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2025 Asia Pacific Financial Services Tax Conference

Investing in data centres

MAKING AN IMPACT THAT MATTERS since 1845

Moderator

Klenn Yeo
Financial Services Tax Partner
Deloitte Singapore

Brief look at the past year of data centre activities in Asia Pacific

Brief look at the past year of data centre activities in Asia Pacific

Significant increase in LP allocation to data centres

- Data centre is expected to grow at a compound annual growth rate of 15% from 2023 to 2030 (source: McKinsey report)
- Demand for data storage and processing power by cloud computing and AI adoption demands digital infrastructure
- Data centres are increasingly considered as a desirable asset class for the likes of SWFs, managers of pension funds and PE firms
- GPs' deployment of LP dry powder

Tech giants' requirements for massive hyperscale data centres to be built

- Resulting increase in ticket size requires growth capital providers to come alongside operators to be structured at different stages of the development

Exits have been varied

- Inorganic acquisitions globally are benefitting Asia Pacific as portfolio tends to include data centre locations in Asia Pacific countries
- GPs' successful data centre development fund leads to the set up of core fund
- GPs' aggregation of data centre portfolio could lead to exit via Reit listing, e.g. S-REITs

Malaysia

Country tax updates

Country tax update | Malaysia: Speaker

Renee Ho
Tax Director
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Market Updates | Malaysia

Malaysia’s data center industry has rapidly expanded, attracting substantial FDI of US$31.5 billion in the first 10 months

Malaysia’s data center industry has rapidly expanded, attracting substantial **FDI of US$31.5 billion in the first 10 months of 2024**[1], positioning the country as a **regional powerhouse**.

While these investments fuel the digital economy, concerns persist over their resource intensity and **long-term economic impact**. In response, the government is **refining incentive structures** to drive sustainable growth, foster high-value job creation, and strengthen Malaysia’s position as a leading digital hub.

[1] *Knight Frank Malaysia Data Centre Research Report 2024*

Digital Infrastructure / Data Center Industry Development

2022
Bridge Data Centres brings online first phase of Johor, Malaysia data centre with ByteDance as anchor tenant.

2023
Malaysia based company to participate in Hong Kong Express Cable System (SEA-H2X) submarine cable project to enhance connectivity

2024
Technology Giants/Cloud Service Providers Setting Up Cloud Region in Malaysia

2024
Cabinet approved the Data Centre Planning Guidelines (GPP) created by the Ministry of Housing and Local Government (KPKT) through the Town and Country Planning Department (PLANMalaysia).

2025
Ministry of Investment, Trade and Industry (MITI) published **Guideline for Sustainable Development of Data Centre**

2025
Chinese data center operator Zdata Groundbreaking Ceremony at Johor, Gelang Patah

Balancing FDI and economic growth for a sustainable data center economy.

Key Tax Considerations | Malaysia

Import duty/sales tax implications

Import duty/sales tax generally imposed on the importation of:

- Gensets/generators—sales tax 10%
- UPS—sales tax 10%
- Batteries—import duty 20%, sales tax 10%
- Chillers—import duty 30%, sales tax 10%
- Servers—sales tax 5%

Challenges

- Exemption policy restrictions—making purchases from local vendors/local availability
- Timeline to secure facility vs importation of goods

Import duty/sales tax exemption facility

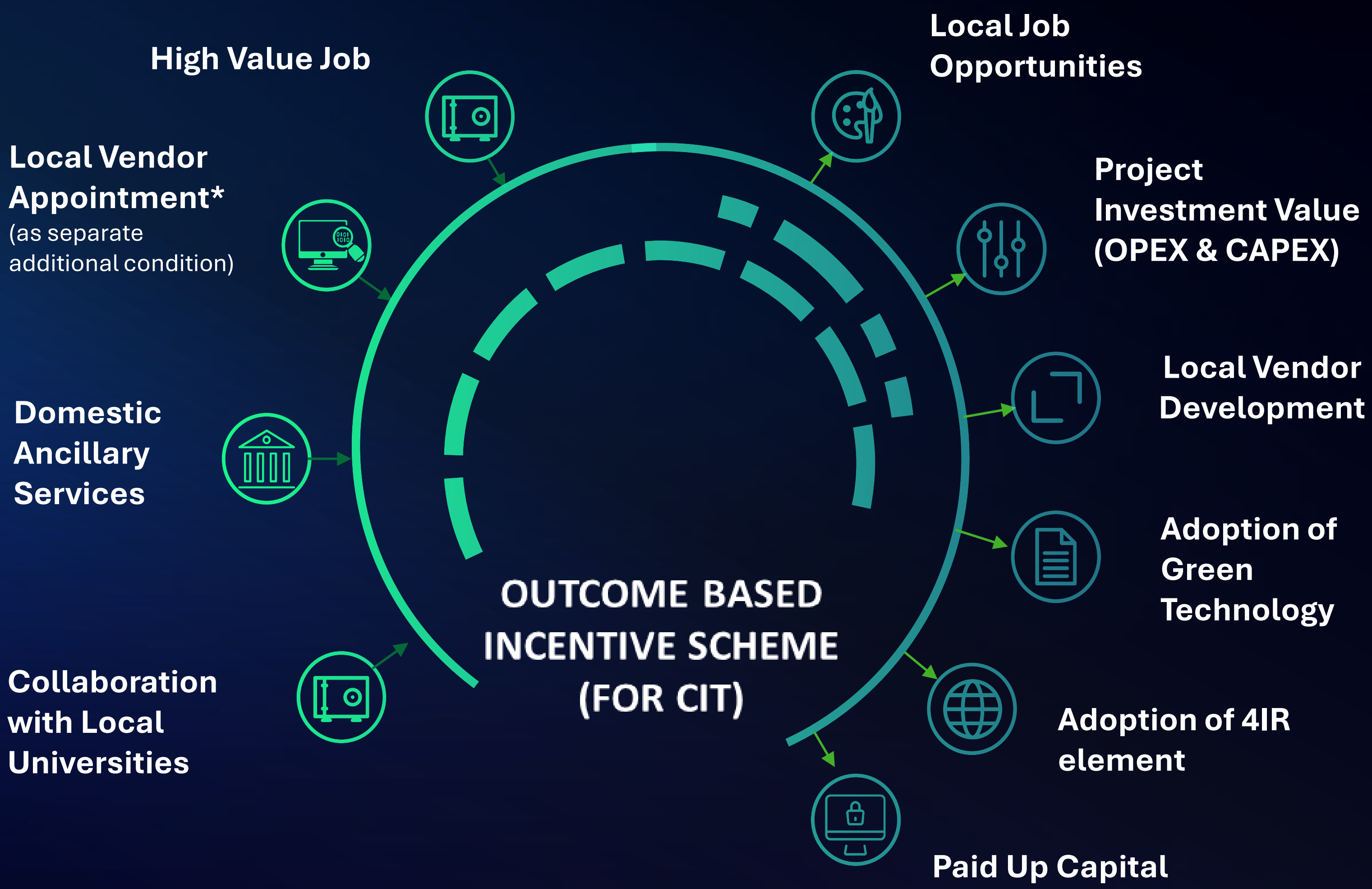
- Import duty and sales tax exemption granted to Malaysia Digital (MD) status companies for IMPORTATION of ICT/multimedia equipment
- Processing authority: Malaysian Digital Economy Corporation (MDEC)
- Application needed for exemption
- Importer of record must be the MD status company

Things to look out for

- Familiarising with exemption guidelines/requirements
- Documenting interactions with authorities
- Plan ahead—identifying critical timelines

Key Tax Considerations | Malaysia

Outcome-Based Incentives for Data Center and Digital Infrastructure Ecosystem

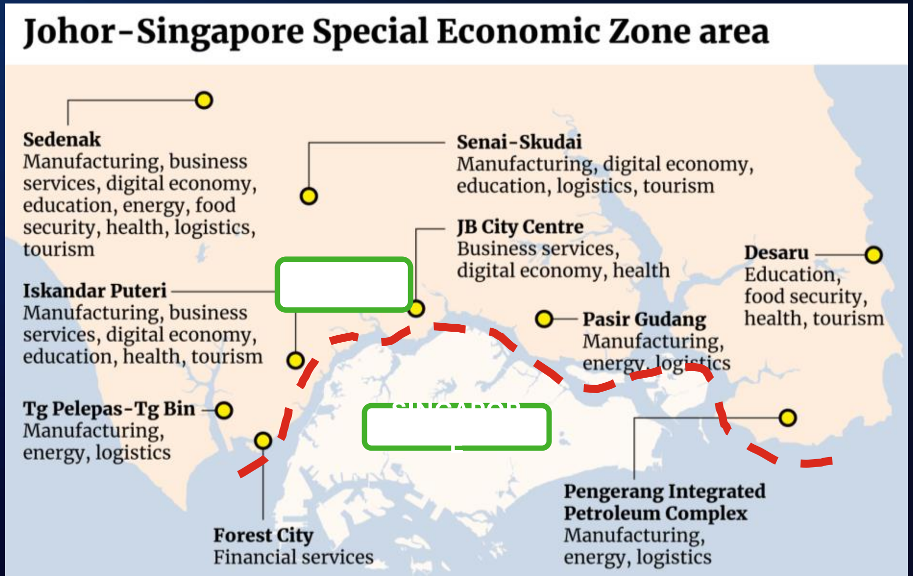


- Integrate ESG (Environmental, Social and Governance) as part of data center development pre-condition(PUE, WUE, CUE)
- A maximum of three (3) companies within the same group can enjoy the digital infrastructure incentive under MIDA
- Malaysia's new Capital Gains Tax regime
- Stamp Duty Audit Framework 2025

Key Tax Considerations | Malaysia

The Next ASEAN Digital Infrastructure Hub—Johor-Singapore Special Economic Zone(JS-SEZ)

Johor and Singapore can form a complementary, integrated regional data center (DC) ecosystem, leveraging their respective strengths in land availability, energy resources, connectivity, and high-value digital services. This positioning makes the Malaysia-Singapore corridor a strategic hub for data-driven industries, AI computing, and sustainable digital infrastructure in ASEAN.



Digital Infrastructure Ecosystem (Enhanced) Tax Incentive Mapping in JS-SEZ

Projects	Overview Tax Incentive in JS-SEZ	Additional Incentive Located in Flagship Zone
AI and Quantum Computing Supply Chain (e.g., upstream and midstream for DC ecosystem such as core hardware manufacturing, testing &assembly)	Special Tax Rate of 5% up to **15 years**	• **Accelerated capital allowance** in respect of renovation costs incurred on a building or part of a commercial building located in Flagship Zone for the purpose of qualifying company's business • **Knowledge worker incentive with** 15% flat tax rate on chargeable employment income for a period of 10 years (Malaysia/non Malaysian citizens)
Global Service Hub (e.g., Regional Operation and Maintenance Hub)	Special Tax Rate of 5% up to **15 years**	
Smart Logistics Complex (e.g., johor as hardware and supply chain hub for data center ecosystem)	Income tax exemption equivalent to Investment Tax Allowance (ITA) of 100% on the qualifying capital investment (excluding land) for up to **5 years**	

Indonesia

Country tax updates

Country tax update | Indonesia: Speaker

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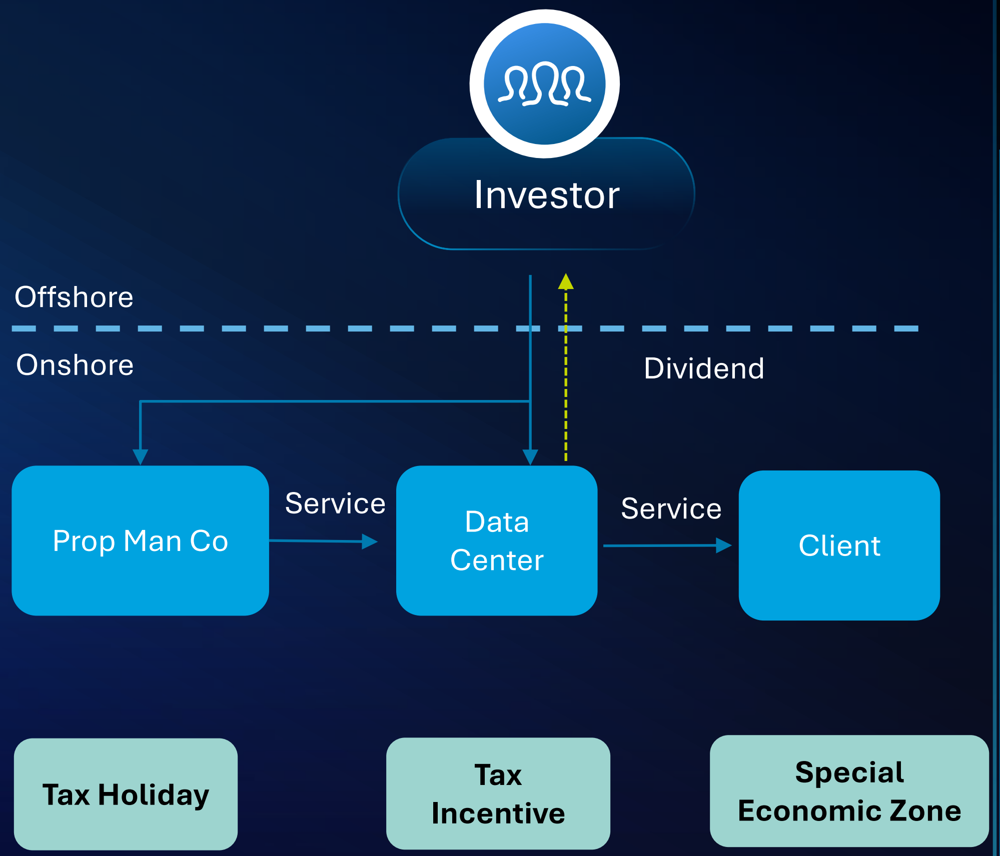
Key Tax Considerations | Indonesia



NB: Pillar Two needs to be observed.

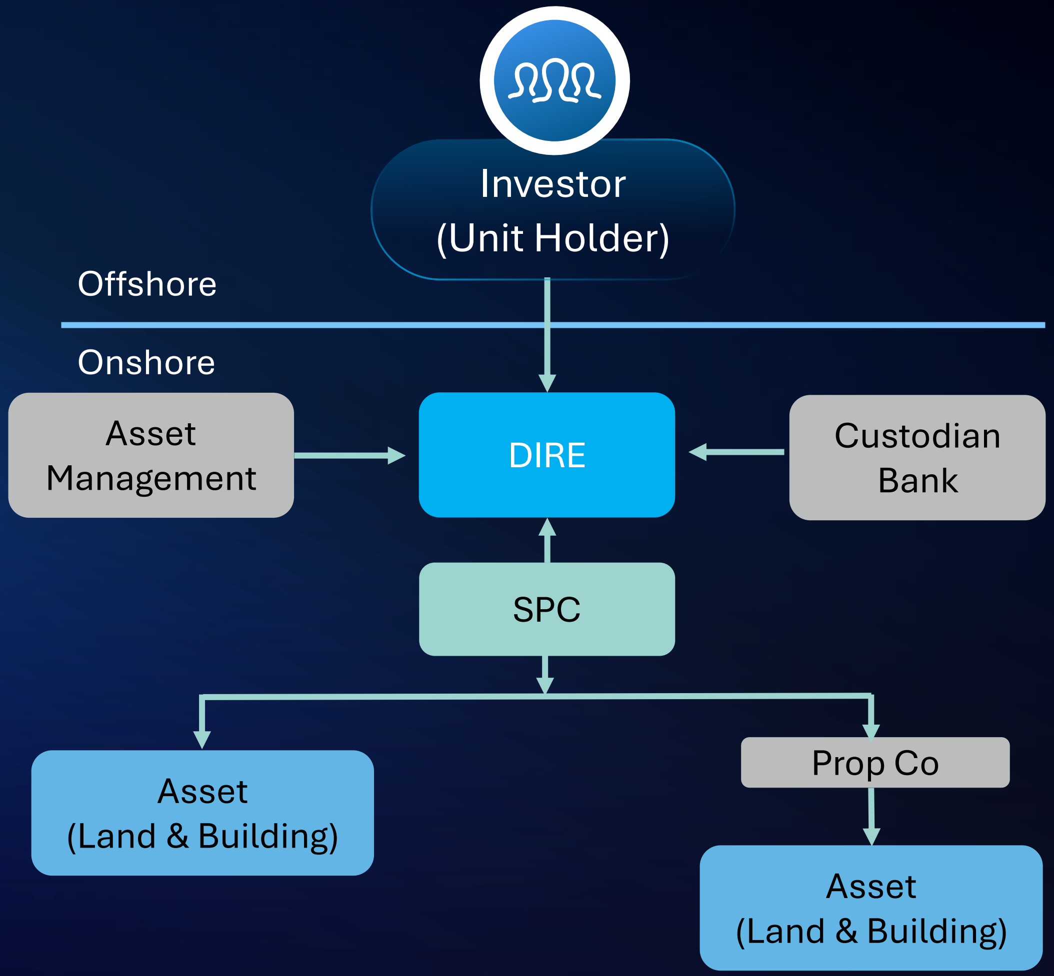
Investor in Data Center in Indonesia usually set up Property Management Co and data center company.

- Data center business is subject to Corporate Tax at 22% unless rental space subject to 10% final tax.
- Tax facility of data center can be enjoyed under several income tax facilities below:

Category	Tax Holiday	Tax Allowance	Special Economic Zone (SEZ)
Eligibility	• Industries in pioneer sectors (e.g., manufacturing, infrastructure, R&D.	• Companies investing in designated sectors or regions.	• Businesses operating within an SEZ boundary.
Entitlement	• 100% CIT reduction for new investments starting from SGD 50 million. • 50% CIT reduction for new investments from SGD10 million to under SGD50 million.	• 30% taxable income reduction based on total tangible asset investment. • Accelerated depreciation/amortisation for capital investment assets. • Extended tax loss carried forward period. • Reduced withholding tax on dividends to foreign taxpayers.	• Tax holiday facility for Business Entity (entity which manages and operates the SEZ). • Tax holiday or tax incentive facilities for Business Player (entities conducting business activities within the SEZ). • VAT and Import duty exemptions.

- However, Pillar Two (QDMTT) may undermine this tax facility which needs further observation).

Key Tax Considerations | Indonesia



Securitisation	Operation
• Capital gain on transfer of shares. • 0.5% final tax on transfer of Land & Building. • VAT can be refunded at SPC. • BPHTB at SPC level.	• Dividend from Prop Co is tax free up to investor (no substance or tax treaty needed). • Exit from redemption is tax free.

Vietnam

Country tax updates

Country tax update | Vietnam: Speaker

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Market updates| Vietnam

At a glance

Market trend highlight

Law on Investment 2020: Data center service is **CLASSIFIED** conditional business line

New Telecoms Law (from 1 July 2024): Data center service investments have **NO** foreign ownership restrictions

Government Support: Data center development is prioritised as a key objective for 2023-2025. Local authorities are required to provide necessary support.

Key operational and compliance requirements

- ✓ **Registration for provision of telecommunication services with Vietnam Telecommunications Authority (VNTA)**
- ✓ **Periodical and ad-hoc report regarding the telecom's activity**
- ✓ Notification on provision of telecommunication services to VNTA *(cross-border)*
- ✓ Publication of the quality of provided services
- ✓ **Prevent and remove** violated contents, services and applications within 24 hours from the receipt of the request of the authority
- ✓ Publication of the conformity with national standards and technical regulations
- ✓ **Storage** of users provided information
- ✓ **Ensuring information system security** before putting it into operation when providing services for state authorities

Common investment structure

Although there are no restrictions on foreign ownership in the data center sector, greenfield development may present challenges.

Challenges in Greenfield Development

- Must comply with various Vietnamese laws and regulations.
- Requires approvals for investment project setup, land acquisition, and commercial operations.
- Lengthy and bureaucratic administrative procedures

Alternative Strategies for Foreign Investors

- Acquiring Existing Data Centers: Target centers with strong growth potential.
- Joint Ventures with Local Partners: Leverage local expertise to ease regulatory processes and facilitate market entry.

Key Tax Considerations | Vietnam

01 Corporate Income Tax (CIT) incentives

The following CIT incentive schemes are currently available for new investment projects in the incentivised locations.

	Prevailing law	Draft amended cit law
Extremely difficult socio-economic areas **Economic Zones** **High-tech Zones**	• 10% rate for 15 years; • 4 years of tax exemption; and 50% reduction for the next 9 years	**Lower** incentive scheme for Economics zone **not located in difficulty/extreme difficulty area**. **No** incentives for projects in high-tech zones **but not belong to high-tech sectors**
Difficult socio-economic areas	• 17% rate for 10 years; • 2 years of tax exemption; and 50% reduction for the next 4 years	
Industrial Parks *(not in favorable locations)*	2 years of tax exemption; and 50% reduction for the next 4 years	**No** incentive for Industrial Zones (only incentive if in difficulty /extreme difficulty areas).

Key Principles for ISF

- Enterprises are responsible for self-declaring application documents.
- Support is available for up to **5 years**.
- Total subsidies cannot exceed the ISF Fund budget
- Subsidy amounts for enterprises will be based on socio-economic development goals, investment strategy, and Fund budget

02 Investment Support Fund (ISF)

Decree 182/2024/ND-CP, effective January 1, 2025, establishes Vietnam's ISF to attract high-tech investments, including AI data centers.

Application Process

- Enterprises must submit application dossier to Ministry of Planning and Investment: before 10 July of the year following the subsidised fiscal year.
- The dossier would be evaluated by competent authorities before the Government makes a final subsidy decision.

Specific Requirements for AI Data Centers

>= 6

Capital scale: Minimum VND6 trillion (US$239 million); OR

>= 10

Annual revenue: Minimum VND10 trillion (US$399 million)

Support Types

1. Initial Investment Subsidy: Covers up to 50% of initial investment costs.
2. Annual Expenses Subsidy
   - Training and HR development: up to 50%
   - R&D activities: up to 30%
   - Fixed asset investment: up to 10%

Fund Structure

- National fund established by the Government and managed by the Ministry of Planning and Investment.
- Operating on a non-profit basis.
- Financed by the state budget.

Key Tax Considerations | Vietnam

03 Import duty exemption

Goods imported to form **fixed asset** of incentivized project will be subject to the import duty exemption, including:

Machinery, and Equipment (M&E)

Components, and Spare parts for:
- synchronous assembly; OR
- synchronously used with M&E

Materials, and supplies for creating:
- M&E; OR
- Components, and spare-part of M&E.

Note: Regulated conditions (e.g., notification, and declaration, to Customs Authorities) would need to be met.

04 Typical WHT related to cross-border services with data center

5% CIT and 5% VAT
Cloud computing services defined as telecommunication services under the **Telecoms Law**

10% CIT and no VAT
Qualified computer software services under the Law on Information Technology

2% CIT and 3% VAT for construction and installation services; 1% CIT for M&E supply
Data Center construction and installation services, separated from M&E supply

2% CIT and 3% VAT on the whole contract value
Data Center construction and installation services, not separated from M&E supply

5% CIT and 5% VAT
Data Center management and operations services

India

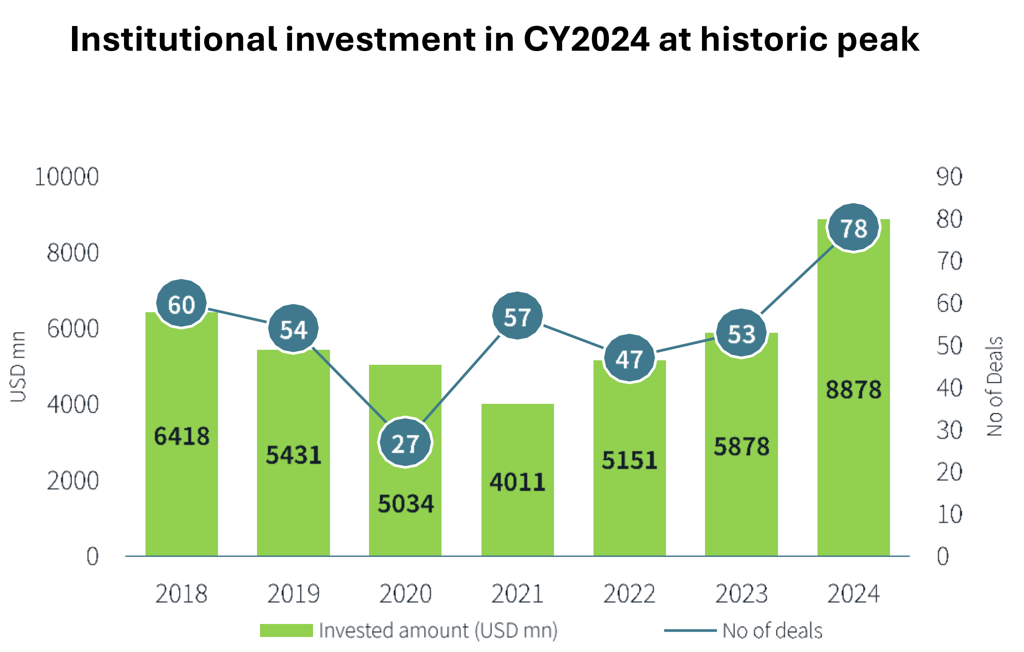
Country tax updates

Country tax update | India: Speaker

Hemal Mehta
Tax Partner
Deloitte India

Key Tax Considerations | India

Real Estate Investments in India | Overview



*Source: JLL, CBRE Research Reports

USD 11 .4 billion
Equity investment in CY 2024 (up 54% Y-o-Y)

USD 8.9 billion
Institutional investment* in CY 2024 (up 51% Y-o-Y)

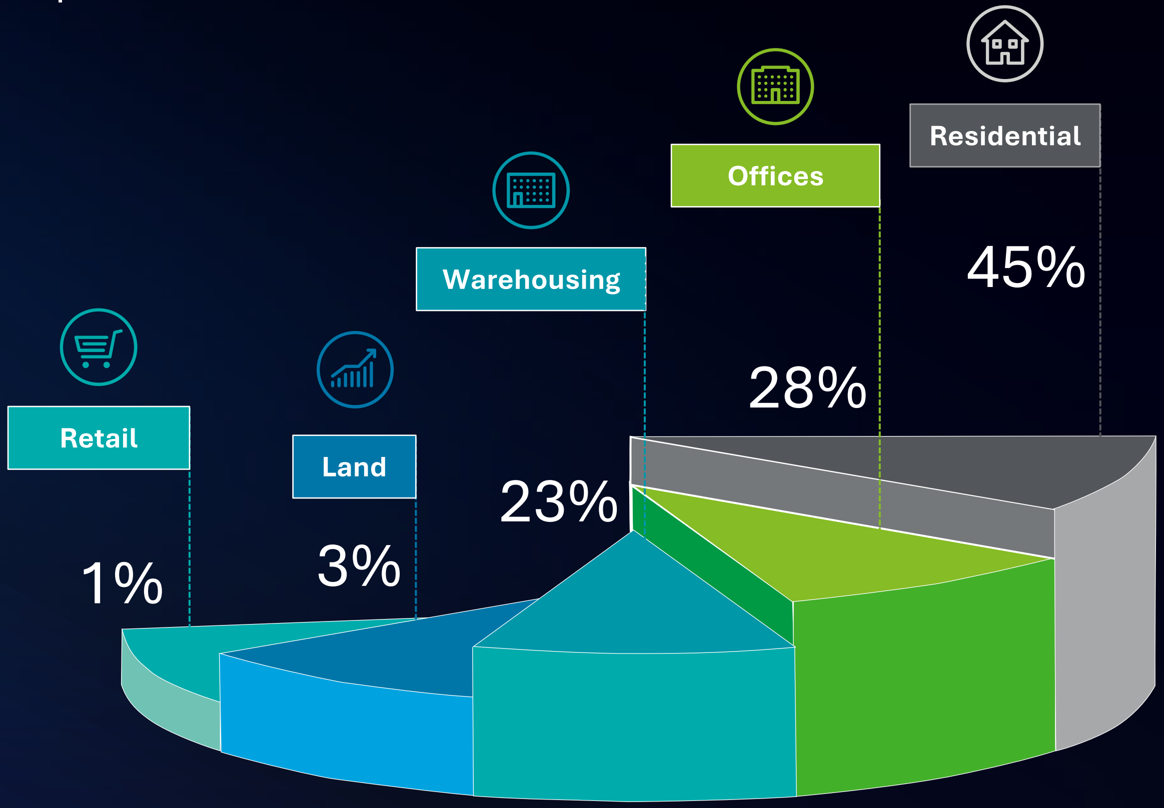
Foreign institutional investors remain the largest contributors at 63% share of total institutional investments

Three pillars of institutional investments—**Residential, Office and Warehousing & Datacenter sectors**

*Institutional flow of funds includes investments by family offices, foreign and Indian corporate groups, private equity, real estate fund-cum-developers, REITs etc.

Key Tax Considerations | India

Real Estate Investments in India | Overview



Segment-wise Institutional investment flows in CY 2024

- As the India real estate market matures, investment horizons are expanding beyond traditional sectors to emerging asset classes such as warehouse & data centers
- This reflects investors' appetite for diversification and alignment with evolving market dynamics

Major DC Investment Deals

Investor	Amount	Month	Details	Region
Amazon Web Services (AWS)	US$8.2 billion	Mar-25	AWS pledges US$8.2 billion in Maharashtra spread across the next few years to enhance cloud data storage and create tech employment.	Maharashtra
Microsoft	US$3 billion	Jan-25	Company’s plans to invest US$3 billion in India in cloud and AI infrastructure and skilling over the next two years, including the establishment of new datacenters.	Pan India
Colt Data Centre Services & RMZ	US$1.7 billion	Nov-24	Colt Data Centre Services and RMZ announce a joint venture to invest US$1.7 Billion in the Indian Data Centre market	Navi Mumbai, Chennai
Adani Enterprises & EdgeConneX	US$1.44 billion	Apr-24	AdaniConneX secures up to US$1.44 billion to build data centers across India, aiming for 1 GW capacity by 2030.	Pan India
ST Telemedia Global Data Centres (STT GDC)	US$3.2 billion	Sep-24	STT GDC, a leading data centre colocation provider based in Singapore, has announced a US$3.2 billion investment to expand its data centre capacity in India by 550MW, nearly tripling its IT load capacity over the next 5-6 years.	Pan India
Sify Technologies	US$5 billion	Jan-25	Cloud infrastructure and services leader Sify Technologies has earmarked US$5 billion investment over the next five years to expand data centre	20 Tier-II cities

Key Tax Considerations | India

Data Centers Market in India | Key Growth Drivers

Sustainability

Indian data centres is focused to integrate renewable energy sources and improve energy efficiency to reduce the carbon footprint

Regulatory Push

Initiatives such as the Draft Data Centre Policy and power and infrastructure related incentives are aimed to create a conducive environment for data centre growth and attract more investments

HiTec City 2.0

Andhra Pradesh is developing a Data City near Visakhapatnam to host data centers and generate 20 lakh jobs

GenAI

Generative AI is driving a surge in computational demand, with hyperscalers' 500+ MW requirements signaling that AI will soon surpass traditional cloud needs.

Datacenters | Typical Holding Models

Construct and Lease

Revenue source: Rental income through lease agreements

Classification: Real Estate Investments

Monetisation through REIT structure

Construct, Manage and Operate (ProCo cum OpCo)

Revenue source: Lease and service fee (e.g., cloud computing, data storage, etc.)

Classification: Infrastructure Investments

Monetisation through REIT or InvIT structure

“Infrastructure” classification allows better flexibility and choice of instruments from foreign investments in India perspective

The Cabinet has approved over **INR 10,300 crore** for the IndiaAI Mission to boost AI startups and expand compute infrastructure access.

Tier-1 DC Markets
Mumbai, Chennai, Delhi-NCR, and Bengaluru account for **90%** of India's tier-I data center market, with **Mumbai holding 49%** (Jan-Sep 2024).

Investments
India's data center sector attracted **US$60 billion** investment commitments (2019-2024), with Gen AI expected to add **US$400 billion** to GDP by 2029-30.

India's generative AI sector is expected to grow at a **CAGR of 28%** from 2023 to 2030, driving higher demand for data centers

Several states, including Maharashtra, Telangana, and Tamil Nadu, have introduced **policies and incentives** to attract data center operators and investors, driving sector growth. These incentives include stamp duty exemptions, reduced property taxes, electricity duty exemptions, expedited regulatory approvals, labor law benefits, and capital subsidies among others

***Source:** *2024 India Data Centre Market Update—CBRE Research India*

Datacenters | Tax Proposition

Data Center: From Tax Perspective

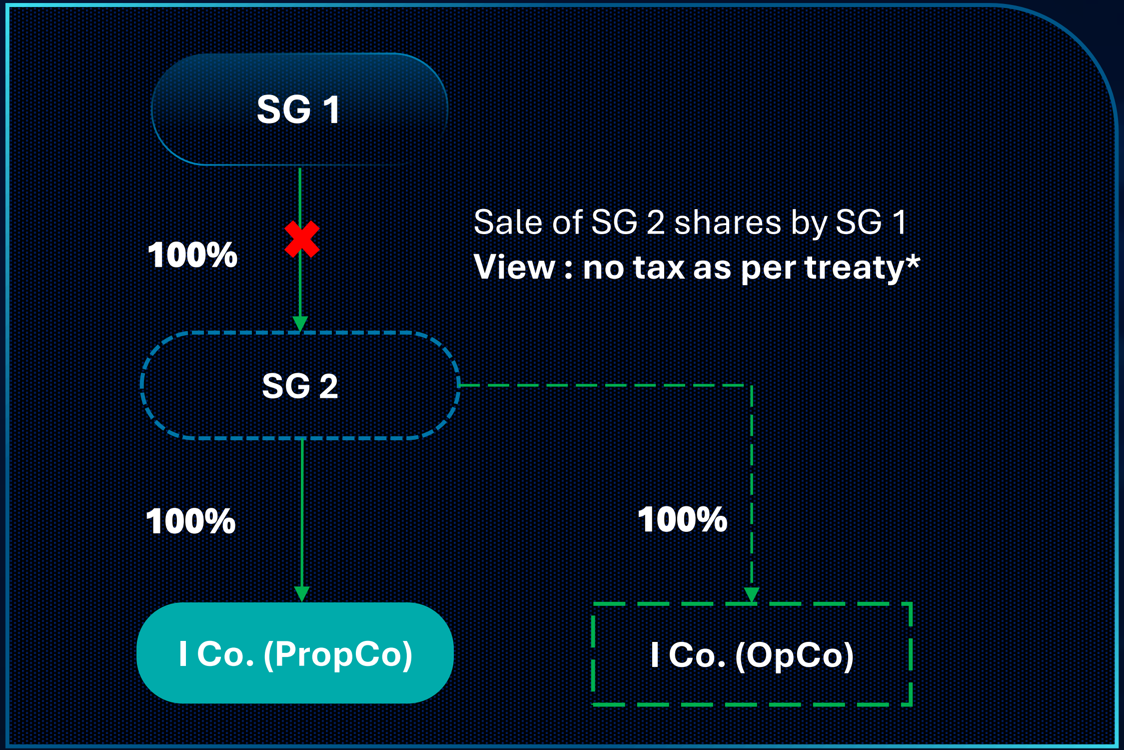
Direct Tax Considerations

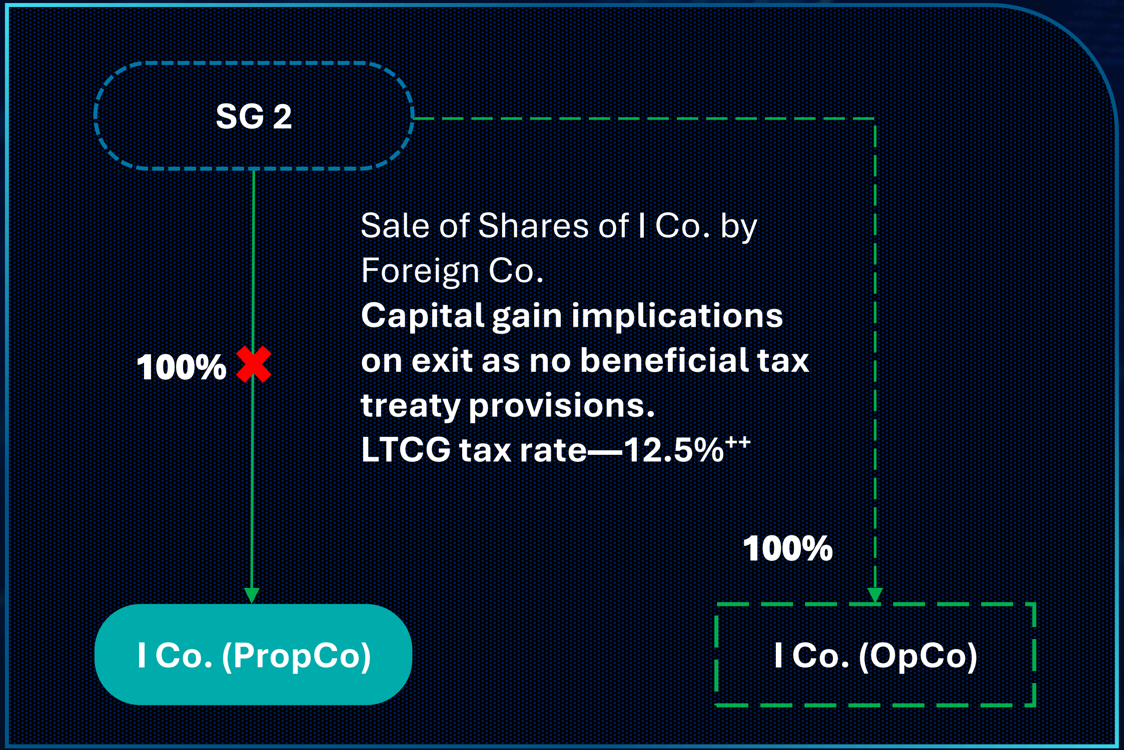
- India levies corporate tax rate of **~25%**
- Depreciation is allowed on assets to compute taxable income
  - Solar plants (critical renewable energy source for DCs) enjoys accelerated depreciation rate of **40%** - which provides for faster payback.
  - One-time additional depreciation of **20%** is also available to power plants including solar plants in first year
- Sovereign/Pension investors have been provided with **100% exemption** on their investment income on "Infrastructure" investments

Indirect Tax Considerations

- India generally levies an 18% GST, but international invoices are subject to **0% GST**
- Local clients can claim Input Tax Credit **(ITC)** to reduce their net tax liability

Datacenters | Offshore Holding structure





* *View under adjudication at Indian courts*

- Lower withholding on repatriation through interest and dividend under various tax treaties. As per India-Singapore tax treaty, interest and dividend income are taxable at **15%** (dividend tax rate may further reduce to **10%** if at least 25% stake in India company)
- Compliance with **substance, beneficial ownership from GAAR and MLI PPT** provisions perspective—to avail tax treaty benefits

Australia

Country tax updates

Country tax update | Australia: Speaker

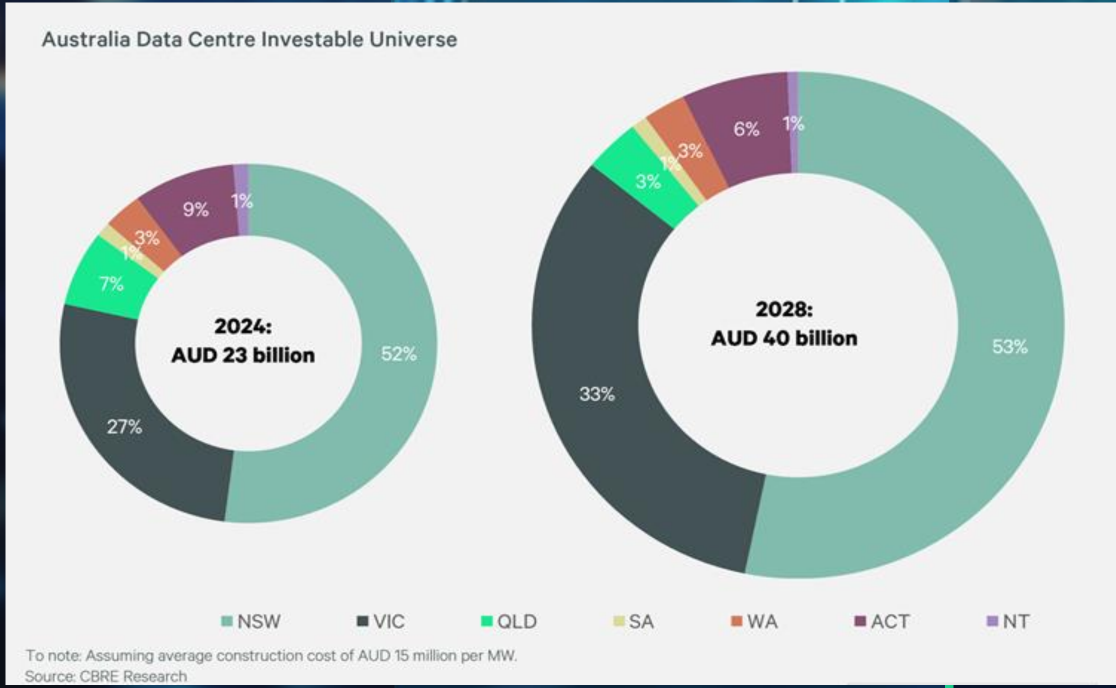
Siew-Kee Chen
Tax Partner
Deloitte Australia

Brief look at the past year of data centre activities in Australia

Blackstone acquires Australian group Airtrunk for $24 billion

AIRTRUNK | Blackstone

World's largest ever data centre deal



- Australian data centres forecast to double to A$40 billion by 2028
- High demand (AI and cloud sectors)
- Limited supply driving rental growth

Data centre investment observations and relevant tax issues | Australia

01

DATA CENTRE OBSERVATIONS

- Recent projects
- Typical structures
- M&A (key buy side and sell side tax considerations)
- Post-deal implementation tax issues (including Division 6C)

02

LATEST TAX DEVELOPMENTS

- New debt deduction rules and impact on financing
- Foreign resident capital gains withholding (now 15%, no minimum threshold)

03

TAX AUTHORITY ACTIVITY

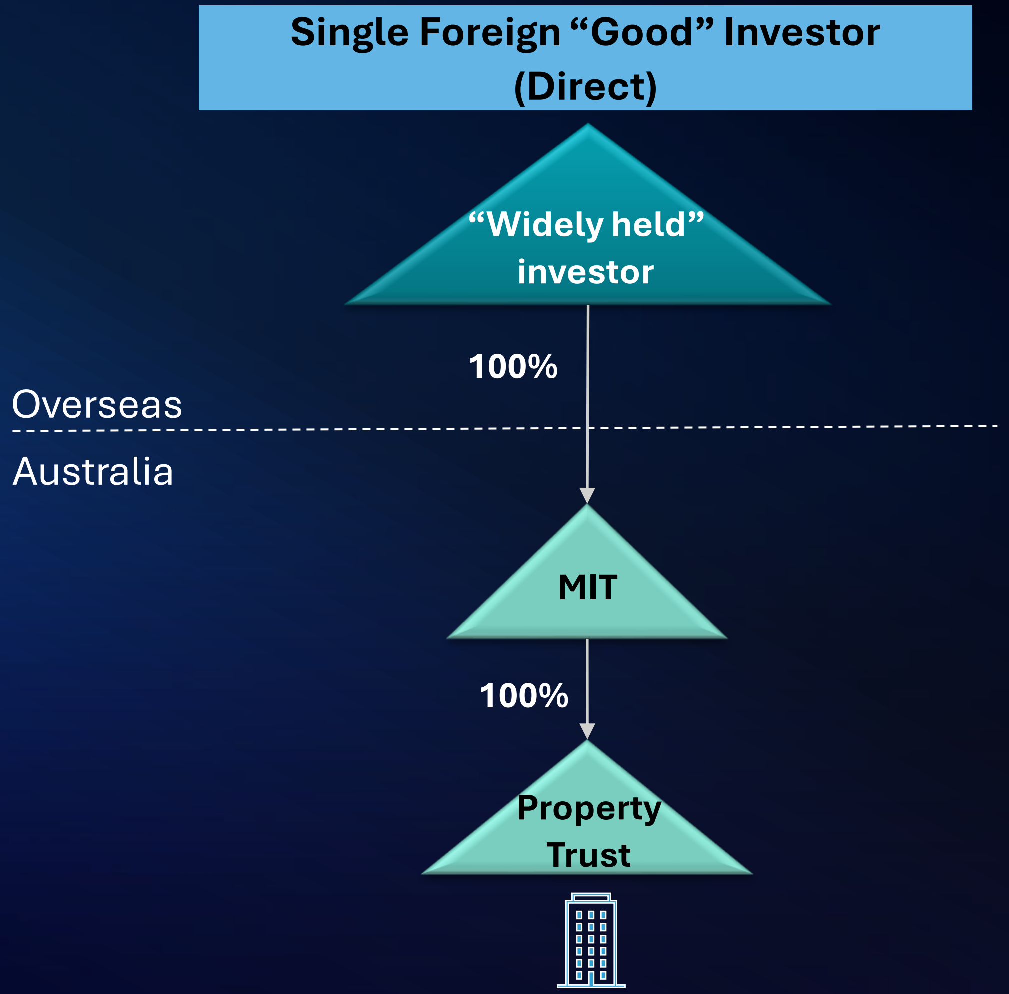
- ATO reviews of the largest MITs
- Divestments
- Taxpayer Alert 2025/1 (c.f. Government announcement on 13 March 2025)

04

PROPOSED TAX LAW CHANGES

- Proposed expansion of the capital gains tax regime for foreign residents
- MIT changes (Government announcement on 13 March 2025)

Australian Taxation Office *Taxpayer Alert 2025/1* (released on 7 March 2025)

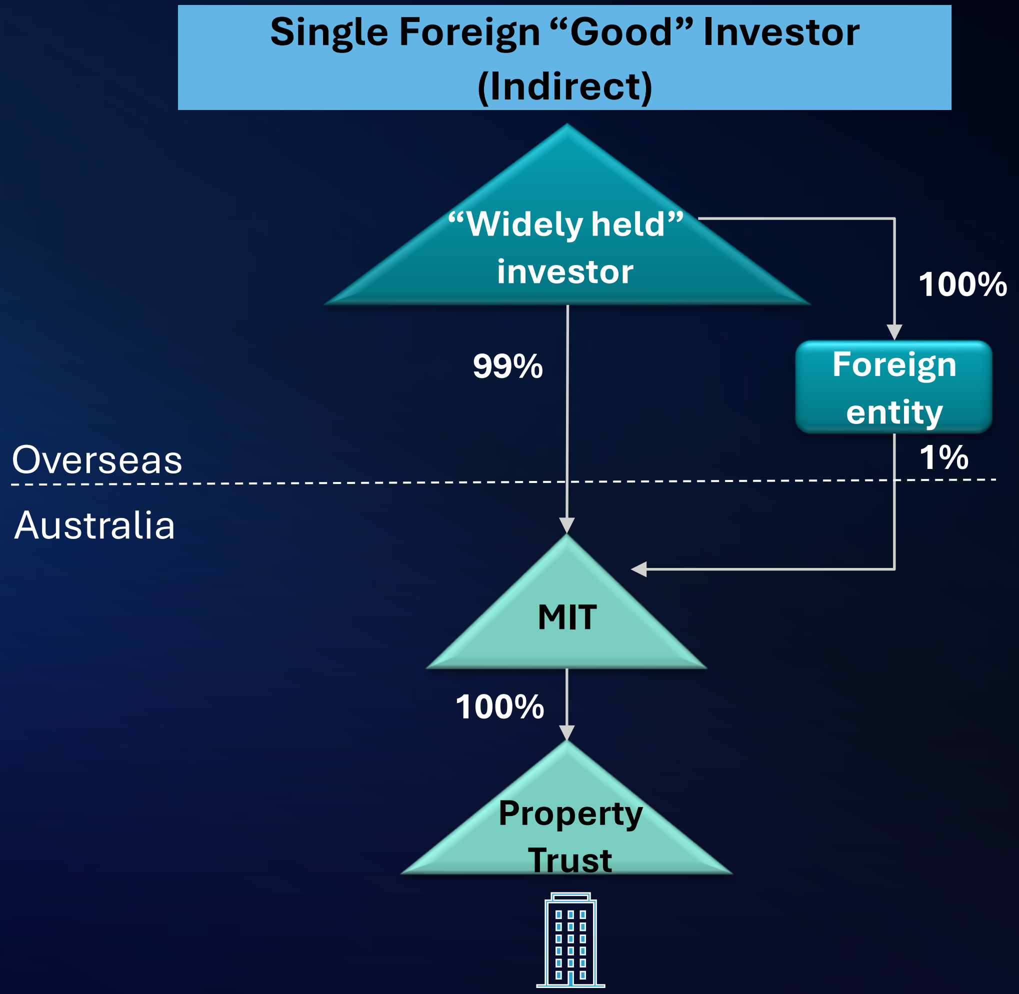


- Restructures (pre-sale) to access MIT 15% withholding tax rate

- Unit trust directly owned by a single unitholder:
  - Not a "*Managed Investment Scheme*" as defined in the *Corporations Act 2001*
  - Thus, not a MIT for tax purposes

- After 7 March 2025
  - New MIT structures
  - Existing MIT structures (with material new investment or ownership changes)

Australian Taxation Office *Taxpayer Alert 2025/1* (released on 7 March 2025)



- ATO concerned with a MIT indirectly wholly owned by a single foreign "eligible widely held investor"

- After 7 March 2025
  — New MIT structures
  — Existing MIT structures (with material new investment or ownership changes)

Government Media Release: 13 March 2025
"...trusts ultimately owned by a single foreign widely held investor (e.g., a foreign pension fund) are able to access the MIT concessions"

Japan

Country tax updates

Country tax update | Japan: Speaker

Ken Leong
Tax Partner
Deloitte Japan

Market overview | Japan

Positive growth outlook but challenges remain

DC market experiencing high growth

- Government's Digital Garden City Nation scheme
  - Promoting use of technology to create a greener country
  - Promoting use of technology to make living and working anywhere in the country comfortable, convenient and stable, thus eliminating urban-rural divides created by depopulation
- Increase in number of companies adopting digitalisation (and related demand for cloud services) driving enterprise DC market growth
- Increase in demand for cloud services driving hyperscale DC market investments by global cloud service providers
- Lifestyle changes e.g., greater use of online modes of payment, increasing use of e-commerce, increased smartphone penetration rate, etc.
- JPY expected to remain weak (above JPY 150/USD) to at least end of 2025

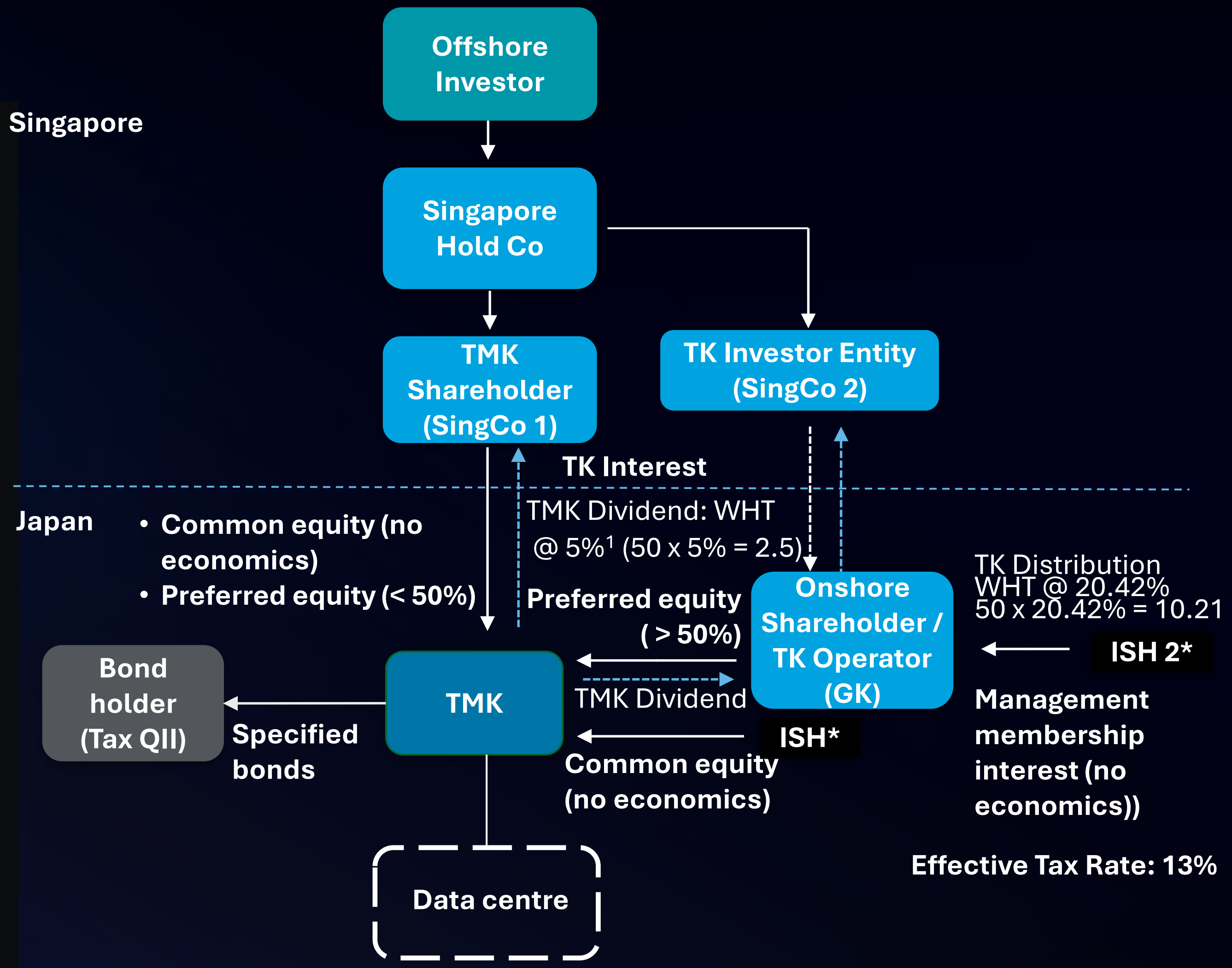
Challenges

1. **Financing costs:** Expected rise in interest rates/increased cost of borrowing
2. **Suitable locations:** ≈ 75% of DC capacity located in Tokyo/Osaka; to meet DC demand, necessary to look at other areas but isolated electrical grid limits electricity transmission capacity and number of sites suitable for DC location
3. **Power costs:** High dependency on coal/gas fired production following closure of nuclear stations after 2011 Tohoku Earthquake
   - ≈ 90% of electricity generation from imported coal/gas, weak JPY increases power costs
   - Shift to hydro/other renewables to achieve government's stated 2050 carbon neutral goal requires significant time/investment cost so likely to have immaterial impact on reducing power costs

Key Tax Considerations | Japan

Investment holding structure

- Current effective corporate tax rate is in range of **30-34%** (depending upon location of company and whether large or small)
- ETR will increase by **≈ 1%** from fiscal years beginning on or after 1 April 2026 (FY2025 tax reform introduction of "special defense corporation tax"—4% of national corporation tax)
- TMK-TK hybrid structure with Singapore platform commonly used; in general, can reduce ETR on Japan profits to **≈ 13%**
- Japanese tax authorities' position with regard to indirect disposal of Real Estate Holding Companies to be monitored.



[1] *Reduced rate on dividends under Japan-Singapore tax treaty.*

Key Tax Considerations | Japan

Asset acquisition and profit distributions

Acquisition

- Real property acquisition tax*

Real property acquisition tax	Land	Building (residential)	Building (non-residential)
Current standard rates	1.5%	3%	4%
Preferential rate for the TMK	1.2%	1.2%	1.6%

- Registration and license tax*

Registration and license tax	Land	Building
Current standard rates	1.5%	2%
Preferential rate for the TMK	1.3%	1.3%

* *Assessed on Fixed Asset Assessment Value*

- Entrustment of property subject to registration and license tax (Land: 0.3%, Building: 0.4%)
- Transfer of Trust Beneficial Interests not subject to real property acquisition tax and nominal registration and license tax (JPY 1,000 per parcel).
- **Consumption tax**—applicable to acquisition of buildings at 10% of purchase price; generally, should be fully recoverable

Depreciation

- Significant capital expenditure results in high tax depreciation
  - — Cash available for distribution exceeds TMK distributable profit
  - — Longer useful lives can be elected for tax/book purposes, subject to agreement of accounting auditor

Operating leases

- ASBJ No. 34 Accounting Standard for Leases effective from fiscal years commencing on or after 1 April 2027 (application from 1 April 2025 allowed)
  - — Operating leases to be capitalised, depreciation recognised on lease asset, interest recognised on lease payments
  - — No change to tax treatment i.e., deduction for lease payments which are fixed

Key Tax Considerations | Japan

Tax incentives/subsidies targeting investments outside major metropolitan areas

	Program	Incentive Type	Ministry	Budget	Status	Overview
1	Digital Infrastructure Resilience Project through Regional Distribution of Data Centers, etc.	Subsidy (Benefit amount is not yet announced)	Federal (Ministry of Internal Affairs and Communications)	JPY 12B	Subsidy approved in supplementary budget for 2024	Main objective to promote investment in regional areas rather than major metropolitan areas such as Tokyo and Osaka with elements of decarbonisation also considered positively
2	Data center regional base development project	Subsidy (50% of eligible investment amount	Federal (Ministry of Economy, Trade and Industry)	JPY 0.7B	Subsidy expected to be approved in budget for 2025	Project period spans four years from fiscal year 2027 to fiscal year 2030 with short term goal to establish 2-3 new facilities outside Tokyo metropolitan area
3	Tax Incentive for Regional Future Investment Promotion	Tax incentive (2% to 6% tax credit of eligible investment amount)	Federal (Ministry of Economy, Trade and Industry)	N/A	Until March 2028	Tax incentive to increase investment in regional areas; necessary to exceed both qualitative and quantitative requirements
4	Tax Incentive for promoting investment for Carbon Neutrality	Tax incentive (5% to 10% tax credit of eligible investment amount)	Federal (Ministry of Economy, Trade and Industry)	N/A	Until March 2027	Tax incentive to increase investment for carbon neutrality; necessary to exceed both qualitative and quantitative requirements

South Korea

Country tax updates

Country tax update | South Korea

Scott Oleson
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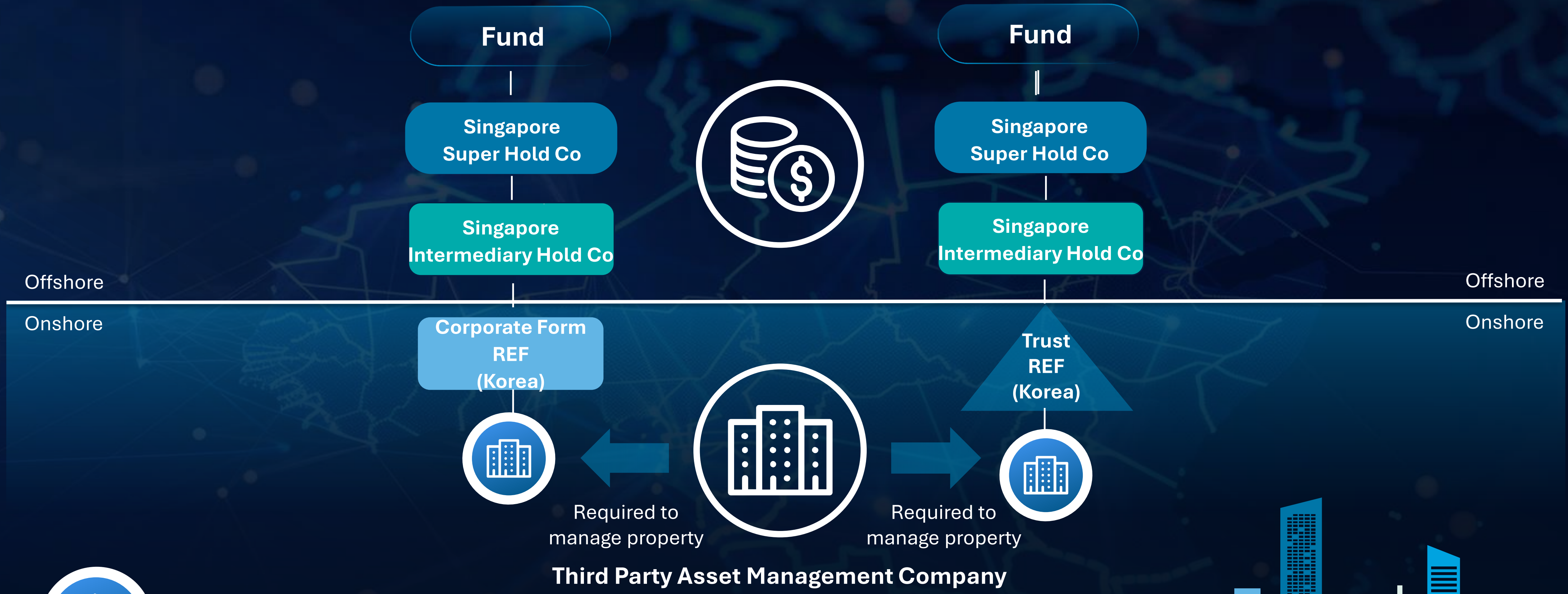
Deloitte Korea

Key Tax Considerations | South Korea

Common Investment Structures | Data centre investments



Notes
- All entities are 100% owned, unless indicated otherwise.

Key Tax Considerations | South Korea

Tax considerations: Summary of Comparison LLC REF and Trust REF

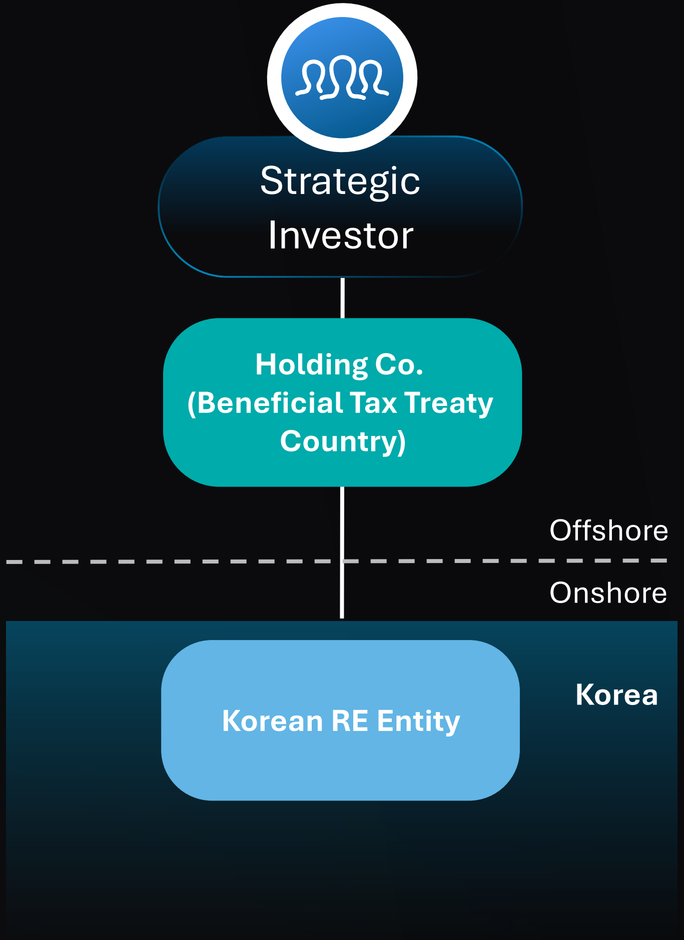
	Items	LLC REF	Trust REF
Tax Aspects	Corporate Income Tax on Lease Income	• Non-taxable, if 90% or more of the distributable income is declared as dividends	• Non-taxable
	Various real estate taxes	• No difference	
	Profit Repatriation—Dividend Payment	• 15% (or 10%) under Korea-Singapore treaty	• 15% under the Korea Singapore tax treaty
	Profit Repatriation—Exit via Share/Trust Certificate transfer	• Taxable at the lesser of 11% of sales price or 22% of capital gain and up to 27.5% for RERC • Seller subject to Security Transfer Tax (STT) of 0.35% • In case of share deal at exit, a potential buyer will be subject to deemed acquisition tax (i.e., 2.2% of book value)	• 15% under the Korea Singapore tax treaty • No STT • No deemed acquisition tax by a potential buyer
	Debt financing	• Generally same, up to 200% of net asset value under the CMFIBA but its limit can be increased	
	Summary	• There are not any significant differences between LLC REF and Trust REF other than any income repatriation from Trust REF will be subject to 15% withholding tax, whereas income from LLC REF will be subject to 15% (or 10%) dividend withholding tax rate or CGT tax rate depending income flow.	
Other Aspects	No Data Center specific tax incentives.		
	Due to required third party AMC, Opco/Propco structure is not normally used in Data Center structure (is commonly used in hotel investments to run the hotel operations)		
	Still some uncertainty regarding indirect sale of offshore holding company (see next slide)		

Key Tax Considerations | South Korea

Update on Indirect Transfer—Could it be Subject to Tax?

Indirect Transfer of Shares in Korean Investment

- Korea tax law is silent on the indirect transfer issue
- There is only one relevant tax ruling released by the Korean tax authorities in response to a taxpayer's request with respect to the application of the substance-over-form principle to indirect share transfer cases. According to the tax ruling, an indirect transfer of shares via the sale of the shares in a foreign company could be treated as a direct sale of the shares in a Korean company subject to Korean taxation pursuant to the substance-over-form principle stipulated in the Korean tax laws, and that such determination should be made on the basis of the facts and circumstances of each transaction.
- A District Court recently made a judgment in favour of the Buyer in last December (i.e., Jeju District Court 2023 Guhap 5979, Judgment, Dec 17, 2024). The supporting grounds for such judgement are summarised as follows:
  - — The substance-over-form principle is not in opposition to the principle of taxation based on the tax law. Rather, it shall be interpreted with some flexibility within the limits that do not impair predictability and stability of tax law. Therefore, **the application of the substance-over-form principle, which significantly undermines predictability and legal stability, is not allowed**.
  - — As long as there is no explicit tax law which governs taxation of indirect share transfer, the application of substance-over-form principle **cannot be used to create new taxation** (without any tax law) by reconstructing the transactions. Therefore, a taxpayer may choose one of several legal relationships to achieve the same economic purpose, and the tax authorities should respect the legal relationship chosen by the parties unless there are special circumstances.
  - — Considering other countries' cases (e.g., China, India), in **order for a tax authority to exercise its taxing rights on the indirect share transfer, there should be explicit tax law**, etc.



Singapore

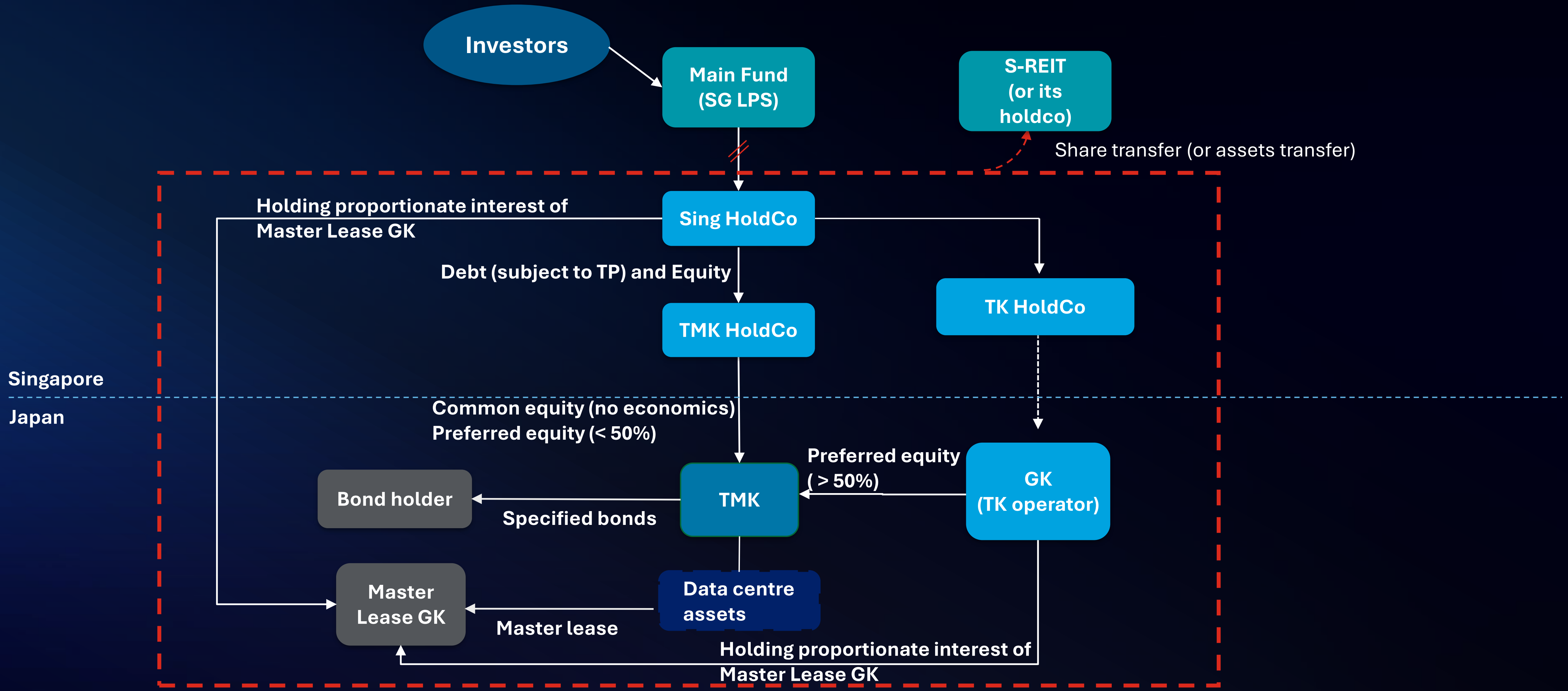
Country tax updates

Country tax update | Singapore: Speaker

Klenn Yeo
Tax Partner
Deloitte Singapore

Key Tax Considerations | Singapore

Exit option: Listing as a S-REIT



Key Tax Considerations | Singapore

Singapore Budget 2025 changes and updates:

Extension and enhancement of the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange (S-REITs)

Tax transparency on specified income in the hands of the trustee of the S-REIT if the trustee distributes at least 90% of its specified income to unitholders in the same year that the income is derived by the trustee

- Scope of specified income will be expanded to include all co-location and co-working income derived from 1 Jul 2025.
- Extended until 31 Dec 2030.

Tax exemption on S-REITs distributions received by individuals (excluding individuals who derive S-REITs distributions through a partnership in Singapore or from the carrying on of a trade, business or profession)

- Extended until 31 Dec 2030.

Final WHT rate of 10% for S-REITs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds

- Extended until 31 Dec 2030.

Key Tax Considerations | Singapore

Singapore Budget 2025 changes and updates:

Extension and enhancement of the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange (S-REITs) (cont'd)

More details from the IRAS by second quarter of 2025

Tax exemption on qualifying foreign-sourced income received by S-REITs, S-REITs' wholly-owned Singapore sub-trusts, and S-REITs' wholly-owned companies (these companies can be directly or indirectly wholly-owned by S-REITs) incorporated and tax resident in Singapore (FSIE- REIT), subject to conditions

- **With effect from 19 Feb 2025:**
  1. Qualifying foreign-sourced income will include rental and ancillary income received in Singapore from 19 Feb 2025, subject to conditions;
  2. The requirement for wholly-owned companies of S-REITs to be incorporated in Singapore will be removed. The wholly-owned companies must still be Singapore tax residents to qualify for the concession;
  3. Repayment of shareholder loans and return of capital will now be recognised as qualifying modes of remittance for wholly-owned Singapore sub-trusts and wholly-owned Singapore tax resident companies to pass remitted income through to S-REITs; and
  4. Singapore sub-trusts will be allowed to deduct other operational expenses against their income before passing the remaining amount to S-REITs.
- **Extended until 31 Dec 2030.**

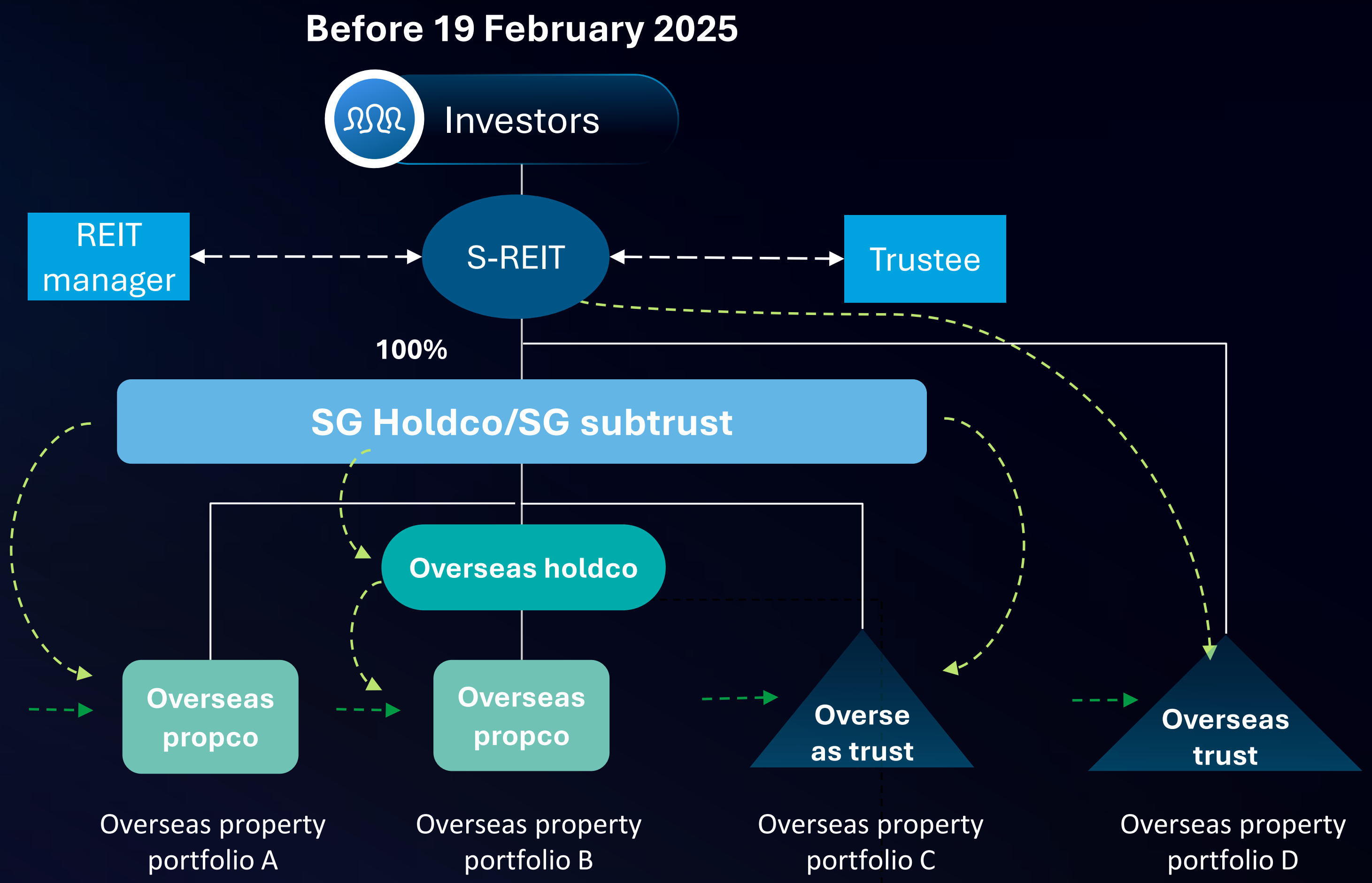
Singapore Budget 2025 changes and updates:

Extension and enhancement of the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange (S-REITs)—Simplified example

Tax exempt at S-REIT/SG Holdco/ SG subtrust (if qualifying conditions are met):

Generally, foreign dividend, interest and trust distributions received in Singapore

- External bank financing
- Shareholder debt financing



Key Tax Considerations | Singapore

Singapore Budget 2025 changes and updates:

Extension and enhancement of the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange (S-REITs)—Simplified example (cont.)

Tax exempt at S-REIT/SG Holdco/SG subtrust/ Overseas Holdco tax resident in Singapore (if qualifying conditions are met***):

Generally, qualifying foreign dividend, interest, trust distributions and rental/ancillary income received in Singapore

- External bank financing
- Shareholder debt financing
- * Must be tax resident in Singapore
- ** Consideration must be given to the commercial consideration and financing consideration (where relevant)
- *** One qualifying condition is the remittance of the full amount of qualifying foreign income less qualifying expenses. (i) Remittance now includes the repayment of shareholder loans and the return of capital. (ii) Qualifying expenses refer to financing expenses incurred by the SG Hold Co or SG sub-trust and other expenses for its investment in the underlying overseas property, as well as expenses associated with remittance, statutory expenses and admin expenses. Moving forward, this also includes SG sub-trust's operating expense.

Deloitte.