Navigating tax residency and substance requirements for fund structures in the Asia Pacific

April 2026

Preface

The Asia-Pacific (APAC) asset and wealth management (AWM) landscape is experiencing a profound transformation, driven by unprecedented regional wealth creation, evolving regulatory frameworks, and the increasing complexity of cross-border investment flows. With global standards shifting towards greater transparency and substance, fund managers and investors operating in this region are faced by a rapidly changing landscape.

Despite the opportunities presented by regional growth and cross-border investment, the current landscape is a complex, fragmented mix of tax residency rules, substance requirements, and anti-abuse measures. The era when fund structuring relied solely on form over substance has passed. Today, tax authorities across the APAC and beyond require clear evidence of genuine economic activity, robust governance, and strict compliance with local laws and international standards—from General Anti-Avoidance Rules (GAAR) to the Organisation for Economic Co-operation and Development's (OECD) Multilateral Instrument (MLI). Navigating these requirements is no longer optional; it is essential for building resilient, future-ready fund structures.

This publication is a critical guide for the AWM community. It delivers jurisdiction-specific insights into the tax and regulatory frameworks governing fund structuring across key APAC markets, including Hong Kong, India, Japan, Korea, and New Zealand. By demystifying the evolving landscape of tax residency, economic substance, and treaty access, we empower AWM leaders to manage complexity and build robust, sustainable, and defensible fund structures that can withstand regulatory scrutiny and deliver on client mandates.

We trust the insights presented here will support informed decision-making, foster meaningful dialogue, and contribute to a more transparent, resilient, and sustainable asset management ecosystem in the APAC region. We would like to appreciate the contributors, researchers, and subject matter experts whose perspectives have enriched this publication. As the AWM industry continues to evolve, we remain dedicated to providing thought leadership that enables stakeholders to adapt, innovate, and succeed in a dynamic global environment.

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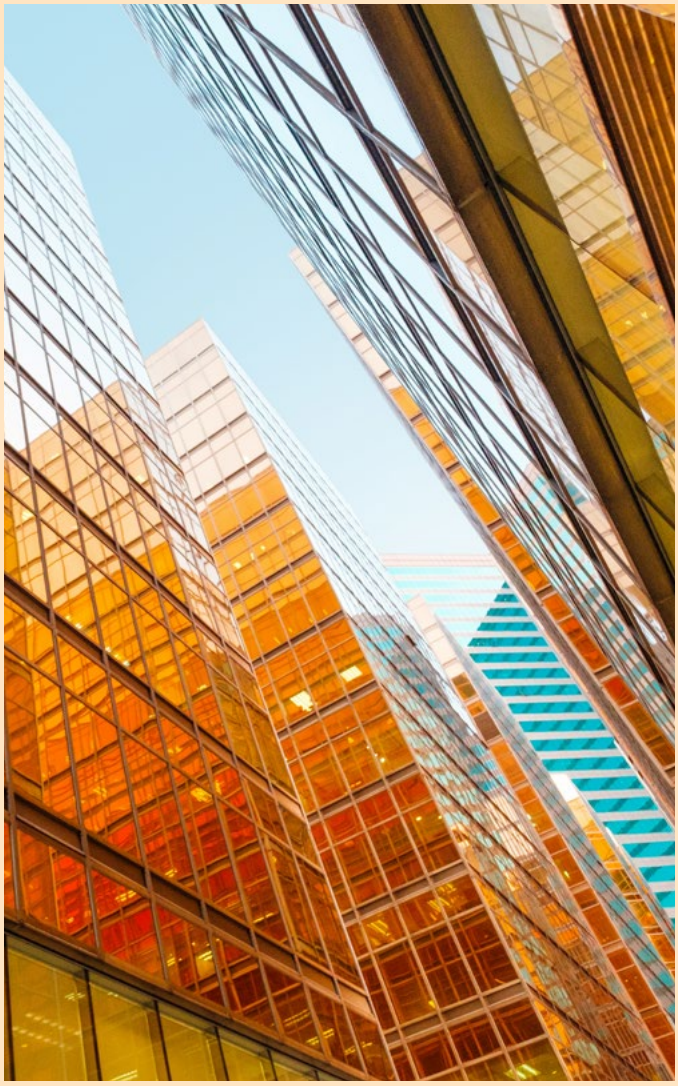
Foreword

The APAC region continues to play a pivotal role in the global AWM industry, offering significant opportunities and complex challenges for fund managers and investors. With capital becoming more mobile and client mandates becoming more global, the underlying architecture of fund structures is subject to unprecedented scrutiny and complexity.

The convergence of Base Erosion and Profit Shifting (BEPS) 2.0, the OECD's MLI, and a determined regulatory focus on economic substance is transforming the traditional approach to fund structuring. For AWM leaders, the central question is no longer simply 'What is the structure?' but 'Where is the substance?' Navigating this new landscape requires not just technical compliance but also strategic foresight and robust governance.

This thought leadership publication is designed to aid the AWM community in addressing these challenges. Drawing on the expertise of our network across the APAC, we provide practical, jurisdiction-specific analysis of how global standards are being interpreted and enforced locally. We aim to empower asset managers, institutional investors, and family offices to build resilient, defensible fund structures that deliver lasting value for clients and withstand regulatory scrutiny.

We extend our sincere gratitude to the dedicated teams whose collaboration made this guide possible. We hope it serves as both a technical resource and a strategic tool as you navigate the evolving landscape of tax residency and substance requirements in the APAC's dynamic wealth environment.



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Australia

Background

After spending the past two decades positioning itself to attract foreign capital investment, Australia now offers a suite of fund regimes that deliver tax efficiency, regulatory certainty, and operational flexibility.

Fund structures

The corporate collective investment vehicle (CCIV) framework, introduced in 2022, adds a corporate-style fund to Australia's existing investment regimes, including the Managed Investment Trust (MIT), Attribution Managed Investment Trust (AMIT), Venture Capital Limited Partnership (VCLP), Early Stage Venture Capital Limited Partnership (ESVCLP), and Australian Venture Capital Fund of Funds (AFOF).

A brief overview of local fund vehicles is provided below:

- **Trusts**

  Broadly, the non-MIT and non-AMIT trust taxation regime treats the trust as a flow-through vehicle, with beneficiaries assessed on their share of the trust's taxable income.

  – **MIT:** The MIT regime provides a concessional tax framework for certain widely held, primarily passive investment trusts. MIT trustees may elect to have eligible assets treated on the capital account, resulting in gains and losses being subject to Capital Gains Tax (CGT) rather than on the revenue account.

    The key requirements to be an MIT eligible for concessional withholding tax rates are as follows:

    - The trust must be an Australian resident trust (i.e. the trustee must be an Australian resident) or the trust's central management and control must be in Australia.
    - The trust must be a managed investment scheme (MIS) under the Corporations Act 2001 (Cth).
    - The trust must not be a trading trust (i.e. it must not carry on or control a trading business).
    - A substantial part of the investment management activities must be conducted in Australia.
    - The trust must be widely held, with no individual foreign investor holding 10% or more of the trust's interests.
    - There are added licensing requirements for unregistered MISs.

  – **Non-AMIT:** Available to eligible MITs, the AMIT regime intends to better align tax outcomes for investors with those of direct investors. Applying to the AMIT regime is an irrevocable choice by the eligible MIT. Broadly, AMIT investors are taxed on amounts attributed to them, not on distributed quantities or on what they are presently entitled to (as under the general tax rules for trusts and MITs). This removes ambiguity and aligns tax outcomes with economic entitlement. The AMIT regime also provides flexibility for investors and trustees, with the ability to have multiple classes of units reflecting different investment strategies or fee structures (which the trustee may choose to be treated as separate AMITs for tax purposes) and providing an 'unders and overs' mechanism for correcting errors in allocation without amending prior year returns.

The key requirements to be an AMIT are as follows:

- The trust is an MIT (refer above).
- The rights to income and capital for each membership interest (unit) are clearly defined throughout the year.
- The trustee has irrevocably chosen the trust to be an AMIT for the income year or a prior income year.

- **CCIV:**

  The CCIV regime applies to a company limited by shares whose business is registered as a sub-fund/s. Each sub-fund may offer investors a different investment strategy under the CCIV umbrella vehicle. For tax purposes, the company is deemed to be the trustee, and each sub-fund is treated as a separate trust. Members of the company are deemed to be beneficiaries of the sub-funds and are taxed accordingly. The sub-fund may be treated as an MIT or AMIT if it meets the eligibility criteria. However, the CCIV regime does not provide the choice to be an AMIT (i.e. a sub-fund will be treated as an AMIT if the eligibility criteria are met).

  The key requirements to be a CCIV are:

  – The CCIV must be a company limited by shares, registered under the Corporations Act 2001 (Cth).
  – The CCIV must have a single public company as its sole director (the 'corporate director'), which is responsible for the CCIV's operations and management.
  – The CCIV must have a constitution that complies with regulatory requirements.
  – On registration, a CCIV must have at least one sub-fund, and each sub-fund must have at least one member (investor).
  – The assets and liabilities of each sub-fund must be segregated from those of other sub-funds within the CCIV.
  – Each sub-fund must be operated as a separate business, with its own assets and liabilities.
  – Each sub-fund must have at least one class of shares on issue, with rights referable only to the assets of that sub-fund.

  For a CCIV sub-fund to qualify as an MIT or an AMIT, it must satisfy the following modified MIT or AMIT eligibility criteria (otherwise it will be taxed under the general trust provisions or as a company where it carries on a trading business):

  – The CCIV sub-fund trust must be an Australian resident for tax purposes.
  – The sub-fund must be widely held.
  – The sub-fund must not carry on or control a trading business.
  – The sub-fund must be used for collective investment by pooling member contributions as consideration for a return on those investments.

Investment manager regime (IMR):

The IMR exempts eligible foreign residents from Australian tax on income and gains from IMR financial arrangements. To qualify, the entity must be an IMR entity, meaning it is neither an Australian resident at any point in the income year nor a resident trust for CGT purposes. Additionally, investments must be in IMR financial arrangements, except for those linked to taxable Australian real property or its indirect interests.

The interest held by the foreign resident must be a portfolio interest in Australian entities held by widely held foreign entities or a portfolio interest in an Australian or foreign entity held by the foreign entity via an 'independent Australian fund manager'.

Regulatory regime

Along with the Australian Taxation Office (ATO), the regulatory landscape is primarily overseen by the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA) for specific superannuation mandates, and the Foreign Investment Review Board (FIRB) for inbound acquisitions. The regulatory regime continues to be reviewed and refined to attract capital to Australia, with the Australian Treasury recently undertaking a review of the regulatory framework for MISs. Despite the review, the regime remains complex and highly regulated with stringent requirements imposed on fund managers seeking to reach Australian clients or invest in Australian assets.

Tax regime

Taxation under domestic tax laws

The taxation of these regimes generally adapts the existing tax regimes for companies, trusts, and partnerships rather than creating bespoke tax regimes for particular vehicles. A high-level summary of each fund regime and the key requirements for concessional tax treatment impacting fund setup are outlined below.

Apart from specific concessional regimes, which can be limited in application, Australia generally taxes limited partnerships (LPs) and companies as fiscally opaque corporations. Therefore, trusts (including MITs and AMITs) are the preferred fund vehicle in Australia. The notable exception to this general rule is the CCIV regime. The key institutional fund vehicles and IMR concession are discussed below.

Trustees may be assessed or may withhold tax from trust distributions in certain circumstances, while widely held trusts carrying on trading businesses are taxed as companies. Generally, a 30% non-final withholding tax rate applies to distributions of Australian-sourced income to non-resident companies or LPs (except for interest and dividends, which may be subject to a lower final withholding tax rate). The key requirements to achieve flow through taxation treatment are as follows:

- The trust must not meet the criteria to be a 'public trading trust', meaning that the trust must not be both widely held and carrying on or controlling a trading business.
- The trust's held interests must be fixed entitlements and represent a proportionate, vested, and indefeasible interest in the trust's income and capital.

MITs may also access concessional withholding tax rates on distributions of Australian-sourced income (referred to as fund payments) to foreign investors residing in certain countries, with a final withholding tax of 10%–15%, depending on the source of the fund payment.

Investment manager regime

The ability to access (or continue to access) concessional tax treatment under either the MIT, AMIT, or CCIV regimes depends on the particular facts and circumstances of an individual fund, particularly the investor profile, tax residency of the fund vehicles in Australia, profile of investments held by the fund vehicle and the terms of the constitution or trust deed (as applicable). It is important to note that these matters are not only considerations at the establishment stage; ongoing monitoring is needed to ensure that the vehicle continues to meet the requirements for concessional tax treatment. However, we note that some 'start-up' concessions are available, so that the widely held tests are deemed satisfied for its first income year.

In Australia, a trust is considered a resident trust for a year of income if, at any time during that year, at least one trustee is an Australian resident or the central management and control of the trust is in Australia. If neither of these conditions is met, the trust is classified as a non-resident trust estate for that year.

Central management and control refer to the place where key strategic decisions regarding the trust's affairs are made, rather than where day-to-day administrative tasks are performed. This concept is fact specific and requires a close examination of who is making the strategic decisions and where those decisions are made. For example, if a corporate trustee is involved, the directors' residency and board meeting locations where decisions are made regarding the trust's investment strategy, decisions giving effect to the investment strategy and obtaining investment advice are highly relevant. The practical effect is that even if a trust is established offshore, it may become an Australian resident trust if its central management and control are in Australia.

From a practical perspective, trustees and those involved in trust administration should carefully document where and by whom key decisions are made to support the intended residency status. This includes maintaining records of trustee meetings, resolutions, and correspondence that evidence the location of central management and control. Additionally, changes in trustees' residency or the relocation of decision-making activities can trigger a change in the trust's residency status, with significant tax consequences. Therefore, ongoing monitoring and clear governance procedures are essential to manage and provide evidence of a trust's residency position.

Substantial investment management activities in Australia

As noted above, to access the concessional withholding tax rates available for MITs and AMITs, a substantial portion of the fund's investment management activities must be conducted within Australia.

Generally, this means a significant proportion of the activities involved in managing the fund's investments—such as market analysis, identification and evaluation of potential investments, due diligence, formulation and review of investment strategies, negotiation and execution of investment transactions, ongoing portfolio monitoring, and related decision-making—are done in Australia throughout the relevant income year. The requirement is not met merely by performing administrative, custodial, or asset management activities; instead, the substantive, high-level investment management functions must be performed in Australia.

The assessment of whether a 'substantial proportion' of these activities occurs in Australia is a question of fact and degree, considering the totality of the investment management process. Suppose the fund's manager or trustee delegates significant investment management responsibilities to an offshore entity or key investment decisions are habitually made elsewhere. Then, the fund fails to meet the requirement. Conversely, where the trustee or manager retains and exercises primary responsibility for investment management in Australia—including making or approving major investment decisions, conducting research, and overseeing the investment portfolio—the requirement is likely to be satisfied. It is thus crucial for funds seeking reduced withholding tax rates potentially available to MITs and AMITs to ensure that the core investment management activities are demonstrably and predominantly performed in Australia and that robust documentation evidencing the location and nature of these activities is maintained to demonstrate the necessary compliance.

Determining whether a trust meets the requirements to be an MIT or AMIT can be challenging, particularly given the information available on investors, such as whether the trust is widely held and whether any individual foreign investors hold 10% or more of the trust. Fund managers must consider these requirements when setting up systems and processes to ensure information is available throughout the fund's life.

For MITs, an additional consideration regarding establishment is whether to make the capital account election, which must be made in the first income year in which the trust is an MIT. Generally, MITs choose to make this election, noting that consideration should be given to the fund's individual facts and circumstances to determine whether it is beneficial to do so. For trusts that are not MITs when they are established, it is important to monitor the trust's investor base and activities to ensure the trustee is aware when the trust becomes an MIT and has the opportunity to make the capital account election, if it so desires.

Tax audit trends

The key to compliance and risk mitigation continues to be understanding the regulatory requirements and ongoing monitoring to ensure that day-to-day fund management aligns with the tax assumptions at establishment (for example, through regular governance reviews and robust documentation). To ensure ongoing compliance and minimise regulatory and tax risks, fund managers should adopt the following best practices:

- Ensure the trustee is an Australian resident and there is economic substance in Australia: Ensure the trustee is an Australian resident (i.e. incorporated in Australia and/or central management and control in Australia) with documented evidence of Australian resident directors and board meetings, decision-making processes, and strategic management decisions being undertaken in Australia. Ensure that key management and control functions are performed in Australia, and there is a local operational presence beyond administrative activities. Alternatively, using an Australian resident trustee service can be considered.
- Monitor investor base and activities: Continuously monitor the composition of investors and the nature of fund and investment management activities to ensure ongoing eligibility for concessional withholding tax rates and concessional regimes (e.g. MIT, AMIT).
- Regularly review fund documentation: Periodically review trust deeds, constitutions, and compliance plans to ensure they reflect current operations and regulatory requirements.
- Implement robust governance frameworks:
  - Develop clear policies and procedures to ensure compliance with tax, regulatory, and reporting obligations, including staff and director training.
  - Keep comprehensive records of all strategic decisions, investment policies, and compliance activities to support residency and substance claims.
  - Monitor developments in domestic and international tax law, including BEPS-related reforms, and assess their impact on fund structures.
- Engage proactively with regulators: Maintain open communication and seek guidance when uncertainties arise.

Anti-avoidance provisions

International initiatives have also impacted the local regulatory landscape (particularly tax). In particular, over the last decade, the OECD's BEPS project has led to significant reforms in Australian domestic tax law, including the introduction of the Multinational Anti-Avoidance Law, Diverted Profits Tax, hybrid mismatch rules, and Global Anti-Base Erosion Rules (Pillar Two); expanded transfer pricing rules; and the adoption of country-by-country reporting obligations for large multinationals. Additionally, Australia has recently amended its thin capitalisation rules to align its interest deductibility limitations with the more globally recognised earnings-based limitation (rather than its historic debt-to-equity ratio-based limitation). These changes have resulted in additional tax compliance obligations for funds in Australia, either in their application to the fund or in demonstrating that the fund qualifies for an exemption (e.g. the Pillar Two investment entities exception). These additional requirements may discourage foreign funds from investing in Australia.

Reporting and compliance requirements

Australia's managed funds may be subject to audits and reviews by various regulators.

In June 2025, the ASIC released the results of a review of the compliance plans of 50 responsible entities that operate 45% of all registered managed funds in Australia (a total of 1,471 funds managing 47% of the approximately $2 trillion value of all registered managed fund sector assets). Responsible entities must develop and maintain a compliance plan for each registered MIS they operate to ensure compliance with their obligations under the Corporations Act 2001 and protect fund members. The ASIC found that most compliance plans did not adequately address the most critical requirements across the design and distribution obligation, internal dispute resolution, and reportable situations regimes.

The ATO continues to review managed funds as part of its broader review programs. Managers should remain alert to the following:

- Reciprocal information-exchange obligations under the Common Reporting Standard (CRS) and the US Foreign Account Tax Compliance Act, with the ATO using data matching on inbound CRS data to identify under-reported foreign-source income in Australian funds.
- ATO-specific guidance issued with respect to specific areas of concern (such as Taxpayer Alert 2025/1 in relation to restructures to access the managed investment trust withholding regime).

Australia's fund management regime is complex and requires active management by fund managers to ensure compliance. Aligning a fund's day-to-day operations with the established structure is essential to managing tax and regulatory risk.

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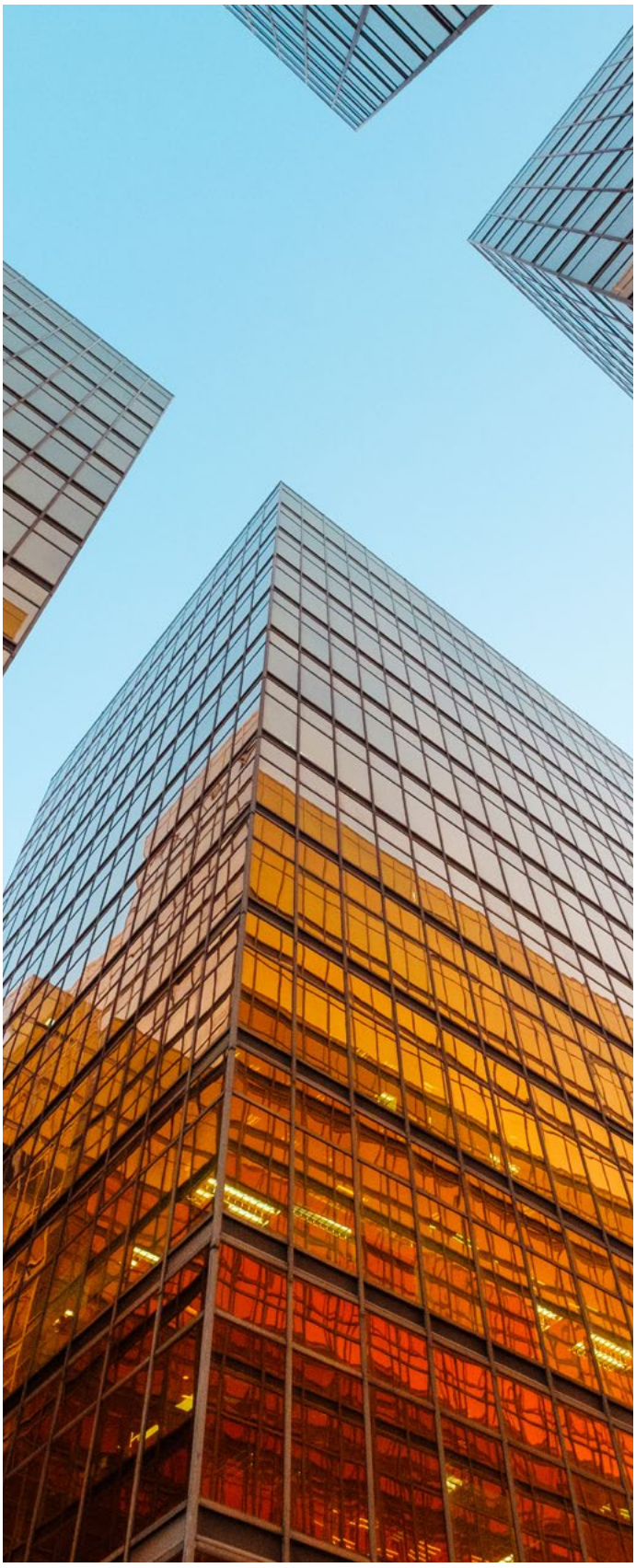

02

Hong Kong

Background

Hong Kong's successful evolution into a premier international finance centre is attributable to a combination of factors: a robust legal system, a tax-friendly regime, a conducive regulatory environment, deep and liquid capital markets, a diverse talent pool, and strategic accessibility to Mainland China and the broader APAC region. With these essential elements collectively enhancing its ecosystem, Hong Kong is a compelling destination for setting up asset management operations and legal fund vehicles focused on investments across APAC and globally.

Hong Kong's AWM industry has experienced significant growth since the early 1990s, with assets under management (AUM) reaching US$4.5 trillion at the end of 2024.[1] In Hong Kong, asset and wealth managers intending to undertake regulated activities must apply for the relevant license(s) from the Securities and Futures Commission (SFC). Empowered by the Securities and Futures Ordinance (SFO), the Securities and Futures Commission (SFC) is the primary regulator overseeing entities that conduct regulated activities.

Fund structures

In recent years, onshore fund domiciliation has become prevalent, as developments in the global funds landscape have influenced how asset managers approach fund domicile. Cayman Islands structures remain highly popular with investors for offshore setups, primarily for their speed, efficient establishment, and cost effectiveness. However, the decision between an offshore or onshore structure is still complicated, as offshore domiciles face increased scrutiny regarding transparency, compliance, and economic substance. Consequently, asset managers are increasingly opting for onshore vehicles to align with the jurisdictions where they operate.

A brief overview of these local fund vehicles is discussed below:

- Open-ended fund company (OFC): An OFC requires a minimum of two directors, one of whom must be independent of the custodian. There are no residence requirements for directors. The fund manager must hold a Type 9 (asset management) licence from the SFC, and an auditor and a custodian must be appointed. There is no minimum capital requirement, and shareholder lists are not publicly available. Re-domiciliation from an overseas jurisdiction is permitted.
- Limited partnership fund (LPF): An LPF must have one general partner (GP) and at least one limited partner, both without any residence restrictions. An external licensed investment manager is not required if no regulated activities under the SFO are involved. An LPF shares the same features as an OFC in terms of the appointment of auditor, minimum capital requirement, public availability of the list of investors, and the possibility of re-domiciliation from an overseas jurisdiction, as described above. However, unlike an OFC, it is not necessary for an LPF to appoint a custodian, but the general partner is responsible for proper custody of LPF assets.

These Hong Kong fund structures provide asset and wealth managers with the flexibility to align the fund's domicile with its commercial substance.

1 Securities and Futures Commission (July 2025), Asset and Wealth Management Activities Survey 2024

Tax regime

Taxation under domestic tax laws

Hong Kong's tax system, which is territorial in nature and administered by the Inland Revenue Department (IRD) under the Inland Revenue Ordinance (IRO), is characterised by its low, simple, and attractive rates.

Profits tax is levied on every person (including corporations, partnerships, trustees, whether incorporated or unincorporated, or body of persons) carrying on a trade, profession, or business in Hong Kong on the profits arising in or derived from Hong Kong from that trade, profession, or business. Gains and receipts of a capital nature are not subject to profits tax.[2] Dividends from companies that are chargeable to profits tax are exempt, whereas dividends from overseas companies are typically treated as offshore sourced and are not subject to tax in Hong Kong (subject to meeting the conditions under the Foreign-Sourced Income Exemption Regime, if applicable).

Accordingly, a fund's tax residence and place of establishment are largely irrelevant for assessing its profits tax liability. Instead, its tax liability depends on whether it carries on a business or trade in Hong Kong (either by itself or through an agent, such as its investment manager) and whether it derives Hong Kong-sourced profits that are not capital in nature. For example, an overseas-domiciled fund could be regarded as carrying on a business in Hong Kong and/or having a permanent establishment (PE) in Hong Kong by virtue of the investment management activities carried out by its investment manager in Hong Kong, in which case it would be chargeable to Hong Kong profits tax with respect to its Hong Kong-sourced profits that are not capital in nature.

Notwithstanding these general Hong Kong profits tax rules, Hong Kong has adopted a proactive approach to support the AWM industry through targeted tax measures. Specifically, apart from the profits tax exemption available to public funds, Hong Kong also offers a profits tax exemption regime for private funds, applicable to both Hong Kong- and non-Hong Kong-domiciled funds. Due to its broad coverage (applying to all privately offered funds, irrespective of their structure, size, or location of central management and control) and its unification of all previous profits tax exemptions for private funds into a single regime, it is commonly known as the Unified Fund Exemption Regime. Effective since 1 April 2019, this regime allows Hong Kong investment managers to manage the investments of a fund in Hong Kong without exposing the fund to Hong Kong profits tax, provided certain conditions are met.

To further promote the development of the AWM industry, the Hong Kong Government issued a consultation paper in late 2024 (the Consultation Paper) proposing enhancements to the preferential tax regimes for funds (i.e. the Unified Fund Exemption Regime), single-family offices, and carried interest.[3] To align with the evolving investment landscape and current economic conditions, proposals include expanding the scope of qualifying investments under the Unified Fund Exemption Regime to cover loans, private credit investments, and new asset classes, such as virtual assets, emission derivatives/ allowances, and carbon credits.

Tax rates

The standard Hong Kong profits tax rates are 16.5% for corporations and share of partnership profits by corporate partners and 15% for individuals and share of partnership profits by individual partners.

2 For Hong Kong profits tax purposes, whether the gain on sale of an asset is capital in nature (as opposed to trading or revenue in nature) will be determined by the conventional 'badges of trade' analysis (developed based on case law) or the 'tax certainty enhancement scheme' for onshore equity disposal gains (effective from 1 January 2024).

3 The Hong Kong Government is formulating the enhancement measures based on the feedback from stakeholders, with the target of submitting the legislative proposals to the Legislative Council for consideration in 2026. If approved, the relevant measures will take retrospective effect from the year of assessment 2025/26.

Access to treaty benefits

Hong Kong's network of international tax agreements is extensive. As of August 2025, Hong Kong has signed comprehensive double taxation agreements/arrangements (CDTAs) with 52 jurisdictions and is actively negotiating with 20 additional jurisdictions.

If a fund qualifies as a resident of Hong Kong for a specific CDTA, the IRD will issue a Hong Kong Certificate of Resident Status (HK CoR) to the fund upon application. Generally, when deciding whether to issue an HK CoR, the IRD considers business substance, beneficial ownership, and entitlement to benefits. For example, if a fund's regional investment platform is located in Hong Kong for the acquisition and management of a diversified portfolio of private market investments across various territories within a regional grouping that includes Hong Kong, and the decision to establish this platform in Hong Kong is driven primarily by the availability of fund executives possessing regional expertise and knowledge of business practices and regulations, the IRD's view (consistent with OECD commentary on the Model Tax Convention) is that the benefits under a CDTA should be available to the fund.

Furthermore, starting from 12 June 2023, the IRD adjusted its approach to issuing HK CoRs based on the plain definition of 'resident of Hong Kong' in the relevant CDTA. Consequently, an entity incorporated or constituted under Hong Kong laws, which typically qualifies as a Hong Kong tax resident in most CDTAs, is required only to provide basic information about its business particulars in the HK CoR application form.[4]

Otherwise, an entity may also qualify as a Hong Kong tax resident if it is 'normally managed or controlled in Hong Kong' (as defined in most CDTAs). To support an HK CoR application, the entity must provide detailed information about its business substance in and outside Hong Kong (e.g. the location of board meetings and the details of how, where, and by whom strategic policies and key business decisions are made).

It should be noted that Hong Kong residency is only one of the qualifying conditions for claiming tax benefits under a CDTA. Typically, the relevant articles governing tax benefits for passive income require the recipient to be the beneficial owner of the income, rather than an agent, nominee, or mere conduit. Furthermore, as part of its commitment to meet the minimum standards of the BEPS package on preventing tax treaty abuse and improving dispute resolution mechanisms, Hong Kong has implemented the MLI to incorporate these tax treaty-related BEPS measures into the covered CDTAs. Consequently, most CDTAs signed by Hong Kong, either as modified by the MLI or as recently signed or amended bilaterally, have included a principal purpose test (PPT) rule to deny treaty benefits if one of the principal purposes of an arrangement or transaction is to obtain a treaty benefit in a manner contrary to its object and purpose. Ultimately, the granting of a treaty benefit rests with the treaty partner.

4 An exception to this is the CDTA between Hong Kong and Japan, which defines a 'resident of Hong Kong' as an entity having a primary place of management and control in Hong Kong. As such, to obtain an HK CoR under the Hong Kong–Japan CDTA, an applicant that is a Hong Kong incorporated/constituted entity is still required to provide detailed information about its establishment and business substance in and outside Hong Kong.

Anti-avoidance measures

Currently, the Unified Fund Exemption Regime does not include any substantial activities requirements in terms of local employment and spending.

However, consistent with international tax standards for preferential tax regimes promulgated by the OECD, it has been proposed in the Consultation Paper that a substantial activities requirement will be introduced in the Unified Fund Exemption Regime. This proposed substantial activities requirement would mandate at least two qualified employees and an annual operating expenditure of at least HK$2 million, subject to an 'adequacy' test with reference to the size of AUM managed or advised in Hong Kong. As with other existing preferential tax regimes, to fulfil the substantial activities requirement, a fund may outsource the performance of core income-generating activities (i.e. the investment activities) to third parties or associates (e.g. investment managers/advisors), provided an outsourced entity performs the relevant services in Hong Kong and the fund maintains adequate monitoring and control over the relevant activities. The Hong Kong Government has confirmed in the Consultation Paper that, when determining whether a fund satisfies the substantial activities requirement, the IRD will examine all relevant facts and circumstances relating to the fund, including the activities performed by the fund manager or advisor in Hong Kong.

Reporting and compliance requirements

Currently, the Unified Fund Exemption Regime operates on a self-assessment basis, and pre-approval from the IRD is not required for enjoying the tax exemption. Additionally, overseas-domiciled funds that meet the eligibility criteria of the Unified Fund Exemption Regime are not required to file annual profits tax returns with the IRD to confirm their tax exemption status.[5]

However, with the OECD's increasing focus on preferential tax regimes and ongoing monitoring by tax authorities, the Consultation Paper proposes introducing a new tax reporting mechanism. This mechanism would mandate funds seeking tax exemption under the Unified Fund Exemption Regime to provide specific data and information regarding the fund and its fund manager/advisor, demonstrating compliance with the exemption conditions and the proposed substantial activities requirements. Although specific data points are yet to be confirmed, the Consultation Paper indicates that the proposed mechanism will be straightforward, requesting only essential information.

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5 Hong Kong-domiciled funds are subject to Hong Kong profits tax filing requirements, same as other taxpayers.

03

India

Background

As global funds increase their investments and exposure in India, tax residency and substance requirements have emerged as essential considerations for fund structures. The Indian tax and regulatory system, with its blend of domestic statutes and international agreements, must be carefully navigated to ensure compliance. India's constant push for ease of doing business, coupled with its investor-friendly policies, has played a key role in helping foreign investors navigate tax residency and substance requirements. India is continuously streamlining its regulatory framework, signalling a clear intent to attract greater volumes of foreign capital and enhance its position as a global investment destination.

Foreign direct investment (FDI) remains the most prominent avenue for foreign capital inflows into India, with a significant portion of such investment channelled through Alternative Investment Funds (AIFs), underscoring their growing role in mobilising global capital for India. Over the last decade, FDI inflows have risen steadily—from USD36.05 billion in FY 2013–2014 to USD81.04 billion[6] in FY 2024–2025. As of 31 March 2025, the total funds raised by AIFs were INR563,429 crores,[7] out of which the funds raised from foreign investors were INR209,784 crores.

India has also operationalised its first International Financial Services Centre (IFSC) in Gujarat at Gujarat International Finance Tec-City (GIFT City) in April 2015. In recent times, GIFT City has garnered significant attention from foreign investors. Given the success of AIFs in India, the Indian government has also introduced policies to facilitate the establishment of AIFs in the IFSC. As of March 2025, more than 225 funds/schemes have been registered in the IFSC, with a targeted corpus exceeding USD 55 billion.[8]

Offshore fund structures

The principal avenues for offshore fund structures for investing in India include the following:

i. FDI refers to foreign investments in equity instruments (equity, preference shares, convertible debentures, etc.) in unlisted Indian companies or in listed companies with a 10% minimum equity stake.

ii. Foreign portfolio investment (FPI) refers to foreign investment in equity instruments of publicly listed companies with an equity stake of less than 10%.

iii. Foreign venture capital investor (FVCI) refers to foreign investment in the securities of Indian companies operating in prescribed critical sectors, Indian start-ups, and units of venture capital funds.

While the above avenues are to establish fund structures offshore, FDI can also be made in India by investing in or setting up an AIF for investing in listed and unlisted Indian securities, a Real Estate Investment Trust (REIT) for investing in the Indian real estate sector or an Infrastructure Investment Trust (InvIT) for investing in India's infrastructure sector.

6 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2131716

7 https://www.sebi.gov.in/statistics/1392982252002.html

8 https://ifsca.gov.in/

Regulatory regime

Foreign investment in India is permitted via two routes: the automatic route, which requires no prior approval, and the Government route, which requires prior approval from the relevant Government department as prescribed. This is further subject to sectoral caps, which define the maximum percentage of foreign investment permitted in a sector or activity. The regulations also list the sectors in which foreign investment is prohibited. The exchange control regulations have also laid down pricing guidelines that prescribe the prices for securities issued to non-residents and for transfers of securities between residents and non-residents.

Investments in AIFs by foreign investors are permitted under the automatic route, without any limitations. However, if the sponsor or manager of an AIF registered in India is foreign owned and controlled, any investment made by such an AIF in an Indian entity shall be treated as a foreign investment. The pricing guidelines, sector caps, and investment restrictions mentioned in the above paragraph would apply to the investments made by the AIF. Additionally, entities/AIFs set up in GIFT City are considered non-residents under exchange control regulations; accordingly, investments by the GIFT AIF would be treated as foreign investments.

Role of the investment manager

The investment manager, an integral part of a fund structure, manages the fund's portfolio and maximises its performance by taking investment and divestment decisions according to the fund's objectives, risk parameters, and investment strategy. With the increasing globalisation of fund management activities, determining the residency of funds managed by such managers is a critical issue.

The all-encompassing role of the investment manager in fund operations, the nature of activities undertaken by the fund manager, the location and physical presence of the investment manager, and the place from which fund management activities are conducted are pivotal in determining the fund's residential status.

Tax regime

Taxation under domestic tax laws

The taxation of a fund in India is determined by its residential status under Indian tax law.

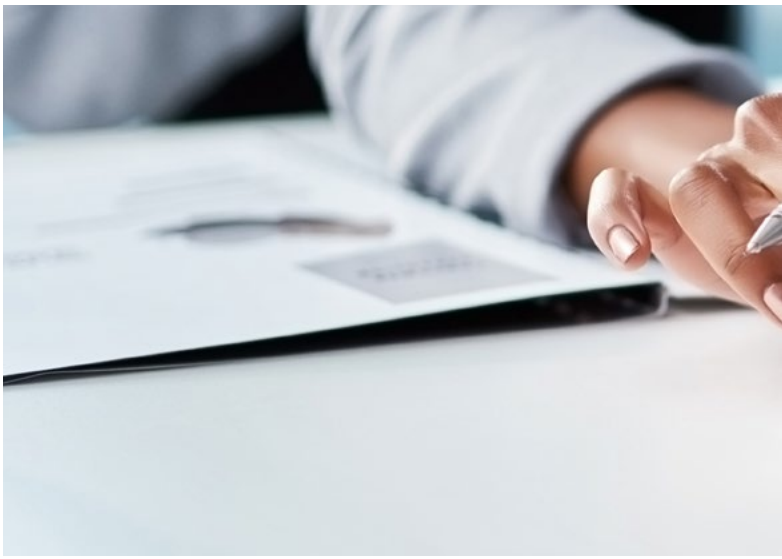
Resident entities are taxed on their global income, whereas non-residents are taxed only on income received, accrued, or deemed to accrue in India. AIFs in India can be structured as companies, limited liability partnerships (LLPs), or trusts, and offshore funds typically register as companies or associations of persons (AOPs) for tax purposes. The residential status of each of the above categories of persons is as follows:

i. Company: A company is considered a resident in India if it is an Indian company or its place of effective management (POEM), which refers to the place where key management and commercial decisions are made in substance, is in India.

ii. LLP/AOP/Trust: These persons are considered to be a resident in India, except in the year in which the control and management of their affairs is situated wholly outside India.

The income of non-resident investors from investments in securities of Indian companies is taxed according to the nature of the distributions and at the prescribed rates under Indian tax laws or under the relevant tax treaty, whichever is more beneficial for the non-resident investor (subject to the availability of a tax treaty). Furthermore, a special tax pass-through status has been accorded to Category I and II AIFs set up in India; accordingly, the prescribed incomes (income other than business income) are directly taxable in the hands of the investors in the same and like manner as if such investments were made directly by the investors.

Given the pass-through status of AIFs, the foreign investors' residential status in an AIF is also crucial for determining the taxability of income distributed (including the availability of any tax treaty benefits). The fund shall withhold taxes at prescribed rates on incomes distributed or deemed distributed to resident and non-resident unit holders.



Substance requirements

The presence of the fund manager in India could be construed as the fund being controlled and managed from India, thereby making an offshore fund a resident of India and subjecting its global income to tax in India. The Indian tax authorities have incorporated safe harbour provisions into Indian tax laws, which provide an exemption to eligible investment funds, managed by eligible fund managers in India, from constituting a business connection or residency in India, provided certain conditions are met. Although the safe harbour provisions have laid the foundation for India to emerge as a hub for fund management, few have taken advantage of them due to the arduous eligibility requirements for offshore funds and their managers.

In the case of a fund set up in the GIFT IFSC with its fund manager entity also set up in the IFS, the risk associated with the POEM should be less relevant than an offshore fund managed by an Indian entity, where the POEM risk necessitates continuous monitoring. Furthermore, establishing a fund manager entity in India or the IFSC requires adhering to criteria, such as a minimum number of key managerial personnel (KMP) (relevant for entities to set up in the IFSC), fit and proper requirements, appropriate qualification requirements of such KMP, and adequate infrastructure.

Tax audit trends:

The Indian regulators have increased scrutiny of tax treaty benefits claimed by offshore funds. The triggers for these tax audits are large-value remittances and refund claims by offshore funds on returns of income filed in India. Typical issues for offshore funds in tax audits include (i) capital gains exemptions under the tax treaty; (ii) beneficial ownership examined for interest and dividend income; (iii) MLI and GAAR; (iv) set-off and/or carry forward of capital losses; (v) the valuation of shares (including transfer pricing adjustments); and (vi) the acquisition of shares at lower than fair market value

In tax audits, Indian regulators have raised incisive questions on the following:

i. Structure of offshore funds—commercial rationale behind creation of the entity, beneficial ownership, marketing of funds, investment in other jurisdictions, etc.

ii. Operations of offshore funds—commercial substance, director details, bank account operating authority, flow of funds, fund manager details, etc.

iii. Transaction-related questions—research and due diligence details, negotiations of transactions, email trail, nominee director details, etc.

Given that offshore funds are under the scanner of Indian tax authorities, it is imperative that funds maintain adequate backup documents in relation to the above aspects. Nonetheless, several recent positive rulings on treaty claims are a welcome relief for offshore funds.

Tax rates

Nature of income	Tax rates (%)*
Dividend income	20
Interest income on borrowings in foreign currency	20
Short-term capital gains (STCG) on transfer of listed equity securities on which STT has been paid	20
STCG on unlisted equity shares	35
LTCG on transfer of listed/unlisted equity shares	12.5

*Surcharge and cess as applicable

*The above rates are subject to tax treaty benefits as applicable to the offshore funds and subject to the availability of the tax treaty.

Access to tax treaty benefits

Offshore investors channel capital into India through equity and credit by establishing pooling vehicles in preferred offshore jurisdictions, such as Singapore, Mauritius, the Netherlands, Luxembourg, and the Cayman Islands. These jurisdictions are favoured due to their robust legal and regulatory frameworks, established financial infrastructure, and alignment with international commercial, legal, and tax considerations. The evolution of local substance requirements—such as the need for principal officers, compliance officers, and minimum net worth for fund managers—has prompted funds to build a genuine operational presence, including teams and infrastructure, in these locations. This helps substantiate the fund's substance and supports its claim to tax residency.

Under Indian tax law, a non-resident is taxed either under domestic law or the relevant tax treaty, whichever is more beneficial. To claim tax treaty benefits, the non-resident must obtain a tax residency certificate (TRC) from their home country and qualify as a resident under the treaty, typically determined by criteria such as domicile, residence, or POEM for corporate entities. Several tax treaties also include limitation of benefit (LOB) clauses to prevent shell or conduit entities from accessing treaty benefits without real business activity or substance.

Although a TRC is generally accepted as prima facie evidence of residency and eligibility for treaty benefits, supported by CBDT circulars and judicial precedents, this is not an absolute criterion. Indian tax authorities may look beyond the TRC in cases of fraud, sham transactions, or lack of commercial substance. They scrutinise factors such as beneficial ownership, decision-making locus, control and management, execution of transactions, and flow of funds to determine if the entity is genuine or merely a conduit. Therefore, it is prudent for non-resident entities to ensure they have adequate substance, control, and management in their residing country to mitigate the risk of denial of treaty benefits.

Given that offshore funds are consistently monitored by Indian tax authorities, it is imperative that they maintain adequate backup documents for the above aspects. Nonetheless, the several recent favourable rulings on treaty claims are a welcome relief for offshore funds.

Anti-avoidance provisions

Effective from 1 April 2017, India's GAAR empowers tax authorities to scrutinise and potentially deny tax treaty benefits to cross-border fund structures who primarily aim to obtain tax advantages without sufficient commercial substance, involve round-tripping, or are not undertaken for bona fide purposes. GAAR allows authorities to re-characterise, disregard, or combine steps in an arrangement if it creates non-arm's length rights, misuses tax laws, or lacks genuine commercial intent. Although the initial burden of proof lies with the authorities, funds can seek advance rulings to clarify GAAR's applicability. If invoked, GAAR can override treaty benefits, including those modified by the MLI, which itself introduces the PPT and LOB clauses to prevent treaty abuse and treaty shopping.

Both GAAR and the MLI's anti-abuse provisions target arrangements that lack economic substance or are set up primarily for tax benefits. To access treaty benefits and avoid adverse Indian tax consequences, funds must demonstrate genuine tax residency and substantial economic activity in their home jurisdiction, supported by robust documentation. A valid TRC is necessary but is not sufficient on its own; funds must also meet substance and LOB requirements, ensuring their operational reality aligns with their claimed status. Under the heightened scrutiny of GAAR and MLI provisions, mere paper compliance or formalities are considered inadequate.

Reporting and compliance requirements

Onshore and offshore funds must undertake the required tax and regulatory reporting and compliance, both at the time of investing in India and at exit from such investments, including filing a return of income in India within the prescribed due dates.

Additionally, funds are required to assess and discharge their advance tax liabilities promptly, in accordance with the applicable provisions. This involves calculating the advance tax due on their Indian-source income and ensuring payments are made in accordance with the instalment schedule specified under the Income-tax Act. Failure to adhere to these requirements may result in interest and penalties.

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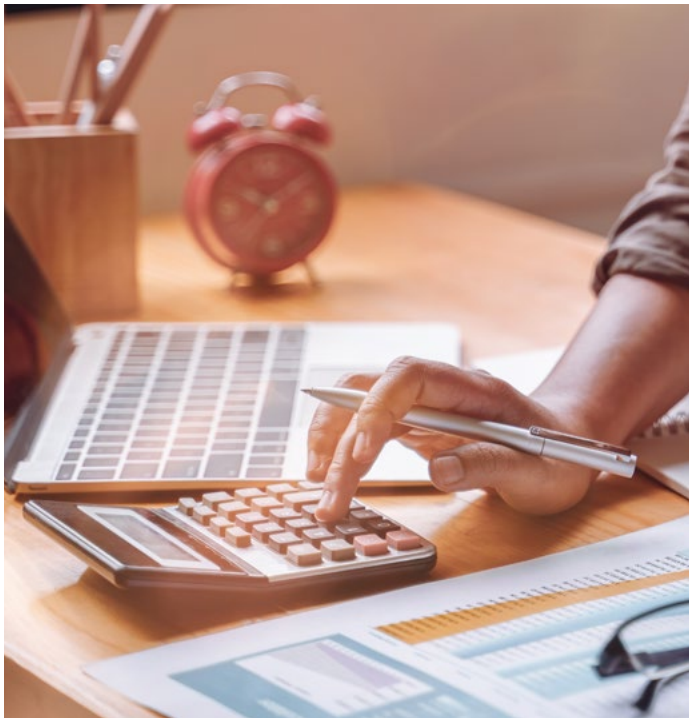
04

New Zealand

Background

Managed funds had AUM over NZ$325 billion on 31 March 2025.[9] The Financial Markets Authority (FMA) regulates over 60 licensed fund managers. KiwiSaver schemes comprise a major subset of AUM, with approximately NZ$128 billion under management.[10]



Fund structures

New Zealand's fund regime has matured significantly over the last two decades, particularly with the launch of KiwiSaver, a workplace savings scheme. Among the key structures for collective investment vehicles are unit trusts and LPs, both of which have been broadly adopted in the market. A brief overview of these local fund vehicles is discussed below:

Unit trusts

Modern unit trust-based collective investment vehicles, whether listed or unlisted, typically choose to become portfolio investment entities (PIEs) to leverage the tax advantages provided under the PIE regime. In the absence of a PIE election, unit trusts are taxed similarly as companies. Several types of PIEs are available for unit trusts to elect, with the following overview concentrating on the unlisted, multi-rate PIE, which is the most prevalent investment fund option. An alternative PIE type applies to funds listed on the New Zealand Stock Exchange (NZX). Historically, before the advent of the PIE framework, investment vehicles primarily took the form of unit trusts and were subject to company taxation. Most of these legacy products have either transitioned into the PIE regime or have been discontinued.

For unlisted, multi-rate PIEs, income is attributed to investors and taxed at the investor's prescribed investor rate (PIR).

LPs

LPs are typically used for private equity, venture capital, and property syndications.

9 https://www.rbnz.govt.nz/statistics/series/non-banks-and-other-financial-institutions/managed-funds-funds-under-management?utm_source=chatgpt.com

10 https://www.rbnz.govt.nz/statistics/series/non-banks-and-other-financial-institutions/kiwisaver-assets-by-sector

Regulatory regime

The primary regulator for fund structures is the FMA, which oversees compliance with the Financial Markets Conduct Act 2013 (FMCA). The MIS must be licensed and comply with stringent governance, reporting, and custodial requirements, including having a licensed supervisor.

LPs are registered with the New Zealand Companies Office under the Limited Partnerships Act 2008, with lighter-touch regulation than the MIS.

Investment managers must hold a market services licence from the FMA if managing MISs and are subject to conduct and disclosure obligations.

Investment funds listed on the NZX have various additional reporting and disclosure obligations.

As is typical in investment funds worldwide, the investment manager plays a pivotal role in the fund's operations. Investment management services are either provided by the fund manager (or an associate) or by third-party investment managers. Depending on the fund's nature and investment strategy, there may be a single investment manager or multiple managers. Where a New Zealand-based investment manager is making decisions with respect to offshore funds, care is required to ensure that the fund is not captured within the New Zealand tax base through either New Zealand's corporate tax residency rules or the source of income rules (which are defined broadly).

Tax regime

Taxation under domestic tax laws:

Non-PIE unit trust

Non-PIE unit trust income is taxed at 28%, which typically includes dividends, interest, realised gains on equities, notional income under the Foreign Investment Fund rules, realised and unrealised gains on debt instruments, and realised and unrealised foreign currency gains and losses. Investors generally return unit trust distributions in their income tax returns, with imputation credits from the unit trust available as tax credits; investors could face tax rates up to 39% on the income.

Unlisted multi-rate PIEs

For unlisted, multi-rate PIEs, income is attributed to investors and taxed at each investor's PIR, with the PIE remitting tax on the investor's behalf. However, if the PIR is 0%, the investor includes the income and any assigned credits in their return. PIEs are not required to attribute income from gains on New Zealand equities and Australian Stock Exchange (ASX) listed equities, and a concessionary rate applies with a maximum of 28%.

LPs

LPs are tax transparent, with income, expenses, and tax credits flowing directly to partners under the agreed profit-sharing formula; offshore investors may be subject to non-resident withholding tax or an approved issuer levy on interest flows, depending on the investment and the investors.

Substance requirements

For entities such as unit trusts and LPs, tax residency in New Zealand generally depends on whether the entity is incorporated or established in New Zealand, or whether its central management is located there. For LPs, the GP's residency and the location where strategic decisions are made are also important.

Multi-rate PIEs are specifically structured as New Zealand tax residents to qualify for the PIE regime and benefit from its advantages. Although New Zealand law does not impose formal economic substance requirements, obtaining a market services license from the FMA requires an applicant to provide comprehensive information on the applicant's operations, resources, and governance.

Where a New Zealand company is a GP of an LP or providing services, the board of directors must include a New Zealand resident or an Australian resident who is also a director of an Australian incorporated company. Although the formal substance requirements are minimal, having sufficient substance in New Zealand could be important for several of the following reasons:

- Confirming NZ tax residence status and filing obligations under local laws
- Access to New Zealand's tax treaty network
- Election into the PIE regime requires the fund to be a tax resident in New Zealand and not in another country under a double tax agreement (DTA)
- To be eligible as a managed fund under the Active Investor Plus visa regime (the so-called golden visa), a fund must be a New Zealand tax-resident fund

Tax audit trends:

Inland Revenue has increased its focus on tax governance and is actively investigating fund managers. Fund managers, in conjunction with any third-party service providers, should ensure that key tax policies and procedures are fit for purpose, documented, and periodically reviewed for compliance. Inland Revenue is currently focusing on the fund management industry, including hybrid structures, PIE eligibility, and error correction. LPs used in inbound investment structures may also face scrutiny regarding source attribution, withholding and transfer pricing.

Tax rates

Structure	Tax rate
Non-PIE unit trust	28%
Multi-rate PIE (unlisted)	Up to 28% (concessionary cap)
LP	N/A (tax transparent)

Access to tax treaty benefits

Access to New Zealand's network of DTAs requires being a tax resident under domestic law and satisfying the relevant provisions of the applicable treaty.

New Zealand has 41 DTAs and is currently negotiating an additional five. New Zealand has also entered approximately 20 tax information exchange agreements.

In practice, New Zealand unit trusts (including PIEs) generally submit tax forms to custodians and other counterparties on the basis that the trust is eligible to benefit from the country's DTAs. However, this is always subject to the views and specific requirements of the source country. LPs may benefit from treaties, provided the partnership is treated as fiscally transparent by both jurisdictions.

Anti-avoidance provisions

New Zealand has comprehensive general anti-avoidance provisions in its Income Tax Act. It is also a signatory to the MLI and has implemented anti-treaty abuse provisions, including PPTs.

Fund structures involving offshore investors or hybrid instruments may be subject to increased scrutiny under BEPS Action Items, particularly regarding treaty shopping or mismatch arrangements.

Reporting and compliance requirements

Investment funds have various reporting and compliance obligations, typically including the following:

- Audited financial statements prepared under New Zealand International Financial Reporting Standards
- Anti-money laundering and countering financing of terrorism obligations
- Annual regulatory reporting to the FMA
- Foreign Account Tax Compliance Act and CRS (including the Crypto Asset Reporting Framework) due diligence and reporting obligations

Additionally, income tax reporting obligations depend on the nature of the investment fund, such as the following:

- Unit trusts—annual income tax return filing. Income tax is usually paid in three instalments during the year, with a wash-up at the time the return is filed (terminal tax).
- LPs—although LPs are transparent from a tax perspective, they are required to file a return that includes the annual income, expenditure and tax credits, and the allocation of these to the LPs.
- Multi-rate PIEs—depending on the PIE's exact nature, providing several different returns during the year may be required. These returns are usually prepared by the fund's registry provider using registry transaction data.

Costs vary depending on the structure and extent to which activities and functions are performed in-house rather than outsourced.

New Zealand offers a transparent, rule-based environment with limited tax on capital gains, no stamp duty, and no financial transactions tax. The combination of investor-friendly rules and relatively light-touch substance expectations makes it an attractive jurisdiction for both local and inbound fund managers.

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05

Taiwan

Background

Taiwan has a dynamic fund market comprising onshore and offshore funds. Although offshore funds have established a considerable local footprint over the years, onshore funds continue to lead the market by a widening margin.

Funds raised in the past

Over the past decade, onshore funds have experienced significant growth driven by the expansion of the ETF market, while offshore funds have grown at a moderate pace. According to the latest statistics from Securities Investment Trust and Consulting Association (SITCA), as of September 2025, total AUM for onshore mutual funds reached a staggering NT$10.5 trillion, accounting for 55.35% of total AUM. In contrast, AUM for offshore funds amounted to NT$4.7 trillion, representing 24.71%.

ETFs constitute 65.97% of onshore fund assets, with 276 funds totalling NT$6.9 trillion in AUM. This marks a 15% increase from the previous year and approximately 40 times the size of the ETF in 2015, making Taiwan's ETF market the third-highest ranked in Asia. For offshore funds, fixed-income funds and equity funds are the primary choice of investment, standing at AUM of NT$1.92 trillion and NT$1.51 trillion, respectively.[11]

Local fund managers, most of which are subsidiaries of financial holding groups, are the prevailing market players in Taiwan's retail mutual fund sector. As of September 2025, there were 37 licensed securities investment trust enterprises (SITEs), with a total of 38 firms comprising 24 SITEs and 14 securities investment consulting enterprises (SICEs) registered as master agents for offshore funds.

Fund structures

Onshore funds

Onshore funds are categorised into two broad types based on organiser and structure:

- **Securities investment trust (SIT) funds:**

  The predominant type of fund is the retail mutual fund, established by a SITE as a trust. The scope of mutual fund investments is restricted to listed and over-the-counter (OTC) listed securities, government bonds, public corporate bonds, financial bonds, certificates of beneficial interest issued by SITEs, and other securities by the competent authority. Additionally, there are prohibitions on the use of fund assets, including, but not limited to, investment in privately placed securities, granting loans, providing guarantees, or participating in securities margin trading. SITEs may also offer SIT funds through private placement to specific eligible counterparties, such as banks, trust companies, insurance companies, securities firms, or other approved institutions. Compared to retail mutual funds, private placement funds face fewer restrictions on investment activities, allowing for greater flexibility and a wider range of investments. However, private placement funds have yet to accumulate significant assets.

- **Private equity funds (PEFs):**

  PEFs are established as either companies limited by shares or LPs. Recently, the government has granted SITEs and securities firms a green light to engage in private equity, allowing these financial institutions to serve as fund managers of PEFs or to set up subsidiaries to act as GPs of limited partnership PEFs.

11 https://www.sitca.org.tw/ROC/SITCA_ETF/etf_industry_overview1.aspx

Offshore funds

To distribute offshore funds in Taiwan, the offshore fund manager must appoint an approved SITE, SICE, or securities firm as its master agent and obtain prior approval from and be registered with the Financial Supervisory Commission (FSC). Additionally, the regulations stipulated certain criteria that a local master agent must satisfy (e.g. minimum capital requirements, personnel qualifications, technological facilities).

Regulatory regime

Offshore funds must comply with the rules set out in the Regulations Governing Offshore Funds to be distributed in Taiwan. Offshore funds that are domiciled outside Taiwan can be sold to investors in Taiwan through a domestic master agent. The master agent oversees submitting regulatory approval applications, producing and delivering documents, handling correspondence, and assisting with the processing of purchase and redemption. The master agent may also mandate approved banks, SITEs, SICEs, securities brokers, banks, and trust companies to act as sub-distributors for the offshore fund. A master agent can represent up to five offshore fund managers.

SITEs and SIT funds are governed primarily by the Securities Investment Trust and Consulting Act and the Regulations Governing Securities Investment Trust Funds, and are under the supervision of the Securities and Futures Bureau (SFB) of the FSC. Only local SITEs licensed by the SFB may organise, sell, and manage SIT funds. Additionally, SITEs must first obtain a pre-approval from, or file for effective registration with, the FSC before a fund may be offered to the public. By contrast, PEFs are not subject to such stringent regulatory oversight, and there are no special licensing requirements for fund managers, inviting a diverse array of market players. That said, SITEs and securities firms engaged in private equity are still subject to the supervision and relevant regulations.

Tax regime

Taxation under domestic tax laws:

Under the Taiwan tax regime, trusts are not taxable entities, and SIT funds are therefore not subject to income tax. For PEFs, those set up as companies limited by shares are subject to corporate income tax on their worldwide income at the prescribed 20% rate. It should be noted that gains from the sale of Taiwanese securities that meet certain conditions are exempted from regular income tax. Still, an Alternative Minimum Tax (AMT) of 12% may be imposed instead. Dividends received from domestic companies by resident companies are also tax exempt.

A limited partnership is a tax-opaque entity under Taiwanese corporate income tax law. However, Article 23-1 of the Industrial Innovation Statute allows a limited partnership incorporated between January 1, 2017, and December 31, 2029, that satisfies certain criteria to apply for non-taxable status. Once approved, the limited partnership will not be taxed, and the profits of the limited partnership will be taxed at the partner's level only.

Corporate tax residency is determined based on the location in which the entity is incorporated. That is, an enterprise established and registered in Taiwan in accordance with domestic law is deemed a resident for tax purposes, including companies and limited partnerships.

The major implication of Taiwan tax residency for an enterprise is that it will be taxed on worldwide income rather than Taiwan-sourced income. Furthermore, the resident company is subject to AMT and profit retention tax. For non-resident companies, most Taiwan-sourced income, such as dividends or interest received from domestic companies, is subject to withholding at source, and income tax reporting is not required.

Tax audit trends

In cases where Taiwanese fund managers manage the offshore fund, the activities carried out by those managers may give rise to PE concerns for the offshore fund if the activities fall within the scope of the business agent PE rule in Taiwan. Additionally, the Income Tax Act includes POEM rules; thus, if the key management decisions on operations, finance, etc., or the main business activities of the offshore fund are conducted in Taiwan, it would be treated as a domestic entity from a tax perspective. The POEM rules have yet to come into effect, and the actual implementation timeline remains undetermined. Nevertheless, the tax authorities may still scrutinise the offshore fund's business activities to assess whether it is effectively managed in Taiwan. Consequently, PE and POEM considerations, and their tax implications, can be complex for offshore funds managed in Taiwan and should be carefully assessed on a case-by-case basis.

Tax rates

Structure	Tax rate
SIT funds	Not subject to tax
PEFs	20% for corporate entities 20% for LPs (may apply for non-taxable status)

Access to tax treaty benefits

According to tax treaty interpretations, a corporate tax resident refers to a profit-seeking enterprise that is liable to tax on its worldwide income. A SIT fund is not a taxable entity and is not eligible to apply for a certificate of residence. The fund SITE, however, may request the issuance of a certificate of residence by demonstrating the proportion of units held by Taiwanese resident investors, and treaty benefits, such as reduced withholding tax rates on dividends, shall apply to such investors. With regard to PEFs, given that LPs are distinct for-profit legal persons established in accordance with domestic law, a limited partnership PEF should arguably be treated as a tax resident, similar to a corporate entity. However, as the limited partnership form of PEF has only become active in recent years, in practice there have been few applications for certificates of residency, and issuance of the certificate would be subject to review and assessment by the Taiwan tax authority.

Anti-avoidance provisions

While Taiwan is not a MLI signatory, it has adopted anti-avoidance tax measures in an effort to align with international standards and strengthen its tax environment against tax evasion and exploitation schemes. In particular, tax avoidance is defined under the Taxpayer Rights Protection Act as the action of abusing legal forms to avoid the constituent elements of taxation by non-arm's length transactions for the purpose of attaining tax benefits. To prevent such abuse, the tax authorities shall therefore take into consideration the economic substance of the transaction in conducting tax assessments and make adjustments to tax computation accordingly. With respect to the applicability of tax treaties, the Regulations Governing Application of Agreements for the Avoidance of Double Taxation with Respect to Taxes on Income includes the PPT provision, where the tax authorities shall assess treaty applications based on the existence of actual economic relationships and relevant economic benefits, and shall deny treaty benefits if the facts and circumstances surrounding the transaction indicate that the main purpose of such transaction is to attain treaty benefits.

Reporting and compliance requirements

The annual corporate income tax return shall be filed by the end of the fifth month for the taxable income in the preceding tax year. The SIT fund is not obligated to file an income tax return; however, the SITE shall submit documents related to the fund in the prescribed format by the end of January of each year, such as revenue and expenditure statements, and statement of distributions to investors.

PEFs must file corporate income tax returns and pay income taxes; however, few partnership PEFs that have obtained approval to apply Article 23-1 of the Industrial Innovation Statute are tax exempt. Instead, it shall calculate each partner's taxable income, allocate it based on the distribution proportion of earnings, and file the calculations in the prescribed form along with the corporate income tax return.

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06

Japan

Background

Japan is committed to further enhancing its asset management industry, with the government having announced in 2023 its Policy Plan for Promoting Japan as a Leading Asset Management Centre.[12] This policy plan encompasses key pillars—reforming the asset management sector, enhancing asset ownership, and strengthening stewardship—all as part of the government's broader intention to attract foreign investment and support emerging asset managers.

Japan's fund management industry continues to retain its strong foothold in Asia, with total AUM exceeding USD 6.62 trillion (JPY1,040 trillion) as at the end of 2024,[13] representing a 38% increase from USD 4.79 trillion (JPY757 trillion) in 2021.[13]

The Financial Services Agency (FSA), which is spearheading the government's efforts under this policy plan, has since rolled out a series of initiatives, including setting up a Financial Market Entry Office and proposals to establish special zones for financial and asset management businesses, to promote the entry of overseas asset management firms into the Japanese market. Additionally, the FSA drove reforms in 2024 to amend the Financial Instruments and Exchange Act (FIEA) and other relevant regulations to foster diverse business models for asset managers, as part of an overall strategy to make Japan more attractive as an asset management hub.

Fund structures

Japan offers a variety of fund vehicles for onshore investments, depending on factors such as investors' profiles and preferences, asset types, and legal, regulatory, and tax considerations. A brief overview of these local fund vehicles is discussed below.

Investment Business Limited Partnership

The Investment Business Limited Partnership (IBLP) (toshi jigyo yugen sekinin kumiai) was introduced in 1998. Originally called a small/medium-sized corporation investment business limited partnership, as it was intended for investments in small/medium-sized corporations, the scope was broadened to include investments in listed shares and loans and renamed IBLP in 2004. IBLPs are commonly used as investment vehicles, including for local PEF managers. More than 1,000 IBLPs have been formed to date.[14]

The IBLP is a type of Japanese limited partnership, with a GP (typically a Japanese corporation) that manages the fund in Japan and limited partners who, as their name implies, have limited liability. The IBLP is generally permitted to invest only in certain asset classes and to hold less than 50% of its assets in non-Japanese securities (with some exceptions).

Investment corporation

Investment corporations were introduced in 1998 as a collective vehicle for investing in securities (including certain qualifying bonds and shares). In 2000, the laws were revised to enable an investment corporation to invest in a variety of assets, including real estate.

12 https://www.japan.go.jp/kizuna/2024/01/japans_attractive_financial_markets.html

13 https://www.fsa.go.jp/common/conference/danwa/20250521.pdf

14 e-Stat, the portal site for Japanese Government Statistics

Japanese real estate investment trust

The Japanese Real Estate Investment Trust (JREIT) was launched in 2001 under the Investment Corporation and Investment Trust Law, as a specialised vehicle for real estate investments. JREIT is typically structured as an investment corporation. Although most JREITs are listed and invest domestically, they can also invest outside Japan (as a few JREITs invest in the US and Asia), and private JREITs also exist.

TMK

A tokutei mokuteki kaisha (TMK) is a corporation established in 1998 under the Securitisation Law for the securitisation of assets (such as loans or real estate) and as a vehicle to issue asset-backed securities. TMKs are commonly used by both Japanese and foreign investors for real estate investments in Japan.

Investment trust (IT)

ITs were established in 1941 as mutual funds for investing in securities. Since 2000, under the Investment Corporation and Investment Trust Law, ITs have been able to invest in various assets, including real estate. ITs can be publicly or privately offered and can also be listed on an exchange as an exchange-traded fund. The IT is commonly used by Japanese investors as a vehicle for investing both in and outside Japan, particularly by retail investors, although not exclusively.

LLPs

The LLP was established in 2005 and is commonly used for joint venture investments. Like IBLPs, more than a thousand LLPs exist in Japan.

When investing through fund vehicles, however, most foreign investors in Japan tend to invest via foreign fund vehicles. This is driven by a combination of legal, tax, and familiarity comparisons, as well as the inherent circumstances of being formed for foreign investors.

Tax regime

Tax rates

The overall effective income tax rate for is approximately 31% to 35% for corporations, and progressive rates of up to 56% for individuals.

Anti-avoidance measures

As Japan continues to expand its asset management industry, it must navigate and ensure compliance with international tax and regulatory standards, particularly following the OECD BEPS initiatives, which did not create a clear demarcation line, as the trends and approach were already prevalent.

The economic and operational parameters in relation to the local fund vehicles described above are generally enforced through requirements such as the need for a Japan-licensed asset manager or a Japan-based GP, as well as various registration requirements under the FIEA and compliance/reporting obligations with the FSA and investors in the fund.

The structure of foreign funds seeking to invest in Japan, in particular where the funds and/or their investors seek to access Japan's tax treaties, must align with the Japanese, treaty, and OECD standards and compliance, as briefly discussed below.

Before the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) was introduced, the anti-avoidance test that was applied in some of Japan's treaties with its key trading partners—including the US, the UK and France—was in the form of an LOB clause. This began with the revised US-Japan treaty in 2003 and with OECD policy developments on beneficial ownership and anti-conduit arrangements. The LOB has a variety of forms and is based on permutations under the US treaty model and the OECD Model Tax Convention on Income and on Capital (OECD Model Tax Convention).

In general, the LOB clause provides for a formal, objective assessment of whether the treaty claimant meets the criteria for its jurisdiction of residence to qualify for treaty benefits. This typically requires that conditions regarding the shareholding structure and ownership, trading status, or the presence of active operations are met. They are fairly detailed provisions and qualifying tests that differ between treaties with Japan and between the articles of a treaty to which they apply. Although certain treaties do not currently contain a full-scope LOB clause, they may have a limited-scope LOB. The Japanese tax authorities' stated policy is to include LOB clauses as treaties are renegotiated.

Japan deposited its instrument of ratification of the MLI with the OECD in late 2018, with the MLI entering into force on 1 January 2019. The MLI has come into effect with respect to many of Japan's tax treaties, with the effective date depending on the deposit date of the ratification instrument by its treaty partners. As of June 2025, Japan's tax treaties are covered under the MLI in 39 jurisdictions.[15]

The MLI introduces a PPT that allows treaty benefits to be denied if one of the principal purposes of the transaction was to take advantage of treaty provisions, based on a reasonable conclusion drawn from the facts and circumstances. Although the PPT is also intended to be an anti-avoidance measure, it adds a layer of strategic intent review as it focuses on the motive of the treaty claimant in entering the transaction—which often should be fairly self-evident based on the intent of the claimant—as opposed to the LOB, which requires an objective assessment largely based on quantitative factors relating to the treaty claimant. This represents a two-pronged approach in enforcing the basis of treaty claimants. A substance-based approach is generally a limited and outdated concept that has been superseded by more sophisticated objective and subjective tests, driven by OECD initiatives and policy choices of more than 20 years' standing.

For decades, these changes have driven the approach of foreign fund managers as to how and by what vehicles they invest in Japan. Often, the foreign fund manager has had to adjust to these requirements for Japanese investments.

15 https://www.mof.go.jp/english/policy/tax_policy/tax_conventions/mli.htm

Reporting and compliance requirements

Local funds in Japan have various registration and compliance obligations under the FIEA, including periodic reporting obligations with the FSA, with specific requirements depending on the type of entity and its status (e.g. publicly or privately offered). For foreign fund managers, compliance approaches vary significantly depending on the asset class in Japan and the type of investment.

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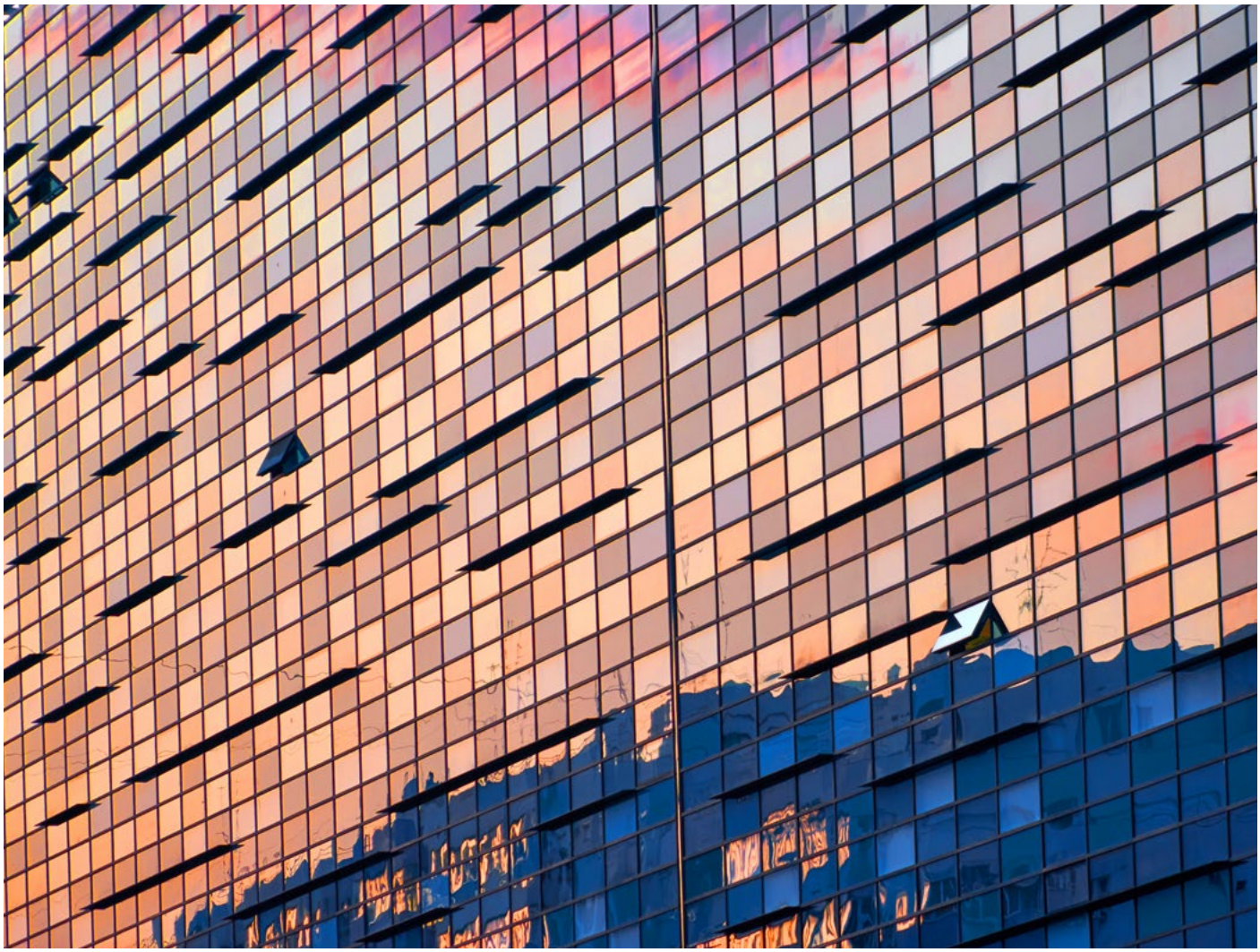


07

Korea

Background

Korea's fund management industry continues to expand, with total net assets reaching KRW1,094.9 trillion by the end of 2024.[16] Publicly offered funds rose to KRW435.5 trillion, up 25.1%—mainly due to strong ETF growth—while privately placed funds grew by 6.4%. The upward trend has persisted since 2011, except for a dip in 2018. In 2024, the number of asset management companies increased from 470 to 494, alongside steady increases in net profits.

Funds are mainly distributed by securities companies (80.3%) and banks (10.6%), with insurance firms and others accounting for the remainder. By the end of 2024, the NAV of overseas investment funds reached KRW401 trillion—up 573% from 2015. Private placement funds grew significantly, rising from KRW39 trillion in 2015 to KRW268 trillion. Real and special asset fund NAVs also increased notably, reaching KRW76.1 trillion and KRW94.9 trillion by 2024. At year-end, bond and liquid assets each accounted for approximately 26% of underlying investments, followed by beneficiary certificates (19.5%), equities (15.9%), and other assets (12.7%).

Fund structures

Korea's fund management industry continues to expand, with total net assets reaching KRW1,094.9 trillion by the end of 2024. Publicly offered funds rose to KRW435.5 trillion, up 25.1%—mainly due to strong ETF growth—while privately placed funds grew by 6.4%. The upward trend has persisted since 2011, except for a dip in 2018. In 2024, the number of asset management companies increased from 470 to 494, alongside steady increases in net profits.

Korea offers various fund structures, including investment trusts, investment companies, investment limited partnerships (ILPs), and REITs. These vehicles are governed under the Financial Investment Services and Capital Markets Act (FSCMA).

A brief overview of these local fund vehicles is discussed below.

Investment trusts

Investment trusts are collective investment schemes established through a trust agreement between an asset management company and a trustee (usually a bank). These vehicles lack legal personality and are commonly used by retail investors. Investors hold beneficial interests in the trust, and the asset manager makes investment decisions on their behalf. Investment trusts are regulated under the FSCMA and are widely used for public offerings.

Investment companies

Investment companies are corporate entities with legal personality, typically structured as joint-stock companies. Investors become shareholders and participate in the fund through equity ownership. These vehicles are suitable for institutional investors and allow for more structured governance and transparency. They are also subject to corporate governance rules and external audits under the FSCMA.

16 2025 KOFIA Annual Review (https://eng.kofia.or.kr/brd/m_19/list.do)

ILPs

ILPs consist of GPs who manage the fund and LPs that contribute capital but do not participate in management. This structure is commonly used for PEFs, real estate funds, and infrastructure funds. The FSC recently revised the classification of PEFs into general and institution-only PEFs, enhancing investor protections and reporting requirements.

REITs

REITs in Korea are structured as corporate entities that primarily invest in income-generating real estate assets. These vehicles are listed on the Korea Exchange, providing retail investors with an opportunity to participate in the real estate market. REITs are required to distribute a substantial share of their earnings to shareholders in the form of dividends. Additionally, they are governed by distinct tax provisions and regulatory requirements as stipulated under the FSCMA.

Regulatory regime

Korea's regulatory framework for foreign investment is primarily governed by the Foreign Investment Promotion Act (FIPA) and the Financial Investment Services and Capital Markets Act (FSCMA), which together provide a structured and transparent environment for inbound capital. FIPA facilitates FDI by offering incentives such as tax exemptions, cash grants, and relaxed administrative procedures, particularly for investments in high-tech and strategic industries. The FSCMA, on the other hand, regulates the operation of financial investment services, including fund management, securities trading, and asset management. These laws are complemented by sector-specific regulations and national security screening mechanisms, especially for investments in sensitive areas such as defence, telecommunications, and advanced technologies. Foreign investors are generally permitted to invest freely unless the activity falls under a restricted or prohibited category, in which case prior approval from relevant authorities is required.

The Financial Services Commission (FSC) and the Financial Supervisory Service (FSS) serve as the principal regulatory bodies overseeing fund management activities and foreign investment compliance. The FSC sets policy direction and enacts regulations, while the FSS monitors market conduct, licensing, and reporting obligations. Fund structures in Korea—including investment trusts, investment companies, ILPs, and REITs—are subject to registration and operational requirements under the FSCMA. Foreign investors may participate in these vehicles either directly or through offshore pooling structures, provided they comply with Korea's disclosure, licensing, and anti-money laundering standards. The FSC has also introduced reforms to enhance investor protection, such as the classification of PEFs into general and institution-only categories, with differentiated reporting and governance standards.

In recent years, Korea has taken steps to align its regulatory regime with international best practices, particularly in response to OECD's BEPS initiatives. This includes the adoption of substance-over-form principles, enhanced transparency in fund operations, and stricter requirements for fund managers regarding physical presence, qualified personnel, and operational control. Korea's participation in the CRS and Automatic Exchange of Information (AEOI) frameworks further strengthens its commitment to global tax transparency. These developments reflect Korea's strategic intent to attract high-quality foreign capital while safeguarding national interests and maintaining financial stability. As a result, Korea's regulatory regime has evolved into a sophisticated system that balances openness with prudence, making it an increasingly attractive destination for global fund managers and institutional investors.

Tax regime

Taxation under domestic tax laws

The taxation of foreign funds in South Korea is determined by the residency status of the entity and the source of income. Resident entities are taxed on their worldwide income, while non-resident entities are subject to tax only on Korea-sourced income. Fund vehicles such as investment trusts, investment companies, and ILPs are taxed differently depending on their legal structure and distribution policies. Investment trusts are generally treated as pass-through entities, with income taxed in the hands of the investors. Investment companies are subject to corporate income tax unless they meet specific dividend distribution thresholds that allow for tax deferral or exemption.

The POEM principle is used to determine corporate residency. A foreign fund may be deemed a Korean resident if its key management and commercial decisions are made in Korea. This has significant implications for offshore funds managed by Korean entities or with substantial operations in Korea. Additionally, Korea has implemented a look-through approach for overseas investment vehicles (OIVs), allowing beneficial owners to claim treaty benefits if they meet the conditions under Article 93-2 of the Corporate Income Tax Act. These include being liable to tax in their country of residence and qualifying for treaty benefits under the applicable tax treaty.

Substance requirements

Substance requirements play a critical role in determining the tax residency and treaty eligibility of foreign funds. Korean tax authorities assess whether a fund has genuine economic activity, including the presence of qualified personnel, decision-making authority, and physical infrastructure in its jurisdiction of incorporation. Funds lacking operational substance may be denied treaty benefits or reclassified as Korean residents, thereby subjecting their global income to Korean tax.

Korea does not offer broad exemptions for offshore funds managed locally. Instead, fund managers must demonstrate commercial substance through documentation of their governance structure, investment strategy, and operational control. The OECD's BEPS framework and Korea's adoption of the MLI have further strengthened the emphasis on substance over form. As a result, fund managers increasingly establish a local presence in Korea to mitigate POEM risks and ensure compliance with anti-abuse provisions.

Tax audit trends

Korean tax authorities have intensified scrutiny of treaty-based claims and cross-border fund structures, particularly those involving low-tax jurisdictions or entities with limited substance. Tax audits often focus on the beneficial ownership of income, the commercial rationale behind fund structures, and the flow of funds between jurisdictions. Authorities may request detailed documentation, including board minutes, email correspondence, due diligence reports, and director profiles.

Common audit triggers include large-value remittances, refund claims, and capital gains exemptions under tax treaties. Korean regulators also examine the application of MLI and GAAR provisions, the valuation of shares, and the use of nominee directors. Funds must maintain comprehensive records to substantiate their treaty claims and defend against recharacterisation or denial of benefits. While recent rulings have provided clarity and relief in some cases, the overall trend reflects a more aggressive enforcement posture.

Tax rates

Nature of income	Tax rates (%)*
Dividend income	20
Interest income	20
Securities transaction tax rates	0.35

Access to tax treaty benefits

Where a foreign fund has a separate beneficial owner of the income it receives, the tax benefits under the double tax treaty between the resident country of the beneficial owner and South Korea may be available.

For reduced-rate treaty claims, the look-through approach has been formalised through a new withholding tax procedure. Under this procedure, a beneficial owner wishing to claim a reduced rate under the provisions of an applicable treaty is required to submit the 'Application form for Reduced Treaty Rate for Korean Sourced Income' to a withholding agent before the payment of the income.

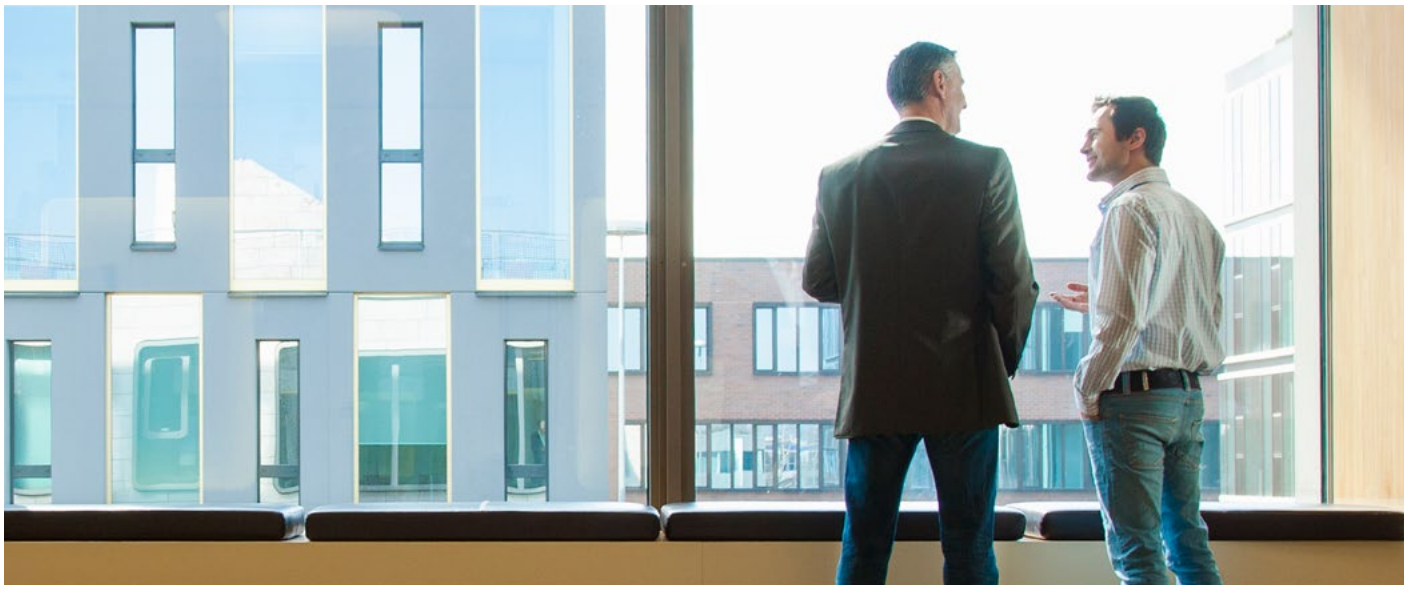
When a Korean-sourced income is paid to an OIV, the OIV is required to collect the 'Application form for Reduced Treaty Rate for Korean Sourced Income' from the beneficial owners and submit the details of the latter through the 'Report of Overseas Investment Vehicle' to a withholding agent.

However, under Article 93-2(1)(1) of the Corporate Income Tax Act, an OIV may be considered as the beneficial owner itself if all the following conditions are met:

- The OIV, under the applicable tax treaty, shall be liable to pay tax in the country of residence of the foreign investment scheme.
- The OIV meets the eligibility requirements for tax treaty benefits, such as non-taxable, tax-exempt, or treaty-rate treatment of Korea-sourced income, under the applicable tax treaty.

1. In case an OIV fails to meet the conditions outlined above, it may still be considered as the beneficial owner per article 93-2(1)(2)–(3) of the Corporate Income Tax Act.
2. The OIV is considered a beneficial owner under the treaty and is eligible for non-taxation, tax exemption, or beneficial tax rates, as prescribed in the tax treaty.
3. The OIV is not subject to the former (2) and fails to prove the investor of OIV. However, in this case, the treaty benefit is not available to the OIV.

Under article 93-2(1) of the Corporate Income Tax Act, an OIV is broadly defined as any overseas vehicle that raises funds through an investment offering, manages investment assets, derives value from the acquisition and disposition of such assets and distributes such derived value to its investor. Consequently, partnerships, limited liability companies, and other non-corporate collective investment vehicles (for example, unit trusts) should be considered OIVs.



Anti-avoidance provisions

The OECD's BEPS has brought significant changes in Korea's approach to fund structures, tax residency, and treaty benefits. As an OECD member and a signatory to the MLI, Korea has implemented several measures to prevent tax avoidance and ensure transparency in cross-border fund operations.

One of the key impacts of BEPS on Korea's fund structures is the introduction of anti-abuse provisions, such as PPT and LOB clauses, into tax treaties. These provisions allow Korean tax authorities to deny treaty benefits if the primary purpose of a transaction or arrangement is to obtain tax advantages. This has resulted in increased scrutiny of fund structures, especially those involving low-tax jurisdictions or entities with minimal substance.

Korea has also implemented domestic reforms aligned with BEPS recommendations. These reforms encompass the adoption of transfer pricing documentation requirements, country-by-country reporting, and enhanced disclosure obligations for multinational enterprises. Fund managers operating in Korea must now maintain records of their operations, including the location of key personnel, decision-making processes, and financial transactions.

The OECD's focus on substance over form has led Korea to evaluate fund structures according to their actual economic activities rather than legal formalities. Funds that lack real operations, employees, or infrastructure in their claimed jurisdiction may be subject to Korean taxation, even if they are legally incorporated elsewhere. This shift in fund structuring practices led managers to increasingly establish a physical presence and operational control in Korea to meet substance requirements.

Korea has reinforced these changes through local regulatory reforms, including strengthening the regulation of fund managers through licensing requirements, minimum capital thresholds, and compliance obligations under the FSCMA. These reforms are designed to enhance investor protection and ensure that fund managers operate with transparency and accountability.

Additionally, Korea's participation in the OECD's CRS and AEOI has improved tax transparency and reduced opportunities for tax evasion. Fund managers must now report financial information to Korean tax authorities, which is shared with other jurisdictions under the CRS framework.

Reporting and compliance requirements

Operating under a transparent regulatory regime and a comprehensive tax framework, Korea's fund management industry is accessible to global investors. Addressing tax residency and substance requirements is necessary for treaty access and compliance. Fund managers are required to comply with Korea's standards relating to POEM, GAAR, and MLI to maintain operations and manage tax risks.

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08

Singapore

Background

Singapore continues to solidify its reputation as a pre-eminent global hub for asset and wealth management, with total AUM at USD4.46 trillion[17] as at 2024. The city-state attracts asset managers and owners as a base for regional investment activity due to its strategic location as a gateway to Asia and ASEAN, exceptional political and economic stability, a robust common-law legal and regulatory framework, business-friendly environment, global talent pool, and a competitive tax regime for funds and fund managers. A key differentiator is the Variable Capital Company (VCC) framework, which has seen rapid adoption for both open-ended and closed-ended strategies, offering flexibility and cost efficiency. Singapore's reputation for stability and transparency keeps it at the forefront of regional and global financial services.

Regulatory regime

In Singapore, asset and wealth managers undertaking regulated activities must apply to be licensed by the Monetary Authority of Singapore (MAS). As of end of 2025, there are 1,298 licensed fund management companies operating in Singapore. The MAS oversees the licensing and ongoing supervision of fund managers and works with industry to develop Singapore as a dynamic international financial centre.

Fund structures

Singapore's fund management industry offers several legal structures to accommodate different investment strategies and investor types. A brief overview of the most common structures is discussed below:

VCC

A VCC is a corporate structure introduced in 2020 and designed specifically for investment funds. As of 2024, there are over 1,200 VCCs in Singapore. The key features of a VCC include a flexible capital structure where it can issue and redeem shares without requiring shareholder approval, and pay dividends from capital. This offers liquidity and operational flexibility. A VCC can be established as a standalone fund or as an umbrella fund with multiple sub-funds. Each sub-fund's assets and liabilities are ring-fenced, insulating strategies within the same umbrella from cross-liability in Singapore. Investor confidentiality is strengthened because the shareholder register does not need to be made public. The introduction of the VCC in the asset management market has elevated Singapore's position as a prominent funds hub. The VCC has its own legal framework, enabling it to be used for alternative and traditional investment fund across either closed-ended or open-ended strategies.

17 https://www.mas.gov.sg/-/media/mas-media-library/publications/singapore-asset-management-survey/asset-management-survey-report-2024.pdf

Unit trusts

A unit trust is constituted by a trust deed in which the trust property is vested in a trustee. It pools money from many investors, which is then invested in a variety of assets to meet specified investment objectives. The unit trust as an investment scheme is the preferred structure for retail funds, as it also offers flexibility for frequent subscriptions and redemptions.

REITs listed on the Singapore Exchange offered to retail investors are typically structured as unit trusts.

LPs

LPs are commonly used by private equity, real estate, and venture capital fund managers in Singapore. This structure features a general partner that manages the fund with unlimited liability and limited partners whose liability is capped at their committed capital. Compared with company structures, LPs generally have fewer annual compliance requirements and less public disclosure, offering greater privacy as investor details are typically not made public.

Private limited companies

This is a familiar corporate form that can be adapted as a fund vehicle, though it is typically less flexible than VCCs for capital reductions and dividend distributions. Shareholder liability is limited to any unpaid amounts on subscribed shares.

Tax regime

Taxation under domestic tax laws

Singapore's prevailing corporate income tax rate is currently 17%.

The country does not impose tax on capital gains, other than (a) in respect of gains on sale of foreign assets under section 10L of the Income Tax Act 1947 (ITA) and (b) through the Multinational Enterprise (Minimum Tax) Act 2024 (MMT Act). However, gains from the disposal of investments may be construed to be of an income nature and subject to Singapore income tax. Generally, gains on disposal of investments are considered income in nature and sourced in Singapore if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore.

Where the fund's assets are managed by a Singapore-based fund manager, the fund is generally regarded as conducting trade or business activities in Singapore, as a result of the investment management functions carried out by that manager.

Accordingly, the income derived by the fund may be considered income accruing in or derived from Singapore and subject to Singapore income tax, unless the income is exempted from tax under one of Singapore's funds tax exemption schemes or an applicable tax treaty.

Fund tax exemption schemes

Singapore's funds tax exemption regime (Fund Exemption Schemes) grants Singapore income tax exemption on specified income (SI) from designated investments (DI), subject to qualifying conditions. The Fund Exemption Schemes accommodate both onshore and offshore funds, various legal entity types as well as fund structures. The exemption has been generously designed to accommodate public and private funds investing in public and private assets and covers a wide range of investments in public and private assets, including equities, debt securities, loans, commodities, real assets, and derivatives. Notably, the exemption does not extend to Singapore-situated immovable property, equity, or debt instruments investing in Singapore immovable property and digital assets.

The Fund Exemption Schemes will also only operate where the funds are managed or advised by a Singapore-based fund manager and the relevant substance requirements are met (see below):

- Minimum local headcount of qualified investment professionals
- Minimum annual local business spending
- Engagement of a Singapore-based licensed fund manager

Thresholds scale with fund size. Smaller funds face lower minimums; fund managers managing enhanced tier funds are expected to employ more professionals; and greater AUM requires higher local business spending. Assessment remains holistic and evidence based, allowing fund managers to align substance with their operating model. In practice, fund managers will manage the funds to meet the SI/DI framework and applicable scheme conditions, consistent with stated investment objectives and genuine commercial substance.

Funds under selected schemes also received certainty via specific approval letters issued by the MAS. They also get to enjoy interest withholding tax on interest payments paid on borrowings for investing activities and Goods and Services Tax (GST) remission on fund costs to mitigate tax leakage.

Global minimum tax: IIR and domestic top-up tax

Singapore has enacted the MMT Act to implement the Income Inclusion Rule (IIR), termed the Multinational Enterprise Top-up Tax (MTT), and a Domestic Top-up Tax (DTT) for in-scope groups, effective for financial years beginning on or after 1 January 2025. The MTT applies to Singapore parent entities in respect of profits of foreign constituent entities whose combined effective tax rate on a jurisdictional basis is below 15%. The DTT applies to constituent entities in Singapore where their combined effective tax rate on a jurisdictional basis is below 15%. The Undertaxed Profits Rule (UTPR) has not been adopted at this stage. While many fund vehicles may be out of scope, managers belonging to larger groups should assess interactions with incentive schemes and local substance.

Treaty network and anti-avoidance

Singapore maintains an extensive network of international tax agreements. It has signed 97 comprehensive double taxation agreements (DTAs), eight limited DTAs, and two exchange-of-information arrangements (EOIs).

Out of these, 60 DTAs have been amended by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).

Funds that align governance, key decision-making, personnel, and expenditure with their strategy in Singapore are well positioned to withstand scrutiny and access treaty benefits where applicable.

If a Singapore fund needs a certificate of residence (COR) to claim treaty relief, the Inland Revenue Authority of Singapore (IRAS) may seek information to confirm genuine business intent in Singapore and that the structure is not tax driven. In practice, funds with demonstrable Singapore substance typically satisfy this process, reflecting Singapore's consistent and rules-based administration.

Consistent with the OECD/G20 BEPS project, Singapore generally applies the Principal Purpose Test (PPT). Treaty benefits may be denied where one of the principal purposes of an arrangement is to obtain those benefits contrary to the treaty's object and purpose. For commercially driven fund structures with real Singapore substance, the PPT provides a clear and internationally recognised standard that supports compliant access to treaty outcomes.

Reporting and compliance

Funds approved by the MAS must submit an annual declaration to the MAS within four months after the financial year end, confirming compliance with the respective incentive's conditions.

Corporate income tax return (applicable to companies and VCCs) are due for filing by 30 November after the financial year end. Partnerships' and unit trusts' tax returns are due by 15 April (or 18 April for e-filing) after the financial year end.

Summary

Singapore remains a leading funds hub anchored by its stable regulatory regime and competitive but substance-focused tax incentives.

Substance for Singapore fund structures is the cumulative outcome of licensing, incentive scheme conditions, robust governance, and the place of control and management. Decisions should be made in Singapore by qualified personnel based in Singapore, supported by appropriate operations, headcount, and business spending in Singapore, and evidenced through contemporaneous documentation. Designing these elements into the fund and the fund manager from inception—and scaling them as the business grows—positions sponsors to operate effectively in Singapore, meet regulatory expectations, and demonstrate genuine business presence.

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09

Comparative analysis

This publication provides a comprehensive analysis of tax residency and substance requirements for fund structures across key APAC jurisdictions. Each jurisdiction has developed unique fund vehicles, tax regimes, and substance requirements, reflecting both local priorities and global best practices. The document highlights the growing importance of economic substance, robust governance, and compliance with anti-abuse measures, such as GAAR, PPT, and LOB clauses. Access to treaty benefits is increasingly contingent on demonstrating real business activity and management presence in the fund's jurisdiction of residence.

The tables below present a comparative summary of the jurisdictions discussed above.

Overview of fund vehicles:

The table below provides a comparative overview of fund vehicles and their corresponding regulatory authorities across key APAC jurisdictions, highlighting the diversity in legal structures and regulatory frameworks governing investment funds in the region:

Jurisdiction	Fund vehicles	Regulatory authority
Australia	CCIV, MIT, AMIT, VCLP, ESVCLP, AFOF	ASIC APRA
Hong Kong	OFC, LPF, Unit Trust	SFC
India	FDI (using AIF, REIT and InvIT, offshore fund, route), FPI, FVCI	Securities and Exchange Board of India (SEBI); International Financial Services Centres Authority (IFSCA) (for GIFT City)
New Zealand	Unit Trust, LP, PIE	FMA
Taiwan	SIT Fund, PEF (Company/LP), Offshore Fund	FSC
Japan	IBLP, Investment Corporation, JREIT, TMK, Investment Trust, LLP	FSA
Korea	Investment Trust, Investment Company, ILP, REIT	FSCMA
Singapore	VCC, unit trusts, LPs, private limited company	Accounting and Corporate Regulatory Authority ('ACRA'); MAS[18]

18 For avoidance of doubt, the MAS regulates the activity of fund management and does not regulate the investment fund vehicles directly.

Tax residency and substance requirements:

The following tables summarise the tax residency criteria and evolving substance requirements across key APAC jurisdictions, reflecting a broader regional trend toward tightening regulations around operational presence, control, and economic substance for tax purposes:

Jurisdiction	Tax residency test(s)	Substance requirements (proposed/trends)
Australia	Trusts: >1 trustee should be an Australian resident or central management, and control should be in Australia	- Ongoing monitoring and decision-making location - Local operational presence beyond administrative activities is expected for concessional regimes
Hong Kong	Place of incorporation or establishment; place of management and/or control (for the purpose of obtaining tax treaty benefits)	≥2 qualified employees and annual operating expenditure of ≥HK$2 million, subject to an 'adequacy test' with reference to the size of AUM managed/advised in Hong Kong (for the purpose of enjoying Hong Kong profits tax exemption under the Unified Fund Exemption Regime, as proposed in the Consultation Paper)
India	POEM for companies and control/management for others	Built presence including teams and infrastructure, decision making
New Zealand	Incorporation/formation; centre of management	Sufficient substance needed for PIE regime, DTA access
Taiwan	Place of incorporation	POEM rules to be implemented; scrutiny of management location
Japan	Place of incorporation/ management	LOB/PPT under MLI
Korea	Place of incorporation/ management; POEM and LOB/PPT	Actual economic activities, Jurisdiction of real-operations, employees, or infrastructure
Singapore	Place of control and management (refers to the making of decisions on strategic matters, e.g. those concerning the company's policy and strategy)	For the purpose of fund vehicles applying for tax exemption schemes, need to ensure substantive investment/fund management/ advisory functions are carried out in Singapore and satisfy substance requirements (e.g. minimum number of employees between 1 to 3 investment professionals, Singapore-based spending of between SGD200K–500K, utilisation of Singapore-based fund administrators) and ensure that control and management of Singapore fund corporate vehicles are located in Singapore.

Tax rate comparison:

The table below provides a comparative overview of tax rates and exemptions applicable to investment funds across various APAC jurisdictions, highlighting differing approaches to taxing income types and offering exemptions based on fund structure:

Jurisdiction	Tax rate	Tax exemptions
Australia	Withholding tax on distribution on Australia sourced income Non-MIT & non-AMIT Trusts—30% MITs—tax rates on distributions of income range from 10% to 15% AMITs—taxation on the amounts attributed	IMR applies to exempt eligible foreign residents from paying Australian tax on their income and capital gains arising from IMR financial arrangements
Hong Kong	Profits tax liability on Hong Kong sourced revenue profits Profit tax rates for corporations and share of partnership profits by corporate partners—16.5%. For individuals and share of partnership profits by individual partners—15%	Gains of a capital nature are not subject to profits tax Dividends from companies chargeable to profits taxes are tax-exempt income Dividends from overseas companies are generally regarded as non-taxable offshore income Public funds are generally exempted from profits tax Unified Fund Exemption Regime for private funds (applicable to both Hong Kong- and non-Hong Kong-domiciled funds)
India	Tax rate ranges between 12.5% and 35% depending upon nature of income (dividend, interest, capital gains, etc.) and constitution of fund (corporate or non-corporate)	India offers extensive network of tax treaties depending upon which capital gains, dividends, derivative income may be claimed exempt, subject to anti-abuse measures
New Zealand	Non-PIE unit trust subject to tax rate of 28% on dividend, interest and income from gains Investors of unit trust subject to tax rate of 39%	Unlisted multi-rate PIEs Income attributed to investors & taxed at the PIR Unless the investor's PIR is 0%, the PIE pays the tax and investor typically has no further obligations
Taiwan	Resident companies are subject to tax rate of 20% on worldwide income AMT applicable at 12%	Dividends received from domestic companies by resident companies LPs can apply for non-taxable status subject fulfilling certain conditions and profits will be taxed at partner level

Jurisdiction	Tax rate	Tax exemptions
Japan	Overall effective income tax rate for is approximately 31 to 35% for corporations, and progressive rates of up to 56% for individuals	
Korea	Tax rates applicable for: Corporate taxpayer—9% to 24% Individuals—6% to 45%	A foreign corporation or non-resident is taxed only on its Korea-source income
Singapore	The following tax rates will apply in the absence of tax incentives or exemptions: • Corporate (including VCC)—17% • Resident individuals—progressive rates up to 24% • Non-resident individuals—24% (except for employment income and certain income taxable at reduced withholding rates) • Unit trust—taxable at trustee level at 17% or at investor level, or exempt (subject to structure) • LPs—taxable at partners' level (subject to partners' tax profile)	• Singapore does not impose tax on capital gains, other than (a) in respect of gains on sale of foreign assets under section 10L of the ITA and (b) through the MMT Act. • The Fund Exemption Schemes grant Singapore tax exemption on SI from DI. • Dividends declared by Singapore tax resident companies are not subject to Singapore taxes in the hands of investors. • Foreign-sourced dividends derived by Singapore tax resident may be exempt, subject to conditions.

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