

## International Tax Brunei Darussalam Highlights 2018



### Investment basics:

**Currency** – Brunei dollar (BND)

**Foreign exchange control** – There are no foreign exchange controls in Brunei Darussalam, although exchanges and movements of currency are monitored. Nonresident bank accounts are permitted, and there are no restrictions on borrowing by nonresidents.

**Accounting principles/financial statements** – IFRS is required for public interest entities. Other entities can use accounting principles generally accepted in Brunei. As from 1 January 2018, the Brunei Accounting Standard – Non-Public Interest Entities is adopted.

**Principal business entities** – These are the public/private limited company, partnership, sole proprietorship and branch of a foreign company. A foreign company must register with the Registrar of Companies before establishing a place of business or commencing carrying on business in Brunei.

### Corporate taxation:

**Residence** – A company is resident in Brunei if it is managed and controlled in Brunei.

**Basis** – A company is subject to tax on income accruing in or derived from Brunei, or received in Brunei from outside Brunei.

**Taxable income** – Taxable income includes income derived from a trade or business, as well as investment income, such as dividends received from companies not previously assessed to tax in Brunei, interest and royalty income. Certain income is exempt, e.g. dividends received from a company subject to tax in Brunei and income of specific government and nonprofit organizations. Companies with revenue that does not exceed BND 1 million are exempt from corporate tax.

**Taxation of dividends** – See under “Taxable income.”

**Capital gains** – There is no tax on capital gains.

**Losses** – Losses may be carried forward for six years and carried back one year.

**Rate** – The standard rate is 18.5%, with a 55% rate applying to oil and gas companies.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – A foreign tax credit is available for tax paid on foreign-source income, but it is limited to the tax assessed at half of Brunei’s rate.

**Participation exemption** – No

**Holding company regime** – No

**Incentives** – A tax exemption may be available for pioneer industry companies.

A 15% credit could be claimed on new investment in new plant and machinery made between January 2012 and December 2017, and the credit may be carried forward for two years.

Tax credits are available for certain salaries and training expenditure.

Companies dealing with exports can opt to pay tax at a fixed rate of 1% on approved exports, in lieu of corporate tax.

### Withholding tax:

**Dividends** – Brunei does not levy withholding tax on dividends that have been assessed to tax, regardless of whether paid to a resident or a nonresident.

**Interest** – Interest paid to a nonresident is subject to a 2.5% withholding tax, provided the nonresident is not

effectively connected to a permanent establishment (PE) in Brunei.

**Royalties** – Royalties are subject to a 10% withholding tax, provided the nonresident is not effectively connected to a PE in Brunei.

**Technical service fees** – Technical service fees are subject to a 10% withholding tax. Fees paid for the use of scientific, technical, industrial or commercial knowledge or information are subject to a 10% withholding tax, provided the nonresident is not effectively connected to a PE in Brunei.

**Branch remittance tax** – No

#### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – No

**Real property tax** – Although no taxes are levied on property, a 12% building tax is levied on buildings located in Bandar Seri Begawan.

**Social security** – The employer is required to contribute 5% of the wages of local employees to the Employees Trust Fund. A Supplementary Contribution Pension of 3.5% also is required.

**Stamp duty** – Stamp duties are levied at fixed or ad valorem rates on various business documents.

**Transfer tax** – No

**Other** – Remuneration paid to a nonresident director and management fees paid to a nonresident are subject to a 10% withholding tax. A 10% withholding tax is levied on rent or other payments made to a nonresident for the use of movable property, provided the nonresident is not effectively connected to a PE in Brunei.

#### Anti-avoidance rules:

**Transfer pricing** – No

**Thin capitalization** – No

**Controlled foreign companies** – No

**Disclosure requirements** – No

**Other** – The tax authorities can disregard certain transactions and dispositions if they are satisfied that the purpose or effect of an arrangement aims at directly or indirectly reducing or avoiding liability to tax.

#### Compliance for corporations:

**Tax year** – Calendar year

**Consolidated returns** – Consolidated returns are not permitted; each company must file a separate return.

**Filing requirements** – An e-filing system (STARS) applies. The deadline for filing a return is 30 June of the

year following the taxable period. Advance tax on estimated chargeable income must be filed within three months from the company's financial year end.

**Penalties** – A fine of BND 10,000 and imprisonment for 12 months may be imposed for failure to file.

**Rulings** – Advance rulings are not granted.

#### Personal taxation:

**Basis** – Although the Income Tax Act provides for the taxation of income derived by individuals, such income is exempt from tax under the second schedule of the act.

**Residence** – An individual is resident if he/she resides in Brunei and is physically present or exercises an employment (other than as a director of a company) in Brunei for 183 days or more in the preceding year of assessment.

**Filing status** – No

**Taxable income** – No

**Capital gains** – Brunei does not tax capital gains.

**Deductions and allowances** – No

**Rates** – See above under "Basis." Remuneration paid to a nonresident director is subject to a 10% withholding tax.

#### Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – Stamp duties are levied at fixed or ad valorem rates on various business documents.

**Capital acquisitions tax** – No

**Real property tax** – Although no taxes are levied on property, a 12% building tax is levied on buildings located in Bandar Seri Begawan.

**Inheritance/estate tax** – No

**Net wealth/net worth tax** – No

**Social security** – Local employees are required to contribute 5% of wages to the Employees' Trust Fund, and a 3.5% contribution to the Supplemental Contributory Pension.

#### Compliance for individuals:

**Tax year** – Calendar year

**Filing and payment** – No

**Penalties** – No

#### Value added tax:

**Taxable transactions** – Brunei does not have a VAT or sales tax.

**Rates** – No

**Registration** – No

**Filing and payment** – No

**Source of tax law:** Income Tax Act Cap 35, Income Tax Act (Petroleum) Cap 119, Stamp Act Cap 34

**Tax treaties:** Brunei has 18 tax treaties.

**Tax authorities:** Revenue Division under the Ministry of Finance

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