MGI ASIA NEWSLETTER

Quarter 1 2014

Dear Members of MGI Asia

Season's Greetings and my best wishes to all the members and their family for a happy and prosperous 2014. Hope all members had a great start to the year – a successful first quarter.

Everybody has made some resolutions, visualized goals, and focused towards success, growth and change in this quarter. Members, you can't discover your potential if you don't push yourself to succeed, learn and achieve. So whatever your goals are for 2014, press forward, stay positive, and work hard.

2014 is going to be a very exciting year for MGI. All would have seen the paper on the Future of MGI as an Alliance. If you haven't read it YOU MUST READ it at http://www.mgiworld.com/members/knowledge-hub/business-technical-documentation. Log in as a member first

Change is constant, cascading, challenging but essential. When one change leads to another that has a cascading effect; when the factors are interlinked, the effect of the same is faster and more visible. The intensity of change has become deeper in the last decade as the world has become one flat platform due to integration of geographies with communication and information technology that have intertwined factors that any material change in one corner of the world has an impact on all other parts. As Leo Tolstoy said ***"Everyone thinks of changing the world, but no one thinks of changing himself."*** MGI proposes to change itself first and plans to launch a hybrid model of a distinct network within an alliance. Members can choose to be-

- MGI branded member of a tight regional Network, which is also member of the MGI global network
- MGI branded individual member of the global network
- non-branded member of the global network
- non-branded, non-network member of the Alliance, as at present

Remaining at status quo is no longer an option. Members have to either agree to the hybrid model & each firm decides what it wants to do or move to a complete alliance in its truest form with no MGI prefix, no regional networks & no common branding etc

There is lots of new exciting stuff happening with MGI – the updates are on the newly improved and revamped MGI website. Members can contribute to the knowledge hub section – which is a great way to showcase your respective firm's ability.

MGI Asia is also growing. We had 3 new members in 2013. We want to grow in 2014 and need your support to find new members in Cambodia, Laos, Myanmar, Sri Lanka and some cities in China and India. We now need to work on ensuring that the MGI Asia brand echo's strongly in the entire business arena.

There are exciting things happening in Asia

(i) We are supporting the Asia Tax Forum for the 2nd time showcasing our expertise in tax.

(ii) Writing articles for online publication Corporate LiveWire.

All this will not be possible without all of your support and cooperation

MGI Asia has come a long way so let us continue to build on this with the hope that this will brand our each individual firm.

Pallavi Dinodia

Pallavi Dinodia
Area Leader

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MGI EVENTS 2014

Central European Circle 2014
11-12 April
Stuttgart, Germany

Combined Latin American & North American Area meeting
28 -30 May
Miami, FL, USA
http://www.deprezmeetings.com/groups/2014_mgi_na_miami/

European Area 2014
12-14 June
Berlin, Germany
http://www.mgi-eam2014.com/

Australasian Area
16-18 July
Perth, Australia

MGI Asia Area Meeting
29-30 August
Jakarta, Indonesia

Global AGM 2014
22-24 October
Chicago, IL USA

PROFESSIONAL NEWS FROM AROUND THE WORLD

IFAC Global Knowledge Gateway

The International Federation of Accountants has launched the Global Knowledge Gateway, a service that brings together news, views, resources and thought leadership articles for the accounting profession worldwide.

The gateway includes accounting documents and provides a forum to explore issues, participate in discussions, and be part of the global community of accountants that IFAC represents.

"We recognized that there was no single hub that collates and shares industry insights, ideas, and information while connecting the worldwide community of accountants," said IFAC CEO Fayez Choudhury in a statement. "We wanted to leverage our position as the global accountancy organization and create a venue that provides access to helpful resources, keeps users informed on accountancy issues and news, and encourages discussion and debate."

The gateway initially focuses on the following topics: ethics, business reporting, finance leadership & development, performance & financial management, governance, risk management & internal control, and sustainability. The broad range of topics is supposed to serve different groups in the accounting profession, including IFAC member organizations, accountancy professionals, the regulatory community, and firms, as well as accounting students.

The gateway includes six key components:

- **Viewpoints:** Leaders of the accountancy and business communities share their perspectives on the profession and other relevant hot topics.
- **Accountancy News:** Headlines from a variety of media outlets and online press rooms.
- **Resources:** Each topic features filterable resources from IFAC, member bodies, and other relevant organizations, with descriptions and links to original sources.
- **Discussions:** Topical questions and views inspire and encourage debate and conversation among the global accounting community.
- **Topical News:** Headlines within topic areas.

• **Upcoming Events:** Highlights of key events and conferences worldwide.

The initial Viewpoint column, authored by Choudhury, discusses the importance of a shared, global resource for accountants. Reviewing the history and genesis of IFAC's online offerings, the article also invites users to provide feedback on the gateway's interface, content and functionality.

To gain full access to the gateway's offerings, register on IFAC's Web site. By registering, users can participate in discussions; suggest resources, news, discussion topics and events; and stay up to date on various topics.

IFAC Proposes Guidance on Supplementary Financial Measures

The International Federation of Accountants' Professional Accountants in Business Committee has issued proposed guidance on supplementary financial measures such as EBITDA, free cash flow and underlying profit.

The proposed International Good Practice Guidance, "Developing and Reporting Supplementary Financial Measures," seeks to establish a benchmark for the use of supplementary financial measures to improve the understanding of an organization's performance among management, investors and other stakeholders.

The proposed guidance provides principles for the kinds of qualities that the supplementary financial measures should have, in addition to the disclosures that should accompany them if they are reported externally. The guidance recommends that accountants should consider various attributes when developing and reporting supplementary financial measures. The guidance also provides a number of tips for disclosure of supplementary financial measures.

The guidance is meant for all organizations that want to use supplementary financial measures, regardless of their size or structure, and whether they are private or public. "High-quality information is crucial for well-informed decision making about an organization, both internally and externally," said PAIB Committee chair Charles Tilley in a statement. "Well-developed supplementary financial measures increase users' understanding of an organization and its performance."

Supporting the profession and accountants in business is a key objective of the PAIB Committee. This type of principles-based guidance is an important aspect of achieving that objective.

"This guidance will help professional accountants in business and their organizations improve communications with their stakeholders," said Karyn Brooks, who chairs the PAIB Committee's Business Reporting Task Force. "It will enable organizations to provide their stakeholders with improved financial and non-financial measures."

The PAIB Committee is encouraging accountants, their organizations and other interested parties to respond to the proposed guidance to help improve its applicability in organizations of all sizes. To access the exposure draft and submit a comment, visit the IFAC Web site. Comments on the exposure draft are requested by May 26, 2014.

IFAC SMP Poll Reflects Improving Economic Conditions

The most recent IFAC SMP Quick Poll of small- and medium-sized accounting practices (SMPs) indicated that fewer of their small business clients are burdened by economic uncertainty, perhaps suggesting a more favorable economic climate and signaling future growth in this sector.

"Over the last few years, economic uncertainty has cast a shadow over SMPs and their clients," commented SMP Committee Chair Giancarlo Attolini. "Improving conditions in the small business sector, a barometer for economic growth, are a terrific sign for SMP professionals and for the economy at large. As their clients prepare for growth, SMPs will, in turn, also help propel the local economies in which they operate."

When asked for input regarding the International Auditing and Assurance Standards Board's 2013 Auditor Reporting Exposure Draft, which proposed significant changes to auditor reporting, respondents were generally supportive, while only a small minority thought unlisted entities would voluntarily opt to disclose key audit matters, most agreed with the proposal to require a statement on going concern in all audit reports.

The poll also shed light on the value of various services and projections for their relative growth. Accounting compilation and other non-assurance/related services proved to be the fastest growing sources of revenue for SMPs, by a significant margin, over audit and assurance. Roughly half of the respondents acknowledged the value of integrated reporting to small- and medium-sized entities (SMEs), and about half predict that within five years, SME clients will ask for assistance with integrated reporting.

For additional findings and a complete summary of results, see the *IFAC SMP Quick Poll, 2013 Year-End Round-Up* in the SMP Committee area of the IFAC site: www.ifac.org/SMP. Due to unbalanced response rates by region, results may not be statistically representative of global or regional populations of SMPs.

Source: IFAC website, 6 Feb 2014

Review Engagements—A Value-Adding Client Service

Professional accountants in practice are frequently looked upon as trusted business advisors. This relationship stems from their significant breadth of business experience combined with detailed knowledge of their clients' businesses, much of which is obtained in the process of performing assurance engagements on their clients' financial statements. Professional accountants are therefore in a unique position to add value, both in terms of enhancing the credibility of their clients' financial statements and being able to provide them with tailored business advice.

The International Auditing and Assurance Standards Board (IAASB) has issued International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*, which is now effective for periods ended on or after December 31, 2013.

Review engagements provide a limited form of assurance on historical financial statements and may be a cost effective and value-adding alternative when an audit is not required.

Adding Cost-Effective Value to Clients

A review, consisting primarily of inquiry and analysis, is based on the professional accountant's understanding of the entity and its environment and the applicable financial reporting framework according to which the financial statements are prepared. This understanding includes relevant industry, regulatory, and other external factors; the entity's operations, ownership, and governance structure; how it is financed; and its accounting systems and records. The professional accountant uses this knowledge to design and perform inquiry and analytical procedures on both material items in the financial statements and on those items where material misstatements are likely to arise. In the course of the engagement, the practitioner develops a significant understanding of the client and its business, which gives him/her an excellent opportunity to offer additional value to the client through the provision of bespoke advice.
Practitioners can provide review services most efficiently by staffing a review engagement with professionals competent in assurance skills and techniques, consistently using the same staff members, and making use of technology to automate the mechanics of the engagement wherever possible. As so much of a review consists of effective communication with clients, performing a significant proportion of the work at the client's place of business is preferable.

Adding a Meaningful Level of Assurance to Financial Statements

In accordance with ISRE 2400 (Revised), a review engagement is not just about practitioners obtaining knowledge of their clients through questions and analysis; it also requires the accountant to dig deeper and obtain additional evidence if it is determined there may be a material misstatement in the financial statements. Additional procedures are also required when further questions arise, such as if related party transactions fall outside the normal course of business, fraud or non-compliance with laws or regulations is suspected, or doubts arise regarding the entity's ability to continue as a going concern. This additional work effort allows for the meaningful and valuable level of assurance conveyed by the review conclusion.
Under ISRE 2400 (Revised), the practitioner is required to comply with relevant ethical requirements, including those pertaining to independence in the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), or national equivalent requirements that are at least as restrictive. The review standard also requires professional accountants to exercise professional judgment and to be skeptical throughout the engagement.

Benefits for All Parties Involved
In summary, there are benefits for all parties involved in an ISRE 2400 (Revised) review engagement. Practitioners will obtain the knowledge base to enable them to add value to their clients' businesses while expressing the assurance conclusions needed on annual financial statements. Clients and other financial statements users will have the comfort of a meaningful level of assurance provided by an objective and independent professional accountant.

A Guide to Reviews for Practitioners and IFAC Member Bodies
The newest guide from the IFAC SMP Committee, the *Guide to Review Engagements*, is intended to help IFAC member organizations and their members in practice, especially small- and medium-sized practices (SMPs), with the implementation of ISRE 2400 (Revised). To help practitioners develop a deeper understanding of a review engagement conducted in compliance with the standard, the guide includes illustrative examples alongside relevant extracts from the standard. It also includes practical points for practitioners' consideration, tips on how to efficiently implement the standard, and checklists and forms that practitioners can adapt to meet the requirements and circumstances in their particular jurisdiction.

Source: IFAC website

IAASB Takes a Holistic Approach in its New Framework for Audit Quality

The International Auditing and Assurance Standards Board (IAASB) today released its new publication, *A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality*. Through this Framework, the IAASB aims to raise awareness of the key elements of audit quality, encourage key stakeholders to challenge themselves to do more to increase audit quality in their particular environments, and facilitate greater dialogue between key stakeholders on the topic.
"Audit quality is, and will continue to be, an area of principal attention by the IAASB and others. This new Framework contributes to further progress on the topic by making clear that, while responsibility for performing quality audits of financial statements rests with auditors, audit quality is best achieved in an environment where there is support from and appropriate interactions among participants in the financial reporting supply chain," said Prof. Arnold Schilder, IAASB chairman.
The Framework describes in a holistic manner the different input, process, and output factors relevant to audit quality at the engagement, firm, and national levels. It also demonstrates the importance of appropriate interactions among stakeholders, and how they may facilitate improvement to audit quality, as well as perceptions of audit quality. Further, the Framework demonstrates the importance of various contextual factors, such as laws and regulations, the litigation environment, corporate governance, and the financial reporting framework—collectively, factors that have the potential to impact the nature and quality of financial reporting and, directly or indirectly, audit quality.
"Our discussions on the Framework have been informed by many sources, including the regulatory community, international ethics and accounting education standard setters, the IAASB's Consultative Advisory Group, and the public," added James Gunn, IAASB technical director. "Our hope is to see continued dialogue on the topic, and that active use of the Framework by various stakeholders will result in positive actions in the public interest to achieve a continual improvement to audit quality."
The IAASB will continue to take steps in 2014 and beyond to further promote dialogue on audit quality and encourage organizations to use the Framework to help them improve audit quality.
To access the publication, and for additional information, visit the "Focus on Audit Quality" section of the IAASB's website.

Source: IFAC website

OECD delivers new single global standard on automatic exchange of information

Offshore tax evasion remains a serious problem for countries and jurisdictions worldwide, with vast amounts of funds deposited abroad and sheltered from taxation when taxpayers fail to comply with obligations in their home countries.

Responding to a mandate from G20 leaders to reinforce action against tax avoidance and evasion and inject greater trust and fairness into the international tax system, the OECD has unveiled today a new single global standard for the automatic exchange of information between tax authorities worldwide.

Developed by the OECD together with G20 countries, the standard calls on jurisdictions to obtain information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions that need to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions.

The OECD will formally present the standard for the endorsement of G20 finance ministers during a 22-23 February meeting in Sydney, Australia. The G20 invited the OECD to develop a global standard on automatic exchange of information in 2013, and remains the driving force behind the move toward greater tax transparency worldwide.

Presenting the new standard, OECD Secretary-General Angel Gurría said: "This is a real game changer. Globalisation of the world's financial system has made it increasingly simple for people to make, hold and manage investments outside their country of residence. This new standard on automatic exchange of information will ramp up international tax co-operation, putting governments back on a more even footing as they seek to protect the integrity of their tax systems and fight tax evasion."

The new standard draws extensively on previous OECD work on the automatic exchange of information. It incorporates progress made in this area within the European Union and ongoing efforts to reinforce global anti-money laundering standards. It also recognises the catalytic role that implementation of the US Foreign Account Tax Compliance Act (FATCA) has played in the G20 move towards automatic exchange of information in a multilateral context.

More than 40 countries have committed to early adoption of the standard. The Global Forum on Transparency and Exchange of Information for Tax Purposes, hosted by the OECD, brings together 121 jurisdictions worldwide. It has been mandated by the G20 to monitor and review implementation of the standard.

The OECD is expected to deliver a detailed Commentary on the new standard, as well as technical solutions to implement the actual information exchanges, during a meeting of G20 finance ministers in September 2014.

Further information on OECD work relating to the exchange of information on tax matters is available here.

Further information on the OECD's active partnership with the G20 is available here.

IASB to reopen constitutional review in 2015

The International Accounting Standards Board (IASB) will be subject to a review of its internal structure in 2015 in light of the challenges and priorities imposed by an evolving standard-setting scenario, the IFRS Foundation has announced.

The IFRS Foundation, the IASB's oversight body, said that factors such as the introduction of "more sophisticated IASB outreach and stakeholder engagement programmes, as well as the end of the convergence programme", make necessary the constitutional review.

In particular, the IFRS Foundation will seek feedback on the appropriate size of the IASB. In that respect four of the IASB's 16 members are due to complete their terms in 30 June 2014.

Two of them, Amaro Luiz de Oliveira Gomes and Patrick Finnegan, have now been reappointed for second five-year terms respectively.

The other two are Jan Engström, who is not eligible for reappointment, and Patricia McConnell, who didn't want to be considered for a second term.

IASB of 14 members

The IFRS Foundation said it will postpone these appointments, "in order not to predetermine the outcome of the 2015 review" and the IASB will work with 14 members in the interim period.

In 2008 the International Accounting Standards Committee (IASC) Foundation, now the IFRS Foundation, started a review which involved expanding the number of IASB members from 14 to 16 and ensuring geographical diversity.

Back then, there was some criticism regarding the extension of the board's membership to 16, with many stakeholders suggesting 14 was already too many to work efficiently.

The then Institute of Chartered Accountants in England and Wales financial reporting committee chair Kathryn Cearns said the prospect of 16 members was "quite troubling" for two reasons.

First, the potential of seizing up the decision making process. And second, the possibility of "options creeping in" making standards weaker.

During the previous constitutional debate there were also concerns over the proposed geographic spread of board members, which could prevent the most suitably qualified candidates being selected.

Ernst & Young (currently EY) global technical director of IFRS services Leo van der Tas said at the time that it was logical to have some sort of geographic spread so people know they are being heard. But "quality comes first, and then representation," he said.

IFRS Foundation Trustees chairman Michel Prada, said in a statement this week that the decision to consider the optimum size of the IASB as part of the 2015 constitutional review "reflects changes to the international standard-setting landscape and a maturing of the IASB and its various advisory and consultative mechanisms."

Source: The Accountant

ICAI and Indian Ministry sign MoU to launch accounting TV platform

The Institute of Chartered Accountants of India (ICAI) has signed a memorandum of understanding (MoU) with the country's ministry of Human Resource Development (MHRD) to the use direct-to-home (DTH) television platform for educational purposes.

As part of the MoU, the ICAI will launch an ICAI channel aimed at educating prospective and trainee CAs. The MoU comes as part of the government's so-called National Mission on Education through Information and Communication Technology, which launched in 2009.

"The content that shall be beamed through ICAI channel can be of tremendous help not only to CA students but to commerce students as well. With this facility we can reach out to the remotest corners of the country," ICAI president K Raghu said.

Source: The Accountant

ICAI considers adopting IFRS, if convergence is successful

The Institute of Chartered Accountants of India (ICAI) could support the adoption of international financial reporting standards (IFRS) in the future, depending on how successful current convergence plans are.

Speaking at the IFRS Regional Policy Forum in New Delhi, ICAI president Ragu said "to begin with we should set the convergence mode and test the financial reporting standards on various corporate. India could look at adopting international accounting standards IFRS in the long term based on how the converged norms work out."

This may take some time, he warned, as "India is a diverse and fast growing economy, lot of issues has to be looked at before we look at adoption of IFRS."
International Accounting Standards Board chairman Hans Hoogervost also spoke at the forum and said that full adoption of IFRS would greatly strengthen the appeal of the Indian capital market to foreign investors.

Separately, the ICAI set out a number of concerns it had over the Companies Act 2013, which passed in 2013 following decades of attempts.

The Act aims to fundamentally reform and modernise India's profession in a number of ways, including the introduction of mandatory corporate social responsibility spending and the prohibition of a number of services provided by auditors.

One such concern is that the Act prohibits a number of services which are permitted by the ICAI for the auditor to perform, such as certain management items.

The ICAI was also concerned on the cap on the number of audits an auditor can undertake, and the rule that auditors are to report on whether a company has adequate financial controls in place, saying this would be expensive for small companies.

The ICAI also took issue with the constitution of the National Financial Reporting Authority (NFRA), which it said required a "lot of deliberations and discussions."

The NFRA's introduction has been contentious in the past, due to some of its powers, such as its ability to set standards and take disciplinary actions, are similar to those held by the ICAI.

Despite these concerns, the ICAI described the Companies Act 2013 as a "significant milestone," and that it showed the world India was committed to best practice.

Source: The Accountant, Jonathan Minter

Chief executive of Korean standard setter appointed

The Korea Accounting Institute (KAI) has appointed Jee In Jang as the chair and chief executive officer of the Korea Accounting Standards Board (KASB), effective 1 March. Jang, a former KAI president, is currently a professor at the business school of Chung-Ang University and is the chair of the Accounting Credibility Enhancement Committee of the Korean Institute of Certified Public Accountants.

Under Jang's leadership the KASB will focus on the implementation of the IFRS in Korea, the standard setter said in a statement.
IFRS is a requirement for all listed companies in the Korea Exchange (KRX) as well as for financial institutions- even if they are not listed- including banks, insurance companies, investment brokers or credit card companies among others.
Besides of its domestic standard-setting role for unlisted companies, the KASB eases the Korean government's endorsement of IFRS.
So far, all IFRS as issued by the International Accounting Standards Board have been endorsed without carve-outs or modifications, adopting the denomination of K-IFRS.
Foreign KRX-listed companies can, however, choose between IFRS, K-IFRS and US GAAP.

Japanese Accounting Guidelines for Small and Medium-sized Entities (2013 edition)

The Committee on Accounting Guidelines for Small and Medium-sized Entities (established by JICPA, the Japan Federation of Certified Public Tax Accountants' Associations, the Japan Chamber of Commerce and Industry, and the Accounting Standards Board of Japan (ASBJ)) amended, and released on February 03, 2014, "The Accounting Guidelines for Small and Medium-sized Entities (2013 edition)."

This year's amendments mainly include, among other things, revision of terms to make the guidelines in line with the ASBJ statements issued in 2012, particularly with the ASBJ Statement No. 26, Accounting Standard for Retirement Benefits.

ICAEW and Ikatan Akuntan Indonesia (IAI) have signed a Memorandum of Understanding to strengthen the accountancy profession in Indonesia.

IAI and ICAEW will share experiences to support and develop the Chartered Accountant (CA) qualification in Indonesia. This partnership will be mutually beneficial advancing accounting studies and the intellectual and practical development of the accountancy profession in Indonesia. It will also help strengthen and support the development of the Chartered Accountant qualification in Indonesia.

IAI and ICAEW have agreed to share views on the accountancy profession both nationally and internationally with an emphasis on possible partnerships in training, education and certification examinations.

IAI will also update ICAEW on issues such as professional development, as well as human resources, training and regulatory issues in Indonesia.

ICAEW and the Singapore Accountancy Commission (SAC) signed a Memorandum of Understanding (MoU) for mutual credit recognition between ICAEW's ACA and SAC's Singapore Qualification Programme (Singapore QP).

This agreement relates to two professional level modules on the subjects of financial reporting and assurance, which will allow ACA and Singapore QP Candidates specific exemptions from each other's qualifications.

"An extensive review was undertaken by ICAEW and SAC to ensure that the syllabuses and assessments of each other's modules are of the highest quality and examined with rigour," said Mark Billington FCA, Regional Director, ICAEW South East Asia. "This mutual credit recognition highlights the strong standards of the Singapore QP. It also further builds on the close relationship we have with SAC through our ICAEW Singapore Foundation Programme."

The mutual credit recognition would be for the:

- Financial Reporting (FR) module of the Singapore Qualification Programme (Singapore QP) and the Financial Accounting & Reporting (FAR) module of the 2013 or later ICAEW ACA Qualification;
- Assurance (AS) module of the Singapore Qualification Programme (Singapore QP) and the Audit and Assurance (AA) module of the 2013 or later ICAEW ACA Qualification.

The MoU will run on a three-year renewable term and retrospective credits will be given to ICAEW Candidates who have successfully completed the 2013 FAR and AA exams.

Source: ICAEW website

MGI ASIA MEMBER NEWS

MGB shifts to a central and bigger office premises

MGI firm in Mumbai, ***MGB & Co*** has shifted its office to the Central Business District at Lower Parel, Mumbai.

The office is 13,500 sq ft and can accommodate more than 120 people. This office is logistically well connected and is just one minute from the local train stations of Lower Parel (on western line), Curry Road (on central line) and also the new upcoming monorail station.

The office complex hosts a number of large corporations like TATA, HDFC Bank, RaboBank, DCB Bank etc. The office complex has a wide range of facilities including a restaurant, auditorium, business centre, library, siesta lounge, convenience store, fitness facilities as well as executive rooms.

Staff Promotion Announcement

Kenneth Chau & Co. announces the promotion of Mr. Bun Lau, CPA and Mr. Aska Mak, CPA (Aust.) to the position of manager. Both Mr. Lau and Mr. Mak joined the firm more than six years ago and obtained professional qualification from Hong Kong Institute Certified Public Accountants and Certified Practising Accountants (Australia).

"People are tremendous assets to our firm. We are excited about the new role that Bun and Aska will play at Kenneth Chau & Co." said Partner, Ken Yeung.

Approval pursuant to S48(i) of the Insurance Ordinance Pakistan

Congratulations to MGI Pakistan member, ***Ilyas Saeed & Co.*** The firm is now placed in Category A by the Securities & Exchange Commission of Pakistan making them eligible to conduct audit of Insurance, Reinsurance, Takaful entities, without any limit.

S R Dinodia Cricket Championship Cup 2014

The firm organized its 4th Intra Office Cricket Championship on March 15th 2014. The match was played between Sandeep Spartans and Manoj Monsters.

Both teams played with neck to neck competitive spirit and the trophy was finally retained by the defending champions Sandeep Spartans.

Pallavi Dinodia Speaks at 2 events in Delhi

Pallavi Dinodia, was the facilitator of a session on "Alleviating Your Finance Fears" organised by FLO an All India Organisation for women, under the Federation of Indian Chambers of Commerce and industry (FICCI)

Pallavi shared her expertise with non-finance professionals to help them to increase confidence to handle finance related decisions as also alleviate overall business acumen.

The Northern Region Chapter of International Fiscal Association - India Branch organized the International Tax Conference on INTERNATIONAL TAXATION - EMERGING TRENDS & ISSUES on March 7-8, 2014.

Pallavi Dinodia was part of the Panel on day 1 of the conference on Tax Controversies and Litigation in India – Avoidance and Resolution.

MGI GLOBAL NEWS

MGI Chairman in Global Accounting Power list

Erik Emilsson

What do IMF Chief Christine Lagarde, EU Commissioner Michel Barnier and MGI Chairman Erik Emilsson all have in common?

All three have been chosen to be among the 100 most influential people in the accounting profession, the Global Accountancy Power list.

Erik Emilsson, the founder and CEO of Swedish MGI member Revideco, has been pro-active in global networking and was elected MGI Chairman in 2013.

The Global Accountancy Power list, produced by the International Accounting Bulletin (IAB) and its sister title The Accountant, is chosen by the profession and a panel of expert judges from around the world. For the first time, voting was open to the public. Those public votes were followed by a final vote by an external judging panel, which took into account the public votes.

Among the candidates were Prince Charles, economist Mervyn King and Wolfgang Schäuble, Germany's Federal Minister of Finance. Erik Emilsson stands out as the only Swedish name in this prestigious list.

Erik commented, "I was really satisfied to discover that we in the smaller alliances are recognised for our international capabilities. I have formerly worked in one of the industry's largest organisations and my experience is that we in MGI can help the small and mid-size clients even better than the larger players. We know more about their business, since we ourselves are entrepreneurs."

Erik underlines the importance for smaller agencies to co-operate globally and estimates 10% - 15% of

Revideco's annual turnover is directly resulting from the company's MGI membership.

MGI Israel achieving excellence through best practice

Throughout their 43 years in business, MGI member Knobel, Beltzer, Soraya and Co. have been at the forefront of the accounting field in Israel, maintaining high standards of client service and offering reliable accounting solutions.

The 45-person strong team is pleased to announce their firm has recently received certificates for ISO 9001 and IQNet.

Eyal Beltzer from the firm commented, "We firmly believe that our being certified places our firm at the highest possible level and will further reinforce our status in the local market, but more importantly, in the international market."

The ISO 9001 standard is an internationally renowned quality control certification designed to help companies meet statutory and regulatory requirements, while working to achieve excellence within the framework known as the eight key principals of quality management.

The Israeli firm, established in 1971, is also delighted to now be part of IQNet - The International Certification Network – whose members mutually recognise the ISO 9001, ISO 14001 and various other certificates of other IQNet partners, which are subject to regular and rigorous peer evaluations across the network.

Knobel, Beltzer, Soraya and Co. are confident that their international standards certification and Service Charter further supports their standing within the MGI alliance and provides assurance of a quality service for potential new clients.

TIPS & HELP

Best Practices for Admitting New Partners

As we work through the succession and retirement of senior partners in our firms, a lot of us are also reviewing and updating our internal documents and agreements.

A key part of the update should be focused around how we bring new partners into the firm to replace the "old guys." There have been changes in valuations and process that we really need to be aware of. Following are some of the best practices.

How Many Partners Do You Really Need? More often than not firms are supporting too many partners based on the firm's revenue. That also usually means that the partners are doing a lot of work that could be done by staff. Take a look at the Rosenberg survey for average revenue per partner and you will see that the trend is to push more leverage of the work and to get more done with fewer partners.

On top of that, the demographics in our firms today tell us that fewer people than ever want to be an equity partner based on the traditional definition. Although our initial reaction to that reality is "we just don't have enough of the right people to replace us," maybe it's not such a bad thing.

With the retirement of some of our senior people, we have an opportunity to look for ways to improve the leverage. We should be challenging the pyramids in our firms by asking "is there a different way to serve our clients and get the work done" and "do we really need all of these partners"? Too often we're on autopilot worrying only about how to fill the holes the way that we have always done it. Now is the time to step back and challenge it.

Many firms have developed a partner-in-training process that they use to evaluate and develop their new partner candidates. It generally runs for a year or two. The candidate is invited to attend partner meetings and other partner interactions, is given goals specific to the program, is exposed to firm financial and other partner level information, is provided leadership and other education and is mentored through the process by a partner. The purpose is to give both sides the opportunity to observe the other and to make sure that there is a good fit.

Non-Equity or Low-Equity Partners
One of the ways that some firms are addressing the "how many" question is by using the non-equity or low-equity partner position. It is a spot on the organizational chart that carries with it significant client responsibility and recognition inside and outside the firm as a partner. It stops short of the commitment and compensation of a full equity partner.

Some firms will use the position as a stepping stone to the full equity spot. Others will allow an individual to stay in the role indefinitely. There are probably people in your firm right now that fit that spot and would actually be more comfortable there. It opens up other choices and possibilities on the decisions you have to make on equity partners.

Buying In
Not too many years ago it wasn't unusual for new partners to buy in at valuations that included a large goodwill factor on top of a capital account amount. The large numbers really weren't affordable, and firms figured out creative ways to internally finance them (borrow from Peter to pay Paul). Another common practice was purchases of partnership interests outside the firm between partners, which produced a lot of wheeling and dealing and inconsistencies. The good news is that both of these practices are almost gone.
The normal today is that capital transactions for both new and exiting partners are with the firm and controlled by the firm's partner agreements. Values for buying in are usually based on the firm's accrual basis balance sheet, and the new partner starts out buying only a piece of that. The goodwill value is earned over time by the incoming partner through a vesting process that is often based on years of service and the firm's normal retirement date.

How Much Capital?
"It depends"is not a good answer, but there is really not a rule of thumb for the percentage of equity that the firm sells to the new partner. It depends on the firm and how it approaches a number of things, including partner compensation and retirement. We can, however, give you a few numbers and thoughts. First, the average buy-in for a new partner based on 331 firms in the 2012 Rosenberg survey was $137,000.

Second, the trend in the profession is that ownership percentages are having less and less to do with what a partner's compensation and retirement payouts will be. It is more about your performance and relative contribution among your partners.
Capital is becoming more about voting rights and supporting a portion of the firm's balance sheet. The profession is moving to capital accounts that are similar for all partners except for new partners, where they may start out at some smaller level and move up to "full equity" status over time.

Financing the Buy-in
Recognizing that most of our younger associates are not able to write the check above for $137,000, firms must figure out a way to assist with financing it for the new partner. The normal route is that the firm will withhold the amount over some period of time from future profit distributions to the new partner.
There is another approach used by some firms that I happen to like a lot. It is using outside financing rather than inside. Basically the firm guarantees a loan for the new partner at a bank. Normally the firm can help the new partner receive attractive terms. The new partner borrows the $137,000 and contributes it to the firm in exchange for the partnership interest. The firm will make sure that the new partner receives a compensation increase that is at least enough to cover the new debt service.

Here is why I like it. The firm gets the new capital dollars, which most firms can certainly use. Yes, it comes with a guarantee but it is off-balance sheet debt. More important, there is something very personal about the new partner borrowing that $137,000 from a bank. It is pretty sobering, and it brings a certain level of seriousness to the transaction that you won't get otherwise.

On a personal note, I will never forget when I borrowed the money to make my first capital contribution as a new partner. It was a huge deal to me. Some of you may remember when the prime rate was 22 percent back in the 1980s, which made it even more interesting!

Regardless of whether you change anything or not, the Baby Boomer succession wave presents an opportunity to review and challenge how we bring new partners into our firms.

Source: Accounting Today, Gary Adamson

Six Steps to Improve Budgeting

1. Decouple the achievement of the budget from the compensation process

From our survey of companies attending events last year, nearly half the respondents were paying management bonus on achieving the financial budget. This link immediately creates an issue when setting targets, as employees want to ensure they achieve their bonus whilst the employer wants to create stretch goals. This doesn't mean that bonuses can't be paid based on financial performance. One way of avoiding the issue is to pay bonus directly related to the level of profitability avoiding the issue of target setting. Another is to adopt the approach taken by BP where some bonuses are based on performance compared to their direct competitors, again removing the problem of target negotiation.

2. Decouple the budgeting and forecasting process

Budgets are ultimately concerned with resource allocation and so require management input and negotiation. Forecasts on the other hand can be done using financial models. These can be rapidly rerun on a monthly or quarterly basis and when circumstances change.

3. Use external benchmarking to set cost control targets

This avoids negotiating improvements over last year and creates realistic targets, which take into account the improvements being made by the competition.

4. Set direction using both financial and non-financial performance measures

Since financial targets are too easy to manipulate, so **i**mproving the financial position can be done in the short term by reducing service levels and competitiveness. One classic example was Marks & Spencer who were making record profit in the mid 1990s whilst their customer satisfaction was falling. Eventually the situation caught up with them and their profitability fell. Tracking leading non-financial indicators can deter this behaviour.

5. Build explicit links between the major non-financial activities and resulting financial performance and manage the change in these relationships

Many budget improvements are delivered by shaving cost from individual lines of the budget without any consideration of the physical impact of these changes. It is then not surprising that the budgeted savings are not delivered. However, if we create an understanding of process capability using statistical control techniques, we can judge with reasonable certainty what the performance will be. Planned improvements to the process will, in time, deliver performance improvements to the organisation; but these improvements have to be planned and executed. Linking the activities, improvement plans and the financial plan enables improvements to be tracked and budgets properly validated. Software now exists to allow this to happen and to be coordinated across a large organisation.

6. Separate running costs from investments

This may seem an obvious comment and a fundamental concept for accountants, but most organisations ignore the fact that just to stay competitive the business has to make small incremental improvements each year just to keep up with the competition. When business is going well, these small items of expenditure are simply absorbed in running costs and are probably not even noticed. Unfortunately, when budgets become tight, this discretionary spend is easy to cut. Businesses can look profitable but lose their competitive edge and the approach adopted by companies such as ABB, is to make these different types of investment explicit so that they can be tracked and monitored.

By Mike Bourne is Professor of Business Performance at Cranfield School of Management.

MGI ASIA COUNTRY UPDATE

Changes in dealing with Overseas Remittances

On September 1st 2013 China implemented a new tax law in relation to overseas remittances. The new law was named “Announcement on Issues Concerning the tax-recording-filing for Foreign Payments under Service Trade”, otherwise known as Announcement 40. Announcement 40 was issued jointly be the State Administration of Taxation (SAT) and the State Administration of Foreign Exchange (SAFE) on the 9th of July 2013. It is seen by many parties, especially MNC’s operating in China, as a positive move which will see a lot of the concerns from the current system eradicated.

Concerns and Difference

So, “what were these concerns?” you may ask. To answer that, this article will explain the current and soon-to-be-former way of carrying out overseas remittances. Before any company in China could make an overseas remittance it would have to gain approval or tax clearance for any payment that exceeds USD 30,000 in line with the TCC requirements. The important thing to remember about this system was that you need tax clearance before making the payment. The new system which comes into action in less than a month will not require tax clearance prior to the overseas remittance, and the payment will have to exceed USD 50,000 to be subjected to the new recording-filing system (discussed below). So the main concern was that the time it was taking to gain approval for the payment was delaying them quiet significantly.

In 2008 some steps were taken to combat this with the introduction of Circular 64 which was again issued by SAT and SAFE and which allowed certain items to be exempt from the tax clearance requirements. These were known as the ‘carve-outs’. The new law, Announcement 40, has also got 15 items that are exempt from tax-recording-filing, most of them being similar to the ‘carve outs’ from circular 64. These 15 items include things such as intangible licensing, finance lease, real estate transfer and more.

The second difference is that instead of the old tax approval-filling system currently in place, Announcement 40 will bring in a tax recording-filling system for foreign payments under service trade. It is widely accepted that the new system will speed up the process of sending remittance overseas and it will mean improved cash flow for overseas recipients of their Chinese income. Overall it is seen that the Chinese tax authorities are continuing to relax China’s exchange system in recent times.

New Remittance Process

This new system will require those paying the remittance to submit 3 copies of a tax recordal filing form (available in ISTB offices or its government website homepage) to the ISTB as soon as possible following the sending of the remittance. Having done that, one copy will be kept for their own records, one kept by the ISTB and the other sent to the local tax bureau. Each of the forms will be stamped by the company chop and given a serial number so they can be traced. In order to carry out the remittance the company must present their stamped form to a designated bank and then the transaction will be carried out. In the previous system the ISTB would review the tax position in relation to the remittance during the process of the recordal filing but now they do not consider this and it will hopefully accelerate the whole activity. The new system of recordal filing does not look to provide the ISTB with the tax position of the remittance but just to give them notice of it.

Extra Risk

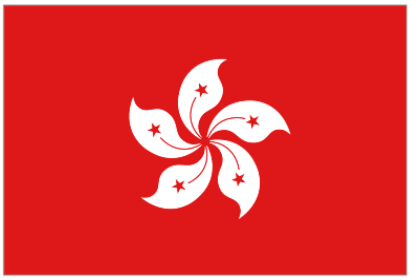
Some people may see this as an easing of one’s duty to pay their Chinese taxes but this is certainly not the case. The words ‘increased risk’ in regards to compliance with tax have been mentioned in discussing this new law so it is vital that care must be taken and rules are obeyed. At some stage in the 15 days following the stamping of the recordal-filing forms by the ISTB, the ISTB examine the reporting package submitted as part of the recordal filing and any supporting documentation. If all is not as it should be and the Chinese taxes have not been fully paid, punishments can follow. They can impose a financial penalty and also an extra late charge may be added to the tax the company owes according to the relevant Chinese law. The ISTB still follows up on each remittance and so a company in China and also overseas must be careful that everything is done by the book.

Treaty Benefits

Other questions have arisen in regards to the treaty benefit available to overseas recipients. Some thought that the abolishment of the old TCC way would signal an opportunity for all to enjoy treaty benefits, but this is not the case. Treaty benefits which fall under Guoshuila No.124 must be considered separately to the TCC system. For companies to be entitled to treaty benefits they must still, as in the past, comply with the regulations set by Guoshuila No.124. One area in which the entitlement to treaty benefit is in question however is shipping. With Announcement No.40 coming in it will abolish 8 circulars in relation to outwards remittances and two of these give guidelines on how overseas shipping companies can receive treaty benefits. So at the moment it is unclear for shipping companies how to comply in order to receive these benefits.

Conclusion

In summary Announcement No.40 can be seen as changing the procedure of tax administration in China. In abolishing the TCC requirements the SAT and SAFE are proposing a move from a pre-remittance examination model to a model based on daily tax administration and post-remittance tax audits. For companies involved in overseas remittance, they can view the new law as something that will provide them with benefits in their cash flows, but with the increased risk in their filing positions compared with the old TCC way, they must be careful. This means that, should no challenge arise following the ISTB examination, the procedure for sending overseas remittances is simplified and, especially, accelerated. Overall the introduction of Announcement No.40 by SAT and SAFE seems to be a step in the right direction and a welcomed move by many. Hopefully it will be as successful as many hope.



Hong Kong Budget 2014-15

The Financial Secretary John Tsang delivered the seventh budget speech of his career on February 26, 2014. The main theme of the speech was the need to enhance business competitiveness and to move companies into following higher value-added segments of their industries as ways of increasing tax collection.

A brief summary of the Hong Kong Budget 2014-15 in certain areas are listed as below:

Economic Outlook for 2014

- Forecast GDP growth of 3% to 4%
- Forecast headline inflation of 4.6% and underlying inflation of 3.7%

Relief Measures

- Increase the allowance for maintaining a dependent parent or grandparent
- Reduce salaries tax and tax under personal assessment for 2013-14 by 75%, subject to a ceiling of $10,000
- Waive rates for the first two quarters of 2014-15, subject to a ceiling of $1,500 per quarter

Financial Services

- Waive stamp duty on the trading of all ETFs to lower transaction costs
- Issue iBond worth up to $10 billion
- Review requirements under Inland Revenue Ordinance for interest deduction in the taxation of treasury activities to draw more of these activities to Hong Kong

Small and Medium Enterprises

- Reduce profits tax for 2013-14 by 75%, subject to a ceiling of $10,000

The above measures will take effect once the legislation is passed
Source from: http://www.budget.gov.hk/2014

There are no proposals to adjust the salaries tax, property tax and profits tax rates in 2014-15. A brief summary of Hong Kong Tax Rates 2014-15 and 2013-14 are listed as below:

	2014/ 2015	2013/ 2014
Salaries Tax rates		
First HK$40,000	2%	2%
Next HK$40,000	7%	7%
Next HK$40,000	12%	12%
On the remainder	17%	17%
Standard rate	15%	15%
Property Tax rates		
Tax rate	15%	15%
Profits Tax rates		
Companies	16.5%	16.5%
Unincorporated businesses	15%	15%

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

New Companies Ordinance takes effect on March 3, 2014

The new Companies Ordinance, Chapter 622 of the Laws of Hong Kong, and 12 pieces of subsidiary legislation made under the new Ordinance took effect on 3 March. The old Companies Ordinance (Cap. 32) is renamed as the "Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)".

To tie in with the commencement of the new Ordinance, the computer secretarial software of the Company Secretarial Service Department of Kenneth Chau has been enhanced to provide updated documents under the new Ordinance.

Submitted by Kenneth Chau & Co

Corporate Social Responsibility - An Overview

Moving ahead with the implementation of New Companies Act, 2013 The Government of India vide its notification dated 27th February, 2014 notified Section 135, detailed rules and Schedule VII relating to Corporate Social Responsibility (“CSR”) which will become effective from April 1, 2014.This rules may be called the Companies (Corporate Social Responsibility Policy) Rules, 2014. Government estimates CSR spend to be around Rs. 20,000 crore from next fiscal year. India is the only country in the world which has mandated CSR spending by companies through the provisions of Companies Act, 2013

The rules are applicable to every company (including a holding or subsidiary and a foreign company having its branch or project office in India) which satisfy any one of the following conditions;

Net worth Turnover Net Profit
500 cr. or more 1000 cr. or more 5 cr. or more

If any of the above financial strength criteria is met, the qualifying company is mandatorily required to spend at least 2 percent of the average net profit of past three financial years on specified CSR activities.

Net Worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

Turnover means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year.

Net Profit means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following:
Any profit arising from any overseas branch or branches of the company, whether operated as a separate Company or otherwise; and
Any dividend received from other Companies in India which are covered under and complying with the provisions of CSR rules.

Qualified Companies can conduct CSR through;

- Forming a registered charitable trust, or
- Forming a registered charitable Society, or
- Forming Company under section 8 of the Companies Act, 2013 (non-profit organization) or
- Company may also donate to another Trust/Society/NGOs which is in existence for more than 3 years
- Company may also collaborate with other Companies for undertaking CSR activities. This will enable companies under same group to carry out CSR activities through collaboration.

Activities which are considered as eligible for CSR spend are provided in Schedule VII of the Act, the specified activities are as under:

- Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans;
- Setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water;
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art;
- setting up public libraries; promotion and development of traditional arts and handicrafts;
- Measures for the benefit of armed forces veterans, war widows and their dependents;
- Training to promote rural sports, nationally recognized sports, Paralympics and Olympic sports;
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
  Contributions or funds to technology incubators located within academic institutions which are approved by the Central Government;
  Rural development projects.
- Activities that benefit only the employees of the Company and their families.
- Contribution of any amount to any political party.
- Activities undertaken outside India.

Qualified Companies shall constitute a CSR Committee consisting of 3 or more directors out of which at least 1 director shall be independent director. Unlisted public company or private company which is not required to appoint independent director shall have its CSR committee without independent director. Private Company having only 2 Directors on its Board shall constitute CSR committee with only 2 directors.
The role of the CSR committee

- To ensure CSR activities are undertaken by the company.
- To ensure that company is spending at least 2% on CSR activities.
- The Board of Directors Report of the Company of a financial year on or after 1st April, 2014 shall include an annual report on CSR.
- The Board shall, after taking into account the recommendations of CSR Committee, approve the CSR policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company's website.
- In case the Company has short spend or not spend the required amount on CSR then the Board shall disclose in its report the reasons for short spending or not spending on CSR activities

Submitted by MGB & Co

Increase in the turnover margin, MoF stipulated regulation for taxable enterprise (PKP) to choose to non-PKP

Regulation of The Minister of Finance of The Republic of Indonesia No. **197/PMK.03/2013** (PMK-197/2013) has come into effect from January 1st 2014, as Small-Medium Enterprise Tax. This regulation states that the threshold for tax (VAT) will increase from IDR 600 million per annum to IDR 4.8 billion.
It is not mandatory for employers with turnover below IDR4.8 billion a year to become PKP. They can choose to be non - PKP
It is hoped that with these changes coupled with the ease of other facilities that already exist will make it easier for taxpayers to fulfill their tax obligation.

Go green with E-SPT AND E-FILING for income tax article 21 reporting

In 2014, the eligible Taxpayer is required to report income tax return period of Article 21/26 in the form of e-SPT (Annual Tax Return Electronic). The Ministry of Finance, Regulation of Directorate General of Tax No. PER-14/PJ./2013 (PER-14/2013) provides guidance to taxpayers in the preparation and submission of the Article 21/26 withholding tax slips and the tax returns. This regulation will apply to companies which exceed 20 employees.
It aims to facilitate taxpayers and income tax officials to perform their obligations in an easier and efficient manner.

The DGT also issued the Regulation of Directorate General of Tax No. **PER-1/PJ./2014** (PER-1/201), on e-Filing procedures for certain individual Taxpayers.

There are 2 kinds of Annual Income Tax Return (AITR) forms in reporting their income by e-Filing, as follows:

a. Form 1770S for Taxpayers who receive income from one or more employers, from other domestic income, income subject to final tax, and/or final in nature; and

b. Form 1770SS for Taxpayers who receive income other than from active business/freelance services with a gross income of not more than IDR 60 million per year.

E-filing can be done via pajak.gov.id website.

Submitted by KAP Basyiruddin Wildan

MASB issues the Malaysian Private Entities Reporting Standard

The Malaysian Accounting Standards Board ("MASB") on 14 February 2014, issued a new financial reporting framework for private entities, namely the Malaysian Private Entities Reporting Standard ("MPERS");

All private entities shall apply the MPERS for its financial statements with reporting periods beginning on or after 1 January 2016. Earlier application is permitted.

The MPERS is closely aligned with IFRS for SMEs issued by the International Accounting Standards Board ("IASB"). The MPERS can be downloaded from the MASB website at http://www.masb.org.my.

Sourced from Malaysian Institute of Accountants website

MGI ASIA NEWSLETTER
Quarter 1 2014

Singapore Budget 2014

The Big Picture

The main focus of the 2014 Budget has been the government's emphasis on building a "fair and equitable" society. Not surprisingly, several measures announced during the 2014 Budget are social policies targeted at the low-income group and the senior citizens ("pioneer generation"). Both groups stand to gain from more government assistance and subsidies in areas such as healthcare and housing. Budget 2014 emphasises on strengthening social support, especially for the senior citizens.

Impact on business

In the area of business, the government continues to adopt a strong pro-business policy by constantly investing in modern infrastructure as well as human capital. Singapore has consistently been ranked as the World's easiest place to do Business for 7 consecutive years (Doing Business 2014 Report, World Bank). Singapore also ranks second for being the most competitive Asian country to do business (The Global Competiveness Report 2014). With a GDP per capita of S$ 65,048 (US$ 51,715), Singapore has one of the highest GDP per capita in the world with the services sector contributing more than half of the total GDP.

<u>A) Productivity & Innovation Credit (PIC) Extension</u>:
The PIC scheme will be extended until Year of Assessment (YA) 2018 (from 2015 previously). Companies stand to benefit from the 300% additional deduction on qualifying activities subject to a cap of S$ 400,000 per year. From YAs 2015-2018, the expenditure cap will be increased from S$400,000 to S$600,000 per qualifying activity.

<u>B) PIC+ Scheme for SMEs:</u>
PIC+ scheme, the expenditure cap for qualifying SMEs will be increased from $400,000 to $600,000 per qualifying activity per YA This means that these SMEs that invest beyond the current combined expenditure cap of $1.2m for each qualifying activity can claim 400% enhanced tax deduction on an additional $200,000 of qualifying expenditure.PIC+ will take effect for expenditure incurred in YA 2015 to YA 2018.

<u>C) Infocomm Technology (ICT) for Productivity and Growth Programme (IPG):</u>
The government is also encouraging businesses to adopt ICT solutions in a bid to boost productivity and will subsidise up to 70% of the qualifying costs. In addition to this, the government will subsidise the subscription plans for high speed broadband so that more companies will have access to the fibre broadband network.

<u>D) Investment in Skills & Training and R&D:</u>
The government will also top up another $500m to the Lifelong Learning Endowment Fund to $4.6b, again showing its commitment to continuous learning and development.
There is also a ten year extension for the broad based 50% additional tax deduction on qualifying R&D expenditure until 2025. For EDB approved R&D activities, there will be a further tax deduction and this too has been extended until 31 March 2020 (from March 2015 earlier).

<u>E) Intellectual Property (IP) Rights</u>:
Singapore has made great effort in wanting to develop its framework to protect IP rights. As such, the government has the Writing Down Allowance Scheme for IP rights will be extended for another five years till YA 2015.

Taxes

- There have been no changes to corporate and personal income tax rates.
- There will also be a waiver of withholding tax on payments to Singapore branches (interest payment, technical fees, management fees and royalties) after 21st February 2014.
- The concession for recovery of GST for Qualifying funds (mostly benefiting the financial services sector) will be extended until 2019.

Restrictions on foreign workforce

- The government will continue to raise the quality of its foreign workforce by tightening the requirements for unskilled and low skilled workers. From 2016 onwards, levies will be increased by $100.

Increase in CPF rates for Employers

- The employer CPF contribution rate will be increased by 1 percentage point for all workers and this will be channeled into the Medisave Account. Employers will receive a one year Temporary Employment Credit to alleviate the impact. This will take place from Jan 2015.
- There will be a 0.5 percentage point increase in the contribution rate for older workers (aged 55-65) and 1 percentage point (for workers from 50-55) channeled to the Special Account. Again, the government will provide a one year increase (Special Employment Credit) for employers to adjust to this. This too will take effect from Jan 2015.

Conclusion

- The government has taken a special interest in looking after the medical needs of the elderly, as Singapore moves towards an aging population. The budget also addresses some of the concerns (such as cost of housing and cost of living) of the lower income groups. We feel that the fiscal policies in Budget 2014 will indeed pave the way to create a fair and equitable society. The government has also acknowledged the contribution made by the pioneer generation and this is reflected in this year's budget.
- Whilst there is not much on offer for MNCs and big businesses, the extensions made to the PIC scheme, R&D and ICT schemes will be a big welcome for the SMEs. SMEs stand to gain from the tax deductions and various claims if they are able to fully leverage on these schemes. In addition to this, the PIC+ scheme will also support SMEs looking to make more substantial investments to transform their business. The budget shows that the government will continue to support and provide concessions for SMEs keen to expand.
- The budget also shows that the government values human capital and this is highlighted by its commitment to the Lifelong Learning Endowment Fund. The higher levies and tightened requirements for unskilled foreign labour also indicate that the government is placing greater priority on technology to bring about higher productivity. Increasing the competency of its workforce will be key in improving and increasing productivity. R&D and innovation will also be the driving forces for the next phase of Singapore's growth

Submitted by MGI Menon & Assoc