



Chandrawat
& Partners

DOING BUSINESS IN BRUNEI

A comprehensive guide .

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Introduction

A sovereign state in Southeast Asia on the island of Borneo, Brunei is officially referred to as the Nation of Brunei, the Abode of Peace. It is located on the island's northern shore and is encircled by the Sarawak state of Malaysia.

The Brunei economy is heavily dependent on oil and natural gas, which account for over 50 percent of Gross Domestic Product (“GDP”), about 80 percent of government tax revenues, and 90 percent of exports. The economy of Brunei is monopolized by the export of oil.

Brunei has also established a Free Trade Zone (“FTZ”). The Terunjing Industrial Site was the First FTZ to be established in Brunei, established by the Ministry of Finance and Economy (“MOFE”).

It is spread across 95 hectares, Terunjing Industrial Site has a well-developed infrastructure including storage facilities, factories, utilities, and security. It is also well-connected to the world through its access to the Maura Port and the Brunei International Airport. The backbone of the Brunei economy is supported by the Oil Industry, but as the contemporary world is in towards renewable forms of energy.

Economic overview

Trunei Darussalam's economy grew in first quarter of 2024, underpinned by improvements in both the Oil and Gas Non-Oil and Gas sectors. The Oil and Gas Sector expanded on the back of higher production of crude oil, natural gas and liquefied natural gas (LNG).

The Consumer Price Index (CPI) decreased marginally in Q1 2024 mainly due to a fall in the Non-Food Price Index, offsetting the increase in the Food and Non-Alcoholic Price Index.

The decrease in non-food prices was mainly seen in several commodities, notably Clothing and Footwear; Communication; and Transport. Meanwhile, the increase in food prices was mainly observed in commodities such as Non-Alcoholic Beverages; and Milk, Dairy Products and Eggs.

Trade balance recorded a surplus in Q1 2024 as exports rose higher than imports. The increase in exports was mainly driven by crude oil, petrochemical products, methanol and urea. Meanwhile, imports also rose, mainly comprising mineral fuels required as feedstock for the petrochemical industry.



Foreign Direct Investment Policy

FDI flows in first quarter of 2024 recorded negative values in line with negative debt instruments resulted from downstream petrochemical industry making loan repayments to the parent company. Meanwhile, FDI stock declined due to a fall in equity caused by the closure of operations by one of the oil and gas-related companies. Additionally, a reduction in debt in downstream petrochemical industry due to loan repayments also contributed to the decrease in FDI stock.

Foreign direct investment ("FDI") is vital to Brunei as it contributes significantly to the country's economic and technical growth. Brunei supports FDI in the local economy through various investment incentives provided by the Ministry of Finance and Economy.

The government has prioritized improving Brunei's ease of doing business status by updating the domestic business regulatory environment through a whole-of-nation strategy.

Foreign ownership of Brunei-incorporated enterprises is not restricted. The Companies Act requires that at least one of the two directors—or if there are more than two directors, at least two of them— usually be resident in Brunei, however exemptions may be sought in certain instances. The Corporate Income Tax ("CIT") rate is the same whether the firm is owned and operated locally or abroad.



Key Sectors



The oil and liquefied natural gas sectors dominate Brunei Darussalam's economy. Crude oil, petroleum products and liquefied natural gas are the three central export commodities.

These exports are mostly linked with Japan, the United States, and ASEAN nations. Brunei Darussalam has reached a new growth stage in its efforts to expand its economy away from reliance on oil and liquefied natural gas.

To achieve this objective, the government also encourages the development of the private sector. This was strongly supported by the Ministry of Industry and Primary Resources formation in 1989.

Brunei's oil and gas fields produce approximately 127,000 barrels of oil per day (bbl/day) and 243,000 barrels of oil equivalent of natural gas per day.

Brunei hopes to increase production in the coming years. New oil extraction technology and the current market price have made extracting oil from mature fields and new ventures into deep waters economically viable.

Non oil and gas sector such as-

Pharmaceuticals- Brunei Darussalam has developed its own guidelines and standards for the handling and manufacturing of halal pharmaceutical products, with the goal of paving the way for the establishment and production of halal pharmaceuticals in the country, as well as becoming a global leader in the halal industry.

Fishery- Brunei has one of the world's highest per capita fish consumption rates. In order to reduce imports, the government set up initiatives to boost local fishing. Brunei produced more fish locally than it imported within a decade.



Food- Brunei's food market is expected to increase by 3.28% from 2023 to 2028, with a market volume of US\$920.40m in 2028. Food and beverage services are a significant contributor to the Brunei economy, accounting for about 11% of all firms in the country.

Other non-oil and gas sectors such as the Commercial Aviation, the Tourism & Hospitality industry & the Defense Equipment industry are also performing well.



Advantages of Doing Business

After the non-oil and gas industries were established in Brunei, it has taken various steps to make the nation favorable for foreign investors.

Brunei has a stable political establishment and the country's government is committed to promoting business and investment.

Brunei has signed 18 agreements for avoidance on double taxation. With that the taxation slabs of Brunei promotes growth of business.

- Corporate tax rate: 18.5%-22%
- No capital gains Tax
- No Value Added Tax ("VAT")
- Double taxation agreements with 15 countries. Various changes have been done in order to enhance the country's standing in the World Bank's Ease of Doing Business Index.

Brunei's strategic location in Southeast Asia allows enterprises to reach regional markets. Its closeness to the region's other major economies, including Malaysia and Singapore, provides possibilities for commerce and investment.

In order to attract international investors, the Brunei government offers a variety of investment incentives. These incentives include tax reductions, lower business tax rates, and duty exemptions.

Brunei has also developed special economic zones and industrial parks, which provide additional benefits and incentives to firms who operate in certain locations.



Types of Business

- **Sole Proprietorship-** A sole proprietorship is owned and managed by a single individual who is individually accountable for the company's responsibilities. In Brunei, several types of businesses are not subject to income tax. Foreign nationals are not authorized to establish sole proprietorships.
- **Partnership-** Individuals, local businesses, and/or international company branches can create a partnership. The maximum number of partners is 20. Prior to registration, applications by foreign people to create partnership businesses must be cleared by the Immigration Department. At least one partner must be a Brunei national or a permanent resident. In Brunei, partnerships are not subject to corporation or income tax.
- **Company (Public company or Private company)-** Four types of company can be formed: limited by shares, limited by guarantee, limited both by shares and guarantee, and unlimited. A company can be created as either a public company or a private company.

Public Company- A public company is one that is permitted to sell shares to the general public. There must be a minimum of seven shareholders of any nationality (resident or non-resident). There is no requirement for a minimum share capital. A minimum of half of a company's directors must be Bruneians. Appoint Brunei-registered auditors. Accounting data must be sent to the Prime Minister's Office's Economic and Development Department. The suffix 'Berhad or Bhd' must be appended to the name of the public corporation.



Private Company- A private company can be set up with a minimum of two shareholders of any nationality. A maximum of 50 stockholders are allowed. If there are just two stockholders, one of them must be a regular resident. There is no requirement for a minimum share capital. It is not permissible to issue shares to the general public. The suffix 'Sendirian Berhad or Sdn Bhd' must appear in the name of the private firm.

- **Joint Venture-** A joint venture might be organized as a company or a partnership. The owners of a corporate joint venture have limited liability, but the participants of a partnership joint venture have unlimited responsibility.
- **Foreign Business-** A foreign company can do business in Brunei via creating a local company or establishing a branch of a foreign company. 100% foreign equity is authorized depending on the nature of economic activity. Local participation is required, however, if the industry is based on local resources and is tied to national food security.

The branch must have a registered office in Brunei and a local authorized representative. Every year, a branch of a foreign business must file a copy of their main office's yearly financial reports with the Registrar of Companies. Branches must also establish separate branch accounts for tax purposes.

Minimum Eligibility Criteria

In Brunei, registering a business entails selecting a company type, picking a name, completing documents, and registering with the Brunei Registry of Companies and Business Names and the Brunei Revenue Division.

Registration process of companies in Brunei has been simplified by making the process online.

The Registry of Companies and Business Names (“ROCBN”), Ministry of Finance, is in charge of business formation and registration in Brunei.

For formation of a company in Brunei one needs-

- Articles and Memorandum of Association
- Certificate of Incorporation
- Declaration of compliance
- A minimum of two stockholders are require
- A minimum of two directors are required
- Certificate of Directorship
- Notarized copies of shareholders' passports (or other forms of identity)
- A registered legal agent; and
- The official registered office address.

How to set up a business?

Choosing a suitable business entity to register your company in Brunei. A Company entity to start the business. Prior to establishing the firm, one ought to look into the optimal paid-up share capital, corporate structure, regulations, and whether any permits to operate are required.

Reservation of company name.

Reservation of the preferred company name to the Registrar of companies.

Preparation of supporting documents to register a company in Brunei.

A list of needed KYC documents must be provided. Some of these documents include director names and identity evidence.

Following receipt of all required documents, the company's Memorandum and Articles of Association must be drafted and notarized. Articles of incorporation, business plans, and other incorporation papers must also be drafted in line with the company activity and corporate structure.

Filing to register a company in Brunei.

Local regulations also demand a registered office, which our staff will offer. In some circumstances, a registered agent is also necessary. Clients should then file a registration application with the Registry of Companies and Business Names. Following acceptance, the company registration number will be supplied.

Corporate Bank Account opening.

A corporate bank account registration is required to facilitate the business transactions.

Financial reporting and taxation obligations.

Accounting and tax services are essential to guarantee that you are able to legally conduct company while being compliant with regulatory responsibilities. Corporate income tax is typically charged at 18.5%. Non-resident corporations will be taxed primarily on income produced in Brunei or profits obtained via local business operations.

Taxation



Tax rate

The Corporate Income Tax (“CIT”) rate is 18.5 percent, and all limited firms, whether incorporated in Brunei or elsewhere or registered as a foreign branch in Brunei, are liable to local taxes on Brunei-derived revenue.

The following thresholds are subject to the 18.5 percent rate:

The first BND 100,000 in assessable income (US\$72,273) is charged at a rate of 18.5 percent, while the next BND 150,000 in assessable income (US\$106,909) is charged at a rate of 50%.

Brunei Tax Exemptions

- No Personal Income Tax
- No Export Tax
- No Manufacturing Tax
- No Sales Tax

Petroleum Tax

Oil and gas companies operating in the country are subject to a special 55% income tax rate.

Tax Incentives for SMEs

Small and Medium Sized Enterprises (“SMEs”) are given tax and investment breaks. Imported raw materials and machinery for SMEs, food sector for export and local markets, and industries that utilize marine resources are all eligible for tax exemption.

Accounting Standards

The Council is responsible for creating and enforcing Brunei Darussalam's accounting standards for Companies and other persons. These guidelines seek to offer relevant and credible financial information, to promote comparison, and to instill investor trust.

The Council issues notices to the public informing them of the standards, and copies of the standards and revisions are available for inspection and purchase.

Brunei follows two sets of accounting standards:

The International Accounting Standards ("IFRS") produced by the International Accounting Standards Board (IASB) and the Brunei Darussalam Accounting Standards ("BDAS"). For entities with public responsibility (Public Interest Entities, PIE)

IFRS standards are followed, whereas BDAS is provided for non-public interest organizations. If the entity's debt or equity instruments are traded in a public marketplace or are in the process of doing so, it is subject to public accountability.

BDAS was created to increase openness of financial statements generated by non-public interest companies (non-PIEs), since there were previously numerous ways firms may publish their financial accounts, which frequently did not reflect the company or industry in which they operate.



Employment Policies



Employment Contract Service-

It shall be in writing and signed by both parties. The agreed terms and conditions of employment cannot be less favorable than the prevailing law.

Probationary Period-

After being hired as a corporate employee, the person must go through a 90-day probation period. If the employee's employment is not confirmed, the corporation may extend the probation term for another 90 days at its discretion.

Payment of Salary-

There is no minimum wage in Brunei Darussalam. It is subject to negotiation and mutual agreement between an employer and employee. An employee must be paid at least once a month. Salary other than overtime payment must be paid within 7 days after the end of the salary period.

Working Hours-

(Non-Shift Workers)-Not more than 8 hours in one day/Not more than 44 hours in one week. Not more than 12 hours in a day (inclusive of overtime work).

(Shift Workers)-May be required to work for more than 6 consecutive hours, for more than 8 hours in any one day or for more than 44 hours in any one week.

How we can help?

Our team will provide the assistance in incorporation of foreign Entities in Brunei. The assistance will include-

- Incorporation of Foreign Entity.
- Foreign Country Compliance Rules.

Contract drafting and negotiation:

Our firm can assist with drafting and negotiating contracts with suppliers, customers, and partners. This can help ensure that contracts are legally sound and protect the interests of the business.

Dispute resolution:

Our firm can help businesses resolve disputes with customers, suppliers, or partners through negotiation, mediation, or litigation. This can help protect the business's reputation and commercial interests.

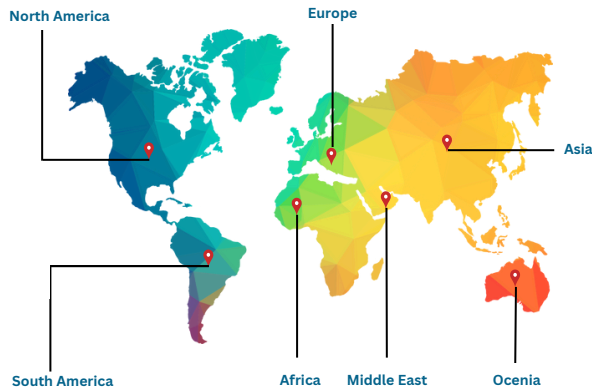
Due diligence:

Our firm can conduct due diligence on potential partners or suppliers to ensure they are legally compliant and financially stable.

Compliance monitoring:

Our firm can assist businesses in ensuring compliance with local laws and regulations, including tax laws, labor laws, and environmental regulations.

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