MGI ASIA NEWSLETTER

Quarter 2 2012

Welcome to the second issue of the MGI Asia Newsletter. I hope you have all recuperated from successful Asia meeting held on 11 May, in Kuala Lumpur. I thank everyone for attending and contributing to an effective meeting.

I also thank Sharifah and her team at AljeffriDean for hosting a successful conference and Audrey for organizing everything perfectly, together with the hosts!

For those, who have not been able to attend, I must emphasis on the opportunity that has been missed - a packed day of interesting discussions with regard to MGI strategy and where Asia should be headed including how we are going to strengthen the MGI Brand in Asia. A quick summary of the discussions include the following points:-

- Brand building – It was decided that all members are to include the MGI logo on their websites, letterheads, name cards etc. Members to actively participate in thought leadership and in events, conferences (speakers) and use that platform to promote not just your local brand but also the MGI brand in the process.

  A big step which was agreed was to share client information and also to have a standard corporate brochure/credentials document and presentation such that the region appears as one while pitching for client work.

- Resource Sharing – it was agreed to create practice groups to share technical knowledge across borders. Some of the members have gladly volunteered to be available for any technical questions posed to them by members and / or their clients. The second initiative also agreed upon was starting of staff secondments. A list of practice areas has been tabulated and circulated.

- Business referrals – it was agreed amongst all members to ensure a basic service level to enable all members to service their clients most efficiently and effectively in any country in the world. It was agreed that all members will reply promptly to e-mails and to more detailed queries within 2 workings days. It was also agreed that referrals will be documented by the Executive Director going forward.

- The members of the IC and the other Australian and UK members who attended the conference based on their experience in other areas emphasized the importance of members being more active within Asia and Internationally. They encouraged each of us to attend global meetings since only by attending these meetings does one meet new members and build the relationships for business referrals.

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It gives me immense pleasure to let you know that Thanadee from Thailand has offered to organize the next Asia Area meeting in Thailand on the 5th September, 2012. I hope all of us will be able to attend the meeting in Thailand and especially those who missed the KL meeting, please try to make it because we're getting the move on Asia!!

In terms of what we need to achieve in the coming months in addition to better communication is focusing on maximizing our reach to countries where we presently do not have members. These countries are Vietnam, Philippines, South Korea, Cambodia, Laos, Sri Lanka, Nepal and some cities in India. I urge each of you to help in this initiative and support Audrey in connecting with a reference you may have done work with in any of these countries. A reference assures the basic quality of the potential member and therefore is a single most important way of reaching out to them.

I cannot emphasize enough, how important it is for each of us to engage with each other on a constant basis and spend more time and effort to build a local brand and therefore also building the MGI brand in the process. The new competitive strategy for MGI circulated by Thierry on the 8th of June clearly shows where MGI Global is headed and how each of the 8 regions can fit in to this global strategy yet carve a niche that works best for them in their respect regions. The strategy marks a major change for MGI and contains some radical new proposals. I strongly recommend that you read the report and attend the AGM in Cyprus in October, where the strategy will be debated and approved. An organisation is only as good as its members, and therefore, I take this opportunity to once again request each member to contribute so that we as a group or an alliance, can prosper and generate business across the world.

Pallavi Dinodia
Area Leader – Asia
MGI

BE A PART OF MGI EVENTS

Australasian Area Executive Committee Meetings

4 July 2012, **Peppers Hotel, Palm Cove, North Queensland, Australia**

Australasian AGM

5 & 6 July 2012, Peppers Hotel, Palm Cove, North Queensland, Australia
Further information for both meetings: Christine Greiser

Africa Area Meeting

29 July, p.m. - 31 July 2012, Kinshasa, Congo
Contact for further information: Danny Nkuvu

Nordic Circle Meeting

14 September 2012, Henlsinki, Finland

Contact for further information Erik Emilsson

Middle East Area Meeting

September 2012, Dubai
Contact for further information Salim Rajkotwala

MGI AGM 2012

17-19 October, Limassol, Cyprus

THE SWEDISH CONNECTION

The International Committee Representative for Europe is Erik Emilsson. I managed to catch up Erik in Kuala Lumpur and got him to share some thoughts

Who or What inspired you to become an accountant?

I must say it's almost accidental. I like businesses, and entrepreneurs, and I wanted to know more about the financial side of it when I left university. I thought I would have a "good school" by working as an accountant/auditor for some years, but it was so fun I decided to become an "accountant-entrepreneur" instead. So I started Revideco AB, after five initial years at PwC.

What would you be if you weren't an accountant?

An entrepreneur of some kind. Probably IT or a doctor - a psychiatrist. Or a neurologist, the brain is my favourite subject. I could also be a musician. I still don't know what I want to be when I grow up...

Tell us about Revideco AB? Share with us how you have made Revideco successful.

I started it in 1994, and we have grown slowly since then. Today we have three offices, 7 partners, and almost 40 people employed. It is all about having the right people onboard and to give them freedom to develop. I love people, and that is what I think is one of the secrets of Revideco's success.

What does being CEO of Revideco mean?

Fifty percent of the time is devoted to client issues, together with one or two of our employees. The other fifty percent is trying to develop Revideco, having discussions with the three office managers we have. I also spend time alone to think and strategise. I love what I'm doing.

What are three things you should never do in this business?"

Being to greedy. Not respecting other people (employees and clients). Being dishonest.

"What have you accomplished that makes you most proud?"

My company Revideco, the mistakes I have made and what I have learned from the mistakes that has made Revideco successful. It is a company that employees and clients love to be a part of. On a personal level I am proud that I am always willing to learn new things and with that I have overcome a lot of my fears.

What do you do to relax? Your favourite past time, your passion for music?

I play a musical instrument, normally piano, acoustic or electric guitar or sometimes the drums. I love taking looooong walks, while talking about life with any of our four kids, or a good friend. Cooking and eating together, while discussing interesting things. Reading good books and discussing them with my wife. Being alone with my wife in our cabin in the woods (you need that sometimes with four children living at home...). Sometimes I drink champagne, and when I do I really enjoy that.

Tell us a bit about the Scandinavian/Nordic market?

The economy in the Nordic countries is in good health, especially in Sweden and Norway. We haven't felt a lot from the European crisis, and the companies, our clients, are in a good situation. We are strong in the IT-sector and environmental solutions. We have a lot of entrepreneurs that come up with a lot of good ideas. The Nordic countries have come far when it comes to restructuring our large industries. And I think we are very good in leading advanced service companies, in a modern way.

What would you advise Asian firms with Scandinavian clients? Way of doing business? Cultural nuances?

In Scandinavia you will normally meet business people that are easy to talk to, that goes directly to the topic of the meeting (no small talk…), that are very solution oriented and prepared to make compromises. Normally you will see very few hierarchic organizations, so you can sometimes hear a manager say that "he or she has to talk to the people at the office before taking a decision". You can also meet Executive Directors and managers that take days off to spend with their children, or even want to stay at home with them for six months or so, when they are small. Since the Scandinavians are very equal, this goes for both women and men, and that is especially true with the highly educated. Most women work, by the way, so the children are normally at daycare from 1,5-2 years of age.

Where do you hope to see MGI in 10 years?

I would like MGI to be an organization with close relationships between the members, and a lot of business exchange going on between them. Better quality of members, of course, but we will never be the biggest organization. We shall compete with knowing each other well, and being prepared to walk an extra mile for a fellow member. We are entrepreneurs, and we understand entrepreneurs - that is what makes us different from the big ones. I also want to say that I think that MGI have taken a lot of important steps towards these goals during the recent years, and I'm proud, but not content, of what we have achieved so far.

PROFESSIONAL NEWS FROM AROUND THE WORLD

Exposure Draft - International Good Practice Guidance (IGPG)

"Eleven Principles for Effective Business Reporting Processes"

The Professional Accountants in Business Committee (PAIB) of the International Federation of Accountants has proposed a guidance to help accountants improve their business reporting processes.

This proposed International Good Practice Guidance is designed to establish a benchmark for good practice in implementing effective business reporting processes in an organization. With this proposed publication, the PAIB Committee aims to help professional accountants in business and their organizations create a cycle of continuous improvement for their business reporting processes to assist stakeholders in making informed decisions about the organization. It also aims to provide principles-based guidance that supports professional accountants in business by helping them apply good practices. The guidance is directed at all organizations wishing to enhance their reporting processes—no matter their size or structure, or whether they are private or public.

http://www.ifac.org/sites/default/files/publications/files/Exposure-Draft-Eleven-Principles-for-Implementing-Effective-Reporting-Processes.pdf

Comments due by August 23 2012

Helping Small- and Medium-Sized Practices Meet the Challenges and Seize the Opportunities of Tomorrow

IFAC SMP Committee Chair Giancarlo Attolini discusses the current environment in which SMPs operate and advises on how they can best meet the challenges and seize the opportunities of tomorrow.

http://www.ifac.org/sites/default/files/news/files/IFAC-SMPC-GA-Interview-Helping-SMPs-Challenges-Opportunities.pdf

Good Practice Checklist for Small Business Published by IFAC, SMP Committee

The Good Practice Checklist for Small Business is a multi-part checklist that features standalone sections on financial tasks, strategic management tasks, and regulatory requirements, among others. Adapted with permission from a similar checklist developed by CPA Australia, this resource can be used both by small businesses, to ensure they are applying good business practices to their operating procedures and to determine what advice they may need from an accountant, and/or by SMPs, as a marketing or diagnostic tool to help them determine the advice a small business client may need.

FRC CEO calls audit profession defensive

The UK Financial Reporting Council chief executive Stephen Haddrill accused the audit profession of being defensive over criticisms about its role in the financial crisis.

Hadrill made the comments in the opening speech at the Auditing Special Interest Group's (ASIG) 22nd auditing and assurance conference and added that as audit provides a public service required in law "it is reasonable that at times of financial crisis it should have to account for itself".

At a time when the value of audit is being questioned and trust in profession is at an all time low, Haddrill said the criticisms show there is value: "we would, of course, have more reason to be anxious if nobody saw value in what you do".

"It is good news that the importance of auditing is fully recognised and that the debate is about doing better, not doing less," he remarked.

There was a surprising amount of support for change with many stating that unless the profession does acknowledge some responsibility and evolve there is a risk it could become 'extinct'.

E&Y UK partner Allister Wilson said nothing has been done on a macro level so far to change since the crisis and "all we hear is defence of the status quo".

Haddrill also called for more debate around what audit is for and what it can do as he said this has yet to be "debated sufficiently in the various reviews undertaken so far".

He also covered the Sharman Inquiry into going concern statements, which have been the focus of auditors' role in the crisis as the majority of UK banks' directors statements were signed off despite then failing shortly after.

"Anyone reviewing the [Sharman inquiry] responses will see that there was substantial agreement about the rationale for the directors' going concern judgement being properly spelt out at all times, not just in a crisis," Haddrill explained.

"That the assessment is not just based on short-term factors, but all those that could cause distress to future success; and that the assessment process is built into the business planning system so that the risks to going concern from the business model are considered at the right time."

Good behaviour

Sharman inquiry member David Pitt-Watson told *The Accountant* that the "view and process of risk which is part of the going concern that the auditor then views and can then be declared…is where the risk should sit".

"It is good behaviours that we are trying to create here we are not saying that we can develop some clever model that can tell you whether you are a going concern or not this is something that needs to be the judgment of good people on the board trying to run the companies well…If an honest mistake is made then we have to allow that," Pitt-Watson said.
Sharman's report is due out next month and the FRC said it plans to consider the proposals in detail during the summer.

Other common themes during the two day event included risk reporting and risk assurance, the auditors' report and communication.

"The quality of corporate reporting on risk is of vital importance as the banks seek to reassure investors about their stability in uncertain times and we look forward to a day when the capital markets, not the taxpayer, absorb all risks in the sector," Haddrill said.

"It will take longer to get back to that position if there is not confidence in both the quality of the reporting of risk and the role of audit in providing assurance on risk. Across the listed market this is improving, but it could still be better."

'Extreme' lobbying

The European Commissions (EC) audit reform proposals were also scrutinised in a number of sessions and in a speech from the EC's acting head of the audit policy unit, Arvind Wadhera defended the proposals saying "since the bank bailouts during 2007 it is not unreasonable for the EC to question how banks went down after clean going concerns were issued".

Wadhera then went on to call the lobbying by accounting firms particularly the Big Four against the proposals, "extreme".

Haddrill expressed support for some of the EC proposals, including on restrictions in bank covenants in favour of the Big Four and in allowing new sources of capital.

"[However,] we do not support mandatory rotation of firms every six years, but we do not like companies holding on to their auditor for a hundred years. From our perspective, the most important consideration is that more competition is achieved without compromising audit quality," he stated.

The EC proposals are currently being reviewed by the European Council and Parliament before any are signed into law but Wadhera says the EC expects them to "show the same commitment".

He said discussion at EU council and parliament level will continue throughout 2012.

ASIG is part of the British Accounting Association.

Source: The Accountant. VRL-Financial-News.com

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What's keeping Australia's family business owners awake at night?

It's not their children being out late at night that seems to be keeping Australia's family business owners awake at night.

According to a landmark survey into the attitudes of family and private family business owners, 40 per cent of current family business respondents indicated that letting go of leadership and ownership control is the most significant challenge facing the future of their business.

The survey also indicated that 56 per cent of family business owner respondents intend to transfer some equity in their business to younger generation family members during their lifetime. Just under one third said that choosing a suitable ownership structure for the next generation of family business owners was also an issue for them.

The outcomes of these decisions could have a negative impact on the harmony and longevity of current family businesses.

Further complications may also arise due to sixty-one per cent of these respondents not intending to differentiate between family members active in the family business and those that are not and with around 33 per cent of survey respondents indicating they intend to pass ownership and leadership control to a team of siblings.

The MGI Australian Family and Private Business Survey was undertaken by RMIT University supported by MGI. The research, the seventh in a series, was undertaken among 5000 Australian companies.

"Family business which is the backbone of our economy is being threatened. Firstly we have a looming age leadership crisis with control of over 50 per cent of the family business vested in an aging population of family business owner-managers in the 50 – 69 age bracket, said Ms Sue Prestney, Executive Chairman, MGI Australasia.

"But we also have business owners who while trying to do the equitable thing by all their family members may be saddling a future generation with leadership structures that could be contrary to ones needed for the continued viability of their businesses, Ms Prestney claimed

"Traditionally family business ownership control is consolidated in a husband and wife couple. Transitioning leadership from this model to a team-approach in the next generation may not be in their best interests. Quite often children of entrepreneurial parents are encouraged to learn and exhibit individualism and personal control which is behaviour not conducive to team building.

"Further complications for future family business leaders could also occur due to passive family members, with relatively little business understanding, voting against positive family business strategies. Restructuring the business shareholding to create two classes of shares – voting and non-voting may be one way to avoid this issue

"It is crucial family business owners planning the transition of their leadership and vesting voting control to the next generation do so in a way that ensures the continued viability of their business.
"The need for communication and consultation with prospective successors is paramount. Judiciously handled the development by the family members of a protocol or constitution is one of the most effective ways to achieve consensus and agreement on important family business policy issues.

"It makes commercial sense to develop a family business constitution to assist in establishing rules and principles to manage the interpersonal and emotional issues that invariably accompany any leadership transition process, continued Ms Prestney.

Some further leadership transition findings in the report were:

- Family members most actively involved in the business are spouses, 35.4%; sons, 35%; brothers, 10.6%; daughters, 7.1%; sisters, 2.0%; and other family members, 6.3%;

- Choosing a suitable ownership structure for the next generation is a critical issue confronting 29.1 per cent of family business owners;

- Selecting a leadership successor is a critical issue confronting over 25 per cent of family business owners;

- Control of family business is vested in an aging owner population - over 33 per cent of family business owner-manager respondents were in the 50 – 59 years of age bracket and 25 per cent in the 60 – 69 year age bracket.

Source: MGI Australia Media Release 30 May 2012
For the full MGI Family and Private Business Survey visit www.mgiaust-survey.com
www.mgiworld.com

BIG 4 in China Must Restructure

China's accounting firms must be led by local citizens and ensure the number of foreign partners does not exceed 40% in a raft of new localisation rules that begin in August.

The rules are designed to place control of large firms into the hands of Chinese and ensure voting rights are dominated by Chinese-qualified CPAs. This will have the biggest impact on the Big Four, who are currently led by foreign citizens and have a large number of expatriate partners.

By 2017, the Ministry of Finance announced, firms must have no more than 20% of partners qualified outside of China. Partners have to be at least 40 years old and not older than 65.

The rules have been eagerly anticipated by the four largest firms, PwC, Deloitte, Ernst & Young and KPMG, whose operating licenses in China due to expire. The Big Four have operated in China through 20-year joint venture arrangements with local Chinese firms, with all but PwC set to expire this year. Because of a World Trade Organisation exception, the joint ventures have allowed control by partners who are not Chinese CPAs.

Upon expiration of the joint ventures, the firms must restructure into limited partnerships that requires local ownership, which is a common requirement in most countries.

The length of the transition to Chinese control was described as 'a relief' to the Big Four by Paul Gillis, a professor of accounting at Peking University who closely follows the Chinese profession on his China Accounting blog.

"The quotas are going to be tough for the firms to meet. The only data I have on the localization of Big Four partners is from 2008, when 27.2% of Big Four partners were local. That percentage has undoubtedly increased since 2008, but I do not expect it is up to 60%," Gillis noted on his blog.

Big Four transition

Three of the Big Four firms said they welcomed the decision and will work towards a smooth transition.

Ernst & Young said the new measures are in line with Ernst & Young's existing strategy to accelerate localisation in China. "Our business is well-positioned for this transition," E&Y told *International Accounting Bulletin*.

Similarly, PwC China said the firm has been actively localising its China practice by investing heavily in developing local talent and promoting local partners in recent years.

"We will continue to work closely with MoF and other relevant authorities to ensure a successful transition of the existing joint venture structure in China," PwC said.
KPMG China said it welcomed the government's move and said it will work towards a smooth and successful transformation of structure.

PwC, the market leader in the country with estimated revenues of CNY3.4bn ($538m) for 2011, said it will closely monitor the developments of E&Y, KPMG and Deloitte as they seek to renew their expiring licences.

"The government has said its objective is to localise Big Four firms as soon as possible so local CPA talent can take leadership in those accounting firms.

It's not the case that China is closing the doors on the Big Four," PwC China lead partner for public policy and regulatory affairs David Wu said.

Mainland China's top 15 firms are growing annual revenue by an average of 20%, according to *International Accounting Bulletin* data.

The Big Four contribute 59% of revenue among the firms IAB surveys, making China one of the least Big-Four concentrated markets in the world.

The government's plans for the profession is to reduce Big Four dominance further by partnering large domestic firms with global mid-tier networks, while encouraging Chinese firms to grow by M&A.

The move to localise Big Four firms will place even greater control of the profession into the hands of Chinese.

Source: International Accounting Bulletin. VRL-Financial-News.com

TIPS & HELP

Strategies for Increasing Client Referrals

BY MICHAEL ALTER

Looking to increase your business leads? Who isn't? The best kind of lead is one that comes through a referral. While accountants always welcome referrals, they don't always actively work to get them.
That's a wasted opportunity, because client referral programs are easy to implement and provide a huge bang for the buck. So how can you develop a strategy to increase those kinds of leads? Here are just a few simple, low-cost ideas.

Testimonials

Ask some of your best clients to write referrals for you and your firm. Once you get permission, you can post these on your Web site, preferably on the home page and on your profile page.

Once you and others at the firm have multiple referrals, you can have a rotating display on the firm's Web site. Be sure to thank the clients who offer the referrals. Depending on the client's preference, a thank you can be as simple as a hand-written note, lunch or other small token.

Develop a Sales Strategy

Don't wait for referrals to fall into your lap. In a low-key but direct way, ask your current clients if they have colleagues who may need an accountant. You can set up lunch with current clients and their colleagues or friends to provide information in an informal environment.

Take the time to participate in chamber groups and professional associations as a way to create new referral streams. These activities will take you away from your day-to-day work, but it is time well spent.

Refer-a-Friend Programs

A formal referral program will require a little more investment than picking up a dinner tab, but it can quickly pay off. With a refer-a-friend program, you offer clients a discount for referring a friend, colleague or business partner to your firm. Keep it simple. You may want to offer 10 percent or 20 percent off their next matter, or a refund for a percentage off their last matter. Of course, offering the discount on the next matter will encourage them to be sure there is a next matter.

You could also consider offering the referred client a discount for the first matter, as a way to encourage them to try your services.

Depending on your client base, it may have more impact to make a charitable contribution in the name of the person who refers a new client. If you take this route, you should consider providing a list of charities that clients can choose from, to ensure that they are not controversial and are legitimate organizations. For many clients, particularly corporate clients, a $50 charitable donation (or whatever amount you see fit) will be more meaningful than a discount off the next matter.

Email Signature Blurb

In order to keep referrals top of mind for you and your clients, include suggestions and information in your email signature blurbs. It takes just a few seconds and doesn't cost anything.

Keep it short and non-intrusive, such as, "I value your business and I appreciate your referrals." Consider creating email settings that will only include the blurb once for each email string. Otherwise, the referral may become annoying during extended email conversations.

Social Media

Don't underestimate the value of social media to help you get referrals. LinkedIn is one social media site that makes it extremely easy to request referrals.
With the click of a button, you can ask specific connections for referrals that are then posted as part of your profile. These types of referrals are particularly effective when looking for business clients. Of course, social media is interactive. If someone writes you a referral, consider writing them one, too.

Whatever programs you choose to use, always personally thank the referrers. Sometimes, that acknowledgement alone will make clients want to refer you to someone else!

Michael Alter, a payroll expert with an MBA from Harvard University, provides thought leadership and advice to help accounting and payroll professionals with practice management and client relationships.

FINDING AN EDGE

BY DANIELLE LEE OF ACCOUNTING TODAY

In today's climate, accounting firms more often view competition in the unfavorable light of low-balling clients than in terms of internally focused growth.

Instead of trying to win games of bidding limbo, firms should find their competitive edge by increasing --and communicating -- their value. Pricing and clients willing to pay premiums, will follow.

"Firms need to do a lot less complaining about the price war in the market and understand that not all businesses and potential clients see the world the same way," advised Allan Koltin, president and chief executive officer of Chicago-based Koltin Consulting Group, which specializes in professional and financial services firms, and partner with professional firms think tank The Advisory Board." There are really good, high-paying potential clients out there. We need to do much more to uncover who they are.

"But before luring this untapped business, Koltin continued, firms should get competitive in five key areas.

1. GROWTH

The most obvious and tangible measure of success, firm growth comes from three sources, according to Koltin: organic, mergers and acquisitions, and lateral talent.

Firms most often struggle with the organic equation." Many firms haven't made the necessary sacrifices to truly embrace organic growth," he explained." In many firms, their best rainmakers continue to manage large books of business ... when it could be handled by another partner, freeing them up to bring in new business."

In this digital age, there are more paths than ever to bring in new business, according to Thalia Zetlin, principal and chief marketing officer of New York-based Top 100 Firm Berdon, who has been with the firm for 24 years." Today, too many firms are looking at what their competitors are doing and rehashing old approaches, with the result that we're seeing homogeneity and less of an attempt to distinguish themselves," she explained." This leaves the field wide open for even a small firm to compete with a large firm by distinguishing themselves."

Standing out requires firms to locate and market their specific identity, whether that be a niche area or client approach. Here, Zetlin said, the firm Web site is critical. It should provide an experience in which potential clients can find possible solutions in case studies, firm expert analysis and videos.

This very act of seeking should not be glossed over. Marketing in general has switched from the" push" approach of mailing campaigns and cold calls to the" pull" dynamic of clients hunting for services via search engine clicks and online research." It's not, 'Let's just get our name out there' -- it's getting the name out there in a useful way," Zetlin explained." When you are sharing useful information, you can reach out to many more people who click back to the Web site and it reflects, ideally, who you truly are."

On the other hand, firms looking beyond organic growth to external expansion must exercise discretion." If you are looking to merge up, it's dangerous to put it out there -- it's very important to maintain confidentiality," Koltin said." It's tough when the word gets out."

Patience is also paramount." Firms should understand that they should treat [potential M&As] no different than courting a large potential client -- that it's the most important thing they are working on," he continued." Rome was not built in a day. It might be a couple years before a smaller firm is ready to merge up, but you don't want to give up if the timing is not right today. I see firms that want to merge someone in today like they are checking it off their to-do list. They need a long-term approach on how to do mergers."

2. TALENT

With the private industry hiring again, CPA firms must pay market value to retain staff, Koltin advised." We need to remind ourselves, talent is our No. 1 asset," he added." We can't take it for granted."

Peter Kitchin of New York-based boutique staffing agency Atrium, which provides talent to midsized accounting firms, has noticed, especially in the last 12 months, an increased demand for senior-level employees. There are a few perks that this size firm, especially, can offer to nab high-caliber professionals.

"The key attraction for candidates, compared to those for a larger firm, is the rate of flexibility and understanding that for people, there is a life outside of the office," explained Kitchin, director of finance and accounting in the agency's recruitment and sales divisions." [Midsized] firms can differentiate in a few key areas, and one is flexibility in and out of the office -- it's probably the core way a midsized CPA firm can make itself unique compared to its bigger brothers." Compensation, an open-door firm culture and opportunities to shape the scope of the job position are also big advantages that a midsized firm should emphasize, Kitchin continued.

3. SPECIALIZATION

Firms that abandoned the crusade to explore industry service-line niches in 2003 are now part of the" rebirth of specialization," according to Koltin.

In recent years, there was" so much business to be found, we were essentially order takers, but that is clearly not the case now," Koltin said. Now," Traditional work is being competitively bid, and in many markets there is quite a bit of low-balling where the lowest pricing wins. But it's like with heart surgeons and Wall Street M&A attorneys -- we are no different in that those that command the highest billing rate are the ones that continue to prosper."

This expertise can be leveraged to expand the scope of client work." Clients [might] want to hire you for consulting and someone else for compliance," Koltin said. But firms with niche capabilities have the negotiating power to say," 'The only way I'm giving you consulting work is if we are also doing the compliance work.' Some firms are so embedded in the industry, they can do that."

Becoming the best requires a" champion," according to Koltin," someone willing to bet their professional career on going from a generalist to a specialist. Our profession is 95 percent made up of what I refer to as dabblers -- they have a day job doing something else, and dabble in [a specialty]. The [other] 5 percent give up everything else ... knowing that to survive, they need to build industry expertise."

4. FIRM GOVERNANCE

One big differentiator that Koltin has noted in firms that have risen above today's bidding wars is efficient management." Firms that continue to prosper have had a very effective model for making decisions," he said." Those are firms that could make hard decisions, and then there is the opposite of that -- watered-down decisions, made over long periods of time, with consensus as the goal."

Firms utilizing a" CEO concept" model with a strong leader at the top are better equipped to make the quick resolutions now required of firms, Koltin continued." The high, high-performing firms with a CEO concept, those firms dwarf firms run as more of a partnership. The firms that really shined in the recession had the ability to take on sacred cows and make tough decisions at the speed of light."

5. COMPENSATION

One such decision is often predicated on the economy.

"Many firms were dealing with the issue of a rising tide, where essentially every year from 2003 to 2007, most firms made more money in the next year and the next year going into the recession," Koltin said." Quite a few firms have made significant adjustments downward, and for partners that rolled with the tide and have now gone away, they haven't found a way to replace value to the firm."

Lower down the ladder, the recession hasn't eroded senior-level expectations.

"Compensation is No. 1 with most candidates," said Teresa Napoli, Atrium's finance and accounting recruitment consultant." Firms should be consistent with promotions and bonuses to show [employees] they are appreciated. One complaint I've seen from candidates is that they haven't seen a bonus in a couple of years -- they were promised it and haven't gotten it."

Bolstered in these five areas, firms are ready to aggressively market, said Koltin." There are clients willing to pay premium rates for exceptional service," he explained." We need to remind ourselves of that."

CONGRATULATIONS

Howladar Yunus & Co for the opening of their new branch in Gulshan, a growing business centre in Dhaka

MGB & Co, our member firm in Mumbai, India, who has contributed Rs 2.5million towards the naming of the Computer Laboratory facility in the new building project of the Institute of Chartered Accountants of India in the Central Business District at Bandra Kurla Complex in Mumbai, India. The building is expected to be inaugurated in December 2012

MGI ASIA NEWSLETTER

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MEMBER PROFILE –SF Consulting, Indonesia

When was SF Consulting formed?
SFC was formed in January 2004

What was the catalyst in forming SF Consulting?
Arthur Andersen in Indonesia was taken over by Ernst & Young after the Enron Case.As such a few partners left the firm & formed S F Consulting

How many partners are there? How many professional staff?
3 Partners
1 Senior Advisor
8 Managers
40 Tax Profesionals

What type of clients does SFC serve?
Our clients are made up of domestic & multi-nationals from medium to large scale

Can you advise us of SFC's are of speciality?
We offer Tax Services, Customs, Transfer Pricing, Payroll, Outsourcing and Bookkeeping.
Our speciality are in the areas of Tax Disputes, Customs and Transfer Pricing

What are your future plans for the company?
Currently SFC is in the tier 3 of the 2012 World Tax. We want to reach Tier 2 of World Tax 2013

What can S F Consulting offer MGI
As a leading Tax Firm in Indonesia, SFC can offer MGI members expertise in the Indonesian market, local network and increase the MGI branding in the region & in Indonesia specifically

What are your expectations of MGI
We hope that MGI will increase International branding (SFC will be more wellknown in International area)

What can we do to make MGI a well recognised "brand"?
I suggest that MGI look at hosting or supporting tax and accounting events in Indonesia or sponsor speakers to improve our thought leadership & also look at writing some materials for publications

SFC attended the 2012 Asia area meeting. What are your thoughts on the meeting?
It was obviously a new beginning for MGI Asia, There were alot of great ideas, generated at the meeting. The challenge now is to implement those ideas and ensure all members are fully committed to improving the MGI brand in Asia.

MGI ASIA NEWS – MEMBERS UPDATE

The Inland Revenue Department starts to assess salaries tax the payments in lieu of notice accruing on or after April 1, 2012

In 2011, the Hong Kong Court of Final Appeal clarified that payments in lieu of notice contractually agreed are income from employment and chargeable to tax under the Inland Revenue Ordinance. The IRD is obligated to follow the judgment of the Court of Final Appeal as from the year of assessment 2012-13 onwards and will charge to salaries tax payments in lieu of notice which accrue on or after April 1, 2012. Payments in lieu of notice contractually agreed include sums made by employers to employees under section 7 of the Employment Ordinance. Therefore, employees who receive such payments in lieu of notice as from April 1, 2012 onwards are chargeable to salaries tax.

BUSINESS SOLUTIONS
WORLDWIDE

MGI ASIA NEWSLETTER

Quarter 2 2012

Capital duty in Hong Kong to be abolished from June 2012

The capital duty currently levied on Hong Kong companies under the Companies Ordinance will be abolished from June 1 this year. The scope of the abolition relates to the amount of nominal share capital for registration of a company, an increase in the nominal share capital after incorporation and the amount of premiums for an issue of shares at a premium.

The abolition of the capital duty is implemented by the Companies Ordinance (Amendment of Eighth Schedule) Order 2012. The Order was made by the Secretary for Financial Services and the Treasury, to implement the Financial Secretary's proposal in the 2012-13 Budget to abolish capital duty levied on local companies.

The amendments will be applicable to companies which lodge the relevant specified forms with the Companies Registry on or after June 1, 2012.

Amendment of Maximum Level of Relevant Income for MPF Contributions to $25,000, with effect from June 1, 2012

The Hong Kong Legislative Council has passed the amendment of the maximum level of relevant income for Mandatory Provident Fund (MPF) mandatory contributions, effective June 1, 2012.

For monthly-paid regular employees, the maximum level of relevant income has been amended from $20,000 to $25,000 monthly. The maximum contributions will be adjusted from $1,000 to $1,250 monthly accordingly.

For contribution periods commencing on or after June 1, 2012, mandatory contributions to be made by employees, employers and self-employed persons should be calculated according to this new amendment.

The Taxation Institute of Hong Kong is celebrating its 40th Anniversary

Mr. Kenneth Chau, Senior Partner of Kenneth Chau & Co., is one of the founding members of The Taxation Institute of Hong Kong (TIHK), a professional body which was established in 1972. He is a past president of the Institute (in 1975/76 and 1976/77); and remains active in the affairs of the organization, serving as Council member up to the present.

The Taxation Institute of Hong Kong is an active professional body. Locally, The Institute is a constituent member of the Joint Liaison Committee on Taxation (JLCT) which is the advisory committee on taxation to the Government of Hong Kong Special Administrative Region (HKSAR). Every year, the Institute makes budget submissions to the Financial Secretary before he announces the Yearly Budget.

International connections of the Institute include membership in the Asian-Oceanic Tax Consultants Association (AOTCA).

As a growing professional body, the Institute now has over 2,900 members (ATIHK and FTIHK) of whom 93% also hold the title CTA (Certified Tax Advisers).

During the interview by the Hong Kong Economic Times, Senior Partner Mr. Kenneth Chau, as a founding member and a council member of The Taxation Institute of Hong Kong, shared his views and experience in respect of the history of the Institute, CTA qualification and the Hong Kong taxation system.

Left: Mr. Philip Hung, President of the Institute, Mr. Kenneth Chau, a founding member of the Institute. (Photo from Hong Kong Economic Times 28/5/2012)

INDIA BUDGET

The 2012-2013 India Budget was passed by the Parliament in May 2012 and the provisions proposed by the Finance Minister in March were passed.

NON RESIDENT COMPANY REGULATIONS

The taxation of non resident to non resident transfer of shares of an Indian Co. would now be taxable in India. This would impact the holding company structures that have been created overseas for operating companies in India. That is when a Non resident co. holding shares of an Indian Co. sells its shares to another non resident overseas then based on the new law - since the capital asset (shares) being sold has an underlying asset / business interest in India such transfer would be taxable in India. The rate of tax for such long term capital gains is 20%.

In our opinion - this tax would increase the cost of exit of companies from their Indian subsidiaries.

The other amendment which has a cross border impact - is that the Indian Government is going to look through the structures created for tax efficiency in low tax jurisdictions if such pass through entities do not have business substance i.e. if a US entity has invested in India through a Mauritius subsidiary and such subsidiary is a pass through created to avail benefit of the DTAA between India and Mauritius then unless the business substance of the Mauritius entity can be proved the benefit of the treaty would not be permitted by the Indian IRS, inspite of a tax residency certificate from the Mauritius IRS.

In our opinion - This would jeopardise a large number of investments which have been coming to India through Mauritius and also increase the cost of the structure since the capital gains of 20% would be attracted if treaty benefit is not available.

GLORY OF INDIA AWARD

Pallavi Dinodia was nominated for the “Glory of India” Award by the India International Friendship Society (IIFS), a private voluntary organisation based in New Delhi, India for her work in taxation field.

PAKISTAN FEDERAL BUDGET

Federal Finance Budget of Pakistan for 2012-13 was announced on June 1, 2012. Ilyas Saeed & Co, circulated the Budget Memorandum 2012 immediately after the announcement of federal budget to its clients and other interested parties. The Memorandum contained highlights and comments on significant changes proposed through finance bill.

SALIENT FEATURES

1. Basic exemption limit is now being raised for salaried and business individuals to Rs.400,000. The existing rate slabs are proposed to be reduced from 17 to 5.

2. The normal progressive slab rates are being introduced for the Association of Persons (AOPs). The existing slabs are proposed to be reduced to 5 from 6. Basic exemption upto the income of Rs. 400,000 is also to be provided.

3. In the case of business community, the rate of minimum tax is proposed to be reduced to 0.5% from 1% on gross turnover.

4. Advance tax @ 0.2 % is withheld on cash withdrawal from banks where such withdrawal exceeds Rs. 50,000 per day.

5. It is proposed to introduce a Taxpayer Honour Card scheme for all taxpayers who have filed tax returns and paid due taxes for the last 5 fiscal years. The holders of the card will be entitled to various privileges and benefits.
6. Capital Gain Tax (CGT) is being levied on the sale of property if it is disposed off within two years of its acquisition.

7. The changes made through the Finance (Amendment) Ordinance, 2012 are being incorporated into the statute through the Finance Bill 2012. This will provide guarantee to the capital market that the Government is committed to its sustainability and growth.

8. The limit of investment eligible for tax credit is being enhanced from 15% to 20% of the taxable income. The existing limit of investment of Rs. 500,000 in securities or insurance premium is also being increased to Rs. 1,000,000/- . The retention period of securities is also being reduced from three to one year.

9. In case of employees availing small amounts of loans from their employer, the loan upto Rs. 500,000/- is proposed to be exempt from income tax whereas the benchmark interest rate for loans above this limit shall be fixed at 10% instead of the progressively increasing rate which has reached 13%.

10. It is proposed that accumulated balance of provident fund transferred to approved pension fund should be separately marked by the Pension Fund Manager and any withdrawal representing this marked balance should be exempt from tax and be treated as if that is withdrawn from provident fund and hence tax free.

11. Income of retirement/pension funds is exempt from tax if 90% of the profit is distributed as dividend. Any payment from a provident fund is exempt from tax in the hands of recipient. The said funds be granted exemption from deduction of withholding tax.

12. Intra-group debt be exempted from withholding tax. However, the income from profit on debt will remain taxable.

13. Amounts received as monthly installment from an income payment plan invested for a period of ten years out of the accumulated balances into a pension fund, annuity or individual pension accounts as specified in the Voluntary Pension System Rules, 2005 is proposed to be exempt from tax.

14. The income of the Workers Profit Participation Fund (WPPF) is exempt under the Companies Profit (Workers Participation) Act 1968. However Income Tax Ordinance does not recognize this exemption. It is proposed that the exemption to WPPF be granted in the Income Tax Ordinance 2001.

15. Person making a payment of insurance premium or re-insurance premium to a non-resident person is required to deduct tax from the gross amount paid. It is proposed to exempt withholding tax from payment to P.E. of a Non-resident.

16. Dividend received by banks from money market funds and income funds are to be taxed progressively over a period of two years. For tax year 2013 @ 25% and for tax year 2014 and onwards @ 35%.

17. The taxpayers opting out of PTR a lower rate of tax is being offered to commercial importers, exporters and suppliers if they opt out of the PTR.

18. Manufacturers shall be made withholding agents to collect 1% tax against the sales made to traders & distributors. However, the tax so collected shall be adjustable against their income.

19. The tax rates for passengers as well as goods transport vehicles are proposed to be enhanced as under:- 20 persons or more; from Rs. 100 to Rs. 500 per seat per annum. In case of goods transport and vehicle: from Rs. 1 to Rs. 5 per Kg laden weight

20. Levy and collect CVT on transactions of immovable properties in Islamabad with identical structure adopted by the provinces.

21. Clarity in the law by revamping the sections and extending the facility of tax credit to investments for extension of the existing manufacturing facility and to corporate dairy farms.

22. The value of vehicles is enhanced from Rs 1.5 (m) to Rs 2.5 (m) for the purpose of depreciation allowance.
23. Legal cover is provided to the office of Directorate General Intelligence and Investigation is performing its functions.

24. NCCPL shall collect and deposit the tax on behalf of the taxpayers in margin financing (Badla)

25. The rate initial depreciation on new building is being reduced to 25%.

26. The exemption granted to profit and gains to the Venture Capital Company and Venture Capital Fund till 2014 is proposed to be extended for 10 years i.e. upto 2024.

Details can be found at

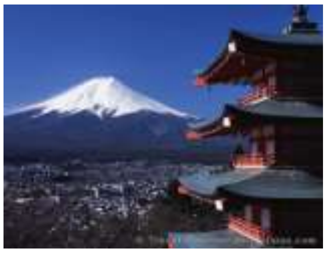
http://ilyassaeed.com/uploads/BudgetMemorandum2012.pdf

Partner of Ilyas Saeed & Co, Irfan Ilyas, presented at the ACCA Pre Budget Seminar at the Chamber of Commerce, Lahore on May 3, 2012. He highlighted the theme of ACCA for growth strategy and way forward. The President Pakistan Tax Bar, President Lahore Chamber of Commerce and Industry and Head of ACCA Pakistan were the other eminent panellists in the seminar.

Irfan Ilyas also made a presentation on Indirect taxes at the Institute of Chartered Accountants Pakistan post budget seminar in Faisalabad on June 12, 2012. He highlighted the proposals of finance bill on Indirect Taxes (Sales Tax, Federal Excise and Customs). He also touched upon on economic indicators, general price index & GDP

CODE OF CORPORATE GOVERNANCE 2012

Securities and Exchange Commission of Pakistan has announced revision in Code of Corporate Governance 2012 as part of listing regulations of the Stock Exchanges. Please refer to Ilyas Saeed & Co if for updates or comments.



JAPAN MEMBER HAS FIVE NEW PARTNERS

SEIYU AUDIT CORPORATION has made 5 new members in their firm partners.

The 5 new partners are Hironori Yamoto in the Osaka office and Satoshi Kawasaki, Satoshi Ichida, Yoshio Nakamura and Kiyoshi Mimaki in the Kyoto office

Kazunari Konishi san retired from the company

THAILAND CORPORATE INCOME TAX

The ceiling Corporate Income Tax for the year ended 31 December 2012 will be reduced from 30% to 23%. Such tax rate will be reduced further to 20% for accounting period started on 1 January 2013 and after.

For more information kindly contact Thanadee H. of Nathee Audit Office Co. Ltd at thanadee@auditthai.com

Editor' Note

If you would like to provide any feedback or ideas for further articles, please contact Audrey Danasamy at +84 9 7348 1098 or audrey.danasamy@mgiworld.com