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FIDINAM PUBLISHES WHITE PAPER ON THE GREATER BAY AREA (GBA)

Fidinam has officially released its latest publication, the White Paper on the Greater Bay Area: Overview, Developments and Policies of the Pearl River Delta.

The extensive document provides a structured, business-focused assessment of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). It frames the region not simply as a regional initiative, but as a premier, integrated cross-border platform combining Hong Kong's international financial role, Guangdong's advanced manufacturing engine, Shenzhen's innovation leadership, and Macao's sector diversification.

With an aggregate population of approximately 86 million and a gross domestic product exceeding 14 trillion RMB (>2 trillion USD), the GBA firmly positions itself among the world's top ten economies—surpassing the economic weight of the San Francisco and New York Bay Areas, and rivaling the Tokyo Bay Area.

Navigating Three Legal and Fiscal Systems
The paper aims to help MNCs navigate the distinct legal and tax systems of Hong Kong, Macao and Mainland China. Rather than treating this regulatory fragmentation as a barrier, Fidinam shows how well-structured cross-border operating models can be optimized to generate substantial commercial and operational advantages.

"Location strategy, cross-border structuring, and incentive optimization are absolutely critical to securing long-term commercial success in this corridor," notes the report.

To download your copy of the White Paper on the Greater Bay Area or to consult with a Fidinam professional regarding your cross-border strategy, please click here.

Key Highlights from the White Paper Include:

- **Fiscal Incentives & Tax Subsidies**: Detailed breakdowns of specialized tax mechanisms, including reduced corporate income tax regimes of 15% for selected enterprises in designated zones, and individual tax subsidy programs that cap the effective tax burden for highly qualified international talent at 15%.
- **Hong Kong's Strategic Role**: An analysis of Hong Kong as the region's most efficient platform for holding, financing, trading, and regional management functions, utilizing its territorial tax system, low profits tax, and lack of VAT.
- **Guangdong's Industrial Super-Clusters**: Insights into Guangdong's 20 strategic industrial clusters (9 of which exceed 1 trillion RMB in value), leading the charge in Industry 4.0, advanced manufacturing, AI, robotics, and the low-altitude drone economy.
- **Flagship Cooperation Zones**: Practical operational analysis of entry points into the four core development hubs: Qianhai (modern services and finance), Nansha (logistics and science innovation), Hengqin (Macao integration), and Hetao (Shenzhen-Hong Kong science and tech cooperation).
- **European Case Studies**: Practical scenarios demonstrating how European businesses in automotive tech, mechatronics, food processing, and digital textiles can capture measurable cost savings and accelerate scale-up operations.

VIETNAM'S 2026 PERSONAL INCOME TAX CHANGES: KEY CONSIDERATIONS FOR EMPLOYERS

Vietnam's revised Personal Income Tax (PIT) framework, comprising PIT Law No. 109, Decree No. 253/2026/ND-CP and Circular No. 87/2026/TT-BTC, took effect on 1 July 2026 and applies retrospectively to the 2026 tax year.

The reforms introduce higher personal deductions, new deductible expense categories and broader tax exemptions for certain employment income. While these measures are generally favourable for employees, they also require employers to review payroll processes, withholding calculations and supporting documentation to ensure compliance during the annual tax finalisation.

1. Revised family circumstance deductions

The family circumstance deduction has increased from VND 11 million to VND 15.5 million per month for taxpayers and from VND 4.4 million to VND 6.2 million per registered dependant. These revised thresholds should be reflected in monthly payroll and PIT withholding calculations.

Some media reports have suggested that monthly income below VND 28 million is exempt from PIT. This interpretation is misleading. The figure assumes taxpayers will also claim the newly introduced deductions for medical and education expenses, which are only available during the annual tax finalisation process and are subject to statutory conditions and documentary evidence. They do not apply to monthly withholding.

The revised legislation also simplifies the progressive

PIT schedule by reducing the number of tax brackets from 7 to 5, resulting in lower tax liabilities for many employees.

Employer considerations

- Update payroll systems to reflect the revised deduction levels and tax brackets.
- Apply only statutory monthly deductions when calculating PIT withholding.
- Ensure employees understand the distinction between monthly withholding and deductions available only during annual tax finalisation.

2. PIT exemption for overtime and night-shift pay

The new legislation expands the PIT exemption for overtime and night-shift remuneration. Previously, only the additional amount paid above the normal salary was exempt. From the 2026 tax year onwards, the entire amount paid for overtime, night-shift work and unused annual leave paid upon termination is exempt from PIT.

Employers should ensure that overtime hours and related payments are properly documented. Although no prescribed format exists, supporting records should clearly demonstrate the hours worked and the corresponding remuneration in the event of a tax audit.

Employers should also continue to monitor compliance with statutory overtime limits under the Labour Code. Where overtime exceeds the permitted annual thresholds, the excess remuneration may have adverse tax consequences, including the potential disallowance of the expense for corporate income tax purposes and the loss of the PIT exemption.

Employer considerations

- Update payroll systems to apply the revised PIT exemption.
- Maintain comprehensive records supporting overtime and night-shift payments.
- Monitor compliance with statutory overtime limits and any applicable registration requirements.

3. New deductions for medical and education expenses

For the first time, taxpayers may claim deductions for qualifying medical expenses of up to VND 23 million per year and qualifying education expenses of up to VND 24 million per year for themselves or registered dependants.

These deductions are only available during annual tax finalisation and require valid invoices and supporting documentation. In practice, employers should exercise caution when administering these deductions on behalf of employees, particularly where the supporting documentation cannot be independently verified.

Examples include expenses paid by another family member, duplicate claims following a change of employer during the tax year, or medical expenses that

have been partially reimbursed by private insurance. In each case, insufficient or inaccurate documentation could result in adjustments during a tax audit.
As a result, some employers may choose to limit company-managed tax finalisation to standard employment income while allowing employees claiming additional deductions to complete their own annual PIT finalisation directly with the tax authorities.

Employer considerations

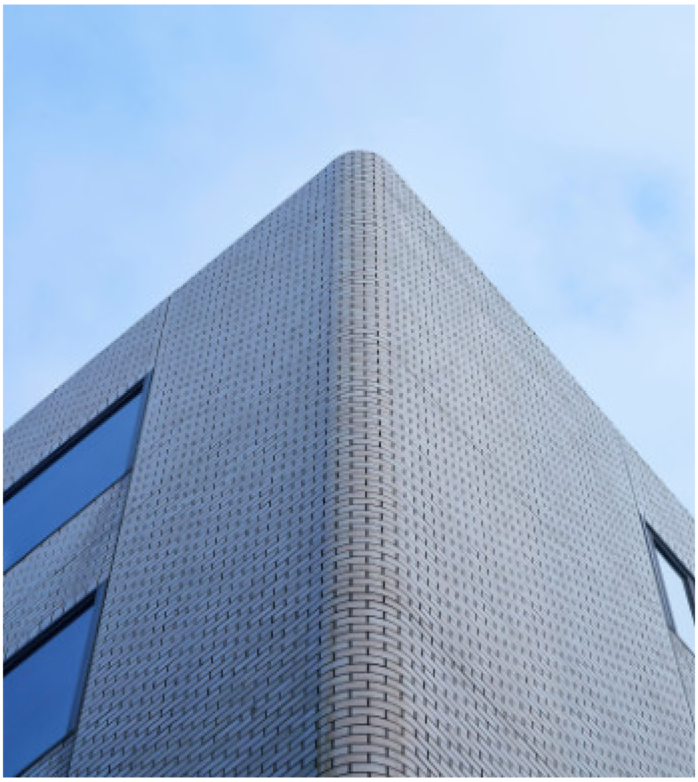
- Establish internal procedures for reviewing supporting documentation where the company performs annual tax finalisation.
- Assess whether company-managed finalisation should include the new deduction categories.
- Inform employees of their responsibilities where individual tax finalisation is required.

4. Director remuneration in single-member companies

The tax treatment of remuneration paid to the owner of a single-member limited liability company continues to require careful consideration.

Although the legislation distinguishes between the roles of owner and director, tax authorities generally challenge salary payments where both positions are held by the same individual. In these circumstances, the salary expense may be disallowed for corporate income tax purposes while remaining subject to PIT at the individual level.

This treatment differs from companies with multiple capital-contributing members, where remuneration paid to a director who is also a shareholder is generally deductible, provided the applicable legal and tax requirements are satisfied.



Employers should also note that mandatory social insurance obligations may continue to apply irrespective of whether a salary is paid.

Employer considerations

- Review remuneration arrangements for sole owners who also act as directors.
- Assess the corporate income tax implications before implementing salary payments.
- Consider whether alternative remuneration structures are more appropriate.

5. PIT withholding on payments to individuals

The revised rules reaffirm that payments made to individuals for services are assessed according to their substance rather than the title of the agreement. Renaming an agreement as a consultancy, collaboration or service contract does not, in itself, remove the obligation to withhold PIT where the payment constitutes taxable employment income under the legislation.

The new rules also increase the threshold for applying the 10% withholding regime on certain irregular payments from VND 2 million to VND 5 million per payment, subject to the statutory conditions.

Businesses should also avoid structuring payments solely to remain below the withholding threshold. Tax authorities may assess multiple instalments or related contracts as a single payment where the underlying transaction indicates that they form part of the same arrangement.

Employer considerations

- Review agreements with consultants, collaborators and other individuals providing services.
- Confirm that withholding procedures reflect the revised threshold and statutory requirements.
- Ensure payment structures accurately reflect the commercial arrangement and are supported by appropriate documentation.

Conclusion

Vietnam's 2026 personal income tax reform introduces several measures that reduce the tax burden for individuals while increasing the importance of accurate payroll administration and supporting documentation.

Employers should review their payroll systems, withholding procedures, employment documentation and internal tax compliance processes to ensure they align with the revised legislation. Early preparation can help minimise compliance risks during the annual tax finalisation process and provide greater certainty for both employers and employees.

Fidinam Vietnam assists businesses with payroll compliance, personal income tax matters and broader employment tax advisory. If you would like to assess how these reforms may affect your organisation, our team is available to provide tailored guidance. Contact us at info@fidinamgw.com

By Phuong Thao Bui
Managing Partner
Fidinam Vietnam

HONG KONG STRENGTHENS ITS CORPORATE TREASURY CENTRE REGIME

As businesses expand internationally, managing cash, financing and financial risk across multiple jurisdictions becomes increasingly complex. To improve efficiency and centralise these activities, many multinational groups establish a Corporate Treasury Centre (CTC).

Hong Kong, qualifying CTCs may benefit from a dedicated tax regime introduced in 2016, making the jurisdiction an attractive location for centralising treasury operations where both commercial and statutory requirements are met.

Recognising the growing importance of treasury functions, the Hong Kong Government announced its Action Plan to Promote the Development of Corporate Treasury Centres in Hong Kong in June 2026 – a policy initiative that sets out proposals to further strengthen Hong Kong's position as a regional treasury hub.

While Hong Kong has offered a dedicated tax regime for qualifying CTCs since 2016, the Action Plan aims to build upon this framework by outlining potential enhancements in areas such as tax policy, international tax agreements, talent development and industry promotion.

For multinational businesses, it provides a clear indication of the Government's long-term commitment to developing Hong Kong as a leading location for regional treasury operations, while reinforcing the importance of understanding both the current legal framework and the direction of future policy.

What is a Corporate Treasury Centre?

A Corporate Treasury Centre is a dedicated entity or business function responsible for managing the financial activities of a corporate group. Rather than each subsidiary arranging its own financing, managing cash or mitigating foreign exchange risk, these activities are coordinated centrally.

Depending on the group's structure, a CTC may operate as a separate legal entity providing treasury services to affiliated companies or as a treasury function within an existing regional headquarters.

In Hong Kong, the applicable tax treatment depends on whether the relevant statutory conditions are satisfied, including the requirements for a Qualifying Corporate Treasury Centre (QCTC).

Typical treasury activities include:

- Managing group liquidity and cash flows
- Providing intercompany financing
- Coordinating foreign exchange and interest rate risk management
- Maintaining banking relationships
- Investing surplus funds
- Supporting capital allocation across the group

Whether a particular activity qualifies for Hong Kong's concessionary Corporate Treasury Centre regime depends on the specific facts and circumstances, as well as the relevant provisions of the Inland Revenue Ordinance and guidance issued by the Inland Revenue Department (IRD).

By centralising treasury functions, businesses gain greater visibility over their financial position while reducing inefficiencies such as idle cash balances or duplicated borrowing across different subsidiaries.

It is important to distinguish treasury from accounting or finance. While finance teams focus on financial reporting, budgeting and compliance, treasury is primarily forward-looking. Its objective is to ensure that the group has sufficient liquidity, appropriate financing and effective financial risk management to support future growth.

Why establish a Corporate Treasury Centre?

Although tax incentives often receive the most attention, they are rarely the primary reason companies establish a treasury centre. The commercial benefits are often far more significant.

For multinational organisations operating across several jurisdictions, a CTC can improve liquidity management by allowing surplus cash in one part of the group to support funding requirements elsewhere. It also enables businesses to develop consistent treasury policies covering foreign exchange management, financing, banking relationships and financial risk. In addition, centralising treasury activities can support greater consistency in intra-group pricing and documentation, helping businesses strengthen governance and meet their tax compliance obligations.

Centralisation may also strengthen relationships with financial institutions by consolidating banking activities, simplifying financing arrangements and improving access to treasury products and services.
As businesses continue to expand internationally, treasury increasingly becomes a strategic function that supports mergers and acquisitions, overseas investment and long-term capital planning.

Why Hong Kong?

Several factors have contributed to Hong Kong's position as a preferred location for Corporate Treasury Centres. The city is home to one of Asia's most developed financial sectors, offering businesses access to a broad range of international banks, sophisticated treasury products and multicurrency banking services. Hong Kong also maintains the free movement of capital, enabling funds to be transferred internationally without foreign exchange controls. This is particularly important for treasury operations, allowing Corporate Treasury Centres to efficiently manage cross-border liquidity, funding and cash flows across multiple jurisdictions.

Its position as an international financial centre and gateway between Mainland China and global markets also makes it an attractive base for businesses managing regional operations. Complementing this is Hong Kong's common law legal system, which provides a high degree of legal certainty and enforceability of contractual arrangements — important considerations for treasury operations involving loans, guarantees and intercompany financing.

Equally important are Hong Kong's common law legal system, transparent regulatory framework and extensive network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs), which support cross-border financing and treasury activities.

Taken together, these characteristics provide an environment that supports both operational efficiency and long-term treasury planning.

Hong Kong's Corporate Treasury Centre tax regime

To enhance Hong Kong's competitiveness as a treasury location, the Government introduced a dedicated Corporate Treasury Centre tax regime in 2016. Under the current framework, qualifying Corporate Treasury Centres may benefit from a concessionary profits tax rate equal to 50% of the standard corporate profits tax rate, resulting in an effective rate of 8.25% on qualifying profits. However, this preferential treatment is not automatically available to every treasury company.

Businesses must satisfy the statutory requirements to qualify as a Qualifying Corporate Treasury Centre (QCTC), and only qualifying treasury activities fall within the scope of the concession. Companies must also comply with Hong Kong's broader tax framework, including transfer pricing requirements and applicable substance expectations.

For this reason, businesses should view the concession as an incentive supporting genuine commercial treasury operations rather than a standalone tax planning opportunity.

The Hong Kong 2026 Action Plan

The Government's latest Action Plan does not replace the existing regime but seeks to build upon it. Its strategy is organised around 4 key pillars:

- Tax Revamp – reviewing and enhancing the current tax framework, including consultation on a possible tiered incentive system and a pre-approval mechanism for qualifying treasury centres.
- Tax Agreements – expanding Hong Kong's tax treaty network to facilitate cross-border treasury activities.
- Targeted Promotion – attracting multinational groups, regional headquarters and Mainland Chinese enterprises expanding internationally.

- Talent & Dialogue – strengthening Hong Kong's treasury expertise through closer collaboration with industry and professional bodies.

Many of these initiatives remain subject to consultation and future legislative amendments. Nevertheless, the Action Plan clearly demonstrates the Government's intention to strengthen Hong Kong's long-term competitiveness as a regional treasury hub.

Is a Corporate Treasury Centre right for your business?

A Corporate Treasury Centre is not appropriate for every organisation. Businesses operating in a single jurisdiction with relatively straightforward financing arrangements may have little need for a dedicated treasury function. However, companies may wish to evaluate the potential benefits if they:

- operate across multiple countries;
- maintain numerous banking relationships;
- have transfer pricing exposure;
- need to strengthen economic substance;
- regularly provide financing between group companies;
- manage multiple currencies;
- hold significant cash balances across different subsidiaries; or
- are planning further international expansion.

For these businesses, centralising treasury activities can improve financial governance, strengthen risk management and support more efficient capital allocation across the group.

Looking ahead

Treasury has evolved from an operational support function into a strategic component of international business. As companies continue to expand across borders and navigate an increasingly complex financial environment, effective treasury management is becoming a competitive advantage in its own right.

Hong Kong's latest Action Plan reflects this shift. Rather than relying solely on tax incentives, the Government is investing in the broader ecosystem that supports treasury operations—from financial infrastructure and international connectivity to talent development and regulatory certainty.

For multinational businesses with growing regional operations, now may be an appropriate time to assess whether a Hong Kong-based Corporate Treasury Centre could support future growth, improve financial efficiency and strengthen long-term resilience.

Whether you are exploring the feasibility of a Corporate Treasury Centre, reviewing your existing treasury structure or planning your regional expansion strategy, Fidinam can help you evaluate the commercial, tax and operational considerations involved. Our multidisciplinary team supports businesses throughout the process—from strategic assessment and structuring to implementation, ongoing compliance and cross-border tax advisory.

By Sara Silenzi
Managing Partner
Fidinam Hong Kong

The information contained in this note is for general information purpose only and is not intended to be relied upon as a substitute for tax, corporate and accounting professional consultation. Please refer to Fidinam staff for specific advice.

DATA PROTECTION IN SINGAPORE: UNDERSTANDING PDPA COMPLIANCE

In today's digital economy, personal data has become on of the most valuable assets for organisations. Whether through customer information, employee records, supplier details or marketing databases, organisations routinely collect, use and store information as part of their operations.

With increasing public awareness of data privacy and the growing risk of cyber incidents, organisations must ensure that personal data is handled responsibly and in compliance with Singapore's Personal Data Protection Act (PDPA).

Understanding the Personal Data Protection Act (PDPA)

The Personal Data Protection Act (PDPA) is Singapore's primary legislation governing the collection, use, disclosure and protection of personal data by private-sector organisations.

Administered by the Personal Data Protection Commission (PDPC), the legislation seeks to strike a balance between an individual's right to protect their personal data and an organisation's legitimate need to use that information for business purposes.

The PDPA applies regardless of an organisation's size or industry. Personal data includes any information that can identify an individual, either on its own or when combined with other available information. This may include names, identification numbers, contact details, photographs, email addresses, employment records and other information commonly processed during the course of business.

While many organisations associate the PDPA primarily with privacy notices or obtaining consent, the legislation is considerably broader. It requires organisations to be accountable for the personal data they hold and to implement appropriate policies, processes and security measures throughout the data lifecycle.

Building Compliance into Everyday Operations

A common misconception is that PDPA compliance can be achieved simply by preparing a privacy policy or updating contractual documentation. In reality, compliance depends on how personal data is managed on a day-to-day basis.

Many data protection issues arise not because organisations intentionally disregard their obligations, but because internal processes have not kept pace with business growth. Customer information may be retained longer than necessary, former employees may continue to have access to internal systems, or personal data may be shared without adequate safeguards. Individually these issues may appear minor, but together they can expose an organisation to unnecessary regulatory and reputational risk.

Developing a strong data protection framework requires organisations to establish clear policies governing the collection, use, retention and disposal of personal data, ensure access is limited to authorised personnel, regularly train employees on their responsibilities and periodically review whether existing controls remain appropriate as the business evolves. Equally important is having a documented process for identifying, investigating and responding to potential data breaches should they occur.

Embedding these practices into everyday operations supports compliance with the PDPA and strengthens overall governance and demonstrates accountability to customers, employees and regulators.

The Role of the Data Protection Officer

A key requirement under the PDPA is that every organisation must designate at least one individual to act as its Data Protection Officer (DPO). The DPO may be an existing employee, a member of senior management or an external service provider, but responsibility for compliance ultimately remains with the organisation itself.

The DPO serves as the central point of accountability for data protection matters. Depending on the organisation, the role typically includes developing and maintaining internal policies, advising management on compliance obligations, coordinating employee training, monitoring data protection risks, responding to enquiries relating to personal data and acting as the primary point of contact with the PDPC where necessary.

In the event of a data breach, the DPO plays a critical role in coordinating the organisation's response and ensuring compliance with the PDPA. The DPO works closely with internal stakeholders to investigate the incident, contain further unauthorised access, assess the impact on affected individuals, and determine whether the breach meets the threshold for notification to the PDPC and affected parties.

The appointment of a DPO should not be regarded merely as a regulatory requirement. An effective DPO helps organisations establish practical governance procedures, identify potential compliance gaps before they become larger issues and promote a culture in which data protection is considered as part of everyday business decision-making.

For many SMEs, appointing a dedicated internal DPO is not always practical. Outsourcing the function allows organisations to access specialist expertise while ensuring the role receives the necessary attention and remains aligned with evolving regulatory expectations.

Case Study: Lessons from the RedMart Data Breach

One of Singapore's most widely publicised PDPA enforcement cases involved RedMart, the online grocery platform owned by Lazada. The incident illustrates why data protection extends far beyond appointing a DPO or maintaining written policies. In 2020, RedMart experienced a cybersecurity incident that resulted in the personal data of approximately 898,000 customers being compromised. The information exposed included customers' names, email addresses, telephone numbers, encrypted passwords and partial payment card details.

Following its investigation, the PDPC concluded that the breach resulted from weaknesses in the company's security arrangements. Attackers were able to obtain unauthorised access through compromised credentials and exploit vulnerabilities within RedMart's cloud infrastructure. The Commission found that the organisation had failed to implement reasonable security arrangements to protect personal data, as required under the Protection Obligation of the PDPA, and imposed a financial penalty of S$72,000.

The case demonstrates that to comply with the PDPA, organisations must continuously assess whether their technical and organisational safeguards remain appropriate in light of evolving risks. Strong access controls, secure system configurations, multi-factor authentication and regular vulnerability assessments all play an important role in protecting personal data. Employee awareness and cybersecurity training are equally important, as compromised user credentials are often the starting point for cyberattacks.

While no organisation can entirely eliminate the risk of cyber incidents, a robust data protection framework significantly improves an organisation's ability to respond effectively and demonstrate accountability when issues arise.

Conclusion

Data protection is no longer solely an IT or legal concern—it is an organisation-wide responsibility. Businesses that establish clear governance frameworks, regularly review their internal practices and embed data protection into their day-to-day operations are generally better positioned to manage risk while strengthening confidence among customers, employees and business partners.

Whether appointing an internal DPO or engaging an external provider, organisations should ensure that the role is adequately supported and integrated into their broader governance framework. A proactive approach not only helps meet the requirements of the PDPA but also contributes to more resilient and sustainable business operations.

Fidinam Singapore assists organisations with outsourced Data Protection Officer services, PDPA compliance reviews, policy drafting and ongoing advisory support. By helping businesses develop practical and proportionate compliance frameworks, we enable them to meet their regulatory obligations while supporting their long-term operational objectives. For more information about our PDPA and DPO services, please contact info@fidinamgw.com.

By Desiree M. Tan
Head of Asia Desk
Fidinam Singapore

HOW THE UAE IS REENGINEERING CORPORATE LAW FOR GLOBAL BUSINESS

The United Arab Emirates continues to refine its corporate legal framework in line with its broader economic strategy: attracting international capital, facilitating cross-border operations and positioning itself as a global business hub.

With the introduction of Federal Decree-Law No. 20 of 2025, amending key provisions of the Commercial Companies Law, the UAE takes a further step in this direction. This is more than a technical update. It is a structural evolution that enhances how companies can be designed, governed and transitioned over time. The focus is clear: flexibility, legal certainty and operational continuity.

From incorporation to corporate structuring

The reform marks a shift from simple company incorporation toward a more sophisticated approach to corporate structuring.

Classes of shares - The reform allows for differentiated classes of shares, facilitating more flexible shareholder and investment arrangements. Although subject to further regulatory guidance, the ability to allocate different economic and voting rights reflects the growing importance of tailored governance structures in private capital, venture capital and strategic investment transactions.

Legal transformation - The reform further facilitates corporate restructuring by streamlining the conversion of companies into different legal forms. While subject to procedural and regulatory requirements, the amended framework enables businesses to adapt their corporate

structure more efficiently to evolving operational and strategic needs. This reduces friction traditionally associated with corporate reorganisations and supports long-term business continuity in an evolving commercial environment.

In-kind contributions - The amendment introduces a more structured framework for the valuation of in-kind contributions. Non-cash assets contributed to a company must now be assessed by qualified valuators, while the competent authority retains oversight powers over the valuation process.

The new rules increase scrutiny over the formation of corporate capital and highlight the importance of proper valuation procedures, particularly where strategic or intangible assets are involved. In practice, these requirements demand careful legal and financial assessment to mitigate valuation and liability risks.

Exit strategies and investor alignment

The reform strengthens the UAE's investment framework by introducing mechanisms commonly found in more developed corporate jurisdictions, particularly relevant for private equity and venture capital structures where governance flexibility and exit clarity remain key considerations.

Drag-Along and Tag-Along rights - The formal recognition of drag-along and tag-along rights provides greater clarity in shareholder relations and exit scenarios. Majority investors benefit from more efficient exit mechanisms, while minority shareholders gain enhanced protection and alignment in sale transactions.

Private placements - The reform also allows private joint-stock companies to offer securities through private placements in UAE financial markets, subject to

regulations issued by the relevant authorities. This creates additional avenues for capital raising and liquidity, while further aligning the UAE corporate framework with international financing and investment practices.

Mobility and continuity across UAE jurisdictions

Another strategic element of the reform is the strengthening of corporate continuity across the UAE's different regulatory environments, contributing to a more integrated and predictable ecosystem for internationally oriented businesses and long-term ownership structures.

Transfer of company registration - Companies may now transfer their registration between emirates, free zones and financial free zones while maintaining legal continuity. This streamlines corporate mobility by eliminating the need for liquidation and re-incorporation, while preserving existing contractual and operational arrangements.

Succession and ownership continuity - The reform also introduces clearer rules governing the transfer of shares upon the death of a shareholder, enhancing legal certainty in succession and ownership transitions. Remaining shareholders — or the company itself — may exercise pre-emptive rights over the deceased shareholder's stake, with court-appointed experts determining valuation in case of dispute.

These provisions strengthen ownership stability, particularly for family businesses and long-term holding structures.

With a strong international presence and a multidisciplinary approach, Fidinam supports entrepreneurs, investors and corporate groups in navigating the evolving UAE regulatory landscape. From corporate structuring and governance design to cross-border coordination and implementation, we assist clients in building robust, flexible and future-proof structures aligned with both local regulations and international standards. Contact us at info@fidinamgw.com.

By Iacopo Carraro
Manager Italian Desk
Fidinam FZCO (Dubai)

KEY CONSIDERATIONS FOR CHINESE TAX RESIDENTS ON WORLDWIDE INCOME DECLARATION AND CRS COMPLIANCE

With the implementation of the Common Reporting Standard (CRS) and the enhancements introduced by CRS 2.0, financial accounts held by Chinese tax residents in more than 120 jurisdictions—including Hong Kong, Singapore, Switzerland, Italy, France, and the Cayman Islands—are subject to automatic annual reporting to the Chinese tax authorities.

Following the statutory deadline of 30 June 2026 for the declaration of worldwide income for the 2025 tax year, this is an appropriate time for internationally mobile individuals and families to review their reporting position and understand the implications of the evolving international tax transparency framework. This note outlines the obligations, key compliance risks, and recommended actions for affected individuals.

Core Updates: Who and What are Impacted

Definition of a Chinese Tax Resident
A common misconception is that holding a foreign passport or Hong Kong/Macau residency exempts one from filing obligations on worldwide income. This is incorrect. Under Article 1 of the Individual Income Tax (IIT) Law, an individual is classified as a Chinese tax resident based on either of the following criteria, irrespective of citizenship:

- Domicile in China: Habitually residing in China due to household registration (Hukou), family ties (spouse/children residing in China), or primary economic interests.

- 183-Day Presence Rule: Individuals without a domicile become tax residents if they stay in China for 183 days or more in a calendar year (arrival/departure days are typically excluded).

For IIT purposes, Chinese tax residents includes both Chinese nationals domiciled in China and foreign nationals (including Hong Kong/Macau residents) who stay in China for 183 days or more in a calendar year.

Scope of Overseas Income
According to Public Notice No. 3 (2020), the following overseas-source income must be declared by tax residents:

- Employment income and royalties.
- Business and investment income (interest, dividends).
- Rental income and capital gains from asset transfers.
- Incidental income paid by overseas entities.

Suggestion: Clients should review their travel records and residency ties immediately to confirm their tax residency status before the filing window opens.

CRS and CRS 2.0 Developments
CRS 2.0 has introduced enhanced transparency effective from 2026, closing previous loopholes.

- Crypto-Assets: Now reportable, including Bitcoin, stablecoins, and NFTs held on exchanges.
- Dual Residency: The “choice” loophole is closed; reporting must now be made to all relevant tax jurisdictions.
- Offshore Structures: Enhanced due diligence applies to shell companies and trusts, requiring disclosure of ultimate beneficial owners (UBOs).

Exceptions and Reliefs

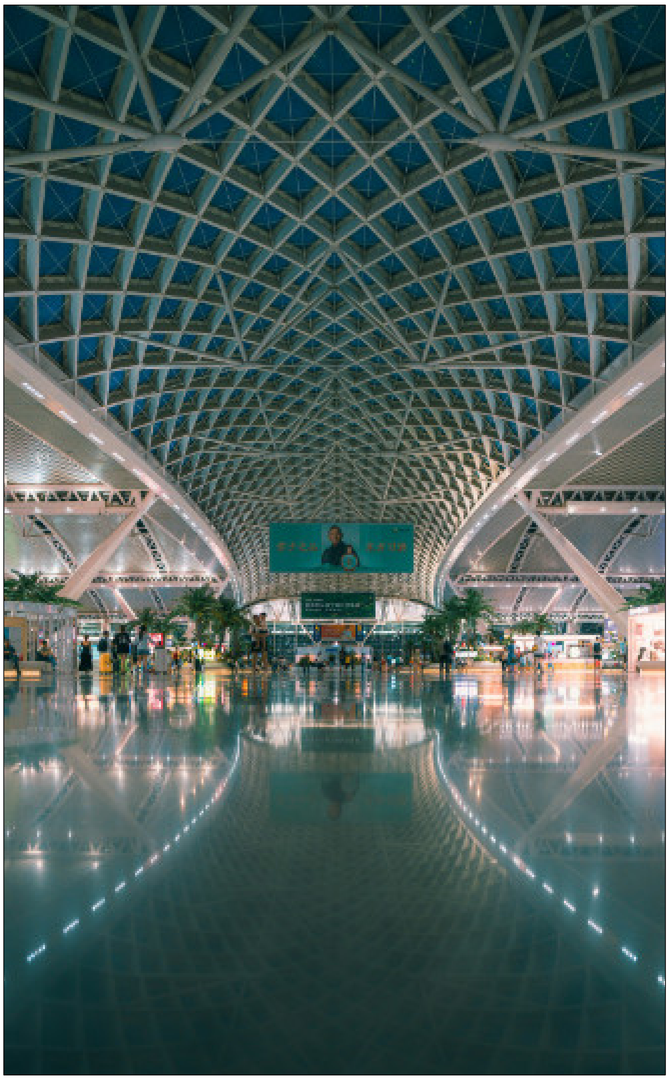
The Six-Year Rule
For individuals without a domicile in China (e.g., expatriates), a key exception applies.

- The Rule: Overseas income paid by overseas entities remains exempt from Chinese IIT if, in each of the preceding six years, the individual either: (a) resided in China for less than 183 days, or (b) had at least one single departure from China exceeding 30 days.
- Practical Tip: The counting period reset in 2019. For many, this exemption may only begin to expire from 2025 onwards. Clients should verify their departure records to determine eligibility.

Key Clarifications on the Six-Year Rule
Declaration is required even when income is not taxable. Even where the Six-Year Rule applies and overseas income is exempt from Chinese IIT, the taxpayer remains legally obligated to declare that income in their annual IIT filing. Failure to declare—even non-taxable income—may lead to penalties for incomplete filing or concealment of information and trigger CRS-related inquiries.

No prior approval is required, but filing is mandatory. The Six-Year Rule applies automatically when conditions are met. No application or prior approval is required so far. However, to lawfully benefit from the exemption, the taxpayer must file a complete return including the overseas income through self-assessment and retain supporting documents (travel records, passport entry/exit stamps, overseas bank statements) for at least five years from the end of the tax filing period for future audit.

Key distinction: Exemption applies only to "overseas source + overseas paid" income. Foreign-source income paid by a China entity remains taxable.



Legal conclusion: The obligation to declare exists regardless of tax liability. The rule applies automatically, but specific action (filing + record-keeping) is required to benefit from it.

Foreign Tax Credit (FTC)
To prevent double taxation, taxes paid overseas may be credited against Chinese IIT liability.

- Limitation: Credits are calculated on a per-country, per-category basis.
- Carryforward: Excess credits may be carried forward for up to five years.
- Requirement: Official tax payment certificates from foreign authorities are mandatory to claim the credit. Without these, no deduction is allowed.
- Suggestion: Ensure you obtain and retain official tax receipts from foreign tax authorities for the 2025 tax year, as these are critical for offsetting tax due in China.

Practical Suggestions for Compliance

To manage the upcoming deadline efficiently, the following steps are recommended:

Step 1: Data Consolidation
Gather overseas bank statements, investment account statements, and records of days spent within China and identify all reportable accounts, including digital assets and cash-value insurance products.

Step 2: Calculation & Filing

- Method: Combine comprehensive income (employment, royalties) with domestic income. Other income (interest, rental, capital gains) is calculated separately.
- Location: File via the IIT APP or the Natural Person Electronic Tax Bureau portal. Usually, this is done at the employer's local tax authority or the taxpayer's habitual residence.

Step 3: Documentation & Retention
Retain all tax certificates and supporting documents for at least five years (statute of limitations for tax audits).

Step 4: Professional Review
Given the complexity of the Six-Year Rule and crypto-asset reporting, a review of the tax position prior to filing is advisable to avoid errors.

Penalties for Non-Compliance

Failure to declare or underpayment of tax carries significant consequences under the Tax Collection and Administration Law.

Tax Offenses and Penalties Table

Violation	Penalty
Late payment	0.05% daily surcharge (approx. 18.25% per annum) from due date.
Negligence	50% penalty on the underpaid tax amount.
Tax evasion	50% to 500% penalty, plus criminal liability for amounts exceeding RMB 100,000.
Record-keeping	Inclusion in the personal tax credit system, affecting loans and visas.

Conclusion

Global tax transparency is no longer a future possibility but a present-day operational reality. The legal obligation for Chinese tax residents to declare worldwide income is clear, and enforcement is intensifying under CRS 2.0.
Proactive compliance—specifically the consolidation of records and review of the Six-Year Rule—is the recommended approach to mitigate risks

Assess your readiness for the upcoming filing deadline. Contact Fidinam at info@fidinamgw.com for a confidential consultation. We will help you navigate this regulatory requirement with confidence and strategic foresight.

By Nadia Julie, Ph.D.

Head of Marketing & Portfolio Management
Fidinam Guangzhou

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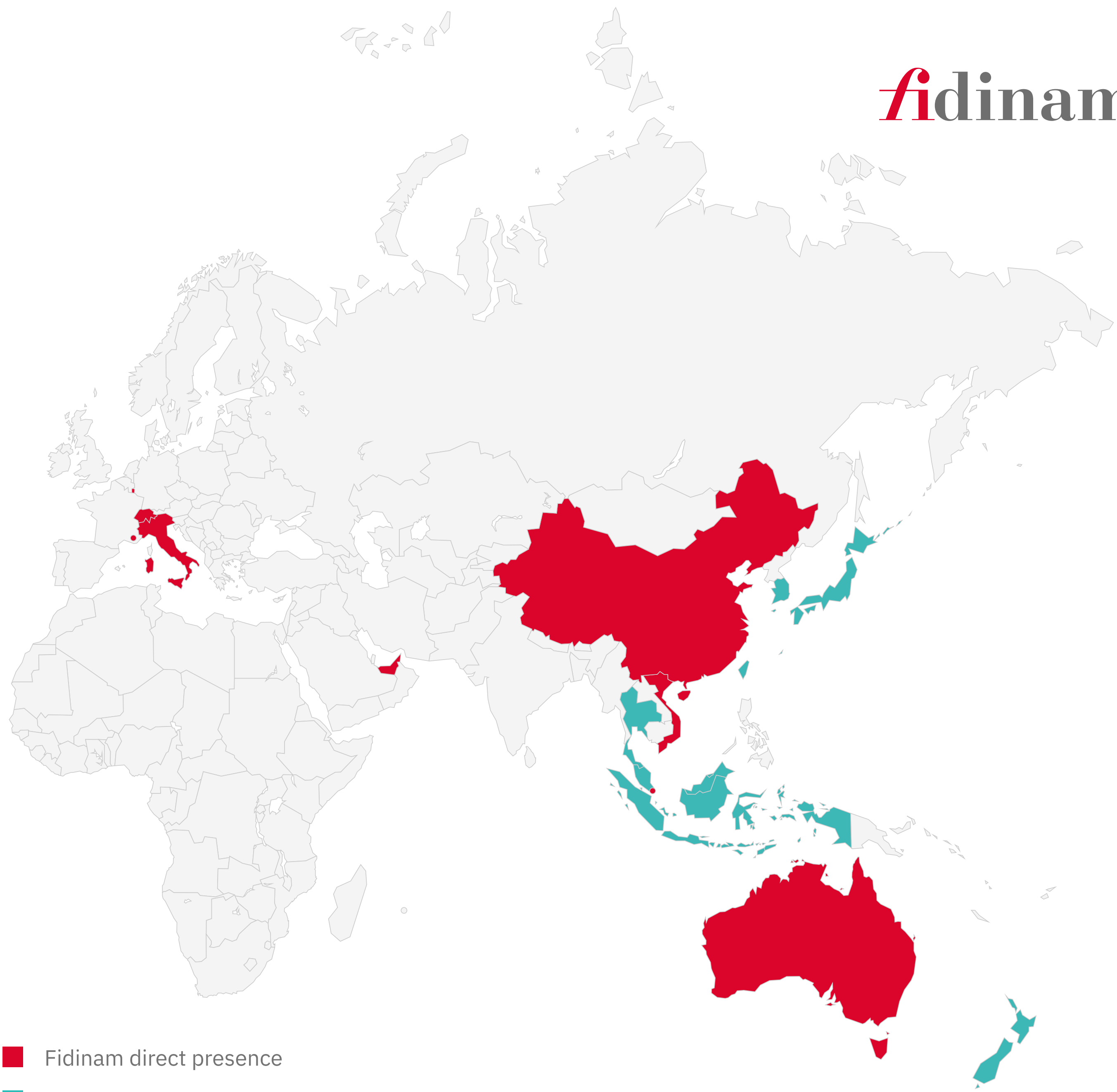

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Fidinam services available

GET IN TOUCH

Fidinam Group Worldwide Ltd
Room 1501, Prosperity Tower
39 Queen's Road Central
Hong Kong SAR

+852 2110 0990
info@fidinamgw.com
www.fidinam.com

facebook.com/FidinamGW
linkedin.com/company/FidinamGW

Fidinam on WeChat

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