MGI ASIA NEWSLETTER

Quarter 3 2014

Dear All,

It gives me immense happiness and joy to report that we have had a very successful **Asian Area Meeting, 2014**. Our attendance was 94% with all our new and old members taking the time to be there to celebrate the success of our Asian Area. Kudos to us all! I have been told that we have had the best turnout amongst all the regions of MGI!

The discussion on the future of MGI with our CEO Clive Bennett, gave us all greater clarity on what the future looks like and what it holds for all of us.

We had a good session, on marketing and branding which threw up many interesting ideas on how each of us can expand our business and do some marketing within the regulation of our respective regulatory bodies. The idea of MGI being associated with start-ups, was a well received proposal, one which I hope will help us further in our branding efforts.

I request everyone to read the AGM notice and the accompanying papers that have been circulated, carefully. I would urge you to be there and take active part at the Chicago AGM, since decisions in Chicago will impact us all in the long run. If you cannot be at the AGM, please fill in the proxy form and e-mail a scanned copy to Imran or Audrey**.** Let me reiterate that the vote right now is only on "Whether MGI should be a hybrid entity or not?" It is not a vote, of "whether as an individual member we are signing up to be the part of net work or alliance?" That individual decision is deferred to 2015, depending on the vote in Chicago.

Our global ranking is important to each one of us for our marketing efforts. These rankings are a function of the turnover of MGI, as a whole. Therefore, the more members we have, the higher are our chances of improving our global ranking. There are still many countries and cities within countries in Asia in which we still do not have members or in some cases full service firms.

It is our interest to find firms that echo the same value and ethos that each one of us have at MGI, since they would be people we would want to work with or refer our clients to. If anyone has any leads in any cities in Asia, please pass them on Audrey.

Let us keep the enthusiasm from the Asia meeting going and continue with our efforts to grow & brand MGI in Asia!

Best Regards,

Pallavi Dinodia

Pallavi Dinodia
Area Leader

PROFESSIONAL NEWS FROM AROUND THE WORLD

Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

The proposals in the Exposure Draft respond to stakeholder concern about the appearance of independence and the need to ensure that the threats created by the long association of audit firm personnel with an audit client are appropriately addressed on all audit engagements.

The proposals aim to strengthen the independence provisions in the *Code of Ethics for Professional Accountants* (the Code). Among the proposed changes are:

- Strengthened general provisions applicable to all audit engagements regarding the threats created by long association;
- With respect to partner rotation, an increase in the mandatory "cooling-off" period, from two to five years, for the engagement partner on the audit of a public interest entity;
- Strengthened restrictions on the type of activities that can be undertaken with respect to the audit client and audit engagement by any former key audit partner during the cooling-off period; and
- A requirement to obtain the concurrence of those charged with governance regarding the application of certain exceptions to the rotation requirements.

For more information kindly see http://www.ifac.org/publications-resources/proposed-changes-certain-provisions-code-addressing-long-association-personne

Source: IFAC website

OECD tax avoidance recommendations: talking the big talk or game changer?

by Vincent Huck, International Accounting Bulletin

Accounting firms and professional bodies have reacted cautiously to the Organisation for Economic Co-operation and Development (OECD) release of its first set of recommendations to combat tax avoidance by multinational enterprises.

The OECD released its 2014 Base Erosion and Profit Shifting (BEPS) package, which covers half of the OECD's BEPS Action Plan endorsed by the Group of 20 (G20) in July 2013.

The BEPS package is aimed at creating a single set of international tax rules to help governments end tax base erosion and the artificial shifting of profits to tax havens.

"First, it will provide concrete measures to reduce tax treaty abuse. We all know it makes no sense that an investor based in one country, sets up a shell company in another country, to channel an investment in a third country," OECD secretary general Angel Gurría said at the launch of the package.

Gurría said the OECD is committed to closing such a loophole and recalled all G20 countries had agreed that companies shouldn't engage in this "treaty shopping".

Gurría added: "With this, as well as the measures relating to transfer pricing and other items in the BEPS package, we will finally neutralise cash boxes - which at the moment hold more than two trillion US dollars offshore. This will be a crucial step forward!"

The BEPS Action Plan identified 15 key areas to be addressed by 2015; with seven to be delivered in September 2014. The 2014 BEPS package consists of an explanatory statement and the seven deliverables:

- Two final reports, one addressing the tax challenges of the digital economy and one on the feasibility of developing a multilateral instrument to amend bilateral tax treaties.
- One interim report on countering harmful tax practices.
- Four reports containing draft recommendations to neutralise the effects of hybrid mismatch arrangements; prevent treaty abuse; assure that transfer pricing outcomes are in line with value creation; re-examine transfer pricing documentation.

Gurría warned that tax avoidance deprives governments of precious resources and highlighted two key challenges that needed to be address in order for the package to be effective: implementation of the measures and inclusion of developing countries.

"How is BEPS going to be implemented with more than 3000 tax agreements already in existence?" he asked. "As part of this package countries have agreed on the feasibility of a multilateral instrument to streamline implementation of anti-BEPS measures. In January next year, they will consider a draft mandate for an international conference so that a multilateral instrument could be negotiated."

Implementation challenges

Reacting to the release, accounting firms and professional bodies welcomed the progress made by the OECD to tackle tax evasion and avoidance, but were conscious of the challenges lying ahead.

BDO global head of tax John Wonfor said: "We see some turbulent times going forward because it is up to the countries to implement partly or fully the OECD's recommendations."

Countries will implement at different speed and choose the recommendations they like and ignore the ones they don't like, Wonfor continued. "For international businesses it will create a bit of uncertainty as countries make their decisions, international businesses will have to look at the possible impact for their global tax position so we see a lot of work as an accounting network in helping our clients figuring that out."

Similarly Grant Thornton UK partner Wendy Nicholls said the 2014 package is a positive step in the right direction. "But many businesses will be somewhat disappointed that there are still so many gaps in the action plan and questions left unanswered," she said. "As businesses rely on certainty, my worry is that the material detail of the action plan will only be agreed late in 2015, leaving businesses with very little time to plan and adapt."

Businesses need certainty and want to know what they are expected to comply with in order to get their business ready, Nicholls continued. "The really difficult bit here is still to come, because the OECD has to finalise the rules and has to give people guidance on implementation."

Work in progress

Unveiling the package, OECD director of the centre for tax policy and administration Pascal Saint-Amans said the OECD is "half way" and delivered seven actions, with eight more to come next year, despite some had doubted it would meet the deadlines.

However ICAEW international tax manager Ian Young pointed out that only four of the actions delivered this week had been closed off while the other three are work in progress. "So we have 11 actions to go," he said.

"Your assumption would be that we are half way through," Nicholls agreed. "But out of the seven actions only two are final reports the rest are interim or drafts and the two that were final were not totally final as they leave things open on certain point saying 'we haven't decided if we are going to change the rules or not'."

ACCA head of taxation Chas Roy-Chowdhury said: "The clock won't stop at the end of 2015 when all the actions are delivered. The work will just go on because I can't see the multinational instrument being delivered by the end of 2015 for one example."

Tax will continue to be on the agenda for a number of years, he continued.

Country by country reporting

One of the main recommendations introduced in the 2014 package is to have companies report their activity on a country by country basis so that tax administrations would have a global picture of a company's activity.

"This will provide all the tax administrations where a company operates a broad picture of where the sales are made, where the profits are located, where the taxes are paid, where the employees are employed, where the assets are deployed, on a country by country basis meaning that every country will have the global picture," Saint-Amans said.

This is confidential information and will only be for tax administrations, he continued. "But this will be a game changer in terms of tax assessments."

BEPS Monitoring Group coordinator and member of the Tax Justice Network Sol Picciotto said: "Country by country reporting is a big breakthrough at least now the tax authorities will have or should get the overall view."

Picciotto said it is the first time the OECD is seriously looking at ensuring that companies are taxed rather than looking at avoiding double taxation. "It is a game changer but we have to see how much of it is symbolic and how much will be effective," he continued.

At the launch of the 2014 package Saint-Amans said the OECD wasn't producing reports to generate talks but was producing actions to change the tax environment.

However accounting firms and professional bodies said it all boils down to the implementation challenges.

"I think the OECD intends it to be action but now it is up to individual countries to determine what they are going to do with it," Wonfor said. "At the end of the day the OECD can only make recommendation."
The issue will be to get an international consensus as implementation will be a source of tension between countries, according to Nicholls. "What we have yet to see is if it is going to be implemented by all the countries, because all we have now is 'yes it is feasible'," she said.

"At the moment I don't see anything definitive saying 'yes everybody is going to sign up and they will do so pretty soon'; that would be my note of caution."

Public Sector Financial Reporting Framework Approved

BY MICHAEL COHN , Accounting Today

The International Public Sector Accounting Standards Board has approved its Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

The framework establishes the concepts that will guide the IPSASB's approach to standard-setting and guidance. The IPSASB operates under the auspices of the International Federation of Accountants, whose member bodies include the American Institute of CPAs. The framework addresses concepts applicable to both public sector financial statements and a wider set of public sector financial reporting needs. The Conceptual Framework identifies and responds to the key characteristics of the public sector, notably that the primary purpose of most governments and public sector entities is to deliver services to citizens and others. Therefore, the purpose of financial reporting in the public sector is to provide useful information for service recipients and resource providers.

"Approving the Conceptual Framework is a historic achievement for the IPSASB and a landmark for setting global accounting standards for the public sector," said IPSASB chair Andreas Bergmann in a statement. "These concepts will provide the basis for our ongoing development of consistent and useful International Public Sector Accounting Standards and Recommended Practice Guidelines. They will also provide guidance to preparers faced with financial reporting issues not dealt with by IPSASs or RPGs."

The completed Conceptual Framework is expected to be issued by the end of October 2014. The final four chapters were approved by the IPSASB during its September meeting. Those four chapters, which address the definition, recognition, and measurement of the "elements" (or building blocks) of financial statements and presentation in General Purpose Financial Reports, join the original four chapters, which were issued early in 2013, bringing the entire Conceptual Framework to eight chapters. The development process included eight public consultations with the IPSASB's global constituency.

The Conceptual Framework project has been a key strategic priority for the IPSASB in recent years. Its successful completion will allow the IPSASB to focus on projects to be identified through its public consultation on strategy for 2015 forward and work program for 2015-2019, along with projects already initiated, including social benefits. The Conceptual Framework is also expected to provide a solid basis for future standard setting by the IPSASB. The IPSASB said it plans to continue to work in the public interest, responding to the global financial reporting needs of governments and other public sector entities as appropriate.

The Malaysian Accounting Standards Board (MASB) announces the effective date of MRFS Framework for transitioning entities and issues new revenue standard and amendments to agriculture standard

The MASB had, on 2 September 2014, announced that Transitioning Entities (TEs) shall be required to apply the Malaysian Financial Reporting Standards (MFRS) Framework for annual periods beginning on or after 1 January 2017.

TEs comprise entities that are within the scope of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate, including the parent, significant investor(s) and joint venturer(s). Generally, TEs are entities involved in the real estate and agriculture industries that had been given the option to continue applying the Financial Reporting Standards (FRS) Framework.

The Board had also, on 2 September 2014, issued the following:

MFRS 15 Revenue from Contracts with Customers.

Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141

MFRS 15 is effective for annual periods beginning on or after 1 January 2017 while the Bearer Plants amendment is effective for annual periods beginning on or after 1 January 2016. The Board believes, after consulting with stakeholders, it would be pragmatic to prescribe a single date, i.e. 1 January 2017, as the mandatory date to changeover to the MFRS Framework for both industries. This is to avoid confusing users with TEs financial statements prepared using different frameworks for the year 2016; in particular those entities involved in both property development and plantations.

Kindly refer to MASB's website at http://www.masb.org.my for further details.

The Singapore Accounting and Corporate Regulatory Authority (ACRA) to raise quality bar for public accountants

ACRA announced more stringent registration requirements for public accountants (PA). Applicants will have to acquire more years of work experience and this includes specific audit management experience which will be made mandatory. The change will take effect from 1 February 2015.

Details of the new practical experience requirements can be found here.

Integrated Reporting Affects Market Behavior

BY MICHAEL COHN , ACCOUNTING TODAY

Two research studies released Wednesday demonstrate the significant changes to behavior triggered by integrated reporting.

Integrated reporting, also known as IR, unites financial reporting with other types of reporting such as on sustainability to provide concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.

The studies point to evidence of positive impacts on business engagement with external stakeholders, strategic benefits including better decision-making, and the importance of Integrated Reporting in helping to meet the needs of investors.

The International Integrated Reporting Council conducted one of the research studies in partnership with corporate communications specialists Black Sun. It found that 91 percent of all respondents said they have seen a positive impact on external engagement with stakeholders, including investors. Of those that have published at least one integrated report, 87 percent of businesses believe investors better understand their strategy.

Profound impacts on strategic factors, and crucial developments in integrated thinking were revealed, with 79 percent of respondents reporting improvements in decision making, 68 percent reporting a better understanding of risks and opportunities, and 78 percent seeing better collaborative thinking by the board about goals and targets.

The study was conducted with participants of the three- year IIRC Pilot Program—a network of 140 businesses and investors from 26 countries that have helped the IIRC develop and test the International Framework, which was published in December 2013.

Further research released Wednesday by PwC shows that nearly two thirds of investment professionals (63 percent) who responded believe that the quality of a company's reporting—including information about strategy, risks and other drivers of value—could have a direct impact on its cost of capital.

"I am delighted to see the very significant positive impact that is having on businesses that have taken a lead in making their corporate reporting and thinking fit for purpose," said IIRC CEO Paul Druckman. "It is crystal clear from this new research that adopting is leading to important breakthroughs in organizations' understanding and articulation of how they create (and destroy) value—a staggering 92 percent of respondents say it has improved their understanding of value creation. It is also encouraging to see that can give investment professionals more confidence and enhance their analysis."

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MGI ASIA NEWS

MGI Asia Area meeting 2014
29-30 August 2014, Jakarta, Indonesia

The MGI Asia 2014 area meeting was held in Jakarta over 1.5 days. The meeting had a 94% attendance rate (the best in a long time!). After the opening addresses and introductions, new members Gatmaitan & Associates and KWSR presented & introduced their firms to the other members

During the second part of the afternoon members were briefed in detail on the future of MGI Alliance by Clive. Clive highlighted the benefits of the hybrid model for now with the aim that majority of MGI firms will join the network. This led to a robust discussion on Asia's stand on the matter

Day 1 ended with a buffet dinner serving traditional Indonesian dishes and a traditional Indonesian performance. Some members took advantage of the early night to catch up socially for drinks at a local "watering hole"

Clive started Day 2 rolling with a presentation on "Delivering MGI Brand value to members". This set the tone for the discussions for the day which touched on the growth of MGI Asia, business generation amongst members within their own firm & with others regionally & globally.

One key point generated is for MGI to have a "niche" or speciality in an area which can be used to market the brand. The idea of being an expert on "start ups" was mooted

A lot of suggestions were generated during the session which led to the formalisation of the action plan for 2015 & some directions for 2016. Young Ham graciously agreed to host the 2015 meeting in Seoul on the 28&29 August 2015. The meeting ended with the usual show of gratitude.

mgi BUSINESS SOLUTIONS WORLDWIDE

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MGI Ranks 8th in Asia Pacific

According to a study done by the International Accounting Bulletin and published in its July 2014 magazine, MGI ranked 8th in the Asia Pacific Region based on fee income and 10th based on the staff data.

This is a testimony to the size and quality of members in Asia & Australasia. The last year saw a strong growth of membership in Asia an addition of 3 members & 1 from Australia. MGI fee income rose to $69.9 million and staff data shows a 15 per cent increase.

Asia Leader Pallavi said, "*Asia is an economic powerhouse and an engine of growth for the world economy. Many local professional firms are looking to align themselves globally. MGI's set up where members maintain their local independence, identity, methodology and market approach is more appealing to the owner managed professional firms compared to the larger networks"*

More than 1,300 people are now employed by MGI firms across Asia Pacific. The number of partners saw a sharp rise from 116 to 136 over the same period. The number of offices also increased from 49 last year to 56 in 2014.

MGI is ranked 16th globally.

Bangladesh's KWSR & Co joins MGI Asia

The firm based in Dhaka, Bangladesh will bring a range of expertise and experience with large public, private and charity sector organisations including commercial banks, central banks and various other financial institutions. Established in 1968 and regulated by the Institute of Chartered Accountants of Bangladesh, the firm serves over 400 clients all over Bangladesh, supported by offices in Dhaka and Chittagong.

MGI ASIA MEMBER NEWS

MGI ranks Top 6 Association in Korea

MGI has been ranked in the top six associations in the whole of South Korea, thanks to the help of MGI member firm Hamni Accounting Corporation based in the Capital City, Seoul.

The International Accounting Bulletin lists MGI as the sixth-largest association by fee income in the country, an excellent achievement as it looks to compete alongside some of the larger associations and networks.

As Young Ham, managing partner and head of global services division at Hanmi Accounting Corporation, explains, the firm has "built a solid reputation as a reliable accounting firm this year". It's seen double digit growth every year since founding in 2003, but the last 12 months have been particularly fruitful."

After a stellar year the future looks bright for Hanmi. Mr Young Ham says: "We will aggressively grow in the coming years in not only the traditional practice area of audit, tax and accounting, but also in the financial advisory and public sector consulting."

Kenneth Chau & Co. is a "Happy Company"

To recognize enterprises' dedication in creating a happy working environment and raising the happiness-at-work level of the local workforce, Hong Kong Productivity Council and the Promoting Happiness Index Foundation jointly launched the Happiness-at-work Promotional Scheme. Kenneth Chau & Co., the MGI member in Hong Kong, is a "Happy Company" in the Happiness-at-work Promotional Scheme 2014.

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Kenneth Chau & Co building closer relationships with fellow members

Mr. Young Ham, of Hanmi Accounting Corporation Korea visited Kenneth Chau & Co on the 9 July. Subsequently Ken Yeung partner of Kenneth Chau & co visited Taipei, Taiwan to meet Mr. Roger Wen of MGI Excellence & Co on the 21st of September


Senior Partner Mr. Kenneth Chau was re-elected as a council member of The Taxation Institute of Hong Kong (TIHK) on September 11, 2014

Mr. Kenneth Chau, a founding member of TIHK, was re-elected as a council member at the 42nd Annual General Meeting of the Institute.

Khan Wahab Shafique Rahman participated in the South Asia Federation of Accountants international conference

Three partners from the firm attended the SAFA International Conference held on Tuesday, 9th September 2012 in Dhaka, Bangladesh. The conference was organized by Institute of Chartered Accountants of Bangladesh. The theme of the conference was **"Accountants for Growth-perspective South Asia"**

LehmanBrown winning new clients

Multinational companies such as but not limited to the British Council, NBA, NFL, WACOM were added to the client list of LehmanBrown

MGB doing its part for the community & creates a niche business

MGB is the exclusive knowledge partner of Giving Back – NGO India 2014, a unique CSR initiative conceptualized by UBM India. The 2 day conference held on 25th and 26th September, 2014, had delegates from leading Corporates, Multinationals, Regulators and over 120 NGOs from around the world. The idea is to bring together the voluntary sector, Indian corporate & government on a common platform enabling them to network and interact. (http://www.ubmindia.in/giving-back//home)

Jeenendra Bhandari spoke at the conference on the regulatory framework for CSR (more info on page 15)

MGB has formed a special team with a specialised focus on sustainability and CSR. The mission of this initiative is to empower companies to become the most responsible corporate citizens, ultimately achieving the vision of an empowered India. It provides wide range of services such as formulation of CSR strategy, tax and regulatory advisory from CSR perspective, conducting workshops and educating stakeholders on CSR, implementation support for CSR projects, monitoring CSR projects, social impact assessment, and entire gamut of CSR services.

Pallavi….going places

Our area leader was invited on the Board of a Public Listed company in India as an independent Director.

She was also a special invitee on the committee for Taxation of the Institute of Chartered Accountants of India to frame the guidelines for the new Tax Audit notified by the Government of India.

MGI GLOBAL NEWS

MGI ranks Top 4 association in Mexico

MGI is among the Top 4 international accounting associations in Mexico, according to latest data from the International Accounting Bulletin. The alliance is the fourth-largest in the country by staff numbers, the publication's country report reveals. In terms of fee income, MGI is the sixth largest association in Mexico.

Francisco Gámez Ponce, the MGI Circle Leader for Mexico within Latin America and partner at member firm MGI Despacho Gámez Leyva y Asociados, believes this is evidence of the good work being done across the country's various member firms in the face of a challenging economic environment.

He praised member firms for their strong relations, cooperation and communications. In particular he cites ongoing training initiatives and the annual meeting in Mexico that sees all the firms get together as good examples of how the country's MGI members are collaborating.

Francisco also noted that using the MGI brand in communications with clients, while not appropriate in every region, acts as a significant advantage in Mexico.

Modzelewski & Partners becomes MGI Europe's second Polish member

Based in the capital Warsaw, it is an independent advisory office and audit firm also offering outsourcing of bookkeeping and payroll. Relatively young - the firm was formed in 2007 - it has built up an extensive array of clients and expertise in a short space of time.

It offers an attractive entry for members looking for a Polish angle for clients as it specialises in foreign or foreign-capital-based entities present in the Polish market.

Services can be provided in Polish, German and English, making it a particularly useful firm for businesses operating across these key European markets as well as in North America and Australasia. Additionally, the firm supports domestic entities operating on international markets.

TIPS & HELP

Added value means added business

Many accountants are widening their nets in terms of what they can offer. The world of business is ever-evolving, and accountants have to stay on top of their game to deliver a top-notch service.

Clients can be like young children. Some show a fearless enthusiasm that may need to be gently reigned in for their own good; some may want to move into bigger, unknown territories but are scared of taking the first step – others are keen to learn the ropes of running their businesses soundly, and just need a bit of guidance.

Be the expert
A lot of clients look to their accountant as a kind of mentor figure. Whether that is for help in making a difficult decision, or for knowledge in areas outside their usual realm, often the accountant is the first person they turn to for business guidance.

In a survey carried out by Sage last year, out of 508 business owners questioned, just over half (52 per cent) said their accountant would be their first port of call. The second most popular option was the internet at 20 per cent, followed by their industry association at 12 per cent. So no pressure on accountants then!

However, the survey showed that on the whole, accountants are doing well when it comes to fulfilling their role as a trusted advisor. 86 per cent of business owners were satisfied that their accountant was carrying out this role effectively.

This shows that there's definitely reliance, and even an expectation, for an accountant to provide sound business sense as well as keep the books and returns in order, but do we need to be doing more?

There will always be a competitor ready to poach your most lucrative clients. Protect these assets by being one step ahead and by demonstrating that you have real insider knowledge of your clients' companies – an advantage that any other rival practice won't have. If clients can see you are really committed to helping their businesses thrive, they will repay you with their long-term loyalty.

Make the first move
One of the best ways of doing this is to be proactive. Don't wait for your clients to come to you – be ready to steer them in the right direction by keeping an eye

on what they are doing. If you currently wait for your clients to provide you with their company data, you can get a lot more involved by switching to an accounting software system that enables you to take a much more collaborative stance.

By encouraging clients to use a compatible cloud-based package will also be a lot more efficient for you and save time. Often, you can salvage a situation that may be steadily getting worse, but has yet gone unnoticed by the customer. A pair of expert eyes can see if action needs to be taken and this is a big plus if the accountant is able to spot any potential problems and head them off at an early stage.

Forge joint partnerships
If both you and your client are able to simultaneously log in to the company accounts, this co-operative approach will help to educate the client regarding the financial health of the business and save you time that you may have spent travelling to and from client locations.

Your customer will also feel that they are receiving a higher level of service, and appreciate the extra input. Giving added value doesn't mean added work; it just means adopting a different way of delivering a service that the clients are thankful for, and works better for you.

Source: SAGE EXCHANGE
https://sage-exchange.co.uk/

Associations and alliances are expanding the conversations they offer firm members

BY DANIELLE LEE, ACCOUNTANT TODAY

While the central function of accounting firm associations and alliances remains communication and collaboration between members, the conversation has changed.

The shift has come in the last few years, with member firms in U.S.-based associations clamoring for more specialized groups to address some of the looming challenges in the profession. These start from the top down, with managing partners facing myriad issues largely stemming from encroaching retirement and internal succession.

PARTNER PROBLEMS

Member firms of the BDO Alliance USA, a nationwide association of independently owned local and regional accounting, consulting and service firms, sought a forum for their recently retired managing partners, which was not something executive director Michael O'Hare and his team initially anticipated.

"Our roundtables are designed around what alliance members are asking for - MAP information, best practices and the like," O'Hare shared. "Our newest one is a managing partner-emeritus roundtable, for those that have retired as managing partners, but not retired from the practice. Going from [being] the boss to one of the many is not easy to do."

Members of the roundtable had their first meeting at BDO's annual conference in Las Vegas, initially attracting 14 to 15 people who will be establishing it as an annual gathering. The topic is especially vital for the alliance's core member base, O'Hare said, which reflects the profession as a whole with a majority of small to midsized firms.

"This roundtable enables former managing partners to explore similar issues they are all facing, ultimately helping them to make the transition back into their respective firms and practices a little bit easier," O'Hare continued. "At larger firms, when they retire as managing partners, they retire from the firm, too."

Meanwhile, newly minted managing partners have their own transition issues, which association CPAmerica addressed when creating a group for MPs who had been in the position less than three years. "The new lead partner group tried to meet the needs of a partner who was in the partner group, and then was one day named managing partner," said CPAmerica International president Alan Deichler. "And no one talked to them or treated them the same way; all of your buddies are not treating you the same way... [The purpose of the group] is if I, as a new managing partner, am lost one day, I can call, share experiences and get re-assurance that I'm not the only one going through these new experiences."

The group meets formally twice a year and schedules other conference calls, with experienced managing partners coming in to share their knowledge. After three years, members graduate - often reluctantly, according to Deichler, as they have come to rely on the convivial exchanging of best practices.

SIZE DOESN'T MATTER

That collaboration can still be found in other specialty groups, which for CPAmerica includes one for large firms with revenues over $10 million. The group of 20 firms, with revenues from $10 to $40-plus million, meets twice a year to share best practices and bring in outside speakers.

The average firm size in CPAmerica is $7 million in revenues, according to Deichler, with half of member firms under $5 million.

These smaller and midsized firms have a lot to gain from membership, according to O'Hare. "A major change in what [associations and alliances] are offering has been to serve a greater purpose for smaller firms. It's a great way for accounting firms to collaborate between each other and assist each other with day-to-day operations. Size doesn't matter. The type of association matters."

BDO's identity reflects the needs of its members. "We listen to our members to determine what they would like or need, and then help them create it," O'Hare explained. In fact, the alliance advisory committee, which is comprised of active members, meets regularly to help guide the creation of new products and services. "I've learned over the years that what [the BDO Alliance Team thinks] is a good idea may not necessarily be the case. Success stems from our members making their voices heard and our listening to their requests."

CPAmerica formalizes this with strategic planning revamps roughly every seven years, the last of which happened three years ago and established four expectations of membership: "You should improve, make more money as a firm, add prestige, and build relationships."

CROSSING GENERATIONS

It was based on those four fundamentals that members brainstormed a new event for younger staff, from seniors through new managers. They will be kicking off that inaugural "next gen" conference over two days, with a focus on the internal structure of a firm. Sam Allred, director of accounting firm management consultancy Upstream Academy, will lead one day of the event, which Deichler expects to draw 80 to 90 participants from half of the association's member firms.

Those firms "see it as forum for exposing folks to how the firm works, and providing recognition," he said. "And letting some of these folks, the head-down, technical people, see a future for themselves."

Those futures will require greater soft skills, according to Moore Stephens North American executive director Steven Sacks, which associations and alliances still emphasize through their on-site meetings and events. "The importance of networking is still strong, the face-to-face relationships, irrespective of technology, to maintain growth and success," he said, adding that, as it remains central to the profession, all generations can benefit from these talents.

"Soft skills have been raised more frequently" as a concern for members, Sacks said. "Not just soft skills for the younger generation, but those on the partner track. It's still a client-relationship-building profession."

As such, association and alliance members interact most effectively through meetings and phone calls, while education continues to be disseminated through conference calls and webinars.

MUTUAL BENEFITS

The high-touch approach has been especially effective for CPAmerica's Visitation Improvement Program (VIP), which was established two-and-a-half years ago and involves two managing partners from two firms taking two days to visit a third firm. Those two MPs interview everyone at the firm and then spend half a day going over their observations with the firm's partner group.

"It's an excellent tool to talk about succession planning [and] practice management," Deichler explained. "There are no requirements, just three friends, and groups, chatting. It's been very positive; a great forum for sharing best practices."

As every member firm is required to participate in a four-year period, the 40 firms that have completed the program leaves about 35 more yet to engage in the format, representative of the collaborative environment to which associations and alliances aspire.

"They relate very well," Deichler shared. "And we are finding that the visiting MPs are taking back as much from the shared best practices as they are observing."

3 Easy Ways Accountants Can Build on Their Clients' Trust

BY MARY ELLEN BIERY

The AICPA recently produced an infographic showing how accountants are viewed by business decision makers.

Good news: 9 out of 10 business decision makers view CPAs as valuable assets to their organization, and more than half rank CPAs as their most trusted advisor. Indeed, according to research for the AICPA by Applied Research & Consulting LLC, CPAs outranked all other finance professionals when it comes to being a trusted advisor.

That's impressive, but what do you as an accountant do with that information? How can you capitalize on your reputation as a financial expert? Can you sell more services to your current clients because they trust you? Certainly. It all comes down to taking steps every day as you interact with clients so that they will stay with your practice and will think of you first when they need additional services.

Here are three easy steps to consider:

1. Be proactive. Clients may value your opinion, but if you're not making recommendations or offering strategic advice for the business owner to make better decisions and prevent problems, you could miss opportunities to cross-sell services or even put the client relationship at risk. Some business clients will be embarrassed to admit they don't understand everything about running their business. Others count on you to save them from making a big mistake. The first step to keeping and building on your status as someone trusted is to resolve that you will look for opportunities to be proactive.

2. Give the advice you'd like to get. One easy way to identify advisory areas for clients is to use your experience in your own practice. Think of questions that would be ideal for someone to answer for you so that you could run your business better. It may be information like:

- How are my prices relative to the market?
- Do I need to hire more staff or invest in more technology to handle growth?
- When I'm ready to retire, what shall I do with my business?

You can ask business decision makers if they know the answer to one of these questions. If not, your door to offering additional help just opened. Many accountants find that using an automated solution that turns financial statements into narrative reports with graphs makes it easier to identify areas to discuss.

3. Teach them something. Even if tax preparation is a major part of your practice, your knowledge about managing financial performance at a business is much greater than many business decision makers'. Your business clients may know an awful lot about making widgets, running a landscaping service or providing medical care, but chances are they would love to learn something about an income statement that can help them make more money. Presenting financial statements? Provide a brief definition in layman's terms for a few key metrics. Explain why certain metrics are important or how they influence others.

You can also build on your role as a trusted advisor by providing thought leadership through blog posts or client email newsletters. Tackle focused topics, such as defining a few financial terms or discussing a specific industry, and don't feel you have to provide all the answers in one post.

In all efforts to build on your trusted status, remind yourself that you can benefit even when you take small steps. Business decision makers already put a great deal of trust in you. Working to incorporate simple steps that open up more discussion with your clients will help translate that trust into improved client relationships and additional engagements

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MGI ASIA NEWSLETTER

Quarter 3 2014

MGI ASIA COUNTRY UPDATE

A New Round of Corporate Income Tax Incentive for China's Western Region

Subsequent to the preferential "go west" policy announced in 2011 under which the enterprises established in the western region with major business falling into the "Catalogue of Encouraged Industries in Western Region" are entitled to a reduced Corporate Income Tax (CIT) rate of 15%, in August 2014, the related government agency promulgated the "Catalogue of Encouraged Industries in Western Region" (the Catalogue). The new rule will be effective from 1 October 2014.

In addition to the traditional industries, for instance, semi-conductor production, automobile manufacturing and biochemical engineering etc., which have greatly developed in the western regions over the past years, the industries that are specifically encouraged by the State are also covered in the new Catalogue, such as medical institution operation, energy conservation as well as environmental protection. The preferential CIT rate applied in the western region will be expired in 31 December 2020.

The foreign investors with intention to operate in the western region to take advantage of the benefits are suggested to review the Catalogue to ensure entitlement to the tax preference.

The China-Netherlands Tax Treaty

In May 2013, China and the Netherlands concluded a new double taxation arrangement (DTA). On 31st August 2014, a circular was been released announcing the DTA will become effective and would apply to income derived on or after 1 January 2015.

The key points contained in the new DTA are as followings:

- Permanent establishment (PE)
  - Construction PE: the period for conducting construction activities to constitute a PE is extended from 6 to 12 months.
  - Service PE: the time threshold for creation of a service PE is amended from 6 month to 183 days.
- Passive income
  - Dividends: the withholding income tax (WHT) rate for dividends is reduced to 5% if the beneficial owner (BO) of the dividends is a company which directly holds at least 25% of the capital of the company paying the dividends;
  - Interest and royalties: the WHT rate 10% on interest and royalties in general and 6% on royalties from equipment rental.
  - Tax sparing credit for interest and royalties under the old DTA is removed.

Local Regulation for China (Shanghai) Free Trade Zone ('the Regulation') Released

On 25 July 2014, the Shanghai government approved the "*Regulation for China (Shanghai) Free Trade Zone*" (the Regulation) which was effective 1 August 2014. The Regulation specifies the development of (Shanghai) Free Trade Zone (the FTZ) by outlining openness to investment, trade facilitation, financial service, taxation administration as well as comprehensive supervision.

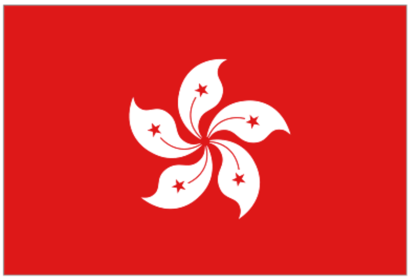
Based on the measures announced to date, the foreign investors carrying out the business in the FTZ shall be eligible for the following benefits.

- Qualified foreign investors are allowed to decide the amount of paid-in capital, the contribution methods and the contribution timeframe. The funding requirement for establishment of an entity in the FTZ is relaxed;
- Foreign invested enterprises (FIEs) are allowed to settle foreign exchange funds used for direct investment in the FTZ at will to suit for the business needs;
- The enterprises set up in the FTZ are permitted to use overseas RMB loans, subject to the prescribed quota, for the operation inside the FTZ;
- Multinational groups with enterprises established in the FTZ are allowed to conduct cross-border mutual RMB cash pooling. FIEs can raise funds without going through the registration while the offshore entities of multinational companies are

permitted to use the idle funds of Chinese entities.

The new Regulation is a first high-rank local law released by the Shanghai Government, and is seen as the foundation and guidance for stipulation of further measures and rules to cater for the development of the Shanghai FTZ.

Contributed by LehmanBrown



Latest taxation development between Hong Kong and Overseas Countries

Hong Kong, US tax treaty in force on June 24, 2014:
The agreement between Hong Kong and the United States of America for exchange of information relating to taxes has entered into force.

Hong Kong, Korea tax treaty signed on July 8, 2014:
The agreement between Hong Kong and Korea for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income has been signed.

Hong Kong and six Nordic jurisdictions signed tax information agreements on August 22, 2014:
The Special Representative for Hong Kong Economic and Trade Affairs to the European Union signed agreements with six Nordic jurisdictions (namely, Denmark, the Faroes, Greenland, Iceland, Norway and Sweden) respectively, for exchange of information relating to taxes.

(Source from: http://www.ird.gov.hk)

Newly Hong Kong incorporated companies hit record high

Per the statistics released by the Companies Registry on July 13, 2014, the number of newly registered Hong Kong companies hit a record high in the first six months of this year. A total of 95,408 local companies were newly incorporated under the Companies Ordinance in the first half of 2014, an increase of 7.16 per cent when compared to 89,035 in the second half of 2013.

By the end of June 2014, the total number of live local companies registered was 1,233,780, up 70,849 from 1,162,931 as at the end of 2013.

(Source from: http://www.cr.gov.hk)

Contributed by Kenneth Chau & Co

The Reserve Bank of India issues pricing guidelines that are applicable for foreign companies investing in India. Under these guidelines, the R.B.I required investments in India to be done based on value per share as determined under the discounted cash flow method. In the case of start-up companies and cases where the initial investments were being made, the application of this method was not always possible. In view of the hardships faced by foreign investors, to comply with these guidelines in July, 2014, the R.B.I has amended the pricing guidelines accept valuation done as per internationally accepted methodology. These revised guidelines allow valuers to use the income approach or the market approach for the valuations. This allows greater flexibility for investing in India.

In view of these amended regulations India has seen a rise in its foreign direct investment in the last quarter of July to September 2014.

Woman directorship – A laudable initiative of the government

The new Companies Act was brought in, w.e.f. 1st April, 2014 and some of its important facets were discussed in the newsletter of the 1st quarter relating to related party transactions. In this edition, we aim to analyse the provisions of woman director that are applicable to companies covered under these new guidelines as detailed below

The Government of India's recent provision entailed in Companies Act 2013 is hailed as revolutionary by many. According to a provision in the Act, it is mandatory to have at least one woman director in the company board. This move will ensure empowerment of women in the corporate world and promote their contributions at a level conducive to make socio-economic progress.

As per the second provisions of section 149(1) of the Companies Act, 2013, such class or classes of companies as may be prescribed below, shall have at least one Woman Director. Accordingly, the Central Government (CG) makes the Companies (Appointment and Qualification of Directors) Rules, 2014 and prescribes the class of companies in which at least 1 woman director is compulsory.

As per the data available in the Ministry of Corporate Affairs system, as on November 2013 there were 483,103 women directors on boards of corporate companies registered under the Companies Acts including government companies.

The following class of companies shall appoint at least one woman director-
(i) Every listed company;
(ii) Every other public company having –
a) Paid–up share capital of Rs. 100 crore or more; or
b) Turnover of Rs. 300 crore or more:
The paid up share capital or turnover, as the case may be, as on the last date of latest audited financial statements shall be taken into account.

Each company which has been incorporated under the Companies Act, 2013 and falls under the above classes of companies shall have no less than 1 woman director within a period of 6 months from the date of its incorporation. Any intermittent vacancy of a woman director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

As India is one of the major and fast growing economies of the world, this initiative for empowerment of women in the giant and pivotal corporate world, is indeed, highly commendable. Thus, facilitating the lawful entry of woman to the Board of Directors of prescribed class of companies is surely a bright and prudent decision for enhancement of the cherished contributions of women in the economic progress and growth of the country.

Contributed by S R Dinodia

How many countries in the world have made Corporate Social Responsibility (CSR) mandatory for all companies whether State owned or private?

The answer to the above question is none, except India which has made CSR mandatory through the provisions of Section 135 of Companies Act, 2013 which requires every company who has Annual Turnover of INR 10 billion, or a Net Worth of INR 5 billion, or a Net Profit of INR 50 million and above to spend at least 2% of average net profit of preceding three financial years on CSR Activities.

The CSR expenditure has to be in line with the amended Schedule VII of the Companies Act 2013. Therefore, now companies will have to draw up the policy and action plan to ensure that they spend the required 2% amount on the activities included in Schedule VII.

Permitted activities considered for CSR under Schedule VII

- Eradicate hunger, poverty
- promoting education
- promote gender equality, empowering women
- environment sustainability
- protection of national heritage, arts and culture
- benefits of armed forces
- training to promote sports
- contribution to Prime Minister's National relief Fund
- contribution by technology incubators
- rural development
- slum area development
- spending on relief operations in disaster hit areas and many more.

The Government expects companies to abide by the spirit of the legislation, which is enacted on the principle of 'comply or explain'. At present as per provisions of Section 135, non-compliance is not penalized and those unable to spend the stipulated amount have to provide disclosure and reasons in Board Report.

Noting above, as Government is of view that no grey areas can be left in law, it is planning to add more teeth to the Companies Act by introducing the penalty clause for companies that miss this target spending repeatedly. Under the current law, there's no mandatory obligation on the company, but a responsibility is cast upon the board members. In case companies repeatedly fail to do so for two or more years, they should be penalized, as per the report in a leading business newspaper.

CSR and Multinational Companies – What does the CSR regulations mean to Multinational Companies

Foreign companies have to contribute to CSR based on the profits of their Indian business operations.

As per the Act and its provisions, every company including its holding or subsidiary, and a foreign company incorporated in India and conducting any business activity in India either directly or through its branch office or project office, which fulfills the threshold criteria, shall comply with the provisions of the Act.
Over 3,200 foreign companies are operating in India and maximum number of such firms is in the National Capital Territory i.e. Delhi and Maharashtra, Mumbai. Government is increasingly concerned with sustainable development, inclusive economic growth, increasing transparency and building trust among the stakeholders. However, for local arms of multinationals and Indian companies with an overseas stake holding of more than 50%, philanthropy isn't proving easy because of an old rule that's part of the Foreign Contribution Regulation Act (FCRA).
As per FCRA provisions, the Non-Profit Organizations (NPOs) cannot receive donation/contribution from non-resident entities or Indian entities having more than 50% foreign holding unless it obtains prior permission of Ministry of Home Affairs (MHA) or obtain registration under FCRA.

The Act doesn't insist that CSR activities be carried out only through the company's own agency (registered trust/registered society/Section 8 company), it can choose to do so on its own or in partnership with third party NPOs.

Hence, the preferred option for such companies is to carry out their CSR activities only through NPOs having FCRA registration or do it themselves directly, because CSR is not merely donation of money to an NPO or to its own foundation. Rather, it is a project based activity which requires implementation, monitoring and reporting.

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Understanding flexibility of tax holidays in Indonesia

The government has promised less-stringent tax holidays for new investments in strategic industrial sectors as it aims to extend the tax break period, lower the required value of investment. the flexibility might be applied which were considered to have multiplier effects on the economy. The flexible of tax holiday due to the urgency of the investments will directly to substitute imports

The current tax holiday rule issued by the finance minister, the tax breaks are applicable for the first 5 to 10 years of investment on Ministry Finance Regulation No. 130/PMK 011/2011 regarding the provision of the exemption or reduction of income tax. Further, after the exemption facility period ends, the taxpayer shall be granted the corporate income tax reduction facility at 50% from the corporate income tax due for a two tax year period.

On Ministry Finance Regulation No. 130/PMK.130/2011 regarding minimum investment Rp 1 trillion ($120 million) and deposit a fund equal to at least 10% of their planned total capital investment in an Indonesian bank. Further, this should not be withdrawn before the realisation of the capital investment. And the tax holiday will only be given to the following five industrial sectors:
a. Basic metals
b. Petroleum refining and/or basic chemicals derived from petroleum and natural gas
c. Engineering industries
d. Renewable resources
e. Communications equipment.

Apart from the flexibility over the period, the Industry Ministry has recently submitted a proposal to revise the tax holiday rule to the Finance Ministry. In the proposal, the minimum threshold for investment to be eligible for the tax break was lowered from Rp 1 trillion to Rp 500 billion and that would be applied for the machinery and electronics industry, It also aimed to cut lengthy procedures, such as approval from the President and reduce the processing time at the Finance Ministry but the plan may be decided and carried out by the current President-elect. And if the plan is approved, the Government needs to amend the existing taxation laws, therefore it may take several years for the plan to take effect. And to obtain the facility, taxpayers will need to file the application to the Trade Minister or the Head of Indonesian Investment Coordinating Board.

Bank of Indonesia to issue new regulation for foreign exchange

Bank Indonesia (BI) will issue two new regulations in the coming weeks to further drive up foreign exchange (FX) transactions in Indonesia.

Bank of Indonesia has seven regulations that control the FX transactions of commercial banks. However, new developments require that the regulations .be updated and compacted into two regulations.

Some of the existing regulations were issued in 2005 and 2008, as shown by data from BI. Two BI regulations that will undergo changes are PBI No. 10/28 on FX purchase at banks and PBI No. 10/37 on netting restrictions. The central bank expects that the simplification of requirements in regulations will draw higher customer involvement domestically and be as attractive as FX facilities provided offshore.

The Indonesian Foreign Exchange Market Committee (IFEMC) is now responsible for the formulation of a new underlying list that will be proposed to the central bank. The IFEMC is a group launched by BI early this year assigned to boost domestic FX transactions. The IFEMC consists of representatives of the central bank, the Financial Services Authority (OJK), the Indonesian Bankers Association and Association Cambiste Internationale (ACI) Indonesia, as well as state, private, foreign, joint venture and regional development banks. Besides making available a wider variety of assets for underlying, the central bank's new regulations will also enable customers to conduct 'netting'.

The current information of Domestic FX transactions are still largely concentrated on spot market with 67 percent, followed by swap with 28 percent, forward with 4 percent and other instruments with the remaining 1 percent.

Contributed by KAP Basyiruddin Wildan

Listed companies urged to improve unaudited financial statements

A recent study into the audit adjustments of listed companies in Singapore has revealed uneven quality amongst the financial statements prepared by companies before an audit. The findings of the study were discussed at this year's annual Public Accountant's Conference hosted by ACRA. Trusted financial information is vital to promote investment and economic growth. Retail investors, unlike institutional investors, generally do not have access to the inner machinations of a listed company and are largely dependent on the quarterly unaudited financial statements for their investment analysis and decisions. The study found that companies in the growth stage (market capitalisation of less than S$500m) were prone to more adjustments. This was attributed to the accounting systems and capabilities not growing in tandem with the companies' expansion. The theme of this year's conference continued to be on financial reporting, though the focus shifted from last year's strengthening of the financial reporting value chain to this year's striking the balance among the various stakeholders.

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