

The ASEAN Business Environment

City of Wanneroo Business Breakfast

Leon Mok, Managing Director



Agenda

Here's what we are going to talk about today

- 1 Current Climate**
- 2 Opportunities**
- 3 Regulatory Environment**
- 4 Taxation**
- 5 Practical Steps**

Current Climate



Over 11% of all Australian exports to go ASEAN 10 countries – more than we import to EU28 countries



WA exports still heavily goods focused (commodities) and weighted to China and Japan



WA services exports focused on tourism, education and business related travel



WA imports varied with gold and petroleum leading but extensive import of equipment as well as services



WA imports significant amounts from ASEAN countries notably from Thailand

Opportunities



ASEAN GDP over US\$2.5 trn – about double Australia – dominated by Indonesia, Thailand, Philippines, Singapore, Malaysia (Vietnam up and coming)



Growing middle class – need for higher value and higher quality products



WA traditionally strong in primary sectors with commodities and agri exports – will continue



Increased need for services

- Education
 - Technical and Engineering
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WA uniquely placed – proximity, timezone, SEA diaspora



Regulatory Environment

A whole new world

In Country Setup

- Permits and other red tape
- Foreign ownership
- Personnel

Banking and Funds Transfer

- KYC, AML, CTL, FATCA rules
- Local capital controls
- Forex

Supply Chain

- Customs and tariffs
- Specific anti-illegal activity rules
- Trade agreements

Taxation

- BEPS (Base Erosion and Profit Shifting)
- Indirect tax (VAT and GST)
- Local jurisdiction 'quirks'

Taxation



How do you maximise efficiency and simplicity

▶ Aust Rules	<ul style="list-style-type: none">• Residency• Accruals taxation regime (CFC rules)
▶ Profit repatriation	<ul style="list-style-type: none">• Withholding taxes• Double tax – Foreign Income Tax Offsets• Profit flow through efficiency• Exemptions
▶ Funding	<ul style="list-style-type: none">• Local rules• Thin capitalisation
▶ Transfer pricing	<ul style="list-style-type: none">• Major focus area• Complex and extensive
▶ Exit	<ul style="list-style-type: none">• Limited Exemptions
▶ Administration	<ul style="list-style-type: none">• Taxable presence – Subsidiary / Branch / VAT & GST• Local 'quirks'

Practical Steps



What you need to conceptualise to see the picture



What

- Product
- Service
- Intangible



Presence

- Shopfront
- Website
- Personnel
- Agents



Funding

- Cashflow
- Repatriation
- Banking



End Game

- Distributions
- Sale
- Spinoff
- Listing



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Customs and International Trade

Australian perspective - What are you doing to reduce costs?

Darryl Daisley – Director, Customs, Fuel Tax and International Trade



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Agenda



Here's what we are going to talk about today

1 General Customs Environment
- Australia

2 Import and Export – areas of
interest

3 Navigating FTAs

4 Import and Export costs

6 Import and Export costs

7 Supply chain considerations

8 Case Studies

General Customs Environment - Australia



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- 1 ► Sophisticated Customs service in Australia – highly computerised
 - 2 ► **Self-assessed** regime for import/export transactions
 - 3 ► General duty rate in Australia – 5% (low in the regional and global context)
 - 4 ► Numerous import concessional mechanisms available (of which FTAs are one)
 - 5 ► Currently low level of import audit activity by Customs, but...risk needs to be proactively managed
 - 6 ► Exporters faced with unfamiliar customs authorities (varying degrees of bureaucracy)
 - 7 ► Rapidly changing global environment!!!
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Navigating FTAs



Variance between FTAs with regard to compliance requirements

- ▶ Self declaration
 - ▶ Certificates of Origin (CoC)
 - ▶ Supplier Statements
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▶ Surprisingly low level of awareness amongst importers / Exporters more in-tune

▶ Early consideration for supplier assistance generally required

▶ Some retrospectivity can be applied

▶ An ever changing environment – TPP11 and RCEP, Aust-Indo FTA

▶ Australia heavily connected into Indo-Pacific

Navigating FTAs



Free Trade Agreement Countries – declaration from supplier

- ▶ • USA and Canada – valid for 4 years – blanket approval is acceptable
 - New Zealand – declaration on invoice is acceptable
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▶ TPP11 – self certification

Free Trade Agreements – Certificate of Origin required (valid for 12 months)

- ASEAN-Australia-NZ
 - Thailand
 - Japan
 - ▶ • Korea
 - Chile
 - Malaysia
 - Singapore
 - China – or statement from supplier acceptable
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Navigating FTAs



- ▶ Supplier willingness to assist in preparation of compliant FTA paperwork

- ▶ Costs associated with COO – can be vary greatly between countries

- ▶ Rules of Origin can be complex and require detailed analysis of supply chain (in particular could include review of manufacturing process)

- 5 key FTA questions to be considered by Importers/Exporters:
 - WHAT goods are being traded and what is their current customs tariff classification?;
 - HOW are the goods to be treated? (do they receive preferential tariff treatment);
 - WHERE are the goods produced? (do they meet the rules of origin);
 - CONFIRM all eligible goods to be included in shipment;
 - CERTIFY the goods with a valid Certificate of Origin (where applicable).



Case Study

An Australian Company predominantly exports machine safety devices to Asia on an ex-works basis. The Company provided standard commercial export documentation (non FTA compliant).

- Their goods were subject to 8% import duty into South Korea
- Korea-Australia FTA covers their goods
- Company undertook a Regional Value Content (RVC) calc (>40% assessment)
- Goods were compliant under ROO
- Company now issues Compliant COO for these shipments saving their customers significant import duty costs on these sales (additional admin cost charged)



Case Study

An Australian Company operating in the Oil and Gas sector was contracted to supply special anchor. Under the contract terms import duty their responsibility. The \$1m article was being made in Batam Indonesia with components from Malaysia, Indonesia, Australia and USA.

- Finished product subject to 5% import duty (\$50K)
- ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) applies (self assessed)
- Regional Value Content (RVC) required – support from exporter/manufacturer (40% or more) 3-4 weeks to get in place
- Formal COO obtained 1 day prior to shipping
- Goods were afforded duty free entry

Import and Export Costs



1 ▶ Many companies unaware of annual import duty paid

2 ▶ 4 year review period!! (a chance to go back, correct and obtain refunds)

Consider Tariff Concession Scheme and other import concessions for:

- 3** ▶
- Single high value shipments
 - Low value – high volume imported goods
 - Potential savings \$50k per \$1m spend
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4 ▶ Retrospective refund opportunities and proactive consulting support



Case Study

An Australian Company specialising in underground mining pumps (fully imported product – pumps and parts) has imported from overseas for 18 years, using four (4) of the leading Customs Broker/Freight Forwarding companies over this period. A review of 180 shipments over the proceeding four (4) years highlighted only one (1) shipment correctly entered – wrong Tariff Classification being used leading to import duty being paid. A technical assessment of the product – supported by a private ruling to Customs identified import concessions using the correct tariff classification enabling refunds of \$700,000 to be obtained, with ongoing annual savings of \$100,000.

Supply chain considerations



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- 1 ► Have you assessed your product recently?
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- 2 ► Early consideration of supply chain touch points is vital
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- 3 ► Specialist in-country assistance may be required
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- 4 ► Best case scenario documentation/approval is available prior to import /export
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- 5 ► For FTAs - generally shipment by shipment basis i.e. COO specific to each consignment
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- 6 ► Economic considerations for choosing suppliers within FTA partner nations
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Q&A



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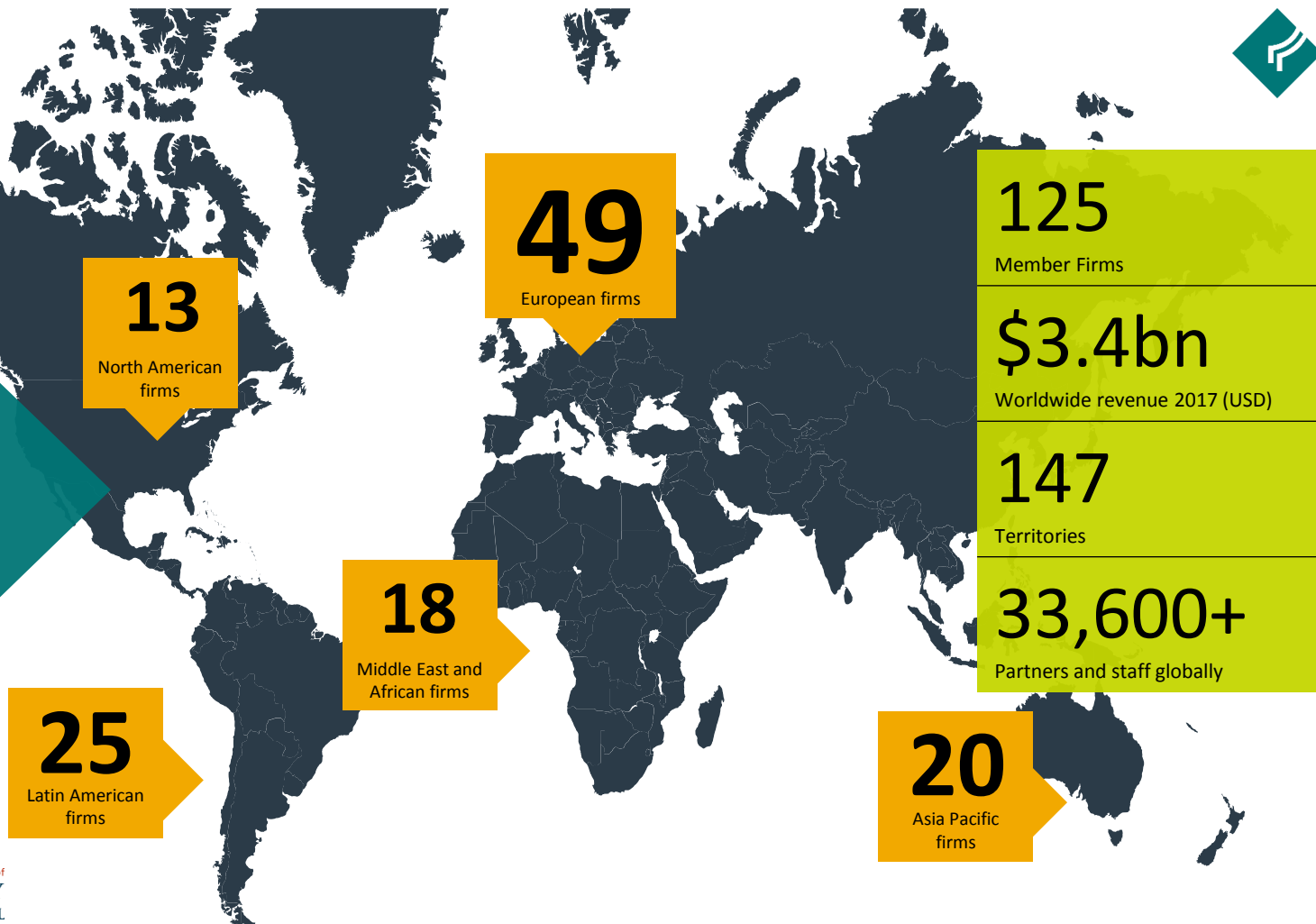
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