



ASEAN SUMMIT 2025 OUR SHARED FUTURE

Introduction

Malaysia is the Chairman of the Association of Southeast Asian Nations (ASEAN) for 2025 and hosted the ASEAN Summit 2025 in Kuala Lumpur on the 26-27 May 2025.

This summit marked a significant shift in Southeast Asia's approach to economic collaboration. This year's summit demonstrated practical progress in regional tax modernisation, trade agreements, and governance frameworks, reinforcing ASEAN's role in global economic resilience.

Building on the foundations laid at the 2024 ASEAN Summit in Vientiane, ASEAN leaders moved beyond policy discussions and into actionable commitments, ensuring the region remains competitive and forward-looking.

Background

As of 2025, the combined nominal Gross Domestic Product (GDP) of ASEAN stands at approximately \$4.25 trillion USD, with a population of about 690 million people. In terms of purchasing power parity (PPP), ASEAN's collective GDP is estimated at \$13.02 trillion USD, positioning the bloc as a significant economic entity on the global stage.

Looking ahead, ASEAN has set an ambitious goal to become the world's fourth-largest economy by 2045. This objective is part of a strategic plan unveiled in 2025, focusing on deeper economic integration among its ten member nations. The plan emphasizes harmonizing trade standards, financial integration,

freer movement of people and businesses, and sustainable economic practices.

As ASEAN continues to shape its economic future, MGI MR, MGI Worldwide member firm in Malaysia remains dedicated to supporting businesses in adapting to evolving regulatory landscapes. The following white paper prepared by MGI MR offers valuable insights providing clarity on ASEAN's policy trajectory and its impact on businesses across the region.

Through expert guidance on tax advisory, compliance, and governance frameworks, MGI MR works alongside other MGI members in the ASEAN region to optimise opportunities and remain future-ready in a dynamic ASEAN environment.



Advancing Tax Reforms and Investment Incentives

Tax policy remained a focal point, with nations refining frameworks to enhance compliance, investment flows, and public revenue sustainability. Key milestones included:

Policy Area	2024 (Vientiane)	2025 (Kuala Lumpur)
BEPS 2.0	Countries were developing compliance frameworks	Fully adopted with Domestic Top-Up Taxes ensuring multinational firms pay their fair share
Corporate Tax Rates	Rates maintained to reassure investors	Adjusted to better align tax relief with public revenue needs
E-Invoicing	Malaysia introduced national e-invoicing	ASEAN-wide adoption confirmed, streamlining tax filing and improving accuracy
Investment Incentives	Singapore’s Refundable Investment Credit (RIC) was deployed in 2023 and officially introduced at ASEAN Summit 2024	Malaysia launched 100% Investment Tax Allowance (ITA) for priority sectors in 2025
Green Taxation	Early discussions on environmental tax incentives	Formal carbon tax policies now in place to encourage cleaner business practices

Malaysia’s 100% Investment Tax Allowance (ITA)

Malaysia’s 100% Investment Tax Allowance (ITA) plays a vital role in attracting investment across priority sectors. The incentive allows companies to fully deduct qualifying capital expenditure from taxable income, offering strategic benefits for business growth, sustainability, and advanced technology adoption.



Priority Sectors Eligible for ITA

The ITA applies to industries designated by the Malaysian Investment Development Authority (MIDA), including:

- Manufacturing – Advanced production, automation, and robotics
- Green Technology – Renewable energy, energy efficiency, and sustainable infrastructure
- Digital Economy – AI, cloud computing, cybersecurity, and automation
- Biotechnology – Pharmaceuticals, life sciences, and medical innovation
- Aerospace – Aircraft maintenance, avionics, and aerospace technology
- Electrical and Electronics (E&E) – Semiconductor production, smart devices, and advanced electronics
- Medical Devices – High-precision healthcare equipment, diagnostics, and wearable technology
- Automotive – Electric vehicles, battery technology, and automotive innovation
- Chemical and Petrochemicals – Advanced materials, sustainable chemicals, and industrial applications
- Food Processing and Halal Industry – High-value food production, halal certification, and export-driven processing
- Palm Oil-Based Products – Sustainable palm oil derivatives, biofuels, and specialty chemicals
- Rail and Transport Infrastructure – Railway systems, smart mobility solutions, and logistics innovation

- Textile, Apparel and Footwear – High-tech textiles, sustainable fashion, and advanced manufacturing

Qualifying Expenditures

Companies can claim 100% of qualifying capital expenditure over a five-year period, with any unutilised portion carried forward for future tax benefits. Qualifying expenditures include:

- Machinery and Equipment – Industrial automation, precision tools, and production systems
- Software and Digital Infrastructure – AI-driven solutions, cloud security, and cybersecurity frameworks
- Research and Development (R&D) Costs – Prototype development, intellectual property, and advanced research facilities
- Renewable Energy Systems – Solar panels, wind turbines, hydroelectric infrastructure, and energy-efficient upgrades
- Manufacturing Facilities – Factory expansion, production optimisation, and technology integration
- Training and Workforce Development – Upskilling employees for digital transformation and industry innovation
- Supply Chain and Logistics Enhancements – Automated warehousing, transport optimisation, and smart distribution

Singapore's Refundable Investment Credit (RIC)

Singapore's Refundable Investment Credit (RIC) was deployed in 2023 and officially introduced at the ASEAN Summit 2024, reinforcing its position as a hub for high-value investments.

How the RIC Works

- Awarded on qualifying expenditures incurred for strategic projects over up to 10 years
- Credits offset corporate income tax, with unutilised credits refunded in cash within four years
- Assessment and eligibility determined by Enterprise Singapore and the Economic Development Board (EDB).

Qualifying Activities Under RIC

Singapore's RIC encourages investment in strategic sectors, such as:

- New manufacturing plants and low-carbon energy production
- Expansion of digital services, professional sectors, and supply chain management
- Establishing regional headquarters and Centres of Excellence
- R&D and innovation projects
- Decarbonisation and sustainable industrial solutions



Supported Expenditure

Businesses can receive up to 50% support on:

- Capital expenditure (buildings, machinery, software)
- Manpower costs for high-skilled professionals
- Training and development linked to industry expansion
- Professional and advisory fees
- Logistics and freight costs tied to investment projects

Singapore's RIC aligns with international tax standards, including the Global Anti-Base Erosion (GloBE) Rules, ensuring compliance with evolving global tax frameworks while strengthening the country's investment appeal.

Strengthening ASEAN's Economic Network

Trade and investment cooperation remained a priority throughout the summit. ASEAN nations expanded discussions on:

- The ASEAN-Gulf Cooperation Council (GCC) Framework of Cooperation (2024–2028) to support regional investment flows
- ASEAN Trade in Goods Agreement updates improving efficiency and lowering barriers to commerce
- Malaysia, Singapore, and Vietnam's renewable electricity export agreements, paving the way for a more interconnected energy market
- Creative Economy Sustainability Framework, integrating policy with green job growth and education reform

Digital Economy Advancement

The summit also prioritized the advancement of the ASEAN Digital Economy Framework Agreement (DEFA), which aims to facilitate the creation of an ASEAN Digital Economic Community by 2045. The DEFA, currently under negotiation is more than an economic pact, it is a strategic blueprint for how nearly 680 million people can access a digital future that is open, secure and inclusive.

- The ASEAN Digital Economy Framework Agreement (DEFA) is a new strategic roadmap for the region to address the complexities and opportunities of the digital economy.
- The world's first region-wide digital economy agreement, DEFA will harmonize digital trade rules and unlock the potential of ASEAN's digital economy.
- With ASEAN's digital economy set to double to \$2 trillion by 2030, DEFA will be an engine for dynamic growth.

Regional Stability and Governance Commitments

ASEAN leaders reaffirmed their collective commitment to diplomatic engagement and regional security.

- The Treaty of Amity and Cooperation strengthened ASEAN's position on diplomatic dialogue and stability
- South China Sea governance remains a critical issue, with ASEAN pushing for legal maritime adherence and faster negotiations with China

- Myanmar crisis response, refining ASEAN's Five-Point Consensus to enhance humanitarian aid and conflict resolution efforts

Environmental Collaboration and Sustainability

Environmental sustainability was a key focus of the summit, with leaders reinforcing the need for growth aligned with environmental stewardship and advocating for green investment collaboration across ASEAN.

- The summit acknowledged the need to address the impacts of climate change and agreed to prioritize efforts towards narrowing development gaps and reducing inequalities.
- The leaders agreed to advance cooperation in areas such as green finance and sustainable investment to ensure ASEAN's competitiveness in a rapidly evolving global economy.
- The ASEAN Working Group on Environmentally Sustainable Cities (AWGESC) was established to intensify cooperation in addressing problems associated with urban environmental management and governance to achieve sustainable development.

Looking Ahead

The Kuala Lumpur Declaration on ASEAN 2045 set a vision for regional development, reinforcing ASEAN's commitment to economic resilience, sustainability, and digital transformation.

Find out more

To find out more, contact any of our ASEAN member firms:

CAMBODIA

APV (Cambodia) Co., Ltd.
Phnom Penh

+855 23 238 818
info@apvcambodia.com
apvcambodia.com

INDONESIA

MGI Gideon Adi & Rekan
Jakarta

+62 21 570 2629
contact@mgi-gar.com
www.mgi-gar.com

**Drs. Thomas, Blasius,
Widartoyo & Rekan Certified
Public Accountants**
Jakarta

+62 21 275 144 53
kap_thomas@kap-tbw-
email.com
www.kap-tbw.com

MALAYSIA

MGI MR
Petaling Jaya

+60 3 78415500
hello@mgimr.com
www.mgimr.com

Kevin How & Co PLT
Kota Kinabalu

+60 88 335326
khkbb@khco.com.my
www.khco.com.my

PHILIPPINES

TVP Consulting Group Inc.
Quezon City

+63 2 7002 2767
inquiry@tvpconsulting.com.ph
www.tvpconsulting.com.ph

SINGAPORE

MGI Alliance PAC
Singapore

+65 6227 6123
+65 6227 2061
contact@mgialliance.sg
www.mgialliance.sg

MGI N. Rajan Associates
Singapore

+65 6293 8089
soma@nra.com.sg
www.nra.com.sg

THAILAND

Nathee Audit Co. Limited
Bangkok

+66 2630 7944
thanadee@auditthai.com
www.auditthai.com

VIETNAM

**Vietnam Auditing and
Valuation Company Limited
(AVA)**
Hanoi

+84 24 3 868 9566
info@kiemtoanava.com.vn
www.kiemtoanava.com.vn



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