



# ASEAN Business Guide

**Brunei Darussalam**

2018 edition



## **ASEAN Business Guide**

This country report is extracted from *ASEAN Business Guide: The economies of ASEAN and the opportunities they present*.

# BRUNEI DARUSSALAM



Brunei has an abundance of natural resources and excellent land, sea and air infrastructure which, when combined with its history of political and economic stability, provide an environment ideal for business and investment.

Much of the country's wealth comes from the hydrocarbon industry but to sustain growth in the longer term, the government has committed to diversifying the economy. It has indicated it will invest in the halal industry, innovative technology and creative industry, business services, tourism and downstream oil and gas industry.

This drive to diversify is complemented by policy and regulatory reforms designed to improve the country's investment climate. The positive impact of these reforms is noted in the World Banks' Ease of Doing Business 2018 index where Brunei significantly improved its rankings from 72 in 2017 to 56 in 2018.

While further reforms are needed in order to strengthen the country's competitiveness, businesses seeking growth opportunities in Southeast Asia should keep in mind Brunei's advantages, key of which are its increasingly pro-business environment, a highly-educated workforce and proximity to emerging markets in the ASEAN region.

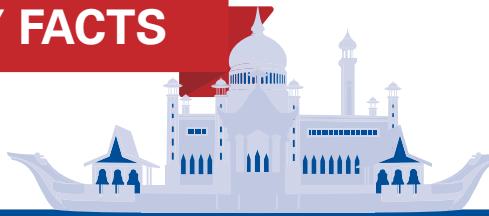


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# BRUNEI DARUSSALAM

## KEY COUNTRY FACTS



Brunei Darussalam is a small, prosperous, oil rich sultanate strategically located in the Southeast Asian region. This nation state has a stable government and one of the world's highest standards of living and per capita GDP. Its excellent transport and communications infrastructure connects the nation with the rest of the world.



### GOVERNMENT

An independent sovereign sultanate



### POPULATION

**422,678** (2016)



### CURRENCY

Brunei Dollar (BND)



### LANGUAGES

Malay (official), English, Chinese, Indian

### RELIGIONS

Islam, Christianity, Buddhism

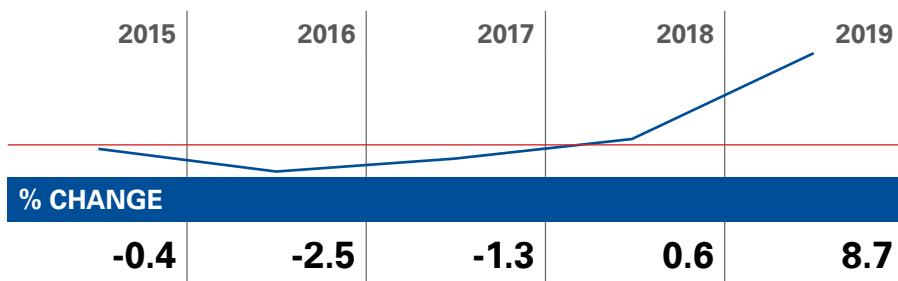
Source: Prime Minister's Office (PMO), Department of Economic Planning and Development PMO; Embassy of Brunei Darussalam to the USA

## STABLE GROWTH

Brunei is rich in natural resources and much of its economic growth over the last 80 years has been due to its oil and gas industry. Its main exports – crude oil, petroleum products and liquefied natural gas – are sold largely to Japan, the United States and ASEAN countries<sup>1</sup>.

### Economic Performance

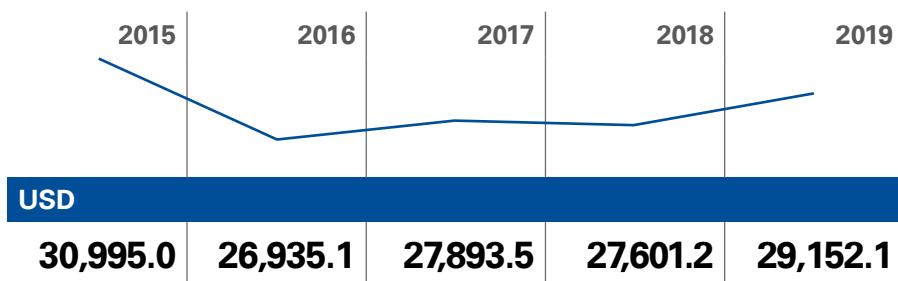
#### GDP constant prices\*



\* 2010 market price; percentage change estimates start after 2016

Source: International Monetary Fund, World Economic Outlook Database, October 2017

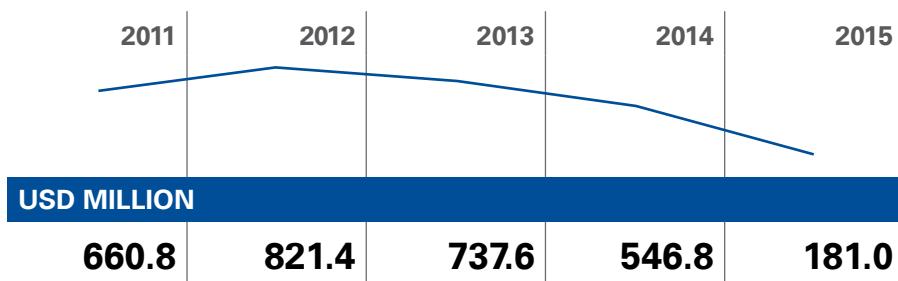
#### GDP per capita, current prices (CAGR -1.52%)



Figures after 2015 are estimates

Source: International Monetary Fund, World Economic Outlook Database, October 2017

#### Foreign direct investment inflows



Source: Department of Economic Planning and Development, Prime Minister's Office

## Main FDI investors



Singapore  
**USD 40.5 mil**



United Kingdom  
**USD 34.6 mil**



Malaysia  
**USD 30.9 mil**



The Netherlands  
**USD 20.4 mil**



Germany  
**USD 4.4 mil**



Source: Department of Economic Planning and Development, Prime Minister's Office; 2015 figures

# FROM PRODUCTION TO KNOWLEDGE-BASED ECONOMY

Brunei offers an attractive environment for businesses looking to expand into the ASEAN region. This includes 100% ownership by foreign companies; foreign investment incentives; credible and reliable co-investment partnerships available through the Strategic Development Capital Fund and government-linked companies under the Ministry of Finance<sup>2</sup>; and pro-business policies such as the Brunei Competition Order 2015 which promotes a competitive business environment.<sup>3</sup>

The government recognizes the need to move the economy beyond its current reliance on oil and gas. It welcomes economic and technical cooperation, as well as initiatives designed to build capacity to support Wawasan Brunei 2035, Brunei's long-term development plan.

The government aims to position Brunei as a nation of well-educated and skilled professionals, a country that ranks among the top 10 nations in the world for quality of life and a dynamic, sustainable economy.<sup>4</sup>

## Political stability



- Stable political environment with the Sultan retaining absolute power<sup>5</sup>
- Strict sharia law and system of government<sup>6</sup>
- Balanced policies – both traditional and reforming<sup>7</sup>

## Young educated workforce



- Well-educated, largely English-speaking work force
- National emphasis on education, HR development in managerial and industrial skills (in particular entrepreneurial skills), and vocational and technical training to meet future workforce needs<sup>8</sup>

## Rankings

<sup>+</sup> All rankings are global unless otherwise indicated

Source: *Doing Business 2018*, World Bank; *Corruption Perceptions Index 2016*, Transparency International; *Global Competitiveness Index 2017-2018*, World Economic Forum; *Global Innovation Index 2014*, Cornell University, INSEAD and WIPO

Index	Ranking <sup>+</sup>
Ease of Doing Business	<b>56</b>
Intellectual Property Protection	<b>55</b>
Transparency of Government Policymaking	<b>71</b>
Corruption Perceptions Index	<b>41</b>
Global Competitiveness Index	<b>46</b>
Global Innovation Index	<b>71</b>

## Strengthening intellectual property environment



- Establishment of the Brunei Intellectual Property Office (BrulPO) to manage the registration of patents, trademarks, industrial designs and plant varieties protection<sup>9</sup>

## Attractive tax environment<sup>10</sup>



- Corporate income tax rate is 18.5%
- Companies are subject to tax on the following types of income:
  - Resident company: income derived from or accrued in country, or received from overseas
  - Non-resident company: income arising in country
  - Gains of profits from any trade, business or vocation
  - Dividends from companies not previously assessed for tax in Brunei
  - Interest and discounts
  - Rents, royalties, premiums and any other profits arising from properties
- There are no sales, payroll, capital gains, manufacturing and personal income tax.
- Flat rate of 1% export tax on activities in respect of approved types of export
- Individuals do not pay income tax, capital gains tax or tax on profits arising from the sale of capital assets
- Double taxation agreements with the United Kingdom, Indonesia, China, Singapore, Vietnam, Bahrain, Oman, Japan, Pakistan, Malaysia, Hong Kong, Laos, Kuwait, Qatar, South Korea, Luxemborg and United Arab Emirates<sup>11</sup>

## Trade agreements



- Brunei has signed seven regional and one bilateral free trade agreement (FTA).<sup>12</sup>

### Bilateral FTA

Agreement signed between Brunei and a single trading partner

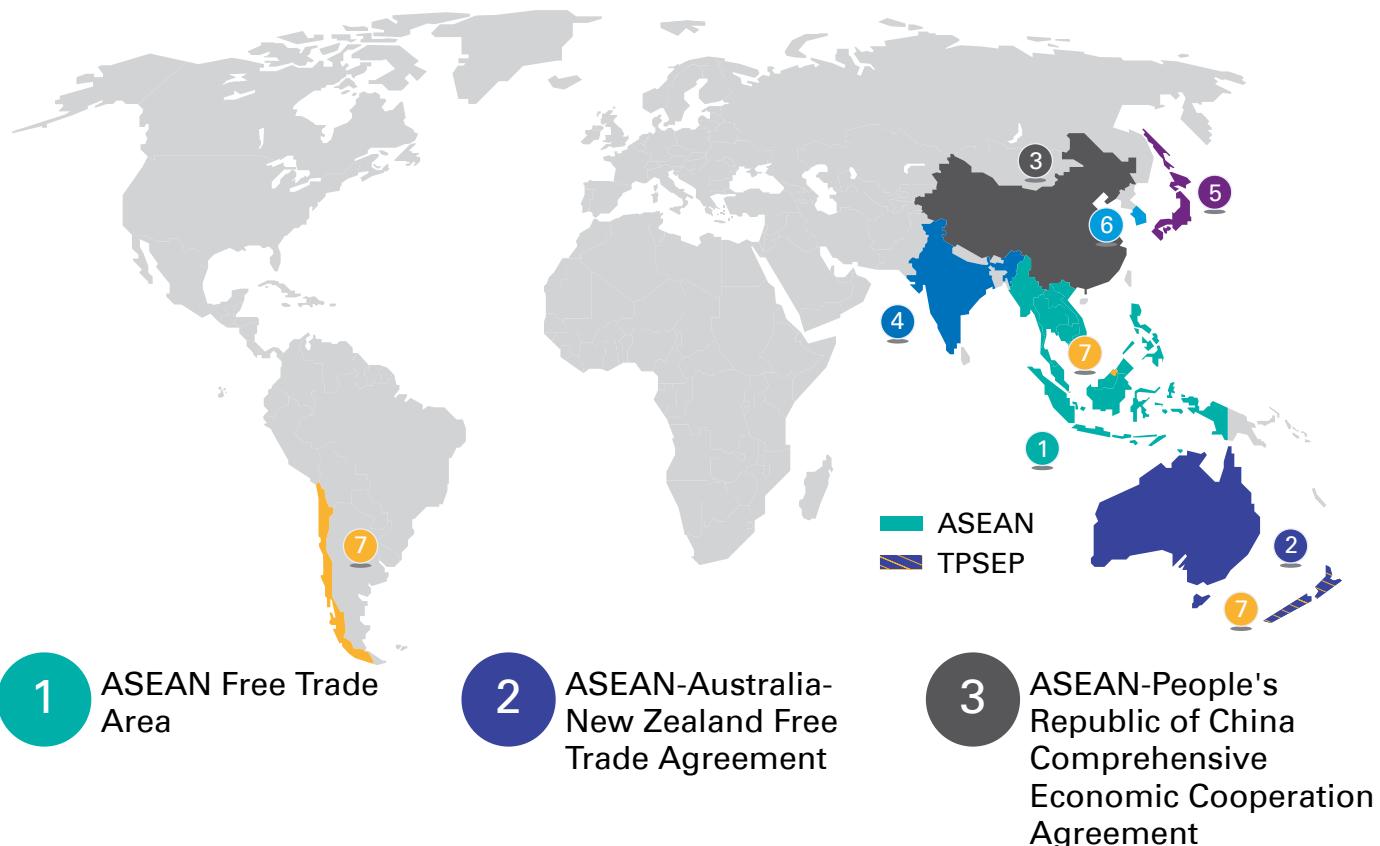


### Brunei-Japan Economic Partnership Agreement<sup>13</sup>

- Enhance investment climate and encourage foreign direct investments through greater predictability and transparency
- Reduce import duties on goods and services
- Leverage Japan's expertise to build capacity in areas such as human resource development, environment, education and industry

## Regional FTAs<sup>14</sup>

Agreements signed between Brunei and a group of trading partners



### 1 ASEAN Free Trade Area

- Elimination of tariffs on more than 99% of products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

### 2 ASEAN-Australia-New Zealand Free Trade Agreement

- Elimination of tariffs on more than 90% of the products with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

### 3 ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of the products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

### 4 ASEAN-India Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 80% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

### 5 ASEAN-Japan Comprehensive Economic Partnership

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

### 6 ASEAN-(Republic of) Korea Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

## Trans-Pacific Strategic Economic Partnership

- Elimination of tariffs for 100% of tariff lines among its members, Brunei Darussalam, New Zealand, Chile and Singapore
- Tariff preference given based on exporter's declaration; no application required



### Concluded / signed FTAs<sup>15</sup>

- Comprehensive and Progressive Agreement for Trans - Pacific Partnership
- ASEAN - Hong Kong, China Free Trade Agreement



### FTA under negotiation<sup>16</sup>

- Regional Comprehensive Economic Partnership

## DIVERSIFYING FOR GROWTH

Brunei is among the richest countries in the world and much of its wealth comes primarily from its oil and gas sectors.<sup>17</sup> In the country's tenth national development plan, the government noted that in order to realise its 2035 vision of achieving an average annual economic growth rate of 6%, it has to reduce its reliance on the oil and gas sectors which account for more than 60% of the country's GDP and over 90% of the country's total exports.<sup>18</sup>

Towards this end, the government has set in motion a series of structural reforms that would help drive economic performance and ensure long-term sustainability.<sup>19</sup> At the same time, it is looking to strengthen its pro-business environment through improving the ease of doing business in the country, promoting economic diversification and encouraging private sector development.<sup>20</sup>

Brunei has also identified five areas of investment priority for the country – innovative technology and creative industry, halal industry, business services, tourism, and downstream oil & gas – and is working to position Brunei as the preferred foreign investment destination for life sciences, agri-business, ICT and services.<sup>21</sup>

## Endnotes

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<sup>5</sup> Business Monitor International Ltd

<sup>6</sup> ibid

<sup>7</sup> Brunei Darussalam in Brief, Department of Information, Prime Minister's Office. Retrieved from [http://www.information.gov.bn/Media%20Document%20Library/Brunei%20Today/brunei%20in%20brief\\_FINAL%202.pdf](http://www.information.gov.bn/Media%20Document%20Library/Brunei%20Today/brunei%20in%20brief_FINAL%202.pdf)

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<sup>11</sup> Ministry of Finance. Retrieved from <http://www.mof.gov.bn/divisions/avoidance-of-double-taxation-adta.aspx>

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<sup>13</sup> ibid

<sup>14</sup> ibid; ASEAN Free Trade Agreements, ASEAN Secretariat. Retrieved from [http://www.jterc.or.jp/koku/koku\\_semina/pdf/130306\\_presentation01.pdf](http://www.jterc.or.jp/koku/koku_semina/pdf/130306_presentation01.pdf); Free Trade Agreements: Asia Regional Integration Center. Retrieved from <http://aric.abd.org/fta-country>

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<sup>16</sup> ibid

<sup>17</sup> Brunei Darussalam: Economy, The Commonwealth. Retrieved from <http://thecommonwealth.org/our-member-countries/brunei-darussalam/economy>

<sup>18</sup> Structural policy country notes: Brunei Darussalam, OECD 2014. Retrieved from <https://www.oecd.org/site/seao/Brunei%20Darussalam.pdf>

<sup>19</sup> ibid

<sup>20</sup> IMF Executive Board Concludes 2016 Article IV Consultation with Brunei Darussalam. Retrieved from <https://www.imf.org/en/News/Articles/2016/09/26/PR16427-Brunei-Darussalam-IMF-Executive-Board-Concludes-2016-Article-IV-Consultation>

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# KPMG HAS A PRESENCE IN EVERY ASEAN NATION

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**25**  
Offices

**over 8,000**  
Staff

**more than 300**  
Partners



**BRUNEI**  
1 office



**CAMBODIA**  
1 office



**INDONESIA**  
1 office



**LAOS**  
1 office



**MALAYSIA**  
9 offices



**MYANMAR**  
1 office



**PHILIPPINES**  
5 offices



**SINGAPORE**  
1 office



**THAILAND**  
1 office



**VIETNAM**  
4 offices

## Audit

- Fundamental to a risk-based audit approach is understanding the way our clients run their businesses and drive performance.
- KPMG focuses on the areas which are critical to our clients in delivering their strategies and meeting goals.
- KPMG's extensive experience and proprietary tools have enabled us to provide seamless services to clients across industry sectors and geographical boundaries.

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## Tax

- Against a backdrop of increasing complexity in the business and tax landscapes, clients will need to weigh its tax options against many factors, such as tax ramifications against the financials, increased information sharing between tax authorities, evolving regulations, global competitions and new economies.
- Through two main service lines: tax consulting and tax planning and compliance, KPMG's tax practice consistently provides proactive advice and quality service. Our tax consulting service lines cover mergers & acquisitions & government incentives, global transfer pricing services, global indirect tax services, financial services tax and international tax. Our multi-national clients enjoy this single point of contact in Asia Pacific for all regional tax issues.
- In addition, our tax planning & compliance services include global mobility services, global immigration services network, global compliance management services, dispute resolution & controversy, tax management consulting and property tax / stamp duty advisory. With KPMG's vast network, clients' business commitments and tax needs will be best served by KPMG member firms in the region.

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## Advisory

- KPMG's Advisory team works with a range of clients, helping them meet challenges associated with growth, performance and governance.
- Our professionals can cover both operational and transactional activities.
- Our Advisory practice assembles skilled and experienced professionals in multi-disciplinary groups tailored to the needs of individual clients and their unique circumstances.
- In our clients' interests, we also draw on the capabilities and knowledge resources of KPMG's global network.
- We offer our clients a single point of contact to help streamline the relationship and enhance its productivity and usefulness to them.
- We understand and respect clients' needs and aspirations. Clients can draw from a range of management and risk consulting services covering a broad spectrum of business activity.

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### **Contributors to the research, analysis, and development of this paper:**

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## NOTES

## NOTES



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