# Asset and wealth management in the Asia-Pacific region: Tax drivers and considerations in mergers and acquisitions

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# Preface

The global asset and wealth management (AWM) industry is undergoing a significant evolution shaped by technological advancements, changing regulatory frameworks and shifting investor expectations. In the Asia-Pacific region, these global trends are further amplified by dynamic economic growth, demographic changes and increasing cross-border investment flows. These dynamics are not only redefining how the AWM sector operates but are also accelerating consolidation through mergers and acquisitions (M&A), as players seek scale, innovation and strategic positioning in an increasingly competitive market. Set against this backdrop, our report, 'Asset and wealth management in the Asia-Pacific region: Tax drivers and considerations in mergers and acquisitions', examines the M&A landscape within this rapidly evolving sector.

This report aims to provide a comprehensive overview of the key trends, tax considerations and strategic imperatives shaping M&A activity across major Asia-Pacific markets. From Australia to India, China to Singapore and beyond, each jurisdiction presents distinct opportunities and challenges for asset managers seeking to scale, innovate and remain competitive. It is intended for industry leaders, investors, policymakers and professionals navigating the complexities of consolidation and strategic growth in the AWM space. We hope the insights presented here will support informed decision making, stimulate meaningful dialogue, and contribute to a more integrated and resilient financial ecosystem in the region.

We extend our sincere gratitude to the contributors, researchers and subject matter experts whose insights have enriched this report. As the AWM industry continues to evolve, we remain committed to advancing thought leadership that empowers stakeholders to thrive in a changing world.

**Suresh Swamy**
Partner
Price Waterhouse & Co LLP
India

**Rex Ho**
Asia Pacific
Financial Services
Tax Leader

# Foreword

The Asia-Pacific region stands at the forefront of global economic transformation, with the AWM sector both benefiting from and driving this evolution. Markets such as China and India are leading the charge, with a proliferation of digital investment platforms and FinTech-driven wealth solutions, while Singapore and Hong Kong continue to strengthen their positions as global financial hubs through regulatory modernisation and cross-border fund passporting initiatives. Amid a surge in M&A activity across the region, it is increasingly important to understand the underlying drivers, regulatory frameworks and strategic considerations shaping the landscape.

This report provides an overview of the key industry trends along with an in-depth analysis of M&A dynamics in key markets, including Australia, China, India, Japan and Singapore. It explores not only the macroeconomic and regulatory factors influencing deal activity but also the complex tax implications that can significantly affect transaction outcomes.

What emerges is a portrait of a sector in transition – where consolidation is not merely a response to market pressure but a deliberate strategy for achieving growth, fostering innovation and enhancing resilience. Whether pursuing environmental, social and governance (ESG) capabilities, embracing digital transformation, or expanding regionally, asset managers are reimagining their business models to align with the demands of a rapidly evolving environment.

The insights in this report would help you to reflect on the broader implications for your organisation and the industry at large, and could guide you on your journey ahead. The future of AWM in the Asia-Pacific region will be shaped by those who can navigate complexity with clarity and who see change not as a barrier but as an opportunity.

# Contents



# Australia

**Pete Nearhos**
Partner
pete.nearhos@au.pwc.com

## Overview of M&A developments

Our 2024 Global Asset and Wealth Management Survey found that approximately 80% of asset managers and institutional investors are considering strategic partnerships, consolidations or mergers and acquisitions (M&A) to enhance technological capabilities (both people and systems) and build an 'extended tech ecosystem' aimed at driving innovation, expanding into new markets and democratising access to investment products in anticipation of the upcoming intergenerational wealth transfer.[1] Larger firms are acquiring selective talent and digital capabilities from start-ups and scale-ups through acquisitions or joint ventures to accelerate development and market entry.

In Australia, M&A activity has generally been subdued compared to the post-COVID rebound in 2021 and 2022, though there are early signs of recovery.

Consistent with global trends, M&A activity in the Australian asset and wealth management (AWM) sector is being driven by several factors, including the pursuit of economies of scale, enhanced technological capabilities and expanded product offerings. As regulatory pressure and market competition intensify, smaller firms are finding it increasingly difficult to sustain independent operations, leading to consolidation efforts aimed at mitigating compliance burdens and managing operational costs. Moreover, the growing demand for sustainable and responsible investing is prompting firms to acquire expertise and capabilities aligned with environmental, social and governance (ESG) standards. Larger players are seizing these opportunities to acquire niche providers and strengthen their market positions, contributing to a dynamic and rapidly evolving industry landscape. As investors become more discerning and demand greater transparency and accountability, M&A activity is expected to remain resilient, with firms strategically repositioning themselves to meet these evolving expectations.

In the superannuation space, there has been an ongoing trend of fund mergers since the Australian tax law was amended in late 2008 to facilitate such consolidations. Since 2024, this has included mergers involving Alcoa Super, AVSuper and Qantas Super with the Australian Retirement Trust, Active Super and Vision Super, Mine Super and TWUSUPER and Spirit Super and CareSuper.

1 PwC's 2024 Global Asset and Wealth Management Survey

# Key tax landscape

The Australian tax landscape continues to be complex, with recent changes to the thin capitalisation rules, country-by-country reporting regime and the introduction of Pillar Two – all potentially impacting asset and wealth managers with foreign ownership and/or cross-border transactions. Although asset and wealth managers may be able to rely on exceptions under Pillar Two, comparable exemptions generally do not apply to country-by-country reporting obligations, which are becoming increasingly onerous. These additional compliance burdens are placing mounting pressure on already resource-constrained tax teams. This was reflected in our Reframing Tax Survey 2025, where only 18% of Australian respondents believed they were well-positioned to handle the increasing regulatory burden, compared to 43% globally. 'Further, 'constantly changing tax regulations' was cited as the most significant obstacle to adopting a more agile approach to tax planning.[2]

The Australian tax outcomes of M&A depend on the specific facts and the structure of both the acquiring entity and the target:

- In a share acquisition, Australia's tax consolidation regime may operate to reset the tax cost base of the target's underlying assets to market value. This should be modelled early in the transaction to avoid unexpected tax consequences resulting from the application of these rules.
- An asset acquisition is often perceived as having less tax risk for the acquirer, as the tax history of the business is not inherited. However, in practice, historical tax risks in share acquisitions can generally be managed through robust tax due diligence and appropriate warranties and indemnities.
- Specific income tax rollovers are available for merger involving Australian superannuation funds. Although such transactions are typically income tax-neutral, other significant tax-related issues may arise, including state duty liabilities and complications associated with changes in ownership of downstream entities (e.g. availability of carried forward tax losses, discussed below).
- Outside the superannuation context, Australian tax law does not generally recognise the concept of a merger. Such transactions are instead treated as acquisitions by one entity of another.
- Concessional tax and duty rules apply to certain intra-group reorganisations. These rules are straightforward when applied within a tax-consolidated group but can become complex where tax consolidation does not apply.
- Specific rules apply to a cash-free transaction, which is generally complex and often undertaken only after securing a favourable ruling from the Australian Taxation Office (ATO). Because ATO ruling can take considerable time, this process should commence early in the transaction.

2 PwC's Global Reframing Tax Survey 2025

- Contingent consideration and earnouts are common in Australia, especially for start-up or scale-up acquisition businesses. The tax treatment of these arrangements is highly fact-dependent and somewhat unclear.
- M&A transactions involving a change of more than 50% in the underlying beneficial ownership of the target may limit the ability to utilise carry-forward tax losses post-acquisition. Accordingly, acquisition models should generally not attribute value to such losses.
- Under the non-resident capital gains tax (CGT) regime, where the vendor is a non-resident, the purchaser may be required to withhold a portion of the purchase price if the assets include Australian real property or indirect interest therein.
- Recently proposed changes to the non-resident CGT regime aim to broaden the tax base and are expected to reduce returns to foreign investors, particularly for infrastructure investments. These changes will take effect upon the passage of the relevant legislation, anticipated in the second half of 2025, and are expected to apply to both existing and future investments.
- Regardless of whether a transaction is structured as a share or asset acquisition or whether it is cash-based or cash-free, obtaining market valuations is essential to ensure accurate tax treatment. The ATO has issued specific guidance on acceptable valuation methodologies, including limited shortcut methods, and this should be considered in undertaking any transaction.[3]
- Changes to Australia's thin capitalisation rules may influence the structuring and financing of future acquisitions. It will be critical to model the impact of these rules, including methods selection and the potential to carry forward and apply disallowed interest deductions.

In summary, the Australian tax law remains complex, and M&A tax outcomes are heavily influenced by the specific facts and circumstances of each transaction.

3 Refer to our Tax Alert for further information.

## Post-deal and other considerations

Following the acquisition of an entity, several key tax considerations should be addressed:

- Any group restructuring post-acquisition is likely to involve the issues discussed above.
- Operational and financial integration, including the alignment of accounting and tax systems, is essential to ensure ongoing compliance with Australian tax laws.
- Understanding the technology aspects of the acquired entity is important for determining tax compliance implications and future efficiencies.

# China

**Cecilia Li**
Partner
cecilia.yt.li@cn.pwc.com

## Overview of M&A development in China

In the post-COVID era, global funds have actively pursued new strategic directions for the coming decade, with many expanding their presence in the Asian market.

China's asset management sector has seen substantial growth, with assets under management (AUM) reaching RMB 142.82 trillion (USD 20.04 trillion) as of December 2023, up from RMB 131 trillion (USD 18.4 trillion) at the end of 2022.[4]

The recent entry of several global asset managers into various alternative asset classes across key Asian markets, including China, highlights the continued interest in the region. However, China's investment landscape has undergone significant transformation over the past decade. Increased geopolitical tensions and changes in China's economic growth narrative have led many global fund managers to reconfigure their China strategies, including initiatives focused on de-risking and adopting a 'China-for-China' approach. For example, some US-based venture capital firms have separated their businesses, with one arm focused on the US market and the other dedicated to China and the broader Asian region. Moreover, some global fund houses have restructured and rebranded their China teams to enable independent fundraising from investors across Asia and the Middle East for China-focused investment funds.

4 Year in review: asset management in China

## Key tax landscape

Global fund managers intending to acquire Chinese businesses or split up existing Chinese teams must navigate the following key tax and regulatory considerations:

- Onshore transactions typically require time-intensive government approvals and may trigger substantial China tax liabilities due to the country's complex indirect tax regime, including value-added tax (VAT) and stamp duty.
- Offshore holding structures are commonly adopted by global managers undertaking M&A or spin-off activities in their business operations in China.
- When forming or restructuring the People's Republic of China (PRC) onshore entities as a China M&A or spin-off transaction, the following tax considerations are critical:
    1. China's standard corporate income tax (CIT) rate is 25%.
    2. Capital requirements for PRC entities remain minimal, especially for regulated fund investment or advisory entities.
    3. Capital increases are relatively straightforward; however, reductions in paid-up capital require rigorous regulatory approval and are generally more difficult in practice.
    4. The PRC's transfer pricing (TP) regime includes thin capitalisation rules, and foreign exchange regulations impose limits on the debt-to-equity ratio for foreign-invested entities. As a result, global managers must develop appropriate debt push-down strategies when structuring China-related M&A or spin-off plans.
    5. PRC company law and accounting standards require various statutory reserves to be set aside from realised earnings, thereby limiting the distributable profits available for dividends.
    6. Tax losses incurred by a PRC entity may be carried forward for up to five years, but these losses generally cannot be utilised following an acquisition.
- In China spin-off transactions involving global managers, capital gain realised on the sale side may be taxed in different ways:
    1. A Chinese onshore selling entity is subject to 25% CIT on any capital gains.
    2. Offshore non-resident sellers may be subject to a 10% withholding tax (WHT) on China-sourced gains.
    3. The sale of an offshore holding company with underlying Chinese investments must comply with the PRC's indirect equity transfer rules, as outlined in Public Notice [2015] No. 7 ('PN7'). The capital gain may be deemed China-sourced and subject to 10% WHT.

- Consolidation or restructuring by global managers may also necessitate a review of their carry interest and equity-based compensation scheme for Chinese team members:

  1. China lacks a clear-cut tax framework for private equity/venture capital carry interest. The characterisation of carry for tax purposes, whether as capital gain, employment income or onshore versus offshore income, remains ambiguous. This creates significant uncertainty for executives regarding their personal tax positions.
  2. Changes to share-based compensation schemes must be carefully planned in light of China's stringent foreign exchange controls and the associated tax and regulatory reporting obligations for Chinese nationals participating in offshore employee stock ownership plans (ESOPs).

## Post-deal and other considerations

Alongside global managers' M&A or spin-off activities in China, it may also be necessary to restructure or streamline their fund products and AUM to align with newly adopted fund management structures.

In a post-deal scenario involving the amalgamation or restructuring of offshore fund vehicles or the streamlining of underlying investment portfolios with Chinese assets, global managers must carefully address the following emerging tax issues:

- Migration of a Chinese investment portfolio from one offshore fund to another may trigger a 10% WHT, along with potential indirect taxes.
- Where the portfolios consist of publicly traded equities or bonds in Chinese domestic markets (e.g. via China's stock exchanges or interbank bond markets), such investments are typically made through one of the following designated market access schemes:
    1. Qualified Foreign Institutional Investor scheme
    2. Hong Kong–China Stock Connect regimes
    3. Hong Kong–China Bond Connect scheme or
    4. China Interbank Bond Market regime.

In such cases, gains arising from the direct transfer of ownership in these Chinese securities between offshore funds are generally exempt from Chinese WHT, based on preferential tax rulings applicable to these access schemes.

- However, where the investment portfolios being migrated between offshore funds consist of Chinese private equities, even an indirect transfer of ownership, such as through the sale of offshore holding vehicles, may still be subject to Chinese WHT on deemed capital gains. This is in accordance with the indirect equity transfer rules under Public Notice [2015] No. 7 ('PN7').

That said, potential tax exposure may be mitigated if the offshore funds are structured through jurisdictions with applicable tax treaty protections, thereby enabling relief from Chinese tax on the capital gains arising from such portfolio migration exercises.

- Although China's tax system provides for group reorganisation relief under certain conditions, such relief is generally not available to offshore fund consolidation exercises involving Chinese investments. This is due to the strict eligibility criteria for cross-border relief, especially the requirement for common ownership. Offshore funds, being collective investment vehicles with diversified investor bases, typically do not meet this threshold.

# Hong Kong

**Vanessa Chan**
Partner
vanessa.ps.chan@hk.pwc.com

## Overview of M&A development in Hong Kong

The broad-based slowdown of the global economy, rising interest rates, geopolitical tension, increasing regulatory costs, and shifting investment and investor landscape have marked the onset of a new phase in fund manager M&A activities within the Hong Kong's fund management market.

In 2023, several significant acquisition transactions involving large fund managers were observed. According to reported news, these transactions generated value by enabling acquirers to expand into new investment strategies that complement their existing ones, as well as to enter new geographies or jurisdictions. As of the end of 2023, the AUM of Hong Kong's AWM sector totalled approximately HKD 31,193 billion (around USD 3,993 billion).[5]

A clear trend has emerged whereby local fund managers are diversifying their investment strategies and adopting multi-strategy models in response to the evolving private market landscape. Although mergers and consolidations offer an inorganic route to achieve this diversification, many local fund managers continue to pursue organic growth strategies. Notably, traditional private equity and venture capital fund managers have increasingly entered the private credit space, as rising interest rates depress equity valuations, thereby rendering credit returns more appealing.

Fund managers commonly broaden their investment strategies to diversify fundraising sources, enhance financial resilience, and secure greater stability, flexibility and long-term sustainability.

In addition to strategic considerations, geopolitical tensions, regulatory reforms and macroeconomic headwinds have also led fund managers to re-evaluate their asset allocation frameworks. Over the past one to two years, there has been a marked shift toward greater risk stratification within individual markets, coupled with growing investor interest in broader Asian market exposure, particularly in Southeast Asian countries. Accordingly, local fund managers expanding their regional and global footprints has become an increasingly prominent trend.

5 Asset and Wealth Management Activities Survey 2023

# Key tax landscape

- It is commonly perceived that local tax considerations play a secondary role in structuring fund manager M&A transactions in Hong Kong, largely due to the simplicity and transparency of the territory's tax regime. However, this assumption may be misleading, as tax considerations can significantly influence various elements of a transaction.
- In Hong Kong, acquisitions more frequently take the form of share purchases rather than acquisition of business and assets.

## A. Share deal and asset deal

- Under the Hong Kong Inland Revenue Ordinance, profits derived from the sale of capital assets are not subject to profits tax. Accordingly, sellers in fund manager M&A transactions are often able to dispose of shareholdings without incurring profits tax liabilities. By contrast, the sales of certain assets may trigger the recapture of previously claimed capital allowances, rendering asset acquisitions less attractive from the seller's perspective. However, from the acquirer's viewpoint, such transactions may offer tax relief through capital allowances or deductions, depending on the nature of the assets acquired.
- The portion of the purchase price attributable to goodwill is generally not deductible for profits tax purposes. However, where specific conditions are met, the Hong Kong Inland Revenue Ordinance allows for deductions on expenditure incurred for the acquisition of registered trademarks spread over five years.

## B. Treatment of tax losses

- Generally, tax losses sustained by a Hong Kong taxpayer may be carried forward indefinitely to offset assessable profits in subsequent years of assessment. However, tax losses cannot be carried backward.
- Hong Kong does not allow group loss relief. Each taxpayer is regarded as a separate legal entity for profit tax purposes. As such, any unused tax losses in a target company cannot be transferred following the sale of that company's business or assets. A sale of shares in a Hong Kong company typically does not affect the ability of that company to carry forward its tax losses, unless the change in shareholding is undertaken with the sole or dominant purpose of utilising the tax losses.

## C. Other tax considerations (stamp duty, indirect taxes, etc.)

- There is currently no goods and services tax (GST) or VAT in Hong Kong.
- Stamp duty is levied on the sale of Hong Kong stock. The prevailing stamp duty rate is an aggregate of 0.2% (i.e. 0.1% payable by each of the seller and the purchaser) on the higher of the actual consideration or the market value of the stock as of the transfer date. A fixed duty of HKD 5 is also charged for stamping the instrument of transfer. For unlisted Hong Kong stock, valuation is generally based on the latest management accounts of the company whose shares are being transferred.
- Some fund manager M&A transactions may involve contingent consideration (e.g. deferred purchase price or earn-out payment). Contingent payments falling within the relevant periods specified in the Hong Kong Stamp Duty Ordinance are also subject to stamp duty.
- Additionally, the Hong Kong Stamp Duty Ordinance contains a specific provision allowing the stampable value of a transaction to include liabilities assumed by the acquirer. This may apply where shares in a target company are transferred under or in connection with an arrangement in which the acquirer agrees to assume the target company's debt.

## D. Transfer pricing issues

In fund manager M&A transactions, a key TP concern involves the treatment of management fees and carried interest or performance fee arrangements. Consideration must be given as to whether the seller's existing TP approach to these elements is reasonable and consistent with the arm's length principle. The potential for scrutiny by the Hong Kong tax authority should also be carefully assessed.

- The design of the carried interest plan, along with eligibility and vesting conditions and any historical scrutiny by the Hong Kong tax authority, should be reviewed closely. Uncertainty may arise as to whether carried interest should be treated as employment income or as an investment return for fund management executives.
- Lastly, the Hong Kong profits tax implications for funds managed or advised by the selling fund manager should be carefully considered.

## Post-deal and other considerations

In addition to tax considerations arising from the M&A transaction itself, post-deal integration activities often give rise to various Hong Kong tax issues that must be carefully managed.

- Fund managers should reassess the Hong Kong tax positions of the funds they manage during post-deal integration. Different approaches may be adopted to manage Hong Kong tax risks (e.g. offshore claims, exemption under the Unified Funds Exemption, etc.). Mergers, consolidation and/or spin-offs may affect how fund managers operate and consequently, how their funds are managed. These changes can impact the tax position of the funds in Hong Kong. Reassessing these positions is critical to mitigate any unintended tax consequences.
- Where investment portfolios include Hong Kong stock, stamp duty implications should be considered. Generally, Hong Kong stamp duty applies to instruments effecting the sale or transfer of Hong Kong stock. However, the Hong Kong Stamp Duty Ordinance provides for intra-group stamp duty relief, an exemption from stamp duty on share transfers between associated body corporations, provided specific conditions are met.
- In the post-deal structure, the acquirer may find itself managing more than one fund management company in Hong Kong. To streamline post-deal business operations, several options may be considered:

**(a) Liquidation –** The acquirer may transfer the business contracts and employees to a single fund management company in Hong Kong and liquidate the other entity. Apart from the tax implications arising from the transfer of business, assets or employees, the liquidation process itself can be time-consuming and complex. The Hong Kong Inland Revenue Department (IRD) typically scrutinises the tax filings of the company to be liquidated, including its historical tax positions, before granting tax clearance.

For example, if the fund management company has previously lodged an offshore claim in relation to its management fee income and such claim has not yet been reviewed or agreed upon by the IRD, it is likely to be examined during the liquidation process.

**(b) Amalgamation –** Another option to streamline the post-deal business operation or corporate structure is to amalgamate the two Hong Kong entities.

The Hong Kong Companies Ordinance provides a court-free statutory amalgamation procedure for wholly owned intra-group companies incorporated in Hong Kong and limited by shares. The amalgamation may be structured as follows:

- Vertical amalgamation: between a holding company and one or more of its wholly owned subsidiaries, with the holding company continuing as the surviving entity; or

- Horizontal amalgamation: between two or more wholly owned subsidiaries of a body corporate, with one of the subsidiaries continuing as the surviving entity.

There is a specific provision in the Hong Kong Inland Revenue Ordinance that provides for special tax treatments applicable to a qualifying amalgamation effected on or after 11 June 2021, provided that an irrevocable election is made by the amalgamated company within one month of the amalgamation. These special tax treatments allow for tax-neutral succession with respect to trading stocks and capital assets vested in the amalgamated company.

- TP is often another area of concern. It is not uncommon for the acquiring and target fund management groups to adopt different TP methodologies (e.g. cost-plus approach versus revenue-sharing approaches). Following a merger or consolidation, alignment of TP policies may be required. Where changes are necessary, they should be properly substantiated to avoid undermining the historical TP position.
- In a typical fund manager M&A transaction, it is common for the seller and/or key members of the target group's management team to be offered share-based payments (or virtual stock options) as part of the incentive to retain talent and support business continuity.
- Moreover, the seller and key management team may be entitled to a share of carried interest from the merged group. The legal structure of such share-based payments and carried interest should be carefully evaluated for Hong Kong profits tax purposes.
- From a salaries tax perspective, depending on the structure of the share-based payments or carried interest, there may be an employer reporting obligation for the acquirer or the acquiree, and a corresponding filing obligation for the affected employees.
- In a business spin-off, the Hong Kong tax implications of restructuring or splitting carried interest arrangements should be carefully analysed. Where acceleration in carried interest payments is considered, the tax treatment of the accelerated payment must also be reviewed.
- Finally, the reallocation of employment contracts among different group companies is often part of post-deal integration and may also trigger employer reporting and filing obligations.

Although Hong Kong has a relatively simple tax regime, the potential tax issues arising from fund manager M&A activities should not be underestimated.

# India

**Nehal Sampat**
Partner

## Overview of M&A development in India

The M&A landscape in India's asset management sector is experiencing heightened activity, driven by changes in regulations, market consolidation, strategic partnerships and foreign investments. The Indian mutual fund industry has seen remarkable growth – its AUM soared from INR 10.83 trillion (about USD 173 billion) in 2015 to INR 65.74 trillion (around USD 768 billion) by March 2025.[6] This represents a more than six-fold increase within a decade. In addition, the share of domestic mutual funds in market capitalisation reached an all-time high of approximately 10% as of 31 December 2024.[7]

Recently, India's asset management sector has witnessed several high-profile M&A transactions. One of the most notable is the joint venture between Jio Financial Services and BlackRock, representing a significant strategic collaboration. Similarly, Sundaram Mutual Fund's acquisition of Principal Mutual Fund strengthened its market position. The merger of Hongkong and Shanghai Banking Corporation (HSBC) Asset Management Company (AMC) with Larsen and Toubro (L&T) Mutual Fund enhanced their combined capabilities, while the Bandhan-led consortium with Infrastructure Development Finance Company (IDFC) AMC has created a formidable entity in the market. White Oak Capital's acquisition of Yes Bank's AMC business marked a strategic expansion, and Prudent Corporate's acquisition of Karvy Mutual Funds illustrated the ongoing consolidation trend in the industry. Collectively, these transactions highlight the dynamic and evolving nature of India's asset management space.

In India, the commonly adopted modes of executing M&A transactions include share acquisition, asset acquisition and mergers.

6 Indian mutual fund industry's average assets under management (AAUM) stood at ₹ 72.18 lakh crore (INR 72.18 trillion)

7 NSE India Ownership Tracker

# Key tax landscape

M&A transactions in India's AWM sector present a complex tax environment. Whether structured as a share acquisition, asset acquisition or merger, these transactions require careful planning and attention to specific tax provisions and relief mechanisms to optimise outcomes.

## Share acquisition

In a share acquisition, the buyer effectively takes over the equity of the target company. Key tax considerations include CGT for the seller, WHT obligations for the buyers, the risk of taxation on deemed income (if any) and the need to assess any outstanding tax liabilities or ongoing litigations that may affect the validity of the share transfer. India's tax laws also provide for the taxation of indirect transfers of shares in offshore entities if the underlying assets are substantially located in India. Therefore, when such indirect transfers are involved, the applicability of tax treaty benefits should be carefully examined.

Another significant consideration for closely held companies is the impact of shareholding changes on the ability to carry forward and offset losses. A substantial change in ownership may jeopardise the continuity of loss benefits unless at least 51% of the voting power remains with the same shareholders on the last day of the financial year in which the loss was incurred.
Short-term capital gains from the sale of listed shares where Securities Transaction Tax (STT) has been paid are taxed at 20%, while short-term gains from the sale of unlisted shares are subject to normal tax rates. Long-term capital gains from the share sales, whether STT has been paid or not, are taxed at 12.5%.

## Asset or business transfers

In cases where a business or its assets are transferred, the tax implications can vary significantly depending on the transaction structure.

For a transfer of the entire business as a going concern (known as a 'slump sale'), the gains are treated as capital gains. The gains are calculated as the difference between the sale consideration and the tax net worth, computed in accordance with prescribed guidelines. The buyer is permitted to allocate the purchase price among the individual assets based on fair market values, thereby stepping up the tax cost base. However, tax depreciation on the acquired assets is allowed only if they qualify as depreciable under Indian tax law. Notably, slump sales are not subject to GST.

For itemised sales, where specific assets are transferred, tax treatment depends on the nature of the assets:

1. Depreciable assets: If the sale price exceeds the written-down value (WDV), the excess is taxable at the applicable rate. If the sale price is lower than the WDV, depreciation for the year is calculated on reduced block value.
2. Non-depreciable assets: Gains are calculated as the difference between the sale price and the book value and are taxed either as business income or capital gains, depending on the facts of the case.

Special rules apply to intangibles such as goodwill. Internally generated intangibles are assigned a cost of acquisition of NIL under Indian tax law, and gains are taxed similarly to those on non-depreciable assets. Importantly, itemised sales are subject to GST.

Capital gains on slump sales are taxed at 12.5% if classified as long-term (i.e. held for more than 36 months) and at applicable rates if classified as short-term.

## Mergers

Mergers may qualify as tax-neutral transactions if certain conditions are satisfied. For a merger to be considered tax-neutral:

1. All assets and liabilities of the transferor company must be transferred to the transferee company.
2. Shareholders of the transferor company must receive shares in the transferee company in exchange for their holdings.

If these conditions are met, no capital gains are triggered at the time of the merger.

## Post-deal and other considerations

Even after the completion of a merger or acquisition, several critical aspects must be addressed to ensure a smooth transition and continued compliance:

### 1. Operational and regulatory alignment

- Post-deal asset managers may need to restructure their funds and product portfolios to align with the new organisational setup and market strategy.
- India's mutual fund industry is heavily regulated, and changes in fund management structures typically require approval from regulatory authorities. Ensuring compliance with investor protection requirements is also essential.
- Structuring carry/incentive plans for key managerial personnel (KMP) is vital for employee retention and performance alignment. These plans may vary based on whether the asset manager operates an onshore or offshore fund.
- To optimise tax outcomes for both KMP and fund investors, it is necessary to assess the tax treatment of carried interest in the relevant jurisdiction (onshore and offshore).

### 2. Ongoing compliance and reporting obligations

- Onshore managers must continue to meet regular tax and regulatory responsibilities, including the timely filing of tax returns and adherence to applicable compliance frameworks.
- Cross-border reporting requirements, such as those under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), must be fulfilled to maintain transparency and avoid potential penalties. These obligations are crucial for fund entities with international investor bases.

### 3. Tax identity and access requirements for foreign fund managers

- Foreign fund managers associated with newly amalgamated entities intending to maintain investments in India must obtain a Permanent Account Number (PAN) from Indian tax authorities. This is necessary not only to satisfy tax obligations but also to facilitate financial and regulatory transactions within India.

### 4. Permanent establishment (PE) risk and tax residency concerns

- If an onshore asset manager exercises significant control over an offshore fund, there is a risk of the offshore fund being deemed to have a PE or being considered tax resident in India. This could subject the offshore fund to Indian corporate taxation.
- Accordingly, meticulous planning and structuring are required to avoid inadvertently triggering PE status or Indian tax residency for offshore entities.

In conclusion, M&A in India's asset management sector offer considerable opportunities, driven by regulatory shifts, strategic collaborations and market growth. However, these deals also present unique challenges. A nuanced understanding of the post-deal tax implications, regulatory obligations and risk management considerations is essential to maximise the benefits and ensure long-term success.

# Japan

**Stuart Porter**
Partner
stuart.porter@pwc.com

## Overview of M&A development in Japan

Emerging Japanese asset managers are expected to arise following the 'Policy Plan for Promoting Japan as a Leading Asset Management Center' published by the Japanese government on 13 December 2023.[8] This initiative aims to reform and promote Japan's asset management sector and asset ownership. The policies proposed in the plan can be broadly categorised as follows:

- reforming the asset management sector
- reforming asset ownership
- promoting financing for growth and diversifying investment opportunities
- ensuring effective implementation of stewardship activities
- strengthening public relations and communications.

In light of the above, long-established Japanese asset managers are expected to face intensified competition. Consequently, they may seek to enhance their investment management capabilities and pursue M&A transactions with domestic or overseas asset managers.

Outside the scope of the policy plan, the introduction of the revised Nippon Individual Savings Accounts (NISA) programme in 2024 is also expected to fuel competition among domestic asset managers. NISA is a tax-exempt investment programme allowing individuals to invest up to JPY 1.2 million annually in stocks. Under the revised scheme, the annual tax-free investment limit will double to JPY 2.4 million. With this increase, Japanese asset managers may be further motivated to pursue M&A deals to accelerate growth.

As of March 2023, the AUM of Japanese asset management companies were estimated at JPY 909 trillion (approximately USD 6.8 trillion).[9]

Although recent M&A activity among domestic asset managers has been limited, except for internal mergers within corporate groups, such transactions are expected to increase in the near future.

8 The 'Policy Plan for Promoting Japan as a Leading Asset Management Center' published by the government

English summary of the 'Policy Plan for Promoting Japan as a Leading Asset Management Center' published by the Financial Services Agency (FSA)

9 Japan's asset management business 2023-24

# Key tax landscape

Regarding domestic corporate taxes, WHT and indirect taxes, there are currently no specific provisions that apply exclusively to M&A transactions or consolidations involving asset managers. General Japanese tax laws continue to apply.

## A. Domestic deals and consolidations

- In the context of internal group reorganisations, the same tax rules apply to domestic asset managers as to other corporate groups. Many forms of corporate reorganisation may be treated as tax-qualified if certain conditions are met. One of the key requirements is the absence of cash consideration. In addition, there must be a continuity of direct or indirect shareholder ownership. Where the post-reorganisation ownership falls below 100%, other specific conditions must be satisfied.
- Regarding funds managed by asset managers, most Japanese funds are structured as investment trusts that are tax-exempt entities. As such, mergers involving these funds typically do not give rise to Japanese tax consequences for the fund itself. However, investors may face tax implications upon a fund merger unless tax deferral treatment applies.

## B. Investment in Japanese corporations by non-residents

- Under Japanese domestic law, a foreign shareholder without a PE in Japan is generally not subject to Japanese tax on capital gains from the sale of shares in Japanese companies. However, this exemption does not apply if:
  1. the shareholder, together with specially related parties, sells 5% or more of the shares in a Japanese company in a given year.
  2. the shareholder, together with specially related parties, owns or has owned 25% or more of the company's shares at any point during the three fiscal years preceding the sale year (this is known as the '25/5 Rule').
- Capital gains from the sale of shares in a real estate holding company (REHC), defined as an entity whose gross assets consist of at least 50% Japanese real estate (by fair value) within 365 days before the sale, are subject to Japanese tax filing requirements unless relief is available under an applicable tax treaty. This applies if the shareholder, along with specially related parties, owned more than 5% of the REHC's shares of the fiscal year-end prior to the sale, or more than 2% in the case of a privately held company. This is referred to as the 'REHC Rule'.
- An exception to aggregating the holdings of all partners in a limited partnership as specially related parties, when applying the 25/5 Rule, may be available if certain conditions are met. This exception is referred as the '25/5 Rule Exemption'.

# Post-deal and other considerations

## A. Taxation of carried interest

- The Japanese tax implications of carried interest depend on the nature of the legal instruments and the investment or holding vehicles through which the carried interest flows to the individual fund managers, how these instruments are characterised for Japanese tax purposes and the carry holder's Japanese tax residency status. If the carried interest arises from the sale of shares in underlying portfolio companies and is distributed through a chain of entities regarded as fiscally transparent from a Japanese tax perspective, the returns may be treated as capital gains under general principles, subject to certain conditions. In contrast, carried interest distributed through vehicles considered opaque under Japanese tax law is not eligible for such capital gain treatment.
- To enhance Japan's appeal as a global financial hub, the FSA has provided clarifications on the taxation of carried interest. These aim to attract foreign fund managers by allowing individual fund managers to be taxed separately at a flat rate of 20.315% on capital gains from the sale of shares in Japanese portfolio companies, rather than being subject to comprehensive taxation at progressive rates of up to approximately 56%, provided specific conditions are satisfied.

## B. Discretionary investment manager exemption

- A safe harbour rule exists for foreign funds engaging a discretionary investment manager (DIM) in Japan, subject to several conditions.
- Under Japanese domestic law, the definition of a PE includes an independent agent exemption. The FSA has issued guidance on how this exemption may apply to DIMs operating under the Japanese Financial Instruments and Exchange Act. Specifically, where a foreign general partner or investment manager of a foreign fund enters into a discretionary investment agreement with a registered DIM, and the DIM undertakes specific investment activities, the DIM may be treated as an independent agent of the foreign fund. To qualify, the DIM must meet five tests: the detailed instruction test, the shared office test, the remuneration test, the diversification capacity test and the especially related person test.

## C. PE risk of foreign funds with domestic general partners

- A foreign fund will be considered to have a PE in Japan if it appoints a domestic general partner. Consequently, the non-resident limited partners of the fund may also be treated as having a direct PE in Japan, particularly if the foreign fund is regarded as transparent for Japanese tax purposes. In such a case, income attributable to the PE (i.e. from the fund's investment) will be subject to Japanese taxation. Affecting non-resident limited partners must file Japanese tax returns, report the relevant income and pay CIT at the standard applicable rates.
- As a relief measure, a foreign partner in an investment partnership may qualify for a 'Fund PE Income Exemption', subject to certain application or notification procedures. Specifically, even if the foreign partner is deemed to have a PE in Japan due to the investment partnership's operations, income derived from the investment partnership may be exempt from Japanese taxation if specific requirements are met.

# Malaysia

**Jennifer Chang**
Partner
jennifer.chang@pwc.com

## Overview of M&A development in Malaysia

The current M&A market in Malaysia is expected to accelerate, driven by macroeconomic factors and strong foreign direct investment (FDI) inflow into the Malaysian economy.

The Malaysian Government has actively sought FDIs from various sources, particularly the United States, China, Japan, the European Union and the Middle East. Significant new investments have been secured from major companies, particularly in the data centre industry, which constitutes a key pillar of Malaysia's growing involvement in the high-growth and transformational sectors of cloud computing and artificial intelligence.

In addition, the conclusion of negotiations on the Comprehensive Economic Partnership Agreement (CEPA) between Malaysia and the United Arab Emirates is expected to accelerate bilateral trade, promote private-sector collaboration and create new opportunities for investment in high-growth sectors. The UAE–Malaysia CEPA will reduce or eliminate tariffs on a wide range of goods, streamline trade procedures and enhance market access for service exports.

Malaysia's asset management sector recorded significant growth of 9.59%, with AUM reaching MYR 1.07 trillion (USD 256 billion) as of December 2024, up from MYR 975.48 billion (USD 233 billion) in 2023.[10]

The sustained appetite for FDI, combined with a commitment to an open market and the momentum of post-pandemic economic recovery, is expected to continue driving M&A activity in Malaysia through 2025. Regional private equity firms are likely to remain key drivers of this activity, as foreign-denominated funds are well positioned to capitalise on relatively attractive valuations against the Ringgit.

The M&A market is also set to benefit from ongoing corporate restructuring efforts and consolidation strategies, as companies seek to unlock value, divest non-core assets and improve operational efficiencies.

10 Assets under management rise to RM1.07 trillion in 2024 - SC

# Key tax landscape

There have been several recent developments in Malaysia's tax landscape that are likely to impact the asset management industry going forward, most notably, the introduction of a CGT and various tax incentives, including those under the Forest City Special Financial Zone (SFZ).

## A. CGT

- Prior to 1 January 2024, gains on the sale of investments such as shares were generally not subject to tax in Malaysia, except for gains arising from the disposal of real property situated in Malaysia or shares in a real property company (RPC). Real Property Gains Tax (RPGT) was applicable at rates ranging from 30% to 10% or 0%, depending on the holding period and the profile of the disposer.
- Effective 1 January 2024, CGT has been introduced and will apply to gains from the disposal of capital assets by companies, limited liability partnerships (LLPs), cooperatives and trust bodies. Individuals are not subject to CGT.

  **(i) Foreign-sourced capital gains**

  - Effect from 1 January 2024, foreign-sourced gains from the disposal of capital assets received in Malaysia are considered taxable income. These gains are subject to the prevailing income tax rate, which is currently 24% for companies.
  - Resident companies, LLPs, trust bodies and cooperative societies are eligible for a tax exemption on such gains from 1 January 2024 to 31 December 2026, provided they meet the economic substance requirements (i.e. they employ an adequate number of qualified employees and incur sufficient operating expenditure to carry out the specific economic activities in Malaysia).
  - Foreign-sourced capital gains may also be subject to tax or WHT in the source country. Where applicable, taxpayers may be entitled to double taxation relief on foreign tax paid, provided they meet the relevant prescribed requirements.

**(ii) Malaysian capital gains**

Effective 1 March 2024, CGT applies to gains from the disposal of shares in unlisted Malaysian companies and foreign companies with underlying Malaysian real property investments. The application tax rates are as follows:

| Share acquisition date | CGT Rate |
|---|---|
| Before 1 January 2024 | **Choice of rate:**<br>i. 10% on the net gain; or<br>ii. 2% on the gross sales value |
| From 1 January 2024 | 10% on net gain |

From 1 March 2024, gains from the disposal of RPC shares by entities subject to CGT will be taxed under the CGT regime instead of RPGT.

'Shares' are defined to include stock other than debenture stock, in relation to a company.

Capital losses incurred may be used to offset gains from the disposal of other capital assets. Unutilised capital losses can be carried forward for up to 10 years of assessment (YAs) to offset future capital gains, after which they will be disregarded.

To ease the implementation of CGT and reduce compliance costs, exemptions apply to disposals of shares under the following activities:

i. initial public offerings (IPO) approved by Bursa Malaysia

ii. restructuring of shares within the same group

iii. resident unit trust (excluding Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia).

The exemption applies to disposals made from 1 January 2024 to 31 December 2028.

These exemptions do not apply to disposals that are taxable as business income.

Taxpayers are required to file CGT returns electronically and remit the tax within 60 days of the date of disposal.

## B. Forest City Special Financial Zone (Forest City SFZ)

On 20 September 2024, Malaysia's Second Finance Minister announced a tax incentive for the Forest City SFZ, a designated financial zone located within the Iskandar Special Economic Zone in southern Peninsular Malaysia. The zone comprises four man-made islands with duty-free status.

The following tax incentives were announced:

a. **Family Office –** 0% corporate tax for family offices under the Single Family Office Scheme coordinated by the Securities Commission (SC). This initiative aims to attract high-net-worth families to set up private business entities that manage their financial and personal affairs exclusively.

b. **Financial global business services –** 5% corporate tax for up to 20 years (10 + 10) for operators of financial global business services, financial technology (FinTech) and foreign payment systems

c. **Knowledge workers –** 15% personal income tax rate for individual knowledge workers (including Malaysians) working in the Forest City SFZ

d. Additional incentives for banking, insurance, capital market intermediaries and other eligible entities in the financial sector:

- special relocation cost deduction of up to MYR 500,000
- 10% industrial building allowance
- 10-year WHT exemptions on services
- 50% stamp duty exemption on property transfers and mortgage financing
- foreign exchange flexibility.

## Post-deal and other considerations

Several key areas must be addressed to ensure a smooth transition and successful integration following a merger or acquisition M&A:

### 1. Regulatory compliance

- Ensure full compliance with Malaysian laws and regulations requirements, including those stipulated by the SC and Bursa Malaysia, where applicable.
- Adhere to the Companies Act 2016 and any relevant industry-specific regulations.

### 2. Financial and tax considerations

- Reassess financial reporting and accounting standards to align with the structure and operations of the newly formed entity.
- Evaluate tax implications, including TP, indirect taxes such as the Sales and Services Tax and any potential tax incentives or liabilities.
- Determine the applicability of existing or new tax incentives to the restructured or combined entity.

### 3. Human resources

- Review employment contracts and conditions to ensure legal compliance and alignment with the new organisational structure.
- Address issues related to redundancies or restructuring, in accordance with the Employment Act 1955.
- Communicate changes clearly to employees and articulate the vision and objectives of the newly formed entity.

### 4. Risk management

- Identify and evaluate potential risks stemming from the M&A, including market, operational and compliance risks.
- Establish a comprehensive risk management framework to monitor and mitigate these risks effectively.

### 5. Operational integration

- Streamline operational processes and systems to realise anticipated synergies.
- Integrate IT infrastructure, operational procedures and supply chains across the merged entities.

### 6. Brand and market strategy

- Develop a cohesive brand strategy and market positioning plan for the new entity.
- Reassess marketing and sales strategies to leverage the combined strengths of both parties.

By carefully addressing these considerations, companies can increase the likelihood of a successful post-M&A integration, minimise disruptions and maximise value creation for all shareholders. Engaging local experts or consultants with in-depth knowledge of the Malaysian business landscape can further support a seamless transition and integration process.

# New Zealand

**Louis McLennan**
Partner
louis.j.mclennan@pwc.com

## Overview of M&A development in New Zealand

The trend of consolidation in New Zealand's AWM sector reflects global activity, driven by factors such as the need for scale and efficiency, increased investment in technology and the need to adapt to heightened regulation and competitive pricing pressures. Additionally, private equity firms are investing in the sector, whereas banks are divesting non-core assets, both of which are stimulating M&A activity.

The total AUM in New Zealand's managed funds industry reached approximately NZD 324.5 billion (USD 194.7 billion) by the end of 2024, reflecting a significant growth of 29.7% from NZD 250.2 billion (USD 150.1 billion) in 2022.[11]

Some notable transactions in recent years include:

- Fisher Funds' acquisition of Kiwi Wealth
- NZX's addition of QuayStreet Funds to its Smartshares fund range
- merger of JBWere NZ, BNZ Investment Services and Jarden to form 'FirstCape'
- Forsyth Barr's acquisition of Hobson Wealth
- Gallagher's acquisition of First Capital

CLooking ahead, New Zealand is in the process of reforming its overseas investment regime, which is expected to encourage and facilitate greater inbound investment into the sector.

11 Managed funds: Funds under management

# Key tax landscape

## Share versus asset transaction

- New Zealand neither has a comprehensive CGT nor imposes stamp duty or other transfer taxes. The absence of these taxes often influences the decision between a share and an asset purchase. For example, a share transaction is typically more attractive to the vendor, who may seek a tax-free capital gain on the sale. Conversely, an asset acquisition allows the purchaser to uplift the value of assets, while historical tax risks remain with the vendor.
- Asset transactions require consideration of purchase price allocation rules, the tax treatment of transferring assets and liabilities and indirect/GST tax implications for both the vendor and the purchaser. Share transactions involve evaluating the tax risks the purchaser inherits, as well as negotiating tax indemnities and warranties. The use and value of tax attributes, particularly tax losses, imputation credits and employee share scheme deductions, also require careful review.

## Acquisition vehicle and funding structure

- Typically, a New Zealand company is used for both share and asset acquisitions. For share acquisitions, this structure may enable the purchaser to achieve a step-up in the New Zealand group accounts to reflect the purchase price as acquisition goodwill, which may otherwise be unavailable. For asset acquisition, a New Zealand company is also commonly used, as it provides an opportunity to partially debt-fund the acquisition.
- Foreign buyers or investors may structure their findings to achieve tax efficiency through debt, though this requires careful consideration of New Zealand's TP rules, hybrid mismatch rules, thin capitalisation limits and WHT obligations. New Zealand's extensive double tax treaty network may help mitigate WHT on future cash repatriation.

## Post-deal and other considerations

- Tax must be addressed as part of any post-transaction review of the manager's fund and product range. Managers should assess whether their in-house teams or outsourced providers can manage tax operations effectively across a wide variety of investment products. These may include ETFs, unlisted unit trust funds that have elected 'Portfolio Investment Entity' tax status, KiwiSaver retirement schemes, New Zealand limited partnerships and discretionary managed accounts (DIMs).
- Managers should also consider GST when reviewing their operating model. GST is New Zealand's consumption tax (comparable to Europe's VAT) and generally applies to most goods and services, excluding certain financial services, which are GST-exempt. The GST treatment of investment management fees has long been a matter of industry concern.
- Inland Revenue has recently published its view that fees payable to the manager of a managed fund should be treated as GST-exempt financial services.
- However, outsourced administrative services (such as registry services, fund accounting and unit pricing) provided by third parties under contract with the manager are subject to GST at 15% if the manager is making GST-exempt supplies, they cannot recover the input GST on these services.

Managers should evaluate the GST implications of their operating models and integrate them into pricing and fee structures accordingly.

# Philippines

**Maria Lourdes Lim**
Former Partner
PwC Philippines

**Carlos Carado II**
Partner
carlos.carado@pwc.com

## Overview of M&A development in the Philippines

Over the past year, the Philippines has emerged as a vibrant hub for M&A across various industries. According to Mergermarket, 113 deals were closed in 2024, totalling USD 8.6 billion—a 37% increase from the USD 6.2 billion deal value in 2023. The AUM of the AWM industry in the Philippines is projected to reach USD 115.23 billion by 2025.[12] This surge in M&A activity is largely driven by recent infrastructure projects, advancements in telecommunications and a notable shift towards renewable energy sources.

The asset management sector has also benefited from this M&A boom, highlighted by major deals involving ATR Asset Management Inc. (ATRAM), a prominent local AWM firm. In 2023, ATRAM acquired Pru Life UK Asset Management and Trust Corp. (PAMTC), a move described by Pru Life UK as part of its strategy to focus on core business areas and respond to the evolving needs of its growing customer base.[13] Additionally, the ATRAM Group is engaged in a transaction with the Union Bank of the Philippines (UB), under which UB is set to acquire a 27.50% stake in ATRAM for PHP 300 million. Upon completion, the trust subsidiaries of both entities will be merged, with ATRAM Trust Corporation as the surviving entity.[14]

Recent reforms, such as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law and the CREATE MORE law, have introduced additional tax incentives to enhance competitiveness and promote investment in key sectors. The Ease of Paying Taxes Act represents a significant shift in tax compliance, aiming to simplify administrative processes and improve taxpayer convenience.

Another major reform is the Capital Market Efficiency Promotion Act (CMEPA), which seeks to simplify the taxation of passive income, making it more efficient and attractive.

These initiatives, along with sector-specific projects, aim to attract and increase FDIs in the Philippines.

12 Statista
13 Pru Life UK exits PH fund management sector via sale to Atram Group
14 UnionBank, Atram to merge trust units

# Key tax landscape

M&A transactions in the Philippines may be structured through various modes, including share deals, asset deals and mergers.

## Share deal

Equity-based deals are often attractive to buyers due to potential capital appreciation. Acquiring shares grants ownership of the target company, entitling the buyer to dividends and general voting rights, leading to potential control.

Tax considerations play a crucial role in investment structuring. Under local tax laws, net gains from share transfers are generally subject to a 15% CGT and documentary stamp tax (DST) at an effective rate of 0.75% based on the shares' par value.

Philippine law permits tax-free internal reorganisation, where the transferee issues share to the transferor, who gains or retains control. This is only subject to DST on the original issuance of shares; recognition of gain or loss for income tax or CGT purposes is deferred.

Non-resident transferors from tax treaty countries may avail of tax treaty relief, provided the conditions are met. Transfers of listed shares are subject to a stock transaction tax (STT) of 0.6% of the gross selling price. Under CMEPA, this will be reduced to 0.10% beginning 1 July 2025.

## Asset deal

Asset acquisition, whether involving key assets or entire business undertaking, is preferred in the case where the investee company carries significant legacy risks. Generally, tax liabilities do not transfer to the acquirer, except for real property tax obligations attached to the asset.

Tax implications depend on the asset class, but such transfers are typically subject to the regular CIT of 25% and 12% VAT.

## Merger

Mergers are used to consolidate operations across businesses with shared interests. In a statutory merger, the absorbed entity ceases to exist, and its net assets are automatically transferred to the surviving entity. Unutilised tax attributes such as net operating losses may be carried forward and deducted within a specific period, provided ownership continuity rules are met.

A merger may qualify as tax-free if the surviving corporation issues shares to the shareholders of the entity.

## Post-deal and other considerations

- After a transaction, parties must fulfil regulatory and administrative obligations to ensure effective legal and tax transfers. One key requirement is securing a Certificate Authorising Registration (CAR) from the Bureau of Internal Revenue (BIR), which is essential to update legal ownership records of transferred assets.

Although not legally mandatory, confirmation from tax authorities regarding tax treaty eligibility is sought to prevent disputes during tax audits and, in the case of CGT exemption, to facilitate issuance of CAR on transfer of property. Such post-deal requirements are prone to delays due to prolonged processing times at the BIR, underlining the importance of proper planning and negotiation.

# Singapore

**Chin Chin Lim**
Partner
chin.chin.lim@pwc.com

## Overview of M&A development in Singapore

According to our 2023 Global Asset and Wealth Management Survey, nearly three-quarters of asset managers are considering a strategic consolidation with another asset manager. In recent years, Singapore has attracted growing interest from global and regional asset managers seeking to establish a presence in the market. Although statistics show that AUM declined in 2022, our survey indicates confidence that AUM will rebound by 2027, with Asia Pacific and emerging markets, such as the Middle East, driving growth.[15]

In Singapore, asset management M&A activity has increased over the past two years and appears poised for further growth. Singapore's AUM grew by 10% to SGD 5.4 trillion (approximately USD 4.1 trillion) in 2023.[16]

Notable recent transactions involving Asia–Pacific (APAC) managers include:

- EQT's acquisition of Baring Private Equity Asia[17]
- TPG's acquisition of NewQuest Capital Partners[18]
- CVC's acquisition of Affin Hwang Asset Management.[19]

The Monetary Authority of Singapore's proposal to repeal the Registered Fund Management Company regime, aimed at streamlining the regulatory framework for fund managers based in Singapore, may drive further consolidation, particularly among smaller players.

Most acquisitions in the region are structured as share purchases. Whether a transaction is executed as a share deal or an asset deal depends on various commercial considerations. For example, sellers may opt for an asset deal to divest a specific segment or business unit without ceasing operations entirely. Buyers, conversely, may pursue asset acquisitions to expand into specific, such as acquiring intellectual property rights relevant to wealth management, or to secure key personnel client contracts.

Notably, share deals are not necessarily easier to execute than asset deals in the asset management sector. Regardless of deal structure, both types of transactions typically require clients (i.e. fund investors) and regulators' consent, which often represent the most time-consuming aspects of deal execution.

15 PwC's 2023 Global Asset and Wealth Management Survey
16 Singapore asset management survey 2023
17 EQT combines with BPEA to capture growth opportunities in Asia
18 TPG NewQuest
19 CVC Asia V agrees acquisition of Affin Hwang AM

# Key tax landscape

## A. Asset deal

In an asset deal, the buyer does not inherit the historical tax liabilities of the selling entity, that is, the buyer does not assume secondary tax liability. That said, an asset deal may be subject to GST in Singapore, unless the sale qualifies as a transfer of a business as a going concern. The GST incurred on the acquisition of qualifying assets should generally be creditable and thus may not result in significant tax leakage.

- The key focus of tax due diligence in an asset deal is on the specific business assets and liabilities being acquired.
- The buyer must review the terms of any contracts being transferred, such as investment advisory or fund management agreements, employment contracts of transferred personnel and the nature and ownership of intellectual property rights.
- Vendors aiming to sell an entire business may be disinclined to pursue an asset deal. This is because they would need to manage the tax implications of the sale, distribute proceeds and ultimately wind up the transferring entity. In Singapore, gains from the sale of an entire business may not be taxable to the extent that are considered capital in nature. Similarly, the distribution of proceeds via dividends should also not be subject to tax.
- A new law effective 1 January 2024 imposes tax on gains from the disposal of foreign assets when those gains are received in Singapore by an entity that is part of a relevant group (unless specific exclusions apply). If the asset sale includes foreign assets owned by the Singapore entity, such gains may now be taxable in Singapore.
- Tax attributes such as tax incentives (e.g. Financial Sector Incentive – Fund Management Award) and tax losses do not transfer with the assets. The buyer must independently assess eligibility and apply for relevant incentives.

## B. Share deal

In a share deal, the buyer acquires the target company's shares and by extension, the underlying business. All assets, liabilities and tax attributes remain with the target company, although the ability to realise some tax attributes may depend on meeting specific conditions (see below).

- Contractual and tax obligations remain with the target company. Tax due diligence in this context focuses on ensuring that the buyer is protected against any pre-existing liabilities that may only materialise post-completion, which could expose the buyer (as the new shareholder) to financial risk.
- Tax losses, as one of the target's attributes, may be preserved by obtaining a waiver of the ownership continuity test from the Inland Revenue Authority of Singapore (IRAS). Such waivers are typically granted, provided the transaction is not motivated primarily by the use of those losses.

In summary, share deals are more common than asset deals, as the latter typically involve more complex documentation and post-closing obligations. Ultimately, the acquisition structure depends on commercial negotiation, tax considerations and the regulated nature of the asset management industry.

- Specific to asset management business, additional due diligence considerations arise. Given the advisory nature of such businesses, it is important to assess whether the target company exercises adequate tax controls and possesses sufficient tax knowledge when providing fund management services. For example, understanding the tax status of the funds under management – if any of the funds are incentivised, compliance with specific conditions is required to retain their status. The fund manager's eligibility for concessionary tax rates under applicable incentives also depends on such compliance.
- It is also important to consider the nature of the clients managed or advised by the target. While not traditionally a tax due diligence concern, regulatory implications, such as whether client or regulatory consent is required for the transaction, are becoming increasingly significant. These factors may influence deal structure and impact transaction terms such as earn-outs or post-deal integration.

## Post-deal and other considerations

Given that AWM is a regulated industry in Singapore, it is common for a buyer to consolidate the target's business post-acquisition, particularly in cases where the buyer may operate under a single regulatory license. Accordingly, the buyer must assess the tax implications of such post-deal consolidation to ensure it can be implemented in a tax-neutral manner.

- In an acquisition involving asset managers, the buyer needs to ensure business continuity and the retention of key management over the long term. Accordingly, it is common for part of the purchase consideration to be structured as an earn-out, payable in cash or equity, especially in control transactions. While less of a concern in Singapore, where equity consideration is involved, sellers may seek tax deferral for the rollover equity holders of the target.
- A key challenge lies in striking a balance between the buyer's goal of structuring performance-based incentives to retain key personnel and the seller's desire to secure capital gains treatment for the stock and earn-out components.
- Therefore, careful consideration should be given to the tax treatment of earn-out structure and retention arrangements, as they trigger tax liabilities for either the target or the sellers.

In addition, there may be a need to streamline any existing carried interest structures to align with the buyer's compensation or incentive strategies. Given the lack of formal tax guidance on the treatment of carried interest in Singapore, such arrangements could introduce tax uncertainty in M&A transactions involving asset managers.

# Taiwan

**Jessie Chen**
Partner
jessie.chen@pwc.com

## Overview of M&A development in Taiwan

Taiwan's asset management sector is characterised by two broad categories of players: licensed securities investment trust enterprises (SITEs) and securities investment consulting enterprises (SICEs), as well as alternative investment participants such as private equity fund managers and venture capital firms. The enactment of the Financial Institutions Merger Act and the Financial Holding Company Act has encouraged consolidations, leading to notable activity in both horizontal and vertical mergers.

Licensed entities, including SITEs and SICEs, have experienced substantial growth. SITEs primarily organise, sell and manage mutual funds for retail investors, as well as mandates for institutional clients. SICEs provide consulting services related to the investment and trading of securities. As of March 2025, the asset management industry in Taiwan comprised 38 SITEs and 88 SICEs. The sector has expanded considerably, with AUM reaching TWD 13.1 trillion (USD 438.07 billion) as of May 2025, up from TWD 7.96 trillion (USD 266 billion) at the end of 2021.[20]

The development of the SITE market began in 1992 when the government liberalised registration to all asset managers. This led to a surge of financial groups establishing or acquiring SITEs in Taiwan's asset management market. The favourable regulatory climate and growing appetite among domestic retail investors made Taiwan an attractive market for foreign asset management firms. The Financial Supervisory Commission's introduction of the Financial Institutions Merger Act and the Financial Holding Company Act further accelerated consolidations, primarily through acquisitions of existing SITEs by large domestic financial holding companies.

20 SITCA

## Key tax landscape

Tax implications vary depending on the transaction structure of the consolidation:

Share deals: the transfer of Taiwanese shares to the transferee is generally subject to a 0.3% securities STT on the transaction price, subject to conditions. In addition, gains from trading Taiwanese shares are treated as 'securities transaction income', which is exempt from income tax, and subject to certain conditions.

Mergers: If the transaction is executed via merger, the portion of total proceeds exceeding the capital contribution of the merged company is treated as dividend income in the hands of the shareholder. This is taxed based on the shareholder's tax residency and whether they are an individual or a corporate entity. The applicable tax rate and methods are summarised below:

| **Shareholder** | | **Tax treatment** | |
|---|---|---|---|
| | | Dividend income | Securities transaction income |
| Domestic resident | Individual | 1. Subject to progressive individual income tax at 5%–40% with an 8.5% tax credit; or<br>2. Taxed separately at a flat rate of 28% | Exempted from individual income tax; however, gains from certain unlisted securities are subject to the 20% alternative minimum tax (AMT) |
| | Corporate entity | Exempted | Exempted from CIT; however, subject to 12% AMT |
| Foreign resident | Individual | Subject to 21% withholding at source | Exempted |
| | Corporate entity | Subject to 21% withholding at source | Exempted, subject to conditions |

Note: The tax treatment above assumes that the shares being transferred are duly certified under the Securities and Exchange Act.

Certain tax benefits are available for qualifying M&A transactions under the Business Mergers and Acquisitions Act (BMAA) and the Financial Institutions Merger Act (FIMA), subject to specified conditions. These include:

1. **Indirect tax relief:** Exemptions from stamp tax, deed tax, securities transaction tax and business tax.
2. **Carry-forwards provision:**

- The land value increment tax may be deferred until subsequent disposals.
- For a surviving company, net operating losses of the dissolved company may be utilised for up to 10 years, proportionate to the shareholders' post-merger shareholding in the surviving company.

3. **Amortisation:**

- Goodwill arising from the consolidation may be amortised over 15 years.
- Transaction-related expenses may be amortised over 10 years.

Note: The BMAA governs all M&A transactions in Taiwan, whereas the FIMA applies exclusively to those involving financial institutions. Since these acts apply to different scenarios and contain distinct requirements, a case-by-case assessment should be conducted to evaluate eligibility and determine the applicable tax treatment.

# Post-deal and other considerations

In share deals where the transaction results in a change of the shareholders of the asset management company, the investment portfolio managed by the asset manager remains unaffected by the consolidation. As such, no tax issues arise at the fund level.

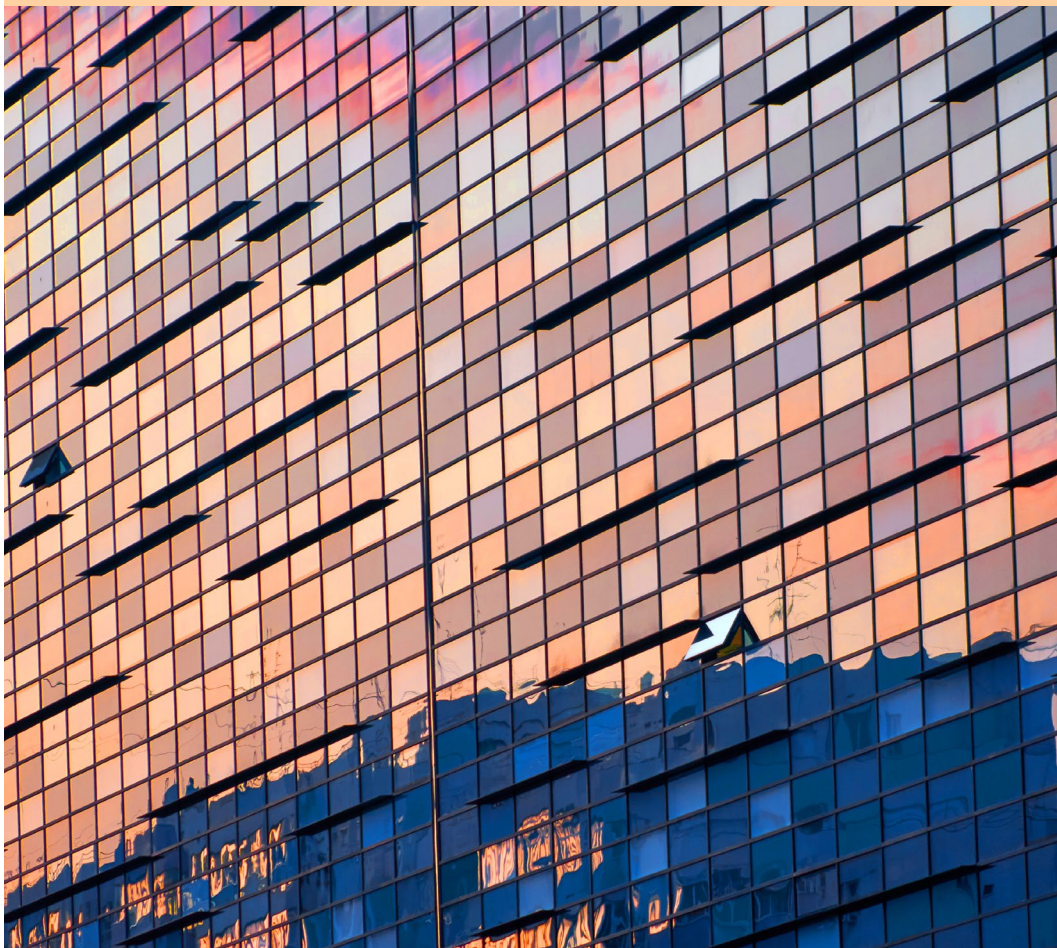
For mergers between two asset management companies, the following are common issues to be considered during the post-deal or integration stage:

### 1. Employee and pension fund transfers

Business consolidations often involve the transfers of employees between the entities involved. This typically results in the need to transfer pension funds from the original (transferring) entity to the transferee entity. The tax treatment of such pension funds transfers and/or severance payments for transferred employees will depend on the specific pension system in place and the nature of consolidation (e.g. merger versus business transfers).

### 2. Goodwill recognition and scrutiny by tax authorities

In practice, the recognition of goodwill is frequently challenged by Taiwanese tax authorities. Authorities will typically evaluate the commercial rationale for the consolidation, the transaction cost and the fair value of identifiable assets and liabilities. To justify the amount of goodwill recognised, taxpayers must provide substantial surrounding documentation.



# Asia Pacific Financial Services Tax Leadership

**Rex Ho**
Financial Services
Tax Leader

**Vanessa Chan**
Banking and Capital Markets
Tax Leader

**Stuart Porter**
Real Estate
Tax leader

**John Chan**
Insurance
Tax Leader

# Notes

# Notes

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