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Inside this issue:

Regional Regulatory Updates

China	*Summary of China CIT incentive policies – Part II*	**2**
Hong Kong	*Proposed Amendments to Stamp Duty Relief for Intra-group Transfers*	**4**
India	*Economic development 2026-27*	**6**
Indonesia	*New Digital VAT Rules*	**8**
Malaysia	*New Transfer Pricing Guidance on Intra-Group Loans*	**10**
Singapore	*Enhanced Simplified Framework for Corporate Recovery and Exit*	**12**

CHINA

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SUMMARY OF CHINA CIT INCENTIVE POLICIES – PART II

As explained in "Summary of China CIT incentive policies – Part I" published in the previous newsletter (Volume 18, Issue 2), from the perspective of industries, geography areas and activities, the tax incentives can be classified to 5 types as following:

- Specific Industry sectors
- Encouraged Projects
- Specific Industry Sector in Specific Area
- Encouraged Income type
- Encouraged investment

We have previously summarized the first 2 types of incentive policies in "Part I", and this article is going to summarize the remaining 3 types of incentive policies.

The incentive policies for **Specific Industry Sectors in Specific Areas** are summarized as below:

15% tax rate / tax holidays for specific industry sectors in specific areas

No	Geographic area	Industry sectors	Valid period	Essential Conditions	Reduced tax rate	Tax reduction and exemption
1	Western Regions	Encouraged sectors	1 Jan 2011-31 Dec 2030	NA	15%	NA
2	Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	Encouraged sectors	1 Jan 2014-31 Dec 2025	NA	15%	NA
3	Guangdong-Macao Intensive Cooperation Zone in Hengqin	Encouraged sectors	NA	NA	15%	NA
4	Pingtan Comprehensive Experimental Zone	Encouraged sectors	From 1 Jan 2014	NA	15%	NA
5	Hainan Free Trade Port	Encouraged sectors	1 Jan 2020-31 Dec 2027	with operational substance in Hainan	15%	NA
6	The trial-run areas of Nansha	Encouraged sectors	1 Jan 2022-31 Dec 2026	NA	15%	NA
7	Specific enclosed areas of the Shenzhen Park in the Hetao Cooperation Zone	Encouraged sectors	1 Jan 2023-31 Dec 2027	with operational substance	15%	NA
8	Impoverished areas of Xinjiang	Encouraged sectors	1 Jan 2021-31 Dec 2030	Newly established	NA	2 + 3 years tax holiday
9	Kashgar Special Economic Zone and Horgos Special Economic Zone	Encouraged sectors	Starting from the first income-generating year	Newly established	NA	Exemption for 5 years

No	Geographic area	Industry sectors	Valid period	Essential Conditions	Reduced tax rate	Tax reduction and exemption
10	Lingang New Area of Shanghai Pilot Free Trade Zone	Key industries such as integrated circuits, artificial intelligence, biomedicine, civil aviation, etc	From 1 Jan 2020, 5 years commencing from establishment	Engaged in substantial production or R&D activities	15%	NA
11	Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Pudong New Area of Shanghai	High-Tech	Starting from the first income-generating year	Established after 1 Jan 2008; High-tech Certificate	NA	2 + 3 years tax holiday

The incentives for **Encouraged Income Type** and for certain fields of investment are summarized as below:

No	Income type	Essential conditions	Tax reduction and exemption	Deduction of taxable income/ Tax Credit
1	Derived by a Tax Resident Enterprise (TRE) from the transfer of qualified technology	NA	Exempted if ≤ RMB 5M; 50% reduction for the portion exceeding RMB 5M	NA
2	Derived by a TRE from the direct investment into another TRE	Not including investment in publicly traded stocks; and holding period is less than 12 months	Exempted	NA
3	Derived by non-profit-making organizations from engaging in non-profit making activities	NA	Exempted	NA

Tax exemption / reduction for certain encouraged income type

The incentives for **Encouraged Investment** are summarized as below:

No	Income type	Essential conditions	Tax reduction and exemption	Deduction of taxable income/ Tax Credit
1	Income generated from overseas direct investment by enterprises registered in the Hainan Free Trade Port and the Guangdong-Macao Intensive Cooperation Zone in Hengqin	Engaged in tourism, modern service, and high-tech industries	Exempted (from 2020 to 2027 for Hainan Free Trade port)	NA

CHINA

(Continued)

Tax incentives for certain encouraged investment

No	Income type	Essential conditions	Tax reduction and exemption	Deduction of taxable income/ Tax Credit
2	Venture capital enterprises make direct equity investment in non-listed small to Medium size new/high-tech enterprise or a start-up technology enterprise	Hold the investment for more than 2 years	NA	70% of its investment amount may be used to deduct the taxable income after the holding period reached 2 years
3	Purchasing and using specified equipment for environmental protection, energy and water conservation, or production safety purposes	Compliance with performance parameters of the equipment;	NA	To offset China Income Tax (CIT) payable by 10% of the investment amount
4	Investing in the digital and intelligent transformation of the above types of equipment	The cost of transformation	NA	To offset CIT payable by 10% of the transformation cost up to 50% of the original investment

HONG KONG

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PROPOSED AMENDMENTS TO STAMP DUTY RELIEF FOR INTRA-GROUP TRANSFERS

Background

- Under the Stamp Duty Ordinance (Cap. 117) ("SDO"), execution of instruments to effect transfers of immovable property in Hong Kong or Hong Kong stock is generally subject to stamp duty.
- Section 45 of the SDO currently provides relief for transfer between "associated bodies corporate" if the 90% ownership test is met and does not fall within the anti-avoidance provisions in the SDO.
- The Court of Final Appeal decision in *John Wiley & Sons UK LLP v Collector of Stamp Revenue [2025] HKCFA 11* determined that entities without issued share capital (e.g., LLPs) cannot qualify for relief under the current ownership test.
- This implies that relief shall be denied for modern business structures and multinational enterprise ("MNE") groups where they are associated by means other than issued share capital, prompting calls for reform.

Rationale for Amendments

- Modern business structures: Increasing use of equity interests and participation rights rather than issued share capital means the current test for intragroup relief excludes many entities.
- Competitiveness: Exclusion of non-share capital entities may reduce Hong Kong's attractiveness as an investment hub.
- Stakeholder input: Responding to the John Wiley Appeal decision, business, accounting, and tax sectors have put forward recommendations to expand the scope and lower the

- International comparison for ownership test:
  - UK: 75% threshold covering share capital, profits available for distribution and assets available for distribution on winding-up.
  - Singapore: at least 75% voting capital and 50% voting power.
- The Government concluded that relaxing the criteria would facilitate restructuring, reduce costs, and reinforce Hong Kong's role as a global business hub.

Key Proposed Amendments

1. Lower threshold: Currently associating interest covers "parent-subsidiary" situation and "common-parent" situation. Under the amendment proposal, the threshold of associating interest for both situations shall be reduced from 90% to 75%.
2. Expanded scope: Relief shall apply to bodies corporate with separate legal personality, even if they do not issue shares (e.g., LLPs). The definition of associating interest shall be expanded as follows:
   - Two entities are associated if one has at least 75% of direct or indirect beneficial interest in, or in relation to, another entity.
   - Association is established if a entity is, directly or indirectly, entitled to exercise at least 75% of the voting rights in, or in relation to, another entity.
3. Anti-avoidance provisions: Existing safeguards (e.g., two-year maintenance of association, restrictions on funding by non-associated person to settle the transfer consideration) will remain, with suitable adjustments to reflect the new intra-group relief test.
4. Transitional arrangement:
   - Instruments executed between 25 February 2026 (Budget Speech Day) and passage of the amendment bill can be submitted to the Stamp Duty Office for adjudication.
   - Duty payers are not required to pay stamp duty upfront; adjudication will be finalized once the bill passes.

HK proposes amending stamp duty rules (effective retroactively from Feb 2026), lowering the intra-group relief threshold from 90% to 75% and expanding eligibility to non-share capital entities like LLPs.

Implementation Timeline

- Effective date: Retrospective effect from 25 February 2026.
- Legislative process: Amendment bill to be introduced into LegCo in October 2026.
- Application: New association test will apply to all provisions referencing section 45 once enacted.

Financial Implications

- The relaxation would likely reduce government revenue, though the exact impact is uncertain as it depends on the volume of intra-group transfers.

Our Observations

- The proposed amendments modernize Hong Kong's stamp duty relief regime, aligning it with international standards, broadening eligibility to modern corporate structures, and lowering the cost to facilitate group restructurings. While tax revenue may decline, the measures are expected to enhance Hong Kong's competitiveness as a global investment hub. Meanwhile, pending enactment of the amendment legislation, duty payers should note whether they may benefit from the transitional arrangement.
- In February 2026, the Financial Secretary stated in his Budget Speech that enhancement measures will be introduced on stamp duty relief for intra-group transfer of immovable properties and equities. On 6 July 2026 the Legislative Council issued for members' comments the proposal for legislative amendments of the enhanced relief measures.

INDIA POSTS 7.8% GDP GROWTH FOR Q1 OF 2026-27

- In Q1 of FY 2026-27:
  - Real GDP estimated to grow by 7.8%
  - Nominal GDP has witnessed a growth of 10.3% in
  - Real and Nominal GVA has been assessed to grow by 8.2% and 11.5% respectively

- Tertiary sector has boosted the performance of the economy by registering growth of 10.0% at 'constant prices', mainly driven by the
  - Financial
  - Real Estate
  - IT and
  - Professional Services sectors

- Secondary sector has registered a growth of 8.6% at constant prices

- Primary sector has observed 2.9% growth rate at constant prices mainly contributed by the performance of 'Agriculture and Allied' sector which registered 3.6% growth during Q1 of FY 2026-27.

- Private Final Consumption Expenditure ('PFCE') registered a growth of 7.1% at constant prices during the quarter

Source: https://www.mospi.gov.in (31 August 2026)

1.0 Securities and Exchange Board of India ('SEBI')

A. Acceptance of digitally signed Power of Attorney from FPIs

FPI onboarding process simplified with the acceptance of digital Power of Attorney

SEBI has further simplified and digitised the Foreign Portfolio Investor ('FPI') onboarding process by permitting the acceptance of a 'Power of Attorney' executed using a digital signature in accordance with the Information Technology Act, 2000.

This eliminates the need to get the power of attorney notarised, apostilled or consularised, thereby reducing the overall time taken for FPI onboarding and improving ease of doing business for FPI applicants.

The above circular has become effective from 20 August 2026 and can be accessed as under.

https://www.sebi.gov.in/legal/circulars/aug-2026/acceptance-of-digitally-signed-power-of-attorney-from-fpis_103824.html

B. Alignment of SEBI's 'Cyber Incident Reporting Portal' with 'FIRE' format

SEBI has aligned its 'Cyber Incident Reporting Portal' with the Financial Stability Board's ('FSB') Format for Incident Reporting Exchange ('FIRE') Framework to streamline and standardise reporting of cyber incidents by regulated entities. The FIRE framework introduces common information fields, standardised definitions and consistent incident classifications, thereby enabling more structured and comparable reporting across sectors and jurisdictions.

Under the revised mechanism, regulated entities must report cyber incidents through SEBI's cyber incident reporting portal. Reporting will be carried out in stages, starting

with the initial notification, followed by updates as the incident progresses and a final report upon closure, recognising that complete information may not be available at the time of initial reporting.

The existing requirement to report incidents to SEBI by email within 6 hours and through the Incident Reporting Portal within 24 hours continues to apply. Regulated entities are required to put in place the necessary systems and processes to implement the circular.

The circular can be accessed via *https://www.sebi.gov.in/legal/circulars/aug-2026/alignment-of-sebi-s-cyber-incident-reporting-portal-with-fire-format_103915.html*

2.0 Reserve Bank of India ('RBI')

The RBI, on 15 July 2026 issued a draft 'Guidance on Regulatory Expectations for Data Governance' to the banking and financial services sector. The framework establishes a comprehensive, enterprise-wide standard for data discipline across the banking and financial services sector.

Guidance to be issued to support the data governance framework and data management for regulated entities

The draft guidance supports the regulated entities ('RE's) in strengthening their data governance framework ('DGF') and promoting sound practices relating to data management across the data lifecycle. It sets out broad regulatory expectations relating to data governance, roles, architecture, metadata and lineage, quality, and third-party arrangements involving data sharing.

RBI has also included the Basel Committee on Banking Supervision's 'Principles for effective risk data aggregation and risk reporting ('BCBS 239')' in the above Guidance.

The DGF requirement is proportionate to the RE's size, complexity, and IT setup. The DGF needs to be comprehensive, should comply with the Digital Personal Data Protection ('DPDP') Act, 2023, the DPDP Rules, 2025.

While still at the consultation stage, the industry awaits the formal date of announcement and applicability of the Guidance.

https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=5114

3.0 Ministry of Corporate Affairs

Recently, on 24 August 2026, the Ministry of Corporate Affairs ('MCA') published certain frequently asked questions ('FAQ's) on: Registration of foreign companies / subsidiaries of foreign body corporates. The FAQ is in a tabulated format, addressing matters on

- The required forms / filings
- Permissible activities and validity period (for liaison / project / branch) offices
- Name reservation rules
- Documents required to register foreign companies
- Requirement of notarisation / apostille / consularisation
- Authorities who can be reached out and
- Other general queries

Companies having their offices in India may find the additional FAQs informative. The same can be accessed at http://www.mca.gov.in/bin/dms/getdocument?mds=nMcct0EsVcUaCBh0axkawA%253D%253D&type=open

INDONESIA

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INDONESIA'S NEW DIGITAL VAT RULES: WHAT FOREIGN BUSINESSES NEED TO KNOW

Does your company sell software, subscription-based services, digital platforms, or other digital products to customers in Indonesia?

If so, recent changes to Indonesia's tax regulations may require your attention. Even if your company does not have a physical presence in Indonesia, transactions with Indonesian customers may still give rise to VAT obligations.

Foreign Digital Transaction Tax Collection System has been officially implemented to support tax collection on cross-border digital transactions

As of 20 July 2026, Indonesia introduced the Foreign Digital Transaction Tax Collection System (SPP-TDLN) through Minister of Finance Regulation No. 49 of 2026 (PMK 49/2026), which was officially implemented on 10 September 2026. This mechanism is intended to support tax collection on cross-border digital transactions that meet the applicable requirements.

What Does This Mean for Foreign Digital Businesses?

For foreign digital businesses, this is not merely a matter of tax compliance. The VAT treatment may also affect pricing, invoicing, payment processes, and the revenue received from customers in Indonesia.

Under the SPP-TDLN mechanism, foreign digital businesses do not directly collect and remit VAT to the Indonesian government. Instead, VAT is collected through a Pihak Lain, namely a payment facilitator that facilitates the transaction and has been appointed to connect with the SPP-TDLN system, and delegated to collect VAT directly at the time of payment authorisation.

Therefore, businesses need to understand how the VAT collection mechanism is integrated into the payment process used by their customers in Indonesia.

From a commercial perspective, businesses should also ensure that the prices offered to customers in Indonesia already account for VAT.

For transactions subject to VAT under the SPP-TDLN mechanism, VAT is collected using the following formula:

11/111 of the price or payment (amount inclusive of VAT)

Business to consider VAT implication when determining prices

This means that businesses need to consider the VAT implications when determining prices or billing customers in Indonesia. If VAT has not been taken into account from the outset, businesses should understand how this may affect the net amount received from the transaction.

For example, if a customer makes a payment of Rp111, inclusive of VAT, the VAT component of that payment is Rp11.

Accordingly, businesses should review their pricing structure for customers in Indonesia to ensure that the impact of VAT on their profit margins is properly taken into account.

For transactions denominated in foreign currencies, the VAT amount is converted into Indonesian Rupiah using the applicable tax exchange rate in accordance with the

prevailing tax regulations. Businesses should therefore also consider the applicable exchange rate when managing pricing, billing, and transaction reconciliation.

Four Practical Steps Businesses Can Take

1. Identify Transactions with Indonesian Customers

   Map out transactions involving customers in Indonesia, including:
   - Type of digital service or product;
   - Transaction value;
   - Transaction date;
   - Payment currency; and
   - Payment method.

   Businesses should also determine whether these transactions are already subject to VAT under the PMSE VAT mechanism or may potentially fall under the SPP-TDLN mechanism.

2. Check the VAT Collection Status

   Check whether the company has been appointed as a PMSE VAT Collector:

   If the company has been appointed, it is required to collect VAT in accordance with the applicable regulations.

   If the company has not been appointed as a PMSE VAT Collector, it should assess whether certain transactions may fall under the SPP-TDLN mechanism, provided that the applicable requirements are met.

3. Review Pricing and Invoicing

   Review how prices and invoices are determined for customers in Indonesia.

   Key questions to consider include:
   - Does the price already include VAT?
   - Does the customer contract clearly specify the applicable tax treatment?
   - Do the invoice or billing documents clearly reflect the transaction and VAT?
   - Has the VAT impact been taken into account when determining the company's margin?

   This review is important to avoid discrepancies between the price offered to customers and the amount ultimately received by the company.

4. Ensure Transaction Data Is Available

   Start tracking transactions involving Indonesian customers separately.

   The relevant data should include:
   - Customer information that indicates the customer's location;
   - Transaction date;
   - Payment amount;
   - Transaction currency;
   - Payment method; and
   - Transaction or payment reference number.

   Complete and accurate transaction data will help businesses identify transactions that may be subject to VAT and facilitate reconciliation between transaction data, payment records, and financial records.

Accurate transaction data is essential to identify the transactions subject to VAT and facilitate reconciliation of various reporting

MALAYSIA

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MALAYSIA ISSUES NEW TRANSFER PRICING GUIDANCE ON INTRA-GROUP LOANS

On 30 July 2026, the Inland Revenue Board of Malaysia ("IRBM") issued the *Malaysia Transfer Pricing Guidelines on Controlled Financial Transactions: Intra-Group Loans* ("MFTIL").

The guidance is relevant not only to multinational groups, but also to locally owned groups of companies in Malaysia. It should be considered where related companies have cross-border financing, local intercompany loans and cash pooling strategies.

Key Developments

a. Substance of the loan arrangement

One of the main points in the MFTIL is that taxpayers should first consider whether an arrangement described as a loan is, in substance, debt or equity.

Transfer Pricing Guidelines on Controlled Financial Transactions: Intra-Group Loans apply on both Malaysia locally owned groups of companies as well as multinational groups

A loan agreement is important, but it is not enough on its own. The IRBM may look at the legal obligation to repay, maturity date, expectation of return, ranking upon liquidation, management participation, right to enforce repayment, accounting and tax treatment, and the intention and conduct of the parties.

If the arrangement does not have the characteristics of genuine debt, the IRBM may re-characterise it as equity. This could lead to interest deductions being denied, additional tax exposure and potential surcharges.

b. Both lender and borrower perspectives are relevant

The MFTIL makes clear that intra-group loans should be analysed from both the lender's and borrower's perspectives.

For the lender, relevant considerations may include the borrower's credit risk, the purpose of the loan, the borrower's financial position and other available uses of funds. For the borrower, the analysis should consider whether the loan terms are commercially acceptable, whether other financing options are available and whether the loan meets the borrower's business needs.

This applies to both cross-border and domestic related-party financing arrangements.

c. Borrower's creditworthiness is central to pricing

The borrower's credit profile is an important factor in determining an arm's length interest rate.

to consider the borrower's credit profile when determining the arm's length interest rate

Relevant factors may include profitability, gearing, cash flow stability, repayment history, industry conditions, market risks and funding position. Loan-specific terms, such as currency, tenure, security, guarantees, seniority, repayment terms and covenants, should also be considered.

For multinational groups, group membership may also affect borrowing conditions. A Malaysian entity may benefit from implicit group support, which can improve its credit profile. However, the MFTIL recognises that this benefit arises from being part of the group and does not automatically require a separate charge, unless there is an explicit guarantee or service.

d. Pricing approaches clarified

The MFTIL recognises several approaches for determining an arm's length interest rate:

Pricing Approach	Key Consideration
Comparable Uncontrolled Price Method	Uses comparable third-party loans, bond data or market transactions, with adjustments where appropriate
Cost of Funds Method	Looks at how much it costs the lender to obtain the money, plus a reasonable margin, but this must still be compared with market rates and what the borrower could realistically get from other lenders under prevailing market conditions
Simplified Method	Allows eligible taxpayers to apply prescribed Bank Negara Malaysia rates without a detailed benchmarking analysis

e. Documentation expectations

The MFTIL reinforces the need for proper contemporaneous transfer pricing documentation.

Taxpayers should maintain loan agreements, credit assessments, repayment terms, pricing analysis, board approvals, source-of-funds evidence and support for the selected pricing method.

For both cross-border and locally owned groups, intercompany financing arrangements should be properly documented, consistent with the parties' actual conduct, and supported by the relevant agreements, accounting treatment and transfer pricing analysis, particularly where the balances are interest-free or long outstanding.

related-party financing should be reviewed in a practical and holistic manner with proper contemporaneous transfer pricing documentation in place

Where facts and circumstances remain unchanged, the MFTIL allows the arm's length interest rate to be reviewed once every three years for methods other than the simplified method. However, an earlier review may be needed if there are changes in market interest rates, borrower credit profile, loan terms, group structure or economic conditions.

The MFTIL provides useful clarity on Malaysia's approach to intra-group loans and reflects the broader focus on controlled financial transactions.

The main takeaway is that related-party financing should be reviewed in a practical and holistic manner. The legal form, commercial rationale, borrower profile, pricing approach and actual conduct of the parties should be aligned and supported by contemporaneous documentation.

A proactive review will help both multinational and locally owned groups identify potential gaps early and manage Malaysian transfer pricing risk more effectively.

SINGAPORE

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SINGAPORE'S ENHANCED SIMPLIFIED FRAMEWORK FOR CORPORATE RECOVERY AND EXIT

Singapore's legal framework provides versatile mechanisms for corporate rehabilitation and exit, including restructuring, judicial management and liquidation. A recent development is the evolution of the Simplified Insolvency Programme ("SIP"). Originally launched in 2021 as a temporary response to the COVID-19 pandemic, SIP 1.0 was designed to provide small and micro companies with a faster, lower-cost alternative to traditional restructuring and winding up.

Building on the original framework introduced in 2021, the enhanced SIP 2.0 reflects Singapore's continued effort to refine its insolvency regime, making it more responsive to evolving business needs. SIP 2.0 commenced on 29 January 2026 and retains the dual-pathway structure of its predecessor while introducing modifications aimed at streamlining these programmes under the administration of licensed insolvency practitioners ("IPs"). At its core, the programme continues to recognise that smaller enterprises require a different insolvency approach and one that balances creditor protection with practicality.

Simplified Insolvency Programme (SIP) 2.0 streamlines the process while balancing creditor protection

SIP's Two Pathways: SDRP and SWUP

SIP 2.0 continues to operate through two pathways, the Simplified Debt Restructuring Programme ("SDRP") for viable companies seeking to rehabilitate their business; and the Simplified Winding Up Programme ("SWUP"), for non-viable companies requiring an orderly and cost-efficient exit.

While the underlying objectives of these tracks remain consistent, broadly, SIP 2.0 introduces several key benefits for eligible companies:

- **Permanent Accessibility**: No longer tied to "COVID-19 distress", SIP 2.0 is a permanent feature of the legal framework, the Insolvency, Restructuring and Dissolution Act 2018 ("IRDA").

- **Simplified Eligibility**: The general eligibility threshold is now a clear Singapore Dollars ("SGD") two (2) million liability cap, removing the complex headcount and revenue requirements of the 1.0 version.

- **Efficiency**: Features a streamlined winding up under the SWUP or a 30-day initial moratorium to fast-track debt restructuring via the SDRP.

- **Private-Sector Led**: SIP 2.0 now empowers IPs to lead the process, targeting more tailored commercial outcomes.

The SDRP: A Streamlined Path to Recovery under SIP2.0

The SDRP is designed for companies that have a fundamentally viable business model but are experiencing temporary financial distress. Under SIP 2.0, the process has been further streamlined to simplify the key stages of the compromise or arrangement, i.e. the application, voting and approval process.

The application process: One key modification to the eligibility criterion is the removal of the cap on revenue, the number of employees and the number of creditors. This change allows a broader range of small and micro companies to qualify and access restructuring support while still excluding overly complex cases.

The voting process: Creditors vote on the compromise or arrangement at their meetings. The revamped SDRP continues to emphasise creditor engagement, but under a more

simplified voting process. As compared to the process under SIP1.0 and traditional restructuring, there is only one single voting class comprising only unsecured creditors under the revamped SDRP.

The approval process: Creditors must approve the debt repayment proposal within the default moratorium period of 30 days from the commencement of the revamped SDRP (vis-à-vis 90 days under its predecessor). Further, the court's sanction of the compromise or arrangement is now not required. Instead, the Court's sanction is only needed if creditors object to the debt repayment proposal with valid grounds. Otherwise, the compromise or arrangement is binding on all creditors subject to approval by majority of at least two-thirds in value of the creditors present and voting at the creditors' meeting.

The SWUP: A Streamlined Path to Exit

For companies that are no longer viable, have minimal assets and non-contentious issues, the SWUP provides a streamlined liquidation pathway. SIP 2.0 enhances this track by further simplifying workflows.

The revamped SWUP introduces a general eligibility criterion, centred on a SGD 2 million liability threshold. This simplification significantly lowers the barrier to entry and makes it easier for companies to quickly determine their eligibility to the programme.

Revamped SWUP allows the liquidator to dissolve the company where it is unviable for investigation. Directors' resolution may be accepted in place of members' special resolution for winding up of dormant, financially distressed companies

Under the revamped SWUP, the publication of notices relevant to the winding up has been streamlined to two platforms, namely the Official Receiver's website and the digital service portal of the Accounting and Corporate Regulatory Authority ("ACRA"), BizFile (mainly for lodgement purposes). Eliminating the requirement to publish notices in the Government e-Gazette and a local newspaper reduces both time and publication costs.

The revamped SWUP empowers the liquidator to dissolve the company where it is clearly unviable and no further funding is provided for investigations. This avoids unnecessary prolongation of the process and enables faster closure.

Previously, entry into the SWUP generally required a special resolution of the company's members, which could present practical difficulties where members were unresponsive or uncontactable. Under the revamped SWUP, an important exception has been introduced: where the statutory conditions relating to uncontactable members, the inability to obtain the requisite quorum, and the company's dormancy are satisfied, a directors' resolution may be accepted in place of the members' special resolution. This mechanism helps to prevent shareholder-level procedural deadlock from frustrating the orderly winding up of dormant, financially distressed companies.

Table: Overview of Key Features of the Revamped SDRP and SWUP under SIP2.0

Feature	SDRP (Simplified Debt Restructuring Programme)	SWUP (Simplified Winding Up Programme)
Objective	Business rehabilitation and continuation	Orderly and efficient liquidation
Target Companies	Viable businesses with temporary financial distress	Non-viable businesses with straightforward assets and non-contentious issues
General Eligibility Criterion	SGD2million liability threshold	SGD2million liability threshold

Process Complexity	Reduced prescriptive documents; Out-of-court process unless creditors object on valid grounds	Simplified procedures; Creditors' meeting not required unless necessary
Timeline	Accelerated restructuring timeline – debt repayment proposal must be approved by creditors within the default moratorium period of 30 days, extendable once by another 30 days by the Official Receiver	Faster winding-up process compared to traditional liquidation
Administrator	Licensed insolvency practitioner facilitates plan development and creditor engagement	Licensed insolvency practitioner manages asset realisation and distribution
Creditor Involvement	Creditors vote on restructuring plan under one single class	Creditors submit claims; limited involvement in process decisions
Outcome	Approved debt repayment proposal plan or may transit to other liquidation processes if unsuccessful	Dissolution of company after asset distribution

A More Accessible Path to Recovery and Closure via Private Licensed Insolvency Practitioners

For small and micro enterprises, the benefits are clear. SIP2.0 lowers barriers to accessing formal insolvency mechanisms, encourages early intervention, and reduces the stigma associated with financial distress. Business owners should be encouraged to seek structured solutions, which can ultimately preserve value and protect jobs.

In conclusion, Singapore's SIP 2.0 represents a pragmatic and forward-looking approach to insolvency. By tailoring processes to the needs of small and micro companies, it fills a critical gap in accessibility to restructuring and insolvency support. Whether facilitating business recovery through the SDRP or enabling efficient closure via the SWUP, SIP2.0 promotes a more resilient and responsive business environment. As economic conditions evolve, such flexible and accessible mechanisms implemented through IPs will remain essential in supporting enterprises through periods of financial stress.

Disclaimer

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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