



Smart Business Solutions

Asia Tax & Accounting Insights: Reflecting on 2024 & Preparing for 2025

December 2024

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Navigating Tax & Accounting Changes with Confidence: Reflecting on 2024 & Preparing for 2025

Eunice Hooi, Chan Ken Fai & Candice Ng

As we approach the end of 2024, it is timely to reflect on a dynamic year marked by significant developments in the global business landscape.

Businesses across the globe have faced a rapidly evolving regulatory environment, from the global rollout of the OECD's Pillar Two framework to expanding e-invoicing mandates and changing compliance requirements. These shifts have challenged businesses, yet also created opportunities for growth and innovation.

Looking ahead to 2025, new challenges will emerge alongside new opportunities. This year-end newsletter presents the key tax and accounting developments from 2024, alongside practical insights to help businesses navigate the complexities of the coming year.

Together, let's set the stage for a successful and growth-driven 2025.

Tax Highlights for 2025

As businesses prepare for the new year, it is essential to proactively adapt to the constantly evolving tax landscape. Here are key tax considerations that should be on your radar as we move into 2025.

1. OECD Pillar Two: Global Minimum Tax and Its Impact

The OECD's Pillar Two framework, which introduces a global minimum tax rate, stands out as one of the most transformative tax changes in recent years.

Set to take effect in 2025, this framework requires multinational companies with annual revenues exceeding €750 million to pay a 15% minimum tax on their profits, irrespective of where they operate. This shift will significantly impact companies that have historically leveraged low-tax jurisdictions to shift profits, creating an increasingly level playing field across borders.

In preparation, businesses should evaluate their tax structures to ensure compliance with this new global minimum tax. This includes reviewing tax rates in each of their operating jurisdictions, evaluating the alignment of transfer pricing policies with the new rules, and enhancing financial reporting systems to track global income and taxes paid. Businesses must also evaluate whether restructuring their operations could help minimise the impact of higher taxes, particularly in jurisdictions where the tax rate may exceed the 15% threshold.

2. Transfer Pricing Compliance: Adherence to Updated OECD Guidelines

The OECD's BEPS 2.0 (Base Erosion and Profit Shifting) initiative continues to shape global transfer pricing regulations, and 2025 will bring more stringent requirements. In 2025, businesses must align their transfer pricing practices with updated documentation standards, including the arm's length principle and enhanced country-by-country reporting requirements. This will involve greater scrutiny of intercompany transactions and a clearer connection between the allocation of profits and the actual economic activities in each jurisdiction.

Businesses should also review and revise their transfer pricing documentation to ensure it aligns with the new rules. They should also update intercompany pricing policies to reflect the economic reality of their operations and prepare for audits. For businesses with operations in multiple jurisdictions, adapting transfer pricing models to local tax rates and market conditions will be crucial to staying compliant and mitigating risks associated with non-compliance.

3. E-Invoicing Projects: The Shift to Digital Compliance

Governments around the world are increasingly moving toward digital tax reforms, and e-invoicing is a central component of this transition. In 2025, the expansion of e-invoicing mandates will be one of the most significant trends in tax compliance. E-invoicing allows for the real-time transmission of invoices directly to tax authorities, which improves compliance, reduces fraud, and enhances transparency. As more countries either introduce or strengthen their e-invoicing requirements, businesses will need to prepare for these changes to remain compliant.

For businesses operating in jurisdictions with mandatory e-invoicing, it is critical to ensure that their accounting systems are capable of issuing and receiving electronic invoices in compliance with local regulations. Furthermore, e-invoicing will likely be integrated with tax reporting, which means businesses will need to automate both invoicing and reporting processes to ensure timely and accurate submissions.

Training staff on the new e-invoicing systems will also be essential for a smooth transition, enabling the business to quickly adapt to these requirements and avoid disruptions to daily operations.

4. Maximising Tax Credits and Deductions

As businesses move into 2025, businesses should optimise their tax positions by leveraging available tax credits and deductions. Governments globally continue to incentivise investments in research and development (R&D), clean energy, and sustainability initiatives, offering significant tax relief programs to support these efforts.

Businesses should assess whether their activities align with the eligibility criteria for these credits and deductions. By taking advantage of these tax relief programs, businesses can reduce their tax burdens and improve cash flow, whilst driving innovation and sustainable growth.

5. Navigating International GST/VAT Compliance

The international GST/VAT landscape is becoming increasingly complex, particularly with the rise of digital services taxes (DST) targeting e-commerce and online platforms. Many countries are introducing or tightening GST/VAT regulations in 2025, creating challenges for businesses that operate across borders.

To ensure compliance, businesses must assess their need for GST/VAT registration in multiple jurisdictions and implement systems capable of handling cross-border tax obligations efficiently. Integrating GST/VAT reporting with local e-invoicing requirements can further streamline compliance processes, reducing administrative burdens and minimising the risk of penalties. Businesses offering digital services should also monitor developments in DST regulations, as these taxes may have significant financial implications.

Accounting Highlights for 2025

As we step into 2025, it is timely for businesses to review and refine their accounting processes to ensure accuracy, efficiency and future growth. Below are essential accounting tips to consider.

1. Year-End Close: Preparing for Financial Clarity and Accuracy

The year-end close process is crucial for ensuring the accuracy of financial statements and smooth tax filings. Businesses should begin by reviewing key financial elements such as accounts receivable and payable, inventory, fixed assets, and bank statements. Adjustments for accruals, prepayments, depreciation, bad debt write-offs, and unearned revenue should also be made during this process. A thorough year-end close helps ensure that the financial records are accurate and ready for tax filings, minimising discrepancies that could arise during audits.

Additionally, businesses should verify that their financial statements comply with both local and international accounting standards, such as IFRS or GAAP. Staying updated with changes in accounting standards—especially those related to revenue recognition, leases, and financial instruments—is critical for ensuring accurate and reliable reporting for 2025.

2. Automating Accounting Processes: Efficiency in Financial Management

Automation is a growing trend that is transforming financial operations for businesses. In 2025, businesses should explore advanced accounting automation tools to simplify tasks such as invoicing, expense management, banking and payments reconciliation, payroll, and financial reporting. By implementing cloud-based accounting software, businesses can gain real-time access to financial data, which enhances reporting accuracy and allows for more efficient decision-making.

In addition, the use of artificial intelligence (AI) and machine learning can further streamline accounting processes by improving financial forecasting, budgeting, and analysis. These technologies help reduce human error and increase efficiency, enabling businesses to manage their finances more effectively.

3. Cash Flow Management: Prioritise Planning for 2025

Cash flow remains one of the most critical aspects of business success. As we enter 2025, businesses should focus on improving cash flow management by implementing reliable forecasting models. Accurate cash flow forecasts will help businesses anticipate their financial needs for things like capital expenditures, inventory management, or hiring.

In addition, businesses should consider establishing credit lines or other financing options in advance to cover potential shortfalls. Effective cash flow management ensures businesses have the liquidity they need to support growth and meet financial obligations.

4. XBRL Financial Statements: Ensuring Compliance and Efficiency

As part of evolving regulatory requirements, businesses should consider converting their financial statements into eXtensible Business Reporting Language (XBRL) format for regulatory filings. This is particularly important for jurisdictions like Singapore (XBRL) and Malaysia (MBRS), where electronic filings are becoming mandatory.

XBRL financial statements enables efficient data exchange, improves transparency, and ensures compliance with local regulatory requirements. By adopting XBRL for financial reporting, businesses can streamline their submission processes and avoid the risk of errors or delays in regulatory filings. This makes analysis easier, faster and more accurate, benefiting companies, analysts, and investors alike.

5. Audit Readiness: Strengthening Internal Controls

With increasing regulatory scrutiny, businesses must be well-prepared for audits in 2025. Strengthening internal controls, reviewing financial statements for accuracy, organising documentation, and ensuring compliance with tax laws are crucial steps in audit readiness.

Conducting regular internal audits throughout the year allows businesses to identify potential weaknesses in their financial systems and address them proactively. This reduces the likelihood of discrepancies or compliance issues during official audits. A strong audit trail and effective internal controls also demonstrate good governance and transparency, which are vital for maintaining stakeholder trust and meeting regulatory expectations.

Looking Ahead to 2025: Setting the Stage for Sustainable Success

As we step into 2025, embracing change and proactively preparing for what lies ahead will be critical to achieving sustainable success. The accounting and tax landscape continues to evolve at an unprecedented pace, but with the right strategies in place, businesses can turn these challenges into opportunities for growth.

From optimising tax strategies and ensuring compliance with updated regulations to automating financial processes and preparing for audits, a forward-thinking approach will enable businesses to stay agile and resilient. Together, we can assist the businesses to confidently navigate the complexities of 2025 and seize opportunities for sustainable growth.

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Contact us! We look forward to assisting you in navigating the complexities of taxation in today's dynamic business landscape, driving financial success and building lasting partnerships.

Meet our Regional Tax & Accounting Team:



Eunice Hooi
Managing Director Asia



Ade Teo, Tax
BoardRoom Singapore



Victor Cheow, Tax
BoardRoom Malaysia



Candice Ng, Tax
BoardRoom Hong Kong & China



Yang Shuzhen, Regional Accounting
BoardRoom Singapore



Chan Ken Fai, Accounting
BoardRoom Malaysia



Joshua Shen, Accounting & Tax
BoardRoom China

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