Brunei Darussalam

A high-income, hydrocarbon-anchored economy at the centre of Borneo: 18.5% corporate income tax, no personal income tax, and a five-sector diversification agenda under Wawasan Brunei 2035

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Introduction

Brunei Darussalam is a small, high-income state on the northern coast of Borneo, entirely surrounded on land by the Malaysian state of Sarawak and fronting the South China Sea. It is the least populous member of ASEAN and one of the wealthiest economies in the region on a per-capita basis, with a fiscal position and external balance shaped overwhelmingly by oil and gas.

According to World Bank data, Brunei's population was **466,330 in 2025** and GDP at current prices was **USD 15.03 billion**, with GDP per capita at approximately **USD 32,235**. Economic growth was **0.7% in 2025**, following an expansion of 4.2% in 2024.

The state's long-term development framework, **Wawasan Brunei 2035**, identifies five priority sectors for economic diversification and investment: **downstream oil and gas, information and communications technology (ICT), food production, tourism, and services** (including aviation and maritime). The Brunei Economic Development Board (BEDB) is the focal investment promotion and facilitation agency, operating through its investment promotion arm and an Investors' Concierge aftercare service.

AERI assesses that Brunei's investment value rests on four attributes: a very low and simple tax regime by regional standards; political stability and a legal framework aligned with Commonwealth standards; full foreign ownership in qualifying activities; and access to a 672-million-person ASEAN market from a location roughly three hours by air from the region's major cities. These are counterbalanced by genuine constraints: a small domestic market, a limited industrial workforce, and power system adequacy and reliability as the binding competitiveness constraint identified by Brunei's own Centre for Strategic and Policy Studies (CSPS).

This guide is intended for investors evaluating Brunei as a specialised, export-oriented base — particularly in downstream petrochemicals, halal food production, ICT and business services, and eco-tourism — rather than as a broad-based manufacturing platform.

Preface

The Asia Economic Research Institute (AERI) is a professional institution dedicated to regional economic research in Asia. This guide is compiled from authoritative official sources, including the ASEAN+3 Macroeconomic Research Office (AMRO), the Asian Development Bank (ADB), the Centre for Strategic and Policy Studies (CSPS) of Brunei Darussalam, the Brunei Economic Development Board (BEDB), the Ministry of Finance and Economy (MOFE), the World Bank and the International Monetary Fund.

Where institutions publish differing projections, this guide presents the range and attributes each figure to its source rather than selecting a single estimate. Data are as available at the time of compilation (September 2026).

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Part I: Brunei Darussalam Overview

AERI Assessment

AERI notes that Brunei is often mis-read as a pure hydrocarbon play. The more accurate framing, supported by the authorities' own analysis, is that of a small, capital-abundant state deliberately using hydrocarbon rent to buy time for diversification — and now entering the final decade of its Wawasan 2035 horizon with the diversification agenda only partially delivered.

Three implications follow for investors. First, the opportunity set is narrow and policy-directed: projects aligned with the five priority sectors attract facilitation and incentives, while projects outside them face a thin supporting ecosystem. Second, export orientation is essential — the domestic market of under half a million people cannot absorb industrial-scale output. Third, power reliability, adequacy and cost structure are, in CSPS's own assessment, the main competitiveness constraint, and are decisive for data-centre and expanded downstream capacity proposals.

Investors should also note that Brunei's fiscal position is structurally in deficit. AMRO reported that the fiscal deficit widened to **17.9% of GDP in FY2025** as lower hydrocarbon prices dampened government revenues, while AMRO and the IMF estimate a deficit of **around 11.5% to 13% of GDP in 2026**. Fiscal consolidation and subsidy reform are therefore live policy risks with direct bearing on utility tariffs and procurement.

1. Country Profile

- **Official name**: Brunei Darussalam (Negara Brunei Darussalam)
- **System of government**: Unitary Islamic absolute monarchy (Malay Islamic Monarchy)
- **Head of state and government**: His Majesty Sultan Hassanal Bolkiah, Sultan and Prime Minister
- **Capital and largest city**: Bandar Seri Begawan
- **Area**: 5,765 square kilometres
- **Population**: 466,330 (2025, World Bank)
- **Official language**: Malay; English is widely used in business and administration
- **Currency**: Brunei dollar (BND), interchangeable at par with the Singapore dollar under the Currency Interchangeability Agreement
- **Time zone**: UTC+8
- **Regional memberships**: ASEAN, RCEP, CPTPP, APEC, WTO

Brunei is the only sovereign state located entirely on the island of Borneo. Its territory is bifurcated by the Sarawak district of Limbang, and it sits within three hours' flight of the region's major cities, with shipping links through Muara Port. The country is a party to both the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), giving preferential access to markets that collectively reach more than three billion people.

2. Economic Overview

Brunei's growth record in recent years has been volatile, tracking hydrocarbon prices and plant uptime. GDP expanded **4.2% in 2024**, slowed sharply to **0.7% in 2025** amid lower oil and LNG prices, and is expected to recover only moderately in 2026. Published 2026 forecasts differ materially, and investors should treat them as a range:

- **ADB**: raised Brunei's 2026 growth forecast from 1.6% to **1.8%** in its July 2026 Asian Development Outlook, reflecting gains from higher oil prices for this net energy exporter; the 2027 projection was unchanged.
- **AMRO**: projected growth of **2.3%** in 2026 in the press release following its Annual Consultation Visit of 10–18 June 2026, with inflation projected at 1.3%.
- **CSPS**: its own estimate, based on business cycle trends, points to growth of **1.3%** in 2026, and it summarises the ADB, AMRO and IMF cluster as "around 1.6 to 2.4 percent".

Inflation is contained by regional standards: the World Bank records consumer price inflation of **−0.3% in 2025**, while both AMRO and CSPS expect inflation to remain low, with CSPS noting it could exceed 1% in 2026 given import dependence and logistics disruption. Unemployment was **5.3% in 2025** on the ILO modelled estimate.

On the external accounts, AMRO reported that the current account surplus rose to **18.0% of GDP in 2025** and is projected to widen further to **23.7% of GDP in 2026**, reflecting elevated global energy prices. CSPS, working from a different baseline, projects the surplus narrowing to around **11% of GDP in 2026** from 14.5% in 2024. Both point to the same structural conclusion: Brunei's external and fiscal positions remain tightly coupled to hydrocarbon prices and to plant uptime.

Exports remain concentrated in crude petroleum, refined petroleum and natural gas. In 2024, total exports were approximately **USD 11.26 billion** and imports approximately **USD 7.12 billion** (IMF Direction of Trade Statistics, cited via Global Finance). Leading export destinations included Australia, Singapore, China, Japan and Malaysia; leading import sources included Malaysia, the United Arab Emirates, China, Australia and Qatar.

Part II: Investment Environment and Policies

1. Business Environment

Brunei offers a stable political environment, a legal framework aligned with Commonwealth standards, and an English-speaking, well-educated workforce. The government actively encourages foreign investment and participates in joint ventures for high-potential projects. Regulatory approvals, however, can be time-consuming where multiple agencies are involved, and investors must navigate sector-specific rules in addition to general business regulations.

The Brunei Economic Development Board (BEDB) is the focal agency for both foreign and domestic investors. Its Investment Promotion and Facilitation (FAST) function supports market and feasibility studies and provides ongoing facilitation through an Investors' Concierge service; its Industrial Site Management (ISM) unit develops and manages industrial parks; and its enterprise development arm, DARe, supports local enterprises and helps match them with foreign investors.

2. Foreign Direct Investment

According to AMRO, following its 2026 Annual Consultation Visit, foreign direct investment in Brunei **continues to be concentrated in downstream petrochemical activities**, with ongoing efforts to attract investment into other priority sectors. AMRO further observed that although non-oil and gas exports have expanded significantly in recent years, growth has been **concentrated largely in downstream petrochemical activities**, and that diversifying into higher value-added services, agri-food industries, digital sectors and clean energy will be critical to reducing reliance on hydrocarbons.

AERI notes that this concentration is the single most important fact for an investor to internalise: the FDI stock is real and substantial, but it is narrow. Projects in food, ICT, tourism and services are entering a market where the supporting supplier base, logistics and skilled labour pool are still being built out.

3. Factors of Production

- **Labour**: the workforce is relatively well educated, with over half having attained secondary education and 25.5% tertiary education, according to the Labour Force Survey 2023. However, only around **12,800 people were employed in manufacturing in 2023**. Foreign workers accounted for **28.7% of total employment in 2024**; hiring them requires navigating a quota system, approvals from the Commissioner of Labour, and work permits.
- **Power**: CSPS identifies power — specifically its reliability, adequacy and cost structure, including subsidies and collections, and its readiness to support high-uptime industrial demand such as data centres and expanded downstream capacity — as the main domestic competitiveness constraint. The commissioning of **Project SINAR**, with around **48 MWp of solar capacity at Pulau Muara Besar**, is a positive step, but medium-term demand driven by Hengyi Phase 2 and broader electrification underscores the need for integrated resource planning.
- **Land and industrial sites**: BEDB manages a portfolio of industrial parks of differing scale and sector focus (see Part III, Section 4).
- **Logistics**: Muara Port provides the principal deep-water gateway, with air connectivity via Brunei International Airport. The government's stated ambition is to position Brunei as a trading and logistics hub through exports and transshipment.

4. Investment Policies and Regulations

Taxation. Brunei applies a flat corporate income tax rate of **18.5%** on Brunei-sourced chargeable income, administered by the Revenue Division of the Ministry of Finance and Economy (MOFE). There is **no personal income tax**, no capital gains tax, no inheritance tax, and no VAT or GST. Companies are not subject to export, sales, payroll or manufacturing taxes. Profits derived from the exploration or production of oil and gas are taxed separately at a significantly higher rate.

Two exemptions can reduce or eliminate corporate tax liability: companies with annual gross turnover not exceeding BND 1 million are fully exempt, and newly incorporated companies are exempt on the first BND 100,000 of chargeable income for their first three consecutive years of assessment. Withholding tax applies to specified payments to non-residents, including interest, royalties, management fees, and technical and software services; dividends carry nil withholding. Rates may be reduced under Brunei's double taxation agreements, which are in force with a limited number of jurisdictions — the treaty network is materially narrower than Singapore's or Malaysia's.

Incentives. Foreign-owned companies in qualifying activities may apply for **Pioneer Status** under the Investment Incentives Act (Chapter 97), administered through BEDB. Pioneer Status grants full corporate income tax exemption for **5 years** where minimum fixed capital expenditure is at least BND 500,000; **8 years** where expenditure exceeds BND 2.5 million; and **up to 11 years** for Pioneer Service Companies in qualifying sectors including IT, engineering and R&D. The exemption covers corporate income tax and import duties on qualifying machinery and raw materials, but does not extend to excise duty. Established enterprises located in a Hi-Tech Park may receive tax relief for up to 20 years, and foreign loans for productive equipment may benefit from exemptions on withholding tax on interest payments.

Foreign ownership. Brunei allows **full foreign ownership** in business. There are no general statutory restrictions on foreign equity, though local participation — in both capital and management — is encouraged and can assist when tendering for government or Brunei Shell Petroleum contracts. Companies must either be incorporated locally or registered as a branch of a foreign company with the Registrar of Companies (ROCBN). Private companies must have a minimum of two and a maximum of 50 shareholders, and at least half of a company's directors must be residents of Brunei.

Part III: Chinese Enterprise Investment in Brunei

1. China–Brunei Economic and Trade Cooperation

China is a significant trading partner for Brunei on both sides of the ledger. On the import side, China accounted for approximately **10.5%** of Brunei's imports; on the export side, China took approximately **16.7%** of Brunei's exports, second only to Australia and Singapore (IMF Direction of Trade Statistics, cited via Global Finance). Brunei and China maintain a double taxation agreement in force.

The two economies are also linked through the same regional architecture: both are parties to RCEP and, in China's case through ASEAN-centred frameworks, to the **ASEAN–China Free Trade Area 3.0 Upgrade** concluded in 2025. The 3.0 upgrade adds dedicated chapters on the digital economy and the green economy alongside supply chain connectivity, standards and technical regulations, customs facilitation, and competition and consumer protection — provisions with direct relevance to Brunei's ICT and clean-energy diversification priorities.

2. Investment Forms

- **Greenfield investment**: incorporation of a local private limited company (Sdn. Bhd.) or registration of a foreign branch, followed by site allocation in a BEDB-managed park and application for Pioneer Status where eligible.
- **Joint ventures**: actively encouraged, including government participation in high-potential foreign direct investments; local participation also assists with public procurement.
- **Contractual modes**: EPC and operations and maintenance contracting, particularly in energy, utilities and infrastructure.
- **Export-oriented processing**: the model most consistent with Brunei's small domestic market — importing feedstock or intermediates and shipping finished output through Muara Port.

3. Key Investment Sectors

The five priority sectors identified under the Economic Blueprint guiding Wawasan Brunei 2035 are the practical entry points:

- **Downstream oil and gas**: leveraging upstream capabilities and feedstock availability from existing petrochemical facilities, Brunei's downstream sector aims to become a regional chemical hub. This is where foreign direct investment has been concentrated to date.
- **ICT**: the sector has robust telecommunications infrastructure and an educated workforce, and is positioned for export-oriented operations including business services and technology-enabled services.
- **Food production**: an explicit emphasis on establishing Brunei as a hub for **halal food exports**, drawing on the country's halal credentials and regional market access.
- **Tourism**: capitalising on pristine rainforest and biodiversity, with potential in eco-tourism and cultural experiences.
- **Services**: including aviation and maritime, with the stated aim of transforming Brunei into a trading and logistics hub through exports and transshipment activity.

AERI notes that AMRO has specifically recommended diversifying into higher value-added services, agri-food industries, digital sectors and clean energy, and CSPS has called for bankable roadmaps for the five priority sectors with clear links to power reliability and skills development. Projects that address those two binding constraints are likely to find the most receptive policy environment.

4. Industrial Parks and Sites

According to the Brunei Economic Development Board, the principal industrial sites are:

- **Bio-Innovation Corridor Industrial Park** — 194 hectares; 13 km to Brunei International Airport, 32 km to Muara Port. Light to heavy industries, food and pharmaceuticals, high-tech industries; electrical substation, telecoms, water and wastewater management readily available.
- **Salar Industrial Park** — 39.5 hectares; 18 km to the airport, 9 km to Muara Port. Light industries and services; prepared sites with utilities and road access.
- **Anggerek Desa Tech Park** — 16 hectares; 3 km to the airport, 24 km to Muara Port. Light and high-tech industries; fibre-to-the-home connectivity.
- **Serasa Industrial Park** — 66 hectares; 21 km to the airport, 3 km to Muara Port. Light to medium and export-oriented industries.

Part IV: Corporate Financing

1. Financial Market Overview

Brunei's financial system is bank-dominated and supervised by the Brunei Darussalam Central Bank (BDCB), with the Ministry of Finance and Economy (MOFE) responsible for fiscal and tax policy. AMRO has assessed the banking sector as sound, supported by sizable capital buffers, sustained profitability and improving asset quality, with international reserves remaining well above conventional adequacy metrics.

Leading domestic institutions include Bank Islam Brunei Darussalam (BIBD) and Baiduri Bank, alongside international banks operating in the market. Islamic finance is a mainstream rather than niche offering, consistent with the country's regulatory and institutional framework. Brunei's substantial foreign reserves are managed by the Brunei Investment Agency (BIA), an arm of MOFE.

Brunei does not have a deep public equity market comparable to Bursa Malaysia or the Singapore Exchange; corporate financing is therefore predominantly bank-based, supplemented by government-linked funding and, for larger projects, by international and export credit facilities.

2. Financing Channels

- **Domestic bank lending**: corporate term loans, working capital facilities, trade finance and project finance from local and international banks operating in Brunei.
- **Islamic financing**: Shariah-compliant structures are widely available and commonly used.
- **Government-linked and development funding**: support linked to the priority sectors and to enterprise development, including through BEDB's DARe platform for local enterprise collaboration.
- **Export credit and bilateral facilities**: relevant for EPC contracting and equipment supply, including from Chinese policy and commercial banks.
- **Joint venture and strategic equity**: government or government-linked participation in high-potential foreign direct investments, as the authorities actively pursue this model.

Part V: Compliance and Dispute Resolution

1. Domestic Compliance

Companies must be incorporated locally or registered as a branch of a foreign company with the Registrar of Companies (ROCBN), and must comply with the Companies Act. Corporate income tax is administered by MOFE's Revenue Division under the Income Tax Act (Chapter 35). A complete income tax return — including audited financial statements and the tax computation in MOFE's mandated format — must be filed by **30 June**; from year of assessment 2022 onwards, a general ledger and tax schedules in the prescribed format must also be submitted. Failure to file a complete return is an offence carrying a fine of up to BND 10,000, with additional late-payment surcharges on unpaid tax.

2. Compliance Operations in Brunei

- **Employment and immigration**: work permits for foreigners are issued for limited periods and must be continually renewed. Hiring foreign workers requires navigating a quota system and securing approvals from the Commissioner of Labour; exemptions exist for workers from Malaysia and Singapore.
- **Local participation**: while no general foreign equity restriction applies, local participation in capital and management is encouraged and can be commercially material for government and Brunei Shell Petroleum tenders.
- **Halal and sector standards**: food production and related sectors must meet halal certification and sector-specific regulatory requirements, which are central to the export proposition.
- **Environment**: Brunei prioritises sustainable development and the use of innovative, technology-driven solutions;

environmental approvals apply to prescribed activities.

3. Trade Dispute Resolution

Commercial disputes may be resolved through the Brunei courts or through arbitration, with the Brunei Darussalam International Arbitration Centre providing an institutional venue. As a party to RCEP and CPTPP and to the ASEAN Comprehensive Investment Agreement, Brunei is embedded in regional investment and dispute-settlement frameworks; applicable bilateral investment treaties may also provide protections. Investors should confirm the dispute resolution mechanism in their specific contracts and, where relevant, under the applicable treaty.

Part VI: Living and Working in Brunei

1. Visa

Foreign employees require employment visas sponsored by the employing entity, tied to work permit approvals and subject to the foreign worker quota system. Entry requirements and quota administration change periodically; investors should confirm current requirements with the relevant Brunei authorities or a licensed agent before deployment, and should plan for renewal cycles rather than assuming long-duration permits.

2. Housing

Bandar Seri Begawan and surrounding districts provide a range of housing, with expatriate accommodation concentrated in established residential areas. The market is small, and supply can be tight for larger or specialised requirements. Vehicle ownership is near-universal given limited public transport.

3. Healthcare

Brunei provides a comprehensive public healthcare system alongside private medical facilities. Life expectancy was 76 years in 2024 (World Bank). For complex or specialised treatment, medical evacuation to regional centres is a standard component of expatriate health insurance.

4. Banking

The Brunei dollar is interchangeable at par with the Singapore dollar under the Currency Interchangeability Agreement, which simplifies regional trade and travel settlement. Resident and non-resident accounts are available subject to know-your-customer requirements administered by the Brunei Darussalam Central Bank. Digital banking and payment services are expanding, with deepening digital financial inclusion identified by AMRO as a policy priority.

5. Contact Information

- **Brunei Economic Development Board (BEDB)** — focal investment promotion and facilitation agency. Website: **www.invest.gov.bn**; general enquiries: **info@invest.gov.bn**
- **Ministry of Finance and Economy (MOFE)** — fiscal and tax policy, Revenue Division. Website: **www.mofe.gov.bn**
- **Brunei Darussalam Central Bank (BDCB)** — central bank and financial regulation. Website: **www.bdcb.gov.bn**
- **Registrar of Companies and Business Names (ROCBN)** — company incorporation and branch registration.

Investors should also consult Chinese government and commercial channels in Brunei, and their own professional advisers, for jurisdiction-specific guidance.

Appendix: Data Sources and Disclaimer

This guide draws on data from the ASEAN+3 Macroeconomic Research Office (AMRO), the Asian Development Bank (Asian Development Outlook, July 2026), the Centre for Strategic and Policy Studies (CSPS) of Brunei Darussalam, the Brunei Economic Development Board (BEDB), the Ministry of Finance and Economy (MOFE), the World Bank, the International Monetary Fund and the IMF Direction of Trade Statistics.

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