

Chandrawat  
& Partners

# DOING BUSINESS IN BRUNEI

## A Comprehensive Overview



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## Introduction

Doing business in Brunei presents a wealth of opportunities amid a backdrop of economic stability and positive business-friendly attributes. As one of Southeast Asia's wealthiest nations, Brunei boasts a flourishing economy driven by its robust energy sector, providing a solid foundation for business endeavors.

The government's commitment to fostering a conducive business environment is evident through its streamlined administrative processes, low corporate tax rates, and an absence of personal income tax. Brunei's strategic location, coupled with its well-developed infrastructure, facilitates seamless regional and international trade.

Furthermore, the country's commitment to sustainable development and environmental conservation aligns with global trends, making it an attractive destination for businesses with a focus on corporate social responsibility.

With a harmonious blend of economic stability, strategic advantages, and a supportive regulatory framework, Brunei stands as an inviting destination for entrepreneurs seeking a positive and prosperous business environment.

# Economic Overview

Brunei, a small yet prosperous nation on the island of Borneo, enjoys a robust and stable economic landscape, marked by sustained growth and prudent financial management. Anchored by its thriving oil and natural gas industry, Brunei has consistently ranked among the wealthiest nations globally. The energy sector remains the cornerstone of the economy, with significant reserves contributing to a steady influx of revenue, enabling the government to invest in infrastructure development and social welfare programs.



The nation's commitment to economic diversification is evident through ongoing initiatives to expand industries such as finance, technology, and tourism. The government's proactive approach to attracting foreign investment, coupled with a business-friendly environment, has fostered an increasingly dynamic and competitive market. Brunei's strategic location in Southeast Asia further enhances its role as a regional economic hub, facilitating international trade and investment.

Moreover, Brunei's fiscal policies, characterized by low corporate tax rates and a lack of personal income tax, contribute to its attractiveness as an investment destination.

# Foreign Direct Investment Policy

Brunei's Foreign Direct Investment (“FDI”) policies reflect a commitment to fostering a conducive and attractive business environment.

The government has implemented measures to streamline administrative processes, making it easier for foreign investors to establish and operate businesses in the country. With a focus on economic diversification, Brunei actively seeks FDI across various sectors, offering incentives such as tax exemptions, land lease options, and reduced import duties to encourage foreign businesses to invest.

The nation's strategic location in Southeast Asia, coupled with its stable economic climate and pro-business policies, positions Brunei as an ideal destination for global investors seeking opportunities in a range of industries.





## Key Sectors

Brunei boasts several key sectors that contribute to its economic vibrancy and provide lucrative opportunities for investors.

The **energy sector**, particularly oil and natural gas, stands as the linchpin of Brunei's economy. With significant reserves, the nation enjoys a stable revenue stream that supports infrastructure development and social programs.

The **finance and technology sectors** are rapidly expanding, driven by the government's commitment to economic diversification. Brunei's burgeoning Islamic finance industry, in particular, offers a robust and ethical financial framework, attracting global interest.

The **tourism sector** benefits from the nation's rich cultural heritage, pristine natural landscapes, and a commitment to sustainable practices, making Brunei an increasingly attractive destination for international visitors.

Moreover, the **agriculture sector**, with a focus on sustainable practices and high-quality products, plays a role in both domestic consumption and potential export opportunities. These key sectors collectively contribute to Brunei's economic resilience, providing a diverse range of investment prospects and underlining the nation's positive and forward-looking economic landscape.

Non oil and gas sector such as-

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

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



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

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

# Advantages of Doing Business in Brunei

Doing business in Brunei offers a range of advantages that contribute to a favorable and conducive environment for entrepreneurs and investors:

**1. Political Stability:** Brunei is known for its political stability, providing a secure and predictable environment for businesses to operate. The government's commitment to maintaining social harmony and economic stability adds to the overall business confidence.

**2. Wealth of Natural Resources:** Brunei's significant reserves of oil and natural gas contribute to a prosperous economy, offering ample opportunities for businesses in the energy sector. The wealth generated from these resources also supports ongoing infrastructure development and economic diversification initiatives.

**3. Low Corporate Tax Rates:** Brunei boasts low corporate tax rates, enhancing its attractiveness as an investment destination. The competitive tax environment is designed to encourage businesses and stimulate economic growth.

**4. Strategic Location:** Situated in the heart of Southeast Asia, Brunei's strategic location provides easy access to regional markets. This geographical advantage is particularly beneficial for businesses engaged in trade and export-oriented activities.

**5. Government Incentives:** The government of Brunei actively encourages foreign investment through various incentives, including tax exemptions, reduced import duties, and favorable land lease options. These measures are designed to attract and retain foreign businesses.

**6. Islamic Finance Hub:** Brunei is emerging as a key player in the Islamic finance industry, providing opportunities for businesses involved in Sharia-compliant financial services. The nation's commitment to ethical and responsible financial practices adds to its appeal in this sector.





## Types of Business in Brunei

In Brunei, businesses can be categorized based on their ownership and legal structure. Here are common types of business entities in the country:

- 1. Public Companies:** Public companies are entities whose shares are traded on the stock exchange, allowing the general public to buy and sell ownership stakes in the company.
- 2. Private Companies:** Private companies are owned by private individuals or a closely-knit group. They do not offer shares to the public and often have fewer regulatory requirements than public companies.
- 3. Joint Ventures:** Joint ventures involve collaboration between two or more businesses, often with a shared interest or goal. Partnerships can be formed for specific projects or ongoing ventures.
- 4. Sole Proprietorships:** Sole proprietorships are businesses owned and operated by a single individual. The owner has complete control over the business and is personally responsible for its liabilities.
- 5. Partnerships:** Partnerships involve two or more individuals who share ownership and management responsibilities. There are different types of partnerships, including general partnerships and limited partnerships.
- 6. Limited Liability Companies (“LLCs”):** LLCs offer a flexible business structure that combines elements of partnerships and corporations. Owners have limited liability, and the company's profits and losses can pass through to the owners' personal tax returns.



**7. Branches of Foreign Companies:** Foreign companies can establish branches in Brunei to conduct business. These branches operate as extensions of the parent company and are subject to local regulations.

**8. State-Owned Enterprises (“SOEs”):** SOEs are businesses where the government holds a significant ownership stake. They operate in various sectors, and their objectives may include economic development, public service provision, or commercial activities.

**9. Non-Profit Organizations (“NPOs”):** Non-profit organizations operate for charitable, educational, or social purposes. They are typically exempt from certain taxes and may include foundations, associations, and societies.

**10. Government-Linked Companies (“GLCs”):** GLCs are companies where the government has a significant ownership interest. They play a role in various sectors, including energy, finance, and infrastructure.

**11. Cooperatives:** Cooperatives are member-owned businesses that operate for the mutual benefit of their members. Members often have a say in decision-making, and profits are shared among the members.

These business structures cater to a diverse range of economic activities in Brunei, each offering unique advantages and considerations for entrepreneurs and investors. The choice of business structure depends on factors such as ownership preferences, liability concerns, and the nature of the business activities.

# Minimum Eligibility Criteria

## **Sole Proprietorship:**

Sole proprietorship in Brunei is exclusively available to Brunei citizens and permanent residents. In this business structure, an individual is the sole owner and operator. One distinctive feature is that the owner bears personal responsibility for all business debts and losses. This means that in the event of financial difficulties or legal issues, the owner's personal assets are at risk. Additionally, the registration process for a sole proprietorship involves a nominal fee of B\$30, equivalent to approximately US\$22. This modest registration fee makes it relatively accessible for individuals to establish and operate small-scale businesses independently.

## **Partnership:**

A partnership in Brunei is a business structure open to both citizens and permanent residents. This collaborative business model typically involves a group of individuals who come together to share responsibilities and benefits. A typical partnership in Brunei ranges from having 2 to 20 partners. It's noteworthy that if the partnership exceeds 20 partners, it is legally required to undergo incorporation as a company, subject to the relevant corporate regulations.

One distinctive characteristic of partnerships is the shared liability among partners. Each partner is personally responsible for the partnership's debts and losses, including those incurred by other partners. This shared financial responsibility emphasizes the importance of trust and collaboration within the partnership.

Similar to the sole proprietorship structure, the registration of a partnership in Brunei involves a relatively affordable fee of B\$30, equivalent to about US\$22. This affordable registration fee encourages entrepreneurs to opt for partnerships as a feasible and collaborative business structure.

### **Public or Private Company:**

In Brunei, a public or private company is a distinct legal entity separate from its shareholders and directors. This business structure offers a higher level of complexity and regulation compared to sole proprietorships and partnerships.

A private company in Brunei is characterized by having 2 to 50 shareholders, while a public company must have a minimum of 7 shareholders. This distinction in shareholder numbers reflects the scale and nature of operations that each type of company is designed for.

For the governance of these companies, there is a requirement for a minimum of two directors, and these directors must be residents of Brunei. This provision is in place to ensure that the individuals overseeing the company's operations have a local presence and understanding of the business environment.

An essential aspect of operating a company in Brunei involves the annual filing of returns to meet statutory requirements. This includes reporting on general meetings, directors, share allotments, and other pertinent details.

The registration process for a company in Brunei incurs a fee that varies based on the authorized capital. It ranges from B\$300 (about US\$220) for companies with authorized capital not exceeding B\$25,000 (about US\$18,400) to B\$35,000 (about US\$25,800) for companies with capital exceeding B\$150 million (about US\$110 million). This tiered fee structure reflects the size and financial scale of the incorporated business.

# How to set up a business?

**Choose a Business Structure:** Different legal structures, including sole proprietorship, partnership, and limited liability company (LLC), are available in Brunei. Foreigners are only permitted to form a company structure.

**Register Your Business:** Utilize the online registration process through the Registry of Companies and Business Names website. Complete the application form, upload the necessary documents, and pay the registration fee. Upon approval, expect to receive the Company Incorporation Certificate or Business Registration Certificate via email within one working day.

**Obtain Necessary Approvals:** Depending on your business nature, secure specific agency approvals, such as a Halal Certificate or Halal Permit for food businesses.

**Secure a Business Premises:** Explore widely available commercial premises for rent through local property agents, online platforms, or local newspapers.

**Comply with Legal Requirements:** Fulfill legal prerequisites, including meeting minimum capitalization, registering a trademark, and maintaining good standing with the authorities.

**Open a Corporate Bank Account:** Once your business is registered, set up a corporate bank account with proof of your company registration.



# TAXATION

## **Corporate Income Tax (CIT) Rate:**

The CIT rate in Brunei, applicable to all limited companies, is 18.5 per cent. This rate is uniform for companies, whether registered domestically or overseas.

## **Assessable Income Threshold:**

Companies are charged the 18.5 per cent CIT rate on a specific threshold of assessable income. This threshold determines the portion of income subject to taxation.

## **No Personal Income Tax or Capital Gains Tax:**

Resident companies in Brunei are exempt from personal income tax and capital gains tax. This contributes to a favourable tax environment for businesses operating within the country.

## **No Value-Added Tax (VAT):**

There is no value-added tax (VAT) imposed on resident companies in Brunei. This absence of VAT simplifies the tax landscape for businesses.

## **No Withholding Tax on Dividends, Interest, Royalties, and Fees for Technical Services (for Resident Companies):**

Resident companies enjoy the benefit of no withholding tax on dividends, interest, royalties, and fees for technical services. This enhances the overall tax efficiency for businesses based in Brunei.

## **Withholding Tax for Non-Resident Companies:**

Non-resident companies may be subject to withholding tax at rates ranging between 2.5 to 10 per cent. This withholding tax applies to dividends, interest, royalties, and fees for technical services.

## **Tax Regulations Subject to Change:**

It's crucial to note that tax rates and regulations are subject to change. For the most current and accurate information, businesses are advised to consult with professional tax advisors or the Brunei tax authority.

# Accounting Standards

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

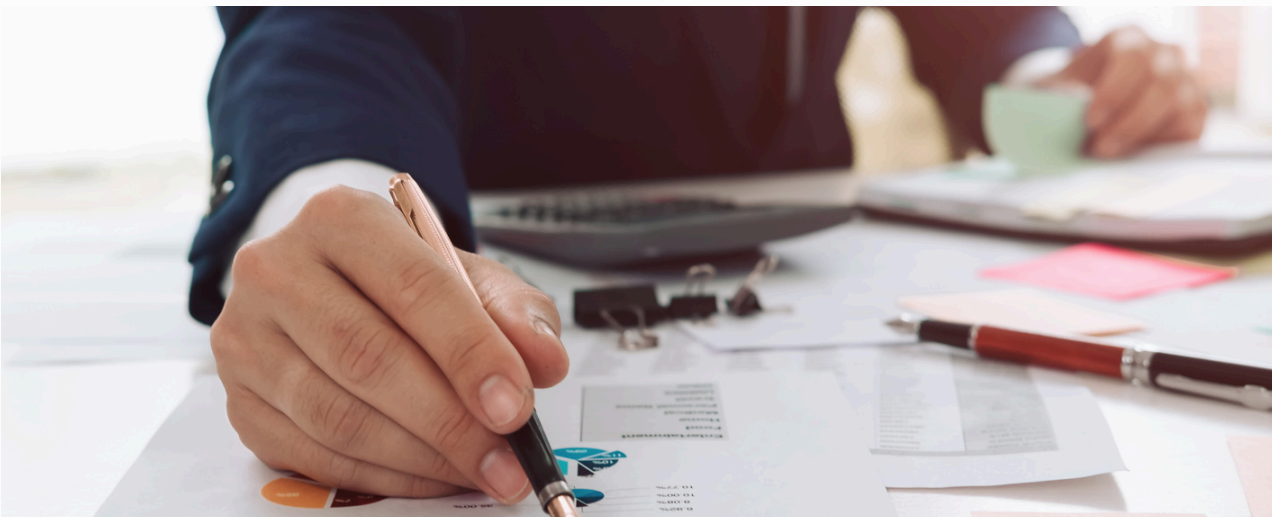
The Council issues notices to the public informing them of the standards, and copies of the standards and revisions are available for inspection and purchase.

Brunei follows two sets of accounting standards:

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

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

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



# Employment Policies



**Employment Contract Service-** It shall be in writing and signed by both parties. The agreed terms and conditions of employment cannot be less favourable than the prevailing law.

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

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

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

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



## How we can help?

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

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

### **Contract drafting and negotiation:**

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

### **Dispute resolution:**

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

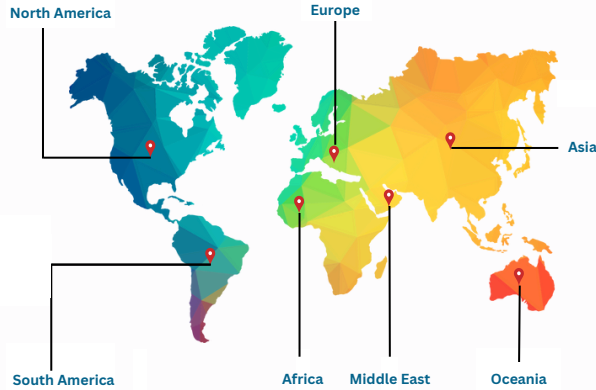
### **Due diligence:**

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

### **Compliance monitoring:**

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

## SERVING CLIENTS WORLDWIDE



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