2nd Quarter 2016 Newsletter

Members of MGI Asia

This month witnessed a defining moment in history, as the people of United Kingdom voted in favour of a referendum to leave the European Union. This unexpected result polarised a nation, spooked financial markets and caused the British currency to tumble. The world is bracing itself for the economic and other consequences of the UK leaving the EU. The aftershocks are not so much a result of whether or not the UK can survive outside of the EU, but rather that no one knows what changes will be brought about and the pace at which these changes will occur. As the author H.P. Lovecraft said, "The oldest and strongest emotion of mankind is *fear*, and the oldest and strongest kind of *fear is the fear of the unknown." But change is part of an evolution that we must accept and embrace.*

The audit profession itself is not spared from such evolution. In the latest Inspection Findings Report by the International Forum of Independent Audit Regulators, it was found that 43% of audits contained serious deficiencies. The IFIAR report is based on its 51 members' inspections of audits carried out by the six largest international audit firms. What this essentially means is that despite more stringent audit regulation and substantial investments by audit firms in training, audit methodology and human resource development, audit quality remains at a mediocre level, since, based on the IFIAR report, almost half the audits contain serious deficiencies. Regulators worldwide are coming down harder on audit firms. Auditors are finding themselves thrust into unfavourable terrain, as they attempt the impossible balancing act of meeting stakeholder expectations of low audit fees but quick turnaround one on end against relentless regulatory oversight on the other end. Audit quality is the bridge to achieve the right balance and firms must start with a root cause analysis to identify deficiencies in audit quality. As many of you are aware, MGI Worldwide will be starting the first round of quality reviews next year.

Being part of MGI/MINT does bring with it some tangible benefits, as it allows us to present a united front and pitch for cross-border work. At the upcoming Asian Area meeting, we will have a case study presentation on one such successful bid by members of MGI Asia. The successful bid by MGI Asia is indeed a positive development and a testament to the synergies and benefits that can be brought about by teamwork and collaboration among members. On the subject of members, I am pleased to announce that we have recruited a new member in Indonesia, KAP Gideon Adi & Rekan. I am also delighted to announce that SR Dinodia & Co have re-joined MGI.

I hope most of you have already signed up for the Asia area meeting (or will be doing so very shortly) and I look forward to seeing you all in Hanoi.

Imran Assan
Area Leader – Asia

MGI AREA MEETINGS 2016

Asia Area
26 - 27 August
Hanoi, Vietnam

Global AGM
19 - 21 October
Santiago, Chile
http://www.deprezmeetings.com/groups/2016_mgi_agm/index.shtml

Latin American Area
19 - 21 October
Santiago, Chile (Combined with AGM)

UK Area
24 - 26 November
Selsdon Park Hotel and Golf Club, Surrey, UK
http://www.mgiworld.com/areas/uk-ireland/our-meetings/2016-mgi-uk-ireland-partners-managers-conference

2nd Quarter 2016 Newsletter

MGI ASIA MEMBER NEWS

KWSR gains new banking client

Khan Wahab Shafique Rahman & Co. Chartered Accountants have been selected as external auditors of Islami Bank Bangladesh Limited (IBBL) for the year 2016.

Islami Bank Bangladesh Limited is the pioneer of Islamic banking in Bangladesh with 304 branches and 13,229 staffs

IBBL is the largest private banking network in Bangladesh. When IBBL was established, it was the first bank in south-east Asia to provide banking service based on Islamic Shariah.

Dickson hosts MGI webinar

Dickson Leung from Lehman Brown, our member in China represented MGI Asia and hosted the second MGI webinar. The topic focussed on China's 5 year plan
The webinar attracted 18 members from 15 countries

MGI GLOBAL NEWS

MGI adds member in Canada & Egypt

Huron Partners LLP joined MGI North America in March 2016 and Dr. Ashraf Hanna auditing & accounting firm joined MGI MENA in May.

The former based in Mississauga, Ontario, a large Canadian city within the Greater Toronto Area, are a young dynamic firm with three Partners and ambitions to grow. Their main service areas include assurance, taxation, advisory and accounting, positioning the firm 'as more than just an accounting firm', rather, 'Your Partners in an Evolving World'.

Dr. Ashraf Hanna auditing & accounting is a two-partner firm operating out of Giza, the country's third-largest city, for nearly 25 years.

The firm serves the accounting and tax consulting needs of major multinational corporations in industries as diverse as petroleum, banks and financial institutions, construction and airlines.

The firm also possesses strong links with regional fiscal authorities and actively participates in professional conferences by presenting research and papers.

MGI ranks 9th & 13th respectively in LATAM & Europe

In its 2016 report, the International Accounting Bulletin ranked MGI Worldwide as the ninth-largest association by fee income and staff numbers in Europe.

For the purposes of the survey, Europe covers both the MGI Europe Area and the MGI UK & Ireland Area, with member firms located in nearly 30 nations in total.

MGI members in Latin America continue to go from strength to strength, as the latest International Accounting Bulletin rankings survey shows.

Members across the Latin America earned $18.5 million fee income last year, while staff numbers reached 915, placing the association as the 13th largest in the region.

Doing Business Guide - Netherlands

MGI member Verstegen Auditors and Consultants has produced a guide to Doing Business in the Netherlands which tackles the information important for those considering investing or carrying out business in the country

The extensive guide offers MGI members and their clients an in-depth look at the areas they need to cover when completing business transactions in the Netherlands. From the wider context explained in the introduction, including sections on the economy, government, location and exports, it then narrows its focus on specific areas.

DOWNLOAD THE FULL GUIDE TO DOING BUSINESS IN THE NETHERLANDS HERE

PROFESSIONAL NEWS FROM AROUND THE WORLD

REMINDER: The new and revised auditor reporting standards

The new and revised Auditor Reporting standards are effective for audits of financial statements for periods ending on or after **December 15, 2016**.

The auditor's report is the key deliverable communicating the results of the audit process. Investors and other financial statement users have asked for a more informative auditor's report—in particular for auditors to provide more relevant information to users.

Research, public consultations, and stakeholder outreach, including global roundtables, indicate that enhanced auditor reporting is critical to influencing the perceived value of the financial statement audit.

What's Changed?

- *ISA 700 (Revised)*
- *ISA 701 (New)*
- *ISA 570 (Revised)*
- *ISA 705 (Revised)*
- *ISA 706 (Revised)*
- *ISA 260 (Revised)*
- *Conforming amendments to several other ISAs*
- *ISA 720 (Revised)*

What are the Intended Benefits?

- Enhanced communication between auditors and investors, as well as those charged with corporate governance
- Increased user confidence in audit reports and financial statements
- Increased transparency, audit quality, and enhanced information value
- Increased attention by management and financial statement preparers to disclosures referencing the auditor's report
- Renewed auditor focus on matters to be reported that could result in an increase in professional skepticism
- Enhanced financial reporting in the public interest

More information can be found at the International Auditing and Assurance Standards Board website - http://www.iaasb.org/new-auditors-report

Mid- sized accountancy firms are catching up with the Big Four in the race to diversify away from audit work, says MGI Worldwide

MGI Worldwide explains that the percentage of the mid-tier (ranked Top 5-20) UK accountancy firms' income from non-audit work rose to 55% in 2015*- from 50% in 2014, and just 48% in 2013

Audit work is seen by many accountancy firms as having lower profit margins, slower growth rates and higher legal risks than areas such as management consultancy or tax advisory.

MGI Worldwide says that medium sized international accountancy networks are also succeeding in their push to diversify, with 46% of income from medium sized accountancy networks (ranked Top 5-20) coming from non-audit work, like consultancy, insolvency and tax advice, in 2015.

MGI Worldwide believes that enhanced ability to undertake cross border work is one of the reasons why many mid-sized firms are closing the gap on the Big Four, whose income from non-audit work was 61% of their total fee income.

For the full article, see http://www.mgiworld.com/newsroom/2016/june/mid-sized-accountancy-firms-accelerate-diversification-away-from-traditional-audit-services

Erroneous accounting firms' CEOs to be ousted

South Korea is considering a bill that would allow regulators to oust the CEO of an accounting firm that is found to be negligent in controlling audit quality. According to the Financial Services Council (FSC), the revised bill will enable the top regulator to suspend accounting firms' CEOs from operation if the CEOs are negligent in controlling their companies' auditing quality.

The FSC said that the bill passed the National Assembly's Regulatory Reform Committee and it will be tabled in September.

Should the bill pass the National Assembly, CEOs of accounting firms that repeatedly commit erroneous accounting either on purpose or by mistake will be stripped of their certification or be suspended from working. Under current law, only the executives at the companies they are auditing face such sanctions.

Source: The Korea Times

Indonesia advances plans to achieve full convergence with IFRS Standards

The Trustees of the IFRS® Foundation, the Indonesia Financial Services Authority (OJK) and the Institute of Indonesia Chartered Accountants (IAI) announced their intention to deepen cooperation as Indonesia develops its plans to achieve full convergence with IFRS Standards.

The plans were set out in a Joint Statement agreed by all the three parties on the occasion of the IFRS Foundation Trustees' meeting held in Jakarta between 24 and 26 May 2016.

The Joint Statement:

- reaffirms Indonesia's commitment to the G20-endorsed goal of a single set of global accounting standards, and its intention to achieve that goal through full convergence with IFRS Standards;
- highlights the importance of IFRS Standards in achieving the 'ASEAN Economic Community Blueprint 2025' by increasing the attractiveness of the ASEAN region to investors through the creation of an open, transparent and predictable investment regime;
- describes the Trustees' desire to fully support Indonesia's transition to IFRS Standards by exploring opportunities to further involve Indonesian stakeholders in the work of the IFRS Foundation and the International Accounting Standards Board (the Board), including in its advisory bodies; and
- underlines the importance of the Board's work to ensure that IFRS Standards are applied on a globally consistent basis across both emerging and developed economies, and are relevant to all types of financial transactions.

Source IFRS website

TIPS & HELP

The Advantages Smaller Accounting Businesses Have Over 'Big Four' Firms

By Dean Bassal

If you operate a smaller-sized accounting firm, it's easy to be awed by the major players in the industry. Accountancy and consulting firms like the "Big Four"–Deloitte, PwC, Ernst & Young and KPMG–are generally considered to be market leaders in the field, and they have the illustrious client lists to match.

You might feel like you're living in the shadow of these giants, so to speak, and nobody would blame you. How could a smaller firm such as yours ever compete with these bigger, more prestigious names?

While there's no doubt that the Big Four have the advantage of a global network, an extensive portfolio, and a huge number of employees at their disposal, bigger isn't always better, especially when it comes to a service-based industry such as accounting.

Don't believe us? Read on to find out how your small accounting firm can have an edge over bigger competitors.

1. Be interested in building genuine relationships with your clients.

A client wants to know that their accountant is someone who will not only take the time to properly understand their business or financial situation, but who is also interested in building a genuine and ongoing professional relationship with them.

A bigger, more prestigious firm might have more experience and a list of impressive clients, but remember that for every impressive client, there are also lots of clients that might be from smaller companies. It is these smaller companies that you can attract, simply by offering better and more personalized service.

Due to the large amount of employees a Big Four accounting firm has, smaller clients might find themselves dealing with different people each time as their file gets shared. In fact, some clients may never get to know their accountants. Also, turnover at the big firms is often high, and that really nice accountant you liked last week might not be there next time you call.

For smaller companies that may not make the "prestigious" client list of a Big Four firm, choosing a small accounting firm that offers high quality services and a genuine interest in their business is often a better bet, not to mention better value for their money.

Takeaway: If you're a smaller accounting firm, make sure you're able to provide your clients with excellent service and high quality expertise, and then work on really getting to know your clients and taking a genuine interest in their businesses.

2. Be flexible.

One of the great benefits of being a smaller accounting firm is the autonomy you have when it comes to dealing with clients. Does a client need to discuss payment? Big firms have certain policies and practices in place that every employee needs to follow; however, you have the flexibility of offering a service rate and payment plan that both you and the client are happy with.

Does the client only require some services and not others? Instead of being forced to choose the accounting package that is closest to their needs, clients who choose a smaller accounting firm are more likely to get an individually tailored range of services, which in turn might even save them from spending extra on "included services" that they don't need.

As a smaller firm, you would also have the opportunity to undertake a much wider range of accounting work, which can be a real advantage to clients that are looking to discuss more than one area of their business and finances.

Instead of getting passed around from one department to another and having to meet several different representatives that might not even understand their business well, clients that choose smaller accounting firms often benefit from a "one stop shop" of sorts. Plus, because you already have a genuine relationship with the client, your client is more likely to discuss other aspects of their company with you and seek your advice.

Takeaway: Be flexible with your service options; rather than come up with a "one size fits all" solution that you try to use for every client, take the time and effort to understand each client's business and finances, and offer them accounting services that are tailored to their unique and specific requirements.

3. Offer a better work environment to attract top talent.

Time is money, there's no doubt about that, and whether you're a Big Four firm or a smaller accounting practice, you need to ensure that you're making a profit. However, it is widely recognized that employees at Big Four firms put in much longer hours than those at smaller companies, not to mention there are a whole host of other (not always positive) issues that are associated with working in a major firm.

As a smaller accounting firm, the quality of your work is very important, and the best way to make sure that you are providing your clients with high quality work is to hire only high quality employees. While many accountants, particularly those that are seen as "more ambitious," choose major firms for their prestige and high-flying career opportunities, you need to know your advantages as a smaller firm and capitalize on those to attract great talent.

Here are advantages you can offer employees:

- **Better exposure.** By virtue of their having fewer people, smaller firms are able to give their employees better exposure and a more well-rounded accountancy experience.
- **Work-life flexibility.** Smaller firms are able to offer more flexibility in terms of work-life balance, working arrangements, and work hours.
- **A welcoming environment.** Smaller firms generally have a cozier, warmer, and friendlier atmosphere, which makes for a more personal and more welcoming environment to work in.
- **Hands-on experience.** At a smaller firm, employees can enjoy a more hands-on experience, and a chance to really get to know their clients. Employees at smaller firms are also more likely to feel that they are serving their community in a more personalized way.
- **'Ownership' in the business.** Even as a partner in a big firm, an individual is still one of many partners, and can sometimes feel like just another cog in a big machine; in a smaller firm, it's much easier for partners to take ownership of the business, which translates to them being more invested in the growth of the company.

Takeaway: Make the most of your status as a smaller firm and create the best work environment that you possibly can. Not only will this help you to attract top talent who are perhaps wanting to travel less, a pleasant place to work, and better work/life balance, it will also boost the morale of all your other employees–and it will show! A company where its employees are being treated well and everyone is happy is a company that is attractive to prospective clients, so it's a win-win for everybody.

Dean Bassal is the Managing Director of Bunnett & Bassal Pty Ltd in Victoria, Australia, a tax consulting, accounting, and financial planning firm that believes in offering competitively priced services and fast, efficient, and friendly service. The company has a diverse client base ranging from individuals to small businesses from different industries and cultural backgrounds, all of which makes the work even more interesting. For Dean, the most fulfilling part of the job is the relationships that he forms with his clients, and the privilege of seeing them grow over the years.

4 Ways to Grow Your Practice Through Referrals

BY COLIN TIERNEY

Whether you're selling toys or financial services, business people dream of organic growth.

Organic growth is defined by **Investopedia** as the "growth rate that a company can achieve by increasing output and enhancing sales." Financial services and accounting firms likely know how much work their team can accomplish. They may also know where there are opportunities for efficiency. But once processes are made efficient, leveraging everything from technology solutions to checklists, output remains relatively fixed.
Enhancing sales becomes the new objective. Today's leading sales people know that customers come to the table with more information than ever. Books like "**To Sell is Human**" use a variety of research studies to illustrate that sales are much more consultative. No matter your product or service, take the "used car salesman" stereotype and throw it out the window. More and more, your clients will come to you knowing what they want. It then becomes your job to teach them about all your services (not only the one they called about), to challenge any assumptions they have about what your firm can or cannot provide and to build productive, profitable relationships for both sides.

The first step to increasing organic growth through enhanced sales actually doesn't require you to sell. Instead, you can focus simply on making your services known. **Research from Hinge Marketing** suggests that making prospective clients aware of your services is the most important step you can take.

Referrals can be a significant source of growth and can help lead your firm to reliable revenue sources. Wouldn't it be nice if new clients came to your firm without your team taking the time to find them?

Hinge Marketing's research report was conducted largely with financial services and accounting firms. The report shows that "visible expertise" was the most common factor that led to an increase in the probability of referrals. 37.3 percent of respondents selected "visible expertise." The second most common factor was "professional relationships" and the third factor was "social relationships".

These three factors speak to the power of visibility both directly in relationships and indirectly through digital forms of relationship building like a firm website or LinkedIn page.

The goal is to make your firm visible to prospective clients, and there are a few ways to accomplish this goal:

1. Ensure that your friends and professional connections are aware of your services.
Tip: Every now and then, share a positive story with friends about a recent client engagement. Use the story as an opportunity to tell them about the services you are offering, or perhaps the services that you're planning to offer.

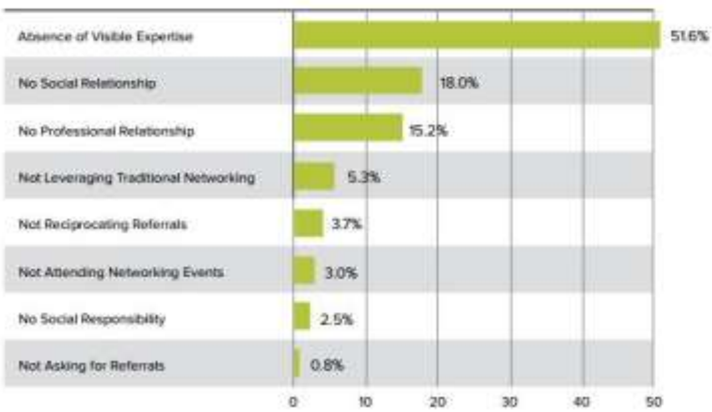
2. Ensure the general public is aware of your services.
Tip: Professionally designed websites that showcase your team's credibility and your firm's thought leadership will help you earn referrals. For example, if a friend recommends your firm, the prospective client will likely check your website before they call you.

3. Know your industry.
Tip: Joining local and national organizations in your field keeps your firm in the flow of information. A smart team with access to the latest industry trends and news can then enable your firm to add value in client conversations and to speak credibly with industry peers.

4. Create relevant content.
Tip: Following industry trends also helps your team generate insightful articles, which can be shared through marketing channels, sent to prospective clients to illustrate your credibility and placed on your website to generate business from people searching the web for topics about which you've written.
No matter what, make sure you avoid the biggest referral killers.

*Colin Tierney is a marketing manager at the financial information company **Sageworks**.*

Fig 8. What Are the Biggest Referral Killers?



Source: Hinge Research Institute

How to Retain Millennials

BY BRUCE TULGAN

Leaders and managers are very worried about high levels of turnover among Millennials, and they are right to be. In most organizations, turnover among new employees has been going up ever so slightly but steadily over the past two decades.

Turnover is by far the highest among employees with up to two years' tenure, and next highest among employees between two and five years' tenure. Some of this is a function of youth, but there are also generational issues at play. Millennials are coming of age in a labor market that presumes total job mobility. Meanwhile, they are more likely than those of earlier generations to see their job as just one piece in their life puzzle, rather than as the first, indispensable anchor piece without which they cannot build a happy life and family. To Millennials seeking to customize the perfect life and career, the job is a less important puzzle piece than, say, where they live, what schedule they keep, opportunities to participate in certain activities, or proximity to friends or family. Add all these factors together, and it's easy to see that Millennials are likely to have the highest early-career-stage turnover of any generation in history.

But is it impossible to retain the best of the Millennials? No. You can retain the best people indefinitely, one day at a time, as long as you are willing to keep making it work for them. You can even turn many of the best into long-term employees and some of the very best into new leaders.
You have no choice. They are the future of your organization.

TAKE CONTROL OF TURNOVER
Your goal should not be to eliminate turnover among Millennials. That's never going to happen. Your goal should be to take control of the turnover among Millennials. You want the high performers to stay and the low performers to go. How do you achieve that?

One key is the prestige factor. Millennials are highly aware of prestige and status, and they want to be associated with them. A Millennial recently told me, "I want to be part of a prestige group. I don't want to be associated with some second-rate anything."

In order to retain the best, you need to send the message that not everyone gets to work at your firm, and that it is a privilege and an honor to work there. What can you do to increase the status and prestige of working for you on your team?

PUSH OUT LOW PERFORMERS
What you can do is shine a bright light on the very top performers. But you should also shine a bright light on everyone else. With a bright light shining on them, the stubborn low performers will usually stick out like sore thumbs. Remember: Part of sending the message that it's a privilege and an honor to work at your firm is sending the message that not everyone gets to work there! If you are serious about retaining Millennials, one of the most important questions you should be asking yourself is how you can get turnover to skyrocket among the low performers.

Once you push out the stubborn low performers, the trick is getting everyone else to want to stay and work even harder for you. How? Keep shining that bright light. While low performers squirm under bright light, high performers usually shine brightest. They want to know that someone knows just how much great work they are doing.

KNOW WHAT THEY WANT
Understanding an individual employee's unique needs or wants is the key to being able to reward that person in a meaningful way. The more unusual the needs and wants of a particular employee, the more valuable it will be if you are able to meet those needs and wants, because it will be harder for other employers to replicate those rewards. If you can work out a special deal with a star Millennial to meet some unusual need or want that really matters to that person, you will have a powerful retention tool.

Whatever you are doing to be flexible and generous to retain your good employees, you need to be much more flexible and generous to keep your great employees. Ask yourself the following questions:

What are you paying your good employees? Pay your great employees more. Consider giving them more in base pay and benefits. Definitely give them more bonus money contingent on clear performance benchmarks tied directly to concrete actions that they can control.

What kind of scheduling flexibility are you providing for your good employees? Give your great ones the best schedules, and give them more control over when they work.

How are your good employees assigned to work with vendors, customers, co-workers, subordinates and managers? Give your great employees first choice in relationship opportunities at work.

How are tasks and responsibilities assigned to good employees? Give your great employees first choice.

Give the great ones first choice on any special projects or choice assignments.

What training opportunities are being made available to good employees? Offer the best resources to the best people first.

How are good employees assigned to work locations or work spaces? What about travel? Give the best people the first choice of location, work space, and travel.

Every Millennial wants a custom deal. The more you are able to customize for them, the longer you will keep them. But if your resources and your ability to customize are limited, you had better concentrate those resources on your very best people. That's only fair. And it's the only way you are going to retain the best Millennials for any reasonable duration of employment.

LAVISH TIME AND ATTENTION

Don't make the mistake of thinking that some of your Millennials are so talented, skilled and motivated that they don't really need the attention of managers. The better they are, the more attention they want: The superstar Millennials want managers who know exactly who they are, help them succeed, and keep close track of their success. If you really want to retain your very best Millennial superstars long enough to grow and develop them, someone has to make concerted efforts to surround them with teaching-style managers, advisors, organizational supporters, and maybe even mentors.

Bruce Tulgan is the founder and CEO of **RainmakerThinking Inc.** *Reach him at* **brucet@rainmakerthinking.com**
This article is excerpted from his latest book, Not Everyone Gets a Trophy: How to Manage the Millennials.

Three Business Development Practices That Will Surface Hidden Talent

BY GREG CHAMBERS

When I engage in planning workshops, the subject of succession and exit strategies is front and center in the long-term vision of the firm: forcing current partners to look at potential future partners and consider their ability to grow the firm and fund an exit.

Often, the current partners aren't inspired. They aren't able to predict if the talent tasked with bringing in future business can be relied upon to expand the coffers and keep them full. At the same time, when pressed, the firm partners can't look around the table and pinpoint what made them more entrepreneurial and better able to find new business, or got them to where they are today. The talk quickly turns to acquisitions, fold-ins and a search for new ideas.

I won't suggest those aren't effective strategies. The problem of finding and developing talent is an age-old one, and it's silly to think that articles, seminars, workshops and assessments can turn a super competent junior associate into a firm's number one rainmaker. That said, these transformations occur and I'm convinced that everyone has an innate ability to assist others in making good decisions, can be naturally persuasive under the right circumstances, and can develop new business as a consequence.

Consider focusing on surfacing these hidden talents in addition to the other growth strategies you employ.

I have three practices you can implement today to surface the hidden talent in your firm.

1. Clearly describe an ideal future for a partner, but do it in the right way.

Why would an associate want to be an owner? Chances are, your junior members have heard rumors of the joy of partnership and can make assumptions, but rarely does anyone sit down and formally explain anything. If they do get an explanation, it has two features. One, it's only with associates who are deemed to have that "certain something" putting them on track to partnership. Second, the description is heavy on logic because that's a comfortable place to communicate from.

Here's the thing: If you're going to uncover hidden talent, the operative word is hidden. You don't know where it's hiding. If the vivid description of future partnership is going to motivate your associates, you need to describe it to everyone. Plant the dream in their brains and let it work on them. All of them.

As for how to describe it, logic alone won't release hidden talent. You need emotion. You need to describe the ideal future in ways that inspire. It's emotion that moves mountains and shakes the trees.

Not sure what I mean? Look at a partner you've known since the beginning and think of their growth. The challenges they've overcome by immersing themselves in complex client issues. The leadership they've developed in the community. How they've become a deeply trusted advisor. Their ability to contribute financially to important causes. The pride they have from taking loved ones around the world. Those are the images of a strong, clear vision of the future your associates need to hear about.

Your job is to describe what it looks like, feels like, sounds like, and even smells like. The clearer that vision, the more likely it is to bring talent to the surface.

Start by describing the benefits of being an owner that aren't purely financial and describe them to every associate on your team.

2. When it comes to selling activity, encourage your junior partners and associates to use their particular character strengths.

In my work with talented rainmakers, I am delighted when I find them to be casually clueless about how they got to where they are. Sure, they can describe a hodgepodge of tactics and techniques and maybe even describe a process that they adhere to, but these descriptions don't hold up to scrutiny. Your associates hear such descriptions and mentally run them against the highlight reel of what they've seen and heard to find that they don't match. Here's why that happens.

If you're going to uncover hidden talent on your team, you have to be open to this universal truth: your associates are human and they won't do things they don't want to do. Especially if they have to do things in a way that doesn't let them apply their strengths, their self-identified strengths. If someone is inspired to do the work to get the rewards of partnership, you need to encourage them to get there in a way that uses their strengths because doing so has been proven to increase job satisfaction and overall well-being. For instance, if an associate self-identifies a strength as "industry, diligence and perseverance," then encourage them to apply that strength to consistent business development activities and to continuous self-education on business development tactics. If they self-identify as strong in "leadership," encourage them to seek business development opportunities by looking for places where they can apply that strength shoulder-to-shoulder with future buyers and influencers.

The main point is this: Business development activities come naturally to a few of your associates and are viewed as abhorrent to many of your associates. Humans are natural persuaders; just think of clever five year olds manipulating their parents at bedtime, but when there are quotas and dollar bills on the line, we freeze. By focusing on how to apply self-identified strengths to business development, you're giving your associates options. You're exposing them to the truth that for as much as we study sales and marketing, we're all a little casually clueless as to what works and why. They'll find their own way and be successful if they stick to applying their strengths.

3. Watch for opportunities to build business development momentum.

This last point is the glue that ties the Ideal Future and Character Strengths together. Let me explain. Your firm's future clients will come from your people getting into a large number of conversations about a client's desired outcomes. And those conversations won't come from a marketing campaign, a sporting event, a published paper, or by simply sitting next to the right person at a charity dinner. Those tactics help, but ultimately your future partners need to be having the right talks with the right people. The more outcome-related discussions they have, the more successful your firm will be when it's time for you to exit.

These kinds of business discussions are often outside an associate's comfort zone. It's been proven that new tasks outside of our comfort zones are not only mentally draining, but physically exhausting too. It takes much less effort to be on autopilot and repeat familiar activities over and over again, which is why we drift into autopilot behavior. At the same time, humans are incredibly fast learners. Once we have attempted a new task, our next tries are a little bit easier and easier, and so on. That progression gains momentum until we can put that previously exhausting new activity on autopilot.

The question is: How do we build business development momentum? You can start today by asking questions they'll need to have answers to when they're partners. Start simply: "Do you find it easy to describe the client's business?" or "If the client asked you for a recommendation about [big problem], what would you say?" As you listen to the answers, ask two particular follow-up questions with this structure: "how" and "what" followed by action verbs. Like "How would you get better at doing that?" or "What has to happen for you to be prepared when they ask for that advice?"

Those questions, applied consistently over time, will have a particular effect on your associates. They will force their brains to come up with answers, which at first will be taxing, but the more it happens, the more momentum builds, and the more likely they are to have outcome-oriented conversations with clients.

And the more likely you are to uncover hidden talent in your firm.

Your future firm, the one that pays you a premium upon exit, will have a predictable revenue stream that is not solely dependent on senior partners bringing in new business. The way to get there is to unearth hidden business development talent in your associates, developing them into future stars. That uncovering process starts with an emotionally charged vision of the future, encouragement to apply self-identified strengths to business development activities, and steadily building momentum through open, action-oriented questions.

Investing in your most junior associates will pay dividends down the road. Start preparing for your firm's future, today.

*Greg Chambers is the founder of the sales-and-marketing consultancy, **Chambers Pivot Industries LLC**. Greg helps entrepreneurial companies create sales-and-marketing practices they can get excited about and are a perfect fit for their cultures.*

HA! HA! HA!

An accountant goes into a pet shop to buy a parrot. The shop owner shows him three parrots on a perch and says, "The parrot on the left costs $500."
"Why does that parrot cost so much?" asks the accountant. "Well," replies the owner, "it knows how to do complex audits." "

How much does the middle parrot cost?" asks the accountant." "That one costs $1,000 because it can do everything the first one can do, plus it knows how to prepare financial forecasts."

The startled accountant asks about the third parrot, to be told it costs $4,000. Needless to say, this begs the question, "What can it do?" to which the owner replies "To be honest, I've never seen him do a darn thing, but the other two call him ***Senior Partner***."

MGI ASIA COUNTRY UPDATE

Final stage of Business Tax to VAT ("B2V") Reform

On 5th March, 2016, Premier Li Keqiang announced at the opening of the National People's Congress that the real estate and construction, financial services and insurance, and lifestyle services industries will all be subject to VAT with effect from the 1st May 2016 with the first tax filing in June. This signifies the completion of the B2V reform measures within this year. China's indirect tax system introduced in 1994 comprising of both VAT and BT will now become obsolete.

The completion of B2V reform is expected to bring in a series of changes on VAT policy and administration which will have a profound impact on all businesses in China.

The VAT rates applied to the respective industries and a comparison with the current BT rates are set out below:

Sector	New VAT rate	Former BT rate
Construction Services	11%	3%
Real Estate	11%	5%
Financial and Insurance	6%	5%
Life style service and others	6%	Generally 5%, certain entertainment service rates vary from 3% -20%

For those meeting the requirements, the General VAT payer is effectively assessed on a net basis (VAT Payable = Output VAT – Input VAT) while BT is assessed on a gross basis, a straight comparison between the new and the old rates is not valid. For those not meeting the requirements of General VAT, these companies would be classified as a Small Scale VAT payer, and would be paying taxes on the revenue with no offset for input VAT, but with a lower VAT rate at 3% which is reduced from the former BT rate of 5%.

The timeframe for implementation of around 5-6 weeks from the release date of the new rules will be very challenging for businesses to meet. It is expected that many companies which are not already well prepared will face some challenges and uncertainties.

Navigating the 'Five Year Tax Rule' for Expatriates in China

Background

The China Five Year Tax Rule threshold and its application is a pertinent and often misunderstood issue that affects all expatriates (including Hong Kong, Macao and Taiwanese nationals) residing in the People's Republic of China ("PRC"). There have been many questions raised about the 'Five Year Tax Rule' concerning its application. The keys ones that are usually asked include:

- What does the 'Five Year Tax Rule' actually mean?
- Whom does it affect?
- How will it impact an expatriate's tax liability if not adhered to?
- How can an expatriate avoid being subject to China Tax on Worldwide Income?

Since the requirement for expatriates to file an annual tax return was introduced in 2006, the authorities are now better equipped to work backwards to trace an expatriate's Individual Income Tax ("IIT") footprint. With the China Local Tax Bureau ("LTB") stepping up its policy of collection in order to meet government imposed targets, and expatriate tax being an area of particular interest, it is important for expatriates to review their past, current and future tax position, from both a tax compliance and a planning perspective.

In terms of putting in place a compliant tax strategy as an expatriate living in China, it is important to have a clear understanding of the Five Year Tax Rule, what China Tax Residency entails and the Individual Income Tax liabilities applied to an expatriate residing and working in the People's Republic of China ("PRC").

This short guide will illustrate the best practices for ensuring that as an expatriate from an IIT perspective, tax liabilities can be planned and clarifies the key points of understanding concerning China Tax Residency.

Definition of a China Tax Resident

In practice, a China Tax Resident can be defined as a foreign national living and working in China for more than 5 years (including Hong Kong, Macao and Taiwanese nationals). Residing in China for a period of 365 consecutive days in the fiscal calendar year from 31st December to 1st January (also termed 'Tax Year') is acknowledged as having lived in China for the full one year duration.

How is a 'Full Year' Defined?

To be counted as a full year residing in China, an expatriate throughout this period does not leave China for a consecutive period of 30 full days or a total of 90 full days throughout the calendar year.

Days travelling inbound or outbound from the PRC are classed as days spent inside China's borders, so therefore if you were to take a 7 day business trip to New York, departure and arrival days from China included, this would mean that 5 full days were spent outside of China's borders.

What could be Taxable for an Expatriate under the Five Year Rule?

Exceeding the 'Five Year Tax Rule' can substantially increase an expatriate's tax burden and therefore if the period of the 'Five Year Tax Rule' is not interrupted, subsequently an expatriate could incur IIT tax liability with the Local Tax Bureau ("LTB") on worldwide income from the sixth year onwards for every consecutive year forthwith. IIT would therefore apply to all PRC and Non – PRC sourced income specified by law. Ideally, an expatriate would want to avoid this scenario being applied to their IIT liability.

How can I avoid being taxed on Worldwide Income under the Five Year Tax Period?

To break the five-year period at any point and reset tax residency, an expatriate should leave China for a period of more than 30 full days consecutively in one trip or a total of 90 full days within a 'Tax Year'. This will in effect reset the clock back to zero in tax years and the following year would become year 1. The process can then be repeated every five years, therefore enabling an expatriate to remain exempt from tax on worldwide Non-PRC sourced income.

However, an expatriate can also break the five-year residence in China only if they spend less than 90 days inside China any one-year after the sixth year, or whereby the expatriate becomes a tax resident in another jurisdiction which has a double tax treaty with China, the conditions noted in the tax treaty would apply (the expatriates should also check carefully the specific terms concerning Tax treaties between China and their country of nationality).

What happens if I miss the Five Year Tax Threshold?

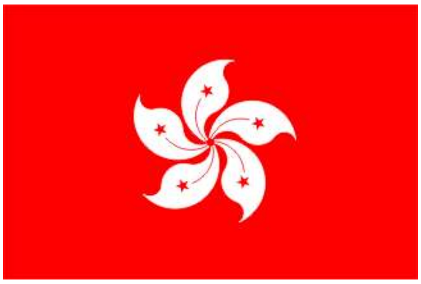
If the Five Year Tax threshold is missed (I.e. an expatriate does not exit the PRC for the required time period during the five year period) and tax residency is carried on into the sixth year, an expatriate can still avoid being liable for China IIT from the seventh year onwards. In order to do this however, they would need to exit China for the stated period (30 full days consecutively, or a total of 90 full days) for every calendar year onwards. The sixth year though would still be subject to IIT in theory.

Final Thoughts

Whilst the 'Five Year Tax Rule' is not commonly reviewed because of the generally transient nature of expatriates, it is a regulation that is hovering in the background. It is therefore prudent to have complied with the policy set out by exiting China for the specified period during each Five Year Tax residence.

It is advisable that expatriates pay attention to the duration of stay in China, plan to take 30 consecutive full days outside of China within a 5 Year period or 90 full cumulative days annually and keep track of the period spent both inside and outside of China's tax jurisdiction.

Contributed by LehmanBrown



Waiver of Business Registration Fees for companies 2016-17

The prescribed business registration fee payable in respect of an application for company incorporation and business registration made in the period from 1 April 2016 to 31 March 2017 will be reduced by a sum of HK$2,000.

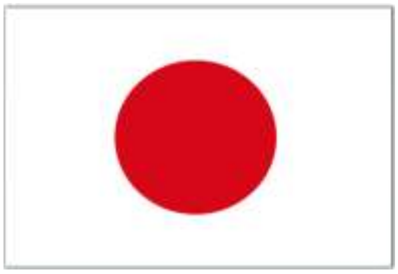
Applicants are only required to pay the levies for the Protection of Wages on Insolvency Fund of HK$250 for applying business registration certificate. It is good news for Start-up companies and all existing companies.

Contributed by Kenneth Chau & Co

India passes the Insolvency and Bankruptcy Code

The India parliament passed the above law on the 11 May 2016.
The objective of the new law is to promote entrepreneurship, availability of credit, and balance the interests of all stakeholders by consolidating and amending the laws relating to reorganization and insolvency resolution
The reform will give banks a clear path to wresting control of insolvent companies unable to repay their debts. Its adoption is seen as a major breakthrough that will allow banks to recover their dues in a timely manner, in contrast to the current system in which they often wage protracted legal battles in an attempt to recover what they are owed.
The new law, which has been cheered by investors, will provide a single framework for the recovery of debts within 180 days by all creditors of insolvent companies

Sourced by Audrey Danasamy



Japan: Consumption tax rate increase is postponed, to October 2019

The prime minister on 1 June 2016 announced that a scheduled increase in the rate of the consumption tax will be postponed until 1 October 2019.

The consumption tax had been set to increase to 10%, up from 8%, effective April 2017. However, the prime minister decided to postpone the planned increase in the consumption tax rate given certain concerns about the economy.

Background

The Japanese government had planned to increase the consumption tax rate in two stages. The first stage to increase the consumption tax rate—from 5% to 8%—was implemented on 1 April 2014. The second increase in the consumption tax rate—from 8% to 10%—was originally due to be effective 1 October 2015, but was then postponed to 1 April 2017.

Source Tax News Flash, KPMG

The Pakistan National Assembly passed the Finance Bill 2016-17, on 22 June

Pakistan Finance Minister Ishaq Dar unveiled the 2016 - 2017 budget on 3 June 2016.

The new budget of Rs4.42 trillion appears to strike a balance between fiscal consolidation, imposed by the International Monetary Fund (IMF), and some incentives for the industrial sector.

Ilyas Saeed & Co has outlined its comments as 'Budget Memorandum 2016' on Finance bill for its clients and all interested parties. It is available on http://ilyassaeed.com/budget-brief/

Contributed by Ilyas Saeed & Co

Singapore grants wider powers to combat tax evasion

Singapore has amended its tax laws to empower its financial institutions to report on all foreign money parked there. These amendments allow Singapore to implement the Common Reporting Standard ("CRS"), an internationally agreed standard for automatic exchange of financial account information ("AEOI").

The AEOI is meant to detect and prevent tax evasion, while the CRS sets out, inter alia, the financial account information to be swapped and the customer due diligence procedures the financial institutions must follow. Although financial institutions will be given the power to collect and retain CRS information for all non-Singapore tax residents, they need to report to the tax authorities only on those from countries that Singapore has an AEOI agreement with.

These changes reaffirm Singapore's commitment to join the international fight against tax evasion.

Contributed by MGI Alliance PAC