REPORT

Savills Research

2023 Asia Pacific Real Estate

Investment Country Guide

savills

Asia Pacific Network

China
Beijing
Changsha
Chengdu
Chongqing
Dalian
Fuzhou
Guangzhou (2)
Haikou
Hangzhou
Nanjing
Shanghai
Shenyang
Shenzhen
Tianjin
Wuhan
Xiamen
Xi'an
Zhuhai

Cambodia
Phnom Penh*

Hong Kong SAR
Central
Central*
Exchange Square
Taikoo Shing (2)

India
Ahmedabad
Bangalore
Chennai
Delhi
Hyderabad
Mumbai
Pune

Indonesia
Jakarta
Jakarta*

Japan
Tokyo (2)

Macau SAR
Macau

Malaysia
Johor Bahru
Kuala Lumpur
Kuala Lumpur*
Penang

Philippines
Cebu*
Bonifacio*

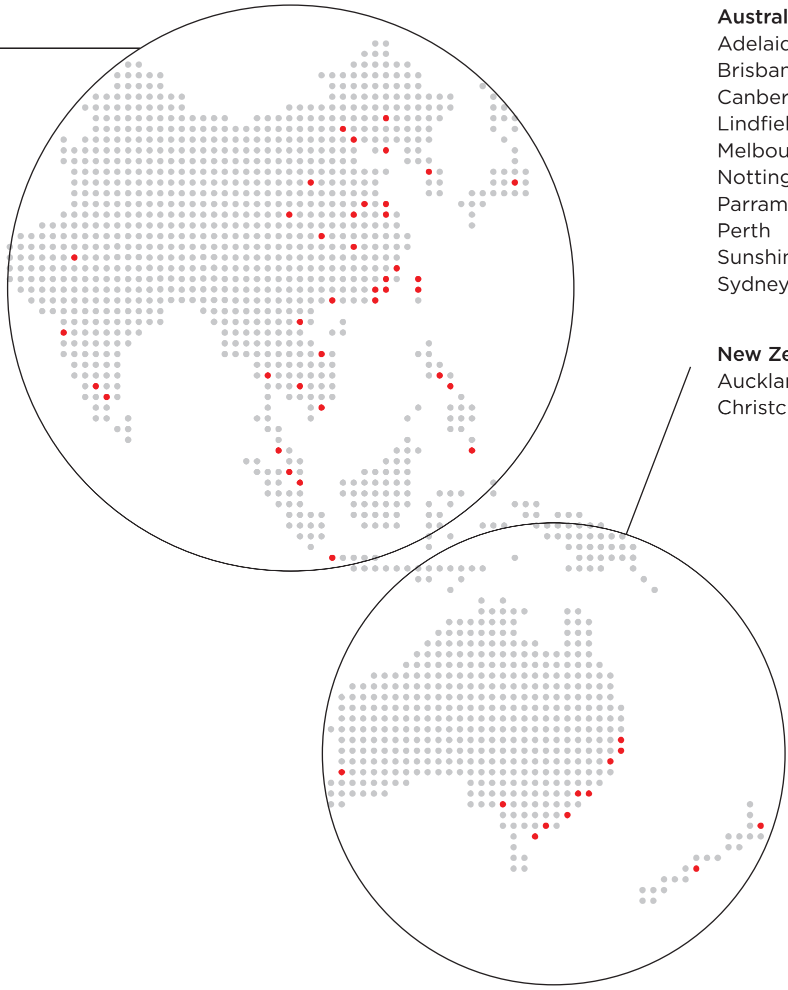
Singapore
Singapore (4)
Singapore*

South Korea
Seoul

Taiwan, China
Taichung
Taipei

Thailand
Bangkok

Vietnam
Hanoi
Ho Chi Minh City (8)



Australia
Adelaide
Brisbane
Canberra
Lindfield
Melbourne
Notting Hill
Parramatta
Perth
Sunshine Coast
Sydney (2)

New Zealand
Auckland
Christchurch

* Associate Office

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. The company now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

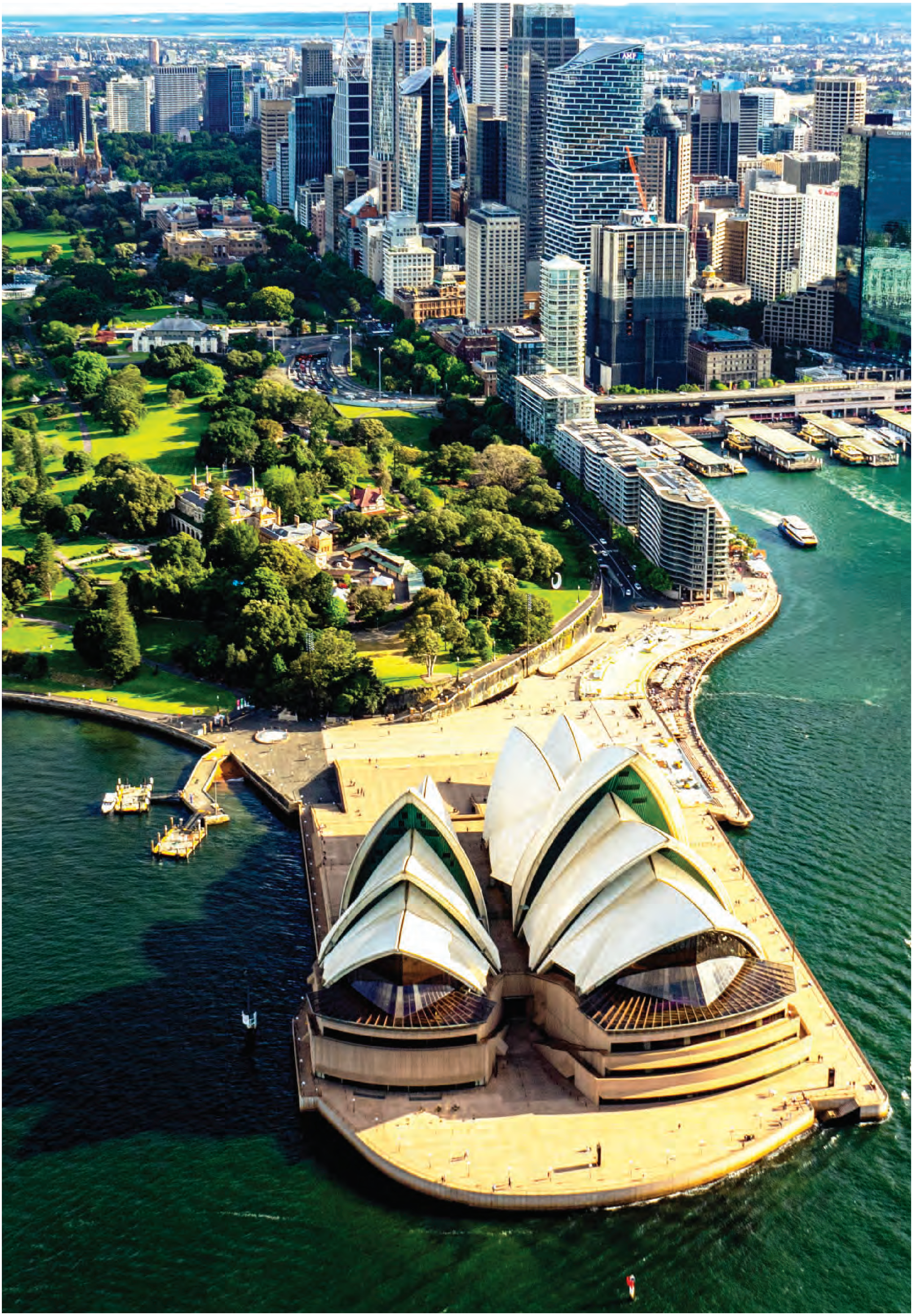
In Asia Pacific, Savills has 74 regional offices comprising over 29,000 staff. Asia Pacific markets include Australia, China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and Viet Nam. Savills provides a comprehensive range of advisory and professional property services to developers, owners, tenants and investors.

These include consultancy services, facilities management, space planning, corporate real estate services, property management, leasing, valuation and sales in all key segments of commercial, residential, industrial, retail, investment and hotel property.

A unique combination of sector knowledge and entrepreneurial flair gives clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation supported by excellent negotiating skills. Savills chooses to focus on a defined set of clients, offering a premium service to organisations and individuals with whom we share a common goal.

Savills is synonymous with a high-quality service offering and a premium brand, taking a long-term view of real estate and investing in strategic relationships.

Content



Australia

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The Australian economy grew by 0.5% in the December quarter to be 2.7% higher YoY over 2022. Consumer spending continues to be a key driver of growth, boosted by tight labour market conditions and an ongoing rebound in services consumption following the lifting of pandemic restrictions. Household consumption rose by 5.4% YoY in 2022, however consumer spending is beginning to moderate amid higher inflation and interest rates, and lower household savings. Net trade has also contributed to growth, driven by services exports, which have been boosted by the resumption of international travel. Higher commodity prices over 2022 drove strong growth in nominal GDP, which was 12% YoY.

Inflation accelerated sharply in 2022, with headline CPI rising by 7.8% YoY. While growth in inflation appears to have peaked, price pressures remain broad-based. In response to higher inflation, the Reserve Bank of Australia (RBA) has raised the official cash rate by a cumulative 350 basis points since May 2022 to 3.6%. Higher borrowing costs are expected to weigh on activity this year, with the RBA forecasting GDP growth to slow to 1.6% YoY in 2023. Growth in headline CPI is not expected to fall back to the upper-end of the RBA's 2%-3% YoY target band until mid-2025.

TYPES OF PROPERTY OWNERSHIP

Most Australian land is held under the Torrens title system, through land registries established in each state and territory. While the system is essentially the same in each Australian state and territory, the registration requirements vary. Under the Torrens title system, the relevant state or territory guarantees title to the person who is recorded on the register as the owner of the land (the exception being in the case of fraud). A transfer of ownership of Torrens title land is effected through a change of the record on the register. The registered owner holds their ownership interest subject to prior registered interests and, subject to the relevant legislation in each state and territory, free from most interests which are not registered. In other words, priority between interests is established by the order in which they are registered, not by the order in which they are executed (or signed).

As the state or territory guarantees the accuracy of the register, prospective purchasers can rely on the information on the register and act on the basis of it.

The most commonly recognised interests in Australian land are detailed as follows.

Freehold estate in fee simple

This is the most common form of land ownership in Australia and represents the most complete ownership interest available to persons other than the Crown. A fee simple estate is of unlimited duration.

Leasehold interest

Leasehold interest is the interest which a tenant or lessee acquires from the owner of the land to use and occupy the land for a limited period. Most commercial leases are for a fixed period of time. Generally, where the land is owned by the Crown, a person may take a long-term (often 99 years) leasehold interest from the Crown. Leasehold interests are generally required to be registered. Options to extend the term of the lease may also be negotiated.

Other interests

Other types of interest in land which may be registered include:

- Mortgage interests – which generally secure repayment of a loan or other financing arrangements;

KEY STATISTICS

Official name	Australia
Currency	Australian dollar US$1 = AU$0.666 (3 April 2023)
Population	26.12 million (September 2022)
Land area	7.69 million sq km
Gross domestics product (GDP) per capita	AU$24,060; US$16,320 (December 2022)
GDP growth	2.7% (2022) 1.6% (2023F)
Principal business centres	Adelaide: Adelaide CBD Brisbane: Brisbane CBD, Southbank Canberra: Civic Melbourne: Melbourne CBD (Eastern Core, Western Core, Docklands), Southbank/St Kilda Road Perth: Perth CBD, East Perth, West Perth Sydney: Sydney CBD (Core, Midtown, Western, Southern), North Sydney, Parramatta

Source Australian Bureau of Statistics (ABS), Reserve Bank of Australia

- Options to acquire land;

- Easements – which generally convey a right to use a particular part of someone else's land for a specific purpose, but not to occupy the land;

- Restrictive covenants – a covenant given by the owner of one parcel of land to the owner of another parcel of land, by which the first owner agrees not to use their land in a particular way, for the benefit of the second owner; for example, an agreement by one owner not to build any structures which would impede the neighbouring owner's views.

Non-torrens title land

While most Australian property is now registered under the Torrens title system (including all land in Queensland and the Northern Territory), some areas of land have not been converted. Unconverted parcels of land typically fall into one of the following categories:

- Crown land – land owned by a state or territory of Australia or by the Commonwealth of Australia;

- Old system land – generally rural land. Most states and territories have procedures for converting old system land to Torrens title whenever a new dealing with the land is lodged with the land registry.

Native title

Native title was first recognised in Australia in 1992, when the High Court of Australia found that the traditional Aboriginal owners held native title over certain land. A national scheme, implemented through legislation in each state and territory, governs the validity of land dealings affecting native title and establishes a process to deal with native title claims. Native title rights can be compulsorily acquired or surrendered under law, but cannot be transferred. Although native title is most relevant to non-freehold land and Crown- or Commonwealth-owned land, a prudent buyer will take native title into account in relation to most land dealings.

OVERSEAS OWNERSHIP RESTRICTIONS

The Australian government reviews and evaluates certain overseas investment proposals. Investment proposals by overseas interests are regulated by the Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA) the Foreign Acquisitions and Takeovers Regulation 2015 (FATR). FATA is administered by the Treasurer, who is assisted by the Foreign Investment Review Board (FIRB), a division of the Commonwealth Government Treasury. The Commonwealth government publishes policy guidelines for the administration of FATA.

Like most countries, Australia has rules and restrictions on the acquisition and ownership of property by foreign interests. The Government reviews foreign investment proposals on a case-by-case basis to ensure they are not contrary to the national interest.

Whether a foreign person is required to notify the Treasurer of their proposed investment will depend on a number of factors including: whether the investor is a foreign government or non-government investor; the type of acquisition; whether the investment is likely to raise national security concerns; the monetary thresholds relevant to the investment; and whether any exemptions apply.

Meaning of 'foreign person'

The expression 'foreign person' has a very technical meaning under FATA. There are complex tracing provisions, which have a broad reach. However, in general terms, a foreign interest is:

A foreign person is generally:

- An individual that is not ordinarily resident in Australia; or

- A foreign government or foreign government investor; or

- A corporation, trustee of a trust or general partner of a limited partnership where an individual not ordinarily resident in Australia, foreign corporation or foreign government holds a substantial interest of at least 20%; or

- A corporation, trustee of a trust or general partner of a limited partnership in which two or more foreign persons hold an aggregate substantial interest of at least 40%.

A 'foreign government investor' is:

- A foreign government or separate government entity; or

- A corporation, the trustee of a trust, or a general partner of a limited partnership, in which:

- A foreign government or separate government entity holds a substantial interest of at least 20%; or foreign governments or separate government entities of more than one foreign country (or parts of more than one foreign country) hold an aggregate substantial interest of at least 40%.

According to Australia's foreign investment policy;

- Foreign persons generally require approval before acquiring a substantial interest (generally at least 20%) in an Australian entity that is valued above the relevant monetary threshold.

- Foreign persons generally require approval before acquiring a direct interest (generally at least 10%) in a national security business, or starting a national security business, regardless of the value of the business or the country of the investor.

- Foreign persons generally require approval before acquiring a direct interest (generally at least 10%) in an agribusiness where the value of their holdings in that business are more than the relevant monetary threshold.

Acquisitions of Australian land

Australian land includes agricultural land, commercial land, mining and production tenements, and residential land. Some land in Australia is also considered 'national security land' for the purpose of the foreign investment review framework.

Agricultural land

Agricultural land means land in Australia that is used, or could reasonably be used, for a primary production business. Foreign persons generally require approval before acquiring an interest in agricultural land where the value of their agricultural land holdings is more than the relevant monetary threshold.

Commercial land

Commercial land includes vacant commercial land and developed commercial land, such as offices, factories, warehouses and shops. Commercial residential premises (such as hotels, motels and caravan parks) are also generally considered to be commercial land.

Foreign persons generally require approval before acquiring an interest in vacant commercial land, regardless of the value of the land. If an application for investment into vacant land is approved, it will generally be approved subject to the land being put to productive use. Foreign persons generally require approval before acquiring an interest in developed commercial land, if the value of the interest exceeds the relevant monetary threshold.

Residential land

Foreign persons generally require approval before acquiring an interest in residential land, regardless of value.

Foreign persons can generally purchase newly constructed dwellings with few restrictions, whereas approvals for established dwellings

TABLE 1 Land Investments

INVESTOR	ACTION	THRESHOLD
ALL INVESTORS	National security land	AUS$0
	Residential land	AUS$0
	Vacant commercial land	AUS$0
PRIVATE INVESTORS FROM CERTAIN FREE TRADE AGREEMENT (FTA) PARTNERS*	Agricultural land	For Chile, New Zealand, and the United States, AU$1,250 million
		Others, AU$15 million (cumulative)
	Developed commercial land	AU$1,250 million
		For Hong Kong SAR and Peru, where the land is sensitive#, AU$63 million
	Mining and production tenements	For Chile, New Zealand, and the United States, AU$1,250 million
		Others, AU$0
	Agricultural land entity	For Chile, New Zealand, and the United States, AU$1,250 million
		Others, AU$15 million (cumulative)
	Land entity (non-agricultural)	AU$1,250 million
		For Hong Kong SAR and Peru, where the entity holds interests in sensitive land#, AU$63 million
PRIVATE INVESTORS NOT FROM A CERTAIN FTA PARTNER	Agricultural land	For Thailand, AU$50 million
		Others, AU$15 million (cumulative)
	Developed commercial land	AU$289 million
		Where the land is sensitive#, U$63 million
	Mining and production tenements	AU$0
	Agricultural land entity	For Thailand, AU$50 million
		Others, AU$15 million (cumulative)
	Land entity (non-agricultural)	AU$289 million
		Where the land holds interests in sensitive land#, AU$63 million
		Where the total value of interests in residential land, vacant commercial land and mining or production tenements is 10% or more of the value of the total assets of the entity, AU$0
FOREIGN GOVERNMENT INVESTORS	All investments	AU$0

Source https://firb.gov.au/general-guidance/monetary-thresholds

*The certain FTA partners are: Chile, China, Hong Kong SAR, Japan, New Zealand, Peru, Singapore, South Korea, the United States of America, and any other countries not otherwise listed (other than Australia) for which the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), done at Santiago on 8 March 2018, is in force (i.e. Canada, Mexico, and Vietnam). To be eligible for these thresholds, the immediate acquirer must be an entity formed in one of these countries. An investor acquiring through a subsidiary incorporated in another jurisdiction will be subject to the relevant thresholds of the subsidiary's jurisdiction.

#For the definition of sensitive land, see section 52(6) of the Foreign Acquisitions and Takeovers Regulation 2015.

are generally limited to the following and will normally be subject to conditions:

- Temporary residents can apply to purchase one established dwelling to use as their place of residence while they live in Australia.
- Foreign persons can apply to purchase an established dwelling for redevelopment, if the redevelopment will genuinely increase Australia's housing stock.
- Foreign controlled companies can apply, in limited circumstances, to purchase an established dwelling to house their Australian based staff.

Land entities

Investments into land entities (generally entities in which over 50% of their assets are Australian land) may involve acquiring interests in Australian land and interests in an Australian entity.

Foreign persons generally require approval before acquiring an interest of 10% or more in a listed land entity, or 5% or more in an unlisted land entity where the value of the investment is above the relevant monetary threshold.

TABLE 2 Non-land Investments

INVESTOR	ACTION	THRESHOLD
ALL INVESTORS	National security business	AUS$0
	Australian media business	AUS$0
PRIVATE INVESTORS FROM CERTAIN FTA PARTNERS*	Non-sensitive business	AU$1,250 million
	Sensitive business⁺	AU$289 million
	Agribusiness	AU$63 million (cumulative)
PRIVATE INVESTORS NOT FROM A CERTAIN FTA PARTNER	Businesses (sensitive and non-sensitive)	AU$289 million
	Agribusiness	AU$63 million (cumulative)
FOREIGN GOVERNMENT INVESTORS	All investments	AU$0

Source https://firb.gov.au/general-guidance/monetary-thresholds
*The certain FTA partners are: Chile, China, Hong Kong SAR, Japan, New Zealand, Peru, Singapore, South Korea, the United States of America, and any other countries not otherwise listed (other than Australia) for which the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), done at Santiago on 8 March 2018, is in force (i.e. Canada, Mexico, and Vietnam). To be eligible for these thresholds, the immediate acquirer must be an entity formed in one of these countries. An investor acquiring through a subsidiary incorporated in another jurisdiction will be subject to the relevant thresholds of the subsidiary's jurisdiction.
⁺For the definition of a sensitive business, see section 22 of the Foreign Acquisitions and Takeovers Regulation 2015.

Monetary Thresholds

Monetary thresholds are indexed annually on 1 January, except for the agricultural land thresholds of AU$15 million and AU$50 million, which are not indexed.

Contracts

All contracts which are being used by overseas investors for the purchase of Australian real estate for which FIRB approval is required must be made conditional upon FIRB approval (unless approval has already been granted). Contracts should provide for a minimum of 40 days from the date of lodgement for a decision from FIRB. For any properties being purchased at auction, prior FIRB approval must be obtained.

MEASUREMENT OF AREAS

Measurements generally used in the property industry are quoted as set out below by the Property Council of Australia:

- Gross lettable area – retail: the aggregate floor space contained within a tenancy at each floor and used for calculation in shopping centres, commercial buildings and shops generally.
- Gross lettable area: the floor space contained within a tenancy at each floor and used for calculation in warehouses, industrial buildings, freestanding supermarkets and showrooms.
- Net lettable area: the sum of the whole-floor lettable areas, used in calculating area in office buildings and office parks.

TABLE 3 Typical Lease Terms

LEASE PERIOD	• Retail: in most Australian states and territories, the relevant retail leasing legislation stipulates a minimum lease term (five years in most jurisdictions) unless this is waived by the tenant. Generally, lease terms from three to five years are the most common, although longer leases may be available. • Commercial (including office and industrial): subject to any specific requirements under legislation in each state or territory, commercial leases can be for any length of time. In most cases, commercial leases are between five and ten years. A tenant may also be able to negotiate options to extend the lease for a number of further terms.
RENT REVIEWS	The rent payable under the lease may be subject to periodic review using a predetermined method: for example, a fixed review to increase the rent by 5% per annum and/or by reference to the consumer price index (CPI), or in accordance with a market valuation.
SUB-LETTING/ ASSIGNMENT	A tenant might agree to sub-lease or to assign space which they are leasing to a third party. Normally, this cannot be done without the landlord's permission. If the landlord approves the sub-lease or assignment, they may require the sub-lessee or assignee to provide guarantees or other security, depending on the terms of the original lease.
TERMINATION	Leases generally terminate upon their expiry date. Options to renew may be built into the lease by negotiation. Commercial (retail, office and industrial) leases do not normally contain provisions requiring either party to be compensated on termination of the lease, except where the termination is due to default. Retail tenancy legislation in most states and territories may also require compensation to be paid to retail tenants if the landlord exercises a right to terminate the lease pending demolition or redevelopment of the premises.
REPAIRS	The party responsible for making repairs to the premises is generally set out in the lease. It is common for the landlord to be responsible for major structural and capital works, and for the tenant to be responsible for maintaining the premises (subject to fair wear and tear) and for repairing any damage caused by the tenant. Some leases also contain clauses dealing with the fit-out of the premises and "make-good" obligations, where each party is made responsible for specific maintenance/make-good obligations at the beginning and/or end of the lease.
SECURITY OF TENURE	Security of tenure only extends for the duration of the lease. Generally, a landlord will require security for performance by the tenant of the tenant's obligations under a lease. This can be by way of a bank guarantee, cash deposit bond or company/personal guarantees.
DILAPIDATION	Tenants are expected to reinstate a building to its original condition; although allowances are made for fair wear and tear.

Source Savills Research & Consultancy

LEASE TERMS

Lease terms vary, depending on the location and type of the property. Table 3 outlines some common terms found in Australian retail and commercial leases.

TRANSACTION COSTS

Brokerage/agency fees

Leasing fees are typically paid by the landlord and are negotiable prior to appointment and will be dependent on whether it is a conjunctional or sole-agent appointment. Typically, leasing fees amount to 15% of the first year's rent.

On transactions, typical fees are in the range of 0.75% to 1.5% of the agreed price for commercial, industrial and retail properties. Fees on residential transactions will be higher.

Legal fees

Transaction and statutory search fees will vary depending on the solicitor instructed, the complexity and size of the transaction, and on the nature and location of the property. Each party typically carries their own costs.

Registration fees and levies

The land registry in the relevant state or territory will charge registration fees for registering a purchaser's interest in the land (and for registering any mortgage or other dealing on the land). In some jurisdictions (for instance New South Wales), a levy is payable in addition to the registration fee prior to the land registry attending to registration of the purchaser's interest in the land. The amount of these levies is dependent on the purchase price of the land.

TAX LEGISLATION

In Australia, power to levy tax exists at both commonwealth (i.e., federal) and state levels. The federal government levies taxes such as income tax, and goods and services tax (GST). Taxes levied by state governments include stamp duty, land tax and payroll tax as well as transaction duty, fees and charges on certain kinds of business transactions.

At the federal level, taxation is administered by the Australian Taxation Office (ATO). At the state and territory level, the relevant taxation authority is the State Revenue Office of the applicable state or territory.

Stamp duty

Stamp duty is a tax imposed at the state/territory level. As a result, the stamp duty payable on a purchase of land will depend on where the land is situated. Stamp duty may also be payable on the purchase of shares in a company, particularly where the company is "land rich". Stamp duty is

TABLE 4 Marginal Rates of Land Tax for Commercial Property*

STATE	TAX-FREE THRESHOLD (AU$)	CALCULATION	PREMIUM THRESHOLD (AU$)	CALCULATION
Australian Capital Territory (ACT)	Nil	AU$1,326 paid regardless of the land's average unimproved value (AUV)**	N/A	N/A
New South Wales (NSW)	822,000	AU$100 plus 1.6% of land value above general threshold, up to premium threshold	>5,026,000	AU$61,876 plus 2% of land value above premium threshold
Queensland (QLD)	600,000	AU$500 plus 1 cent for each AU$1 above AU$600,000 then varied banded increases for land value >AU$1,000,000 to AU$9,999,999, then increases for >AU$10,000,000	>10,000,000	AU$150,000 plus 2.25 cents for each AU$1 more than AU$10,000,000
South Australia (SA)	534,000	AU$0.50 for every AU$100 or part of AU$100 above AU$534,000 then varied banded increases for land value <AU$2,000,000	>2,000,000	AU$20,550 plus AU$2.40 for every AU$100 or part of AU$100 above AU$2,000,000
Tasmania (TAS)	100,000	AU$50 + 0.45% of value above AU$100,000	>500,000	AU$1,850 plus 1.5% of value above AU$500,000
Victoria (VIC)	300,000	AU$375 + 0.2% of amount above AU$300,000 then varied banded increases for land value >AU$600,000 to <AU$3,000,000	>3,000,000	AU$27,975 plus 2.55% of amount >AU$3,000,000
Western Australia (WA)	>300,000	Starts at flat rate of AU$300 for unimproved land value AU$300,000 to AU$420,000, then varied banded increases for land value >AU$420,000 to AU$11,000,000	>11,000,000	AU$186,550 + 2.67 cents for each AU$1 in excess of AU$11,000,000
Northern Territory (NT)	The Northern Territory Government currently does not charge land tax for land owners.			

Source ATO / State Revenue Offices
* From the financial year of 2022-23.
** The amount of land tax you pay is made up of two components: a fixed charge and a valuation charge. The total valuation charge for the year is calculated by applying a rating factor to the average unimproved value (AUV).
Note that different marginal rates may apply, depending on property type and value. Please refer to the applicable State or Territory revenue office website for up-to-date information as land tax rates generally change each year.

generally charged at an incremental rate, based on the higher of the market value of the property transferred and the GST-inclusive consideration. Certain exemptions and concessions may be available. For the latest rates please contact the State Revenue Office in the relevant state or territory. Stamp duty is generally payable by the purchaser, either by law or by commercial agreement, but in some jurisdictions the seller and purchaser are jointly and severally liable. The transfer of title to land cannot be registered until stamp duty has been paid. The state of South Australia has abolished stamp duty on commercial property transfers.

Land tax

Land tax is also imposed at the state/ territory level and can change each year. As a result, the rate of land tax, the threshold at which it becomes payable and the date on which it is assessed and paid will depend on where the land is situated. It is important to check with the State Revenue Office in the relevant state or territory. Generally, land tax is payable by the current owner as of 31 December or 30 June of the current year, and is assessed on the unimproved land value. It is a state-based tax and while each state or territory has a form of land tax, the rules and thresholds do vary from state-to-state. Certain exemptions may be available (for example, land tax is generally not payable on a principal place of residence). The current maximum marginal rates of land tax for commercial property are shown in Table 4.

Corporation tax

The tax rate for public and private companies, resident and non-resident, is currently 30%.

Income tax

Individuals, trustees, superannuation funds and companies deriving income from an Australian source must apply to the ATO for an Australian tax file number and must lodge an annual tax return with the ATO. Entities which carry on an enterprise in Australia also require an Australian business number.

Income tax is payable by individuals, trustees (in certain circumstances), superannuation funds and companies. Australian income tax is imposed on a single measurement of taxable income, which is calculated as the sum of assessable income derived by the taxpayer during the relevant year of income, less 'allowable deductions', i.e.,

Taxable Income = Assessable Income – Allowable Deductions

Australian tax residents are generally liable to pay income tax in respect of their worldwide assessable income, whereas non-Australian tax residents only pay tax on that part of their income which is derived from sources in Australia. However, this principle may be subject to the application of double taxation agreements (DTAs) which Australia has entered into with a number of other countries (please refer to the section 'Withholding tax' overleaf for a list of countries).

Taxation rates for individuals differ, depending on whether the individual is an Australian tax resident or not. The marginal rates of taxation applicable for Australian tax residents for the financial year from 1 July 2022 to 30 June 2023 are shown in Table 5.

In addition, individual Australian tax residents must pay a Medicare Levy of 2% of taxable income, subject to low-income thresholds, phase-in limits and surcharges for

TABLE 5 Income Tax Rates for Australian Residents (2022-2023)

TAXATION INCOME (AU$)	TAX ON THIS INCOME
0–18,200	Nil
18,201–45,000	19¢ for each AU$1 over AU$18,200
45,001–120,000	AU$5,092 plus 32.5¢ for each AU$1 over AU$45,000
120,001–180,000	AU$29,467 plus 37¢ for each AU$1 over AU$120,000
180,001 + over	AU$51,667 plus 45¢ for each AU$1 over AU$180,000

Source ATO

TABLE 6 Income Tax Rates for Non-Australian Residents (Foreign Resident Tax Rates 2022-2023)

TAXATION INCOME (AU$)	TAX ON THIS INCOME
0–120,000	32.5¢ for each AU$1
120,001–180,000	AU$39,000 + 37¢ for each AU$1 over AU$120,000
180,001 + over	AU$61,200 + 45¢ for each AU$1 over AU$180,000

Source ATO

individuals without private health insurance. The marginal rates of taxation applicable for non-Australian tax residents for the financial year from 1 July 2022 to 30 June 2023 are shown in Table 6.

Goods and Services Tax (GST)

GST is a broad-based consumption tax levied on the supply of most goods and services in Australia, and on goods imported into Australia. The transfer of real estate located in Australia is generally subject to GST, which is calculated as 10% of the GST-exclusive selling price of the real estate and is payable by the seller. However, in the purchase of non-residential property, the GST liability is generally passed to the buyer as they can claim the GST as an input tax credit, subject to satisfying certain requirements.

There are two methods of calculating GST in respect of the supply of certain types of real estate: 1) the ordinary method, and 2) the margin scheme. The ordinary method calculates GST as 10% of the GST-exclusive sale price of the property. The purchaser of a property under the ordinary method may be entitled to claim the GST paid as an input tax credit, subject to satisfying certain requirements. The margin scheme is generally applied to the sale of newly constructed residential premises. A number of conditions must be satisfied for the margin scheme to apply, including written agreement between the seller and purchaser. The margin scheme calculates GST as 10% of the margin, which is the difference between the GST-exclusive sale price and, generally, the price paid for the acquisition of the real estate (subject to certain exceptions). It is important to note that where the margin scheme is used to calculate GST, a purchaser of real estate is not entitled to claim input tax credit.

The sale of farm land, commercial real estate subject to lease, and grants of vacant land by the federal government may all be GST-free supplies, subject to satisfying a number of requirements.

Managed investment trust (MIT)

Australia has also recently implemented the following major reforms in relation to the taxation of MITs:

- The ability for MITs to make an election to treat gains and losses on the disposal of certain assets, including land, as subject to capital gains tax (CGT) treatment, thereby allowing certain investors in an MIT to access a CGT discount on the disposal of underlying assets;
- Extension of the definition of MIT so that a greater range of funds may take advantage of the 15% withholding tax rate which applies to certain distributions to overseas investors.

Withholding tax and tax treaties

Withholding tax is imposed in certain circumstances on dividends, interest and royalties.

For example, a borrower must withhold 10% of the gross amount of the interest paid to a non-resident creditor. Most of Australia's DTAs do not affect the rate of interest withholding tax imposed, as the DTA allows for a rate of 10% or higher.

Royalties paid by an Australian tax resident to a non-Australian tax resident are also subject to withholding tax at a rate of 30% of the gross royalty amount, generally reduced to 10% if paid to a resident of a country with which Australia has a DTA.

Dividends paid by an Australian tax resident company to a non-Australian tax resident which are unfranked (i.e., no Australian company tax has been paid in respect of the profits from which the dividend has been paid) are generally subject to 30% withholding tax. The rate of dividend withholding tax is generally reduced to 15% if paid to a resident of a country with which Australia has a DTA. Payment of a franked dividend by an Australian tax resident is exempt from withholding tax.

DTAs have been signed by Australia with the following countries:

Argentina, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Fiji, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Kiribati, Korea (Republic of), Malaysia, Malta, Mexico, Netherlands, New Zealand, Norway, Papua New Guinea, People's Republic of China (PRC), Philippines, Poland, Romania, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States and Vietnam.

China

China is the world's second-largest economy after the US. It is also the world's fastest-growing major economy, with average growth rates of 8.4% per annum over the past 20 years. The country is also the largest trading nation in the world, being the largest exporter and the second-largest importer of goods.

TYPES OF PROPERTY OWNERSHIP

Under Chinese legislation, all land within urban areas is owned by the state, while land within rural areas is owned by collectives for the exclusive purpose of agriculture. According to a landmark property law passed in 2007, all land, whether urban or rural or containing existing privately-owned structures can be acquired by the state for public purposes provided fair compensation has been paid.

While the land itself cannot be owned by private individuals, the use of the land can be granted based on usufruct land rights. This involves private entities or individuals being granted the use of land for a given period. The time for which land-use rights are given varies depending on the specific use of the site and the local government.

While land cannot be owned, property constructed on the land can, and private owners of that property are legally allowed to transfer ownership to other private entities. The legal recognition of this right to transfer property, in the legislation released in 2007, was a major milestone towards a more transparent property-ownership system.

TABLE 7 Land Use Lease Periods

LAND-USE TYPE	LEASE PERIOD (YEARS)
Residential	70
Education, science, culture, public health and physical education	50
Industrial	20/50 (case-by-case)
Commercial, tourism and recreation	40
Mixed-use or other	50

Source Savills Research, State Land Administration

OVERSEAS OWNERSHIP RESTRICTIONS

In China, property ownership by overseas nationals is restricted to those who have been resident in the country for more than one year, and buyers are restricted to the purchase of one property for self-use. In addition to individuals, overseas companies have several restrictions on ownership, of which the major legislative directives are detailed in the later section on key legislation.

MEASUREMENT OF AREAS

Measurements are typically quoted as gross floor area (GFA), except for the retail market which quotes on a usable floor area basis and is quoted in sq m by practitioners in the real estate industry.

TRANSACTION COSTS

Brokerage/agency fees

Where a real estate broker has been used in a property transaction, the buyer or seller is usually liable for the commission payment. The commission is around 1%, although this may vary according to the nature of the property. Major considerations for agreeing on the amount payable are the total value of the asset, the asset type and respective market conditions.

The party responsible for payment usually depends on whom the broker is working on behalf. For example, if the broker transacts the property on behalf of the seller, then the seller will usually be liable for payment and likewise for property transacted on behalf of the buyer. This can also vary according to prevailing market conditions. For example, when demand for an asset is low, the seller may need to pay the commission as an incentive for brokers to pitch their project, and conversely where competition is fierce and buyers are lining up, the buyer may pay the commission as an incentive for the broker to push with negotiations.

Leasing fees are typically one to two months' rent paid by the landlord.

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KEY STATISTICS

Official name	People's Republic of China
Currency	Renminbi US$1 = RMB6.9525 (March 2023)
Population	1.41 billion (2022)
Land area	9.6 million sq km
GDP per capita	RMB85,698; US$12,326 (2022)
GDP growth	3.0% per annum (2022)
Principal business centres	Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu

Source Savills Research, FocusEconomics

TABLE 8 Typical Lease Terms (Offices)

LEASE PERIOD	Typically three years (often with a renewal option for a further three years), occasionally up to five years.
RENT REVIEWS	Only for longer-term leases and lease renewals.
SUB-LETTING/ ASSIGNMENT	Usually only allowed to affiliated companies and only if allowed in the lease agreement.
TERMINATION	Sometimes allowed after the second year as long as three months prior notice is given.
REPAIRS	Carried out by the property manager, who bears the cost, dependent on the circumstances/fault.
SECURITY OF TENURE	Protected by law.
DILAPIDATION	Tenants may be required to reinstate a property to its original handover condition at the expiry of the term.

Source Savills Research

Security deposit

Typically, a non-interest-bearing, returnable deposit of one month' face rent for residential properties. For office and retail properties, typically a non-interest-bearing, returnable deposit of two or three months' face rent plus service charges and rates.

Legal costs

Legal cost is based on guidelines issued by the All China Lawyers Association. Each party typically carries their own costs.

TAX LEGISLATION

Stamp duty (payable by buyer and seller)

A stamp duty of 0.05% is levied on the contracted value of the property and is payable by both the buyer and seller of the property in China. Stamp

TABLE 9 Sales Of Properties For Real Estate Developers And Non-real Estate Developers

		METHOD	TAX RATE	NOTE
GENERAL TAXPAYER	**OLD PROJECTS**	General or simplified	5% for the simplified method/ 9% for thegeneral method	Land price deductible for the general method
	NEW PROJECTS	General	9%	Land price deductible
SMALL-SCALE TAXPAYER		Simplified	5%	

Source Savills Research, State Taxation Administration

TABLE 10 Sales Of Properties by Individuals

HOLDING PERIOD (TWO OR FIVE YEARS, BASED ON THE CITY)	OWNERSHIP STATUS	TAX TREATMENT
LESS THAN THE SPECIFIED HOLDING PERIOD	-	5% VAT on the entire income
MORE THAN THE SPECIFIED HOLDING PERIOD	Non-primary residential property	5% VAT on the entire income minus the original purchase price
	Primary residential property	No VAT applicable

Source Savills Research, State Taxation Administration

TABLE 11 Lease Of Properties

		METHOD	TAX RATE		NOTE
			NON-RESIDENTIAL	RESIDENTIAL	
GENERAL TAXPAYER	**OLD PROJECTS**	General or simplified	5% for simplified method/ 9% for general method	1.5% (simplified method)	
	NEW PROJECTS	General	9%	1.5% (simplified method)	
SMALL-SCALE TAXPAYER	**ALL PROJECTS**	Simplified	5%	1.5% (simplified method)	Pro-rated monthly revenues below RMB100,000 are tax exempt (unless receipts are require)
INDIVIDUAL	**ALL PROJECTS**	Simplified	5%	1.5%	

Source Savills Research, State Taxation Administration

Note: Old projects refer to projects that include properties that landlords acquired on or before 30 April 2016. New projects include properties that landlords acquired after 30 April 2016. Small-scale taxpayers have taxable income of no more than RMB5 million per year, and general taxpayers have more than RMB5 million of taxable income per year.

duty is charged at 0.1% of the property lease contract.

Value added tax (VAT)
From 1 May 2016, all industries, including the real estate and construction industry, have started to use Value Added Tax (VAT) having fully transitioned from a Business Tax (BT) regime. Detailed summaries are shown in Table 9 to Table 11.

Real estate tax
The real estate tax can be levied in one of two ways and charged during the operation period only:

- For leasing: 12% of the rental income. (From 1 October 2021, residential developments leased to an individual or rental company, will be taxed at 4% of the rental income)

- For self-user: 1.2% of the adjusted cost – set at 70% to 90% of the book value of the property. The book value of a property is set at the time of the asset's construction completion and will not be reset unless the asset is sold through a direct asset transaction.

Enterprise income tax (EIT) (payable by the seller, also part of operating costs)
EIT is levied at 25% for resident enterprises in China on the profits of rental income and gains from Chinese real estate.

Land value appreciation tax (LVAT) (payable by the seller)
LVAT, as set out by the central government, applies to the taxable gain based on the sales of proceeds after several deductions, including but not limited to, the cost of land-use rights, construction costs and taxes incurred during the transfer of land and property. A detailed summary is shown in Table 12.

Deed tax (payable by buyer)
Deed tax is shouldered by the buyer and ranges from 3% to 5% of the total value of the land-use rights or real property transferred depending on the location.

According to Circular 137 issued by the State Administration of Taxation, for an individual buying their first residence smaller than 90 sq m, the deed tax is 1% of the total value of the property, effective from 1 November 2008.

On 11 August 2020, the Standing Committee of the National People's Congress promulgated the Deed Tax Law of the People's Republic of China (the "Deed Law"). The Deed Law elevates deed tax regulations from an administrative regulation level to national law. The Deed Law came into force on 1 September 2021, and the Interim Regulations of the People's Republic of China on Deed Taxes were repealed at the same time.

TABLE 12 LVAT

PROFITS (%)	TAX RATE (%)
Below 50	30
50-100	40
100-200	50
Above 200	60

Source Savills Research, State Taxation Administration

TABLE 13 Land-use Tax

CITY SIZE	TAX RATE (RMB PER SQ M)
Large city	1.5-30
Medium city	1.2-24
Small city	0.9-18
Towns and mining area	0.6-12

Source Savills Research, State Taxation Administration

For qualifying restructuring and reorganization of enterprises and public institutions, China granted deed tax exemptions. The exemption policies, previously extended to 31 December 2020, were further extended until 31 December 2023.

Land-use tax (operating costs)
The land use tax is applied to the actual area of the land occupied by the taxpayer. A detailed summary is shown in Table 13.

Property tax
Chongqing and Shanghai announced, with the State Council's approval, details of the trial property tax which became effective on 28 January 2011.

Shanghai trial property tax details
Tax target
- Newly-acquired second or above home units for local households.

- Newly-acquired first or above home units for non-local households.

Valuation basis
- 70% of the transaction price (eventually to be based on regular appraisal price).

Applicable tax rate (per annum)
- 0.4% for units with prices equal to or lower than double the previous year's average first-hand price.
- 0.6% for all other units.

Exemptions
Local residents
- 60 sq m GFA exemptions will be granted on a per-head basis.

- For newly acquired first homes resold within one year, the paid tax amount will be refunded.

- For independent children who acquire the first home for marriage, no tax will be levied.

Non-local residents
- First homes of qualified experts/talent working in the city will be exempt.

- First homes of those residing and working in Shanghai for more than three years will be exempt.

Chongqing trial property tax details
Reference price
- The average transaction price in Chongqing's nine major districts (Yuzhong, Jiangbei, Shapingba, Jiulongpo, Dadukou, Nan'an, Beibei, Yubei and Ba'nan) in the previous two years.

Tax target
Only applicable for the nine major districts:
- All villas, both existing and newly acquired.

- Newly-acquired high-end residential units that are priced more than double the reference price.

- Newly acquired second and above, ordinary units for non-local residents.

Valuation basis
- Transaction price (eventually to be based on regular appraisal price).

Applicable tax rate (per annum) – please refer to Table 14.

Exemptions (for locals)
- For existing villa units, 180 sq m GFA will be exempt per household.
- For newly acquired villas or high-end residential units, 100 sq m GFA will be exempt per household.
- For two or more newly acquired villas or high-end residential units, the tax-exempt area shall be deducted by chronological order of the acquired dates.

TABLE 14 Applicable Tax Rate (Per Annum)

TAX RATE (%)	LOCAL/ NON-LOCAL	PRICING	PROPERTY TYPE
0.5	All	<3 times the reference price	Villa and high-end residential units
1.0	All	3–4 times the reference price	Villa and high-end residential units
1.2	All	>4 times the reference price	Villa and high-end residential units

Source Savills Research, State Taxation Administration

Real Estate tax summary

Table 15 to Table 20 provide a breakdown of the tax considerations related to different real estate activities (acquisition, disposal, leasing and development) of companies/organisations and individuals.

Individual income tax (IIT)

IIT is based on monthly income, as of 1 January 2019, the amount of the standard basic deduction is RMB60,000 per annum (i.e. RMB5,000 for monthly tax withholding purposes). Individual expenses from six sectors will be able to be deducted from the taxable individual income including children's education, continuing education, severe diseases, mortgage interest, house rent and care for the elderly. Foreign individuals can also package up to 40% of their salary as housing

TABLE 15 Institutional Buyers - Acquisition Taxes and Fees

TYPES OF TAXES	TAX RATE
Key costs	
Deed tax (契税)	3–5% of the total value
Ancillary costs	
Stamp duty (印花税)	0.05% of the contract price
Notary fee (公证费)	Selective, 0.01–0.3% of the contract price

Source Savills Research, State Taxation Administration

Note: There are several other smaller fees and taxes involved in the acquisition of properties or development sites. They include but are not limited to: Legal fees (法律费用), title deed registration fees (转移登记费), land registration fees (土地登记费), survey fees (调查费), handling fees for property ownership certificate (房产证转移费), real estate ownership certificate (房产证收费), and stamp duty for real estate ownership certificate (权证印花税).

TABLE 16 Institutional Sellers - Disposal Taxes and Fees

TYPES OF TAXES	TAX RATE
Key costs	
LVAT* (土地增值税)	30%–60% of value appreciation on the transfer of land or/and property
Value-added tax (增值税)	Either 5% VAT by Simplified Method or 9% by General Method subject to the acquired date of the project
Enterprise income tax^ (企业所得税)	≤20% of taxable income if Foreign Investment Enterprises has no establishments in China 25% of taxable income for others
Ancillary costs	
City construction and maintenance tax (城市建设税)	7% of VAT for taxpayers located in a city 5% of VAT for taxpayers located in a county or township area 1% of VAT for taxpayers located in other urban regions
Education surcharge (教育费附加)	3% of VAT
Stamp duty (印花税)	0.05% of the contract price

Source Savills Research, State Taxation Administration
*LVAT applies to the taxable gain (i.e., value appreciation) based on sales proceeds after several deductions.
^Deductions may be available.

TABLE 17 Institutional Landlords - Leasing Taxes and Fees

TYPES OF TAXES	TAX RATE
Key costs	
Real estate tax (房产税)	12% of rental income or 4% in the case of residential properties
Value-added tax (增值税)	Either 5% VAT by Simplified Method or 9% by General Method subject to the acquired date of the project. From 1 Oct 2021, residential rental companies can use a 1.5% tax rate with the simplified method.
Income tax (所得税)	25% of taxable income, taxed quarterly
Ancillary costs	
Urban and township land-use tax (城镇土地使用税)	RMB0.9–RMB30 per sq m at total site area
City construction and maintenance tax (城市建设税)	7% of VAT for taxpayers located in a city 5% of VAT for taxpayers located in a county or township area 1% of VAT for taxpayers located in other urban regions
Education surcharge (教育费附加)	3% of VAT
Stamp duty (印花税)	0.1% of total aggregate rental

Source Savills Research, State Taxation Administration

TABLE 18 Individual Buyers - Acquisition Taxes and Fees

TYPES OF TAXES	TAX BASE	TAX RATE		
SCENARIO		PRIMARY NORMAL RESIDENCE SMALLER THAN 90 SQ M	PRIMARY NORMAL RESIDENCE LARGER THAN 90 SQ M	NON-PRIMARY RESIDENTIAL PROPERTY
Key costs				
Deed tax (契税)	Contract price	1%	1.5–2.5%	3–5%
Ancillary costs				
Stamp duty (印花税)	Contract price	0–0.05%		

Source Savills Research, State Taxation Administration

Note: Other fees potentially include, but are not limited to, title deed registration fees (转移登记费), real estate ownership certificate (房产证收费), stamp duty for real estate ownership certificate (权证印花税), handling fees for property ownership certificate (房产证转移费), transaction charges (交易手续费).

TABLE 19 Individual Sellers - Disposal Taxes and Fees

TYPES OF TAXES	TAX BASE	TAX RATE	
SCENARIO		NORMAL RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY
Key costs			
Value-added tax (增值税)	-	5% OR NOT APPLICABLE depending on the cities and how long the property was held	5%
PIT (个人所得税)	Profit after deductions	20% (exempt for households with only one apartment and those held for five or more than five years) OR	-
	Contract price**	1%–3% (exempt for households with only one apartment and held for five or more than five years)	-
LVAT# (土地增值税)	Profit after deductions	0%	30–60%
Stamp duty (印花税)	Contract price	0%	0.05%
Ancillary costs			
City construction and maintenance tax (城市建设税)	VAT	7% for taxpayers located in a city 5% for taxpayers located in a county or township area 1% for taxpayers located in other urban regions	
Education surcharge (教育费附加)	VAT	3%	

Source Savills Research, State Taxation Administration

#LVAT applies to the taxable gain based on the proceeds of sales after several deductions.

**Only applicable if purchase documents indicating the value at the time of purchase are unavailable. Other fees potentially include, but are not limited to, local education surcharges (地方教育附加费) and transaction charges (交易手续费). Channel maintenance fees levy (河道工程维护费) stopped as of April 2017.

TABLE 20 Individual Landlords - Leasing Taxes and Fees

TYPES OF TAXES	TAX BASE	TAX RATE	
SCENARIO		RESIDENTIAL	COMMERCIAL
Key costs			
Value-added tax (增值税)	Rental income	1.5%	5%
Real estate tax (房产税)	Rental income	4%	12%
IIT (个人所得税)	Taxable income	10%	20%
Stamp duty (印花税)	Contract price	Null	0.1%
Ancillary costs			
City construction and maintenance tax (城市建设税)	VAT	7% for taxpayers located in a city 5% for taxpayers located in a county or township area 1% for taxpayers located in other urban regions	
Education surcharge (教育费附加)	VAT	3%	

Source Savills Research, State Taxation Administration

Note: Other fees potentially include, but are not limited to, local education surcharges (地方教育附加费). Channel maintenance fees levy (河道工程维护费) stopped as of April 2017. In practice, individual landlords will pay a comprehensive tax that covers business, income and real estate tax for the leasing of residential and non-residential property. This tax rate will vary depending on the tax authority and total monthly rental income.

budgets, education costs, etc., which is tax-free as long as receipts to that value can be produced.

Foreign individuals who reside in China for 183 days or more in a tax year but not more than six consecutive years will be subject to tax on both their China-sourced income and their foreign-source income. However, as a concession, foreign-source income is taxed only to the extent of income paid and/or borne by a China entity or individual. Foreign individuals who reside in China for 183 days or more per year for over six consecutive years will be subject to IIT on their worldwide income from the seventh consecutive year onward if they reside in China for 183 days or more during the year. The 'six-year' count is reset if the foreign individual spends more than 30 consecutive days outside of China during any tax year.

Withholding tax and tax treaties

International enterprises without establishments or places in China shall be subject to a unilateral concessionary rate of withholding tax at 10% on gross income from dividends, interest, lease of property, royalties and other China-sourced passive income unless reduced under a tax treaty.

The State Administration of Taxation released new tax regulations on indirect equity transfers by non-resident enterprises (Bulletin [2015] No. 7), providing a broader scope of indirect transfers, stricter provisions on scrutinising indirect transfers of China's taxable assets and new reporting obligations.

Foreign owners were previously required to report offshore equity transfers and pay a 10% withholding tax; however, many times, these rules were not enforced. As a result, investors were able to avoid paying capital gains taxes on offshore holding structures, leading to higher returns. This new regulation is expected to result in a noteworthy tax obligation increase for foreign sellers, together with an important impact on the investment market.

China is a signatory to a treaty for the prevention of double taxation with many countries all over the world. Draft agreements with additional countries are also in discussion. A Double Taxation Agreement (DTA), in principle, enables the offsetting of tax paid in one of two countries against the tax payable in the other, preventing double taxation.

Another important factor is the grant of an exemption or tax at a reduced rate on certain receipts such as interest, royalties, dividends, capital gains and others that are connected with a transaction carried out between parties associated with the DTA. When certain income is taxable under the Chinese Income Tax Ordinance but there is an exemption (reduced tax) under any taxation treaty, the income may be taxed, but only according to the provisions of the taxation treaty.

Countries include: Albania, Algeria, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Brazil, Brunei, Bulgaria, Canada, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Jamaica, Japan, Kazakhstan, Korea, Kuwait, Kyrgyzstan, Laos, Latvia,

TABLE 21 Detailed Tax Bands for IIT

MONTHLY TAXABLE INCOME (RMB)	TAX RATE (%)
0–3,000	3
3,001–12,000	10
12,001–25,000	20
25,001–35,000	25
35,001–55,000	30
55,001–80,000	35
More than 80,000	45

Source Savills Research, State Taxation Administration

Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mauritius, Mexico, Moldova, Mongolia, Morocco, Netherlands, New Zealand, Norway, Oman, Pakistan, Papua New Guinea, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Seychelles, Singapore, Slovenia, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Thailand, Trinidad and Tobago, Tunis, Turkey, UAE, UK, Ukraine, US, Uzbekistan, Venezuela, Vietnam and Yugoslavia.

LEGAL ISSUES

The legal landscape pertaining to real estate in China has changed rapidly and continues to do so, with the regulatory environment considered to be significantly complex. Detailed below is recent (previous 24 months) key legislation pertaining to real estate.

A pilot scheme for real estate private equity launched (February 2023)

The China Securities Regulatory Commission (CSRC) will allow the new private equity funds to invest in residential housing, including projects under construction, affordable homes and rental apartments. Foreign investors are also encouraged to participate in these funds through the Qualified Foreign Limited Partnership program.

Chinese authorities look to increase bank credit, bond issuance and equity financing (the three arrows) (November 2022)

National Association of Financial Market Institutional Investors (NAFMII) and the People's Bank of China (PBoC) support private real estate enterprises financing by guaranteeing bonds, credit enhancement and direct bond purchases. The PBoC and China Banking and Insurance Regulatory Commission (CBIRC) issued 16 measures to support the stable and healthy development of the real estate market. Meanwhile, the CSRC released supportive measures on real estate equity financing. The raft of supportive policies signalled a marked change in their stance on the property market.

China's first residential REITs to be launched (May 2022)

CSRC and the National Development and Reform Commission (NDRC) in late May issued the document looking to provide more clarity about affordable housing REITs management and thereby promote the development of the sector.

Calling on banks to support merge and acquisitions (December 2021)

PBoC and CBIRC called on banks to support high-quality real estate enterprises in mergers

and acquisitions. At the same time, they asked banks to strengthen the risk control and post-loan management of M&A loans and monitor the use of funds.

Regulations on the management of industrial-titled land sales (September 2021)

New regulations allow some owners of unused warehouses to sell the property strata title. The government also set higher tax and investment requirements for land acquisitions. For example, minimum plot ratios for industrial land were raised from 1.2 to 2.0.

Batch release of residential land plots (February 2021)

22 key cities including Shanghai, Beijing, Guangzhou and Shenzhen will have their residential land auctions concentrated in three batches per year. This regulation is designed to cool the land sales market.

Banks restricted from loaning to developers and individual mortgages (January 2021)

PBoC and CBIRC set restrictions on how much could lend to real estate developers and individuals' mortgages. Larger banks including the Industrial and Commercial Bank of China (ICBC), China Construction Bank Corporation (CCBC), Agricultural Bank of China (ABC), Bank of China (BOC), China Development Bank (CDB), Bank of Communications (BCM) and Postal Savings Bank of China (PSBC), were allowed to lend up to 40% of their loan book to real estate developers while individual mortgages were capped at 32.5% of their loan books.

Multiple cities released policies to further control the residential sales market (January 2021)

Many cities, including Beijing, Shenzhen, Shanghai, Hangzhou and Chengdu, released policies to cool down the residential sales market in 2H/2020. Policies include, but are not limited to, raising the qualifications for house purchasing, raising the holding period before VAT exemption and controlling bank mortgage loan issuance.

Land and property registration

The Property Law proposes that China's real property registration system be unified nationwide and property rights holders and interested parties may apply to retrieve the information filed with the registry. Currently, information on land-use rights, building ownership and mortgage rights may be separately filed with different local real estate or construction administration authorities. That information is usually not accessible except with the registrant's written consent. The new law, therefore, ought to facilitate searches on the title and related property rights. However, it remains unclear whether just anybody will be entitled to search the registry or whether applicants must establish some relationship to the property at issue. Implementation of these provisions of the Property Law will need to be monitored closely.

Foreign exchange controls

In China, companies, banks, and individuals must comply with a "closed" capital account policy. This means that money cannot be freely moved into or out of the country unless it abides by strict foreign exchange rules.

The Chinese government introduced new capital controls through several announcements by government agencies at the end of 2016. The announcements indicated that certain outbound transactions would not be approved unless given specific approval.

OTHER REAL ESTATE ISSUES

Sales Approval

In contrast to many markets overseas, where developers will achieve a certain sales target before being able to gain funding and start construction, developers in China usually construct a property on a speculative basis, which brings an added risk to the development of real estate in China.

Before the commencement of onshore strata-title sales for units within a project, the developer must first acquire sales approval from the Municipal Bureau of Land Resources and Real Estate. For onshore sales of residential, office or retail units, the following criteria must be met to be eligible for attaining sales approval:

- The full amount of the land-use rights transfer fee must have been paid and the land-use rights certificate must have been formally obtained.
- The project must have a project planning licence, construction licence, real estate development licence and land-use rights certificate.
- 25% of the project must have been completed, assessed based on 25% of the total project cost having been invested, and construction progress, as well as completion and handover dates, must have been determined. For low-rise projects, properties must be topped out.

Building completion

For newly developed projects, developers must apply to the local government for the issue of a building completion certificate. Depending on the scale and significance of a project, the pre-completion assessment may require addiional input from one or more government authorities, such as in the case of projects involving public interest, national security or state funding. This certificate should be obtained before the formal handover and occupation of the building.
The following tasks are generally involved in attaining a building completion certificate:

- Assessment of compliance with all planning requirements, including zoning, GFA restrictions, height restrictions, etc.
- Assessment of compliance with health, fire, safety, labour and environmental protection requirements.
- Settlement of contracts for building materials and services carried out by contractors.
- Formal acceptance by the project owner that they are satisfied with the work carried out by contractors.

Key cities overview - Beijing

Beijing is the capital city of China and is recognised as the nation's centre for a wide variety of functions, including politics, economics and cultural heritage, and as a transportation hub. As one of the four municipalities directly under the central government, Beijing leads economic and political reform and has 21.89 million residents and the country's second-largest GDP.

Multinational companies and large State-Owned Enterprises (SOEs) have established their regional and national headquarters in Beijing to benefit from preferential policies, supported by the government, and to have closer ties to the decision-making centre.

Beijing's GDP experienced consecutive double-digit growth from 1998 to 2007 but started to slow in 2012, echoing the economic slowdown of the country. The tertiary industry remained the largest contributor to the city's GDP, accounting for 83.9% of the total in 2022.

BEIJING-SPECIFIC LEGISLATION

Detailed below are the recent key (previous 24 months) property-related legislation that is unique to Beijing.

Lifts strictest double restrictions in two areas of Tongzhou district (November 2022)

Beijing Municipal Commission of Housing and Urban-Rural Development, the Administrative Committee of Beijing Economic-Technological Development Area and the People's Government of Tongzhou District removed house purchase restrictions specific to Taihu and Majuqiao. Purchasers only need to follow the house purchase restrictions of Beijing.

Accelerating the development of guaranteed rental housing (March 2022)

The Beijing Municipal government released plans to encourage the conversion of idle and unproductive retail, offices, hotels, factories, warehouses and other non-residential stock into affordable rental housing.

Stricter management of school district housing (April 2021)

Beijing Municipal Commission of Housing and Urban-Rural Development released a document to better manage the real estate market including stricter management of school district housing. Haidian, Xicheng, and Dongcheng districts have taken the lead in issuing a new policy for mandatory education enrolment, further clarifying the multi-school zoning policy.

For-lease housing size requirement (January 2021)

Beijing Housing and City Construction Committee issued guidance regarding for-lease housing in Beijing, saying that the unit size per person for dorm-style for-leasing housing should be no less than four sq m.

KEY STATISTICS - BEIJING	
Permanent population	21.89 million (2021)
Land area	16,410.5 sq km (municipality) 1,401 sq km (urban area)
GDP	RMB4,161 billion (2022)
GDP per capita	RMB190,091; US$27,341 (2022)
GDP growth	0.7% per annum (2022)
Principal business centres	CBD and its vicinity, Beijing Financial Street, Lufthansa, East Second Ring Road, East Chang'an Avenue, Zhongguancun, Wangjing, Asia-Olympic, Lize Financial Business District (FBD)

Source Savills Research; National Bureau of Statistics of China

Key cities overview - Shanghai

As one of the cities pioneering China's economic reforms, Shanghai is the powerhouse of the Chinese economy, and one of the largest cities in the country with more than 24 million residents and the country's largest GDP. Shanghai has benefited greatly from its strategic location on the East China Sea, acting as the window to the world for much of the Yangtze River Delta, one of China's largest production regions. Shanghai has also had immense support from the central government, with preferential policies and a greater degree of openness, allowing the city to lead the way in the country's economic reforms.

Manufacturing had traditionally been the core of Shanghai's economy; however, in 1999 the services industry overtook manufacturing as the largest contributor to GDP and, at the end of 2022, the service sector accounted for 74.1% of the city's economy.

SHANGHAI-SPECIFIC LEGISLATION

Detailed below are the key recent (previous 24 months) property-related legislation that is unique to Shanghai.

Hukou Policy relaxed in Lingang (August 2022)

Lingang now allows non-local residents who work in the region to buy a property after paying one year's worth of individual income tax or social insurance.

Second-hand residential price guidance (July 2021)

Second-hand homes must go through a price check by the transaction management department before listing on the sales market. This policy is designed to reduce erroneous pricing in the second-hand market.

Eligible first-hand buyers are only allowed to sell apartments after five years (March 2021)

Home sales price caps will be set on new residential land sale documents. First-hand homes bought through a point-based selection process will have to be held for a minimum of five years before being resold.

Points-based selection process applied to oversubscribed first-hand property sales (February 2021)

A new points-based selection process was instituted for oversubscribed first-hand property sales to ensure a fairer selection process. Applicants are graded based on several criteria including but not limited to their hukou (residency permit) status, current housing situation, number of years of local social security contributions and previous housing purchase records. People owning no homes will be prioritised for the first-round lucky draw while those already owning a home will be allowed in the second round.

Home purchase restrictions apply to court-auctioned houses (January 2021)

House purchase restrictions will apply to court-auctioned houses, which means buyers will also need to be qualified to purchase court-auctioned houses given their current housing situation. The buyer will need to shoulder legal consequences if the buyer fails to purchase the house because they have more houses than is currently allowed.

New policies to further control the residential house purchasing market (January 2021)

To cool down the residential house purchasing market, the Shanghai government released several new policies. Divorced homebuyers will no longer be considered first-time buyers for three years if they had owned property during their marriage. In addition, a capital gains tax on the total sales price of the property will be imposed if the house is sold within five years of purchase, up from the previous two-year barrier.

KEY STATISTICS - SHANGHAI

Permanent population	24.87 million (2021)
Land area	6,340.5 sq km (municipality) 3,248.7 sq km (urban area)
GDP	RMB4,465 billion (2022)
GDP per capita	RMB179,401; US$25,804 (2022)
GDP growth	-0.2% per annum (2022)
Principal business centres	Huaihai Road (M), Nanjing Road (W) and 'Little' Lujiazui

Source Savills Research; National Bureau of Statistics of China

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Hong Kong, a small city of seven million people, is conveniently located in a time zone between the US and Europe and has the fifth largest stock market in the world. The city is rated as the world's second freest economy by the Heritage Foundation. The Hong Kong economy is highly influenced by the services industry, which dominates over 90% of its GDP. Finance, insurance, real estate, professional and business services are the main foundations of the economy, with 22% of the working population employed in these sectors.

TYPES OF PROPERTY OWNERSHIP

All land in Hong Kong, with one exception, is held by the HKSAR Government. The government grants companies or individuals the right to occupy or develop land in return for the payment of government rent. Leases are often granted for a period of 50 years. Subject to government's sole discretion, leases due for renewal after July 1997 will be renewed for 50 years.

Strata-title ownership is commonly practiced in Hong Kong. Owners are required to sign a deed of mutual covenant guaranteeing collective up-keep and maintenance of the building.

OVERSEAS OWNERSHIP RESTRICTIONS

Under the Basic Law there are no restrictions on overseas ownership of property.

MEASUREMENT OF AREAS

All areas are quoted in square feet. Various area measurements which are often quoted in agreements are stated as follows:

- Net area: net usable area including columns up to the external window face. Most commonly used in office and retail premises.
- Lettable area: net area plus washrooms and lobbies. Most commonly used in office premises.
- Gross area: all area contained within the external walls and the whole thickness of the external walls. Most commonly used in office, retail and industrial premises.
- Net usable area: carpetable area excluding columns and service core. Not very widely used and only applicable to office spaces.

Estate agents are required to provide information on the saleable area of a second-hand residential property to their clients in advertisements and in provision of the floor area information of the property effective from 1 January 2013.

TABLE 22 Lease Terms

LEASE PERIOD	In most cases for commercial and industrial premises 2- to 3-year leases are common although longer leases are available. For residential premises 1- to 2- year leases are more common.
RENT REVIEWS	Usually rent reviews are conducted every three years, while a price ceiling and price floor are typically set when the contract is signed to protect both parties.
SUB-LETTING/ ASSIGNMENT	Not an accepted market practice.
TERMINATION	Usually prohibited, though break clauses can be included in a lease for early termination of the tenancy provided that a written notice is given to the landlord two months in advance.
REPAIRS	The exterior and structural repairs and maintenance of the building are the landlord's responsibility. Tenants are usually expected to be responsible for internal repairs and maintenance.
SECURITY OF TENURE	Security of tenure is not guaranteed beyond the term of a lease. A contractual option to renew can be included in the lease if required.
DILAPIDATION	Tenants are expected to reinstate a property to its original condition although allowances are made for fair wear and tear.

Source Savills Research & Consultancy

KEY STATISTICS

Official name	Hong Kong Special Administration Region (HKSAR)
Currency	Hong Kong dollar (100 cents), Pegged to the US dollar (US$1 = HK$7.8)
Population	7.3 million (2022)
Land area	1,110 sq km
GDP per capita	HK$374,135; US$47,966 (2022)
Real GDP growth	-3.5% per annum (2022) 3.5% to 5.5% per annum (2023E)
Principal business centres	Central, Wanchai, Causeway Bay, Tsim Sha Tsui and Island East

Source Census and Statistics Department, HKSAR Government

- Saleable area: a domestic (residential) unit is measured on the basis of 'saleable area' which is defined as the floor area exclusively allocated to the unit including balconies and verandahs but excluding common areas such as stairs, lift shafts, pipe ducts, lobbies and communal toilets. It is measured from the outside of the exterior enclosing walls of the unit and the middle of the party walls between two units. Bay windows, yards, gardens, terraces, flat roofs, carports and the like are excluded from the area.

TRANSACTION COSTS

Brokerage/agency fees

Leasing fees are typically one month's rent paid by the landlord, while purchase fees are usually 1% of the agreed price.

Security deposit

Commonly a non-interest-bearing returnable deposit of two or three months' gross rent plus service charges and rates.

Legal costs

Legal costs are based on guidelines issued by the Law Society of Hong Kong. Notably, due to increasing competition among solicitors, most fees are now subject to negotiation, with each party typically carries their own costs.

TAX LEGISLATION

Stamp duty

With effect from 1 April 2010, stamp duty on the sale of immovable property in Hong Kong is charged at rates which vary with the amount or value of the consideration.

The Hong Kong government announced in their 2023-24 Budget that the Stamp Duty Ordinance would be amended to revert the ad valorem stamp duty (AVD) on certain instruments dealing with non-residential property from the rates under Scale B to the rates under Scale A in Table 23. The new value bands are applicable to any instrument executed at 11 am on 22 February 2023 or thereafter for the sale and purchase or transfer of residential property or non-residential property that is subject to AVD at Scale A rates.

TABLE 23 Ad Valorem Stamp Duty on Sales and Purchases

AMOUNT OR VALUE OF THE CONSIDERATION (HK$)	HKPR RESIDENTIAL PROPERTY BUYER WHO DOES NOT OWN ANY OTHER RESIDENTIAL PROPERTY IN HONG KONG EXECUTED ON 22 FEBRUARY 2023 OR THEREAFTER (SCALE A) (HK$)	AMOUNT OR VALUE OF THE CONSIDERATION (HK$)	ALL NON-RESIDENTIAL PROPERTY BUYERS WITH INSTRUMENT EXECUTED BEFORE 26 NOVEMBER 2020 (SCALE B) (HK$)	ALL HKPR WHO OWN OTHER RESIDENTIAL PROPERTY IN HONG KONG, CORPORATE AND, NON-HKPR RESIDENTIAL PROPERTY BUYERS
	$100	Up to $2,000,000	1.5%	
	$100	$2,000,001-$2,176,470	$30,000 + 20% of excess over HK$2,000,000	
Up to $3,000,000	$100	$2,176,471-$3,000,000	3.0%	
$3,000,001-$3,528,240	$100 + 10% of the excess over $3,000,000	$3,000,001-$3,290,330	$90,000 + 20% of excess over $3,000,000	
$3,528,241-$4,500,000	1.50%	$3,290,331-$4,000,000	4.5%	
$4,500,001-$4,935,480	$67,500 + 10% of the excess over $4,500,000	$4,000,001-$4,428,580	$180,000 + 20% of excess over $4,000,000	
$4,935,481-$6,000,000	2.25%	$4,428,581-$6,000,000	6.0%	15%
$6,000,001-$6,642,860	$135,000 + 10% of the excess over $6,000,000	$6,000,001-$6,720,000	$360,000 + 20% of excess over $6,000,000	
$6,642,861-$9,000,000	3.00%	$6,720,001-$20,000,000	7.5%	
$9,000,001-$10,080,000	$270,000 + 10% of the excess over $9,000,000	$20,000,001-$21,739,130	$1,500,000 + 20% of excess over $20,000,000	
$10,080,001-$20,000,000	3.75%			
$20,000,001-$21,739,120	$750,000 + 10% of the excess over $20,000,000	$21,739,131 and above	8.5%	
$21,739,121 and above	4.25%			

Source Savills Research & Consultancy

TABLE 24 Stamp Duty on Leases

TERM		RATE
EXCEEDS	DOES NOT EXCEED	
	1 year	0.25% × the total rent payable over the term of the lease*
1 year	3 years	0.5% × the yearly or average yearly rent*
3 years		1% × the yearly or average yearly rent*
Not defined or is uncertain		0.25% × the yearly or average yearly rent*
Key money, construction fees, etc mentioned in the lease		4.25% of the consideration if rent is also payable under the lease. Otherwise, same duty as for a sale of immovable property.
Duplicate or counterpart		HK$5 each

Source Savills Research & Consultancy

Note: 1) *The yearly rent/average yearly rent total has to be rounded-up to the nearest HK$100;
2) Any deposit which may be mentioned in the lease will not be taken into account in assessing the stamp duty.

Special stamp duty (SSD)

Any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of where it is incorporated), and resold within 24 months (if the property was acquired between 20 November 2010 and 26 October 2012) or 36 months (if the property was acquired on or after 27 October 2012) will be subject to SSD.

SSD rate:
The SSD is calculated based on the stated consideration for the transaction or the market value of the property, whichever is higher, at the following rates for different holding periods by the seller before the transaction if the property was acquired between 20 November 2010 and 26 October 2012:

1) 15% if the vendor has held the property for six months or less;

2) 10% if the vendor has held the property for more than six months but for 12 months or less; and

3) 5% if the vendor has held the property for more than 12 months but for 24 months or less.

For property acquired on or after 27 October 2012, the SSD will be calculated at the following rates:

1) 20% if the vendor has held the property for six months or less;

2) 15% if the vendor has held the property for more than six months but for 12 months or less; and

3) 10% if the vendor has held the property for more than 12 months but for 36 months or less.

Buyers' stamp duty (BSD)

Any residential property acquired on or after 27 October 2012, either by an individual who is not a permanent Hong Kong resident or a company will be subject to the proposed BSD:

BSD rate:
The BSD is calculated as 15% on the stated consideration for the transaction or the market value of the property, whichever is higher.

Property tax

Government rent is payable quarterly in advance, namely in January, April, July and October. It is calculated as 3% of the rateable value of the property. Subject to lease condition, the landlord is liable for Government rent.

Government rates are also payable quarterly in advance. They are currently calculated as 5% of the rateable value, payable by the tenant.

The owners of land and/or buildings are generally taxed at 15% on actual rents received, less a maximum of 20% statutory allowance for repairs and maintenance.

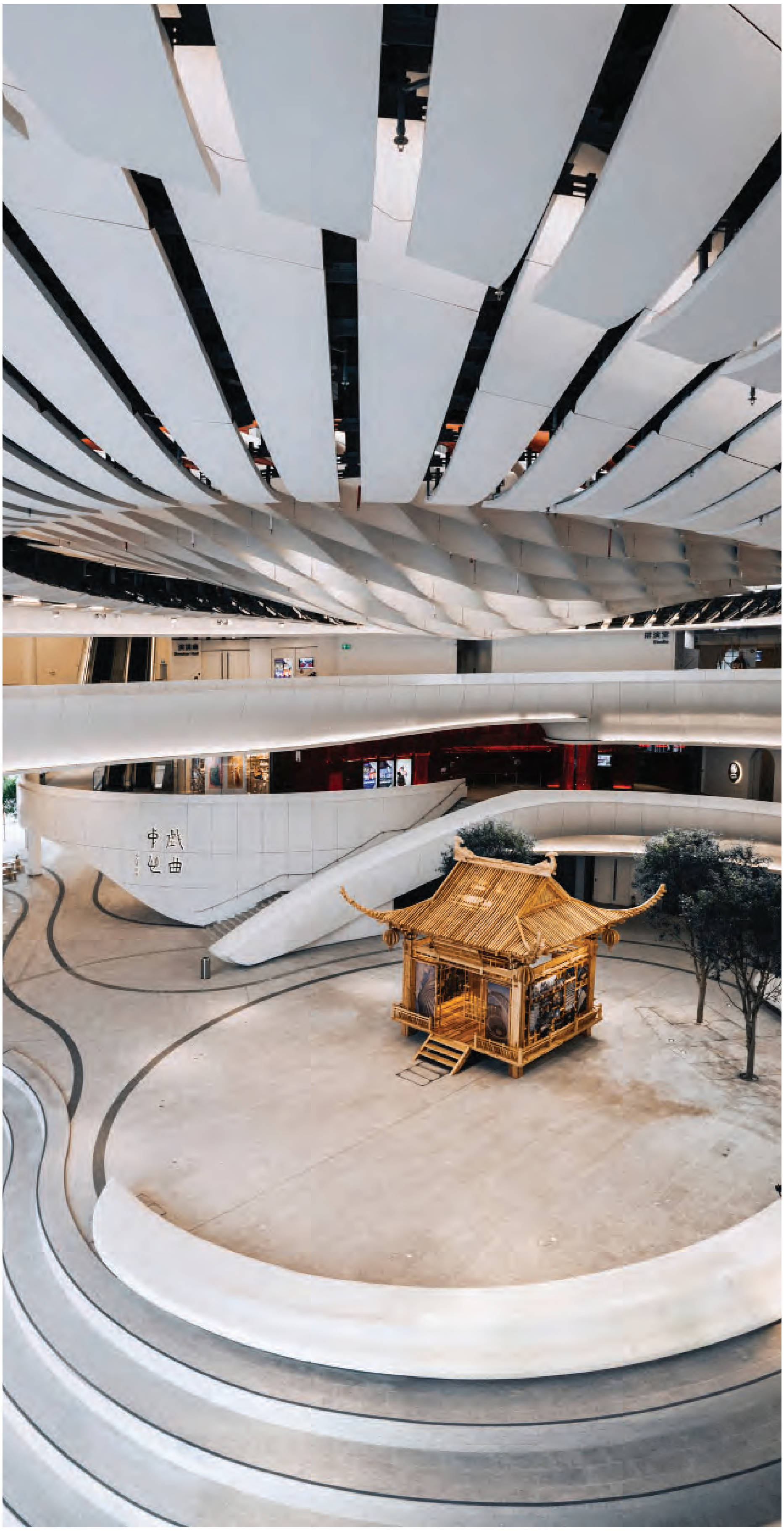
Properties owned by enterprises doing business in Hong Kong are exempt from property tax, but the income derived from ownership is chargeable to profits tax.

Limitation on mortgages

In 23 February 2022, HKMC Insurance Limited amended the Mortgage Insurance Programme (MIP) for completed residential properties, in order to provide assistance to homebuyers with housing needs. For mortgage loans up to 90% loan-to-value (LTV) ratio applicable to first-time homebuyers, the maximum property value is amended to HK$10 million; The maximum property value eligible for mortgage loans up to 80% LTV ratio is amended to HK$12 million; To avoid a significant drop of the allowable LTV ratio for mortgage loans with property value slightly over HK$12 million, coverage of the MIP is extended to properties valued from above HK$12 million and up to HK$19.2 million, subject to a mortgage loan cap of HK$9.6 million. The maximum debt-to-income (DTI) ratio for both the above-mentioned and existing MIP loans is set at 50%, and borrowers have to meet the stressed DTI ratio. First-time homebuyers will still be eligible for MIP loans up to 80% or 90% LTV ratio even if they cannot meet the stressed DTI ratio, subject to an additional adjustment to the premium based on relevant risk factors.

The mortgage insurance programme is not available to applicants whose income is mainly derived from outside Hong Kong unless they can demonstrate that they have a close connection with Hong Kong.

- The maximum debt servicing ratio (DSR) of mortgage loans assessed based on the debt



servicing ability of a mortgage applicant who has more than one property is 30% to 50%.

- The maximum LTV ratio for mortgage loans assessed based on the net worth of a mortgage applicant who has more than one property is limited to 30%.

- The maximum LTV ratio for mortgage applicants whose principal income is derived from outside Hong Kong is 10 percentage points lower than local buyers.

- The maximum loan tenor of all new property mortgage loans is 30 years.

The following are new requirements released by the Hong Kong Monetary Authority on mortgage lending for properties transacted after 23 February 2013:

- The assumed increase in mortgage rates when stress-testing mortgage applicants is raised from 200 basis points to 300 basis points.

- The maximum LTV ratio of mortgage loans for all commercial and industrial properties is further lowered by 10 percentage points (local buyers: 40%; others: 20%).

- The maximum LTV ratio of mortgage loans for standalone car park spaces and the maximum loan tenor will remain at 40% and 15 years respectively.

- Other requirements on maximum LTV ratios and DSR which apply to commercial and industrial property mortgage loans are applicable to standalone car park space mortgage loans.

The following are new requirements released by the Hong Kong Monetary Authority on mortgage lending for properties transacted after 27 February 2015:

- The maximum loan-to-value (LTV) ratio for self-use residential properties with a value below HK$7 million will be lowered by a maximum of 10 percentage points. For example, the maximum LTV ratio applicable to properties with a value of HK$6 million or below and subject to the LTV cap of 70% will be lowered to 60%.

- The maximum debt-servicing ratio (DSR) for borrowers who buy a second residential property for self-use will be lowered to 40% from 50%, and the stressed-DSR cap will be lowered to 50% from 60%.

- The maximum DSR of mortgage loans for all non-self-use properties, including residential properties, commercial and industrial properties and car park spaces, will be lowered to 40% from 50%, and the stressed-DSR cap will be lowered to 50% from 60%.

The following are new requirements released by the Hong Kong Monetary Authority on mortgage loans for properties transacted after 19 May 2017:

- The risk-weight floor has been raised from 15% to 25% for new residential mortgage loans approved.

- The applicable LTV cap will be lowered by 10% for property mortgage loans involving borrowers and/or guarantors with one or more pre-existing mortgage loans, in addition to the existing requirement of lowering the applicable debt servicing ratio (DSR) limit by 10 percentage points for these loans.

- The applicable DSR limit will be lowered by 10% for property mortgage loans extended to borrowers whose income is mainly derived from outside of Hong Kong, on top of the existing requirement of lowering the applicable LTV cap by 10% for these loans.

The following is a relaxation of countercyclical macroprudential measures released by the Hong Kong Monetary Authority on mortgage loans for non-residential properties transacted from 20 August 2020:

- The applicable loan-to-value ratio caps for mortgage loans on non-residential properties are adjusted upward by 10 percentage points, from 40% to 50% for general cases.

Capital allowances

Tax depreciation allowances are given for capital expenditure incurred in the construction of industrial buildings and structures, the construction of commercial buildings, and the provision of plant and machinery for trade and business purposes.

- Industrial buildings: an initial allowance of 20% is available in relation to the cost (excluding the cost of land) of an industrial building or structure occupied for the purposes of a qualifying trade. An annual allowance of 4% of the original capital expenditure is also given.

- Commercial buildings: these are buildings or structures used for business purposes other than industrial buildings. An annual allowance of 4% of the capital expenditure incurred on construction has applied since 1 April 1998.

- Refurbishment concession: capital expenditure on the renovation or refurbishment of a building or structure, other than a domestic building or structure, is deductible at the rate of 20% a year over a five-year period.

TABLE 25 Calculation of Personal Income Tax

INCOME – SLIDING SCALE (HK$)	TAX RATE (%)
First $50,000 (after deductions)	2
Next $50,000	6
Next $50,000	10
Next $50,000	14
Remaining income	17

Source HKSAR*, Savills Research & Consultancy
* https://www.gov.hk/en/residents/taxes/taxfiling/taxrates/salariesrates.htm

Corporation tax

Detailed below is the normal rate of corporate tax and the concessionary rate:

- Normal rate: Effective from the year of assessment 2018/19, there is a two-tiered profits tax rates regime in Hong Kong SAR. It is applicable to any year of assessment commencing on or after 1 April 2018. For corporations, the first HK$2 million of profits will be taxed at 8.25% and the remaining profits will continue to be taxed at 16.5% tax rate. For unincorporated businesses, the first HK$2 million of profits will be taxed at 7.5% and the remaining profits will be taxed at 15% tax rate.

- Concessionary rate: a tax rate of 50% of the normal profits tax rate will be applied to trading profits and interest income received or derived from qualifying debt instruments issued in Hong Kong, to the offshore businesses of professional reinsurance companies, to qualifying profits of a qualifying corporate treasury centre, and to qualifying profits of a qualifying aircraft lessor or a qualifying aircraft leasing manager.

All taxpayers are subject to the same corporation or unincorporated business tax rate irrespective of their residential status.

Personal income tax (PIT)

Individuals are taxed on income arising in or derived from Hong Kong, deducting any allowances applicable (the most common one being the basic allowance, which is HK$100,000 for the time being), on a rising scale subject to a limit of 15%. The actual calculation is shown in Table 25.

Withholding tax and tax treaties

There is no withholding tax on dividends, interest or royalties. However, the tax on royalties received by non-residents is in effect similar to a withholding tax. It requires resident consignees to provide quarterly returns to the Hong Kong Inland Revenue Department (HKIRD) showing the gross proceeds from sales on behalf of their non-resident consignors and to pay to the HKIRD Commissioner a sum equal to 0.5% of such proceeds.

Hong Kong adopts the territoriality basis of taxation, whereby only income / profit sourced in Hong Kong is subject to tax and that derived from a source outside Hong Kong by a local resident is in most cases not taxed in Hong Kong. Therefore, Hong Kong residents generally do not suffer from double taxation. The government also establish a Comprehensive Double Taxation Agreements / Arrangements (DTAs) network that would minimise exposure of Hong Kong residents and residents of the DTA partner to double taxation. The arrangement covers airline and shipping operations as well as other business activities.

To date, Hong Kong has concluded comprehensive double taxation agreements with 45 jurisdictions including Austria, Belarus, Belgium, Brunei, Cambodia, Canada, Czech Republic, Estonia, Finland, France, Georgia, Guernsey, Hungary, India, Indonesia, Ireland, Italy, Japan, Jersey, Korea, Kuwait, Latvia, Liechtenstein, Luxembourg, Macao SAR, Mainland of China, Malaysia, Malta, Mexico, Netherlands, New Zealand, Pakistan, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, South Africa, Spain, Switzerland, Thailand, United Arab Emirates, United Kingdom, and Vietnam.

LEGAL ISSUES

Land registration

The Land Registry maintains a public land register for recording interests in land and real property. This public register provides the means whereby the title to real and immovable property may be easily traced and ascertained, and secret or fraudulent conveyancing can be detected. The assurance that it gives about the ownership of property encourages investment and supports economic development.

The present land registration system has been in operation since 1844. It is a deeds registration system governed by the Land Registration Ordinance. Under the deeds registration system, instruments affecting real properties are lodged with the Land Registry for registration.

Town planning

The Town Planning Board is responsible for guiding and controlling the development and use of land in order to promote the health, safety, convenience and general welfare of the community.

In accordance with town planning regulations, the Board may also require the Director of Planning to prepare plans or sketches for carrying out its functions as laid down in the Ordinance. Headed by the Director of Planning, the Planning Department is the executive arm of the Board which is responsible for formulating, monitoring and reviewing town plans, planning policies and associated programmes for the physical development of Hong Kong. It deals with all types of planning at the territorial and district/ local levels and provides services to the Board.

Under the Town Planning (Amendment) (No. 2) Ordinance which came into operation in November 1991, the Town Planning Appeal Board has also been set up to hear appeals against the Board's decisions to reject planning applications upon review.

MAJOR PROPERTY LEGISLATION

There are a number of key pieces of legislation pertaining to real estate, which are detailed below:

- Building Ordinance
- Building Management Ordinance
- Companies Ordinance
- Conveyancing & Property Ordinance
- Government Leases Ordinance
- Inland Revenue Ordinance
- Land Registration Ordinance
- Landlord and Tenant Ordinance
- Landlord and Tenant (Consolidation) Ordinance
- Stamp Duty Ordinance
- Town Planning Ordinance

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The Indian economy has shown remarkable resilience in the face of several global events including the COVID-19 pandemic, the Russia-Ukraine war and other geopolitical tensions. Strong macro-economic indicators and a consumption driven economy have played a significant part in India overtaking the UK as the fifth largest economy in 2022. The International Monetary Fund (IMF) continues to predict that India, with a GDP growth rate forecast of 6.8% YoY in the fiscal year (FY) of 2023 (which runs from 1 April to 31 March the following year), will remain the fastest growing major economy.

Spiralling crude oil prices subsequent to these geopolitical events has meant inflation remaining beyond the tolerance zone of the Reserve Bank of India (RBI). With a view to ease inflationary pressures, the RBI has increased the benchmark lending rate to 6.5%, up from 4.0% at the beginning of the current fiscal year. Although the rate hikes have been gradual, the overall 250 bps increase has resulted in home loans increasing from near 6% to around 8-9%. However, timely fiscal and monetary stimulus, a focus on domestic manufacturing and governance related initiatives have together ensured that India stays on a steady growth path. Foreign Direct Investment (FDI) has been on the rise owing to a steadily improving business environment. As per the data released by the Ministry of Commerce and Industry, India received the highest ever annual FDI inflow of US$83.57 billion in the FY2022.

The service sector constitutes nearly 54% of the country's GDP and remains its fastest growing component. The manufacturing sector has taken massive strides under the "Make in India" initiative over the last few years. This is evident from the Purchasing Manager's Index which has remained above 50 over the last year for both the services and manufacturing sectors. FDI equity inflows in manufacturing rose by 76% in FY2022.The government periodically reviews the FDI policies to ensure that India remains an attractive destination for foreign investors across varied sectors.

TYPES OF PROPERTY OWNERSHIP

In India, property ownership can be categorized into two broad types, namely, freehold and leasehold. The main difference between freehold and leasehold properties is about title and control.

Freehold property

Such properties are free from the hold of any entity, besides the owner. So, the owner enjoys complete ownership and can use the land for developing, renovating, selling, or transferring, according to local regulations. The owner is in charge of the building and is responsible for its upkeep and maintenance, for paying taxes and local levies, incurring operational costs, as well as claiming depreciation or other benefits, as applicable.

Leasehold property

In such properties, one has the right to occupy and use for a stipulated period of time as per the conditions of the agreement. The buyer or the lessee is not the owner of the property or the land it is situated upon. One has to pay ground rent to the owner or the lessor. Once the set period in the lease expires, the ownership of the property reverts to the landowner. The responsibility for major maintenance of the property lies typically with the lessor. Also, major modifications or alterations to the property by the lessee are not allowed, unless it is specifically mentioned in the lease agreement. Leasehold tenures (and rights) vary in a vast spectrum, ranging from a few years to hundreds of years.

Private ownership can also be categorized into individual, joint, co-ownership and nomination based on the number of individuals owning the property. While in an individual ownership a single person has all the rights, more than one individual is associated in joint and co-ownerships. Joint ownerships typically have evenly distributed rights between the shareholders. However, in case of co-ownership, the share

KEY STATISTICS

Official name	Republic of India
Currency	Indian Rupee (INR)
Population	1.41 million (2021)
Land area	3.28 million sq km
GDP per capita	Nominal - US$2,257 (2021); PPP - US$7,242 (2021)
Real GDP growth	8.7% (FY2022) 6.8% (FY2023F)
Principal business centres	Mumbai, Delhi NCR*, Kolkata, Chennai, Bengaluru, Hyderabad and Pune

Source Savills Research & Consultancy, World Bank, International Monetary Fund
*NCR: National Capital Region

of property depends upon the magnitude of the initial investment by a shareholder. In case of nomineeship, the nominated person can become only a member of the concerned society and a nominal owner after the death of the original owner, but to be a legal beneficial owner, it is necessary for the person to be named in the will.

With respect to renting out a property, one of the most common agreements between the landlord and tenant is the "Leave and License Agreement". In a Leave and License Agreement, which comes under the purview of the Indian Easement Act, the tenant cannot claim any ownership of the property. Under such agreements, the owner leaves the property with various facilities; the same is given to the licensee for use, while the owner is on a leave for a specific period of time. Once the lease is over, and the owner returns, the licensee leaves. Moreover, it is the duty of the licensee to vacate the rented property in the same condition it was leased by the owner. The tenant cannot make any major changes and everything that the property was given with needs to be there as the agreement is temporary.

In case of commercial real estate, the leasehold model is quite popular amongst occupiers including large multi-national companies. Table 26 provides a quick snapshot of typical lease agreements in the office market of the country.

An important aspect of the market, which has brought increased transparency to the real estate industry, is the digitization of records and processes, whether for land, residential or commercial buildings. It has significantly streamlined the process of approvals, payments and money transfers, disputes or redressal mechanisms.

TABLE 26 Typical Lease Terms (Offices)

LEASE PERIOD	Typical Lease Terms	3-5 years; renewable with pre-agreed rent escalations for a total of up to 10 years.
	Break Options	No break allowed during the lock-in period which is typically 3-5 years. Post the lock in, the notice period is usually 6 months.
RENTAL PAYMENTS	Rent Free Period	1-3 months. Usually, fit outs are carried out in the initial few months and rent is waived during that period.
	Tenants Pays	Monthly in advance.
	Frequency of Rent Indexation	N/A
	Security Deposit	6-12 months' rent (interest free)
	Rents Quoted in	INR / sq ft / month
RENT REVIEWS		Most leases have a fixed escalation at the end of every year (typically 5-6%) or every three years (typically 15-18%). Escalation is usually applicable on the rent, car parking rent and security deposit.
TENANT FIT OUT	Fit-out Works	Usually to the tenant's account.
OPERATING EXPENSES & ADDITIONAL COSTS PAYABLE BY THE TENANT	Service charge / Management Fee	Tenant's responsibility; in addition to the rent. Payable monthly in advance.
	Responsibilities for Utilities	Tenant's responsibility; payable as per consumption.
	Car Parking	Allocation is city and micro-market specific; usually in the range of 1 slot per 1,000 sq ft of area leased.
SUB-LETTING/ ASSIGNMENT		Subletting is only permitted with the consent of the landlord. In certain cases, the landlord provides his consent in the lease agreement itself.
TERMINATION		Options for the early termination of leases are non-negotiable. For longer leases, there is often a tenant option to break but only post the lock in period.
REPAIRS		The landlord is generally responsible for structural and major repairs while the tenant carries out internal repairs and decoration.
SECURITY OF TENURE		The lease agreement is a binding agreement and is enforceable by law. It is valid till the tenure of the agreement unless there is a violation of the conditions set therein.
DELAPIDATION		The lease agreement usually mandates the tenants to reinstate a property to its original handover condition at the expiry of the term.

Source Savills Research & Consultancy

OVERSEAS OWNERSHIP AND FOREIGN DIRECT INVESTMENTS

A citizen of India who resides overseas (NRI), a Person of Indian Origin (PIO) or an Overseas Citizen of India (OCI) can acquire immovable property in India. Three important points with respect to NRI/PIO/OCI ownership have been enumerated below:

- Type of assets: The immovable property can be residential or commercial. Although investment is not allowed in agricultural land/plantation property/farmhouse, such properties can be inherited or gifted to the NRI/PIO/OCI.

- Size of assets: There is no limitation on the quantum of investment. Moreover, like Indian citizens, NRIs/PIOs/OCIs too can avail themselves of home loans in Indian rupees for their property purchases, up to 80% of the property value, depending upon individual eligibility.

- Repatriation of funds: Any flow of funds from non-resident investors to India needs to be in compliance with the applicable Foreign Exchange Regulation Act/ Foreign Exchange Management Act (FERA/FEMA) regulations. The funds should be remitted to India through normal banking channels. Also, no payment can be made outside India, by traveller's cheque or by foreign currency notes.

A foreign national of non-Indian origin, resident outside India cannot purchase any immovable property in India but can take residential accommodation on lease. For business purposes, a foreign company which has established a branch office or a lawful presence in India, in accordance with the regulations of FERA/FEMA, can acquire an immovable property, which is necessary for or incidental to carrying on such activity. The payment for acquiring such a property should be made by way of foreign inward remittance through proper banking channels.

Offshore private equity players, investment firms, institutional investors including sovereign, insurance and pension funds have also shown interest in the Indian real estate market. In order to make investments in the Indian construction and development sector more attractive, the Government allows 100%

FDI through the automatic route and eased the rules for investment in the construction (townships, housing, built-up infrastructure) sector in 2019. Details are shown in Table 27 below. Earlier, the basis of minimum area and quantum of investment was applied. However, no such stipulation exists now. The External Commercial Borrowing (ECB) framework was liberalised and end use restrictions were lifted in 2019. FDI in Limited Liability Partnerships (LLPs) engaged in development of Special Economic Zone (SEZ) is also permitted.

It is important to note that the government does provide relief on dual taxation with an intent to make the country an attractive investment destination, and to minimize the instances of tax evasion. India has signed Double Taxation Avoidance Agreement (DTAA) with more than 80 countries. Besides lower tax deduction at source, investors are eligible for tax credits under the DTAA agreements.

TABLE 27 Key Features of FDI in the Construction Sector

PERMITTED	100%
ROUTE	Automatic
MINIMUM AREA	None
MINIMUM INVESTMENT	None
EXIT	After 3 years, from the date of each tranche of foreign investment, on the completion of the project; or on the completion of roads, water supply, lighting, etc.

Source Savills Research & Consultancy

MEASUREMENT OF AREAS

While India follows the metric system officially, various measurement units are used at local level, including the imperial system, which remains quite popular. Some common terms with respect to area measurement, especially in residential real estate, are:

- Carpet area: It is the area enclosed within the walls and does not include the thickness of the walls. It is the actual usable area within the property.

- Built-up area: It is the carpet area plus the thickness of the outer walls and the balcony.

- Super built-up area or Saleable area: It is the built-up area plus a proportionate share area of common areas such as the lobby, lift shaft, stairs, etc. Sometimes it may also include common areas such as a swimming pool, garden, club house, etc.

It is worth mentioning that the Real Estate Regulatory Authority (RERA) has made it compulsory to mention carpet area in property transactions, filing and approval documents. Therefore, all price related calculations are based solely on carpet area.

With respect to commercial real estate, some of the commonly used terms are mentioned below:

- Gross Leasable Area (GLA): GLA is the amount of space in a commercial building that can be rented by a tenant. In most cases, this includes basements, mezzanines, or upper floors which a tenant can potentially utilize. GLA is used to calculate the gross potential rent of the property.

- Gross Floor Area (GFA): The floor area within the inside perimeter of the exterior walls of the building under consideration, exclusive of vent shafts and courts, without deduction for corridors, stairways, closets, the thickness of interior walls, columns or other features.

- Net Floor Area (NFA): The actual occupied area not including unoccupied areas such as corridors, stairways, toilet rooms, mechanical rooms and closets.

TRANSACTION COSTS

Brokerage/agency fees

Real estate agents' fees for commercial property transactions are usually between 1.0% and 2.0% of the purchase price plus applicable taxes. The leasing agency fee is generally 2 months' rents plus the goods and services tax (GST).

Legal costs

Legal costs in India are locally administered and can vary depending on the case. Generally, lawyers charge around 1-2% of the overall property value for providing different legal services.

A due diligence exercise is probably the most important aspect of a real estate transaction following the broad understanding of commercials between the involved parties. This process has the potential to determine the feasibility of the transaction itself. It is critical to the interests of the players to provide adequate time and attention to a detailed due diligence of the property involved. Issues such as title, permitted use, legality and technicality of construction, encumbrances, compliance to local and central laws, commercial feasibility etc. fall within the purview of the due diligence process.

TAX LEGISLATION

Stamp duty and registration fee

A registration document, with a stamp duty paid seal on it, acts as a legal document to prove ownership of the property. Stamp duty and registration fees vary across states. Stamp duty charges vary between 3% and 10% of the property value. For example, home buyers in Delhi pay 6% stamp duty on registration value, while it is 5% in Mumbai at present. To boost housing sales, some states have implemented temporary stamp duty cuts and waivers. Such measures have translated into increased end user demand, particularly in the affordable housing segment.

Goods and services tax (GST)

A comprehensive, multi-stage, destination-based tax that is levied on every value addition along the supply chain. It is now the single largest indirect tax levied within India on the supply of goods and services. With an intent to stimulate demand amidst a prolonged slowdown, the government has reduced the GST rate on property transactions significantly in recent years. Currently, the rate of GST is applicable in the range of 1% to 12% for different asset class transactions.

Property tax

Property tax, sometimes known as House Tax, is the tax imposed on real estate owners by the local authorities such as village-panchayats or municipal corporations. It is used for the maintenance and upkeep of the local civic amenities of the area, like roads, sewage systems, lighting, parks, and other infrastructure facilities. It is usually levied on all real estate, including buildings (residential or commercial), attached land, and improvements made to the land, but usually not on vacant land with no adjoining building.

Corporate tax

Corporate tax is applicable on entities which have a separate legal entity from its founders. Currently domestic companies with an annual turnover up to INR4.0 billion must pay a corporate tax of 25%, whereas companies with an annual turnover above INR4.0 billion must pay corporate tax of 30%. The Taxation Amendment Bill, 2019 has also brought down the Minimum Alternate Tax Rate (MAT) from 18.5% to 15%.

Another major development in recent years, was the removal of Dividend Distribution Tax (DDT) in early 2020. Making dividend payment taxable at the hand of the recipient and not the corporates was one of the most important actions of the 2020 Union Budget. The decision was aimed at mitigating the adverse impact of cashflow mismatches in companies, particularly in a year hit by the COVID-19 pandemic.

MAJOR REAL ESTATE RELATED LEGISLATION/INITIATIVES

The government has been quite motivated in the implementation of legislation with respect to the real estate industry in the country over the last decade. A long pending critical legislation namely the Real Estate Regulatory Authority (RERA) Act was implemented in 2016. RERA addresses the concerns of homebuyers, builders, brokers, and other stakeholders of the real estate industry. RERA has been sub-divided into smaller regulatory bodies, each of which look after the real estate development in a single state or union territory. Some of the key positive changes brought by the act are enumerated below:

- Right to complete information about the property

- Reduction in project delays and project fund misutilisation

- Standardisation and protection of the interests of buyers and developers alike

- Smoother and more efficient grievance redressal mechanism

- Greater accountability and transparency within the real estate industry

- Greater investor confidence especially in the residential segment

Apart from RERA, some other important acts/bills/regulations to have shaped the real estate market of the country are listed below.

Affordable Rental Housing Complex, 2020

One of the major bottlenecks in the affordable housing sector was access to institutional credit at comparatively lower interest rates. After a wait of several years, in 2017, infrastructure status was awarded to the segment, encouraging developers and reducing the cost of borrowing for affordable projects. Infrastructure status further simplified the approval process for affordable projects, creating clear guidelines and increasing transparency. The segment was made more accountable through RERA and increased the attractiveness of debt and pension funds to invest in the affordable housing market. Moreover, affordable housing also comes under priority sector lending, which mandates domestic banks to provide a specified portion of the bank lending to sectors highly dependent on timely and adequate credit provision.

Even after awarding infrastructure status and priority sector lending to affordable housing, the government realised that the full potential of rental housing in the country is yet to be tapped. Thus, specific guidelines targeted at the segment were promulgated under the Affordable Rental Housing Complexes (ARHCs) scheme in 2020. Under the scheme, existing vacant government-funded housing complexes across major cities will be converted into ARHCs and offered to concessionaires for 25 years to rent out the units to urban poor and migrant workers. The government will incentivise private and public entities to develop such housing complexes on their own available vacant land also. Incentives include viability gap funding, technology innovation grant, additional FSI (Floor Space Index), lending at concessional rates and tax relief. The guidelines under the scheme have clearly spelt out the specification of houses, implementation methodology, funding mechanism, roles and responsibilities of nodal authorities, monitoring and evaluation procedures as well. Such provisions in the ARHC scheme have made it an all-inclusive programme with far reaching implications for affordable housing.

The guidelines provided a much-needed shot in the arm for residential real estate in the country, especially the Economically Weaker Group (EWG) and Lower Income Group (LIG) segments, which have been worst hit in the ongoing pandemic. Effective implementation of the policy is expected to bring back investor interest in this housing segment. ARHCs are expected to appeal to investors with a low-risk appetite and long-term horizon in mind. Given the demand and scope of rental housing in urban centres of the country, consistent returns spread across a longer tenure will be a pivotal aspect capable of roping greater private participation into the affordable housing segment.

MAJOR PROPERTY LEGISLATION

Model Tenancy Act

To standardize the entire process of renting residential properties, and to address a host of complications arising from historic precedents, the government released a set of guidelines under the draft Model Tenancy Act (MTA) in 2019. The act was eventually passed by the legislature in 2021. The Act aims to enforce a transparent ecosystem for renting premises, minimize litigation and reduce tenant-landlord disputes. It will not only strengthen tenant rights but also empower the landlord with robust laws to govern the terms a of tenancy. In the act, issues such as subletting, transfer of rent agreement and property damages are dealt with efficiently. It also underscores that the landlord must inform the tenant at least three months before the revision of the rent. There cannot be arbitrary rent revisions without mutual agreement of both the tenant and the landlord.

The Model Tenancy Act makes it compulsory to have a written agreement, duly signed by both the parties, that too within two months of the final deal. The contract must enumerate clearly the rent amount, details of revision of rent and its schedule, and the agreed-upon tenancy tenure. To have a smooth tenancy period, the act encourages the parties to clearly mention issues such as conditions regarding maintenance and repair of the property during the tenancy and related technicalities. A mandatory written agreement makes it seamless foR both parties to adhere to the decided conditions. Essentially, the Model Tenancy Act has spelt out a comprehensive rental framework between landlords and tenants, encouraging the new investors to foray into the rental housing domain.

Real Estate Investment Trust (REIT) Regulations

Based on global experience, the Securities and Exchange Board of India (SEBI) introduced the concept of REITs into the Indian market in 2000s. Initial REIT guidelines were proposed in 2014. Amendments to the initial regulations and multiple tax reworkings continued from 2015 onwards and finally culminated in the listing of the first office REIT in 2019. Two more REITs were subsequently listed in 2020 and 2021.

Special Economic Zone Act/ Development of Enterprises and Services Hub (DESH) Bill

With the SEZ Act in 2005, direct and indirect tax exemptions and waivers from the central government were passed on to promoters of commercial spaces in these zones. Unlike other commercial complexes outside these zones, SEZ-based companies are not affected by compulsions such as fixed percentages of employment generation and revenue collections. SEZs also enjoy added benefits such as longer maturity periods for borrowed loans, enhanced funding limits and unlimited investment from External Commercial Borrowings (ECB).

However, it is important to note that the proposed DESH bill, which is formulated to create development hubs to focus on exports and to cater to the domestic markets, is expected to replace the current SEZ Act in 2023. The bill proposes to integrate the existing industrial estates by converting them into developmental hubs and promotes the expansion of the scope or service sector units in SEZs.

Land Acquisition, Rehabilitation and Resettlement (LARR) Act

The act came into effect in 2013 and pertains to the regulations with respect to land acquisitions. It also enumerates the procedures and rules for granting compensation, rehabilitation and resettlement to the affected persons in case of displacement from their original land.

Prohibition of Benami Property Transactions Act

The act which originally came into effect in 1988, underwent major amendments in 2016. It prohibits "Benami" transactions and arms the government with a right to confiscate such "Benami" (loose interpretation- illegal) property and recover proceeds from property confiscation as well.

Special Window for Completion of Affordable and Mid-Income Housing (SWAMIH) Fund

SWAMIH Fund is a government-backed fund which was set up by the government in 2019. The fund aims to give relief to homebuyers of stalled RERA-registered affordable and mid-income category housing projects. As of March 2023, the fund has financed 130 projects with sanctions of INR12,500 crore.

Indonesia

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Indonesia is the world's largest archipelagic country. With a total population of around 275 million in 2022, Indonesia is the fourth largest nation in the world after China, India and the United States.

For centuries, Indonesia has been famous for its abundance of natural resources, including agricultural commodities (such as rubber, coconut, coffee and spices), mining reserves (such as oil and gas) and maritime resources, including flora and fauna. In the energy sector, around 40% of the earth's geothermal energy is located underneath Indonesia's archipelago.

Indonesia is a young nation, with a large working-age population. Around 69.3% of Indonesia's total population is between 15 and 64 years of age, of which the majority are between 20 and 44 years old. This particular group is very important as they provide a vital contribution to the economy due to their above average incomes and strong expenditure.

The country's demography and abundant natural resources are two key factors which provide a strong boost for economic growth. Statistics show that over the past few decades, Indonesian economic growth has been consistently driven by domestic consumption growth as well as new investment.

Indonesia is the largest economy in Southeast Asia, and the only member of both ASEAN and the G20. International Monetary Fund (IMF) data shows that the size of the Indonesian economy in 2022, measured by GDP, was approximately US$1.38 trillion. Based on that figure, the IMF ranked Indonesia as the world's 16th largest economy, measured by nominal GDP.

LAND AND PROPERTY OWNERSHIP

In Indonesia, types of land rights are basically divided into two categories:

Adat land (customary land)

Indonesian law recognises customary land, defined as land that is not registered with the national land agency (Badan Pertanahan Nasional)

- Rights are generally transmitted by inheritance and these rights can be converted to a certified title issued by the national land agency.
- Usually held through a (hereditary) traditional joint community ownership structure.
- A (joint) community may temporarily 'release' valid customary land to be used for agricultural purposes by granting another person a Right of Cultivation (Hak Guna Usaha) and/or a Right of Use (Hak Pakai) over the customary land, for a limited tenure.
- Customary land is generally not a consideration for developers.

Certified land

Certified land is land that is registered at the national land office. There are five forms of title recognised under UU No.5 Tahun 1960 (Basic Agrarian Law) that forms the foundation of modern-day title law in Indonesia.

A. Right of Ownership (**Hak Milik or HM**)
This is an absolute or freehold form of ownership in common law jurisdictions. This form of title can only be held by Indonesian individuals and can be sold, transferred, bequeathed or hypothecated.

B. Right of Exploitation (**Hak Guna Usaha or HGU**)
This is a right to cultivate or exploit state-owned land for agricultural, fishery, or husbandry purposes. This form of title is valid for an initial period of 35 years but can be extended for an additional 25 years with an option for further renewal.

This land right can be mortgaged and can be held by Indonesian citizens or entities as well as foreign joint-venture companies.

KEY STATISTICS

Official name	Republic of Indonesia
Currency	Indonesia Rupiah (IDR) US$1 = IDR15,364 (March 2023)
Population	275.8 million (2022)
Land area	1,904,569 sq km
GDP per capita	US$4,783.9 or IDR71.0 million (2022)
Real GDP growth	5.31% (2022) 4.5%-5.3% (2023F)
Principal business centres	Jakarta CBD (Golden Triangle Zone)

Source World Bank, BPS (Indonesia's Central Statistics Bureau), Bank Indonesia

C. Right to Build (Hak Guna Bangunan or HGB)
This is by far the most common form of title used by developers and this grants the holder the right to build on the land. This title is granted for an initial period of 30 years and may be extended for 20 years, with the possibility of further extension.

This title is not held by private individuals but may be held by both Indonesian organisations and foreign joint-venture entities. Land developed with such a title can be sold, exchanged, transferred, bequeathed or mortgaged.

D. Right of Use (Hak Pakai or HP)
This form of title provides the right to use land, or a structure that sits upon the land, for a specific period of time for a specific purpose, such as habitation, social activities or work activities. This form of title is valid for a maximum of 25 years but extendable for another period of 20 years, or occasionally for an indefinite period as may be stated in the grant or agreement.

This form of title is the most accommodating in terms of who may hold it: Indonesian citizens, foreign citizens resident in Indonesia, foreign embassies, and representative offices of foreign entities. The Hak Pakai rights generally cannot be sold, exchanged, or transferred unless explicitly provided for in the grant or agreement.

E. Right to Operate (Hak Pengelolaan or HPL)
This form of title allows the holder the right to operate state-owned land for a specific purpose as approved by the authorities. This title is only granted to government institutions or state-owned companies for an unspecified period and can be transferred to a third party in the form of HGB or HP.

OVERSEAS PROPERTY RESTRICTIONS

Generally, foreign individuals or foreign institutions residing in Indonesia enjoy only the Right of Use (Hak Pakai).

Under the Agrarian Law No. 5/1960, which is stipulated by Government Regulation No. 41/1996, individual foreigners are allowed to own a residential property. Foreigners who provide benefits to national development, reside permanently or temporarily in Indonesia, and have immigration documents or a visa may purchase:

- Non- subsidised houses on land with Right of Use title;
- Strata-titled apartment units on land with Right of Use title; and
- Vacant land with Right of Use title or other land use agreements with the land title holder and build a house on it.

MEASUREMENT OF AREAS

In the Jakarta office market, the standard unit of measurement is square metres (sq m); the type of measurement adopted by landlords for calculating the rentable space (in the agreement) is semi gross area (SGA).

A semi gross measure includes a pro-rata apportionment of service areas and common passages in the lettable area. The precise definition of semi gross area varies from building to building, but one such definition is that semi gross is defined as being measured from the internal face of the dominant portion of the exterior wall of the building, from the centre line of any partition walls dividing adjoining lettable areas, and from the external face of any walls enclosing adjoining non-lettable areas.

Measurements shall be made at a height of 1.50 m above floor level and the lettable area shall include all structural columns either freestanding or protruding into the premises, together with a pro-rata apportionment of the total lettable common or service area of the floor, calculated in the same proportion that the net area of the premises represents as a part of the total net area contained on the floor concerned.

The common area shall include the lift lobby, common corridor, service corridor, toilet, pantry, wudhu, fire hose reel and other similar facilities, together with any stairwells, utility cupboards, lift shafts and other facilities intended for the exclusive use of a particular lessee and not provided as standard facilities in the building.

The non-lettable common area shall include the fire escape stairwells, lift shafts, other vertical service risers and plant rooms, including their enclosing walls where provided as standard facilities in the building.

LEASE TERMS

The lease terms typical to commercial (office) property in Indonesia are detailed in Table 28. However, there are a number of other terms and practices that are also worth highlighting, as detailed below:

- Office rent: rents are quoted as gross figures per sq m SGA per month. The gross rent is made up of base rent per sq m SGA per month, plus an amount for service charges and other outgoings per sq m SGA per month.
- Rent-free period: Usually intended as an allowance to cover the period required for fitting-out. Also used as an incentive to bring down the effective rent.
- Security deposits: The equivalent of three months' gross rent is required as a security deposit. Deposits may also be required for mailbox keys, car parking passes and employee security passes.

TRANSACTION COSTS

Brokerage/agency fees

The typical agency fee for leasing transactions is around 3% to 5% of total gross rent for the initial lease. Agency fee is payable by the landlord.

Standard brokerage fee for sales transactions is mostly between 2% and 3% of total deal price and is payable by the seller.

Legal costs

Each party (buyer and seller) bears their own legal costs.

Tax legislation

Taxation in the property sector can be broadly divided into:

(1) taxes on acquisitions and transfer of real estate; and

TABLE 28 Typical Lease Terms

LEASE PERIOD	A typical tenancy is 3 years (5-10 years for larger tenants).
RENT REVIEWS	Rent reviews are typically conducted at the expiry of the tenancy or every 2-3 years during a lease term.
SUB-LETTING/ ASSIGNMENT	The landlord's consent to sub-let should not be unreasonably withheld.
TERMINATION	Not an accepted market practice but it can be agreed provided a tenant secures a new tenant that is acceptable to the landlord and that the tenant pays for any estate agency services. Early termination is only allowed under the existence of a valid break clause (negotiable, subject to penalty). Typical penalty imposed is security deposit being forfeited.
REPAIRS	The exterior and common areas of the building are the landlord's responsibility.
SECURITY OF TENURE	Security of tenure is not guaranteed beyond the tenancy/lease term. An option for a further term should be agreed in the first term.
DILAPIDATION/ REINSTATEMENT	Tenants are required to reinstate a property to its original handover condition at the expiry of the term.

Source Savills Research & Consultancy

(2) taxes on the possession and operation of real estate.

Taxes on acquisition and transfer of real estate

A. Building Transfer Duty

Individuals or companies obtaining rights to land or buildings are required to pay a land and building transfer duty (BPHTB) of 5%. In Jakarta, this only applies to property transactions above IDR2 billion since 2016.

The 5% duty is computed based on the transaction value or the assessed value, whichever is higher.

The non-taxable threshold amount for BPHTB varies by region, and the maximum threshold currently is IDR60 million. For acquisitions by inheritance, the non-taxable property value is stipulated by the regional authorities, but may not exceed IDR300 million.

B. Value Added Tax

A value added tax (VAT or PPN) of 11% applies to the delivery of most goods and services at import, manufacturing, wholesale and retail levels.

The sale of raw land is not subject to VAT, but the sale of land already prepared for development is subject to a VAT of 11% as well as for property sales transaction. All kind of property sales transaction from a developer is subject to VAT 11% including right of use certified land (HP). VAT on rental payments and service charges is 11%.

Sales, leasing and construction services rendered for low-cost housing, modest flats and student accommodation may be exempted from VAT.

VAT can generally be passed on to customers, such as from contractors, architects, engineers and consultants, to developers, from developers to purchasers, and from owners to tenants.

In addition to VAT, there is a sales tax on luxury goods (PPNBM). This is a one-time tax imposed on a wide range of luxury goods at import or manufacturing levels at rates of 10% to 75% (but potentially up to 200%).

A 20% sales tax on luxury goods is applicable to luxury residential properties. ‘Luxury residential properties’ are defined as condominiums and landed houses with unit prices of more than IDR30 billion.

Taxes on possession and operation of real estate

A. Property and Building Tax

The property and building tax (PBB) rate on land and buildings is 0.5%, with the actual tax calculated against the taxable sale value (NJKP) of the property. The NJKP is a fixed proportion of the sale value of the property (NJOP), which is determined by the Directorate General of Tax (DGT) on behalf of the Ministry of Finance on average every one to three years.

NJKP is currently equivalent to 20% of the NJOP for those valued at IDR1 billion or below, and 40% for those valued above IDR1 billion. As a result, the effective PBB rates are 0.1% of the assessed value for land and buildings worth up to IDR1 billion, and 0.2% of the assessed value for land and buildings worth more than IDR1 billion.

The non-taxable thresholds of property are stipulated by each regional government. For example, in Jakarta, it is IDR80 million. A 50% reduction in the property tax rate is given to land and buildings used for non-profit activities, including social and educational activities and healthcare services.

Land and buildings used for religious worship, nature reserves, parks, diplomatic offices and designated international organisations are exempted.

PBB is payable annually following assessment by the DGT.

B. Withholding Tax on Property Income

Income derived from rental payments and service charges are subject to a final withholding tax (PPH) of 10% of the transaction value. The party from which the payment is due is responsible for the deduction and payment of the withholding tax to the tax authorities. If not, the lessor must pay the 10% themselves.

Corporate taxation

The income of resident and non-resident corporate entities is taxed at a flat rate of 25%. Small enterprises with a turnover of no more than IDR50 billion are entitled to a 50% discount off the standard rate, imposed proportionally on the taxable income of the part of gross turnover up to IDR4.8 billion. Public companies that have at least 40% of their shares listed are entitled to a tax discount of 5%, essentially giving them an effective tax rate of 20%.

Resident corporations are taxed on their worldwide income, with an allowable credit for taxes paid to foreign countries. Non-resident corporations are taxed only on income derived in Indonesia, as regulated under Article 26 of the Income Tax Law or Tax Treaties.

Personal taxation

Residents (i.e., staying in Indonesia for at least 183 days per annum) are taxed on their worldwide income, subject to certain allowances and deductions, on a graduated scale ranging from 5% to 30%. Non-residents are taxed at 20% of gross income derived in Indonesia.

Employing entities are responsible for collecting and paying the tax due on employee remuneration (be it cash or benefits-in-kind 'BIK'). Cash income is taxed on a monthly basis. BIKs, e.g., cars, housing, etc. provided by the company to the employee, are not taxable in the hands of the employee, but the full cost of BIKs is non-deductible to the company (except for employees of companies under final tax regime and representative offices, where cost of the BIKs must be taxed in the hands of employees the same as cash remuneration).

LEGAL ISSUES

Foreign exchange controls

In general, there is very limited foreign exchange control in Indonesia. A person may freely hold, use and transfer funds in foreign currencies. However, the transfer of funds in foreign currencies to and from abroad is subject to a reporting obligation to Indonesia's central bank (Bank Indonesia).

Recently, Bank Indonesia introduced new measures to stabilise the value of the Rupiah and implement Indonesia's Currency Law. All companies operating in Indonesia need to be aware that this new regulatory obligation includes:

- A prohibition on the use of foreign currency for pricing goods and/or services.
- A requirement to use Indonesian Rupiah for a broad range of non-cash transactions, including transactions using electronic payments or bank transfers.

This has been done through a new regulation issued by Bank Indonesia (BI) on 31 March 2015 that imposes more stringent restrictions on the use of foreign currency than those currently provided under Indonesia's Currency Law.

MAJOR PROPERTY LEGISLATION

The following are major key legislations in the property sector that apply in Indonesia.

Basic Agrarian Law (UU Pertanahan) UU No. 5 Tahun 1960

Agrarian law in Indonesia is regulated under Law (or UU, short for 'Undang-Undang') Number 5 Year 1960, concerning Agrarian Subjects ("UUPA") and its implementing regulations. The Law governs the rights over ownership of land in Indonesia, and this law covers land rights that apply to Indonesian citizens and foreigners.

The specific land title for foreigners is the hak pakai title. After the enactment of the Agrarian Law in 1960, there were several developments in the real estate sector in this regard; for example, in the late 1990s, a new government regulation was enacted allowing foreigners to purchase apartments and office space in Indonesia if the underlying land is hak pakai title.

The Government Regulation on Housing Ownership by Foreigners Domiciled in Indonesia, issued in 1996, states that foreigners who reside in Indonesia can purchase a home, apartment or condominium as long as it is not a part of a government-subsidised housing development; however, there are restrictions.

The Directorate General for determination of rights and land registration published HR.01/1963/XI/2022 on 1 November 2022 in Jakarta. Contained in the decree are the instructions for implementing the decree of the Agrarian Affairs and Spatial Planning Minister/ Head of the National Land Agency 1241/SK-HK.02/IX/2022 concerning the acquisition and residential house prices for foreigners. The Ministry has formulated several policies to make it easier for foreigners to obtain property in Indonesia. Foreigners can own apartments built on land with the status of HGB or Hak Pakai. Ownership of residential houses for foreigners must be a luxury home category and can be of a primary house or apartment unit and secondary house or unit. There is minimum price limit for landed houses and apartments applying in each province throughout Indonesia. In Jakarta, the minimum price for landed house is IDR5 billion and IDR3 billion for an apartment unit.

Residential Development Policy (Kebijakan Rumah Berimbang) Peraturan Menteri Perumahan No 10/2012

According to this regulation from the housing ministry, developers are obliged to apply a "proportionate residential" concept to developments, which provides for lower, middle and luxury segments within the same land plot. In the case of insufficient land bank, then it can be built on another land plot somewhere in the same city/ region.

Based on the regulation, the proportionate ratio of lower, middle and luxury housing is 3:2:1, and the definition of each housing segment is as follows.

- Luxury housing: selling price of more than four times lower-segment housing.
- Middle segment: housing: between two to three times lower-segment housing.
- Lower segment housing: max. building size of 36 sq m and land size of 60-200 sq m.

For apartment projects, 20% of the total units must be allocated for public housing. These allocated units can be developed in a different building structure yet still be on the same project site.

Industrial Estate Regulation (Peraturan Kawasan Industri) Peraturan Pemerintah No 24/2009

As Indonesia has an abundant labor market, the number of factory buildings is increasing significantly. However, there is still a limited concentration of industrial activity – they are somewhat scattered and may impact surrounding residential areas. Therefore, in 2009, the government issued a regulation compelling manufacturing and industrial companies to relocate their activities to designated industrial zones and expand therein.

Regional Autonomy Law (UU Otonomi Daerah) UU No. 22 Tahun 1999

The law on regional autonomy (subsequently substituted by Law No. 32 of 2004 and its amendments) and Law No. 25 of 1999, as substituted by Law No. 33 of 2004 on financial balancing between central and local government, was issued to implement the decentralisation of autonomy for all Indonesian provinces and regencies, effective from 1 January 2001.

This package of laws allows each regional government to issue new government regulations on taxes and retributions for their regions. These laws, together with other government regulations, also give the regional government the authority to issue permits for investment in forestry, fishery, mining (except oil and gas), etc.

MODES OF ENTRY

Many international developers and investment groups interested in pursuing opportunities in the Indonesian market are aware of specific opportunities, but at the outset often lack the requisite local knowledge in terms of the basic foundations of the regulatory environment and the common deal structures.

Foreign companies wishing to enter the property development market in Indonesia must first register their business entity under Indonesian law.

In terms of setting up a local corporate entity in Indonesia, there are generally two options:

- Representative office

A representative office can be created to conduct marketing, market research, or function as buying and/or selling agents. However, these offices are not allowed to conduct direct sales and cannot issue commercial invoices. Regional representative offices, which are classified as those offices serving two or more other ASEAN nations, can also be established in Indonesia. The regional representative office is limited to more of a liaison role and is restricted from participating in many business transactions.

- Limited liability company

Legally known as Perusahaan Terbatas (PT), this can be 100% foreign-owned or jointly-owned by foreign and local shareholders. Under Indonesian law, foreign-owned companies registered in Indonesia has the same treatment as local companies licensed to conduct the same business.

Foreign investors or companies registered in Indonesia as a PT (a limited company) have the same rights and ability to conduct business like any other local companies. A foreign-owned PT (company) is allowed to operate and execute various business transactions and activities, which are protected by the law.

According to the law, a foreign-owned company in the real estate business is allowed to do asset transactions (i.e. buying and selling), own or hold assets, develop and manage their own properties.

Japan

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The size of Japan's economy is approximately JPY545.8 trillion; US$4.1 trillion* in terms of real GDP in 2022 (Japan Cabinet Office). Banking, insurance, real estate, retailing, transportation, telecommunications and construction are all major industries. Japan has a large industrial capacity and is home to some of the most technologically advanced corporations in the world.

TYPES OF PROPERTY OWNERSHIP

All land and buildings in Japan can be privately held. Since land and buildings are regarded as independent real estate, there are two types of real estate ownership: 'land ownership' and 'building ownership'. Ownership structure is commonly divided into the following categories: 1) fee simple; 2) strata title; 3) joint ownership; and 4) land lease.

OVERSEAS OWNERSHIP RESTRICTIONS

There are no restrictions on overseas ownership of land and buildings.

MEASUREMENT OF AREAS

All areas are quoted in either sq m or tsubo (1 tsubo = 3.306 sq m). There are various area measurements which are often quoted in agreements:

- Net Rentable Area (NRA): net useable area including columns.
- Gross Floor Area (GFA): total area contained within the outer surface of the external walls.

NRA is often used for real estate investment purposes.

TABLE 29 Typical Lease Terms

LEASE PERIOD	Traditional standard leases are 2-year rolling contracts, automatically renewed upon expiry unless termination notice is given in advance. Fixed-term leases are also available, typically of 3- to 5-year tenors for offices and up to 20 years for retail and logistics facilities, depending on the agreement.
RENT REVIEWS	Typically conducted at the end of the lease period. For standard leases, rent levels may be reviewed during the lease period if: 1) market conditions drastically change; or 2) tax amounts increase. Lease renewal rates are negotiable and usually fall somewhere between the contract and market rent with limited recourse in dispute. Fixed-term leases do not include rent reviews unless pre-agreed.
SUB-LETTING/ ASSIGNMENT	Not an accepted market practice, but is practiced at times.
TERMINATION	Standard lease structures allow the tenant to terminate unilaterally on the provision that at least 6 months' notice is given. Fixed-term leases are subject to a break-up fee, although a termination provision can be pre-agreed, usually after an initial 3-year lock-in period.
REPAIRS	The exterior and common areas of the building are the landlord's responsibility. Tenants will be expected to be responsible for internal repairs.
SECURITY OF TENURE	Security of tenure is protected by Japan's House and Land Lease Law, which makes it practically impossible for landlords to initiate lease termination. Fixed-term leases provide no statutory right to renewal and re-contracting terms are by negotiation.
DILAPIDATION	Tenants are expected to reinstate a building to its original condition; although allowances are made for fair wear and tear.

Source Savills Research & Consultancy

KEY STATISTICS

Official name	Japan
Currency	Yen US$1 = JPY132.70 (2022 average)
Population	124.97 million (September 2022)
Land area	377,962 sq km
GDP per capita	JPY4.4 million; US$32,912*
Real GDP growth	1.4% per annum (2022) 1.8% per annum (2023F)**
Principal business centres	Tokyo: Marunouchi/Otemachi, Akasaka/Roppongi/Toranomon, Shinjuku Osaka: Umeda Nagoya: Meieki Fukuoka: Hakata

Source Source Ministry of Internal Affairs and Communications, Ministry of Land, Infrastructure, Transport and Trade, Cabinet Office, IMF, World Bank, Mitsubishi UFJ Financial Group, Statistics Bureau of Japan
*GDP per capita calculated using 2022 real GDP data from Japan Cabinet Office and September 2022 population data from the Japanese Ministry of Internal Affairs and Communications. US$ figure calculated using 2022 average US$/JPY exchange rate from Mitsubishi UFJ Financial Group.
**GDP growth forecast from IMF World Economic Outlook January 2023.

TRANSACTION COSTS

Brokerage/agency fees

Leasing fees typically aggregate to the value of one-month rent and are paid by the landlord and/or the tenant.

Purchasing fees have the following structure: 1) up to 3% of the purchase price plus JPY60,000 if the purchase price is more than JPY4 million; 2) up to 4% of the purchase price plus JPY20,000 if the purchase price is between JPY2 million and JPY4 million; or 3) up to 5% of the purchase price if the purchase price is less than JPY2 million.

Security deposit

Typically, a non-interest-bearing, returnable deposit of one or two months' net rent for residential properties. For office and retail properties, typically a non-interest-bearing, returnable deposit of ten to 12 months net rent.

Legal costs

Legal cost is based on guidelines issued by the Nihon Bengoshi Rengokai (Japan Federation of Bar Associations). Each party typically carries their own costs.

TAX LEGISLATION

Stamp duty

Stamp duty is payable on purchase and sale agreements (PSA), conveyance agreements (CA) and land-lease agreements. For PSA and CA transactions, stamp duty costs up to JPY600,000 depending on the agreed transaction price. The stamp duty of sales and purchases is detailed in Table 30.

Property tax

A registered owner of real estate is subject to payment of a fixed-asset tax and city planning tax. The tax rate for fixed-asset tax is 1.4% of the tax assessed value while the tax rate for city planning tax is 0.3%. Payments are due quarterly, and dates vary depending on the location of the property.

A purchaser of real estate is subject to payment of real estate acquisition tax of 4%. However, a tax relief policy is in place, reducing the applicable rate to 3% for land and residential buildings until the end of March 2024.

A purchaser of real estate is also subject to payment of real estate registration tax. Tax rates are based on the property value but vary widely depending on asset type and registration type (i.e., registration of ownership is different from that of a lien). For example, initial registration of ownership after construction is 0.4% of the asset value, while registration of a transfer of ownership is 2%.

Consumption tax

A 10% consumption tax is charged for purchases and sales of buildings. Consumption tax is not applied to the land portion of the purchase price.

It is usual for the seller to pass on the cost of the consumption tax to the buyer by adding it to the purchase price. For commercial properties, it is generally possible for the buyer to obtain a refund of consumption tax paid on the sale.

For lease agreements other than residential, a 10% consumption tax is charged.

Tax depreciation

In principle, the fixed amount method is applied to newly acquired buildings.

The Fixed Amount Method
Depreciation Amount = Purchase Price x Depreciation Rate

From a tax depreciation perspective, the 'useful life' of a building differs depending on the composition and use of the property. For example, useful lives of condominium buildings constructed with reinforced concrete and with heavyweight steel are 47 years and 34 years, respectively, whereas a wooden detached house would have a useful life of 22 years for tax purposes.

TABLE 30 Stamp Duty on Sales and Purchases

SELLING PRICE (JPY)	STAMP DUTY (JPY)	DEDUCTION UNTIL 31 MARCH 2024 (JPY)
10,000,001 – 50,000,000	20,000	10,000
50,000,001 – 100,000,000	60,000	30,000
100,000,001 – 500,000,000	100,000	60,000
500,000,001 – 1,000,000,000	200,000	160,000
1,000,000,001 – 5,000,000,000	400,000	320,000
Higher than 5,000,000,000	600,000	480,000

Source National Taxation Agency, Savills Research & Consultancy

Capital gains tax (CGT)

When a capital gain is generated on the disposal of a fixed asset, the following capital gains tax is applied:

a) Short-term capital gains (for real estate held for five years or less): 39.63% (comprised of income tax and special reconstruction tax rates totalling 30.63%, and a resident's tax of 9.0% if the seller is domiciled in Japan).

b) Long-term capital gains (for real estate held more than five years): 20.315% (comprised of income tax and special reconstruction tax rates totalling 15.315%, and a resident's tax rate of 5.0% if the seller is domiciled in Japan).

Certain tax advantages are available in the case of the sale of the seller's primary residence, including special deductions, a loss carry-forward and a lower tax rate.

The holding period is calculated from the acquisition date through 1 January of the year in which disposition of the property takes place.

Withholding Tax And Tax Treaties

Non-residents pay Gensen-kazei (withholding tax) at 10.21% of transaction value per transaction. Then, they declare Kakutei-shinkoku-shotoku (taxable income) at the aforementioned tax rate (but without resident's tax).

For non-residents, withholding taxes are applicable if they have accrued capital gains in Japan from selling assets, or income from any business activities including rental revenues, dividends, deposit interests and loan interests.

Japan has extensive tax treaties with many countries, typically following the OECD model, with rates typically varying between 0% and 20.42% depending on the type of dividend, country and other specific considerations.

Corporate Taxation

Detailed below are the normal and concessionary corporate tax rates:

- Normal Rate: Corporations are subject to a 23.2% corporate tax rate. Business tax and prefectural/municipal inhabitant tax are also charged, typically increasing the effective tax rate to nearly 30%.

- Concessionary Rate: Small- to medium-sized corporations with a capital of JPY100 million or less receive a concessionary rate of 15% on the first JPY8 million of annual income (the concessionary rate is 19% for corporations whose average annual income for the past three years exceeds JPY1.5 billion).

Overseas corporations without a permanent establishment in Japan are exempt from payment of normal corporate tax. However, income gained from interest and dividends is generally subject to withholding tax at a rate between 15.315% and 20.42%.

Net losses equivalent to 50% of income may be carried forward for ten years.

Personal income tax (PIT)

Income is calculated using methods established for each of a number of income classifications. The tax is calculated by subtracting the various income deductions from the total amount of income and then multiplying the difference, which is the amount of taxable income, by the progressive tax rates below. Any withholding income tax levied on the income beforehand will be deducted from the calculated tax. The bands are shown in Table 31.

From 1 January 2013 to 31 December 2037, Special Reconstruction Tax is applicable at the tax rate of 2.1%.

Total Tax Rate (%) = Personal Income Tax Rate (%) x 102.1%

LEGAL ISSUES

Planning areas are divided into urban promotion areas (UPA) and urban control areas (UCA). UPA are areas in which the local government is to promote urbanisation, and include existing urbanised areas and areas to be developed within ten years. UCA are areas where urbanisation/development is essentially prohibited except for special cases such as agriculture and forestry. There are also a number of areas, depending on their location, where zoning is not carried out. Development within such areas requires permission from the government. However, the demarcation of urbanised areas and UCA is occasionally reviewed.

Japan has 12 different types of zones for commercial, industrial and residential uses, which are designated on the basis of existing land-use patterns and future orientation.

There are regulations on the types of facilities that can be built in specific areas or specific zones. Regulations also exist in relation to floor ratio and building-to-land ratio.

Any development that requires a change of building/land form or use is required to obtain development permission.

MAJOR PROPERTY LEGISLATION

There are a number of key pieces of legislation pertaining to real estate, all of which are detailed:

- Civil Law
- City Planning Law
- Building Regulation Law
- Land and Building Lease Law
- Apartment Law
- Real Estate Registration Law
- Real Estate Brokerage Law
- Strata-title Ownership Law
- Land Use Planning Law
- Land and Building Development Restriction Law
- Agricultural Land Law
- Land Readjustment Law
- Land Price Law

TABLE 31 Personal Income Tax Rates

TAXABLE INCOME (JPY)	TAX RATE (%)	TOTAL TAX RATE, INCLUDING SPECIAL RECONSTRUCTION TAX RATE (%)
1,950,000 or under	5	5.105
Over 1,950,000 - up to 3,300,000	10	10.21
Over 3,300,000 - up to 6,950,000	20	20.42
Over 6,950,000 - up to 9,000,000	23	23.483
Over 9,000,000 - up to 18,000,000	33	33.693
Over 18,000,000 - up to 40,000,000	40	40.84
Over 40,000,000	45	45.945

Source National Taxation Agency, Savills Research & Consultancy

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Malaysia is rich in natural resources such as fossil fuels and tin and is also a significant producer of agricultural products such as palm oil, rubber and timber. Being a tropical country, there is also the potential to exploit sunlight and other sustainable resources. In 2011 the Renewable Energy Act was passed, establishing a Feed-In Tariff for sustainable energy producers. Malaysia is a federal parliamentary democracy with a constitutional monarch.

Owing partially to the low base of 2021 GDP (3.1%), Malaysia recorded a growth of 8.7% in its 2022 GDP performance. This performance was supported by robust private consumption, an increase in investment activity, a higher net value from exports and a recovery in tourism-related business. Despite slow global economic growth and challenges, Bank Negara Malaysia (BNM) estimates a 4% to 5% growth for Malaysia's 2023 GDP. Among others, the fast realisation of investment value, a speedy recovery in tourism, higher domestic incomes and employment growth are likely to sustain GDP growth in 2023. Driven by high food inflation of 5.8%, the inflation rate stood at 3.3% in 2022. The inflation rate is likely to remain the same in 2023; nevertheless, it is subject to global supply chain uncertainties.

In terms of its investment performance in 2022, Malaysia attracted RM264.6 billion in investment from 4,454 approved projects. Compared to 2021 (RM309.4 billion), there was a decline of 14.5% in investment activity. Nevertheless, investment performance in 2022 remained robust, surpassing the pre-pandemic RM211.4 billion recorded in 2019. Foreign Direct Investment (FDI) remained dominant, contributing RM163.3 billion in investments, and accounted for 61.7% of the total value. FDI recorded in 2022 was primarily concentrated in information and communications (RM84.7 billion, with data centres and cloud computing services projects totalling RM72.4 billion), electrical and electronic (RM27.9 billion), and mining sectors (RM23.9 billion). These figures further indicate Malaysia's determination to become a global hub for data centres and digital information services while maintaining its strong position as a global E&E manufacturing destination.

Continued support by the Government was seen in the recent announcement of its revised 2023 Budget. It is the first budget tabled by the newly elected Unity Government after the 15th General Election on 19 November 2022. Under the theme of Building Malaysia Madani[1] (Membangun Malaysia Madani), the revised 2023 Budget will allocate RM388.1 billion to supporting the inclusiveness and sustainable economic growth of Malaysia, restoring confidence in institutions and governance as well as combating inequality through social justice. Notably, the Government is expecting 4.5% growth in 2023 GDP, in line with the estimate by BNM. Evidently, through the revised 2023 Budget, the Government is focusing on attracting FDI by extending tax incentives and allowances to manufacturing companies, especially those involved in green technologies. Despite the manufacturing sector, the Government will further commit to the growth of the service sector by supporting Tun Razak Exchange (TRX) as Malaysia's global financial hub and introducing a special economic zone in Iskandar Malaysia to attract international investors and knowledge workers to be based in Malaysia. Despite uncertainty in the global economy, it is evident that Malaysia is positioning itself as a competitive global investment destination.

TYPES OF PROPERTY OWNERSHIP

The land registration system in all states of Malaysia is the Torrens system, administered by the State Land Offices and coordinated by the Department of Land and Mines. The Torrens system is a registration system for titles of land. Properties can be either:

- Freehold (held in perpetuity); or

1 Madani is the Malay acronym for sustainability, care and compassion, respect, innovation, prosperity, and trust. It is introduced by the Prime Minister of Malaysia Datuk Seri Anwar Ibrahim to drive and restore Malaysia's dignity and glory in the global arena.

KEY STATISTICS

Official name	Malaysia
Currency	Ringgit Malaysia (RM1 = 100 sen) US$1 = RM4.4840 (13 March 2023)
Population	32.7 million (2022E)
Land area	330,411 sq km
GDP per capita	US$11,968.96 (2022)
GDP growth	8.7% (2022)
Principal business centres	Greater Kuala Lumpur, Penang, Iskandar Malaysia

Source Department of Statistics Malaysia (DOSM); Ministry of Finance (MOF), Central Bank of Malaysia (BNM), The World Bank

- Leasehold (land owned by the state and leased for a term of usually 30, 60 or 99 years)

Freehold or leasehold properties are either issued with the following:

- Individual title (issued under the National Land Code 1965) for land, houses and commercial properties which are commonly not multi-storey; or

- Strata title (issued under the Strata Titles Act 1985)

Property ownership is governed by the National Land Code and Strata Titles Act.

Strata-title ownership is common for apartments, condominiums and office suites. The land a building is situated on may be freehold or leasehold. Owners of strata-title property must sign a deed of mutual covenant governing the maintenance of the common areas and use of the units and common facilities. The strata title ownership has been extended to landed residential properties (e.g. gated-guarded residential) and some industrial properties.

Many houses (landed property) rest on freehold land, which grants the owner absolute possession of the land.

OVERSEAS PROPERTY RESTRICTIONS

Generally, the threshold for overseas purchasers is set at RM1 million for the area most popular with foreigners, such as Kuala Lumpur, Johor and Penang Island (this varies according to state rules and guidelines detailed in Table 32). Overseas purchasers must obtain state government approval by applying to the relevant land office for consent to purchase a property and be allowed to acquire property in Malaysia.

In addition to the threshold price, overseas purchasers are prohibited from purchasing properties with special interest which (i) are built on Malay Reserved Land and (ii) are gazetted for Bumiputra as determined by the respective state authority.

Furthermore, overseas purchasers are eligible to acquire property via the Malaysia My Second Home (MM2H) programme. In general, the threshold value of property ownership for MM2H participants is similar to the threshold value determined by the state for non-residents. Nevertheless, there will be a price advantage for MM2H participants. For instance, the State Government of Perak implement a threshold value of USD100,000 for residential property acquisition by MM2H participants. This value is relatively lower than the threshold value determined by the State Government of Perak for oversea purchasers who are not MM2H participants.

TABLE 32 Foreign Property Ownership Threshold by State

<table>
<tr><th>STATE</th><th colspan="4">THRESHOLD</th></tr>
<tr><td>Federal Territory of Kuala Lumpur
Federal Territory of Putrajaya
Federal Territory of Labuan</td><td colspan="4">RM1 million</td></tr>
<tr><td>Selangor*</td><td colspan="4">RM2 million (Zone 1 & 2)
RM1 million (Zone 3)
Limited to strata properties (high-rise strata and landed strata)</td></tr>
<tr><td>Johor</td><td colspan="4">RM1 million</td></tr>
<tr><td rowspan="6">Penang</td><td></td><td>Island</td><td colspan="2">Mainland</td></tr>
<tr><td>High-rise</td><td>RM1 million</td><td colspan="2">RM500,000</td></tr>
<tr><td>Landed</td><td>RM3 million</td><td colspan="2">RM1 million</td></tr>
<tr><td colspan="4">The special incentive under Penang Home Ownership Campaign 3.0 – overhang units (from 1 January 2023 to 31 December 2023)</td></tr>
<tr><td>High-rise</td><td>RM700,000</td><td colspan="2">RM400,000</td></tr>
<tr><td>Landed</td><td>RM1.5 million</td><td colspan="2">RM750,000</td></tr>
<tr><td>Malacca</td><td colspan="4">RM1 million (landed property includes landed strata title)
RM500,000 (high-rise property)</td></tr>
<tr><td>Pahang</td><td colspan="4">RM1 million</td></tr>
<tr><td>Terengganu</td><td colspan="4">RM1 million</td></tr>
<tr><td>Negeri Sembilan</td><td colspan="4">RM1 million (landed property includes landed strata title)
RM600,000 (high-rise property)</td></tr>
<tr><td>Kedah</td><td colspan="4">RM1 million</td></tr>
<tr><td>Kelantan</td><td colspan="4">RM500,000</td></tr>
<tr><td rowspan="13">Perak**</td><td></td><td>Zone 1</td><td>Zone 2</td><td>Zone 3</td></tr>
<tr><td colspan="4">Primary Market - Freehold Interest</td></tr>
<tr><td>Landed</td><td>RM2 million</td><td>RM1.5 million</td><td>RM1 million</td></tr>
<tr><td>High-rise Strata</td><td>RM1 million</td><td>RM900,000</td><td>RM750,000</td></tr>
<tr><td>Landed Strata</td><td>RM2 million</td><td>RM1.5 million</td><td>RM1 million</td></tr>
<tr><td colspan="4">Primary Market - Leasehold up to 60 years</td></tr>
<tr><td>Landed</td><td>RM700,000 - RM2 million</td><td>RM500,000 - RM1.5 million</td><td>RM300,000 - RM1 million</td></tr>
<tr><td>High-rise Strata</td><td>RM500,000 - RM2 million</td><td>RM350,000 - RM900,000</td><td>RM350,000 - RM750,000</td></tr>
<tr><td>Landed Strata</td><td>RM700,000 - RM2 million</td><td>RM500,000 - RM1.5 million</td><td>RM300,000 - RM1 million</td></tr>
<tr><td colspan="4">Secondary Market (sub-sales) - Freehold</td></tr>
<tr><td>Landed</td><td>RM3.5 million</td><td>RM2 million</td><td>RM1.25 million</td></tr>
<tr><td>High-rise Strata</td><td>RM1.5 million</td><td>RM1 million</td><td>RM800,000</td></tr>
<tr><td>Landed Strata</td><td>RM3.5 million</td><td>RM2 million</td><td>RM1.25 million</td></tr>
<tr><td>Perlis</td><td colspan="4">RM500,000</td></tr>
<tr><td>Sabah</td><td colspan="4">RM1 million (landed property)
RM600,000 (high-rise property)</td></tr>
<tr><td>Sarawak</td><td colspan="4">RM600,000 (Kuching Division)
RM500,000 (throughout the state, except Kuching Division)</td></tr>
</table>

Source State Land and Mines Office, Malaysia
*Zones in Selangor - Zone 1 (Petaling, Gombak, Hulu Langat, Sepang, Klang); Zone 2 (Kuala Selangor, Kuala Langat); Zone 3 (Hulu Selangor, Sabak Bernam)
**Zones in Perak are divided according to the local authority's jurisdiction as below: Zone 1: Ipoh City Council; Zone 2: Manjung Municipal Council, Taiping Municipal Council, Teluk Intan Municipal Council, Kuala Kangsar Municipal Council, Tanjong Malim District Council, Kampar District Council and Batu Gajah District Council; Zone 3: Kerian District Council, Perak Tengah District Council, Tapah District Council, Pengkalan Hulu District Council, Gerik District Council, Lenggong District Council and Selama District Council.
**Oversea purchasers are not allowed to purchase a residential property with leasehold interest from the secondary market in Perak.

MEASUREMENT OF AREAS

All areas are quoted in square feet. There are various area measurements which are often quoted in agreements, including:

- Gross area: the total area of an office floor from the outside of the exterior walls, including the columns, stairwells, lift lobby, service areas, common areas and toilets.
- Lettable area: the total area of an office floor measured from the inside face of external walls, including lift lobbies, toilets and structural columns.
- Net lettable area: the carpet area used exclusively by the tenant measured from the inside face of the external walls excluding toilets, common areas and service areas, but inclusive of any column not attached to the inside face of the external wall.

The nett lettable area is typically used in the retail and office sectors whereas for industrial, the gross area is used.

LEASE TERMS

The lease terms typical for commercial property in Malaysia are detailed in Table 33. However, there are several other terms/practices which are also worth highlighting, as described below:

- Local incorporation: most landlords will only enter into a tenancy or lease agreement with a locally incorporated company with adequate paid-up capital. In addition, a board resolution may be required noting the decision to enter a tenancy or lease and authorising one director to sign the agreement on the company's behalf.
- Incentives: typically range from three to 12 months, depending on the size and length of the tenancy or lease. Additionally, a separate fit-out period of one to three months is typically granted to most occupiers.
- Rent: prices are quoted as gross figures per sq ft per month on an NLA basis. The gross rent is made up of net rent per sq ft per month plus an amount for service charges / outgoings on a per sq ft per month basis.
- Deposits: the equivalent of one month's gross rent is required to secure premises, which becomes the first month's rent due after the execution of a tenancy or lease. A minimum of two to three months' gross rent is required as a security deposit against the premises and utility bills. Deposits may also be required for mailbox keys, car parking passes, and employee security passes.

TRANSACTION COSTS

Brokerage/agency fees

The Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia – Malaysian Estate Agency Standards defines various estate agency instructions. It dictates a set scale of fees chargeable by registered estate agents, as shown in Table 34.

TABLE 33 Typical Lease Terms

LEASE PERIOD	A typical tenancy tenure is 3 years for office, retail and industrial properties and 1 to 2 years for residential properties. A lease is for a single tenancy tenure exceeding 3 years.
RENT REVIEWS	Rent reviews are typically conducted at the expiry of the tenancy or every 3 years during a lease term but can usually be predetermined in advance.
SUB-LETTING/ ASSIGNMENT	The landlord's consent to sub-let should not be unreasonably withheld subject to the quality of the sub-tenant.
TERMINATION	Not an accepted market practice, but it can be sometimes agreed upon provided a tenant secures a new tenant that is acceptable to the landlord and that the tenant pays for any estate agency services.
REPAIRS	The landlord is responsible for the structure's exterior and common areas of the building.
SECURITY OF TENURE	Security of tenure is not guaranteed beyond the tenancy/lease term. An option for a further term should be agreed upon in the first term.
DILAPIDATION	Tenants may be required to reinstate a property to its original handover condition at the expiry of the term.

Source Savills Research & Consultancy

TABLE 34 Scale of Fees Chargeable by a Registered Estate Agent

FOR SALES OR PURCHASE	
Type	**Scale of Fees**
Land and Building	Maximum fee of 3%
Fees for other services such as joint venture, sales of company, property swaps, etc.	Maximum fee of 3%
Chattels including plant and machinery	10% of the proceeds
FOR LETTINGS	
Period	**Scale of Fees**
Up to 3-year lease	1.25 months' gross rent
More than 3-year - up to 4-year lease	1.50 months' gross rent
More than 4-year - up to 5-year lease	1.75 months' gross rent
Exceeding 5-year lease (without an option for renewal)	1.75 months' gross rent
Exceeding 5-year lease (with an option for renewal)	1.75 months' gross rent + 0.25 months' rent for every additional year
Rent reviews	50% of the fees chargeable above

Source Seventh Schedule of Valuers, Appraisers & Estate Agents (Amendment) Rules 2000 & 2009

TABLE 35 Scale of Legal Fees for Preparing a Tenancy or Lease Agreement

MONTHLY RENT (RM)	SCALE OF FEES	
	TENANCY AGREEMENT	LEASE AGREEMENT
The first 10,000	25% (subject to a minimum fee of RM300)	50% (subject to a minimum fee of RM600)
The next 90,000	10%	20%
Where the rent is in excess of 100,000	Negotiable on the excess (but shall not exceed 10% of such excess)	Negotiable on the excess (but shall not exceed 20% of such excess)

Source Solicitors Remuneration Order 2005

Legal fees

This is governed by the Solicitors Remuneration Order 2005, and the scale of fees for preparing a tenancy or lease agreement is shown in Table 35.

In terms of property transactions, the scale of legal fees for preparing sales and purchase agreements, as stipulated in the Solicitors Remuneration Order 2017, is shown in Table 36.

TABLE 36 Scale of Legal Fees for Preparing Sales and Purchase Agreements

PROPERTY VALUE/PRICE	SCALE OF FEES (% OF PROPERTY VALUE/PRICE)
For the first RM500,000	1% (minimum fee of RM500)
For the subsequent RM500,000 (RM500,001 – RM1 million)	0.8%
For the subsequent RM2 million (RM1,000,001 – RM3 million)	0.7%
For the subsequent RM2 million (RM3,000,001 – RM5 million)	0.6%
For the subsequent RM2.5 million (RM5,000,0001 – RM7.5 million)	0.5%
Where the adjudicated value exceeds RM7.5 million	Negotiable, but not more than 0.5% on the exceeds value

Source Solicitors Remuneration Order 2017

TAX LEGISLATION

Stamp Duty on tenancy or lease agreements

The Stamp Duty on a tenancy or lease agreement is exempted for annual rental lesser than RM2,400 and it is calculated as following:

((Gross rent × 12) – RM2,400) ÷ 250 (round-up to the nearest figure) × RM n (fix rate subject to the agreement duration)

whereby n is the fix rate as below:

- RM1 for the duration of agreement not exceeding one year
- RM2 for the duration of agreement exceeding one year but not exceeding three years
- RM4 for the duration of agreement exceeding three years

Stamp Duty on property conveyance, assignment or transfer

Details are shown in Table 37. A Stamp Duty exemption exists for purchasing a first residential home since a Budget 2019 announcement.

TABLE 37 Stamp Duty on Property Conveyance, Assignment or Transfer

	VALUE (RM)	RATE	MAXIMUM DUTY PAYABLE (RM)
On the first	100,000	RM1 per RM100 or part thereof (1% of property price)	1,000
On the next	400,000	RM2 per RM100 or part thereof (2% of property price)	8,000
On the next	500,000	RM3 per RM100 or part thereof (3% of property price)	15,000
in excess of	1,000,000	*RM4 per RM100 or part thereof (4% of property price)	

Source Stamp Act 1949

*Effective 1 July 2019, the duty rate for value in excess of RM1,000,000 shall be RM4 per RM100 or part thereof.

Investment tax allowance (ITA)

Companies may benefit from an income tax exemption package of 60% allowance on the qualifying capital expenditure incurred within five years. The allowance can be used to offset against 70% of the statutory income for each year of assessment of its business operations.

To attract companies to relocate to Malaysia, the Government – in its Budget 2023 – has decided to extend tax incentives given to manufacturing companies and a 15% personal income tax rate for C-Suite Executives until 2024. A further extension on the application of tax incentives has been given to the aerospace industry (date of application extended until 31 December 2025) and the shipbuilding and ship repairing industry (date of application extended until 31 December 2027).

Additionally, in supporting the Nation's green agenda, the Government has decided to enhance the Green Investment Allowance (GITA) Package and Green Income Tax Exemption (GITE). The Government has extended the period to apply GITA and GITE to 31 December 2025, with the period for tax allowance and exemption being extended from a period of three to five years. On top of that, the additional favourable tax treatment will be implemented by the Government as below:

- For manufacturers involved in manufacturing electric vehicle (EV) charging equipment, 100% income tax exemption on statutory income from the year of assessment 2023 to 2032 (companies that make investments after the year of assessment 2023 are entitled to enjoy the tax incentive for the remaining exemption period only). A 100% Investment tax allowance will be given for a period of five years, where the allowance can be used to offset against 100% of the statutory income for each year of assessment.

- Companies undertaking in-house Carbon Capture and Storage (CCS) technology and/or CCS services can enjoy a 100% investment tax allowance on qualifying capital expenditure for 10 years, which can be used to offset against 100% of the statutory business income. Full import duty and sales tax exemption will be given for equipment used for CCS technology, starting 1 January 2023 until 31 December 2027. The additional tax deduction will be given on fees incurred for the use of CCS services, as well as allowable pre-commencement expenses for CCS operation within a period of five years from the date of commencement of operation. A further tax exemption of 70% on statutory income for a period of ten years will be given to CCS service users.

Notably, alongside provision of security infrastructure, green energy facilities and locations for data centres, additional tax incentives will be given to support the establishment and operation of data centres in Malaysia.

As for companies which intend to be listed on Bursa Malaysia, the Government will extend the tax reduction of up to RM1.5 million on expenses incurred for listings on the ACE and LEAP Markets until the year of assessment 2025. This tax incentive will be expended to include the cost of listing technology-based companies on Bursa Malaysia's Main Market.

A worth highlighting tax allowance that related to property investment in Malaysia will be the special tax incentives for the Tun

Razak Exchange (TRX) project. The TRX project (formerly known as Kuala Lumpur International Financial District) is an integrated property development comprising office towers (for finance and banking), residences, and retail spaces in Kuala Lumpur. To accelerate the development of the TRX, following incentives have been given:

- Income tax exemption of 70% of statutory income arrived from the disposal of any building or rights over a building, or part thereof, for five years up to year of assessment 2025, for property developers in TRX.

- Income tax exemption of 70% of statutory income arrived from the rental of any building, or part thereof, for five years up to year of assessment 2027, for property developers in TRX.

- Additional 50% tax deduction of rental payment incurred by TRX Marquee status companies for buildings used for business in TRX.
- 10% industrial building allowance for TRX Marquee status companies for qualifying building expenditure that is incurred up to 31 December 2025.

- Accelerated capital allowance incentive for renovation costs incurred by TRX Marquee status companies up to 31 December 2025.

- Single deduction for prescribed relocation costs incurred by TRX Marquee status companies for relocation that takes place not later than 31 December 2025.

TABLE 38 RPGT Rates+

YEAR OF PROPERTY DISPOSAL	PERSONAL (CITIZEN AND PR)	TAX RATE (%)	
		COMPANY	INDIVIDUALS (NON- CITIZENS & FOREIGNERS)
Disposed within 3 years	30	30	30
Disposed in 4th year	20	20	30
Disposed in 5th year	15	15	30
Disposed after 5 years* (effective from 1 January 2022)	0	10	10

Source Real Property Gains Tax Act 1976
+The base year for asset acquisition has been revised to 1 January 2013 for assets acquired before 2013 compared to the previous base year of 1 January 2000.
*RPGT exemption is given to Malaysian citizens for the disposal of low-cost, low-medium cost and affordable houses at a price of RM200,000 and below.

Real property gains tax (RPGT)

RPGT is a tax imposed on gains derived from the disposal of real properties and shares in real property companies in Malaysia. The RPGT rates are shown in Table 38.

For each disposal, the purchaser is required to withhold 3% of the total purchase value (7% where the seller is not a Malaysian citizen / permanent resident), which is to be remitted to the Inland Revenue Board within 60 days from the date of disposal for the purposes of RPGT.

Corporate tax

For companies with paid-up capital of not more than RM2.5 million, and with annual sales of not more than RM50 million (with effect from YA 2020) are taxed at the following scale rates:

- On the first RM600,000: 17%
- In excess of RM600,000: 24%

In the recently announced Budget 2023, the tax structure has changed as follows, effective from the year of assessment 2023:

- On the first RM150,000: 15%
- From RM500,001 to RM600,000: 17%
- Exceeding RM600,000: 24%

The corporate income tax for companies with paid-up capital of more than RM2.5 million remains at 24%.

For the year 2022 only, a special one-off tax (Cukai Makmur) will be imposed on companies, excluding companies which enjoy the 17% reduced tax rate above, which have generated high levels of income during the COVID-19 pandemic, as follows:

- On the first RM100 million : 24%
- In excess of RM100 million : 33%

Effective from 1 January 2022 to 30 June 2022, foreign-sourced incomes of resident companies remitted to Malaysia will be taxed at 3% on gross income.

Non-resident companies are taxed at the following rates:

- Business Income : 24%
- Royalties : 10%
- Rental of moveable properties : 10%
- Advice, assistance or services rendered in Malaysia : 10%
- Interest : 15%[2]
- Dividends : Exempt
- Other income : 10%

Note: Where the recipient is resident in a country which has a double tax treaty with Malaysia, the tax rates for the specific sources of income may be reduced.

2 Interest paid to a non-resident by a bank or a finance company in Malaysia is exempt from tax.

Personal income tax

A new chargeable income band for resident individuals earning in excess of RM2 million has been introduced, with a tax rate of 30% - an increase of 2 percentage points from the 28% rate for YA 2019. As announced in Budget 2023, with effect from the YA 2023, the personal income tax for resident individuals will has the following changes:

- Each of the chargeable income bands from RM35,001 to RM100,000 is reduced by 2%; and
- Each of the chargeable income bands from RM100,001 to RM1 million is increased by between 0.5% and 2%.

Application of a 15% tax rate for C-Suite Executive or those in key positions (non-residents) in companies that relocated manufacturing activities to Malaysia will be extended until 2024. The 15% tax rate is applied for successful applicants for five consecutive assessment years.

Effective 1 January 2022, foreign-sourced incomes of tax residents will no longer be

TABLE 39 Changes in Personal Income Tax Rate Effective from YA 2023

CHARGEABLE INCOME (RM)	CURRENT		EFFECTIVE FROM YA 2023	
	TAX RATE (%)	TAX PAYABLE (RM)	TAX RATE (%)	TAX PAYABLE (RM)
First RM5,000	0	0	0	0
Next RM15,000 (RM5,001 – RM20,000)	1	150	1	150
Next RM15,000 (RM20,001 – RM35,000)	3	450	3	450
Next RM15,000 (RM35,001 – RM50,000)	8	1,200	6 (↓2%)	900
Next RM20,000 (RM50,001 – RM70,000)	13	2,600	11 (↓2%)	2,200
Next RM30,000 (RM70,001 – RM100,000)	21	6,300	19 (↓2%)	5,700
Next RM150,000 (RM100,001 – RM250,000)	24	36,000	25 (↑1%)	37,500
Next RM150,000 (RM250,001 – RM400,000)	24.5	36,750	25 (↑0.5%)	37,500
Next RM200,000 (RM400,001 – RM600,000)	25	50,000	26 (↑1%)	52,000
Next RM400,000 (RM600,001 – RM1,000,000)	26	104,000	28 (↑2%)	112,000
Next RM1 million (RM1,000,001 – RM2,000,000)	28	280,000	28	280,000
Over RM2 million	30		30	

Source Malaysia's Budget 2023

exempted when remitted to Malaysia. During the transitional period from 1 January 2022 to 30 June 2022, foreign-sourced incomes of tax residents remitted to Malaysia will be taxed at 3% on gross income.

Withholding tax and tax treaties

Corporations making payments in relation to interest, royalties and certain rents to non-residents and corporations are required to withhold tax. The withholding tax rate depends on the country in which the corporation/individual is based but ranges between 5% and 15%. Dividends are not subject to withholding tax.

LEGAL ISSUES

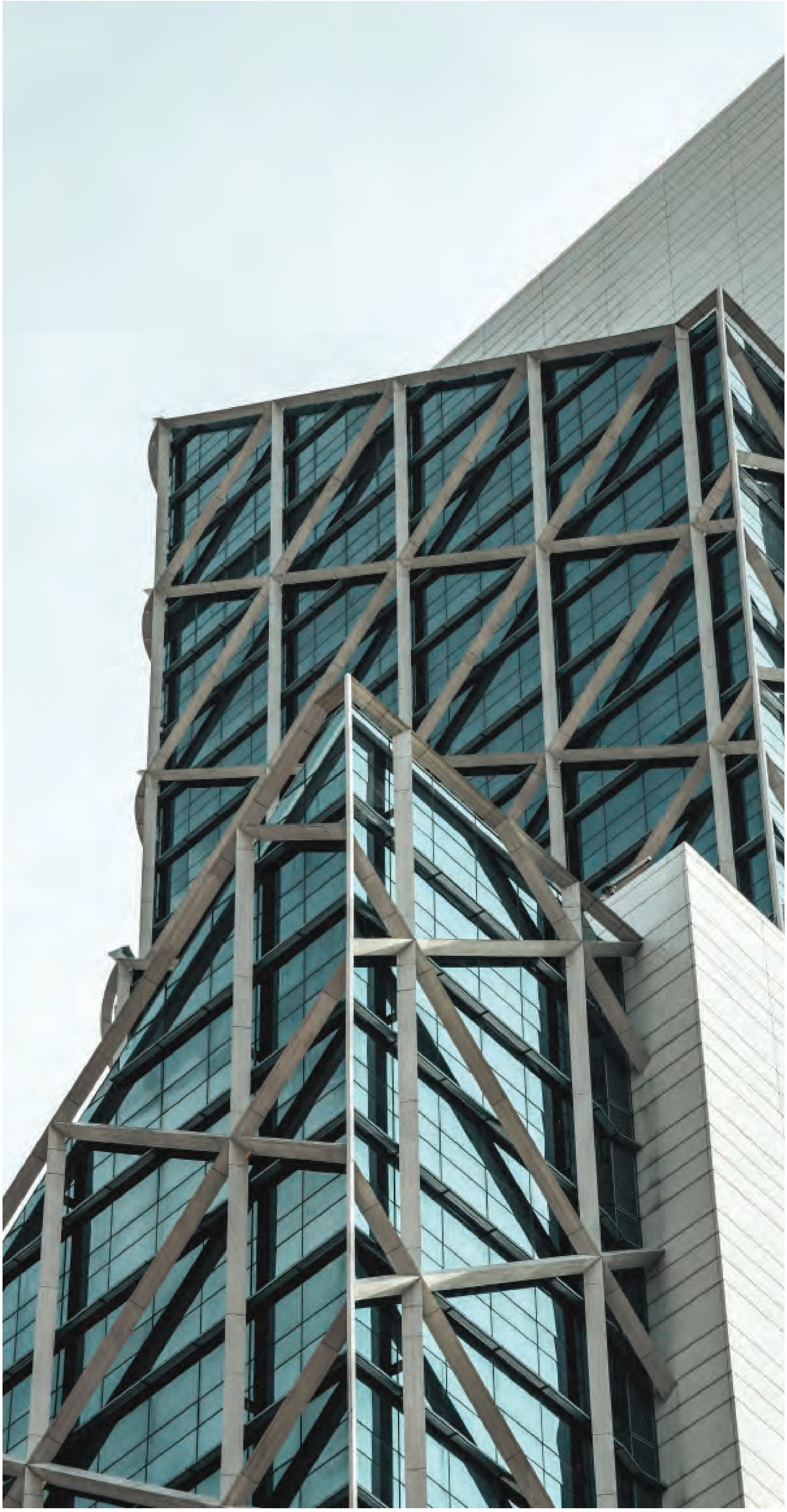
Foreign exchange controls

Malaysia continues to maintain liberal Foreign Exchange Administration rules, which are mainly prudent measures to support the overall macroeconomic objective of maintaining monetary and financial stability. These rules apply to residents and non-residents.

MAJOR PROPERTY LEGISLATION

There are a number of key pieces of legislation pertaining to real estate, as detailed below:

- Act 828: National Land Code 1965
- Act 242: Valuers, Appraisers, Estate Agents and Property Managers Act 1981
- State Land Rules
- Act 318: Strata Titles Act 1985
- Act 169: Real Property Gains Tax Act 1976
- Solicitors Remuneration Order 2005
- Act 118: Housing Development (Control & Licensing) Act 1966
- Act 474: Land Development Act 1956
- Act 486: Land Acquisition Act 1960
- Act 171: Local Government Act 1976
- Act 172: Town & Country Planning Act 1976
- Act 757: Strata Management Act 2013
- Act 133: Street, Drainage and Building Act 1974
- Uniform Building By-laws 1984



Pakistan

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Pakistan's economy is the 5th largest in South Asia and the 42nd largest in the world. It has a diverse industrial base, with various sectors contributing to the country's economic growth. Some of the major industries include Textile, Agriculture and Automobile.

Falling low on budgets for paying interest on its debt, Pakistan is struggling economically since 2022. The ongoing Russo-Ukrainian War has also had adverse effects on the economy with the country facing shortage in supply and high inflation in prices of food, oil, gas and electricity. The crisis has led to sharp depreciation of the Pakistani rupee and downgrading of country's credit ratings by various agencies which has further increased the possibility of default.

TYPES OF PROPERTY OWNERSHIP

There are two types of property ownership in existence in Pakistan:

- Freehold Estate Ownership which includes fee simple (grant in fee simple) and estate in perpetuity (statutory land grant).

- Leasehold Estate Ownership which may be for a period of 33 or 99 years.

OVERSEAS OWNERSHIP RESTRICTIONS

There are restrictions on overseas ownership of land and buildings only for select nationals who then require special permissions from the government to own property in the country. Those countries that do not belong on the restricted list are not required to obtain permission from the government.

MEASUREMENT OF AREAS

All areas are quoted in either square feet, square yard or kanal, there are various area measurements which are often quoted in agreements:

- Net Floor Area (NFA): Area excluding unoccupied accessory areas such as stairways, corridors, core wall and columns etc.

- Gross Floor Area (GFA): total area contained within the outer surface of the external walls.

TABLE 40 Typical Lease Terms

LEASE PERIOD	Traditional standard leases are 3-5 year rolling contracts. Fixed-term leases are available, typically of 3- to 5-year tenors for offices, up to 10-15 years for logistics and warehousing facilities and 5 years for retail, depending on the agreement.
RENT REVIEWS	Typically conducted at the end of the lease period. Fixed-term leases do not include rent reviews unless pre-agreed.
SUB-LETTING/ ASSIGNMENT	Tenants are only allowed to sub-let to affiliated, associated / group or a company of similar stature.
TERMINATION	Standard lease structures allow the tenant to terminate unilaterally on the provision provided that at least 6 months' notice is given.
REPAIRS	The exterior and common areas of the building are the landlord's responsibility. Tenants will be expected to be responsible for internal repairs.
SECURITY OF TENURE	Lease termination can be initiated with no such security subject to 6 months' notice period.
DILAPIDATION	Typically, there is no reinstatement required in a conventional space.

Source Savills Research & Consultancy

KEY STATISTICS

Official name	Islamic Republic of Pakistan
Currency	Pakistani Rupee (PKR) US$1 = PKR260.75 (20 February 2023)
Population	207.6 million (2017 Census)
Land area	796,096 sq km
GDP per capita	PKR466,114.125 (FY2022)*
GDP growth	5.97% (FY2022) 2.0% (2023E)
Principal business centres	Karachi (KHI): I.I Chundrigar Road, Clifton, M.A Jinnah Road Lahore (LHR): Main Boulevard Road, M.M Alam Road, Link Road Islamabad (ISL): Jinnah Avenue, F6 Markaz, F7 Markaz

Source Pakistan Bureau of Statistics 2017 Census, Interbank Exchange rate, World Bank
Note: *calculated figure based on FY2022 Real GDP / estimated 2022 population size

TRANSACTION COSTS

Brokerage/agency fees

Typical agency fees are equivalent to one month's gross effective rent and are payable by the client. Brokerage fees on investment transactions are normally 1% of the transaction price and are payable by the vendor.

Legal costs

Conveyancing fees for all types of property transactions, including leases and reassignment of mortgaged properties, are negotiable.

TAX LEGISLATION

Property Tax

A property tax is a tax on the immovable property where people own, rent, and buy or sell a property. Property tax is a provincial tax with varying rates. Each local government sets its property tax rates either flat or percentage. This type of tax is levied on the annual rental value. If a person has rented out his space, getting a certain amount in return, he will be liable to pay taxes. The property can be a residential property, commercial property, or mixed-use building.

You need to pay these property taxes before you start building your home as you have to pay a penalty if you delay tax when you buy a plot. A tax year of Pakistan begins on the 1st of July and ends on the 30th of June every year. So, your property tax year begins when the government announces a budget in Pakistan.

Capital Gains Tax (CGT)

Capital Gains Tax (CGT) is a federal tax to be paid by the seller. When the seller makes profits on selling property (capital asset), it is the profit (capital gain) which is taxed, hence the name. According to the Finance Act 2017, CGT is levied only when the property is sold within three years of its purchase. The rate of taxation is 10% for the first year, 7.5% if sold during second year and 5% if sold during the third year. These gains are to be calculated according to the fair market value, based on Federal Board of Revenue (FBR)'s valuation table. Any property held for more than three years will not make the seller liable for payment of CGT.

Capital Value Tax (CVT)

Capital Value Tax (CVT) is a provincial tax and is paid by the buyer at the time of buying property. It is payable on the capital value of an acquired asset. The CVT is levied at the rate of 2% of the recorded value according to Finance Act, 2006.

Property that is transferred as a gift, an exchange or relinquishing the rights on a property all come under Capital Value Tax. However, transfer of property between parents, spouse or any of your blood relatives either as a gift or through inheritance have been excluded. In cases where it is a gift or exchange, or where property value is not mentioned in the transaction, the value of the property is calculated according to the values determined through the valuation tables.

Stamp Duty

Stamp Duty is tax paid on the legal document at the time of purchasing property. Under the Stamp Act 1899, Stamp Duty is levied at 3% of the DC rates of the property.

However, the Government of Punjab has amended the Stamp Duty Act 1899 by enacting the Stamp (Amendment) Ordinance 2020 and reducing stamp duties in various transactions. Punjab's Cabinet has also formally approved the Amendment proposed by the Board of Revenue (BOR).

The main changes made to the Stamp Act 1899 can be found in Table 41.

Withholding Tax (WHT)

Federal Board of Revenue has issued withholding tax rates on sale and purchase of immovable properties during the year 2022-2023.

The withholding tax rate is 2% of gross amount of consideration received on sale of immovable property by persons who are on the Active Taxpayers List (ATL) under Section 236 C of Income Tax Ordinance, 2001. However, the rate shall be enhanced by 100 per cent to 4% for persons not on the ATL.

Similarly, the withholding tax rate on purchase of immovable property is 2% on persons on the ATL under Section 236K of the Income Tax Ordinance, 2001. However, this rate shall be increased by 250 per cent to 7% for persons not on the ATL.

Inheritance, Estate, and Gift Taxes

There are no inheritance, estate, or gift taxes in Pakistan.

Personal Income Tax

Income tax slabs in Pakistan are based on an individual's yearly taxable income. Slabs are determined by the total income earned during the year. The government of Pakistan has finalised tax slabs for salaried individuals for FY2022-2023 and has set a minimum income tax rate of 2.5% for those earning up to Rs. 100,000 per month and a maximum of 35% for individuals earning a monthly salary over Rs. 1 million. Table 42 shows the different income tax slabs in Pakistan.

TABLE 41 Major Changes to Stamp Act 1899

Article 18	The stamp duty on a Certificate of Sale in respect of immovable property in an urban area has been reduced from 5% to 1% of the value of the property.
Article 23	The stamp duty applicable on Conveyance in respect of immovable property in an urban area has been reduced from 5% to 1% of the value of the property.
Article 27 - A	The stamp duty applicable on a Decree in respect of immovable property in an urban area has been reduced from 5% to 1% of the value of the property.
Article 31	The stamp duty applicable on an Exchange of immovable property in an urban area has been reduced from 5% to 1% of the highest value of the property and from 2% to 1% of the lowest value of the property.
Article 33	The stamp duty applicable on a Gift of immovable property in an urban area has been reduced from 5% of the value of the property to 1%, and in any other case has been reduced from 3% to 1%.

Source Stamp (Amendment) Ordinance 2020

TABLE 42 Different Income Tax Slabs in Pakistan

TAX RATE	INCOME SLAB (ANNUAL)
0%	Taxable income does not exceed Rs.600,000
2.5% of amount Exceeding Rs. 600,000	Taxable income between Rs. 600,000 and Rs. 1,199,999
Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000	Taxable income between Rs. 1,200,000 and Rs. 2,399,999
Rs 165,000 + 20% of the amount exceeding Rs. 2,400,000	Taxable income between Rs. 2,400,000 and Rs. 3,599,999
Rs. 405,000 + 25% of the amount exceeding Rs. 3,600,000	Taxable income between Rs. 3,600,000 and Rs. 5,999,999
Rs. 1,005,000 + 32.5% of the amount exceeding Rs. 6,000,000	Taxable income between Rs. 6,000,000 and Rs. 11,999,999
Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000	Taxable income exceeds Rs. 12,000,000

Source Federal Board of Revenue - GoP

TABLE 43 Good and Services Tax (GST)

RATE	SUPPLIES
18%	Standard GST
25%	Aerated water and juices, Confectionary items, Vehicles in CBU condition, Sanitary and bathroom wares, Chandeliers and lighting devices, Chocolates, Cigarettes and cigars, Ready-to-use cereals, Cosmetics and shaving items, Tissue papers, Kitchenware and household items, Decorations or ornamental articles, articles of jewelry, wristwatches, Dog and cat food, Doors and window frames, Fishes, Footwear, Fruits and dry fruits, Furniture, Home Appliances, Ice cream, jam, jellies, Leather jackets, Mattress and sleeping bags, Fresh, chilled, frozen meat, Musical instruments, Pasta, tomato catchup, sauces, Arms and ammunition excluding defense stores, Shampoos, Sunglasses, traveling bags, and suitcases, A ship, or aircraft for private use
25%	Import of mobile phones valuing above $500 per piece
25%	Locally manufactured goods which include locally manufactured or assembled SUVs and CUVs, locally manufactured or assembled vehicles having engine capacity of 1,400cc and above, and locally manufactured or assembled double cabin (4x4) pick-up vehicles.
5%, 13%, 15%	Real Estate services such as Consultancy, Valuation, Brokerage, Project Management have varying GST rates across different provinces, which are 5% in KPK and Punjab, 13% in Sindh and 15% in Islamabad.

Source Pakistan Government

Goods and Services Tax (GST)

GST is a value added tax used in Pakistan on Goods and Services. The standard rate of GST in Pakistan is 17%. However as of February 2023, the Pakistan government increased the General Sales Tax (GST) on all packaged items to 18%, along with increasing tax on cigarettes. Table 43 shows sales tax rates on different supplies in the country.

MAJOR PROPERTY LEGISLATION

There are a number of key pieces of legislation pertaining to real estate, all of which are detailed below:

- The Transfer of Property Act
- The Registration Act
- The Land Acquisition Act
- The Punjab Development of Cities Act
- The Islamabad Capital Territory Building Control Ordinance
- The Sindh Building Control Ordinance
- The Pakistan Environmental Protection Act

Philippines

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The Philippines is a constitutional republic with a democratic presidential system. It's incumbent president, Ferdinand Marcos Jr., whose term is limited to six years, will remain as the head of state and government until the presidential elections in May 2028.

The start of the Marcos administration coincides with the opening of the economy after years of consistent lockdowns due to the pandemic. Recovery is the administration's key priority, and it has committed to return GDP growth to 6.0% to 7.0% in 2023 and 6.5% to 8.0% from 2024 to 2028. To achieve this growth target, one of the administration's plans is to continue the infrastructure spending of the Duterte administration. Unlike the previous administration, President Marcos and his team has also re-established ties with the United States and Europe to shore in needed foreign investments.

Furthermore, the new administration has also shifted its infrastructure priorities towards addressing the digital divide and accelerating connectivity within the country. This bodes well for the service-oriented Philippine economy which has been dominated by the information technology and business process management (IT-BPM) industry. Regional connectivity has been a crucial impediment for the industry to expand outside metropolitan Manila and Cebu. With the administration's digital thrust, the industry is poised to strengthen its foothold in other budding provincial cities, such as Iloilo, Bacolod and Davao.

However, the new administration is also committed to ensure price stability which has been a challenge since the breakout of the war in Ukraine. The Bangko Sentral ng Pilipinas (BSP), the Philippine central bank, has been aggressively raising interest rates to combat high inflation since 2022. Economic growth has yet to be affected by the new monetary regime, but sustaining the BSP's monetary policy may potentially derail the administration's growth targets. To counteract the volatile food prices driven by external forces, agriculture and the sector's modernization is a cornerstone undertaking of President Marcos which also heads the agricultural department. Looking ahead, the country may be able to manage inflation and spur growth as the economic team also pledges to 1) control the national government deficit to 3.0% and 2) decrease its outstanding debt-to-GDP ratio from 60.9% in 2022 to 48% in 2028.

TYPES OF PROPERTY OWNERSHIP

Ownership is declared by the Transfer Certificate of Title in the case of single houses and raw land. The Land Registration Act obliges the owners of property to register titles with the Registry of Deeds. The titles, which could cover two or more parcels, must be registered in the same province or city. Title registration also requires completion of an eight-step procedure, which may take around 33 days.

There are two main types of property ownership in the Philippines:

- Freehold land: private freehold land is exclusively available to Philippine nationals. Those that count as Philippine nationals include Filipino citizens, and corporations, partnerships, or other juridical persons that are at least 60% Filipino-owned.

- Leasehold land: leasehold corresponds to properties that may only be held for a given length of time. All public land may be owned by Filipino citizens on a leasehold tenure; however, private land may be leased by international corporations with certain restrictions.

KEY STATISTICS

Official name	Republic of the Philippines
Currency	Philippine Peso (PHP) US$1 = PHP54.43 (March 2023)
Population	111.9 million (Q4/2022)
Land area	298,170 sq km
GDP per capita	US$3,460.5 (2021)
GDP growth	7.6% (2022 Average)
Principal business centres	Makati Central Business District, Bonifacio Global City, Ortigas Center

Source Philippine Statistics Authority, Bangko Sentral ng Pilipinas (BSP)

RESTRICTIONS ON OVERSEAS OWNERSHIP OF LANDS

Although there are some restrictions, foreign ownership of real estate or land in the Philippines is not impossible. The 1987 Constitution generally reserves ownership of private land for Filipino citizens. To some extent however, overseas nationals and former Filipino citizens can own properties. However, there are legal exemptions to the general rule and these are:

- Properties acquired by non-Filipino citizens before the ratification of the 1935 constitution;
- Property acquisition by a foreigner through hereditary succession;
- Foreigners are allowed to acquire not more than 40% of the total units in a condominium project;
- Property acquisition of those with dual citizenships under RA 9225;
- Filipino citizens who marry foreigners but have not renounced their citizenship; and
- Former natural born Filipinos acquiring properties for residential or business purposes subject to the following limitations:

Residential use: not more than 1,000 sq m for urban areas, and not more than 1 hectare for rural areas.

Business use: a maximum of two lots located in different cities/municipalities with a combined area not exceeding 5,000 sq m for urban areas and 3 hectares for rural areas.

CONDOMINIUM OWNERSHIP

Overseas nationals can own condominiums under the principle of the 60%/40% rule. Under law, condominium developers could sell a maximum of 40% of the condominium stock to non-Filipino citizens. Once purchase is complete, shares of the non-Filipino citizens entitle them to be a stockholder of the condominium corporation. It should be noted that most condominiums in the country are usually vertical developments and high-rise buildings.

Holders of a Special Resident Retirement Visa (SRRV) can also gain additional benefits aside from being allowed to buy a condominium property and lease a parcel of land or a house and lot. SRRV is offered by the government to overseas nationals who wish to stay permanently or those who would like to frequently visit or stay for long periods in the country. Information regarding other benefits of the SRRV is available on the Philippine Retirement Authority Website.

LEASING

Article 1643 of the Civil Code of the Philippines defines the lease of things as one party binding himself "to give to another the enjoyment or use of a thing for a price certain, and for a period which may be definite or indefinite." Under the same article it is also stipulated that no lease for more than 99 years shall be valid. For lease transactions of more than one year, it is required that the lease contract be in writing to be enforceable (Article 1403, Civil Code of the Philippines). While the ownership of private lands is exclusive to Filipino citizens, land can be leased to overseas nationals or international corporations on a long-term contract. While Filipino citizens are allowed a maximum lease term of 99 years, non-Filipino citizens could lease land only for a maximum of 25 years renewable for another 25 years. However, if the lease is made under the terms and conditions of the Philippine Investors' Lease Act, the lessee is allowed a maximum lease term of 50 years renewable for another 25 years. Escalation rates are usually stipulated in the contract of lease.

MEASUREMENT OF AREAS

All measurement of areas is done in sq m. Within agreements, the most used measurement terms include:

- Gross floor area (GFA): total area contained within the outside of the external walls.

- Gross leasable area (GLA): the aggregate floor space contained within a tenancy at each floor.

LEASE TERMS

- Rent: rental levels are quoted as net figures per sq m (GLA) per month.

- Common Use Service Area (CUSA): CUSA fees are paid on top of the net rent and shared among all the building tenants to cover maintenance of open and common spaces. Utility rates are paid for by the lessee.

- Escalation: rent escalation is fixed and usually pegged at 5%-10% per annum. Rent reviews are typically done annually.

- Deposits: deposits are usually the equivalent of three months' rent with advance payments for three months.

- Rent-free period: this constitutes the period wherein the lessee is allowed to occupy the space and also provides a period for fit-out. The usual rent-free period in the Philippines ranges from one to two months.

The usual length of a lease for residential space ranges from one to three years, while for commercial space, it ranges from three to five years. For industrial space, the length of a lease can range from anywhere between one and 15 years.

TAX LEGISLATION

Income tax

Pursuant to Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) law, the first tranche of tax reforms was implemented in 2018. The final tranche of changes this year will benefit most taxpayers who will receive further personal income tax cuts. The new tax rates are effective beginning 1 January 2023, and are shown in Tables 44 and 45.

TRANSACTION COSTS

Brokerage/agency fees

For both commercial and residential sales, the brokerage or agency fees usually range from 3% to 5% of the total price, but for leases it may depend on the lease period, as shown in Table 46. Usually, the fee for a one-year lease is the amount equivalent to one month's rent. For a lease period exceeding one year, the concomitant increase in broker's fees is usually subject to negotiation.

Taxes

Real estate transactions involving sale, lease or assignment of a real property are subject to taxes payable to the BIR and the local government unit within the jurisdiction of the transaction. These taxes vary if the seller is habitually engaged in real estate transactions or not. Moreover, the classification of the real estate property determines which taxes are to be imposed.

Real Property Tax (RPT) is paid every year by the owner and it varies from one local

TABLE 44 Income Tax Rates for Philippine Residents

AMOUNT OF NET TAXABLE INCOME (PHP)	TAX RATE
>0–<250,000	0%
>250,000–<400,000	15% of the excess over PHP250,000
>400,000–<800,000	PHP22,500 + 20% of the excess over PHP400,000
>800,000–<2,000,000	PHP102,500 + 25% of excess over PHP800,000
>2,000,000–<8,000,000	PHP402,500 + 30% of excess over PHP2,000,000
>8,000,000	PHP2,202,500 + 35% of the excess over PHP8,000,000

Source KMC Savills Research, Bureau of Internal Revenue (BIR)

TABLE 45 Income Tax Rates for Non-Philippine Residents

	TAX RATE
Non-resident aliens engaged in trade or business	Table 37 applies
Non-resident aliens not engaged in trade or business	25%*
Aliens employed by regional or area headquarters and regional headquarters of multinational companies	Table 37 applies

Source KMC Savills Research, BIR
*of gross income tax

TABLE 46 Residential and Commercial Lease Terms

LEASE TERM (YEARS)	BROKER'S FEES
Residential	
1	1 month's rent
2-3	1.5 months' rent
Commercial	
1-3	1 month's rent
4-5	2 months' rent
5 and above	3-4 months' rent (negotiable)

Source KMC Savills Research

government unit to the next. RPT ranges from 2-3% of assessed value which is derived from the market value or the zonal value whichever is higher.

Apart from the purchase price, there are other fees and taxes associated with every real estate transaction and these are listed in Table 47. The amount of tax to be paid on the sale of real estate depends on the classification of the real estate asset. It can either be tagged as a capital asset or an ordinary asset. Capital assets are subject to a capital gains tax (CGT) equivalent to 6% of the gross selling price or current fair market fair value or the zonal value of the property, whichever is higher. Capital gain is always presumed, and the tax is thus applied to the fair market value instead of actual capital gains. An ordinary asset, on the other hand, is subject to withholding tax and value-added tax equivalent to 12% of the gross selling price or fair market value, whichever is higher. Other fees include documentary stamp tax (1.5% of purchase price), local government tax (around 0.5% of purchase price) and new title issuance registration fee (around 0.25% of purchase price).

The usual fees associated with such transactions are customarily assigned to the seller and the buyer depending on the mutual agreement of the parties. These stipulations must be expressly stated in the Deed of Absolute Sale to delineate the rights and responsibilities of each party and avoid any future problems that may arise.

TABLE 47 Commercial and Residential Transaction Costs

COST	PERCENTAGE OF TRANSACTION	PAYER
Legal fees	0.5-1.0	Buyer
Local transfer tax	0.25-0.75	Buyer
Deed of sale	0.225-0.5	Buyer
Documentary stamp tax	1.5	Buyer
CGT	6	Seller
Real estate agent's fee	3-5	Seller

Source KMC Savills Research

PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA)

To encourage investments in preferred sectors of the economy, the Philippines offers various incentives to qualified enterprises, including income tax holidays, tax and duty-free importation of raw materials and equipment, and simplification of customs procedures, among others.

Companies can opt to register with PEZA, a government agency that specialises in providing investment assistance to foreign investors inside the country. Registering with PEZA has several advantages, such as income tax holidays of a specific duration during which the company is not liable to 30% income tax, no value added tax on purchased goods and services, exemption from withholding and local government taxes, and visa-processing assistance for expatriate employees. However, PEZA-registered companies are required to relocate to a PEZA IT Park or building and only certain businesses are allowed to register that are involved in the following activities:

- Export manufacturing
- Information technology service export
- Tourism

- Medical Tourism
- Agro-industrial export manufacturing
- Agro-industrial bio-fuel manufacturing
- Logistics and warehousing services
- Manufacturing Economic Zone Development/ Operation
- Tourism Economic Zone Development/ Operation
- Medical Tourism Economic Zone Development/ Operation
- Agro-Industrial Economic Zone Development/ Operation
- Retirement Economic Zone Development/ Operation
- Facilities For Manufacturing Enterprises
- Facilities For IT Enterprises
- Retirement Facilities
- Utilities

MAJOR PROPERTY LEGISLATION

- 1987 Philippine Constitution
- Condominium Act (RA 4726) and the law amending it (RA 7899)
- Dual Citizenship Law (RA 9225)
- Property Registration Decree (PD 1529)
- National Building Code (PD 1096)
- The Subdivision Development Act (PD1216)
- Urban Land Reform (PD 1517)
- Rent Control Act of 2009 (RA 9653)
- Foreign Investments Act (RA 7042)
- Realty Instalment Buyer Protection Act (RA 6552)
- Public Land Act (CA 141)
- Urban Development and Housing Act (RA 7279)
- Investors' Lease Act (RA 7652)
- Special Economic Zone Act (RA 7916)
- Rental Reform Act (RA 9161)
- Land Use Ordinance
- Zoning Ordinance
- Real Estate Investment Trust (REIT) Act of 2009 (RA 9856)
- Real Estate Service Act of 2009 (RA 9646)


ARTSCIENCE MUSEUM

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As a developed and successful free-market economy, Singapore enjoys an open and corruption-free environment. The city-state's economy depends heavily on exports, particularly of consumer electronics and information technology products. As a result of the government's reform policies aimed at sharpening economic competitiveness, the economy has grown robustly since 2004. Singapore now serves as regional headquarters for thousands of multinational companies, has world-class financial and service sectors and above all, a highly efficient physical infrastructure.

TYPES OF PROPERTY OWNERSHIP

There are two types of property ownership in existence in Singapore:

- Freehold Estate Ownership which includes fee simple (grant in fee simple) and estate in perpetuity (statutory land grant).

- Leasehold Estate Ownership which may be for a period of 15, 30, 60, 99 or 999 years.

OVERSEAS OWNERSHIP RESTRICTIONS

The only restrictions on ownership apply to residential properties, covering:

Landed Properties Or Non-strata-titled Properties

Non-Singaporeans are not allowed to buy detached, semi-detached, terraced and cluster houses. They can, however, apply to the Minister of Law through the Land Dealings Unit (LDU) for approval to purchase such properties. The criteria for approval are generally based on the likely economic contribution the expatriate can make to the country. If the expatriate is allowed to purchase the property, he/she must use the house strictly for owner occupation.

Overseas ownership of landed properties in Sentosa Cove is permitted under a special arrangement. Overseas individuals or companies, as stipulated under the Residential Property Act, have to obtain in-principle approval from the LDU prior to tendering and submission, and upon success in their tender bids must seek formal approval from the LDU. Under the special arrangement, housing developers need not obtain in-principle approval from the LDU. They are only required to obtain formal approval, or a Qualifying Certificate (QC), from the Controller of Residential Property (CRP) upon successful tender.

En-bloc Apartments And Condominiums

An expatriate is not allowed to acquire all units in a residential development without the Minister of Law's approval.

Vacant Land Zoned 'Residential'

Overseas developers are required to obtain a QC from the CRP before they are allowed to purchase residential land. A banker's guarantee in the amount equivalent to 10% of the land price is needed to obtain the QC.

The developer is prohibited from reselling land, and with effect on or after 6 July 2018, for residential sites released under the Government Land Sales Programme, the developer will be levied an extra 25% stamp duty on the land portion of the unsold units five years after the award of the land.

MEASUREMENT OF AREAS

Measurements are typically quoted as gross floor area (GFA), strata floor area or lettable floor area and are generally given in square feet by practitioners in the industry. However, the government has adopted the metric system and official government statistics, including those for real estate, are given in square metre. For real estate transactions in Singapore, the measurement is often either Strata Area or Net Lettable Area. These are a percentage of the GFA.

KEY STATISTICS

Official name	Republic of Singapore
Currency	Singapore dollar (100 cents) US$1 = S$1.3284 (29 March 2023)
Population	5.637 million (June 2022)
Land area	734.3 sq km (2022)
GDP per capita	S$114,165 (2022)
Real GDP growth	3.6% (2022) 1.5% (2023F)
Principal business centres	Marina Bay, Raffles Place, Shenton Way, Tanjong Pagar, City Hall/Marina and Orchard Road

Source Singapore Department of Statistics, Monetary Authority of Singapore, Ministry of Trade and Industry

TABLE 48 Typical Lease Terms

LEASE PERIOD	Typically 3/5 years for commercial properties, with an option to renew for a further term of 3/5 years, to be mutually agreed by landlord and tenant.
RENT REVIEWS	Upon lease renewal.
SUB-LETTING/ ASSIGNMENT	Most leases do not allow the tenant to sub-let or assign the lease.
TERMINATION	Early termination of the lease is prohibited. In practice, the landlord may allow the outgoing tenant to source a replacement tenant at terms and conditions to be agreed by the landlord.
REPAIRS	The tenant will usually be directly responsible for all repairs within the demised premises. General building repairs and maintenance of building services will be carried out by the landlord, or management corporation, and recovered through the service charge.
SECURITY OF TENURE	Protected by law.
DILAPIDATION	Fair wear and tear is acceptable by the landlord but additional fixtures added by the tenant will have to reinstated upon lease termination.

Source Savills Research & Consultancy

TABLE 49 BSD/ABSD

TRANSACTION	BSD RATES ON THE TOTAL PURCHASE PRICE OR MARKET VALUE (WHICHEVER IS HIGHER) ON OR AFTER 15 FEBRUARY 2023	ABSD RATES ON THE TOTAL PURCHASE PRICE OR MARKET VALUE (WHICHEVER IS HIGHER) ON AND AFTER 27 APRIL 2023
Singapore Citizens (SCs) buying second residential property	1% on first S$180,000 2% on next S$180,000 3% on next S$640,000 4% on next S$500,000 5% on next S$1,500,000 6% for amount exceeding S$3,000,000	20%
SCs buying third and subsequent residential property		30%
SPRs buying the first residential property		5%
SPRs buying the second residential property		30%
SPRs buying the third and subsequent residential property		35%
Foreigners buying any residential property		60%
Entities buying any residential property		65%
Housing developers buying any residential property		35% plus additional 5% for housing developer (non-remmitable).
Loan-to-Value		New mortgages cannot cause borrowers' total monthly loan repayments to exceed 55% of monthly income.

Source Inland Revenue Authority of Singapore (IRAS), Singapore government

TRANSACTION COSTS

Brokerage/agency Fees

Typical agency fees are equivalent to one month's gross effective rent and are payable by the landlord. Brokerage fees on investment transactions are normally 1% of the transaction price and are payable by the vendor.

Legal Costs

Conveyancing fees for all types of property transactions, including leases and reassignment of mortgaged properties, are negotiable.

TAX LEGISLATION

Stamp duty: sales

There are two stamp duties payable on private residential real estate transactions. These are the buyer's stamp duty (BSD) and the seller's stamp duty (SSD).

Buyer's stamp duty

Effective from 8 December 2011, an additional buyer's stamp duty (ABSD) on private residential purchases is payable by overseas nationals, companies and Singapore Permanent Residents (SPRs). This is over and above the usual BSD payable.

With effect from 15 February 2023, higher marginal BSD rates will be introduced for higher-value residential properties. A new marginal BSD rate of 5% will apply to the portion of residential property value in excess of S$1.5 million and up to S$3 million; and 6% will apply to the portion of residential property value in excess of S$3 million. The details of the BSD/ABSD are shown in Table 49.

Stamp duty is payable by the buyer within 14 days of agreeing to buy if the sales and purchase agreement is signed in Singapore.

Stamp duty: Additional Conveyance Duties (ACD)

Effective from 11 March 2017, an ACD will apply on qualifying acquisition and disposal of equity interest in residential property-holding entities (PHEs) that hold at least 50% of the total tangible assets (owned directly/indirectly) in Singapore residential properties. Under the ACD provision, a qualifying acquisition/disposal of equity interest in a residential PHE will be treated as a transfer of interest in the underlying properties. Therefore, this will attract ACD, in addition to share transfer duty, which may apply on the acquisition/disposal of equity interest in a company.

ACD for buyers (ACDB) and ACD for sellers (ACDS) are payable on qualifying acquisitions and disposals based on the market value of the residential property of the PHE. For buyers, on top of the 0.2% share duty tax, they must pay ACD comprising 1% to 6% on the value of the underlying residential properties and a flat 40% on the entire value of those assets bought on or after 6 July 2018. Sellers, who are significant owners, disposing of their equity stake within three years of acquisition will have to pay a flat 12% levy.

Seller's stamp duty

Effective from 11 March 2017, an SSD will be imposed if residential properties are sold within three years of purchase. The SSD levied on residential properties bought on or after 11 March 2017 will be as follows:

- Sold within the first year of purchase, ie, where the property is held for one year or less from its purchase date, the SSD is 12% of the full consideration.
- Sold within the second year of purchase, ie, where the property is held for more than one year and up to two years, the SSD is 8% of the full consideration.
- Sold within the third year of purchase, ie, where the property is held for more than two years and up to three years, the SSD is 4% of the full consideration.

No SSD will be payable by the seller if the property is sold more than three years after it was bought.

TABLE 50 Partial Tax Exemption for Companies

FROM YA 2020	
CHARGEABLE INCOME	% EXEMPTED FROM TAX
First S$10,000	@75%
Next S$190,000	@50%

Source Inland Revenue Authority of Singapore (IRAS)

TABLE 51 Tax Exemption Scheme for New Start-Up Companies

WHERE ANY OF THE FIRST THREE YAS FALLS IN OR AFTER YA 2020	
CHARGEABLE INCOME	% EXEMPTED FROM TAX
First S$100,000	@75%
Next S$100,000	@50%

Source Inland Revenue Authority of Singapore (IRAS)

Stamp duty: mortgages

Stamp duty payable is S$4 for every S$1,000 of the loan or part thereof, subject to a maximum of S$500.

Stamp duty: leases

Stamp duty on leases is payable based on the average annual rent (AAR) at the Lease Duty rates. AAR refers to the higher of the average annual contractual or annualised market rent and includes other considerations such as payments for advertising and promotion charges, furniture/fitting charges, maintenance charges, service charges and any other charges (excluding GST charges).

Leases with AAR not exceeding S$1,000 are exempt from stamp duty. For those with AAR of more than S$1,000, stamp duty is levied as follows:

- Lease period of four years or less, 0.4% of total rent for the period of the lease.
- Lease period of more than four years or for any indefinite term, 0.4% of four times the AAR for the period of the lease.

Estate Duty

As of 15 February 2008, the government has removed estate duty.

Corporation Tax

A company is taxed at a flat rate on its chargeable income. The corporate income tax (CIT) rate from the year of assessment (YA) 2010 onwards is 17%. CIT for the YA is levied on the taxable income of the previous year, which is the profit shown in the company's audited accounts after qualified allowances and deductions have been taken into account.

Companies can enjoy the partial tax exemption (PTE) and tax exemption for new start-up companies, as shown in Tables 50 and 51.

In order to qualify for tax exemption, the new start-up company must:

- Be incorporated in Singapore;
- Be a tax resident in Singapore for that YA;
- Have no more than 20 shareholders throughout the basis period for that YA where:

1) All of the shareholders are individuals "beneficially and directly" holding the shares in their own names; or

2) At least one shareholder is an individual "beneficially and directly" holding at least 10% of the issued ordinary shares of the company.

To ease business costs and support restructuring by companies[3], the Ministry for Finance announced in Budget 2020 that the CIT rebate for YA 2020 would be raised to 25% of the corporate tax payable subject to a cap of S$15,000. The rebate will not apply to income derived by a non-resident company that is subject to final withholding tax.

Effective YA 2006, companies may carry-back unutilised capital allowances (CAs) and trade losses arising in a YA to reduce the amount of taxes payable in an immediately preceding YA. The maximum amount of loss and capital allowance that can be carried back is capped at S$100,000.

3 Includes Registered Business Trusts, non-resident companies that is not subject to a final withholding tax and companies that receive income taxed at a concessionary tax rate.

Personal Income Tax

All income earned in or derived from Singapore is chargeable to income tax. Generally, overseas income received in Singapore on or after 1 January 2004 is not taxable, except in some circumstances. Tax residents for a particular YA include:

- A Singapore Citizen or Singapore Permanent Resident who resides in Singapore except for temporary absences, or
- A foreigner who has stayed / worked in Singapore (excludes director of a company) for 183 days or more in the previous year, ie the year before the YA.

From YA 2017 to YA 2023, tax rates for residential taxpayers are on a graduated scale ranging from 0% to 22%. The scale will widen from YA 2024 onwards, ranging from 0% to 24%.

For YA 2019, a personal tax rebate of 50% of tax payable, up to maximum of S$200 is granted to tax residents.

Property Tax

The amount of tax payable by owners is calculated based on a percentage of the annual value of the property, which is the estimated gross annual rent of the property if it were to be rented out, regardless of whether the property is vacant, occupied by the owner or leased out. Exceptions to the standard definition of annual value include:

- Vacant land or land under development – 5% of the estimated freehold market value of the land, assuming the land plot is vacant with no buildings erected on site.
- Licensed hotels – 25% of the gross hotel room receipts for the preceding year, while the other assessable areas in the hotel, such as F&B outlets, function rooms, retail shops and car parks, will be assessed based on estimated market rents.

Property tax rates on owner-occupied and non-owner occupied residential properties are applied on a progressive scale, while all other properties continue to be taxed at 10% of the annual value. Details for owner-occupied and non-owner occupied residential properties are shown in Tables 52 and 53 overleaf. Non-residential properties such as commercial and industrial buildings and land are taxed at 10% of the annual value.

TABLE 52 New Progressive Tax Scale
(For Non-owner Occupied Residential Building)

ANNUAL VALUE	TAX RATE (%) (EFFECTIVE FROM 1 JANUARY 2015)	TAX RATE (%) (EFFECTIVE FROM 1 JANUARY 2024)
First S$30,000	11	12
Next S$15,000	16	20
Next S$15,000	21	28
AV in excess of S$90,000	27	36

Source Savills Research & Consultancy

TABLE 53 New Progressive Tax Scale
(For Owner Occupied Residential Building)

ANNUAL VALUE	TAX RATE (%) (EFFECTIVE FROM 1 JANUARY 2015)	TAX RATE (%) (EFFECTIVE FROM 1 JANUARY 2015)
First S$8,000	0	0
Next S$22,000	4	4
Next S$10,000	5	6
Next S$15,000	7	10
Next S$15,000	10	14
Next S$15,000	14	20
Next S$15,000	18	26
AV in excess of S$100,000	23	32

Source Savills Research & Consultancy

Tax exemptions are granted for buildings that are entirely used for public religious worship, charitable purposes, public schools which receive grant-in-aid from the government, and for purposes conducive to social development in Singapore. Partial exemption may be granted if only parts of the building qualify for exemption.

As part of the Government's Stabilisation and Support Package, owners of qualifying commercial properties will be granted a rebate on the property tax payable for the period 1 January 2020 to 31 December 2020. Owners of qualifying properties will be granted rebates of up to 30% on their property tax payable.

Goods and Services Tax (GST)

GST is charged on supplies of most goods and services by businesses, and on imports made by taxable persons in Singapore.

It is a final consumption tax but collected at each stage of production. There are four bands of tax: the standard rate of 7% (applicable to standard-rated supplies comprising goods and services not considered zero rated and exempt supplies), zero rated (applicable only to international services and exported goods), exempt (sales and rental of unfurnished residential property and certain other financial transactions/services) and out-of-scope (goods which are sold but never enter Singapore).

During Budget 2018, the government had announced that the GST is set to increase from 7% to 9% sometime between 2021 and 2025. After reviewing revenue and expenditure projections, and considering the current state of the economy, the Government decided to maintain the GST rate at 7% in 2021 in Budget 2020. However, the GST rate was increased from 1st January 2023 to 8% and further hike to 9% from 1 January 2024 onwards.

All businesses with a turnover of taxable supplies in excess of S$1 million must register with the Controller of GST, whereas businesses with turnover of less than S$1 million may do so voluntarily.

The sale of residential properties and land are exempt from GST. Hence a developer cannot charge GST on the sale of a housing unit even if he is GST-registered with the Controller. Neither can he claim for a refund of the GST he has incurred in developing the building.

Withholding Tax and Tax Treaties

Domestic corporations paying certain types of income are required to withhold tax to non-resident corporations/individuals on interests and royalties. The rate of withholding tax is dependent on the country in which the corporation/individual is based but ranges between 0% and 15%. Dividends are not subject to withholding tax.

A Double Taxation Agreement (DTA) is an agreement concluded between Singapore and another jurisdiction (a treaty partner) which serves to relieve double taxation of income that is earned in one jurisdiction by a resident of the other jurisdiction. All the DTAs concluded by Singapore since 1965 to date are categorized as follows:

- Comprehensive treaties, which cover all types of income and are applicable to the following countries: Albania, Armenia, Australia, Austria, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Brazil, Brunei, Bulgaria, Cambodia, Canada, China, Cyprus, Czech Republic, Denmark, Ecuador, Egypt, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Guernsey, Hungary, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Jordan, Kazakhstan, Korea (Republic of), Kuwait, Laos, Latvia, Libya, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mauritius, Mexico, Mongolia, Morocco, Myanmar, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Rwanda, San Marino, Saudi Arabia, Serbia, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkmenistan, Tunisia, Turkey, Ukraine, United Arab Emirates (UAE), United Kingdom (UK), Uruguay, Uzbekistan, and Vietnam.

- Limited treaties, covering only income from shipping and/or air transport, and which are applicable to the following countries: Bahrain (air transport), Brazil (air transport and shipping), Chile (shipping), Hong Kong SAR (air transport and shipping), Oman (air transport), Saudi Arabia (air transport), UAE (air transport), and United States of America (air transport and shipping).

- Treaties that have been signed but not ratified, and thus do not have any force in law, are with: Cabo Verde, Gabon, Kenya.

LEGAL ISSUES

Land Registration

The Land Titles Registry, which comes under the Singapore Land Authority's umbrella, handles the registration of property transactions in Singapore. Two land registers exist, namely:

- Register of Deeds for Common Law land under the Registration of Deeds Act;
- the Land Titles Register for land under the Land Titles Act.

Planning Controls

Section 12 of the Planning Act 1998 stipulates that no person shall develop any land without the written permission of the competent authority.

'Competent authority' refers to the Urban Redevelopment Authority and 'written permission' may refer to the planning permission, subdivision permission or conservation permission.

'Development' is defined in Section 3 of the Act as either the execution of any building, mining, engineering, earthworks or other operations on, over or under land, or to making any material changes to the use of any land and buildings.

Master Plan 2019

The current Master Plan 2019, is a detailed statutory land use plan for each of the planning regions (north, northeast, east, west and central regions). The Plan, which is revised every five years, guides the physical development of Singapore over the medium term of ten to 15 years.

Other legislation which controls real estate development in Singapore includes:

- Housing Developers (Control and Licensing) Act
- Sale of Commercial Properties Act
- Land Titles (Strata) Act
- Land Titles Act
- Land Acquisition Act

Foreign exchange controls

All Singapore residents, both corporations and individuals are allowed complete freedom from exchange control on any form of investment and payment. Nonetheless, loans to non-residents may be subject to a 'non-internationalisation of Singapore currency' policy. Also, all syndicated loans in Singapore dollars require the approval of the Monetary Authority of Singapore.

MAJOR PROPERTY LEGISLATION

There are a number of key items of legislation related to property, all of which are detailed below:

- Buildings and Common Property (Maintenance and Management) Act
- Building Control Act
- Building Maintenance and Strata Management Act
- Conveyancing and Law of Property Act
- Goods and Services Tax Act
- Housing Developers (Control and Licensing) Act
- Housing Developers (Control and Licensing) Rules
- Income Tax Act
- Land Acquisition Act
- Land Titles Act
- Land Titles (Strata) Act
- Planning Act
- Property Tax Act
- Registration of Deeds Act
- Residential Property Act
- Sale of Commercial Properties Act
- Stamp Duties Act
- State Lands Act
- Street Works Act


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With a GDP per capita of US$33,191, the country recorded the sharpest contraction since Q2/2020 in Q4/2022. The rate of Korean GDP growth in 2022 was 2.6%.

In 2022, Korea's economic growth continued to slow as private consumption declined, improvements in facilities investment weakened, and exports fell sharply owing to the global economic slowdown and to a contraction in demand for IT products. Accordingly, the Bank of Korea held the Base Rate unchanged at 3.50% on concerns of rising inflation despite uncertainties in the economy.

Looking ahead, GDP growth is expected to slow to 1.6% YoY in 2023, before picking up in 2024 with a 2.4% YoY expansion.

TYPES OF PROPERTY OWNERSHIP

Freehold title ownership and strata-title ownership are all commonly practiced and long-term ground leasehold agreements are exceptionally rare.

OVERSEAS OWNERSHIP RESTRICTIONS

Following substantial deregulation in 1998, overseas buyers are generally free to acquire land in Korea, apart from areas where approval is required, such as military areas, cultural assets and ecologically protected areas, as detailed in the Foreigners Land Acquisition Act.

MEASUREMENT OF AREAS

The most commonly used unit of area measurement remains the pyeong (1 py = 3.3058 sq m = 35.58 sq ft), although the government is encouraging the adoption of square metre (sq m), with a 2007 law requiring the use of sq m in official documents.

There are three area measurements which are often quoted in legal agreements:

- Gross Floor Area (GFA): all area contained within the centre line of the external walls, excluding vertical penetration and void areas.

- Gross Leasable Area (GLA): usually GFA or GFA less underground parking areas.

- Net Leasable Area (NLA): GFA less common floor areas, building common areas and parking.

Note that variations in these definitions are common e.g. with regard to what constitutes "common areas".

LEASE TERMS

A typical rent structure comprises: 1) monthly rent; 2) a monthly maintenance fee; and 3) a refundable security deposit.

TABLE 54 Typical Lease Terms

LEASE PERIOD	3-5 years
RENT REVIEWS	Typically conducted at the end of the lease period. For standard leases, rent levels may be reviewed during the lease period if: 1) market conditions drastically change; or 2) tax amounts increase. Lease renewal rates are negotiable and usually fall somewhere between the contract and market rent with limited recourse in dispute. Fixed-term leases do not include rent reviews unless pre-agreed.
SUB-LETTING/ ASSIGNMENT	Generally not an accepted market practice, consent required from landlord.
TERMINATION	Pre-termination clauses are usually included in leases and require notification periods of 3-6 months. Longer term leases typically prohibit pre-termination in the early period of the lease.
REPAIRS	The exterior and common areas of the building are the landlord's responsibility. Tenants are responsible for internal repairs.
SECURITY OF TENURE	Security of tenure is not guaranteed beyond the term of a lease. A right to renew can be included in the lease if required.
DILAPIDATION	Tenants are expected to reinstate a building to its original condition.

Source Savills Research & Consultancy

KEY STATISTICS

Official name	The Republic of Korea
Currency	Korean won US$1 = KRW1,265 (December 2022)*
Population	51.7 million*
Land area	100,339 sq km
GDP per capita	US$33,191 (2022)*
GDP growth	2.6% per annum (2022)# 1.6% per annum (2023F)#
Principal business centres	Seoul (CBD, Gangnam, Yeouido), Pangyo, Busan, Incheon

Source FocusEconomics*, Bank of Korea#

TABLE 55 Acquisition Taxes

TAX	TAX RATE
Acquisition tax	4.00% of acquisition price
Special tax for farming and fishing villages	0.20% of acquisition price
Local education tax	0.40% of acquisition price
Value added tax (VAT)	10% of building acquisition price (corporations will be reimbursed)

Source Savills Research & Consultancy, National Tax Service

TABLE 56 Real Estate Taxes during Holding Period

CATEGORY			TAX RATE
Buildings	Buildings		0.25% of tax assessment value
Land	Land for business purpose	Less than KRW200 million	0.2% of tax assessment value
		Less than KRW1,000 million	KRW400,000 + 0.3% of excess over 200 million
		Over KRW1,000 million	KRW2.8 million + 0.4% of excess over 1,000 million
Surtax	Local education tax		20% of property tax
	Special tax for farming and fishing villages		20% of property tax
	Special property tax (Previously city planning tax)		0.14% of tax assessment value
	Community facility tax*		0.04-0.12% of tax assessment value
Comprehensive real estate tax			0.5 – 0.7% of tax assessment value

Source Savills Research & Consultancy, National Tax Service
*Buildings deemed to have high fire risks will be susceptible to double ordinary tax rate.

TABLE 57 Disposition Taxes

TAX	SPECIAL CASES
Corporate – income tax 10%–25% of capital gain	Capital gain tax is levied as corporation tax
Local income surtax (formerly inhabitant tax) 10% of transfer income tax or corporate tax	N/A
VAT 10% of building's transfer price (collected from transferee)	Corporations will be reimbursed for the VAT paid

Source Savills Research & Consultancy, National Tax Service

TABLE 58 Corporation Taxes

TAXABLE INCOME (KRW)	MARGINAL TAX RATE
Below 200 million	10% of tax assessment value
200 million – less than 20 billion	KRW20 million + 20% of excess over 200 million
20 billion – less than 300 billion	KRW3.98 billion + 22% of excess over 20 billion
Above 300 billion	KRW65.58 billion + 25% of excess over 300 billion
Local surtax	10% of corporate tax

Source Savills Research & Consultancy, National Tax Service

TRANSACTION COSTS

Brokerage/agency fees

Brokerage fees on transactions are normally between 0.5% and 1% depending on the deal. Fees on leasing are usually 1 to 2 months rent for the entire leased space with the nature of the deal dictating who is liable to pay the fee.

Security deposit

Typically, a non-interest-bearing, returnable deposit of ten months' net rent for office and retail properties.

Legal costs

Legal costs vary on a case-by-case basis. Most are negotiable. Each party (buyer and seller) bears their own legal costs.

TAX LEGISLATION

Tax depreciation

Only the straight-line method of depreciation is permitted for buildings. Generally, the standard practice for the useful life of a building is 40 years (2.5% depreciation rate).

Corporation tax

Details are shown in Table 58.

Value added tax (VAT)

A standard 10% VAT is levied on all goods and services (including property), with the exception of those specified as exempt or zero rated. Businesses are exempt or refunded.

Personal income tax (PIT)

For tax-paying purposes, individuals are classified as either resident or non-resident. Residents are essentially defined as those who have resided in Korea for 183 days or more, or those who have an occupation that would require them to reside in Korea for 183 days or more. A resident is subject to income tax on all income derived from sources both within and outside of Korea. A non-resident is subject to income tax only on income derived from sources within Korea. Details are shown in Table 59.

Withholding tax and tax treaties

International corporations with no domestic place of business in Korea will be subject to tax on their Korean-sourced income (dividends, royalties, interest) on a withholding basis. Any income attributable to an overseas corporation which has a fixed place of business in Korea will be subject to Korean income tax. The rate of withholding tax is dependent on the country of origin of the corporation in question and the source of income (dividends, royalties, interest), this generally ranges between 10% and 15%.

Withholding taxes are also applicable to non-residents. However, there are limitations on these depending on the existence and nature of a tax treaty with Korea. Table 60 lists those countries with whom tax treaties exist in order to avoid double taxation of international residents.

TABLE 59 PIT Rates

INCOME (KRW)	MARGINAL TAX RATE	LOCAL INCOME SURTAX
0 – less than 12 million	6% of tax assessment value	10% of the personal income tax liability
12 million – less than 46 million	KRW0.72 million + 15% of excess over 12 million	
46 million – less than 88 million	KRW5.82 million + 24% of excess over 46 million	
88 million – less than 150 million	KRW15.9 million + 35% of excess over 88 million	
150 million – less than 300 million	KRW37.6 million + 38% of excess over 150 million	
300 million – less than 500 million	KRW94.6 million + 40% of excess over 300 million	
500 million – less than 1 billion	KRW174.6 million + 42% of excess over 500 million	
1 billion and over	KRW384.6 million + 45% of excess over 1 billion	

Source Savills Research & Consultancy, National Tax Service

TABLE 60 Tax Treaty Countries

Albania	Hungary	Peru
Algeria	Iceland	Philippines
Australia	India	Poland
Austria	Indonesia	Portugal
Azerbaijan	Iran	Qatar
Bahrain	Ireland	Republic of South Africa
Bangladesh	Israel	Romania
Belarus	Italy	Russia
Belgium	Japan	Saudi Arabia
Brazil	Jordan	Serbia
Brunei	Kazakhstan	Singapore
Bulgaria	Kenya	Slovakia
Canada	Kuwait	Slovenia
Cambodia	Kyrgyz	South Africa
Chile	Laos	Spain
China	Latvia	Sri Lanka
Colombia	Lithuania	Sweden
Croatia	Luxembourg	Switzerland
Czech Republic	Malaysia	Tajikistan
Denmark	Malta	Thailand
Ecuador	Mexico	Tunisia
Egypt	Mongolia	Turkey
Estonia	Morocco	Turkmenistan
Ethiopia	Myanmar	UAE
Fiji	Nepal	UK
Finland	Netherlands	Ukraine
France	New Zealand	Uruguay
Gabon	Norway	USA
Georgia	Oman	Uzbekistan
Germany	Pakistan	Venezuela
Greece	Panama	Vietnam
Hong Kong SAR	Papua New Guinea	

Source Savills Research & Consultancy, National Tax Service

MAJOR PROPERTY LEGISLATION

There are a number of key pieces of legislation pertaining to real estate, all of which are detailed below:

- Act on Report on Real Estate Transactions
- Act on the Development and Management of Logistics Facilities
- Act on the Management and Promotion of Real Estate Development Business
- Act on the Promotion of Real Estate Services Industry
- Act on the Public Announcement of Values
- Building Act
- Commercial Building Lease Protection Act
- Foreigner's Land Acquisition Act
- Framework Act on Building
- Framework Act on The National Land
- Comprehensive Real Estate Holding Act
- Housing Lease Protection Act
- National Land Planning and Utilization Act
- Real Estate Brokerage Act
- Real Estate Investment Company Act
- Urban Development Act


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Taiwan's economy has seen rapid development and is one of Asia's newly industrialised growth engines. The economy has transformed itself from one which produced plastic toys and textiles to one which dominates some electronics sectors. 80% of the world's laptops come from Taiwan as the nation's SMEs have successfully climbed further up the value chain. Nowadays, 65% of the world's semiconductors and almost 90% of advanced chips come from Taiwan and the semiconductor industry is now a key driver of the economy.

According to the Directorate-General of Budget, Accounting and Statistics, 70% of gross domestic output in 2022 was derived from exports, which can leave the open economy vulnerable to fluctuations in global demand for its goods. This reliance on the production of tech exports has also contributed to the manner in which the property market has evolved. Science and technology parks represent a large portion of investment-grade assets, and in some instances, are government-owned, leaving few opportunities for investors.

The high quality of human resources and the complete manufacturing supply chain are complimented by sound regulatory and legal systems, and a competent central bank. These factors make Taiwan an excellent location for regional operation or R&D centres, and as a logistics hub and/or production base to serve the Asia Pacific region.

TYPES OF PROPERTY OWNERSHIP

Most property on the island is freehold, although long-term leasehold, also called superficies right, is becoming more popular, particularly in Taipei City or on government build-operate-transfer infrastructure projects. Typical leasehold titles have 35-, 50- or 70-year terms. Renewal options are dependent on specific contract agreements.

Strata-title buildings are common throughout the island, and regulations have been passed to create consensus on building maintenance and management. Ownership structures are commonly divided into the following categories: 1) fee simple; 2) strata title; and 3) superficies right.

OVERSEAS OWNERSHIP RESTRICTIONS

Overseas investors and individuals are allowed to own most types of property in Taiwan with a reciprocal agreement that allows Taiwanese nationals to enjoy the same rights in those countries. The only exception to this applies to individuals or entities from mainland China, who are restricted from owning property unless it is for self-use. The type of owner-occupied commercial property that mainland enterprises and individuals can acquire includes retail, factory and office property as well as employee dormitories.

White-collar Chinese workers who are legally permitted to work in Taiwan and hold a Taiwan work certificate (Alien Resident Certificate) are allowed to buy homes to fulfil their individual housing needs. However, the purchase is subject to a stipulation that restricts the sale of the property for a period of three years following the title transfer. These same individuals are no longer required to state the source of their funds as they were in the past and are entitled to the same mortgage terms that Taiwanese nationals can secure.

Overseas investors acquiring or leasing land for a particular purpose are required to obtain approval from the relevant government authority.

Overseas investors who have established a company in Taiwan are permitted to buy or lease property for their operations provided they have obtained overseas investment approval status.

Restrictions on overseas ownership

Overseas entities are prohibited from owning the following: military areas, cultural assets, forestry land, fisheries, hunting grounds, salt fields and ecologically protected areas.

MEASUREMENT OF AREAS

The standard unit of measure is the 'ping' (1 ping = 3.305 sq m = 35.58 sq ft). This was adopted from Japanese tatami mats and is the same size as the Japanese 'tsubo' and Korean 'pyung'. As a rule of thumb, one ping has the same dimensions as a king-sized bed.

There are two measurements for areas that are commonly used in legal agreements:

KEY STATISTICS

Official name	Republic of China (ROC)
Currency	New Taiwan dollar US$1 = NT$30.67 (December 2022)
Population	23 million (2022)
Land area	3,600 sq km
GDP per capita	US$32,811 (2022) US$33,044 (2023F)
GDP growth	2.45% per annum (2022)* 2.12% per annum (2023F)*
Principal business centres	Taipei City, New Taipei City, Taichung City, Tainan City, Kaohsiung City

Source National Statistics, ROC*

- Gross floor area (GFA): all covered areas contained within the external walls including common areas such as amenities, balconies and parking. In practice, GFA is used to calculate the property's rent and sales price, although parking and retail space will often be excluded.

- Net floor area: the useable area exclusively occupied by the tenant, or the GFA less common areas (including lifts), balconies and walls. In Taiwan, the average efficiency ratio for Grade A office buildings is between 60% and 70% of the GFA.

TRANSACTION COSTS

Brokerage/agency fees

Typically, leasing fees are equivalent to one month's rent from the tenant and one month's rent from the landlord.

Agency fees are charged to both the vendor and buyer at the conclusion of a transaction. The buyer is typically charged 1% to 2% of the transaction amount while the vendor is charged 3% to 4% of the transaction amount. Both of these fees may vary if the relevant parties have consented.

Security deposit

Commonly a non-interest-bearing returnable deposit of two to three months' rent is required as a security deposit for leasing commercial properties regardless of lease duration.

Valuation fees

The valuation fee is approximately 0.005% to 0.2% of the property value.

Notarisation costs

According to the charging standards for notarisation costs issued by the Judicial Yuan, the notarisation cost varies from 0.5% to 0.01% of the total amount of the contract. It is standard practice in Taiwan for each party to bear their own legal costs.

TAX LEGISLATION

Land stamp duty

Land stamp duty is charged at 0.1% of the government-assessed land value on the sale or transfer of deeds of property. Building stamp duty is also charged at 0.1% of the government-assessed value of the building. The stamp duty is to be paid by the purchaser.

Deed tax

Deed tax is charged at 6% of the government-assessed building value and is paid by the purchaser.

Land value increment tax

Land value increment tax is applicable to taxable gains based on proceeds from a sale after a number of deductions, including land improvement costs, construction benefit fees, land rezoning fees and land premiums, have been made. The vendor will be charged at a progressive rate of 20%, 30% and 40%. Privileged rate is applicable for owners owning the land for more than 20 years.

Land value tax

Land value tax will be paid on an annual basis by the owners and is commonly levied at regular progressive rates ranging from 1% to 5.5%. The tax base is the gap between the land value and the starting value evaluated by the government.

Buildings tax

The taxpayer is the building owner and buildings tax is levied on the government-assessed value of the building. The tax rates vary by city. In Taipei City, the annual tax rates are 3% for commercial buildings, 1% for owner-occupier residential and 1.2% to 3.6% for multiple-residence owners.

Capital gains tax (CGT)

Effective from 2016, capital gains generated from property face an extra tax levy. For individuals and companies, it ranges between 15% and 45%, depending on the length of the holding period. Furthermore, the tax rate for overseas nationals or overseas companies has been lifted much higher, to between 35% and 45%. Details are shown in Table 62.

Value added tax (VAT)

A standard 5% VAT is paid by the tenant. Real estate transactions will be taxed 5% VAT on the property's value, which is paid by the purchaser.

Corporation tax

In 2018, the rate of corporate income tax increased from 17% to 20%. Corporate taxes are applicable to any company operating within the borders of Taiwan (ROC) including overseas entities whose head office is situated outside of Taiwan. Corporate taxes will be applied to any income generated in Taiwan at the rates shown in Table 63.

TABLE 61 Typical Lease Terms

LEASE PERIOD	Typically from 3 to 5 years, although longer leases can be negotiated particularly for retail or industrial space.
RENT REVIEWS	Generally uncommon for commercial properties, often as a reflection of a slower moving market.
SUB-LETTING/ ASSIGNMENT	Subject to specific terms in the contract and signed by all affected parties.
TERMINATION	Usually specified within lease agreements and requires notification in advance. The security deposit will be forfeited if the tenant chooses to terminate the contract early.
REPAIRS	The exterior and common areas of the building are the landlord's responsibility. Tenants are expected to be responsible for internal repairs.
SECURITY OF TENURE	Security of tenure is not guaranteed beyond the term of a lease. An option for a further term should be agreed in the first term.
DILAPIDATIONS	Tenants are expected to cover the costs of returning the building to its original handover condition.

Source Savills Research & Consultancy

TABLE 62 Capital Gains Tax

TRANSACTION	TAXABLE INCOME	TAX RATE (%)
Taiwanese residents	Taxable Income = selling price-buying price-deductions-assessed land increment value	Holding period: Less than 2 years: 45% Over 2 years to 5 years: 35% Over 5 years to 10 years: 20% Over 10 years: 15%
Non-Taiwanese residents		Holding period: Less than 2 years: 45% Over 2 years: 35%
Taiwanese company		Holding period: Less than 2 years: 45% Over 2 years to 5 years: 35% Over 5 years: 20%
Overseas company		Holding period: Less than 2 years: 45% Over 2 years: 35%

Source Savills Research & Consultancy

Personal income tax (PIT)

Tax residents are those who have been in Taiwan for a minimum of 183 days in a calendar year. Individuals are taxed on income arising in or derived from Taiwan and the progressive tax scale ranges from 5% to 40%.

Non-residents who stay in Taiwan for less than 183 days in a calendar year are not entitled to any deductions, with income tax being computed on gross income and taxes collected through withholding. The withholding tax rate is generally 20%. Details of PIT are shown in Table 64.

Withholding tax and tax treaties

Any enterprise in Taiwan, including subsidiaries and branch or representative offices of an overseas company, must withhold tax on payments, as shown in Table 65.

Taiwan's general tax treaty policy is to avoid double taxation, prevent fiscal evasion and strengthen economic relations. Taiwan's treaties follow the Organisation for Economic Cooperation and Development model treaty and take into consideration matters relating to political and fiscal status, the economy and bilateral trade. As of 2018, Taiwan had concluded 32 comprehensive income tax treaties and 12 international transportation income tax treaties as follows:

- Comprehensive treaties – covering all types of income:

Australia, Austria, Belgium, Czech Republic, Denmark, Eswatini, France, Gambia, Germany, Hungary, India, Indonesia, Italy, Israel, Japan, Karibati, Luxembourg, North Macedonia, Malaysia, New Zealand, Netherlands, Paraguay, Poland, Saudi Arabia, Senegal, Singapore, Slovakia, South Africa, Sweden, Switzerland, Thailand, United Kingdom and Vietnam.

- Limited treaties – covering only income from shipping or air transport:

Canada, European Union, South Korea, Luxembourg, Macau SAR, Netherlands, Norway, Sweden and United States.

MAJOR PROPERTY LEGISLATION

There are a number of key pieces of legislation pertaining to real estate, which are detailed below:

- Income Tax Act
- Value-added and Non-value-added Business Tax Act
- Land Tax Act
- House Tax Act

TABLE 63 Corporate Tax

TAXABLE INCOME (NT$)	TAX RATE (%)
120,000 or less	None
Over 120,001	20

Source Savills Research & Consultancy

TABLE 64 Personal Income Tax

NET TAXABLE INCOME (NT$)	TAX RATE (%)	PROGRESSIVE DIFFERENCE (NT$)
0–560,000	5	0
560,001–1,260,000	12	39,200
1,260,001–2,520,000	20	140,000
2,520,001–4,720,000	30	392,000
4,720,001 and above	40	864,000

Source Savills Research & Consultancy

TABLE 65 Payment of Withholding Tax

TYPE OF INCOME	NON-RESIDENT ENTERPRISES* (%)
Dividends	20
Professional fees	20
Rental income (royalties)	20
Commissions	20

Source Savills Research & Consultancy
*A non-resident enterprise is an enterprise that does not have a fixed place of business in Taiwan but has received Taiwan-sourced income.

- Deed Tax Act
- Company Act
- Urban Planning
- The Land Act
- Building Act
- The Land Registration Regulation
- Real Estate Broking Management Act
- Construction Industry Act
- Statute for Investment by Foreign Nationals


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Thailand is Southeast Asia's second largest economy and third most populous state. The country benefits from broadly well-developed infrastructure, a liberal market economy and pro-investment policies.

In the final quarter of 2022, Thailand's economy slowed, primarily due to decreased private and public consumption. The country's GDP growth rate for the fourth quarter of 2022 stood at 1.4% YoY, considerably lower than the previous quarter. Nevertheless, there is hope for Thailand's economy in 2023, as the tourism industry is predicted to rebound after the pandemic's impact. The reopening of China, Thailand's primary tourism market, has had a positive impact on the economy by increasing the number of visitors to the country. This surge in tourism is expected to significantly boost demand in the economy.

Thailand has set out its long-term economic goals in its 20-Year National Strategy (2017-2036), aimed at moving towards developed country status. There are indicators which will be used to evaluate the National Strategy's success, including the well-being of the Thai people and society, national competitiveness, economic growth and income distribution, development of human capital, social equality and equity, sustainability of national biodiversity, environmental quality and natural resources, government efficiency and better access to public services. The government has also committed to developing growth hubs, starting with the Eastern Economic Corridor (EEC), a 13,285 sq km area spanning Rayong, Chonburi, and Chachoengsao provinces. A series of polices have been outlined by the government to foster the EEC as a key area for trade, investment and transportation, as well as to position it as a strategic gateway to Asia.

TYPES OF OWNERSHIP

Land

The majority of land in Thailand is privately owned through freehold tenure. There are a few leasehold sites which are either Crown property or foreign owned. The longest lease length is 30 years, with an option to renew for a further 30 years upon expiry.

TABLE 66 Land Title Types

NOR SOR 4 (NSJ4) OR 'CHANOTE'	The highest land title used in Thailand, providing full freehold ownership and denoting that the land has been accurately measured and recorded by the land department.
NOR SOR 3 GOR	Land 'awaiting' a full title deed is granted Nor Sor 3 Gor. The land will have been measured by the land department and can be transferred or mortgaged while conversion to full Chanote is pending.
NOR SOR 3	A title issued to land that has yet to be measured by the land department and, therefore, will not have exact boundaries registered. The title may be converted into Nor Sor 3 Gor and then into a full Chanote.
POSSESSORY RIGHTS	Land with a possessory right has yet to be substantiated by the land department and is only recognised for tax payments at the Local Administrative Office.

Source Savills Research & Consultancy

DEVELOPED PROPERTY

Strata-title tenure is common for high-rise residential developments, permitting foreign property ownership subject to quota restrictions.

The majority of modern Bangkok office stock (80%+) is centrally owned, with the remainder held through strata-title tenure.

High-grade retail properties are typically centrally owned.

OVERSEAS PROPERTY RESTRICTIONS

Foreign individuals and corporations are not permitted to hold freehold land title, although a freehold land interest can be acquired through the following methods:

KEY STATISTICS

Official name	Kingdom of Thailand
Currency	Thai baht (THB1=100 satang) US$1 = THB32.86 (January 2023)
Population	66.07 million (February 2023)
Land area	513,120 sq km
GDP per capita	US$7,068 (December 2022)
GDP growth	2.9% (2022) 3.7% (2023F)
Principal business centres	Bangkok

Source Savills Research & Consultancy

TABLE 67 Thai To Metric Conversion

1 SQUARE WAH	4 square metres
1 NGAN	400 square metres
1 RAI	1,600 square metres

Source Savills Research & Consultancy

TABLE 68 Typical Commercial Lease Terms

LEASE PERIOD	A typical tenancy is 3 years with options for further periods of up to 3 years
RENT REVIEWS	Typically no rise within three year lease term.
SUB-LETTING/ ASSIGNMENT	Most leases do not allow tenant to sub-let or assign the lease.
TERMINATION	Usually specified within lease agreements and requires notification in advance. The security deposit will be forfeited if the tenant chooses to terminate the contract early.
REPAIRS	The exterior and common areas of the building are the landlord's responsibility.
SECURITY OF TENURE	Security of tenure is not guaranteed beyond the tenancy/lease term. An option for a further term should be agreed in the first term.
DILAPIDATION	Tenants are required to reinstate a property to its original handover condition at the expiry of the term.
DEPOSIT	3 months' gross rental (non-interest bearing) refundable upon expiry of the lease.
RENT FREE/FIT-OUT PERIOD	Typically 2-3 months although this may increase for larger floor areas.

Source Savills Research & Consultancy

TABLE 69 Typical Transaction Fees

PERIOD	SCALE OF FEES
Leasing fee	1 months' gross rent payable by lessor
Leasing fee (exceeding 3 years)	1-2 months' gross rent payable by lessor
Lease renewals	50% of the fees chargeable above
Sales fee (individual units)	3% of transacted price payable by seller
Sale of land or buildings	2% of transacted price payable by seller

Source Savills Research & Consultancy

- A joint venture structure where the foreign party controls not more than 49% of total shares.
- The Board of Investment (BOI) may grant the right to own land for manufacturing purposes.
- The purchase of land located within industrial estates for manufacturing or logistics purposes.

Foreign individuals and corporations are able to own condominiums provided that a minimum of 51% of the total floor area of a condominium project is owned by Thai nationals.

MEASUREMENT OF AREAS

Land area is generally expressed in terms of 'Wah', 'Ngan' or 'Rai'. Details are shown in Table 67.

COMMERCIAL PROPERTY

All areas are quoted in square metres (sq m). There are various area measurements which are often quoted in agreements, including:

- Gross area: the total floor area from the outside of the exterior walls including the columns, stairwells, lift lobby, service areas, common areas and toilets.
- Leasable area: the total floor area measured from the inside face of external walls including lift lobbies, toilets and structural columns.
- Net leasable area: the area used exclusively by the tenant measured from the inside face of the external walls excluding columns, toilets, common areas and service areas.

Note that the office and retail sectors typically use net leasable area in agreements.

LEASE TERMS

The lease terms typical to commercial property are detailed in Table 68. However, there are a number of terms/practices which are also worth highlighting, as outlined:

- Lease periods: while it is possible to have a lease period for longer than three years, the lease would then need to be registered and the payment of a registration fee and stamp duty equivalent to 1.1% of the rent payable over the lease term would be due. Typically, the payment is the responsibility of the lessee, although it is subject to the terms outlined in the contract.

- Rent-free period: usually provided simply as an allowance to cover the period in addition to fitting-out. Also used as an incentive to bring down the effective rent.

- Rent: prices are quoted as gross figures, per square metre per month. The gross rent is made up of the net rent plus an allowance for service charges and taxes.

- Termination: not an accepted market practice but may be agreed provided a tenant secures an alternative tenant, agreeable to the landlord, and that the existing tenant covers any agency fees.

TRANSACTION COSTS

Details are shown in Table 69.

TAXATION

Land and building tax

A progressive tax system due annually from the owner of land and buildings which is chargeable on all properties other than a persons primary residence, unless that residence has a value of greater than THB50 million. The tax is calculated as a percentage of the appraised value as determined by the Land Code and government authority. The tax system recognizes four different purposes of use: residential, commercial, agricultural and vacant. As this new tax policy was recently introduced in 2020 the government is running a transition period until December 2022, during which time the rates will apply and are shown in Table 70.

Once the transition period has concluded, the government will apply reviewed tax rates though the maximum tax rate will never exceed the 'tax rate ceiling' stipulated for each purpose of use.

TAXATION ON TRANSFER

Transfer fee

An ownership transfer fee is levied at 2% of the property value as assessed by the government and is typically divided equally between the seller and the buyer. Details are shown in Table 71.

TABLE 70 Land and Building Taxes

	VALUE RANGE (THB)	TAX RATE
Residential	0-50,000,000	0.02%
	50,000,001-75,000,000	0.03%
	75,000,001-100,000,000	0.05%
	100,000,000>	0.1%
	Tax rate ceiling	0.3%
Commercial	0-50,000,000	0.3%
	50,000,001-200,000,000	0.4%
	200,000,001-1,000,000,000	0.5%
	1,000,000,001-5,000,000,000	0.6%
	5,000,000,000>	0.7%
	Tax rate ceiling	1.2%
Agricultural	0-75,000,000	0.01%
	75,000,001-100,000,000	0.03%
	100,000,001-500,000,000	0.05%
	500,000,001-1,000,000,000	0.07%
	1,000,000,000>	0.1%
	Tax rate ceiling	0.15%
Unused/vacant property	0-50,000,000	0.3%
	50,000,001-200,000,000	0.4%
	200,000,001-1,000,000,000	0.5%
	1,000,000,001-5,000,000,000	0.6%
	5,000,000,000>	0.7%
	Tax rate ceiling	1.2%

Source Savills Research & Consultancy

TABLE 71 Sales/Transfer Taxes on Land and Property

CHARGE	FREEHOLD SALE	LEASEHOLD TRANSFER	BUILDING SALE	TAX LIABILITY
Transfer Fee	2%	N/A	2%	Seller/Buyer
Lease Registration Fee	-	1%	-	Lessor/Lessee
Specific Business Tax	3.3% or N/A	N/A	3.3% or N/A	Seller
Stamp Duty	0.5% or N/A	0.1%	0.5% or N/A	Seller
Withholding Tax	1% or (Income Tax * Year of holding)	N/A	1% or (Income Tax * Year of holding)	Seller

Source Savills Research & Consultancy
All of the taxes outlined in Table 71 are payable to the Land Department.
Stamp duty is only applicable in cases where specific business tax is not applied.

Specific business tax

A specific business tax will be imposed only in the transaction of properties listed below:

- Property for which the land allocation is permitted
- Condominiums
- Property developed for sale
- Property used for corporate purposes
- Property re-sold within five years of its purchase

The specific business tax rate for real estate is 3.3% of the government's assessed value or transaction price (whichever is higher).

Stamp duty

Stamp duty is assessed based on the official appraised value or the contracted sale price, whichever is higher.

If the property has been owned for more than five years then stamp duty is levied at 0.5% of the property value assessed by the government or based on the contracted price, whichever is greater. Stamp duty is the seller's liability. Where leasehold land is being transferred stamp duty is payable on the remaining value of the lease.

TABLE 72 Leasehold Transaction Taxes

CHARGE	SCALE OF FEES
Lease Registration Fee	1% of the total rent receipts throughout the lease period
Stamp Duty	0.1% of the total rent receipts for the entire lease period

Source Savills Research & Consultancy

Withholding tax

Withholding Tax (WHT) is remitted by the buyer (on behalf of the seller) from the proceeds of sale. Where the seller is a company, WHT is calculated at 1% of the contracted sale price. The WHT can be used as a credit against final income tax payable upon lodgement of an annual tax return. For individual sellers, WHT is calculated based on the individual's marginal tax rate ranging from 0-37% (except the first THB100,000 which is taxed at 5% instead of allowing the tax-free threshold) after deductions based on the number of years of ownership.

Capital gains tax

Capital gains for corporations are treated as business income and taxed at the corporate tax rate (20% as of December 2017). The calculation of tax for sales by individuals is based on total proceeds subject to certain allowances.

LEGAL ISSUES

Foreign exchange controls

Foreign currency can be transferred or brought into Thailand without limitation. All foreign exchange transactions are required to be conducted through commercial banks or through authorised money changers or money transfer agents, unless permission is granted by the Bank of Thailand.

Inward remittance of foreign currencies for direct investment in Thailand is permitted and

must be deposited in an authorised bank within 360 days.

Repatriation of investment funds is permitted provided that supporting evidence is submitted to an authorised bank.

Town planning

Each property is governed by a zoning plan guide by the authority of the National Economic and Social Development Board (NESDB) and the Department of Public Works and Town & Country Planning, Ministry of Interior (DPT), with certain competencies devolved to local administrations to control development and land use.

MAJOR PROPERTY LEGISLATION

There are a number of key pieces of legislation pertaining to real estate as detailed below:

- Bankruptcy Act
- Civil and Commercial Code
- Commercial and Industrial Property Lease Act
- Condominium Act
- Exchange Control Act
- Foreign Business Act
- General Building Construction Code
- General Building Control Act
- House and Land Tax Act
- Investment Promotion Act
- Industrial Estate Authority of Thailand Act
- Land Code
- Land Readjustment Act
- Local Development Tax Act
- Revenue Code


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According to official data from the General Statistics Office (GSO), in 2022, the GDP of US$409 billion increased by 8.02% YoY, the highest increase since 2011. Agriculture, forestry, and fishery had a 3.4% YoY increase to 5.1% share of GDP, industry and construction had a 7.8% YoY increase and contributed 38.2% of the share, and the service sector had a 9.9% YoY increase for a 56.7% share. The International Monetary Fund (IMF) forecasts GDP growth to slow to 6.2% in 2023.

The trade turnover of goods in 2022 was US$732.5 billion, up 9.5% YoY. Exports increased by 10.6% YoY, and imports increased by 8.4% YoY. There was a trade surplus of US$11.2 billion. The United States was the largest export market with a turnover of US$109.1 billion. China remained the top import market with a turnover of US$119.3 billion.

Foreign direct investment (FDI) to 20 December 2022 totalled US$27.72 billion and decreased by -11% YoY. Newly registered capital reached US$12.45 billion from 2,036 projects, flowing in from 73 countries and territories; Japan was the leading investor with US$3.39 billion (27.2% of the total), followed by Singapore, China, Denmark, and South Korea. Implemented FDI of US$22.4 billion increased by 13.5% YoY and was the highest in five years.

TYPES OF PROPERTY OWNERSHIP

The Land Law was updated in 2013 and has been effective since 01 July 2014. Organisations and individuals may acquire land use rights (LURs) via a land lease or allocations, both require land use fees (LUFs). Land allocation is also referred to as a land grant. The differences between lease and allocation under LUFs are:

1) Land allocation: The land user pays a one-off fee. The term may be for a definite time or freehold.

2) Land lease: The land user may either pay the LUFs on an annual basis or a one-off payment covering the entire lease term. The term is fixed. Local authorities create a land-use plan annually.

Most foreign enterprises deal with land lease rather than land allocation.

According to the revised law, foreign enterprises can acquire land requiring LUFs for the development of residential projects for sale, lease, or a combination of both. This is to promote greater fairness between local and foreign enterprise. Foreign enterprises involved in residential projects for lease may also acquire LURs via a land lease, under which they must pay annual LUFs or fees in a lump sum. The land lease term and land allocation for foreign enterprises may not exceed 50 years, although, for unique major projects with permissible criteria, the term can be extended to 70 years. However, eligible buyers must obtain freehold LURs. For sites used for diplomatic purposes, lease terms may be up to 99 years and extendable.

The new law also states foreign entities eligible for land allocation and land lease with a one-off lease payment are entitled to transfer, sub-lease, gift, mortgage, and contribute LURs within the term.

OVERSEAS OWNERSHIP RESTRICTIONS

The amended Housing Law grants greater property rights to foreign entities/individuals and has been effective since 1 July 2015. The implementation guide was issued under Decree No. 99/2015/ND-CP. Foreign entities/individuals who can own properties include (1) legal entities such as foreign investment funds and banks, Vietnamese branches and representative offices of overseas companies established in Viet Nam; and (2) foreign individuals with an appropriate entry visa.

The Ministry of Construction issued Circular No.19/2016/TT-BXD to guide the implementation of the Housing Law, and Decree No. 99/2015/ND-CP stipulating the number of units which foreigners may own.

KEY STATISTICS

Official name	The Socialist Republic of Viet Nam
Currency	Vietnamese dong US$1 = VND23,619 (March 2023)
Population	99.5 million (December 2022)
Land area	331,690 sq km (January 2022)
GDP per capita	US$3,756 (2021)
Real GDP growth	8.02% (2022) 6.3% (2023F)
Principal business centres	Ha Noi: Hoan Kiem Ho Chi Minh City: District 1, District 3

Source The State Bank of Viet Nam, Data World Bank, General Statistics Office (GSO), International Monetary Fund (IMF)

The aim is to tighten resale procedures and increase transparency as well as streamline administrative procedures.

The new law limits overseas ownership to 30% of all units within an apartment complex, and to a maximum of 250 houses in a ward. Foreign entities/individuals can own properties as stated in commercial contracts but are limited to a 50-year tenure, with optional renewal three months before expiry. Foreign individuals married to a Vietnamese citizen, including Viet Kieu, are entitled to freehold tenure.

The decree also allows foreigners to pay for property via a financial organisation operating in Viet Nam.

MEASUREMENT OF AREAS

All are quoted in square metre (sq m). There is often a variety of area measurements quoted in agreements:

- Net floor area (NFA): The usable area within a building from the internal face of perimeter walls on each level, excluding columns.

- Gross floor area (GFA): All areas as measured from the outside of external walls.

To better protect the rights of apartment buyers, the Ministry of Construction issued a new regulation on apartment unit areas, which came into effect on 8 April 2014. The area of an apartment is the net area applied in Sales & Purchase contracts and titles issued to buyers. This area is used to calculate the management fee chargeable to apartment owners. The net area is the usable area, including the separated walls within the unit, attached balcony and loggia, but excluding external walls, interior columns and the technical box.

TABLE 73 Typical Lease Terms for Commercial Property

LEASE PERIOD	Typically, a 3-year fixed term. Longer leases are possible.
RENT REVIEWS	Typically conducted according to the inflation ratio and market rents applied at the end of the lease period.
SUB-LETTING/ ASSIGNMENT	Not an accepted market practice. Possible to assign to subsidiaries or branches.
TERMINATION	No early termination is the norm. In special cases, 4 to 6 months' written notice is required.
DEPOSIT	3 months.
PAYMENTS	In advance, quarterly. Occupiers paying substantially in advance may benefit from reduced rates or discounts.
RENT-FREE PERIOD	During fit-out. Usually a month to 45 days.
REPAIRS	The landlord is responsible for the building's exteriors and common areas. Tenants are responsible for internal repairs.
SECURITY OF TENURE	The option for a further term is best agreed upon in the first term contract.
DILAPIDATIONS	Tenants are normally expected to reinstate a property to its original condition at term expiry.

Source Savills Research & Consultancy

TABLE 74 Personal Income Tax

TAX BRACKET	PORTION OF ANNUAL ASSESSABLE INCOME (VND MILLION)	TAX RATE (%)
1	Up to 60	5
2	Over 60 to 120	10
3	Over 120 to 216	15
4	Over 216 to 384	20
5	Over 384 to 624	25
6	Over 624 to 960	30
7	Over 960	35

Source Savills Research & Consultancy

TRANSACTION COSTS

Agency fees

Leasing fees are equivalent to one month's rent and are paid by the property owner. Purchase fees are usually 2% of the agreed price and are paid by the seller.

Security deposit

Commonly a non-interest bearing and returnable deposit of three months gross rent that includes service charges and rates.

Legal costs

Legal costs vary by case. Most are negotiable and each party typically carries their own costs.

TAX LEGISLATION

Stamp duty

Levied at 0.5% of the total land value and paid by the buyer.

Property tax

From 1 January 2015, sellers will pay 2% against the selling price upon transfer.

Value added tax (VAT)

Since the VAT Law was amended in 2014, a 5% rate has been applied to just a few groups of goods and services, while the standard 10% rate applies across almost all categories. From 1 February 2022 to 31 December 2022, the Vietnamese Government officially reduced VAT from 10% to 8% for goods and services, excluding telecommunications, finance and banking, insurance, real estate, metal production and mining. However, it has been adjusted back to 10%.

Tax depreciation

The straight-line method is used for buildings.

Corporation tax

From 1 January 2014, the Corporate Income Tax (CIT) rate was 22%, except for those eligible for preferential rates. From 1 January 2016, almost all enterprises will be charged 20% CIT. Enterprises engaged in leasing and purchasing social housing will have a 10% rate.

Personal income tax (PIT)

Resolution No. 26/2012/QH13 on the Law on Personal Income Tax (LPIT) was issued on 22 November 2012 and effective from 1 July 2013. The progressive tariffs on each portion of income applied to businesses and salaries are shown in Table 74. This applies to residential individuals with a taxable income from a business and/or from salary after deductions for dependents, insurance premiums, social funds, and contributions to charitable funds. Residential individuals are those who are present in Viet Nam for 183 days or more in a calendar year or 12 consecutive months, or those with a place of habitual residence in Viet Nam, which is a registered place of permanent residence or a rented home with a rental contract.

A family exemption is deducted from taxable income before income tax is levied on business activities, salaries, and wages. Family exemptions include the following:

- A personal deduction for the taxpayer of US$466 per month (US$5,592 per year).

- An additional deduction for each dependent the taxpayer has of US$186 per month. If CPI was over 20% when the law came into effect, or there is an adjustment to family exemption, the government will request the National Assembly Standing Committee to adjust the exemption based on price volatility. This exemption will then be carried forward to the next tax period.

Rates for other income are detailed in Table 75.

TABLE 75 Other Income Taxes

TAXABLE INCOME	TAX RATE (%)
Capital investments (including interest from loans and dividends)	5
Royalties and income from franchises	5
Winnings or prizes valued more than VND10 million each	10
Inheritances and/or gifts valued more than VND10 million each	10
Capital transfers according to Clause 1 Article 13 of LPIT	20
Transfers of securities regulated in Clause 2 Article 14 of LPIT	0.1
Property transfers regulated in Clause 2 Article 14 of LPIT	2

Source Savills Research & Consultancy

Withholding tax and tax treaties
Viet Nam has tax treaties with more than 70 nations and territories, including:

Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Brunei Darussalam, Bulgaria, Cambodia, Canada, China, Croatia, Cuba, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hong Kong SAR, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Kazakhstan, Republic of Korea, Democratic People's Republic of Korea, Laos, Latvia, Luxembourg, Macau SAR, Malaysia, Malta, Mongolia, Morocco, Mozambique, Myanmar, Netherlands, New Zealand, Norway, Oman, Pakistan, Palestine, Panama, Philippines, Poland, Portugal, Qatar, Romania, Russia, San Marino, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, Uruguay, Uzbekistan, and Venezuela

Land-use taxation
Under the law on Land Use Taxation, as of 17 June 2010, the following LURs are subject to tax:

1) Urban and rural residential land; 2) Land used for non-agricultural production, such as industrial parks, production facilities and mines; 3) Other non-agricultural use for business or religious purposes, including cemeteries.

The law specifies the tax calculation methods and provides progressive tax rates from 0.03% (minimum) to up to 0.15% (maximum).

LEGAL ISSUES
Foreign currency control
Decree No. 70/2014/ND-CP allows foreign investors to use Vietnamese dong (VND) to buy foreign currencies from authorised banks and transfer them abroad within 30 days of the exchange date. Any transfer must first be requested and subsequently approved.

Land price framework
According to the 2013 Land Law, the government regulates the general land price frameworks on a five-year basis. Local People's Committees will consider decisions on an annual framework and a case-by-case basis. Local authorities may utilise private valuation services and can use these results for compensation rather than the governmental framework. Investors should employ reputable valuation experts to ensure fairness and transparency when acquiring land.

Apartment-as-offices banned
According to Clause 11 Article 6 of the 2014 Residential Housing Law, apartments cannot be used for non-living purposes.

Land plots sales without raw buildings
Decree No. 11/2013/ND-CP allows investors to sell land plots without buildings. Investors must fulfil all necessary infrastructure requirements before handing over the title to buyers. This regulation will only be applied to projects in specified areas.

Development projects payment restriction
The Revised Housing Law has been effective since 1 July 2015. Residential developers may only accept payment upon completion of a project's foundations and obtaining the sales permit from the competent State Body. The first payment cannot exceed 30% of the unit value and the sum of all payments is not to exceed 70% before handover (the threshold is limited to 50% for foreign developers).

Trading floor
The revised Law on Real Estate Business (LREB) was passed on 25 November 2014 and came into effect on 1 July 2015. The law does not require individuals and enterprises to lease, sell or purchase properties through a real estate trading floor. Any enterprise engaging in real estate trading floor activities must have at least two certified real estate brokers as employees.

Contract templates
Decree No. 02/2022/ND-CP elaborating certain articles and clauses of the Law on Real Estate Trading was issued on 6 January 2022 and came into effect on 1 March 2022. It provides contract templates for certain real estate transactions, such as sale and purchase agreements of apartments, condotels, officetels, and detached houses; contracts for the transfer/ lease (sublease) of land use rights, and contracts for the transfer of the whole or part of a real estate project.

Subsidisation for social housing
According to Decision No. 370/QD-TTg under Decree No. 100/2015/ND-CP on subsidised housing development and management in 2018, loan interest rates at Viet Nam Bank for Social Policies will be 4.8% per year (0.4% per month) for those buying and renting subsidised housing, constructing new houses or renovating existing ones. The interest rate for overdue debt will be 130% of the loan interest rate.

No state capital investment in real estate enterprises
Decree No. 32/2018/ND-CP prohibits state-owned enterprises from investing in real estate or contributing capital in the form of assets, capital and land use rights (except in the case when the state-owned enterprise primarily deals in real estate).

MAJOR PROPERTY LEGISLATION
Legislation affecting real estate is detailed below:

- Revised Law on Real Estate Business 2014
- Revised Law on Residential Housing 2014
- Revised Land Law 2013
- Revised VAT Law 2013
- Decree 11/2013/ND-CP
- Decree 70/2014/ND-CP
- Decree 76/2015/ND-CP
- Decree 12/2015/ND-CP
- Decree 99/2015/ND-CP
- Circular No. 19/2016/TT-BXD
- Circular No. 06/2016/TT-NHNN
- Decree 100/2015/ND-CP
- Revised Law on Residential Housing 2014 No.65/2014/QH13
- Circular No. 21/2019 TT-BXD
- Decree No. 25/2020/ND-CP
- Decree No. 41/2020/ND-CP
- Revised Law on Construction 2020
- Revised Law on Investment 2020
- Decree 30/2021/ND-CP
- Decree 52/2021/ND-CP
- Decree 69/2021/ND-CP
- Decree 02/2022/ND-CP
- Decree 04/2022/ND-CP

UK

The UK is the sixth largest national economy in the world measured by GDP as at the end of 2021 (source: World Bank). The service sector dominates the UK economy, contributing 71.46% of GDP (2021), with the financial services industry being particularly important, along with the UK aerospace, pharmaceutical and automotive industries. The capital of the UK is London, which is the world's second largest financial centre, according to Bloomberg.

TYPES OF PROPERTY OWNERSHIP

The two most common ownership types in land are:

- Freehold, where land is held in perpetuity; and
- Leasehold, where land is held for a specific duration

There are also a number of legal interests in land, including:

- Easements, such as a right of way; and
- Mortgages

MEASUREMENT OF AREAS

In the UK, it is market practice to have a measured survey carried out during the purchase or sale of a building. Details of code of measuring are shown in Table 76.

TRANSACTION COSTS

In a real estate transaction, typically both the buyer and seller will have an adviser, and advisory fees are paid to both. This fee is typically 1% of the purchase or sale price, although this may vary depending on the exact nature and size of the property.

For an acquisition of a commercial property, market practice is to typically allow for the following purchaser's costs, as set out in Table 77.

TABLE 76 Measuring Practice

CODE OF MEASURING	PURPOSE
Offices	
IPMS* 1: Offices	Planning or building cost purposes (external area)
IPMS 2: Offices	Agency and valuation purposes (internal area)
IPMS 3: Offices	Agency and valuation purposes (useable area)
Residential	
IPMS 1: Residential	Planning or building cost purposes (external area)
IPMS 2: Residential	Agency and valuation purposes (internal area)
IPMS 3: Residential	Agency and valuation purposes (useable area)
Other	
Gross External Area	Planning or building cost purposes (external area)
Gross Internal Area	Agency and valuation purposes (internal area)
Net Internal Area	Agency and valuation purposes (useable area)

Source Savills Research & Consultancy
*IPMS - International Property Measurement Standards

TABLE 77 Commercial Transaction Costs

ITEM	COMMENT	% OF PURCHASE PRICE
Stamp duty land tax (SDLT)	Up to 5% (see content)	5.0
Advisory fees	-	1.0
Legal fees	-	0.5
VAT on advisory and legal fees	VAT @ 20%	0.3
	Total acquisition fees	**6.8**

Source Savills Research & Consultancy

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KEY STATISTICS

Official name	United Kingdom
Currency	British pound sterling (100 pence) US$1 = GBP0.83 (1 January 2023)
Population	68.34 million (2021)
Land area	243,610 sq km
GDP per capita	US$46,510 (Dec 2021)
Real GDP growth	GDP forecast for 2022 – 4.0%
Principal business centres	London, Manchester, Birmingham, Leeds, Glasgow, Edinburgh, Bristol

Source Savills Research & Consultancy

Stamp duty

Stamp duty is a tax charged on the transfer of property. This is a progressive tax with the bandings for commercial property being:

• Under £150,000 – 0%

• £150,001 - £250,000 – 2%

• £250,000 and above – 5%

Many UK assets are held in special purpose vehicles and often offshore (the Channel Islands – Guernsey or Jersey).

Such a structure could potentially lower the stamp duty liability to 0.5% or 0%. We recommend that investors seek legal advice with regards to setting up the most tax efficient investment structure.

For residential property, stamp duty tax is charged at different levels in the same way as commercial property up to a maximum of 12%, with the bandings being as follow:

• Up to £250,000 – 0%

• £250,001 - £925,000 – 5%

• £925,001 - £1,500,000 – 10%

• Above £1,500,000 – 12%

There is an additional 3% levy on residential property if the property is a purchaser's second residence. In the November 2017 budget, new rules were announced regarding the purchase of a first home if the purchase price is £625,000 or less. The first time purchaser can claim a discount (relief), as of September 2022 the discounted amount was raised, allowing them to pay 0% on the first £425,000 and 5% on the portion from £425,001 to £625,000.

SDLT is also payable by the lessee on the grant of a lease. The charge is calculated in two parts. The premium is taxed at the rates set out above for freeholds and assignments of leases. In addition, there is a charge on the net present value of the rent payable.

There are a number of types of transactions that are exempt from SDLT, including:

• Transfers of land within groups of companies

• The leaseback element of a sale and leaseback

All available reliefs are subject to detailed conditions, and certain reliefs can be subject to claw back provisions.

TYPES OF LAND USE

In the UK there is a system of planning use classes (Table 78).

TAX LEGISLATION

Business rates are a tax charged on occupation of a property by a business occupier and the cost will be placed on the tenant under standard lease terms. Importantly, business rates become the owner's liability when the premises are vacant.

The payment of income from the UK to an overseas investor is subject to withholding tax which is currently charged at 20%. There are a number of ways an investor can structure his investment to reduce the withholding tax liability. There are certain depreciating elements of the investments, such as plant and machinery, which can be offset against the annual tax liability. These are known as capital allowances. An investor's tax and legal adviser will be able to advise on other ways to mitigate tax liability on income.

Capital gains tax (CGT)

Capital Gains made by an investor are taxed in the UK depending on the nature of the asset and the status of the individual. UK resident individuals are usually entitled to an annual tax-free allowance before being subject to CGT. For the tax year 2021/2022, this is set at GBP12,300, after which gains are taxed at rates between 10% and 28% depending upon the individual's total taxable income and the nature of the asset.

TABLE 78 Planning Use Classes

USE	PROPERTY TYPE
Class E	Commercial, business and service
Class F.1	Learning and non-residential institutions
Class F.2	Local community
Class B2	General industrial
Class B8	Storage and distribution
Class C1	Hotels
Class C2	Residential institutions
Class C2A	Secure residential institution
Class C3	Residential dwellings
Class C4	Houses In multiple occupation
Sui Generis	Other

Source Savills Research & Consultancy

TABLE 79 Typical Lease Terms

LEASE PERIOD	Average lease lengths in London are around 8 years for offices and around 5 years for retail. The Landlord and Tenant Act 1954 states that if a tenant occupies premises to run a business, the tenancy will not automatically come to an end upon expiry of the lease. Unless otherwise specified in the contract, the tenant has a right to remain on the premises and to be granted a new lease of up to a maximum of 15 years. If the landlord terminates the lease, in many cases the tenant is entitled to compensation, unless there has been a breach of the lease.
RENT REVIEWS	Leases are normally subject to upward-only rent reviews every 5 years, at which point rents are adjusted to open market rents. Index-linked rents and fixed rent increases are becoming more frequent in certain segments of the real estate market.
SUB-LETTING/ ASSIGNMENT	Tenants will usually be able to assign or sub-let their lease subject to the landlord's consent, which is not to be unreasonably withheld. The normal caveat to this is that the incoming tenant should have a financial strength at least as good as the existing tenant. The rent payable by assigned tenants will typically be guaranteed by the assignor.
REPAIRS	Where a commercial property is let to a single tenant, leases are usually drafted on a full repairing and insuring basis (FRI). This puts the main responsibility for maintenance of the property on to the tenant. Alternatively, leases can be drafted on an internal repairing and insuring basis (IRI). This typically means that landlords will administer the repair and maintenance of the property and recover the cost from the tenants. This is usually the case when a property is let to multiple tenants.
TERMINATION	Leases are typically subject to a mutual break clause in the 5th year of the term, subject to 6 months' notice.
DILAPIDATIONS	When a lease expires the tenant is typically obliged to reinstate the premises to the condition it was in when the lease commenced.

Source Savills Research & Consultancy

CGT is payable on gains made on residential property. However, there is a relief from CGT on the disposal of an individual's main residence where it was not acquired for the purpose of realising a gain or where it is under 53,820 sq ft / 5,000 sq m. Where a residential property is owned by a company, it will be subject to an additional charge.

Gains on sales of commercial properties are also subject to CGT as above, though are not subject to the additional charge payable by companies. Gains realised by companies resident in the UK for corporation tax purposes form part of their profits chargeable to corporation tax, which are currently taxed at the rate of 19%.

Since 5 April 2015, non-resident individuals have been liable to pay CGT on gains realised on the disposal of UK residential property. Non-resident funds were previously exempt from gains on disposal of UK commercial property. From April 2019, disposals by all non-resident funds will be chargeable to capital gains (or exempt if they come within one of the specific categories of exempt investor), in accordance with the new rules. Gains of corporate entities will be brought within the charge to corporation tax instead of NRCGT from April 2020. One way for companies to reduce the tax bill almost immediately and mitigate the impact of these rules is to revisit all capital expenditure incurred on property that is still in ownership and claim any historic capital allowances that are due.

Value added tax (VAT)

Where VAT is due on the sale of real estate, the seller is liable to account for the VAT to HM Revenue & Customs (HMRC) with the seller seeking to pass that cost to the buyer under the sale contract. VAT will usually apply at 20%.

The sale of a non-residential freehold or leasehold interest in UK land does not generally attract VAT unless the seller has "opted to tax". Where a property has been opted for VAT and is income producing, or is intended to be so, then the asset can be treated as an acquisition of a property rental business and termed a 'transfer of a going concern', in which case VAT is not chargeable.

If the landlord exercises the option to tax, VAT is charged on the rent at the standard rate, which is currently 20%. The main advantage for a landlord in opting to tax is that they can recover any input tax which has been incurred relating to the property (such as VAT on repair works, property letting fees, legal fees and management expenses).

A tenant who makes exempt supplies, for example, banks or other financial institutions, will suffer irrecoverable VAT on their rent where the landlord has opted to tax.

Tax depreciation

Any depreciation charge which is made in the accounts for property is not permitted for the purposes of calculating taxable profits. Instead, capital allowances may be available which reflect a percentage of depreciation on certain qualifying expenditure and form a deduction from taxable profits.

In the context of a property investment business, capital allowances may be available for qualifying expenditure on plant and machinery. Plant and machinery is a term widely defined which requires that for allowances to be available, the plant and machinery must not form part of the property itself and must perform a function in the business. Allowances should be available where the capital expenditure is incurred for the purposes of a qualifying activity, the definition of which includes carrying on a property business. Where available, capital allowances for plant and machinery apply rates of 18% per annum for items of plant and machinery, and 6% per annum for items which are stipulated to be integral features.

Corporate taxation

Corporate tax is chargeable on the profits of a property business of a UK resident company, and this includes where the business generates income from property in the UK and from outside the UK. A property investment company that buys properties for the purpose of generating a rental yield will be taxed on this income, and as set out above, will also pay corporation tax where it makes a gain from the sale of one of its properties as a capital asset.

While a UK resident company will be charged corporation tax on income from both its UK property business and any overseas property business, companies resident outside the UK generating income from a UK property business are charged income tax at the rate of 17%. Tenants and agents making payments to non-resident landlords are required to withhold from rental payments and account to HMRC for the withheld tax amount. Non-resident landlords can apply to HMRC for clearance under the non-resident landlord scheme to receive rental payments gross.

Property rental income is exempted from the revised Controlled Foreign Company (CFC) regime introduced by the Finance Act 2012. The CFC regime taxes the undistributed profits of overseas companies which are subject to a lower level of taxation and which are controlled by UK persons.

From the first of April 2023 Corporation tax will rise from 19% to 25% as the main rate of corporation tax and the introduction of a 19% small profits rate of corporation tax for companies whose profits do not exceed £50,000.

Personal taxation

Tax rates are based upon the amount of income earned by an individual. For the tax year of 2021/2022, the bands are as follow:

- Up to £12,500 – 0%
- £12,501 - £50,000 – 20%
- £50,001 - £150,000 – 40%
- Above £150,000 – 45%

We always advise individuals and corporations take specialist advice on their tax liabilities.

KEY LEGAL LEGISLATION

- Landlord & Tenant Act 1954
- Estate Agents Act 1979
- Arbitration act 1996
- Health & Safety Act 1974
- Town and Country Planning Act 1990
- Party Wall Act 1996
- Landlord & Tenant Act 1927
- Landlord & Tenant Act 1988
- Landlord & Tenant Act 1995
- Law of Property Act 1925
- Civil Procedure Rules 1998
- Consumer and Business Protection Regulations
- Land Registration Act 2002
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
- Data Protection Act 2018 (Enacting the EU General Data Protection Regulations)

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TYPES OF PROPERTY OWNERSHIP

There are three types of property ownership in the US:

- Freehold estate ownership: includes fee simple (the most common), life estate (an estate limited to the duration of a person's life) and tail estate (estate of inheritance). Fee simple is the most common and complete form of property ownership and has an unlimited duration.

- Leasehold estate ownership: the temporary right to occupy or use the land for a fixed period of time, which may be measured in decades or centuries.

- Non-possessory interest (i.e. an easement or restrictive covenants) is the right to use or restrict the use or another person's land.

OVERSEAS OWNERSHIP RESTRICTIONS

There are no restrictions on non-residents owning property in the US.

MEASUREMENT OF AREAS

The generally accepted standard for measuring office space in most cities is per the Building Owners and Managers Association International's Standard Method for Measuring Area in Office Buildings. It is accepted and approved by the American National Standards Institute.

- Rentable sq ft: in the lease, the landlord quotes the tenant's space on a rentable sq ft basis which equals the useable sq ft plus the tenant's pro-rata share of the building's common areas, such as lobbies, public corridors and washrooms.

- Useable sq ft: the area contained within the walls of the tenant's space.

In New York City, Connecticut and New Jersey, the Real Estate Board of New York measurement standard is used.

- Net useable sq ft: the actual space within the walls of the premises. Vertical penetrations, such as lift shafts, are deducted from useable area but common areas and mechanical rooms are included, and there are no deductions made for necessary columns and projections of the building.

- Loss factor: the percentage difference between the useable area and the rentable area.

Loss Factor = (Rentable Area – Useable Area) ÷ Rentable Area

- Add-on/load area: the tenant's proportionate share of common areas. It is a percentage that describes the difference between the rentable and useable sq ft for the building.

Add-on or Load Factor = (Loss Factor × Rentable Area) ÷ Useable Area

Typical lease terms are laid out in Table 80.

TRANSACTION COSTS

Brokerage/agency fees

The broker's fee is usually linked to the size or complexity of the transaction. Fees can be a set US dollar amount or a percentage of the US dollar value of the transaction being negotiated. Further guidance on fees can be provided on request.

Security deposit

Negotiable but typically ranges between 2% and 10% depending on market practice/demand.

KEY STATISTICS

Official name	United States of America
Currency	US dollar
Population	333 million (2022 estimate)
Land area	9.8 million sq km (2018)
GDP per capita	US$70,249 (2021)
GDP growth	5.9% (2021)
Principal business centres	New York City, Los Angeles, Chicago, Washington DC, Atlanta, Houston, Dallas, Seattle, Boston, San Francisco, Philadelphia

Source US Census, World Bank, Bureau of Economic Analysis

TABLE 80 Lease Terms

LEASE PERIOD	Typical lease terms are 3, 5, and 10 years. Larger tenants can negotiate lease terms up to 15 years with options to renew at market rent. It is not uncommon to see lease terms of 20 years and above for sale-leaseback transactions in suburban markets.
RENT REVIEWS	None, but leases often call for an increase in base rent based on a fixed percentage, US dollar amount or percentage of the change in CPI.
SUB LETTING/ ASSIGN	Yes, but often with landlord approval.
TERMINATION	Usually prohibited, though termination/break clauses can be included in a lease or early termination can be negotiated but subject to a termination fee.
REPAIRS	Unless it is a triple net lease, the exterior and common areas of the building are the landlord's responsibility. Tenants are responsible for repairs within their space.
STATUTORY RENEWAL RIGHT	Does not exist, but leases typically include a clause permitting the tenant to extend the lease for one or more fixed periods that typically range between three and ten years. Stature protects tenants from unlawful eviction.
REINSTATEMENT	Tenants are expected to reinstate a building to its original condition although allowances are made for fair wear and tear.

Source Savills Research & Consultancy

Legal costs
Each party typically carries their own costs (unless otherwise stated in the legal contract).

LEASING
Rents
In most markets, rent is quoted in US dollars per sq ft per year, but in California, rent is quoted in US dollars per sq ft per month. In a full service gross lease, the landlord is responsible for operating costs but the tenant pays their proportionate share. In a triple net lease, the tenant is responsible for all operating costs.

Base year
In a full service gross lease, the base year is the first year under the lease term. The landlord pays the operating costs in the first year, and in the following years the tenant reimburses the landlord for a pro-rata share of increased operating expenses over a base year. It is utilised in multi-tenant buildings to determine the base cost for operating expenses for the space. A base year is typically calculated on a calendar year or the first 12 months of the tenant's occupancy.

Operating expenses
Tenant costs often include repairs and maintenance, insurance, management fees, supplies, utilities, property tax, and so on. For utilities, tenants either pay their proportionate share or their space is metered and they pay the utility company directly. Property tax is the landlord's responsibility but tenants pay their proportional share. The following are not operating expenses: principal and interest, capital expenditures, depreciation, income taxes, and amortisation of loan points.

Rent adjustments
Landlords often negotiate fixed rent adjustments (also known as rent bumps) either annually or at fixed intervals (i.e. years three and five or annual) or as a percentage of CPI.

Concessions
Depending upon market conditions, landlords may offer free rent and/or tenant improvement allowances as a concession. Other concessions may include signage or reduced rent for a fixed period of time.

Renewal options
Tenants do not have a statutory right to renew but landlords often negotiate a renewal option when the lease term ends at market rent.

Option to expand
It is common to negotiate an option to expand.

TAX LEGISLATION
Tax legislation in the US is complicated. In addition to standard taxes raised on all investors, there are several unique rules applicable to overseas companies and non-residents that own real estate in the US. There are certain investment structures that potentially provide significant reductions in overall taxes, as well as treaties that typically reduce tax rates on certain types of investment income, such as dividends and interest. Below is a summary of the main tax considerations.

Transfer tax
Each state typically imposes a tax when the transfer of a controlling interest in an equity that owns property occurs. The tax rate varies from state to state and guidance for different states can be provided on request.

Mortgage recording tax and recording fees
Mortgage recording taxes exist in some states (most notably New York at around 2.8% on new debt over US$500,000) which are covered by the buyer. Mortgage and deed recording fees exist in most states, with fees for recording deeds and new mortgages paid by the buyer, and document recording fees (including removing encumbrances) paid by the seller.

Property tax
Property taxes are charged periodically (typically annually, biannually, or quarterly) on property owners by the local municipality in order to cover the cost of providing local services, such as street cleaning, administration, and policing. There are no national laws regarding property taxes, and tax rates vary by state and sometimes by local jurisdiction.

Income tax
Income tax is charged on non-resident investors in a similar manner to that of a US citizen. For property investors, income tax is charged on the net operating income after all expenses and operating costs have been deducted. The maximum rate is 37%. However, non-resident investors are also allowed to depreciate the cost of their US rental real estate and other fixed assets used in the US business for US income tax purposes.

Capital gains tax (CGT)
Gains from the sale of a property by a non-resident investor qualify as capital gains, with rates typically varying between 15% and 20% for individuals.

Foreign partners will be subject to United States net income tax on gains to the extent that the partner or member would have been subject to tax had the partnership sold all of its assets at fair market value as of the date of the sale or exchange. The new tax law further requires the acquirer of the partnership interest to withhold 10% of the amount realized on the sale unless the selling partner certifies that it is not a non-resident alien individual or foreign corporation. If the acquirer fails to withhold the correct amount, the partnership will be required to deduct and withhold from distributions to the acquirer partner an amount equal to the amount the acquirer failed to withhold.

Withholding tax and treaties
There are withholding taxes on interest income (potentially subjected to a 30% withholding tax for a non-treaty investor). Investors from countries with more favourable treaties may be able to reduce or eliminate the 30% tax.

In most cases, the sale of a non-resident's interest in a US property is subject to the Foreign Investment in Real Property Tax Act (FIRPTA) of 1980 income tax withholding charge. This is typically an additional 10% on the amount realised upon disposition of the US real property. However, advanced tax structuring can considerably reduce or eliminate FIRPTA liability.

Double tax treaties exist with the following countries (partial list): Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, PRC, Russia, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, UK, Ukraine.

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