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Country Profile: Brunei

The Facts

Location	Southeastern Asia, bordering the South China Sea and Malaysia
Languages	Official – Malay Spoken – Chinese and English
Nationality	Bruneian
Religions	Muslim – 67% Buddhist – 13% Christian – 10% Others – 10%
Government	Constitutional Sultanate
Head of Government	Sultan
Legislature	Legislative Council
Constitutional Document	Constitution of Brunei Darussalam
Economy	Brunei's economy highly depends on exports of crude oil and natural gas. As the government has strong interest to develop more industries, many business-friendly policies and incentives have been launched to attract foreign investors to further expand the economy.
Currency	Brunei dollar (BND)
GDP (2011)	Total – BND 20.58 billion Per capita – BND 48,467 Real GDP growth – +2.2%
Population	408,800 (approx.)
Percentage of population	Malay – 66.3% Chinese – 11.2% Others – 22.5%
Area	5,765 km ²
Time zone	BNT (UTC+8)
Public Holidays	National holidays – 12
Climate	Tropical

Sources: International Monetary Fund, Central Intelligence Agency



Brunei

Brunei, officially known as Negara Brunei Darussalam, is a sovereign state located on the north coast of the island of Borneo, in Southeast Asia. It is the only sovereign state completely on the island of Borneo, with the remainder of the island belonging to Malaysia and Indonesia. With its traditional ties with the UK, it became the 49th member of the Commonwealth and joined the Association of Southeast Asian Nations (ASEAN) on 7 January 1984, becoming the sixth member. Brunei has the 2nd highest Human Development Index among the South East Asian nations after Singapore, and is classified as a developed country.

According to the International Monetary Fund (IMF), Brunei is ranked 5th in the world by Gross Domestic Product (GDP) per capita at a basis of Purchasing Power Parity (PPP). The IMF also states in a 2011 estimate that Brunei was one of the two countries with their public debt at 0% of the national GDP. Forbes also ranks Brunei as the 5th richest nation out of 182 nations due to its extensive petroleum and natural gas fields. Brunei has enormous business potential that is yet to be exploited. It has the advantage of peace and political stability, which is favorable for business activities. Here's a look at some major reasons why most foreign investors should invest in Brunei.

The Brunei Business Climate

There are several reasons to invest in Brunei:

- **Wealthy and stable economy:** Brunei's small, stable and wealthy economy encompasses a mixture of foreign and domestic entrepreneurship, government regulation, welfare measures and village tradition. A substantial income from overseas investment supplements the income from domestic production. In the current Eighth National Development Plan, which is the last phase of Brunei's 20-year National Development Program, the Government is allocating a total of BND 1.1 billion for commerce and industry. Brunei Economic Development Board (BEDB) is also responsible for assisting local businessmen through the provision of loans at favorable rates of interest for both start-up and expansion of business. The scheme provides loans for a maximum amount of B\$1.5 million at a 4% interest rate repayable within a maximum period not exceeding 12 years. Brunei's exports consist of three major commodities namely crude oil, petroleum products and liquefied natural gas. Crude oil and natural gas production account for nearly half of its GDP. Brunei has the potential to become an international financial center and the capability to provide similar facilities as those available in other successful financial centers.
- **Excellent infrastructure:** Brunei's infrastructure is well developed and ready to cater to the needs of the new and vigorous economic activities under the current economic diversification program. The country's two main ports, at Muara and Kuala Belait, offer direct shipping to Hong Kong, Singapore and several other Asian destinations. Muara, the deep-water port situated 29 km from the capital, has 12,542 square meters of transit sheds. The recently expanded Brunei International Airport in Bandar Seri Begawan can now handle 1.5 million passengers and 50,000 tones of cargo a year. The 2,000 km road network serving the entire country is still being expanded. A main highway runs the entire length of the country's coastline. Brunei Darussalam has one of the best telecommunication systems in South-East Asia and has major plans for bringing it on par with the rest of the world with the 3G mobile telephony system soon.



- **Healthy business environment:** Brunei offers vast land and a variety of facilities throughout all the four districts in the country. The majority of the 12 industrial sites presently developed are ready and available for occupation. Large expanses for agro forestry and aquaculture are also available. Rental terms and tenancy agreements are competitive and the sites offer a range of facilities, infrastructure and resources. Brunei gives priority to ensuring the stability of the natural environment. As such, all sites are free from pollution and are ecologically well-balanced. The Government's philosophy is sustainable development. Therefore, all polluting industries are banned and one of the continuing criteria for engaging in any industry's participation is the impact on the environment.
- **Flexible policies:** Industrial policies including manpower, ownership and Government support remain open and flexible for all categories of industrial activities. Brunei Darussalam maintains a realistic approach where a variety of arrangements are feasible. Policies relating to ownership allow for full foreign ownership, majority foreign ownership and minority foreign ownership, as per type of industry and situation. Only activities relating to national food security and industries for total export can be totally foreign owned. Overall, in Brunei Darussalam, any industrial enterprise is considered.
- **Low taxes:** Brunei has no personal income tax. There are no exports, sales, payroll or manufacturing taxes. There is no Capital Gains Tax. However, where the Collector of Income Tax can establish that the gains form part of the normal trading activities, they become taxable as revenue gains. Moreover, tax advantages at start-up and ongoing incentives throughout growth and expansion offer investors profitable conditions that are comparable if not better than those offered by other countries in the region.

Setting up a Business in Brunei

Establishing a company in Brunei requires some time. To successfully establish a company in Brunei, one must complete the following major steps:

- **Prepare Form A to verify company name:** The Registry of Companies has begun to require that only lawyers, accountants, or corporate secretaries submit applications. Accountants charge set fees prescribed by the Solicitors Remuneration Rules for company incorporation. This process takes about 5 days to complete, and costs BND 1505.
- **Make statutory declaration at Magistrate's Court:** Company directors must make a statutory declaration at the Magistrate's Court that the documents to be submitted to the Registry have been prepared according to the Companies Act. This procedure takes about a day to complete and costs as little as BND 9.
- **Submit required documents at the Registry of Companies:** The Registry of Companies issues a certificate of incorporation, two certified copies of the memorandum and articles of association (each bearing a validated BND 5 postage stamp), and registration forms for the Employees Provident Fund and the Collector of Income Tax. The Registry automatically notifies the Collector of Income Tax of the company's registration. This procedure takes up to 10 days to complete and costs about BND 650.
- **Purchase application form for miscellaneous license (rampaian):** The application form for the miscellaneous license (or rampaian license) license must be purchased at the Finance Office of the Municipal Board. This step takes about a day to complete and costs BND 2.

- **Apply for miscellaneous license (“rampaian”) at Municipal Board:** The application form is submitted at the Licensing Office of the Municipal Board. The licensing authority informs the applicant which agencies must approve its rampaian application. This procedure takes up to 2 months to complete and costs about BND 100.
- **Apply to fire services Department and Ministry of Health for rampaian approval:** The application form is submitted to the Fire Services Department and Ministry of Health for rampaian approval. The fee is BND 50 and it takes about a day for inspection and approval.
- **Submit approval letters to licensing authorities and pick-up rampaian:** Once the approval letters are obtained, they must be submitted to the Licensing Office of the Municipal Board, and the rampaian is finally picked up. This procedure takes about 21 days to complete and costs BND 100.

Types of Business Structures in Brunei

There are a few viable forms of business structures that are present in Brunei. All businesses must be registered with the Registrar of Companies and Business Names. The proposed name of business or companies must first of all be approved. Here’s a closer look at the major types of business structures under which a company may be set up by foreigners:

- **Partnership:** A partnership may consist of individuals, local companies and branches of foreign companies. The maximum permitted number of partners is 20. In general, at least one partner must be a Bruneian or a Brunei Permanent Resident. However, under special circumstances, the Registrar may grant approval for only foreign individuals to register a partnership. Partnerships are not subject to income tax. They may consist of individuals, local companies and/or branches of foreign companies. Upon approval, a business name certificate is issued and a fee of BND 30 is imposed. Applications by foreign individuals are subject to prior clearance by immigration Department, Economic Planning Unit and Labor Department before they are registered. At the moment, a partnership is not subject to corporate tax.
- **Company:** Companies that are incorporated in Brunei are governed by the Companies Act. All companies must appoint auditors to audit their accounts and report to the shareholders. The companies must also file annual returns with the Registrar of Companies and submit annual tax returns to the Collector of Income Tax (CIT) at the Ministry of Finance. The companies so incorporated may be either Private or Public companies:
 1. **Private Company:** A private company must, by its constitution (Articles of Association), restrict the right of members to transfer shares, limit its membership to fifty and prohibit any invitation to the public to subscribe for shares or debentures. Private companies must have at least two shareholders. Shareholders need not be Brunei citizens or residents, and a subsidiary company may hold shares in its parent company. A Memorandum and Articles of Association must be filled with the Registrar of Companies and Business Names with other incorporation documents in the prescribed form. Upon approval, a Certificate of corporation will be issued and a fee of BND 25 is imposed. No minimum share capital is required. Private companies are also required to do the following:
 - a) Appoint auditors who are registered in Brunei
 - b) Prepare profit and loss account and balance sheet, accompanied by the Director's Report annually
 - c) Submit accounting data annually to the Economic Planning Unit, Ministry of Finance
 - d) File annual returns, containing information of directors and shareholders
 2. **Public Company:** A public company in Brunei is a company that can transfer shares freely to the public. A public company may be limited or unlimited. It must have at least seven shareholders. The shareholders need to be Brunei citizens or residents, and half the directors must be either Brunei citizens or ordinary residents in Brunei. A subsidiary company may hold shares in its parent companies. A Memorandum and Articles of Association must be registered with other incorporation documents in prescribed forms. Upon approval, Registration of Companies Certificates are issued and a fee of BND 25 is imposed. No minimum share capital is required. Public companies are also required to do the following:



- a) Appoint auditors who are registered in Brunei
 - b) Prepare profit and loss account and balance sheet, accompanied by the Director's Report annually
 - c) Submit accounting data annually to the Economic Planning Unit, Ministry of Finance
 - d) File annual returns, containing information of directors and shareholders with the Registrar of Companies and Business Names
- **Joint Venture:** A joint venture may take the form of an incorporation or partnership. Several factors, including the nature of the project, would determine which type of joint venture is appropriate. In a corporate joint-venture, the owners have limited liability whereas in a partnership joint venture, the partners have unlimited liability. If the parties to a partnership joint venture are corporations then liability is limited to that of the participating corporations. All business, except those using the full name of the owner, must be registered with the Registrar of Business Names or Registrar of Companies at the Attorney General's Chambers.

Taxation

According to the report Paying Taxes 2013 by PricewaterhouseCoopers (PwC) and the International Finance Corporation (IFC), Brunei ranked 22nd out of 185 economies in terms of ease in paying taxes.

Offshore companies doing business in Brunei International Finance Centre (BIFC) do not require paying capital gains tax, income tax, stamp duty or other direct taxes. However, all foreign company earning a profit by doing business in Brunei are subject to paying 30 percent income tax of the profit. The same rule applies to a branch of a company. For non-resident companies, tax is charged only on the income derived from Brunei.

Following types of income are considered as taxable income in the Brunei:

- Profit earned from a trade, business or vocation
- Income from dividends
- Income earned on account of interest and discounts
- Income earned from fixed assets, such as, rents, royalties, and premiums.

When doing business in Brunei, foreign entities don't require paying capital gains tax.



Immigration and Visa Requirements

To successfully obtain a Business Visa to Brunei, one must complete the following procedures:

A Visa application must be personally lodged with the Visa Section of the Immigration Department

A recognized passport must have a validity of 6 months before entering Brunei

Introductory or sponsorship letters from associated companies, business representatives, government agencies or other authority need to be submitted

Two passport-size photographs must be submitted

This visa is specifically designed for people who want to do business in Thailand.

Banking Requirement

In order to open a bank account in Brunei, you must present a certain amount of documentation when you visit the bank. You will need to present your passport and/or a locally issued ID card as proof of identity, a copy of your employment contract and proof of address, which may be a copy of your tenancy agreement or a utility bill. Depending on the bank, you may also be asked for a small deposit when you open the account.

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Wikipedia	en.wikipedia.org/wiki/Brunei
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Immigration and National Registration Department, Brunei	www.immigration.gov.bn/working.htm
Expafocus	www.expafocus.com/expatriate-brunei-banking

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