ASEAN Region:
2016 Food and Non-Alcoholic Beverage Tax Updates
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ACRONYM
AEC – ASEAN Economic Community
ASEAN – The Association of Southeast Asian Nations
BR1M – Bantuan Rakyat 1 Malaysia
DGT – Directorate General of Taxation
GST – Goods and Services Tax
IDR – Indonesian Rupiah
IMF – The International Monetary Fund
KHR – Cambodian Riel
LAK – Lao Kip
MMK – Burmese Kyat
MOF – Ministry of Finance
MYR – Malaysian Ringgit
NDC – Non-Communicable Diseases
NRSA – The National Reform Steering Assembly
OPEC – Organization of Petroleum Exporting Countries
PHP – Philippine Peso
SGD – Singapore Dollar
SGT – Special Good Tax
THB – Thai Baht
UN – The United Nation
VAT – Value-Added Tax
WTO – The World Trade Organization

DEFINITIONS
Special excise tax – a specific of fixed amount tax based on weight or volume of the final product of the weight or volume of certain ingredients used in their production (e.g. fat or sugar content).
Ad valorem excise tax – a tax levied on the sale of goods, determined as a percentage of the gross value of cost of the product as point of sale (e.g. 30% of the pre-sales tax price paid by the consumer.
VAT or sales tax – a tax on the value added to a product (VAT) or on the final sale of the product (sales tax).
Indirect taxes – are taxes that are collected by intermediaries who turn over the proceeds to the government and who are responsible for filling the related tax return.
Excise tax – a tax levied on the manufacture, sale or consumption of a single good or service or on a relatively narrow range of goods or services.¹
Zero-rated goods – products on which VAT is not levied.²

² http://www.investopedia.com/terms/z/zero-rated-goods.asp
INTRODUCTION

ASEAN is one of the world’s most diverse, fast-moving, and competitive economic regions. Composed of 10 member nations, ASEAN is currently the seventh largest economy in the world and it is estimated to be the fourth largest by 2050. Additionally, ASEAN is the third largest labor force in the world. The AEC strengthens its inter-regional trade and production base through the free movement of skilled labor, capital, goods, and services. ASEAN is the fourth largest exporting region in the world, after the EU, US, and China. The community also has around 230 international companies with more than $1 billion in revenues, each.

This report provides the latest information related to indirect taxation, including excise taxes, VAT, GST, commercial taxes, and other types of equivalent consumption based taxes within the ASEAN community. This report addresses each ASEAN country’s current tax regime, any government proposed tax changes, stakeholder profiles, and any sugar tax issues. Moreover, currently, some ASEAN countries plan to impose sugar taxes on non-alcoholic beverages to cut sugar consumption as the numbers of people suffering from diabetes and obesity continue to rise.

For more information related to the impact of selective food and non-alcoholic beverages taxes, please click this link.
1. **Current regime**
   a. **Excise tax**

   Thailand organizes its excise taxes within four major categories to address considerations for income redistribution (luxury goods and services), health, environment, and morality. Thailand imposes excise taxes on certain non-alcoholic beverages including soda water, soft drinks, and unfermented vegetable or fruit juices, as shown in the table below. Thailand uses both ad valorem and specific excise taxes. It applies whichever form is higher, whether it be ad valorem or specific charges. The excise tax system has been adjusted to complement the VAT system. For products subject to both indirect taxes, the VAT is collected by the Revenue Department and the excise tax is collected by the Excise Department.

   From 2007 to 2015, the government’s revenue from excise taxation was stable, rising from 16 percent to 20 percent. In 2015, Thailand’s revenue from excise taxes was $12.57 billion. The excise revenue from non-alcoholic beverages increased by 21 percent, from $416 million to $504 million between 2011 and 2015. In general, Thailand has seven different excise acts including the following: the Excise Tax Act, the Playing Cards Act, the Liquor Act, the Tobacco Act, the Excise Tax Code Act, the Excise Tax Allocation Act, and the Liquor Tax Allocation Act.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Ceiling Rate</th>
<th>Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ad Valorem</td>
<td>Ad Valorem</td>
</tr>
<tr>
<td></td>
<td>(%)</td>
<td>(%)</td>
</tr>
<tr>
<td></td>
<td>Specific</td>
<td>Specific</td>
</tr>
<tr>
<td>1. Soda water</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>0.77 baht/440 c.c.</td>
<td>0.77 baht/440 c.c.</td>
</tr>
<tr>
<td>2. Soft drink</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>0.45 baht/440 c.c.</td>
<td>0.37 baht/440 c.c.</td>
</tr>
<tr>
<td>3. Unfermented vegetable or fruit juices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. In general</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>0.45 baht/440 c.c.</td>
<td>0.37 baht/440 c.c.</td>
</tr>
<tr>
<td>b. When juice content is compiled with the Department Regulation</td>
<td>20</td>
<td>Exempt</td>
</tr>
<tr>
<td></td>
<td>0.45 baht/440 c.c.</td>
<td>Exempt</td>
</tr>
</tbody>
</table>

   *Tax structure of non-alcoholic beverages*

b. **VAT**

   Thailand has applied VAT since 1992. Previously, Thailand used Business Taxes to fulfil the same purpose. Currently the country imposes a 7 percent VAT. However, this is a temporary rate that was deducted from the standard rate of 10 percent. This tax deduction was introduced by a special royal decree and will remain valid until September 30, 2016. In addition, some goods and services are exempted such as basic groceries, education, healthcare, and the sale of real estate.

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4 Ibid.
There are some other indirect taxes in Thailand including specific business tax, customs duty, stamp duty, house and land tax, local maintenance tax, and signboard tax. Thailand imposes a tax on signboards that show names or business symbols and advertisements. The signboard tax is rated by the tax officer based on signboard size and type of display; around 3 Baht to 40 Baht per 500 square centimeters.

Effective since January 2015, the Government of Thailand requires additional content on tax invoices, VAT credit and debit notes, and VAT reports. The additional requirements include provisions for VAT-registered customer’s tax identification numbers as well as those of registered business’s suppliers and customers. A business providing goods and services beyond THB 1.8 million annually is required to register for VAT.

2. Government proposed tax changes
   a. Excise tax

Thailand consumes the twelfth greatest amount of sugar in the world and the second greatest amount of sugar in the ASEAN region. In April 2016, the NRSA, a national committee on health and environmental reform, proposed a sugar tax to the cabinet to improve public health by reducing sugar consumption. The proposal proposes a sugar tax with two categories: first, a 20 percent tax on beverages that contain 6 to 10 grams of sugar per 100 ml.; second, a 25 percent tax on beverages with more than 10 grams of sugar per 100 ml. These beverages include carbonated drinks, green tea, coffee, energy drinks, sour milk, soy milk, and juices.

Conversely, the Thai Beverage Industry Association suggests that the government reconsider the NRSA’s sugar tax proposal, which is being reviewed by the Cabinet. The President of the Thai Industry Association, Veera Akaraputhiporn, demands justice and fairness for the beverage industry and the association requests access to the legislative process.

Should the sugar tax pass, the prices of non-alcoholic beverages in Thailand will increase by around 20 to 25 percent and the government revenue will rise by more than THB 10 billion ($285 million) annually.5

b. VAT

The government of Thailand issued Royal Decree No. 592 on October 1, 2015 to extend the current VAT rate of 7 percent—down from the normal rate of 10 percent—until September 30, 2016. The reduction of the VAT rate from 10 to 7 percent was initially valid only until September 30, 2015. The VAT rate scheduled to return to 10 percent after September 20, 2016, unless a new royal decree is issued.

In addition, the IMF recently suggested that the Government of Thailand to raise its VAT rate back to 10 percent, which the current rate is 7 percent, since Thailand’s economy gradually becomes healthier and inflation declined after an internal political uncertainty.

In April 2016, Director Sumalee Satitchaichareon, of the Tax Policy Bureau Fiscal Policy Office, stated that Thailand plans to conduct excise tax reforms by revising excisable type of goods and services, reevaluating the five main taxable goods (including beverages, alcoholic beverages, tobacco, petrol and petroleum products, and automobiles), and reviewing current rules and regulations.

3. Stakeholder profiles
   a. Leadership

Thailand is a constitutional monarchy where the Prime Minister serves as head of
government and a monarch is head of state. The Prime Minister of Thailand is Prayut Chan-o-cha
who has held the office since August 24, 2014. He is also the chair of the Cabinet. Thailand’s prime
minister will hold two four-year terms in the government. The next general elections will be
conducted in 2017.

In 2005, Thailand experienced political and civil turmoil as the previous Prime Minister,
Thaksin Shinawatra was ousted. The protest resumed when Shinawatra’s sister, Yingluck, won the
the Prime Minister contest in 2011. From November 2013 to May 2014, anti-government protests
reoccurred, which created political instability in the country.

However, both the Thai administration and Thai political parties greatly support the private
sector. The IMF reports that, “The Thai economy recovered in 2015 after a slowdown induced by
political uncertainty. Output grew by 2.8 percent, while headline inflation dropped to -0.9 percent,
undershooting the BOT’s target of 2.5 ± 1.5 percent, mostly due to a fall in energy prices.”\(^6\) In
summary, Thailand’s political instability does not significantly threaten daily business operations.

   b. Ministry

The Ministry of Finance is responsible for fiscal policy, financial systems policy, and
economic policy, and it supervises public finances, taxation, the treasury, government property,
and the operation of state enterprises. The Minister of Finance is Apisak Tantivarawong. Under
the MOF, the Revenue Department, the Excise Department, and the Customs Department are the
groups responsible for managing Thailand’s revenue and taxation system.

\(^6\) https://www.imf.org/external/np/sec/pr/2016/pr16141.htm
c. Departments

The Customs Department is responsible for collecting income from import and export taxes, duties, and fees. The Revenue Department works together with the Customs Department for about half of all tax collections in Thailand. In addition, both the Revenue Department and the Customs Department report to the Ministry of Finance.

The Excise Department is responsible for non-alcoholic beverage taxation policy and administration. Any excise tax reform from the Permanent Secretary and Ministry of Finance to the Cabinet is managed by the Excise Department, including those for food and non-alcoholic beverages.
1. **Current regime**
   
a. **Excise tax**

   Malaysia currently does not levy excise taxes on any food or non-alcoholic beverages. In general, Malaysia uses both ad valorem and specific basis. Excise duties are levied on a wide range of goods produced or imported into the country, including spirits, beers and stouts, whisky, gin, cigarettes containing tobacco, motor vehicles, motorcycles, and playing cards. The excise tax rate for spirits is quite high, at around MYR 0.1 per liter, or 15 percent of the value of the beverages.

b. **GST**

   Beginning on April 1, 2015, Malaysia imposes a GST at a rate of 6 percent, substituting for sales and service taxes. Businesses with annual sales turnover exceeding MYR 500,000 should register for GST. It is estimated that the GST would increase the government’s revenue by MYR 39 billion in 2016. However, the revenue is partly off-set by increased BR1M, the government’s cash assistance scheme for low-income households; payments totaling MYR 5.9 billion are aimed at improving domestic consumption and assisting lower income households.\(^7\)

   Basic foods are zero-rated supplies, including live animals, animal products, vegetable products, and some prepared foods. To an extent, the Government of Malaysia aims to stimulate its agricultural sector. A tax deduction will be extended for an additional five years to investors who undertake food production activities and tax exemptions will be granted to food production companies carrying out new projects or expanding current projects. Furthermore, certain types of agro-food and agro-based industries which qualify for this incentive have also been extended. Exemptions are applied for the sale and lease of investment residential property (including land), land for agricultural purposes, and land for the purposes of burial, play and religion, and financial services.

   Suppliers with an annual taxable turnover beyond MYR 500,000 should register for GST. A specific requirement for the content of GST invoices is that any amount expressed in a currency other than the Ringgit shall be converted to the Ringgit. Other indirect taxes in Malaysia include customs duties, and taxes on windfall profits and chess sets.

c. **Tax incentives: pioneer status and international tax allowance**

   Companies may be eligible for pioneer status (PS) or investment tax allowance (ITA)\(^8\) if they have engaged in production for no more than 12 months. Appropriate industries include manufacturing, food processing, agricultural, or other commercial sectors. Below is a detailed explanation about PS and ITA incentives.


\(^8\) [http://taxsummaries.pwc.com/uk/taxsummaries/wwts.nsf/ID/Malaysia-Corporate-Tax-credits-and-incentives](http://taxsummaries.pwc.com/uk/taxsummaries/wwts.nsf/ID/Malaysia-Corporate-Tax-credits-and-incentives)
• PS provides tax exemptions for 70 percent of statutory income for 5 years from production day.
• ITA offers 60 percent of qualifying capital expenditure (QCE) incurred within 5 years of approval date to be offset against 70 percent of statutory income for each YA until fully utilized. YA is the year coinciding with the calendar year. For instance, YA 2016 is the year ending December 31, 2016.
• A company with PS or ITA status that intends to undertake reinvestment before the expiry of its PS or ITA status may opt for reinvestment allowance, provided it surrenders its PS or ITA status.

2. Government proposed tax changes
   a. Excise tax
      Currently, around 3.3 million Malaysians suffer from diabetes.\(^9\) The Minister of Health, Subramaniam Sathasivam, proposed to levy a tax on sugar-sweetened beverages in June 2015. The Minister also encourages restaurants to reduce the amount of sugar used in drinks and to let consumers determine on how much sugar they need to consume.
      The Deputy Health Minister, Hilmi Yahaya, stated that the sugar-sweetened beverages tax proposal has been included in the government’s National Plan of Action on Nutrition III and policy options for the years 2016 to 2025.
      Conversely, Malaysian consumer groups are concerned that retailers and food outlets will take advantage by raising the price of other foodstuffs that are not included in the tax. The Vice President of the Federation of Malaysian Consumer Associations (Fomca), Siti Rahayu Zakaria, suggested that if the sugar tax is introduced, the government should ensure that retailers and food operators would not increase the prices of foodstuffs that are not included by such tax. She added that to reduce sugar consumption, the government should also raise public awareness about healthy lifestyles.
      In October 2013, the government of Malaysia announced that it stopped subsidizing sugar which was subsidized at $0.34 per kg. The decision to cut the subsidy was made due to the increasing number of Malaysians living with diabetes.
      In the beginning of 2016, Subramaniam Sathasivam suggested a common food safety certification system among the ASEAN countries. The main purpose is to improve food safety and the competitiveness of ASEAN’s food exports in the global market.

   b. GST
      Malaysia currently does not propose any GST reforms.
      In general, in 2016, Malaysia’s Budget Proposals focus on eliminating the negative impacts of the current economic challenges from both the domestic and international markets. For several reasons, the government currently tends to be more careful in making any new financial and economic policies which could potentially worsen the government’s revenue including current low oil prices, a weak local currency, and the global economic downturn, especially in China. Malaysia’s recent tax reform aims to improve the capability, effectiveness, and transparency of tax management in the country.

\(^9\) http://www.idf.org/membership/wp/malaysia
3. Stakeholder profiles
   a. Leadership

   Malaysia practices a federal representative democratic constitutional monarchy where the king is the head of state and prime minister is the head of government. The prime minister is appointed by the king (Abdul Halim of Kedah).

   The Prime Minister is Dato’ Seri Mohd Najib bin Tun Haji Abdul Razak, or Najib Razak, who has been in office since April 2009. The King is Abdul Halim of Kedah. The king is appointed by the nine sultans of the Malaysian peninsular states for a five-year term.

   ![Prime Minister Najib Razak](image)

   Malaysian national media is mostly managed by the government and political parties. The Government of Malaysia controls print media through a mandatory of having annual publication licenses under the Printing and Presses Act.

   b. Ministry

   Effective as of September 2008, Prime Minister Najib Razak also serves as the Minister of Finance. Malaysia has a second Minister of Finance, currently, Johari Abdul Ghani. Additionally, Othman Aziz and Lee Chee Leong are the Deputy Ministers of Finance. The MOF is responsible for government revenue and expenditure, developing economic policy and designing financial legislation and regulations.

   The Deputy Minister of Health, Dr. Hilmi Yahaya, recently endorsed the sugar tax. He stated that the proposal is one of the strategies identified to minimize non-communicable diseases such as obesity and diabetes.

   c. Departments

   The Second Deputy Minister of Finance is assisted by a team of secretaries, including: The Deputy Secretary-General of Policy, the Deputy Secretary-General of Management, and the Deputy Secretary-General of Investment.
1. Current regime
   a. Excise Tax
      The Philippines currently does not levy excise taxes on any food or non-alcoholic beverages manufactured in the country. In general, the Philippines imposes specific and ad valorem taxes on certain goods, including alcoholic beverages, tobacco products, petroleum products, mineral products, automobiles, and non-essential goods such as jewelry, perfumes, and yachts.

   b. VAT
      The Philippines has used VAT since 1988. The Philippines imposes a 12 percent VAT for any transaction goods and services including the sale, barter, and importation of goods into the country, whether or not in the course of trade or business.

      Zero-rated VAT applies to export sales, foreign currency denominated sales, sales to any entities exempt under special laws or international agreements, sales of services rendered to persons engaged in business conducted outside of the country or to a non-resident individual not engaged in business who is outside the Philippines when the services are performed.

      Exempt transactions include certain residential sales or leases, educational services, and employment by multinational corporations. Additionally, VAT exemption applies to any individual or entity with gross sales and receipts equal to or less than PHP 1.9 million per annum. However, this category of individuals is subject to paying 3 percent of gross quarterly sales or receipts. Other indirect taxes include percentage taxes and customs duties.

   c. Higher tariff rates on agricultural products
      In order to protect its domestic goods, the Philippines applies 20 to 65 percent higher tariff rates on particular agricultural products. This applies to imported grains, livestock and meat products, sugar, certain vegetables, and coffee.

2. Government proposed tax changes
   a. Excise tax
      The Philippines is considering a soda tax due to strong growth in demand for soft drinks in the past five years. Indonesia and the Philippines are two countries in ASEAN seriously considering the excise tax to tackle the NCD diseases. In its proposal, the Philippines’s House of Representatives considers introducing a 10 percent excise tax on all sugar-sweetened drinks. If the sugar-sweetened beverages excise tax is passed, it will add an additional PHP 30 billion, annually, to government revenue.

      In addition, the Department of Finance proposes raising the excise tax on gasoline, diesel and other oil products. The Comprehensive Tax Reform Program (CTRP), a package of reforms that aims to establish a more progressive tax system in Philippines, proposes a P 10 per liter price for
gasoline and a P 6 per liter price for diesel and other products. Additionally, the excise tax rates for oil will rise by 4 percent annually after the law’s first year of implementation.

b. VAT
In May 2016, the DOF proposed a VAT rate of a 14 percent, up from the current rate of a 12 percent, for the next administration. Former president Benigno Aquino III suggests that newly elected President Rodrigo Roa Duterte push for the passage of CTRP, which would increase the present VAT rate. The DOF also recommends that the new administration revoke certain products which are currently under VAT exemption, including raw materials for biofuels, domestic shipping development, transport of passenger by international carriers, and electric transmission.

3. Stakeholder profiles
a. Leadership
The Philippines practices a presidential, representative, and democratic republic where the president plays role as both the head of state and the head of government within a multi-party system. The current President of the Philippines is Rodrigo Roa Duterte, who won the election on May 9, 2016. In the Philippines, presidents serve for one six-year term.

President Duterte was officially proclaimed by a joint session of the Philippine Congress on May 30, 2016. President Duterte is the sixteenth President of the Philippines and the first Mindanao president. As the Mayor of Davao City for seven terms, totaling 22 years, he was one of the longest-serving mayors in the country. According to President Duterte’s spokesperson, Peter Lavina, the President plans to petition for a constitutional amendment which would change the government into a parliamentary and federal model.

The Vice President of Philippines is Leni Robredo. She is the second woman to serve as Vice President in the Philippines. Prior to that, she served as a Representative of Camarines Sur’s Third District in the sixteenth Congress. She is a lawyer and social activist.
b. Secretary

The Secretary of Finance is Carlos Dominguez III, who was appointed by President Duterte. Secretary Dominguez is a Filipino businessman and former chief executive of Philippine Airlines. The Secretary of Finance is responsible for managing government revenue, resource mobilization, debt management, and finance market development.

c. Departments

Under the Secretary of Finance, there are several groups directly involved in taxation issues. First, the Fiscal Policy and Planning Office is responsible for preparing studies on excise taxation, VAT, and tariffs, including drafting tax reform measures. Second, the Research and Information Office is responsible for tax policy formulation, legislative liaison work on tax, financial and economic proposals and information dissemination. Finally, the Revenue Office is responsible for processing applications for exemptions from payment of duties or taxes on imports by qualified applicants and chartered entities.
1. Current regime
   a. Excise tax
      Indonesia currently does not levy excise taxes on any foods or non-alcoholic beverages manufactured in the country. In general, Indonesia imposes unitary excise taxes on particular goods. The excise tax includes ethyl alcohol, alcoholic drinks, and tobacco products. For ethyl alcohol and alcoholic drinks, the excise rate ranges from IDR 13,000 to IDR 139,000. The excise tax for tobacco products is between IDR 6 and IDR 110,000 per stick or gram.

   b. VAT
      Indonesia levies VAT at a rate of 10 percent. Zero-rated VAT is available for the export of goods and certain services, except for food and beverages. Exemptions apply to deliveries and, or, the import of taxable goods designated as strategic goods by the government as well as particular goods or other services for purpose of supporting particular national objectives.

      A business with annual turnover exceeding IDR 4.8 billion should register for VAT. It is important to note that, effective on July 1, 2016, all taxpayers must use electronic invoices and use the Indonesian Rupiah as the currency. Other indirect taxes include sales taxes on luxury goods, stamp duties, and customs duties.

   c. Electronic VAT
      The DGT announced that electronic VAT will be mandatory for all taxpayers effective on July 1, 2016. This policy is meant to simplify the VAT invoice administration process and to improve tax compliance within the country. On July 1, 2015, e-invoices were required for corporate taxpayers registered in the 17 regional tax offices on the Islands of Java and Bali.

      Exemptions are made from the mandatory electronic VAT if the supply of taxable goods and services come from retailers and taxpayers who use other documents instead of VAT invoices. Furthermore, the VAT invoices must use the Indonesian Rupiah as the currency. Foreign currency invoices must be converted using the Ministry of Finance rate, as per the date the electronic VAT invoice is made.

2. Government proposed tax changes
   a. Excise taxes
      Soda tax
      Indonesia is considering a soda tax to decrease sugar consumption. The market size for soft drinks, measured in retail value, doubled between 2010 and 2015. However, some argue that the tax proposal would force bottling companies to reconsider their long-term investment in the country as the tax would might make production economically inviable given that producers already suffer from the fluctuations in the local currency against the US dollar. At the same time,
a study conducted by the University of Indonesia states that the proposed tax could raise government revenue by IDR 590 billion ($42 million) annually.¹⁰

The Chairman of the Soft Drinks Industry Association, Triyono Prijosoesilo, said that the soda tax could create massive job losses and cause only limited positive health impacts as soft drink consumption is currently relatively low in the country. He added that, “Sweetened beverages only account for 6.5 percent of the total calories consumed by residents of big cities in Indonesia.” Add a concluding sentence.

**Plastic tax**

Indonesia is the world’s second largest waste producer, following China. As a result, the Government of Indonesia is considering levying a tax on plastic bottles and packaging in order to reduce plastic production and consumption. In February 2016, the Government introduced a charge on plastic bags in 22 cities across the archipelago for a six-month trial. The government plans to impose excise tax on plastic bottles and packaging at minimum IDR 200 ($0.02).¹¹ If the proposed tax is approved by the House of Representatives (DPR), the introduction of excise tax would take place at the end of 2016. Such an excise tax would primarily affect three sectors, including the food and beverage sector, the packaging sector, and petrochemicals.

b. **VAT**

Indonesia currently does not propose any VAT reform.

3. **Stakeholder profiles**

a. **Leadership**

Indonesia is a presidential, representative democratic republic where president is both head of state and head of government. In Indonesia, presidents may serve up to two five-year terms. In Indonesia’s electoral system, the winning president and vice president are selected by popular vote.

Joko Widodo, popularly known as Jokowi, is the current President of Indonesia, having held the office since October 2014. Previously, he served as Governor of Jakarta from 2012 to 2014 and Mayor of Surakarta, Central Java, from 2005 to 2012. Indonesia’s current top priority is to improve its economic and political cooperation in the international stage, especially with Western economies. The country is continuously strengthening its relationship with member countries of ASEAN, the East Asia Summit, UN, WTO and OPEC.

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¹⁰ http://www.foodnavigator-asia.com/Policy/Soda-tax-could-cost-120-000-Indonesian-jobs
b. Ministry

Indonesia’s Ministry of Finance is responsible for formulating, and implementing policies in terms of budgeting, taxes, customs, treasury, state asset management, fiscal balance, and budget financing and risk management. The current Minister of Finance is Bambang Brodjonegoro, having served since October 27, 2014. He is an economist and previously served as a Deputy Finance Minister, from October 2013 to October 2014.

c. Departments

Under the MOF, two groups are directly involved in the regulation and administration of all issues related to the tax system. First, the Directorate General of Tax is charged with formulating and implementing policies in terms of taxes according to legislation. Second, the Directorate General of Customs and Excise formulates and implements policies in terms of supervision, law enforcement, government services, and government revenue optimization in customs and excise according to legislation.
1. Current regime
   a. Excise tax
      Vietnam currently does not levy excise taxes on any foods and non-alcoholic beverages manufactured in the country. In general, Vietnam levies Special Sales Taxes (SST) as a form of excise tax on the production or import of certain goods and the provision of certain services. Imported goods are subject to SST at both the point of import and sale, except for petrol products.

   b. VAT
      Vietnam imposes VAT at 10 percent on the production, trading, and consumption of final goods and services. The country applies a 5 percent VAT on the provision of fundamental materials and services including clean water, unprocessed foodstuffs, various agricultural products and services, sugar and its byproducts.

      Zero-rated VAT applies to exported goods and services. Effective on January 1, 2015, Vietnam exempts particular goods that were previously subject to at 5 percent VAT, including fertilizers, specialized machinery and equipment used for agricultural production, offshore fishing vessels, and feed for cattle, poultry, and other animals.

2. Government proposed tax changes
   a. Excise tax
      Vietnam is the tenth largest sugar consumption in Asia. On a related note, the Vice Minister of Health, Nguyen Thanh Long, mentioned that the number of Vietnamese living with diabetes has doubled in the past decade, to around 5.4 percent of the population.

   b. VAT
      Vietnam currently does not propose any VAT reforms. Some foreign companies urge the Government of Vietnam to simplify its tax regulations. They argue that the laws are complex, vague, and time consuming. The head of the Ministry of Finance’s Tax Policy Department, Pham Dinh Thi, states that Vietnam plans to conduct tax reforms in a way that would support more domestic production and business, and strengthen the economy’s competitiveness.

      Consequently, the government announced its plans to improve its competitiveness by reforming the tax procedures and regulations outlined under resolution No. 1134/QD-BTC, including increased utilization of electronic based recordkeeping and improved regulation of transfer pricing.

      Vietnam plans to raise tax rates on liquor and cigarette consumption and cut rates on biofuel consumption, effective on January 1, 2016.
In 2014, Vietnam planned to impose a 10 percent special tax on carbonated soft drinks. Nevertheless, the proposal was withdrawn because of commercial pressure and discriminatory issues as the tax proposal would have benefited non-carbonated soft drinks in the country.

3. Stakeholder profiles
   a. Leadership
      Vietnam is a single-party socialist republic in Southeast Asia where the president serves as the head of state and the prime minister serves as the head of government. The Communist Party of Vietnam runs Vietnam’s single political party. Vietnamese people elect a legislature called the National Assembly by direct voting. The President of Vietnam is elected by the National Assembly. The current President of Vietnam is Tran Dai Quang, who has held the office since April 2, 2016. In Vietnam, presidents can serve up to three five-year terms and prime ministers are restricted to two five-year terms.

      ![President Tran Dai Quang](image)

      The Prime Minister of Vietnam is Nguyen Xuan Phuc. He was appointed by the President with approval from the National Assembly. Nguyen Xuan Phuc is the eighth Prime Minister, holding office since April 7, 2016. Previously, he served as a Deputy Prime Minister of Vietnam from 2011 to 2016.

   b. Ministry
      The Ministry of Finance is responsible for the finances of the states of Vietnam including managing national budget, tax revenue, states assets, national financial reserves and the finances of states corporations. The Minister of Finance is Dinh Tien Dung effective on May 24, 2013. He is a politician Vietnam.

   c. Department
      Under the Ministry of Finance, the General Department of Taxation is responsible for advising and assisting the Minister of Finance in managing domestic revenues nationwide,
including taxes, charges and fees, and other state budget revenues. The General Department of Taxation is also charged with managing taxation in accordance with the law.
1. Current regime
   a. Excise tax
      Myanmar, also known as Burma, currently does not levy excise taxes on any foods or non-alcoholic beverages manufactured in the country.

   b. Commercial taxes
      Myanmar imposes commercial taxes on particular goods and services listed in the Commercial Tax Law. Myanmar’s commercial tax rate ranges from 0 to 8 percent, depending on the nature of the products. In general, Myanmar levies a commercial tax rate of 5 percent. Some products are exempt, including basic food and medicines.
      Most export goods are no longer subject to commercial taxes, excluding electricity and crude oil. Any parties that produce goods, provide services, or imports goods is required to register for the commercial tax. In other words, there is no minimum threshold for the registration. Other indirect taxes in Myanmar include stamp duties, customs duties, and property tax.

   c. Special goods tax
      On April 1, 2016, Myanmar passed the Union Tax Law to introduce a Special Goods Tax (SGT) for certain goods that are produced, imported, or exported to the country including tobacco, alcoholic products, jewelry, luxury cars, and fuel and natural gas. This tax in addition to the standard commercial tax.
      The new Union Tax Law also affects the minimum amount of personal income tax for exemption. Individuals earning up to MMK 4.8 million are now exempt from paying income tax, which the previous threshold was MMK 2 million.

2. Government proposed tax changes
   a. Excise tax
      Myanmar currently does not propose any excise taxes for foods or non-alcoholic beverages manufactured in the country.

   b. Commercial sugar tax
      In December 2015, the Ministry of Finance submitted a proposal to amend the Union Tax Law for the 2016-2017 fiscal year. The amendment proposed replacing the current commercial tax to VAT.
3. Stakeholder profiles
   a. Leadership
      Under its current constitution, Myanmar is a unitary parliamentary republic. The latest Myanmar general election was conducted on November 8, 2015, with the National League for Democracy winning a supermajority of seats. The 2015 election was the first openly contested election held since 1990.

      The current President of Myanmar is Htin Kyaw, who has held the office since March 30, 2016. He is the first civilian to hold the office since the 1962 coup d’état.

      [Image of Htin Kyaw]

      Myanmar presidents are allowed to hold office for two five-year terms. President Htin Kyaw has two vice presidents. His first Vice President is Myint Swe and his second Vice President is Henry Van Thio. The State Counselor is Aung San Suu Kyi.

   b. Ministry
      The Ministry of Planning and Finance is led by Kyaw Win. The ministry formulates and implements effective monetary and financial policies in order to meet political, economic, social and other development objectives laid down by the State.

   c. Departments
      The Ministry of Finance has several departments that manage government revenue, including the Customs Department and the Internal Revenue Department. The Customs Department focuses on improving trade facilitation by simplifying customs procedures and ensuring proper collection of customs duties and taxes. The Internal Revenue Department is primarily responsible for collecting four types of taxes and duties, including income taxes, commercial taxes, stamp duties and State lottery taxes.
1. Current regime
   a. Excise tax
      Singapore currently does not levy excise taxes on any food or non-alcoholic beverages manufactured in the country. In general, most of the goods imported into Singapore are not subject to excise duties, except for intoxicating liquors, tobacco products, motor vehicles, and petroleum products.

   b. GST
      Singapore imposes GST at a rate of 7 percent. Zero-rated GST applies to the export of goods from the country. Any individual should register for GST when taxable turnover exceeds SGD 1 million ($737 thousand) a year. Also, for a person who is currently making taxable supplies and the annual taxable turnover is expected to be more than SGD 1 million ($737 thousand) in the next 12 months. Other indirect taxes include customs duties, stamp duties, proper taxes, casino taxes, betting ad sweepstakes, and private lottery duties.

2. Proposed tax changes by government
   a. Excise tax
      Singapore is not currently proposing any excise taxes on foods or non-alcoholic beverages manufactured in the country. In general, the number of Singaporeans with heart failure has increased in the past few years. A study from the National Heart Centre Singapore disclosed that Singaporeans experience heart failure at the average age of 61, about 10 years earlier than Americans and Europeans.

      Singapore is currently Asia’s second most obese country, after Malaysia. The Minister of Health, Gan Kim Yong, plans to invest SGD 1 billion ($737 million) annually to address the problem, and to raise to SGD 2.5 billion ($1.8 billion) by 2050 to combat this pandemic. The country might levy a excise tax on sugary beverages to reduce the growing obesity and diabetes problems. However, the Government believes that raising public awareness and education are more effective than imposing special taxes alone.

   b. GST
      In January 2016, the Ministry of Finance proposed the GST Tax Bill 2016 (Amendment) to improve Singapore’s tax and banking systems. The Bill also proposed an extension for the 0 percent GST rate on specific supplies related to aircraft beyond what is currently covered.

12 http://www.businesstimes.com.sg/opinion/food-economics-will-decide-war-on-diabetes
3. Stakeholder profiles
   a. Leadership
      Singapore practices a form of parliamentary representative democratic republic where the
      president is the head of state and the prime minister is the head of government, in a multi-party
      system. The latest Singaporean general election was held on September 11, 2015 in order to form
      Singapore’s Parliament.

      Lee Hsien Loong is the Prime Minister of Singapore, having held the office since 2004. There are no
term limits for Singapore’s prime ministers. Prime Minister Less Hsien Loong is the eldest son of the
Singapore’s first Prime Minister, Lee Kuan Yew.

      The President of Singapore is Tony Tan Keng Yam, who has held the office since September
1, 2011. He is the seventh President of Singapore. Previously, President Tony Tan Keng Yam served
as a Coordinating Minister for Security and Defense from 2003 to 2005 and as a Deputy Prime
Minister from 1993 to 2005.

   b. Ministry
      The Ministry of Finance focusses on strengthening relationships through collaboration with
industry to make the country a world-class financial and business hub. Heng Swee Keat is the
current Minister of Finance, having held the office since October 1, 2015. However, on May 12,
2016, Heng Swee Keat collapsed from a stroke. Prime Minister Lee Hsien Loong appointed Deputy
Prime Minister Tharman Shanmugaratnam to manage his duties.

   c. Departments
      The Minister of Finance has two departments that design Singapore’s revenue policy. There are
the Fiscal Policy (FP) Directorate and the Tax Policy (TP) Directorate. While the main
responsibility of the FP Directorate is to create an overall fiscal strategy and to implement a fiscal
stance, the TP Directorate mainly focuses to designing tax policies to meet Singapore’s long term
fiscal needs and to promote economic and social objectives.
1. Current regime
   a. Excise tax
      Cambodia currently does not levy excise taxes on any foods or non-alcoholic beverages manufactured in the country. However, Cambodia applies Specific Taxes on certain Merchandise and Services (STMS) as a form of excise tax applied to imported goods and the provision of services. Products subjected to the specific tax are soft drinks, alcoholic products, and beer, at 20 percent. Other goods subject to the specific tax include cigarettes, at 15 percent. Services include entertainment services and air transport of passengers at 10 percent, and telephone services at 3 percent. Local taxpayers are responsible for paying this tax to the tax administration by the 15th of the month following the month that the supplies are produced.

   b. VAT
      Cambodia imposes VAT at a rate of 10 percent. Exemptions are applied to supplies of water for public consumption and electricity and non-profit activities in the public interest as recognized by the Ministry of Economy and Finance.
      It is mandatory for a business to register for VAT if it meets at least one of these following criteria:
      • All types of corporations, importer-exporters, and investment enterprises
      • Any other business with turnover of goods sold greater than KHR 125 million, or in respect to services, more than KHR 60 million for the preceding 2 consecutive months or expected in the following 3 consecutive months
      • Any business that, at the beginning of any 3 consecutive months, has any government contracts which will produce taxable turnover beyond KHR 30 million.

      In Cambodia, VAT invoices are required to be issued in sequential order and they should be in Khmer language with English as a secondary language, if required. Other indirect taxes include accommodation taxes, specific taxes on particular merchandise and services, and a tax on public lighting.

2. Government proposed tax changes
   a. Excise tax
      Cambodia is not currently proposing excise taxes for any foods or non-alcoholic beverages manufactured in the country.

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b. VAT
Cambodia currently does not propose any VAT reform.

3. Stakeholder profiles
a. Leadership
Cambodia practices a constitutional monarchy where the prime minister is the head of government and a monarch is the head of state. Cambodia’s prime minister has no term limits.

The current Prime Minister of Cambodia is Hun Sen, who has held the office since November 30, 1998. This makes him the longest serving Prime Minister of Cambodia. Prime Minister Hun Sen is the 34th Prime Minister of Cambodia.

Norodom Sihamoni has been the King of Cambodia since October 14, 2004. He is the eldest son of Norodom Sihanouk. The Monarch of Cambodia is selected by the Royal Council of the Throne of Cambodia, consisting of a nine-member council.

b. Ministry
The Minister of Economy and Finance is Aun Porn Moniroth who has held the office since September 2013. He is also the Economic Advisor to Prime Minister Hun Sen. In December 2015, Aun Porn Moniroth stated that Cambodia would increases its expenditures by 16.5 percent in 2016. The new expenditures would be used to improve the quality of infrastructure, water, electricity. The government also aims to raise its revenue by 2 percent of GDP, compared to 2015.

c. Departments
Under the Ministry of Economy and Finance, the General Department of Customs and Excise and the General Department of Taxation are responsible for designing tax policy and managing its administration. The Department of Customs and Excise is responsible for collecting taxes on imports and exports.
1. Current regime
   a. Excise tax
      Laos imposes excise duties on carbonated drinks and invigorating drinks, at a range between 5 and 25 percent. In general, excise taxes are levied on particular products at rates ranging from 5 percent to 90 percent. For instance, fuel is taxed from 5 percent to 25 percent, alcohol is taxed from 50 to 70 percent, tobacco is taxed at 60 percent, and cosmetics are taxed at 20 percent.

   b. VAT
      Laos levies a 10 percent VAT for both goods and services produced or imported into the country. Zero-rated VAT applies to exported goods and services. Exemptions are applied to crop seeds and animals, certain imports related to air transport, specified financial services operations, and certain vehicles for specific purposes.

      A business with a minimum annual business turnover of LAK 400 million is required to register for VAT. Other indirect taxes include excise taxes, customs duties and stamp duties.

   c. Special tax incentives
      Under Laos’ Law on Investment and Promotion, the Government offers special tax incentives for investors in the country, including the following:
      • tax rate reductions for companies with investment agreements with the government;
      • investment incentives for particular investments for projects to promote specific sectors or located in particular locations;
      • if a foreign enterprise is granted an initial tax exemption for two to four years and suffers losses in that period, it may be permitted to carry the losses forward and the losses may then be deducted from taxes levied on profits in the next year, carried forward up to 3 years;
      • raw materials and intermediate items that are imported in order to obtain import substitution are eligible for special duty reductions.

2. Government proposed tax changes
   a. Excise tax
      Laos does not currently propose levying excise taxes for any foods or non-alcoholic beverages manufactured in the country.

   b. VAT
      Laos currently does not propose any VAT reform.
3. Stakeholder profiles

a. Leadership

Laos has a one-party socialist republic that is called the Lao People’s Revolutionary Party (LPRP). The nine-member Politburo of the LPRP and the 49-member Central Committee create government policies in the country.

The Prime Minister of Laos is Thongloun Sisoulith, who has held the office since April 20, 2016. Prior to become the Prime Minister, Thongloun Sisoulith served as a Deputy Prime Minister and Minister of Foreign Affairs. Prime Ministers of Laos each serve one five-year term.

The current President of Laos is Bounnhang Vorachith, who is the head of state and the General Secretary of LPRP. President Bounnhang Vorachith has held the office since April 20, 2016.

b. Ministry

The Minister of Finance is Somdy Douangdy, who has held the office since April 19, 2016. He previously served as the Minister of Planning and Investment. In this capacity he was responsible for providing information related to the investment process in Laos.

c. Departments

Under the Ministry of Finance, the Tax Department and Customs and Excise Department are responsible for managing tax policy and administration.
1. Current regime
   a. Excise tax
      Brunei Darussalam currently does not levy excise taxes for any foods or non-alcoholic beverages manufactured in the country.
   b. VAT
      Brunei Darussalam does not currently impose VAT or equivalent consumption based taxes. In general, the country levies several types of indirect taxes, including capital duties, payroll taxes, real property taxes, social security, stamp duties, and transfer taxes. In addition, another indirect tax covers remuneration paid to a nonresident director or management fees paid to a nonresident. These are subject to a 20 percent withholding tax.

2. Proposed tax changes by government
   a. Excise tax
      It is estimated that one-third of young people in Brunei Darussalam are overweight and around 17 percent of them are obese. The Minister of Health, Dr. Zulkarnain Hanafi, is currently considering imposing a tax on food products and beverages that contain high amounts of sugar and, or, a tax on fast food chains. However, Dr. Hanafi mentioned that this policy would not cut the sugar subsidy in the country.
   b. VAT
      Brunei Darussalam currently does not propose any VAT reform.

3. Stakeholder profiles
   a. Leadership
      Brunei Darussalam practices an absolute monarchy where the Sultan of Brunei Darussalam is both the head of state and the head of government. The head of state of Brunei Darussalam with full executive authority is Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah. He is the 29th and current Sultan of Brunei Darussalam, since October 1967.
   b. Ministry
      Sultan Haji Hassanal Bolkiah also plays a role as the Minister of Finance, Minister of Defense, and Minister of Foreign Affairs and Trade. The Minister of Finance II is Haji Abdul Rahman bin Haji Ibrahim. The Ministry of Finance is responsible for revenue policy and its administration. However, any significant financial policies are designed by the Sultan and his Council of Cabinet Ministers.
The Ministry of Brunei Darussalam aims to improve the country’s business facilitation and policies in a way that promotes business and investments. The government will also strengthen financial management through discipline and prudent spending, especially with current low oil prices as the country relies highly on its oil and gas resources.

c. Departments

Under the Ministry of Finance, the Revenue Division is the agency responsible for formulating tax policies and administration and income tax collection.
REFERENCE


