

# Foreword

M&A boomed tremendously throughout Asia in 2007 and this steady deal flow continued into the early part of 2008.

Despite this robust performance, there is widespread concern over the impact of the credit crisis in the US on the global economy. The recent turmoil in global credit markets, sparked by losses on sub-prime mortgages, has made financing acquisitions more difficult and expensive. This has resulted in deal makers in developed markets becoming somewhat more conservative in identifying targets and making deals.

This volatility and uncertainty is expected to continue in the near term or at least until the full extent of the subprime impact becomes clear.

Asian buyers and government funds do, however, appear to be keen to continue with their global buying spree and expand beyond their borders in 2008. They are looking for acquisitions of natural resources, brands, distribution and know-how.

While we have seen the Asian economies go through an unprecedented period of economic development, led by the opening of China and India, there are significant risks behind the scene, particularly having regard to regulatory uncertainties and fundamental cultural differences.

Tax will typically be one of the major risks, which makes investment in Asia a complex challenge. Tax exposures may be significant enough to warrant an adjustment to the deal structure or even break the deal. On the other hand, proper planning can usually mitigate the tax cost of doing a deal and assist in maximising the overall value of the deal.

The diverse tax environment that confronts a business that undertakes a multinational merger or acquisition demands that those who are managing the tax aspects of a deal understand regional taxation on at least two levels. First, the individuals responsible for tax planning must understand the differences between the basic systems of taxation and how those systems will affect individual transactions. Second, deal makers must be quickly able to gain an understanding on how individual tax authorities apply various tax systems.

Tax is a critical part of the M&A process, which if managed properly will help to ensure a successful deal. In this "Mergers & Acquisitions Asian Taxation Guide 2008", our network of M&A tax professionals across Asia offer you valuable insights throughout the entire M&A spectrum from pre-deal negotiation, due diligence and tax structuring to post deal integration.

We have prepared a summary of 14 jurisdictions across Asia, highlighting key tax issues relevant to both purchasers and sellers in a deal.

While there is no substitute for competent local tax advisers to advise you on the tax implications of the specific deal, we hope this publication provides you with some basic tools. We hope that you find it an essential read when contemplating M&A transactions in Asia.



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A handwritten signature in black ink that reads "Nick Dignan". The signature is fluid and cursive.

### **Nick Dignan**

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