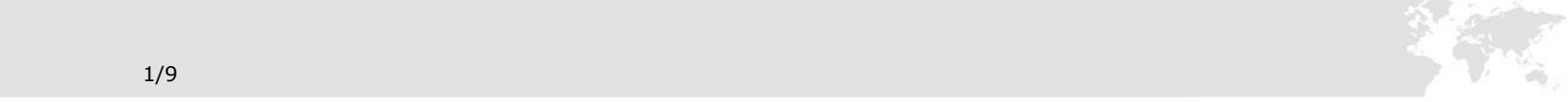




Doing Business in Brunei



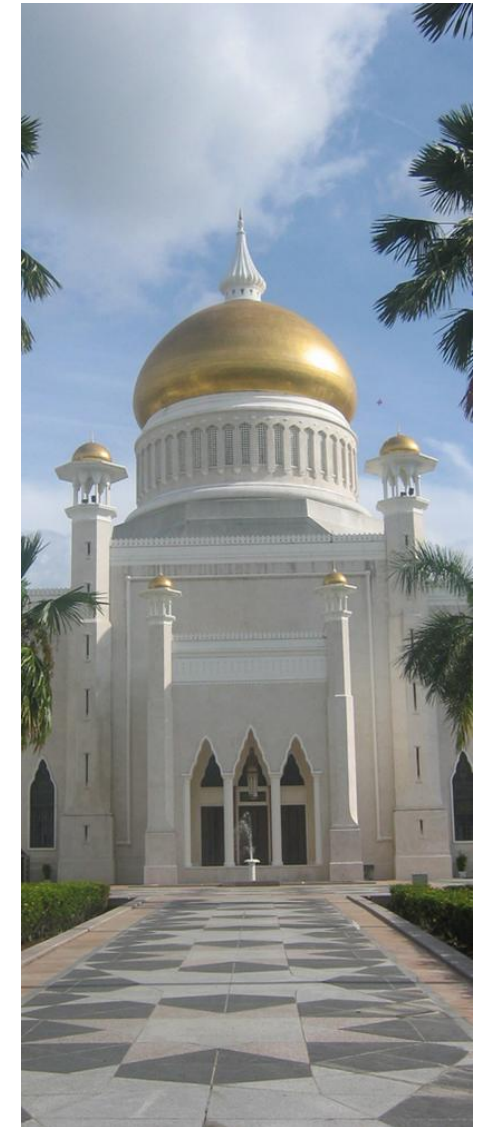


General information

The Islamic Sultanate of Brunei Darussalam is located on the north-west coast of the island of Borneo and is completely surrounded by Malaysia. The economy is heavily dependent on revenues from crude oil and natural gas.

Islam is the official religion of Brunei and plays a central role in the life of every Muslim in Brunei. The official language is Malay. English is commonly spoken everyday and everywhere.

The judicial system runs on the model of the English Common Law system and has steadily adopted more comprehensive legislation to international standards. The Sultanate of Brunei Darussalam was formerly a British Protectorate and after gaining its independence in 1984, Brunei is now member of the Commonwealth and the United Nations.





Business Forms in Brunei Darussalam

Since the establishment of the International Financial Centre (BIFC), Brunei is a „dual jurisdiction“, whereby the international legislation offers „offshore“ facilities, alongside the usual range of „domestic“ legislation. Brunei Darussalam knows the following legal structures:

Business forms inside the Brunei International Financial Centre (BFIC):

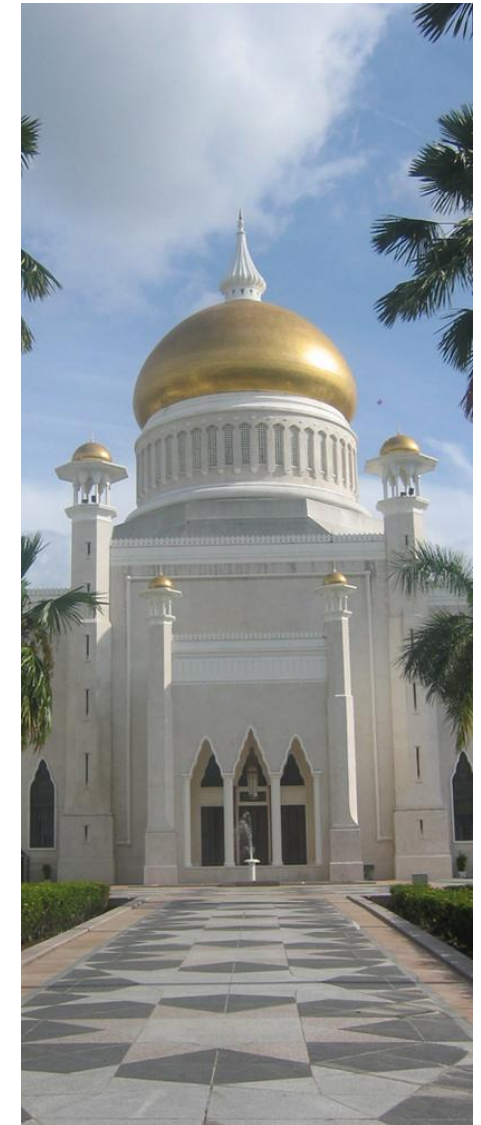
- Brunei International Business Companies (IBC)
- Brunei International Limited Partnership (ILPO)
- Brunei International Trust (ITO)

Domestic business forms:

- Brunei Sole Partnership
- Brunei Partnership
- Brunei Private Company (Sendirian Berhad oder Sdn. Bhd.)
- Brunei Public Company (Berhad oder Bhd.)
- Brunei Branch

Brunei International Business Companies (IBC):

- The incorporation of an IBC is governed by the „International Business Company Order 2000 (IBCO)“, which makes provision for tax-free corporate facilities.
- IBC's are the most common business form in the offshore sector.





Brunei International Limited Partnership (ILP):

- The incorporation is governed by the „International Limited Partnership Order 2000 (ILPO)“.
- An ILP consists of one or more general partners (of which one must be a trust company, an IBC or another ILP) and any number of limited partners.
- In an ILP, a general partner is personally liable for all the debts and obligations of the ILP but a limited partner is not liable.

Brunei International Trust:

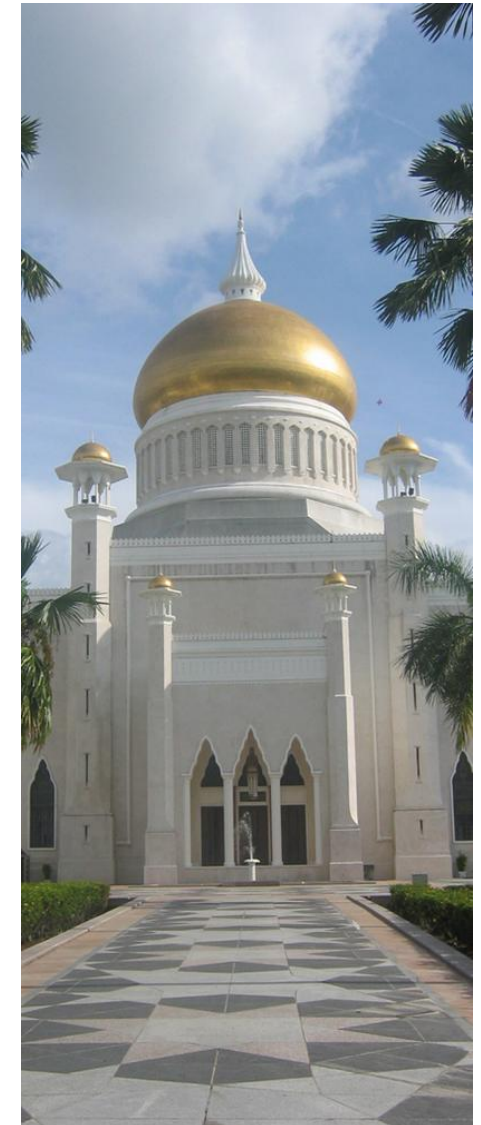
- The incorporation is governed by the „International Trust Order 2000 (ITO)“.
- Brunei has a very comprehensive international trust legislation, which will appeal both to private clients (e.g. asset protection) as well as major corporations.

Brunei Sole Partnership:

- Sole proprietors are not subject to tax in Brunei Darussalam.
- Sole proprietors are personally liable for the obligations of their businesses.
- Generally, registration approval is not granted to foreigners.

Brunei Partnership:

- A partnership may consist of individuals, local companies and branches of foreign companies.
- The maximum permitted number of partners is twenty.
- In general, at least one partner in the partnership must be a Bruneian or a Brunei Permanent Resident.





Brunei Private Company (Sendirian Berhad oder Sdn. Bhd.):

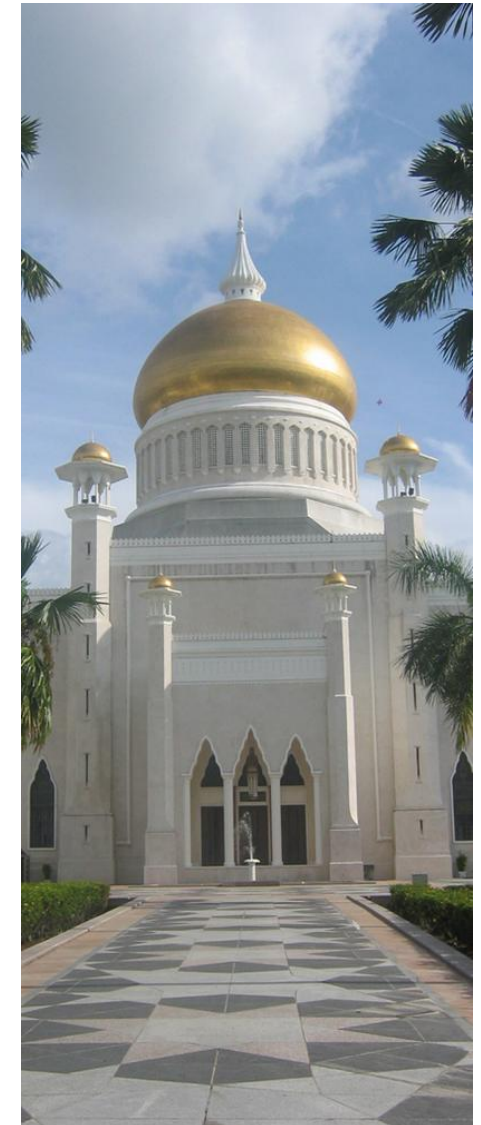
- Companies that are incorporated in Brunei Darussalam are governed by the Companies Act (Cap. 39).
- A private company must prohibit any invitation to the public to subscribe for shares or debentures.
- At least half the directors in a company must be Brunei citizens or Brunei Permanent Residents.
- Private companies must have at least two shareholders. Shareholders need not to be Brunei citizens or residents.
- All companies must appoint auditors to audit their accounts and report to shareholders.

Brunei Public Company (Berhad oder Bhd.):

- Public companies are formed under the same legislation as private companies.
- A public company is one which may issue freely transferable shares to the public, but is therefore more regulated.
- Shareholders need to be Brunei citizens or residents.

Brunei Branch:

- Any foreign company that wishes to establish a business in Brunei Darussalam and does not incorporate as a local company must register as a branch of the foreign company.
- The branch must have a registered office in Brunei and must appoint a local agent. On registration, a foreign company is entitled to the same powers and authority as a local company.
- Branches of foreign companies are required to file a copy of their head office annual financial accounts with the Registrar of Companies every year. Branches are also required to prepare branch accounts for tax computation.





Taxation in Brunei

Individuals:

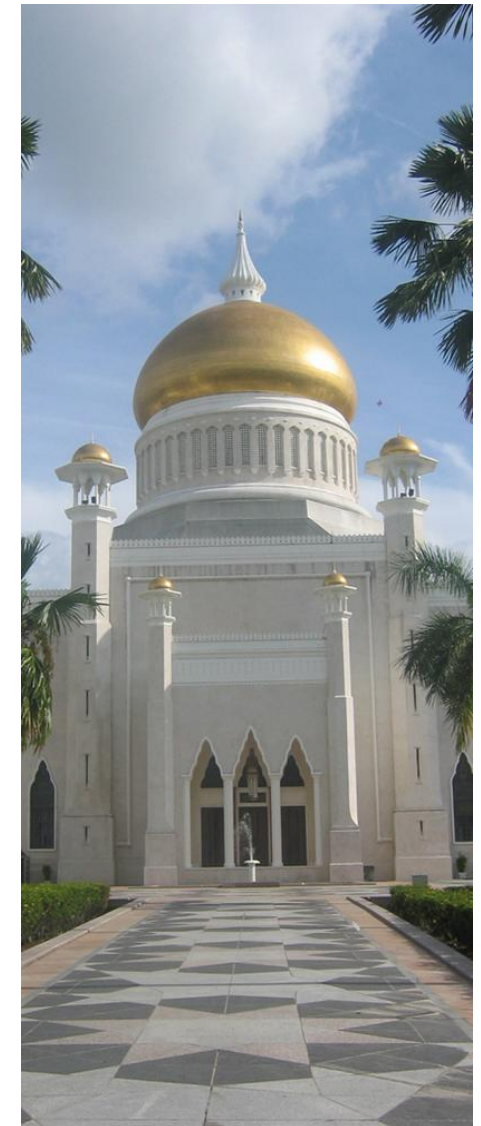
There is no personal income tax in Brunei Darussalam. Individuals do not have to pay any capital gains tax, and profits arising from the sale of capital assets by individuals are also not taxable. A nonresident individual in Brunei Darussalam is not subjected to tax.

Partnerships:

Partnership income apportioned to the partners is not subject to income tax, assuming the partners are individuals. Partners who are companies are subject to tax on their partnership income at a rate of 30 %.

Offshore Companies (inside „Brunei International Finance Centre (BIFC)“):

An International Business Company does not pay income tax, capital gains tax, stamp duty or other direct tax.





Domestic Companies:

The tax residence of a corporation is determined not so much by the place of incorporation as by the place where management and control is exercised. This is generally taken to mean where the directors meet and exercise de facto control.

- **Income**

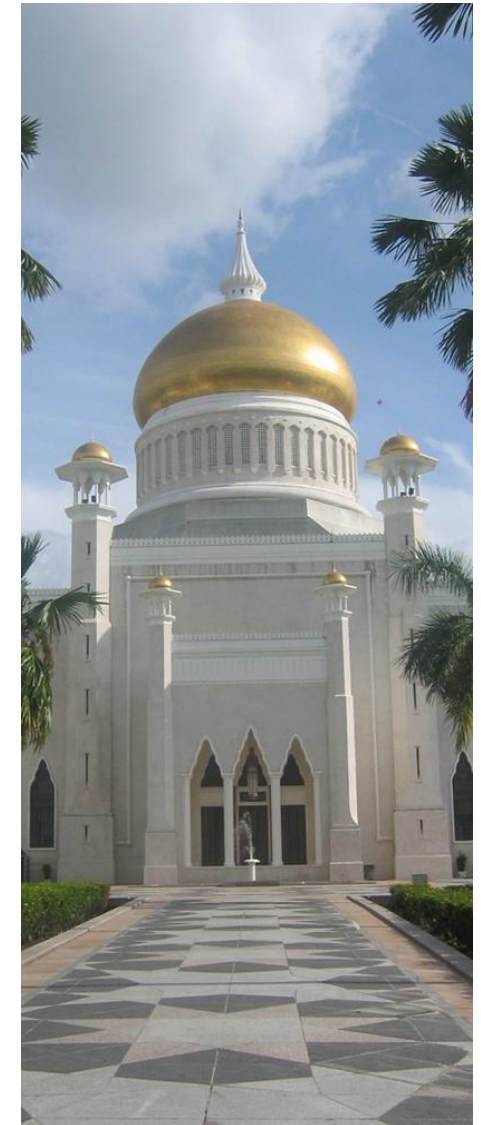
All companies operating in Brunei Darussalam, whether incorporated overseas or locally, or registered as a branch of a foreign company, are liable to tax on income accruing in, derived from or received in Brunei Darussalam.

- **Capital Gains**

There is no capital gains tax in Brunei Darussalam. If a number of similar assets are bought and sold, the Tax authorities may take the view that a business is being carried on and attempt to assess the gains as normal trading profits.

- **Foreign Income**

A company resident in Brunei Darussalam is taxed on foreign income when received in Brunei Darussalam.





- **Intercompany Dividends**

Dividends occurring in, derived from or received in Brunei Darussalam by a corporation are included in taxable income unless they are received from a corporation taxable in Brunei, in which case they are excluded. No tax is deducted at source on dividends paid by a Brunei corporation.

- **Withholding taxes**

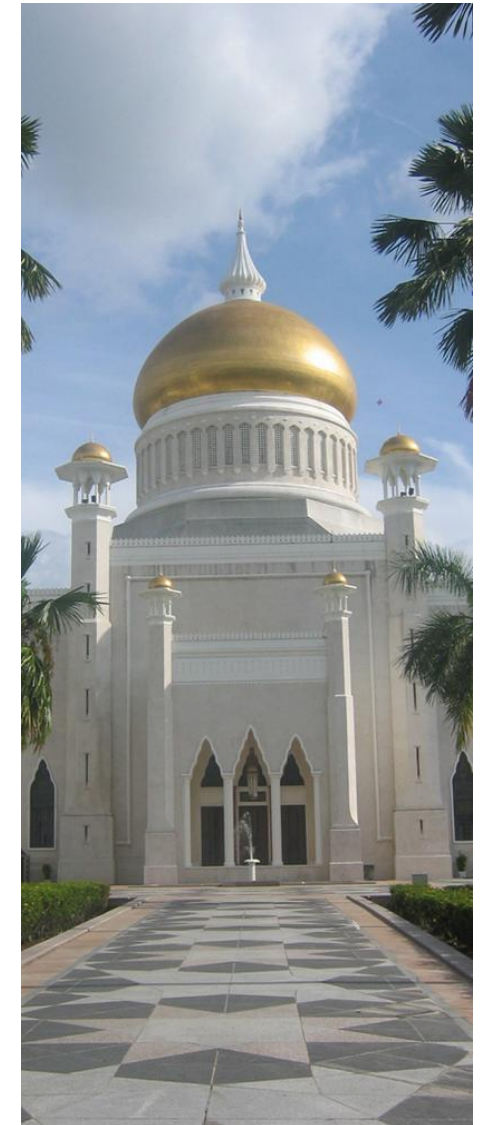
Domestic corporations must withhold a tax of 20 % on interest paid to a nonresident company on money borrowed or on interest due under a charge, debenture or loan. The taxpayer should immediately pay over the amount so withheld to the Collector of Income tax.

There are no other withholding taxes.

- **Nonresident Companies**

A nonresident corporation is taxable on income accruing in, deriving from and received in Brunei Darussalam. This income is assessable either directly or in the name of an agent, whether or not the agent takes receipt of the income.

If a nonresident corporation carries on business with a resident corporation and the business is so arranged as to provide the resident corporation with profits smaller than might be expected to accrue to an independent concern, the business may be treated as being carried on in Brunei Darussalam by the nonresident through the resident as an agent. Where the true profits of the nonresident corporation cannot be readily ascertained, they may be based on an allocation of a fair percentage of the turnover between the nonresident and the resident corporations.





- **Branches of Foreign Companies**

Profits derived in Brunei Darussalam are taxed at the same rate (30 %) as for local corporations. Branch accounts should be prepared for branches of foreign companies. These accounts, which do not need to be audited, are required to support the tax computation.

- **Other taxes**

There is no sales tax, no payroll tax or other direct taxes. Stamp tax is imposed on documents.

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