the export product; exemption from export and stabilization tax; deduction from taxable income from date of registration through the first five years on amounts up to 25% of export revenues; and tax credit on value of compensating tax and customs duties that would have been paid on domestic capital equipment had these been imported.

Export traders are exempt from export tax. They are granted a tax credit equal to the sales tax and other taxes on the export products bought by the export traders from export producers and subsequently exported. In addition to normal deductions, export traders are granted a deduction equal to 10% of the total export sales for the first five years of registration. Net operating losses incurred in the first ten years of operations may be carried over as a deduction from income tax.

Service exporters may deduct from taxable income for the first five years from registration 50% of the total export fees for the year the incentives
Philippines

are claimed. Service exporters producing television, motion pictures, or musical recordings in the Philippines are exempted from compensation tax and tariff duties on imported equipment, machinery, or spare parts. They are also granted a tax credit.

Tax incentives, such as exemptions from customs duties, internal revenues, local taxes, net operating loss carryover for the first five years of operation, accelerated depreciation, and exemption from export tax, are granted to firms in the Export Processing Zone (EPZ).

Agricultural enterprises are granted tax incentives under the Agricultural Investment Incentives Act.

Contractors engaged in petroleum operations are exempted from all taxes except income taxes and from tariff duties and compensation tax on the imported machinery and materials required for operation. Subcontractors pay only an 8% tax on gross income from petroleum operations, provided that the contract is registered with the Board of Energy Development.

After-Tax Equivalents
A Philippine manager of a company with 100 employees, who is married, has two children, and is earning an annual salary of ₱177,840 (US$24,000), would have an after-tax income of about ₱86,890 (US$11,727).

BUSINESS ENTITIES

Principal Forms
The principal forms are the domestic or foreign corporation, the general or limited partnership, and the sole proprietorship. Most foreign investors form corporations, joint ventures, or subsidiaries.

Minimum Capital
Generally there is no minimum capital requirement. Corporations with less than ₱10,000, however, are not generally accepted. Banks are required to have a minimum paid-up capital of ₱100 million. Only insurance companies are subject to legal reserve requirements.

Formation
In order to form a corporation, a majority of the founders must be
residents of the Philippines for at least six months. The corporation may not exist for more than fifty years.

The articles of incorporation, accompanied by a statement from the corporation's treasurer indicating that at least 20% of authorized shares have been subscribed and that 25% of subscribed shares have been paid in, is submitted to the SEC. Businesses reserved for Filipinos or those requiring a percentage of the capital to be reserved for Filipinos must submit an additional statement detailing Filipino stock ownership. A domestic corporation acquires juridical personality and legal existence only when a certificate of incorporation has been issued by the SEC.

Management Structure
The management of a corporation is vested in the board of directors and the officers of the company. A minimum of five directors is required; there is no maximum. All directors must own at least one share of the capital stock of the company. Although there is no citizenship or residence requirement for the directors, at least two must be residents of the Philippines.

Meetings and Votes
Stockholders meet, normally once a year, where the principal office of the corporation has been established. Voting by proxy is allowed.

Directors' meetings may be held at the place fixed in the bylaws. Voting by proxy is not permitted.

Publication of Information
A corporation's records and minutes must be open for inspection by its directors and stockholders. In addition, a chronological journal and ledger of all daily transactions must be kept. The books of accounts must be kept for five years and are subject to inspection by Internal Revenue officers.

LABOR

Pay Rates
Minimum wage for an eight-hour day is ₱11 for industrial workers in Metro Manila and ₱10 elsewhere; ₱10 for plantation workers and ₱9 for other farm workers; and ₱10 for employees of retail or service companies with not more than ten workers and for employees of cottage industries with not more than thirty workers.
Employees earning less than ₱600 per month are entitled to an allowance of ₱260 per month. Employees earning less than ₱1,000 per month are entitled to a thirteenth month's pay. If capitalization is more than ₱1 million, the company pays an emergency allowance of ₱260 a month; if capitalization is more than ₱100,000, ₱240 a month.

**Working Hours**

Normal work hours are eight per day and 48 per week. An employee is entitled to one day off after six consecutive work days. There are ten statutory holidays during the year. There is a mandatory annual vacation of at least five days, but it is customary to give a worker with one year's service fifteen days' paid vacation.

**Overtime and Bonuses**

A Christmas bonus, ranging from one week's to one month's pay, has become almost universal, and the thirteenth month's pay is now mandatory.

Overtime is paid at the rate of 130% of normal wages on regular working days and at 200% on an employee's day off and on holidays.

**Social Security and Fringe Benefits**

Employees are entitled to emergency medical and dental care and facilities. Industrial and government employees are entitled to compensation for personal disabilities, death, or illness while performing their duties.

Employees in private firms receive Social Security System (SSS) benefits and government employees receive Government Service Insurance System (GSIS) benefits. These include retirement and death benefits, as well as sickness and disability benefits.

**Termination of Employment**

Termination of employment must be cleared with the Ministry of Labor. An employee may be let go for just cause: either as the result of the installation of labor-saving devices, in which case the employee is entitled to separation pay equal to at least one month's pay for every year's service, or as the result of serious misconduct.

**Unions**

All but government employees have the right to join or to form labor unions for the purpose of collective bargaining; however, the right to strike and to lock out are prohibited in vital industries. Deadlocks in
collective bargaining that are not resolved within fifteen days are brought to arbitration.

**Work and Residence Permits**
Foreign nationals may enter the Philippines as temporary visitors, special nonimmigrant foreign businessmen, or foreign personnel of multinational companies which establish regional or area headquarters under prearranged employment status or under the provisions of an economic treaty.

**TRADE PRACTICES**

**Advertising**
Principal advertising media include radio, television, and newspapers.

**Price Controls**
The Price Control Council has been given authority to fix and adjust prices on commodities considered essential to the public interest: medicines, drugs, medical supplies, basic food and foodstuffs, animal and poultry feeds, veterinary supplies, clothes, sewing and weaving materials and supplies, fuels and petroleum products, motor vehicles and parts, household utensils and appliances, educational supplies and office equipment, fertilizers, insecticides, pesticides, and other agricultural products.

**Import Controls**
Imports from Rhodesia and South Africa are prohibited. Imports from socialist or communist countries must be approved by the Philippine International Trading Corporation. Certain other imports are subject to approval by the Central Bank. Payments for imports of certain commodities are permitted only if they are financed through official credit arrangements.

**Competition Laws**
Fair trade is ensured through provisions on monopolies as well as laws regulating fraud, mislabeling, and misbranding.

The BOI may ban imports of products that compete with locally manufactured goods. Such a ban is effective after the BOI has certified that the local goods are of satisfactory quality and after the manufacturer has agreed not to raise prices during the period of the ban.
Philippines

Government agencies or departments are not allowed to import or to allow tax- and duty-free imports of goods being produced in the Philippines by registered firms, unless the President determines that such imports are in the national interest or international commitments require competitive bidding.

Preferred and pioneer investments are assigned production quotas which may not be exceeded.

**Patents, Trademarks, and Copyrights**
Philippine law protects patents, trademarks, copyrights, and licensing.

**ACCOUNTING AND AUDITING**

**Financial Statements**
All businesses required to pay internal revenue taxes must keep books of account. They may be kept in Pilipino, English, or Spanish, and they must be approved by and registered with the Bureau of Internal Revenue. Corporations are required by law to keep a record of all business transactions.

**Accounting Practices**
These are similar to the accounting practices generally accepted in the United States.

**Audit**
The report of an independent certified public accountant is required in a number of instances. Branches of foreign corporations must file certified financial statements annually for the branch and for the whole company. If gross quarterly sales, earnings, or output exceed ₱24,000, a certified financial statement must be filed with the tax return.
Singapore

BASIC DATA

Location and Area
The Republic of Singapore, situated off the southern tip of the Malay Peninsula in Southeast Asia, consists of a main island and fifty-four smaller islands. The total land area is 588 square kilometers (227 square miles). Singapore is linked by road and rail to the Malay Peninsula by a causeway that bridges the Johore Straits.

Language and Population
Malay, English, Chinese (Mandarin), and Tamil are the four official languages of the country. Malay is the national language, but English is used extensively in Government and business. Population is approximately 2.33 million, composed mainly of Chinese, Malays, and Indians.

Communications and Transportation
Singapore is a major world user of satellite telecommunications and serves as an important international relay center for air and sea communications. Telephone and telex services link Singapore to the world. Direct dialing is available to the United States, Canada, most of western Europe, Australia, Japan, and other points in Asia. Mail service is efficient.

Singapore has excellent modern port facilities and worldwide air access. A highway network of 2,237 kilometers (1,386 miles), of which 1,851 kilometers (1,150 miles) are paved, covers the country, and a fast rail system connects Singapore with the Malay Peninsula.

Business Hours
Government office hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday, and 8:00 a.m. to 1:00 p.m. on Saturday. Banks are open from 10:00 a.m. to 3:00 p.m., Monday through Friday, and 9:30 a.m. to 11:30
a.m. on Saturday. Commercial hours are from 8:30 a.m. to 5:30 p.m., Monday through Friday, and from 8:30 a.m. to 12:30 p.m. on Saturday.

Sources of Information

Prospective investors should contact the Economic Development Board (EDB) for information on investment in Singapore. The EDB has overseas offices in the United States, Germany, Sweden, United Kingdom, Japan, and Australia. Within the EDB, the Investment Services Division provides consultancy services and arranges for meetings with the planning and management divisions of Singapore's industrial estates. Republic of Singapore embassies and consulates and professional firms of lawyers and accountants can also supply information to prospective investors.

GOVERNMENT AND THE ECONOMY

Form of Government

Singapore is a parliamentary democracy. Executive power is vested in the Prime Minister and his cabinet. The power of the legislature is exercised by bills passed by parliament and assented to by the President. Judicial power is vested in the Supreme Court and the subordinate courts. Shariah is a religious court with jurisdiction over Muslim law and domestic relations proceedings between Muslim parties.

Economic Factors

Significant statistics are:

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<tbody>
<tr>
<td>Gross national product</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current prices (S$ million)</td>
<td>13,216.2</td>
<td>14,286.0</td>
<td>15,669.4</td>
<td>17,405.7</td>
</tr>
<tr>
<td>Industrial production (1974 = 100)</td>
<td>99.1</td>
<td>111.0</td>
<td>121.2</td>
<td>132.1</td>
</tr>
<tr>
<td>Consumer price index (1972 = 100)</td>
<td>147.7</td>
<td>144.9</td>
<td>149.59</td>
<td>156.0</td>
</tr>
<tr>
<td>Exports (S$ million)</td>
<td>12,757.9</td>
<td>16,265.9</td>
<td>20,090.3</td>
<td>22,985.5</td>
</tr>
<tr>
<td>Imports</td>
<td>19,270.4</td>
<td>22,404.5</td>
<td>25,521.9</td>
<td>29,601.3</td>
</tr>
<tr>
<td>Central bank discount rate at December 31 (%)</td>
<td>7.08</td>
<td>6.78</td>
<td>7.02</td>
<td>6.24</td>
</tr>
<tr>
<td>Unemployment (% of labor supply)</td>
<td>4.5</td>
<td>4.5</td>
<td>3.9</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Singapore is a member of the United Nations and the Association of South East Asian Nations (ASEAN). Although Singapore does not have
Trade agreements with other countries, it has an understanding with several nations, such as the United States, regarding export quotas.

**Inflation.** Inflation has been low in Singapore. The average annual increase from 1975 to 1978 was about 2%. Over the next three to five years, it is estimated that inflation will average 5% to 7%.

**Energy Resources.** All of Singapore's energy needs are imported. Because the island lies at the intersection of tanker traffic between Japan and the Middle East and has its own refining capability, oil and gas are available in good supply.

**EXCHANGE CONTROLS**
There are no exchange control regulations in Singapore and, therefore, no restrictions on importation of capital, repatriation of capital, profits, dividends, and royalties, nor on inward or outward investment.

**RESTRICTED BUSINESSES AND INDUSTRIES**

**Businesses**
All industries are open to foreign investment except public utilities and telecommunication services which are reserved for the state.

**Locations**
Foreign-owned businesses may be established in any part of the country.

**INVESTMENT INCENTIVES**
Singapore offers many nontax investment incentives, applications for which should be made to the Economic Development Board (EDB). The EDB provides high technology industries with financial assistance of up to 70% of the cost of machinery and plant. The Board also offers loans which are repayable in five to ten years. The Government gives preference in its purchasing to locally manufactured goods even where the costs are somewhat higher, as long as the quality compares to that of imported goods. The Development Bank of Singapore offers special incentives such as export financing schemes, loans, and equity participation.

Shipbuilders may participate in a deferred credit scheme for the construction of ships of over 100 gross tons and tugboats of over 500 horsepower.
Singapore

Subsidies and financial assistance are granted for manpower training. Application for such assistance must be made to the EDB.

Singapore has developed industrial tracts, managed by the Jurong Town Corporation, where power, water, and other facilities are available.

FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
Building permits are required for all new construction. Special licenses are necessary for certain businesses such as banks; finance, insurance, and brokerage companies; hotels; housing developments; liquor; and timber trading.

Registration
All enterprises, domestic and foreign, must be registered: corporations, with the Registrar of Companies; representative offices, with the Trade Division of the Ministry of Finance. Branches of foreign companies must register with the Registrar of Companies within one month after commencing business. Partnerships and sole proprietorships must register with the Registrar of Business Names.

National Participation
There are no requirements for national participation in share capital.

FINANCE

Currency
The monetary unit is the Singapore dollar (S$), which is divided into 100 cents. The Singapore dollar has been allowed to float in the exchange market. It is freely interchangeable at par only with Brunei currency. The exchange rate at December 1979 was about S$2.17 to US$1.

Availability of Finance
Singapore has a strong banking sector, and financing is freely available to foreign-owned business.

Sources of Finance
Short-term loans are available mainly in the form of overdrafts from the commercial banks. There are also four discount houses in Singapore.
The Development Bank of Singapore is one of the main sources of medium- and long-term loans, which are also available from commercial and merchant banks.

**TAXATION**

**Principal Taxes**

**Corporations.** A company incorporated or registered under Singapore law, or that of any other country, and carrying on business in Singapore is subject to income tax at the rate of 40%. A resident company, whose control and management are exercised in Singapore, is taxed on income from Singapore sources; income from outside the country is taxed only upon remittance to Singapore. A nonresident company is taxed solely on the portion of its income derived from sources within Singapore.

There is no tax on capital gains.

**Individuals.** Residents and nonresidents are subject to income tax at rates ranging from 5% to 55%. Partnerships are not taxable, but the income derived therefrom by each partner is taxed at the individual income tax rate.

For tax purposes, a Singapore resident is an individual who establishes a residence or is employed in Singapore for at least 183 days in a calendar year. A resident is taxable on income accrued in Singapore or derived from Singapore sources of income, including income received in Singapore from sources outside the country.

A nonresident is subject to tax in Singapore on income accruing in or derived from Singapore sources. An individual who is in Singapore for less than 60 days in a calendar year is not taxed on income arising from Singapore except in a few special cases. Nonresident directors of Singapore companies are taxed at a flat rate of 40% on income derived from Singapore sources.

Personal deductions are allowed Singapore residents, nonresident Singapore citizens, and nonresidents who are not Singapore citizens, but who reside in countries with double taxation agreements. These deductions include the usual ones for self and dependents.

Employees are taxed on all income from employment, whether paid in cash or kind, including the value of food, clothing, or lodging provided by the employer.
Other Taxes
A withholding tax of 40% is levied on Singapore source interest, dividends, royalties, and technical assistance and management fees paid outside Singapore where double taxation agreements are not in effect; where such agreements are in effect, the withholding tax ranges from 10% to 15%. An annual property tax ranging from 12% to 36% is levied on the assessed value of buildings and land. (Assessed value is based on a property’s reasonable rental income.) A tax on the transfer of property is levied at the rate of 2% of the value of the property. Other taxes include estate duties; taxes on goods and services, such as custom and excise duties; payroll taxes of 2%, plus a contribution of 2% to the skill development fund (for employees earning less than S$750 a month); and a 15% film tax on the producer’s share of film rentals.

Taxes on Dividends
All dividends declared in accordance with the Companies Act are taxable in the hands of the shareholder. Dividends declared from exempt profits, according to Singapore’s tax incentive program, are not taxed in the hands of the shareholders. Dividends from profits which are exempt under the Malaysian Incentives Act are taxed, but the tax is remitted. Dividends from foreign sources are taxable only if they are received in Singapore.

Branch versus Subsidiary
Branches and subsidiaries are both taxed at the flat rate of 40%.

Groups of Companies
The law does not allow the consolidation of income and expenses of related companies for tax purposes. However, under the Companies Act, a member company of a consolidated group is required to submit, together with its statement of accounts, a consolidated statement of accounts of the group. The Tax Department may examine the accounts of the holding company and the subsidiaries to prevent any artificial transactions and to ensure that intercompany transactions are conducted at arm’s length.

Losses
Losses and capital allowances can be carried forward indefinitely as long as there are no substantial (50% or more) changes in shareholders and their shareholdings.
Tax Treaties

Singapore has entered into double taxation agreements with the following countries:

<table>
<thead>
<tr>
<th>Australia</th>
<th>Italy</th>
<th>Philippines</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>Japan</td>
<td>Sweden</td>
</tr>
<tr>
<td>Canada</td>
<td>Malaysia</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Denmark</td>
<td>Netherlands</td>
<td>Thailand</td>
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<tr>
<td>France</td>
<td>New Zealand</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Israel</td>
<td>Norway</td>
<td>West Germany</td>
</tr>
</tbody>
</table>

A tax treaty with South Korea is currently before Parliament, and treaties with Bangladesh and Sri Lanka are under negotiation. In addition, reciprocal tax relief exists between Singapore and the Commonwealth countries.

Taxable Profits

Significant differences may arise between book and tax profits in the areas of depreciation and general provisions and for items which are not considered to be revenue by the Tax Department.

Tax Incentives

The Government provides the following tax incentives:

- A pioneer industry company, as declared by the Finance Ministry, is exempted from tax on its profits for a period of from five to ten years, starting from the date of commencement of production. Dividends paid out of the exempted profits are also exempt from tax in the hands of the shareholders.

- A tax relief period not exceeding five years is available to a company which has been approved as an expansion enterprise. Dividend income is also exempt from tax. An existing company planning new capital expenditure of more than S$10 million for the purpose of increasing the manufacture of an approved product may apply for an expansion certificate.

- Export-oriented manufacturers are exempt from tax on 90% of their profits, the remaining 10% being taxed at 40% for a five-year period. If the enterprise is a pioneer company, the aggregate tax relief period is extended to eight years. Where an export enterprise has incurred or plans to incur a fixed capital expenditure as specified by law, tax relief is provided for up to fifteen years.

- To promote manufacturing industries, an accelerated capital allowance of 33-1/3% on production equipment is provided.
• Shipping enterprises are exempt from tax on income derived from passengers, mail, livestock, or goods carried by seagoing Singapore ships, or from charter of such ships.

• Interest received from banks approved by the Ministry of Finance by a nonresident individual who does not maintain a permanent home or establishment in Singapore is exempt from tax. Interest from the Post Office Savings Bank and certain government securities is also tax exempt.

• A nonresident, defined as an individual whose stay in Singapore is more than 60 days but less than 183 days in any calendar year, is taxed only on income accruing from Singapore; remittances received from outside are tax exempt. Income of a 'temporary individual,' defined as a person who is in the country for less than 60 days, is tax exempt. Public entertainers who remain in Singapore for less than 60 days are not exempt from tax unless their stay is supported by the Government Fund.

• Income derived by a nonresident individual from trading in Singapore, through consignees, in rubber, copra, pepper, tin, tin ore, gambir, sago flour, and cloves is exempt from tax. These products must be produced outside Singapore.

• Offshore income derived from Asian dollar market operations other than exchange profits and transactions with domestic banking units and residents is taxed at a concessionary rate of 10%.

• Income derived by insurance companies from offshore business is taxed at a concessionary rate of 10%.

• Dividends declared by a financial institution or an insurance company from income which is subject to a concessionary tax rate of 10% are exempt from tax, i.e., the 10% imposed on the offshore income is the final tax, and no further tax is payable by shareholders on the dividend.

• Income from approved royalties, licenses, and technical assistance fees paid to nonresidents abroad is taxed at a rate of 20%. Complete exemption may be obtained when such income is invested as capital in Singapore enterprises. Where a double taxation agreement is in force, the tax rate on income from royalties may be reduced, varying between zero and 25%.

• Companies setting up permanent trading offices overseas may claim double the amount of operational expenses incurred in the first two years in setting up such offices.
• International trading companies exporting Singapore-made products in excess of S$10 million a year and certain commodities in excess of S$20 million a year are exempt from tax on 50% of qualifying export income for five years.

• Up to 50% of certain fixed capital expenditures for manufacturing or specialized engineering or technical services may be set-off against chargeable income for a period of up to five years. The unabsorbed allowance may be carried forward.

• Fixed capital expenditures of at least S$2 million for establishing or improving warehousing facilities or providing technical and engineering services to non-Singapore residents qualify a company for an exemption from tax on 50% of certain export income for five years.

• A company providing consultancy services for approved overseas projects with minimum annual revenue of S$1 million is exempt from tax on 50% of qualifying income for five years.

After-Tax Equivalents
A Singapore manager of a company with 100 employees, married, with two children, earning an annual salary of S$60,000 (US$27,653), would have an after-tax income of about S$46,000 (US$21,198).

BUSINESS ENTITIES

Principal Forms
The business entity most commonly used by foreign enterprises is the private limited company in the form of a wholly owned subsidiary or joint venture. Foreign companies may also register as branches.

Minimum Capital
The minimum authorized capital requirement for a registered Singapore company is S$25,000; minimum paid-up capital is S$2.

Formation
At least two founders are required to form a corporation. There is no nationality requirement for the founders. A private company is limited to 50 members and has certain other restrictions regarding transfer of its shares that do not apply to public limited companies.

It normally takes four to six weeks for a certificate of incorporation to be issued after the filing of relevant documents with the Registrar of Com-
companies. Fees for incorporation services total approximately S$2,500. The registration fee ranges from S$300 on nominal share capital not exceeding S$25,000, to a maximum fee of S$35,000.

Management Structure
Corporations must have a minimum of two directors, one of whom is a Singapore resident. The secretary must be a resident individual. There is no statutory requirement that directors hold shares in the corporation unless so provided in the articles of association.

Meetings and Votes
A public limited company must hold a meeting of its members between one and three months after the date of incorporation in order to commence business. An annual shareholders' meeting must be held within fifteen months of the previous meeting. The first general annual meeting must be held within eighteen months of the date of incorporation. Directors' meetings may be convened when necessary. Voting is usually by a show of hands. Proxy votes are permitted if provided for in the company's articles.

Publication of Information
All incorporated limited liability companies must file their annual audited accounts with the Registrar of Companies. These accounts may be examined by the public for a nominal fee. A foreign company is required by statute to file financial statements for its parent company as well as for its Singapore operations.

Resident or nonresident shareholders owning more than 10% of voting shares of a publicly held company must disclose full details of their holdings.

An exempt private company, i.e., a company wherein no corporate body is a shareholder and the total number of shareholders does not exceed twenty, is exempt from filing financial statements. It must, however, file a certificate of solvency, duly signed by a director, the secretary, and the auditors.

LABOR

Pay Rates
There is no legal minimum wage in Singapore; the Minister of Labor, however, may set a minimum wage for minors. The National Wage
Council (NWC) represents employer organizations, unions, and the Government and recommends national guidelines for annual wage adjustments. NWC recommendations apply to all workers in the private and public sectors except for managerial and executive personnel in private firms. The guidelines are not compulsory, but are used by most companies as a basis for wage adjustments.

**Working Hours**

The legal maximum work week is forty-four hours. Most firms work eight hours a day, Monday through Friday, and four hours on Saturday. Certain companies have a five-day work week. An employee receives between seven and thirty days of paid vacation for one year of service, depending on the terms of employment. There are eleven paid public holidays a year.

**Overtime and Bonuses**

Overtime is paid at the rate of 150% of normal wages and 200% for Sundays and holidays. The amount of overtime is limited to a maximum of seventy-two hours per month, but employers may apply for a waiver. Bonuses are normally an additional month's salary and are usually paid at the discretion of management unless stipulated through union negotiation.

**Social Security and Fringe Benefits**

The Central Provident Fund (CPF), a compulsory savings program, provides old-age benefits as well as loans for the purchase of government-built housing. Both employers and employees must contribute to the fund.

Fringe benefits include paid sick leave, hospitalization, workmen's compensation and maternity benefits, as well as such voluntary benefits as medical care, work clothes, shift allowances, subsidized lunches, transportation, and housing.

**Termination of Employment**

Workers must receive notice of termination of employment of at least one day for less than six months' service, up to four weeks for five years' service or longer. An employee who feels he has been wrongly dismissed for misconduct may refer the case to the Minister of Labor who may order reinstatement or payment of compensation. Provisions for retrenchment benefits are usually included in collective bargaining agreements.
Singapore

Unions
The right of workers to unionize is guaranteed by the Industrial Relations Act. Most workers in large industrial plants and offices are unionized. Strikes, however, are infrequent. The National Wage Council, established in 1972, has been highly influential in promoting labor management relations, especially in its annual wage guidelines. Contracts between unions and management must be certified by the Industrial Arbitration Court.

Work and Residence Permits
Once a company has obtained approval to operate in Singapore, work and residence permits for key personnel and expatriates with technical expertise are easily obtainable. Persons entering Singapore for employment purposes need to get permission from the Controller of Immigration. Noncitizens with residential status require valid re-entry permits. Nonresidents require an employment pass or work permit, which normally takes about a month for issuance. Such a pass or permit is valid for up to three years and is renewable. The Economic Development Board assists foreign companies, who may recruit skilled or unskilled workers from outside Singapore, and individual investors in obtaining employment passes and permanent visas from the Immigration Department. An individual who wishes to apply for permanent resident status is required to invest S$500,000 in Singapore.

TRADE PRACTICES

Advertising
The principal advertising media are television, radio, newspapers, and periodicals.

Price Controls
Price controls exist on a few basic foodstuffs such as rice and sugar and on building construction material such as steel reinforcement bars and cement.

Import Controls
Since quota restrictions have been removed, most goods may be imported under an open general license. Special licenses are required for rice, refined sugar, and chlorine. A special license is also necessary to import goods from Albania, Czechoslovakia, Cuba, East Germany, Viet-
Patents, Trademarks, and Copyrights
Patent and trademark protection is based on British law. Only patents, designs, and copyrights registered in the United Kingdom are protected in Singapore. Trademarks may be independently registered to guarantee protection.

ACCOUNTING AND AUDITING

Financial Statements
No standard reporting format is required for financial statements. Corporations are required to keep such accounting and other records as will sufficiently explain their transactions and financial position. These records must be kept at a company's registered office, which must be located in Singapore or at some other place designated by the directors. If these records are kept outside Singapore, sufficient information (usually a periodical local balance) must be available so that profit and loss accounts (income statements) and balance sheets may be prepared.

Accounting Practices
Current value accounting is not permitted.

Audit
Corporations and branches of foreign companies must have their accounts audited annually by auditors approved by the Singapore Society of Accountants. There is no specific tax legislation requiring audited accounts, but the tax authorities normally insist on audited accounts where these are required by the Companies Act or other relevant legislation.
Taiwan

BASIC DATA

Location and Area
Taiwan lies off the southeast coast of mainland China. The total area of Taiwan Island (Formosa), the Pescadores, and the other offshore islands is 36,101 square kilometers (13,939 square miles).

Language and Population
Mandarin Chinese is the official language, but English is increasingly used in international business. The total population of Taiwan is 16.8 million. The Government is located in Taipei, the capital, which has over 2 million people. Kaoshiung, with over 1 million people, is one of the largest ports in Southeast Asia. Other large cities include Tainan (550,000), Hualien (350,000), and the seaport cities of Taichung (570,000) and Keelung (342,000).

Communications and Transportation
Telecommunications with the rest of the world are fully developed. There are daily flights to major Asian cities with connections to North America and Europe. There are three international seaports of entry. Taiwan Island has an extensive network of highways and railways to serve all industrial areas. When completed, the new freeway, cutting through the island from north to south, will reduce transportation time.

Business Hours
Government offices are open six days a week: Monday through Friday, from 8:30 a.m. to 5:30 p.m., with an hour lunch break from 12:30 to 1:30 p.m.; and from 8:30 a.m. to 12:00 noon on Saturday. Banks are open on Monday through Friday, from 9:00 a.m. to 3:30 p.m. and on Saturday, from 9:00 a.m. to 12:00 noon. Commercial hours are Monday through Friday, from 8:30 a.m. to 12:00 noon and from 2:00 p.m. to 6:00 p.m. and on Saturday, from 8:00 a.m. to 12:00 noon.
Taiwan

Sources of Information
Overseas investors may obtain detailed information in Taiwan from the Industrial Development and Investment Center in Taipei or from Taiwanese Trade offices or representatives in different countries.

GOVERNMENT AND THE ECONOMY

Form of Government
The Government is organized under the constitution adopted in 1947. It established a National Assembly and five independent branches; executive, legislative, judiciary, control, and examination. Local government is run by popularly elected provincial, county, and municipal officials.

Economic Trends
Significant statistics are:

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<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross national product (current prices—million NT$)</td>
<td>524,478</td>
<td>556,683</td>
<td>650,797</td>
<td>749,035</td>
<td>889,364</td>
</tr>
<tr>
<td>Real increase (%)</td>
<td>0.6</td>
<td>2.4</td>
<td>11.5</td>
<td>8.5</td>
<td>12.8</td>
</tr>
<tr>
<td>Industrial Production (1971 = 100)</td>
<td>142.1</td>
<td>150.4</td>
<td>187.9</td>
<td>209.9</td>
<td>262.3</td>
</tr>
<tr>
<td>Exports (1971 = 100)</td>
<td>259.32</td>
<td>244.45</td>
<td>376.03</td>
<td>431.03</td>
<td>568.47</td>
</tr>
<tr>
<td>Imports (1971 = 100)</td>
<td>359.03</td>
<td>306.36</td>
<td>391.03</td>
<td>437.96</td>
<td>552.30</td>
</tr>
<tr>
<td>Central bank discount rate at December 31 (%)</td>
<td>12.00</td>
<td>10.75</td>
<td>9.50</td>
<td>8.25</td>
<td>8.25</td>
</tr>
<tr>
<td>Unemployment (% of labor force)</td>
<td>1.53</td>
<td>2.41</td>
<td>1.48</td>
<td>1.31</td>
<td>1.10</td>
</tr>
</tbody>
</table>

Taiwan's trade relations with other countries have increased considerably during the past few years. By 1978, Taiwan was trading directly with over thirty countries. Taiwan has trade agreements with Australia, Germany, Hong Kong, Japan, Singapore, and the United States.

Inflation. The present rate of inflation is 14%.

Energy Resources. Demand for electric power is rising at approximately 12% annually. Taiwan imports 98.7% of its oil. Natural gas deposits in the country are small. Long-range plans to meet future energy needs call for the development of nuclear power plants.
EXCHANGE CONTROLS

Controls on Inward Investment
There is no limitation on foreign equity participation in Taiwanese incorporated enterprises. Non-Taiwanese who wish to make a capital investment must apply to the Commission on Investment of the Ministry of Economic Affairs. Cash investments which include gold, silver, freely convertible currency, commercial paper, and securities must be cleared through the Central Bank of China, which is the Central Government Bank, to ensure that capital and profits may be remitted out of Taiwan. For investments in other than cash, such as patents and expertise, documents supporting the value of the investment should be submitted for appraisal and approval to the Ministry of Economic Affairs.

Investors not concerned with the remittance of capital or profits outside of Taiwan may simply register with the Office of Commercial Registration of the Ministry of Economic Affairs.

Repatriation Rules
Companies organized and owned by non-Taiwanese nationals and approved by the Commission on Investment of the Ministry of Economic Affairs are permitted to repatriate capital, interest, and dividends. Repatriation of capital is permitted at the rate of 20% annually, beginning two years after the investment operations have begun. Royalties may be remitted out of the country if appropriate approval from the Commission on Investment of the Ministry of Economic Affairs is obtained in advance.

Foreign investors should obtain prior approval from the Central Bank in order to repatriate loan principal and interest. Generally, the Central Bank will grant the approval provided the borrower is engaged in a productive enterprise, the loan has a maturity of over one year, and the rate of interest is not higher than the maximum for foreign loans as periodically determined by the Central Bank.

Intercompany Accounts
There are restrictions on current accounts with parent companies. There can be no foreign exchange without the proper approval from relevant government authorities. Similarly, branch offices of foreign companies are considered local entities and are not permitted to repatriate their capital and profits without the necessary permits.
Taiwan

Imports and Exports

Rules for regulating the activities of exporters and importers are enforced by the Board of Foreign Trade of the Ministry of Economic Affairs. Minimum capital and minimum import and export volume are required: for exporters, NT$500,000 capital and US$50,000 exports per year; for exporters/importers (an export company may apply for an import license if it has exported goods valued at US$200,000 or more during the past twelve months), NT$2,000,000 capital and US$200,000 exports and imports per year. A company whose capital is less than the set minimum must increase its capital. A company failing to maintain the minimum volume of exports and/or imports for a particular year will have its license temporarily suspended. For manufacturers who export and import, the requirements for trading enterprises are not applicable.

Controls on Outward Investment

Taiwanese individuals are not allowed to invest outside the country. Investment by Taiwanese companies is allowed if the company is large, as measured by sales volume and paid-up capital. Generally, only Taiwanese manufacturers are granted permission to invest outside Taiwan. Proof of approval by the foreign country where the investment is to be made must be submitted to the Ministry of Economic Affairs with the investment application. Profits must be remitted back to Taiwan. In this way, the government of the country where the investment is to be made must approve the repatriation of the capital, profits, royalties, and any other revenue back to Taiwan.

Foreign Currency

All transactions within Taiwan generally require the permission of the Central Bank. Amounts remitted or brought into Taiwan in excess of US$5,000 must first be deposited in a foreign currency account with a local bank before being converted into local currency. Amounts of US$5,000 or less may be converted directly into local currency through a domestic bank.

RESTRICTED BUSINESSES AND INDUSTRIES

Businesses

Private capital cannot engage in the research, development, and production of armaments, munitions, tobacco, liquor, and public utilities, such as railroads, post offices, airports, and harbors. The Government also controls the petroleum industry and inland transportation. For-
Foreigners are limited to equity participation in investment and trust companies of up to 40% of the registered capital, and no individual may own more than 20% of the said registered capital.

Locations
There are no restrictions on the location of foreign-owned companies.

Foreigners who invest in government-approved business enterprises are offered the following incentives:

- 100% equity ownership of the investment.
- Remittance of all dividends and interest.
- Repatriation of 20% of investment capital after two years from the date of the investment.
- Employment of foreign expatriates and permission for these employees to remit 60% of their earnings abroad, or 80%, if the employer pays the expatriate's expenses.
- Guaranteed equality of treatment with domestic investors with regard to the granting of future incentives by the Government.

In addition, there are three free trade zones where tools and machinery may be imported free of customs duties. In these zones the processing of permits, the settlement of foreign exchange, and customs inspection may be accomplished with relative ease.

Export-oriented industrial enterprises may be granted loans of up to 90% of their export receivables.

The Government assists foreign investors in the acquisition of plant and factory sites and grants liberal loans for purchases of land and buildings both inside and outside the free zones.

FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
For a trading company, the following documents are required: a company certificate, issued by the Ministry of Economic Affairs; a business license, issued by the local government; and an importer's and exporter's registration card, issued by the Board of Foreign Trade.
A manufacturing company requires, in addition to a company certificate and a business license, the following documents: a factory license, issued by the local government; and a special permit, issued by the appropriate authorities responsible for the industry. For example, an electronics manufacturer requires a special permit from the Army Command in the area, and a pharmaceutical company, from the health authorities.

For foreigners acquiring shares of existing companies, prior approval is required.

Building permits are required to construct new offices, warehouses, shops, and industrial buildings.

Registration
The Ministry of Economic Affairs is responsible for the registration of all corporations. Registration with the Board of Trade is required for all traders, who must have minimum paid-in capital of NT$200,000.

National Participation
Non-Taiwanese may invest in any area of economic endeavor and may own up to 100% of the invested equity capital, with the exception of investment funds and trust companies. However, if the investment is made in a company which is not approved by the appropriate government authority, as discussed, the investor will not have the right to repatriate capital or profits.

FINANCE

Currency
Taiwan's monetary unit is the new Taiwanese Dollar (NT$), which is divided into 100 cents. Since July 1978, the official rate of exchange has been NT$36 to US$1.

Availability of Finance
All loans by foreign lenders from outside Taiwan must be approved by the Central Bank of China. Approval may be obtained, on a case-by-case basis, for nonbank foreign credits of more than one year, with interest at a rate approved by the Central Bank. No government approval is required to borrow NT dollars. The Central Bank controls interest rates. Sometimes a compensating balance of approximately 20% is required. Foreign-controlled companies often need the guaranty of the
parent company. In addition, a local guarantor is also required, and, in practice, executives of the local companies provide the guaranty.

Sources of Finance
Short-term loans are available from local commercial banks, branches of foreign banks, government banks, finance companies, and investment and trust companies. Except for nonbank intercompany credits, only approved ‘financial institutions’ may engage in lending.

TAXATION

Principal Taxes
The national Government raises revenues through the imposition of corporate and individual income taxes, estate and gift taxes, customs duties, and stamp, mining, and commodity taxes. There are also taxes on the transfer and registration of securities.

Corporate Tax. A domestic business is subject to income tax on all sources of income, while a foreign enterprise is taxed only on Taiwanese source income. A branch office, a fixed place of business, or an agency of a foreign business operating in Taiwan is considered to be a domestic enterprise. The maximum income tax levied on a ‘productive enterprise’ is 25%, while ‘specifically encouraged’ enterprises are taxed at 22%. Any public company whose shares are listed on the stock exchange may reduce its corporate income tax by 10% for three years.

Personal Income Tax. Individual income tax is levied on Taiwanese source income of a resident or nonresident at graduated rates beginning at 6% on income under NT$45,000 and increasing to 30% on income in excess of NT$800,000. The maximum rate of 60% is levied on income in excess of NT$3,000,000.

Provincial and Municipal Taxes
The provincial government imposes a tax on the use of harbors and on the declared value of land, and it imposes a gross receipts tax on business income. There is a provincial tax on motor vehicles. Municipalities gain revenue by issuing title deeds on property and the taxation of buildings, slaughterhouses, and public amusements.

Dividends
Cash dividends received from outside of Taiwan by a resident individual are not included for tax purposes in the individual’s gross income. Cash
Taiwan

Dividends received from a domestic company are subject to a 15% withholding tax, but the recipient is allowed a credit for the taxes withheld against the tax due on the dividend income of the individual. A resident individual receiving cash dividends from local companies registered with the Taiwan Securities and Exchange Commission is exempt from tax up to NT$24,000 for stocks obtained before 1978 and NT$36,000 since 1979.

Cash dividends received by a domestic company from another domestic company not enjoying a 'tax holiday' are exempt from tax. If the company paying the dividends enjoys a tax holiday, the recipient company may take credit for the 15% tax withheld by the company enjoying the tax holiday. Cash dividends received by companies from outside Taiwan are taxable at corporate income tax rates, but the recipient may take a credit for taxes paid outside of Taiwan. Such credit is subject to limitations.

The tax treatment of stock dividends varies depending upon the purpose of the stock dividend distribution.

Branch versus Subsidiary

All branches and subsidiaries of foreign companies in Taiwan are subject to the same tax rates as domestic companies. Certain categories of 'productive' enterprises, either a branch or subsidiary, are eligible for a five-year income tax exemption. In general, a business in Taiwan is subject to monthly business and stamp taxes on gross sales, as well as corporate income taxes on net profits earned.

A branch may not own realty and therefore cannot engage in manufacturing.

Groups of Companies

At present there are no special rules for groups of companies.

Losses

Losses may be carried forward for three consecutive years if a company's income tax return has been certified by a certified public accountant and, for the year when the loss was incurred, has been approved by the tax authorities. The law does not provide for a carryback of losses.

Tax Treaties

Taiwan has comprehensive income tax treaties only with the United
States and Korea. They cover the double taxation of income of ships and aircraft operating within the territory of Taiwan.

**Taxable Profits**

Taxable profits include gross revenues less cost of services and goods sold, allowances or discounts, and allowable deductions. Significant differences between tax and book profits are generally due to depreciation and capitalization of interest expense and to nondeductible expenses for tax purposes.

**Tax Incentives**

For many years, Taiwan has encouraged foreign investments in order to accelerate its economic growth. Investors who wish to engage in the following businesses are given priority:

- Enterprises that use Taiwan's raw materials, parts, and semi-finished products for export.
- Enterprises that use unique technology and expertise to develop, produce, and export merchandise.
- Enterprises that enter into joint ventures with local capital in order to develop natural resources.
- Enterprises that propose to inject substantial capital or production skills.
- Enterprises involved in research and development projects.

Although there are no capital grants available in Taiwan, tax incentives are offered to a variety of industries. The primary incentive is a five-year income tax exemption for 'encouraged' productive enterprises. Additional incentives include:

- Accelerated depreciation of fixed assets.
- A limit of 25% on corporate income tax and surtax for general productive enterprises, and 22% for capital or technology intensive productive enterprises.
- Reduction by 50% of deed tax on acquisition of real property for productive use.
- Exemption of export sales from gross business receipts taxes.
- Refunding or bonding of taxes and duties paid or payable on imported raw material used in export products.
- Exemption of import duties and dues on imported instruments and...
Taiwan

equipment used exclusively for research, developmental, and experimental purposes and on imported machinery or equipment for industrial mining, other operations conforming to the criteria for 'encouragement.'

• Exemption from corporate income tax on the appreciation of revaluated assets.

• 20% annual repatriation of capital, beginning two years after the investment project is completed.

• Requisition of agricultural land for industrial use.

After-Tax Equivalents
A Taiwanese manager of an enterprise employing 100 people, who is married, with two children, earning a gross annual income of NT$420,000 (US$11,667), would have an after-tax income of NT$384,900 (US$10,692).

BUSINESS ENTITIES

Principal Forms
A variety of business entities operate in Taiwan, including limited companies, partnerships, and sole proprietorships. Foreign companies often form joint ventures with local companies or operate branches in Taiwan. However, for foreign investors, the two most suitable types of investment vehicles are: the limited company (not less than two or more than twenty shareholders, with each shareholder liable to the company for the amount of paid-up capital) and the company limited by shares (seven or more shareholders dividing the total capital into shares, with each liable to the company for the amount of subscribed capital).

Minimum Capital
There is no minimum capital requirement for a limited company, but there is for a company limited by shares. Depending on the corporate legal structure of the foreign parent and the specific business sector, branches of foreign corporations are required to have minimum operating capital ranging from NT$200,000 to NT$1,000,000.

Formation
All business entities must be organized under the Company Law and the Business Registration Law of Taiwan. The Ministry of Economic Affairs and its divisions are responsible for the registration, licensing, supervision, and control of all corporations in the country. Normally, the
formation process, insofar as government permits are concerned, takes two weeks. For companies established with foreign investments, the processing of foreign-investment applications generally takes two months. Fees for forming a company are normally charged at the rate of 1/4000 of registered capital, plus a fixed charge for share certificates of NT$600.

Management Structure
All corporations must have a board of directors, a chairman, president, managers, and supervisors. Any and all of these persons may be foreign.

National Participation
Taiwanese companies, except for companies engaged in restricted businesses or investment and trust companies, may be entirely foreign-owned and managed.

Meetings and Votes
A general meeting of shareholders must be held within six months after the closing of a fiscal year. Within one month after the meeting, a report of the year's business, together with a list of property, a balance sheet, and profit and loss statement as approved at the shareholders' meeting, must be filed with the Ministry of Economic Affairs. Only written proxy votes are accepted. One person may act as a proxy for two or more shareholders, but his voting power shall not exceed 3% of the total number of shares outstanding and entitled to vote. Directors may hold meetings as often as necessary, and each director is entitled to one vote. Resolutions are adopted by a majority vote. One director may act on behalf of another director by proxy in writing. The location of both shareholders' and directors' meetings is optional so long as there is a quorum.

Publication of Information
Of all the various types of companies, only a company limited by shares, after approval by the Securities and Exchange Commission, may become a public company and list its shares on the exchange. Only these public companies are required to publish financial statements. Semi-annually, after being audited by certified public accountants, public companies must submit financial statements to the Securities and Exchange Commission.

LABOR
Taiwan's total civilian labor force was approximately 7 million at the end of 1977, with about 33% in agriculture and 26% in manufacturing. Local
Taiwan

companies usually reduce salaries rather than lay off employees. Employees tend, therefore, to remain with a single employer throughout their careers.

Pay Rates
The average wage for a factory worker is about US$150 per month. Wage scales in all job categories are lower than those in most Asian countries.

Working Hours
In industry, the law stipulates a maximum eight-hour working day, six days per week. Depending upon length of service, workers get one to two weeks' annual vacation, in addition to national holidays. Many workers take most of their vacation during the Chinese New Year. Foreign-owned companies typically grant two to three weeks' annual vacation to their employees.

Overtime and Bonuses
Overtime is permitted, but is limited to forty-six hours a month. A worker is not allowed to work more than twelve hours a day. A worker usually receives a year-end bonus of one month's pay.

Social Security and Fringe Benefits
Employers are required to provide insurance for employees to cover medical, maternity, and old-age benefits. The premium is 8% of the monthly wage; 80% is contributed by the employer and 20% by the employee.

Retirement payments, which most companies provide, are deductible if the retirement plan is approved by the tax office. In the case of lump-sum retirement programs, a retirement reserve of 4% of total salaries and wages is allowed.

The Employees' Welfare Fund Statute requires the employer to make the following contributions to a welfare fund administered jointly by workers and management: 1% to 5% of the company's registered capital; 0.05% to 0.15% of monthly sales; and 20% to 40% of proceeds from sale of factory scrap. Many employers provide free housing or meal allowances up to a maximum of NT$1,800 per month.

Termination of Employment
Employees are entitled to ten days' notice of termination of employment after three months of service, twenty days' notice after one year, and
thirty days' notice after three years or more. During notice periods, the employee must be allowed two days a week, at 150% of normal wages, to seek new employment. Employees are entitled to one month's wages for each year of service after one year of employment, and up to three months' wages for the first three years of service. For each additional year of service, the employee receives another ten days' wages.

**Unions**

The Government does not encourage labor unions, and those that exist have limited influence. Strikes are prohibited in certain vital areas. The law provides for the formation of factory councils with equal representation from labor and capital. These councils mediate between employers and employees.

**Work and Residence Permits**

Foreign nationals who plan to reside in Taiwan for 180 days or more to operate a business must obtain an entry permit and an alien resident certificate.

**TRADE PRACTICES**

**Advertising**

Principal advertising media include newspapers, television, radio, and magazines.

**Price Controls**

There are price controls on basic commodities.

**Import Controls**

Both imports and exports are under the jurisdiction of the Board of Foreign Trade (BOFT) of the Ministry of Economic Affairs. Any imports approved by the BOFT have foreign exchange automatically provided by the Central Bank.

**Competition Laws**

The Government protects local industry by prohibiting foreign entry into fields which are considered economically self sufficient. The Government may enter into joint ventures with private capital to achieve greater utilization of public and private facilities.

**Patents, Trademarks, and Copyrights**

Patents, trademarks, and copyrights should be registered to protect proprietary rights.
ACCOUNTING AND AUDITING

Financial Statements
All but very small-scale business enterprises must keep at least a general journal and a ledger. Accounting records and supporting documents must be kept in Chinese. Bilingual recording on the same set of books is acceptable for subsidiaries of foreign companies. Accounting books and records should be held for at least ten years; vouchers and supporting documents, for at least five years.

Accounting Practices
Taiwanese accounting practices are generally similar to those of the United States.

Audit
Auditing standards generally accepted in Taiwan for the examination of financial statements are similar to those of the United States. 'Supervisors' elected from among shareholders of companies are similar in function to internal auditors. Outside auditors may be designated by these supervisors to conduct the financial audit.

The following companies must have their income tax returns certified by certified public accountants: those listed on the stock exchange; financial institutions, including insurance firms; companies on approved tax holidays; companies which pay a commodity tax based on their own record-keeping; and companies with annual sales of over NT$100,000,000 or US$2,777,777. △
BASIC DATA

Location and Area
The Royal Kingdom of Thailand, formerly Siam, is centrally located on the peninsula of the Southeast Asian land mass. It has a total area of 513,460 square kilometers (198,247 square miles) and is bordered by Burma, Laos, Cambodia, Malaysia, and, on the south, by the Gulf of Thailand.

Language and Population
The official language is Thai, but English is the principal language used in international business. The total population is estimated at 44.2 million, with an annual growth rate, in 1977, of 2.6%. Over 4 million people live in or near Bangkok, which is the capital as well as the center of commerce, industry, and culture. Other major cities are Khonkaen, Chiengmai, Nakorn Ratchasima, and Nokarn Sri Thammarat.

Communications and Transportation
International telephone and telex communications are adequate and are rapidly improving. A microwave system for interregional communications will soon be operational. The country’s 3,800 kilometers (2,400 miles) of rail lines and over 17,000 kilometers (10,900 miles) of paved roads connect with Malaysia’s systems, permitting overland transportation from Bangkok to Singapore. International air carriers maintain daily flights from Bangkok to major Asian capitals, with connections to Europe and North America. Bangkok is on the Chow Phya River and can berth ocean-going vessels. It is the seaport of entry for landlocked Laos.

Business Hours
Government hours are normally from 8:30 a.m. to 12:00 noon and from 1:00 p.m. to 4:30 p.m., Monday through Friday. Banking and commercial hours are also from 8:30 a.m. to 4:30 p.m., Monday through Friday. Some offices, however, close for lunch between 12:00 noon and 2:00 p.m.
Thailand

Sources of Information

The Board of Investment (BOI) administers government investment policies and is the official source of information on foreign investment. Consular offices of the Thai foreign ministry in major capitals of the world can also provide information on commercial and trade matters.

GOVERNMENT AND THE ECONOMY

Form of Government

Thailand is a constitutional monarchy, with the present Government led predominately by members of the armed forces. The country is divided into provinces—each headed by a governor—communes, and villages.

Economic Factors

Significant statistics are:

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</tr>
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<tbody>
<tr>
<td>Gross national product</td>
<td>296,993</td>
<td>336,220</td>
<td>381,043</td>
<td>441,950</td>
<td>519,440*</td>
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<tr>
<td>Current prices (mil-</td>
<td></td>
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<td></td>
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<tr>
<td>lion Bht)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Real increase (%)</td>
<td>7.0</td>
<td>8.0</td>
<td>6.7</td>
<td>8.7</td>
<td>6.7*</td>
</tr>
<tr>
<td>Manufacturing produc-</td>
<td>8.0</td>
<td>16.1</td>
<td>13.3</td>
<td>12.2</td>
<td>12.2*</td>
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<td>tion (1972 = 100)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Consumer price index</td>
<td>96.0</td>
<td>100.0</td>
<td>110.2</td>
<td>118.8</td>
<td>135.9**</td>
</tr>
<tr>
<td>(1976 = 100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (1975 = 100)</td>
<td>100.00</td>
<td>138.86</td>
<td>159.14</td>
<td>171.83</td>
<td>189.24*</td>
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<td>Imports (1975 = 100)</td>
<td>100.00</td>
<td>103.40</td>
<td>124.24</td>
<td>133.23</td>
<td>151.74*</td>
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<tr>
<td>Central bank discount</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>rate at December 31</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>(%)</td>
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*Estimated
**November

Thailand is a member of the Association of South East Asian Nations (ASEAN). Discussions are underway regarding membership in the General Agreement on Tariffs and Trade (GATT).

Inflation. The present rate of inflation is about 15%.

Energy Resources. Thailand imports almost all of its oil requirements. The country’s natural gas deposits are expected to meet some of its domestic energy requirements in the near future.
EXCHANGE CONTROLS

Controls on Inward Direct Investment
All transactions involving foreign exchange, including imports and exports, need the authorization of the Bank of Thailand. Commercial banks can generally assist in expediting such authorization.

Repatriation Rules
In practice, few restrictions are placed on the repatriation of capital, provided exchange control formalities are observed. The following may normally be remitted: profits and dividends, after all taxes have been paid; 50% of the net profit for the first six months of the fiscal year; principal and interest on loans; and proceeds from the liquidation of a business.

The repatriation of capital, dividends, interest, and profits of promoted industries is guaranteed. In the case of other investments, it is advisable to secure an 'exchange assurance letter' from the Bank of Thailand at the time capital is brought into the country. The letter serves as advance approval for the repatriation of dividends, interest, or profits.

Approval may be granted for the remittance of large sums of money in installments. In the case of royalties, remittance is expedited if the royalties are certified by a public accountant.

Intercompany Current Accounts
Dividends of a subsidiary remitted abroad are subject to a 25% withholding tax. In addition, certain head office transactions may be regarded as branch transactions and therefore subject to the 25% tax.

Imports and Exports
Proceeds of exports must be remitted to Thailand and converted into local currency. Certain imports are subject to prior approval.

Controls on Outward Investment
Under present regulations, it is difficult for Thai subjects to obtain permission from the Bank of Thailand to invest abroad. However, certain exceptions are granted if it can be shown that the investment will benefit the country.

Foreign Currency
There are two kinds of bank accounts for foreign currency—transferable and blocked accounts. Nonresident aliens may open time deposit for-
Thailand

eign currency transferable accounts with local banks for a minimum period of three months. The interest rates are substantially higher than for domestic currency accounts. A resident is not restricted as to the amount of foreign currency he may bring into the country, provided the currency is sold to a commercial bank within seven days from the time of importation.

RESTRICTED BUSINESS AND INDUSTRIES

Industries
The Government exercises a monopoly over air and rail transport, certain areas of motor transport, the communications industry, and the manufacture of firearms, explosives, sugar, alcoholic beverages, cigarettes, and playing cards. The Government also supervises, through licensing, the exploration, production, and refining of petroleum, as well as mining, public utilities, banking, insurance, and forestry.

Foreigners may invest in certain business enterprises in areas not promoted by the Government, if more than 50% of the share capital is owned by Thais and 50% of the shareholders are Thai citizens. Accountancy is restricted to Thai nationals.

Locations
Businesses may be established anywhere in the country.

INVESTMENT INCENTIVES

The Government provides the following non-tax-related incentives for 'promoted investments':
• A guarantee against nationalization by and future competition from the state.
• Permission to own land and repatriate capital, dividends, interest, and profits. A temporary limited restriction may be imposed against repatriation under certain economic circumstances.
• Unrestricted export of products of a qualifying enterprise, provided that such products do not endanger national security or economic stability.
• Permission to employ foreign skilled workers and experts in excess of the immigration quota.
• Exemption from price controls on the products of a qualifying enterprise and from restriction on their marketing and distribution.
Guarantees against the reduction of customs and excise duties on products similar to those produced by a qualifying enterprise.

Foreign promoted investments may secure favorable credit terms from the Bank of Thailand and, with proven need, may open foreign currency accounts.

FORMALITIES FOR ESTABLISHMENT

Permits and Licenses
New companies are required to have a certificate of registration, a commercial registration, and a business registration. In addition, a new manufacturing company must have a factory establishment license and a factory operation license. Other types of business, such as those dealing in pharmaceuticals, food, and alcoholic drinks, require further appropriate permits. Existing companies whose shares are acquired by foreigners may become subject to the Aliens Business Control Law, thereby requiring permits in order to continue operations.

Building permits are required for the construction of new offices, warehouses, shops, and industrial buildings.

Registration
All business entities, including branches of foreign corporations, must register with the Commercial Register and with one or more government bodies.

The initial step in registering a limited company is filing a memorandum of association with the Registrar of Partnerships and Companies in the Ministry of Commerce. Partnerships must also be registered with the Registrar. Although there is no specific regulation regarding branches of foreign companies, most fall within the scope of one or more laws requiring such registration.

National Participation
With the exception of businesses which come under the Aliens Business Control Law, there is no general requirement for Thai ownership. In certain industries, total foreign control and management of a business enterprise may be allowed. It is also possible for 'promoted' and approved companies engaged in priority activities (especially those which are export-oriented) to be entirely foreign owned during a prescribed grace period.
Thailand

FINANCE

Currency
The monetary unit in Thailand is the baht (Bht), which is divided into 100 satangs. The exchange rate is Bht20 to US$1.

Availability of Finance
There is no discrimination against foreign-owned businesses, except for exchange controls. Banking and financial facilities are readily available in Bangkok. Thai banks and some foreign banks also have branches in other metropolitan and rural areas.

Sources of Finance
At present the Bank of Thailand assists industrialists, farmers, and exporters in obtaining loans from commercial banks at favorable interest rates through the rediscount of commercial bank notes at the rate of 2%. Medium- and long-term loans may be arranged with investment bankers who also have access to the Asian dollar market. Small loans and commercial finance are provided by finance companies, which are also engaged in factoring and hire-purchase operations. In addition, the securities exchange, which is authorized and supervised by the Government, is an emerging market for equity finance.

TAXATION

Principal Taxes
Taxes are imposed on corporate and individual income, property or wealth, transfers of capital, goods and services, and the registration and licensing of certain activities.

Corporate Income Tax. All companies and partnerships registered under Thai law or incorporated under foreign laws and engaged in business in Thailand are subject to the company income tax on net profit. Resident companies are taxable on worldwide income. Nonresident companies carrying on a trade or business in Thailand are subject to tax on profits arising from their Thailand operations. A company owned 50% or more by one individual or by an individual and spouse or minor children is subject to personal income tax. Unregistered partnerships are treated similarly.

The income tax rate for companies listed on the securities exchange is 30% and for unlisted companies, 35%. Deductions are allowable for depreciation, bad debts, entertainment, and donations to charity.
Income remitted abroad, including fees, interest, dividends, rental income, and profits, is taxed at 25% on the gross remittance. A standard deduction of from 20% to 40% is allowed on such remittances, except on remittance of profits.

**Individual Income Tax.** Both resident and nonresident individuals are subject to income tax. An individual is considered a resident if he is present in Thailand for an aggregate of 180 days or more in a given tax year. A resident is taxed on assessable income from Thai sources and assessable income from outside Thailand remitted into the country. A nonresident is subject to income tax only on assessable income from Thai sources. Tax is levied on a graduated rate scale ranging from 7% to 60%.

**Taxes on Dividends**
Dividends are paid after payment of corporate income tax. Dividends of a listed corporation are tax free up to Bht10,000, with a 30% tax allowance on dividends of up to Bht400,000. Dividends from unlisted corporations are tax free up to Bht5,000, with a 15% tax allowance on dividends of up to Bht200,000. The tax free portion from the two sources, however, may not exceed Bht10,000.

**Branch versus Subsidiary**
Branches of foreign companies are liable to tax only on net profits arising from business operations in Thailand. The recording in the books or remittance of branch profits gives rise to a 25% tax. Furthermore, certain home office transactions, if entered into as a consequence of branch operations in Thailand, may give rise to the same 25% tax. Subsidiaries of Thai companies are liable to tax on worldwide income.

**Groups of Companies**
The consolidation of income and expenses of related companies for tax purposes is not allowed. Exports made to a related company must be at fair market value at the time of export. Intercompany dividends are not exempt from taxation.

**Losses**
Net losses may be carried forward for five years on a first-in first-out basis. There is no provision for the carryback of losses.

**Tax Treaties**
Thailand has income tax treaties with Denmark, France, Germany, Japan, Korea, the Netherlands, Norway, Singapore, and Sweden.
Thailand

Taxable Profits
Income is taxed after the deduction of exempted income, such as interest on certain government bonds; depreciation allowances; bad debts; and deductible expenses. All expenses incurred to generate income are deductible except those specifically excluded by law.

Tax Incentives
The Thai Government encourages foreign investment as an important element in the development of the nation's economy. The Board of Investment maintains a list of activities which qualify for promotion and will consider additional projects which may benefit the economy. Certain conditions may be imposed regulating the amount and source of capital, nationality and number of foreign shareholders, use of local raw materials, nationality and number of personnel, training and employment of manpower, plant capacity, and the distribution, designation, and quality of products.

Business enterprises which qualify for incentives include those in manufacturing, agriculture, animal husbandry, fishery, transportation, production for export, export trade, industrial estates, and the service and repair of machinery used in industrial activities.

Incentives include: exemption from corporate income taxes for a minimum of three years and a maximum of eight years and exemption from import duties and business taxes on imported machinery and equipment and from business taxes on domestically produced machinery and equipment.

For enterprises engaged in export ventures, incentives include: exemption from import duties and business taxes on raw materials and on products imported for re-export; exemption from business taxes on the purchase of domestic raw materials; and deduction from taxable corporate income of an amount equivalent to 2% of the increase in gross export receipts (exclusive of receipts covering insurance and transportation costs) over the previous year's receipts.

After-Tax Equivalents
A Thai manager of a company with about 100 employees, married, with two children, earning a gross monthly income of Bht30,000 to Bht40,000 (US$1,500 to US$2,000), would have an after-tax income of Bht20,000 to Bht27,500 (US$1,000 to US$1,350)
BUSINESS ENTITIES

Principal Forms
The principal forms of business entities are corporations, partnerships, sole proprietorships, and branches of foreign corporations. Because of various restrictions on branches, however, more and more foreign investors are choosing to form Thai limited companies. Joint ventures may also be used, but they are not recognized by the laws of Thailand, except under the Petroleum Act and the Revenue Code.

Minimum Capital
Generally, there is no minimum capital requirement.

Formation
At least seven founders are needed to form a corporation. They must file a memorandum of association with the Registrar of Partnerships and Companies. After all shares have been subscribed, a statutory meeting must be held, at which the directors assume management of the company. Certain share particulars are then filed with the Registrar, together with the registration fees, and a certificate of registration is issued and published. The whole process takes from three to four months. Legal costs and fees amount to approximately Bht8,000. The incorporation fee is Bht400 for each Bht100,000 of capitalization.

Management Structure
Corporations are managed by a board of directors, at least one of whom must either be a Thai citizen or hold a residence permit. The managing partner of a partnership is subject to the same requirement.

Meeting and Votes
There are no regulations regarding the frequency of directors' meetings, but at least one shareholders' meeting must be held annually, the first within six months of incorporation.

Publication of Information
Financial statements which have been examined by the company's auditors must be approved at a general shareholders' meeting and filed with the Revenue Department and the Registrar of Partnerships and Companies.
Thailand

LABOR

Pay Rates
In Bangkok, the daily minimum wage for unskilled labor is Bht45 (approximately US$2.25). Pay rates are generally lower outside Bangkok.

Working Hours
The maximum number of working hours per week for industrial workers is forty-eight. Regular employees are entitled to at least one paid nonworking day per week.

Employees who have worked for at least one continuous year are legally entitled to a minimum of six days' paid vacation. There are thirteen annual paid holidays. Employees are also entitled to thirty days' sick leave per year.

Overtime and Bonuses
Overtime for both salaried employees and wage earners is generally paid at 150% of the regular rates. There is no recognized practice regarding payment of bonuses. They may range from nothing to three to four months' salary.

Social Security and Fringe Benefits
Pension plans and retirement benefits are still uncommon in Thailand. However, the labor law provides for the establishment of a compensation fund at the Labor Department. Employers are required to contribute to the fund at varying rates depending on the nature of the work. They must provide medical care and treatment for work-related injuries and illness, to a maximum of Bht20,000, reimbursable from the compensation fund.

Termination of Employment
Termination of employment without cause entitles an employee to severance compensation of one month's wages for less than one year's service and up to six months' wages for three or more years' employment.

Unions
The right to form labor unions and to negotiate is guaranteed by the Labor Act of 1972. Employees' and employers' associations must be registered with the Labor Department and must obtain a license before beginning operations. Procedures for settling labor disputes include negotiation, mediation, and binding arbitration.
Work and Residence Permits
According to the Alien Occupation Law, all foreigners who wish to work in Thailand are required to have a work permit and a nonimmigrant visa, valid for thirty days.

TRADE PRACTICES

Advertising
Newspapers, radio, television, and billboards are the principal advertising media.

Price Controls
Price controls are imposed on certain commodities such as rice and sugar cane and, from time to time, on goods such as cement, matches, petroleum products, and cooking gas. Promoted investments, however, are guaranteed against price controls, except when necessitated by economic, social, and security reasons.

Import and Export Controls
Thailand imposes few controls on trade. Imports of about fifteen items such as firearms, explosives, and radioactive materials require prior approval, while importation of automobiles, sanitary ware, and some fruits is banned. Certain items such as cattle, maize, and textiles are subject to export quotas.

Patents, Trademarks, and Copyrights
A patent law was recently enacted giving fifteen-year nonrenewable patent protection for inventions, processes, and formulae. A trademark registration is valid for a period of ten years and is renewable for additional ten-year periods. Generally, a copyright is valid for the lifetime of the author and for fifty years thereafter. No registration is required.

ACCOUNTING AND AUDITING

Financial Statements
Accounts are required to present a true view of a company's financial position. The financial statements must be submitted for adoption at the company's general meeting within four months of the end of the fiscal year.
Thailand

Accounting Practices
Accounting in Thailand conforms to some extent to generally accepted accounting principles.

Audit
The financial statements of almost all businesses must be audited by certified public accountants.
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Telephone: 234-9005/3466
235-7008
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International Publications

Business Studies

Australia (second edition)  Japan (second edition)
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Germany  Spain (second edition)
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Tax & Trade Profiles

Bermuda, Bahamas and United States (second edition)
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South and Central America
Southeast Asia &
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Western Europe

Investment and Taxation Guides

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