MGI ASIA NEWSLETTER

Quarter 2 2015

Members of MGI Asia

We are at the halfway mark of 2015 and I am sure many of us are grappling with the usual struggles of the peak period ahead of the audit and tax reporting seasons. Amidst the endless overtimes, impossible deadlines and constant caffeine, this is also a crucial decision time for members.

It was this time last year when we were deciding on the future of MGI and whether we should adopt the network-alliance hybrid model. After months of debating and discussing, MGI Worldwide and Mint Alliance were chosen as the names for the network and alliance respectively. Given the importance of the next steps for our individual firms and MGI as a whole, I thought it would be best to write on this matter.

Each member firm now has to decide if they are going to remain as an alliance member, or join the network. There is a wealth of information available on the MGI World website that will inform members about the implications of joining a network or remaining an alliance member. Recent discussions have revealed that a number of members have misconceptions, and the most common one is that adopting the MGI prefix is mandatory should a member firm decide to join the network. That is not true. A network member firm has the option of either adopting the MGI prefix or retaining their existing name. An alliance member firm, on the other hand, cannot use the MGI prefix.

Joining the network should not be seen as a convenient option. Network members will be subject to quality reviews and if your firm is currently not being reviewed by the audit regulator in your country, you would have to invest and scale up on your firm's audit processes and procedures to ensure they conform to minimum levels of audit quality control standards. There are also additional costs to be borne by network member firms, and comprise network membership fees and costs to cover the quality reviews.

On the other hand, members who decide to remain as alliance members should not feel they will be isolated as a number of members have indicated their preference to remain as alliance members. Whilst there might be some events or meetings for network members only, the existing Circle, Area and Annual meetings will continue as before.

There is also a major revamp to the branding and again, within the MGI Marketing Material of the MGI World website, you will find possibly everything on how you can use the various templates, logos, fonts, videos, presentations etc to help market your firm. A common question asked by members is how being an MGI member benefits their firm, yet part of the problem is that most firms do not do enough to promote their firms within and outside of MGI, especially given the available resources. We will be looking at how we can synergise our marketing efforts at the upcoming Asian Area meeting.

I would urge you to review all the available information before deciding on whether to join the network or remain in the alliance. Whichever way you decide, please remember that we will all still remain as members of the Asian Area. I look forward to meeting all of you in South Korea.

Imran Assan
Area Leader - Asia

MGI EVENTS 2015

Australasian Area
9-10 July
Gold Coast, Queensland, Australia

MGI Asia Area Meeting
28-29 August
Ritz Carlton, Seoul, Korea
Register at:
http://www.mgiworld.com/areas/asia/our-meetings/mgi-asia-area-meeting-2015/

Global AGM
21 - 23 October
Grange St Paul's Hotel, London, UK
Register at: http://mgi-worldagm2015.com/

UK Area (combined with AGM)
21 - 23 October
Grange St Paul's Hotel, London, UK

MGI ASIA MEMBER NEWS

Kenneth Chau & Co is a "Happy Company 2015"

Kenneth Chau & Co., the MGI member in Hong Kong, is recognized as a "Happy Company" again in the Happiness-at-work Promotional Scheme which jointly launched by Hong Kong Productivity Council and the Promoting Happiness Index Foundation.

PROFESSIONAL NEWS FROM AROUND THE WORLD

Revised Auditing Standard Puts Onus on Auditor to Read Annual Reports

The International Auditing and Assurance Standards Board (IAASB) has released a revised International Standard on Auditing that encourages auditors to thoroughly read through a company's annual report when auditing, as it provides critical information to the auditor and is ultimately beneficial to the public interest.

The revisions in ISA 720 (Revised), **The Auditor's Responsibilities Relating to Other Information**, aim to clarify and increase the auditor's involvement with "other information"—defined in the standard as financial and non-financial information, other than the audited financial statements, that is included in entities' annual reports.

"The annual report is a critical document for investors," said IAASB chairman Prof. Arnold Schilder in a statement. "It is in the public interest that an auditor undertakes an 'intelligent read' of an annual report, in the context of the knowledge obtained in the audit, and perform certain procedures to ensure the annual report is not materially inconsistent with the audited financial statements."

The standard also includes new requirements related to auditor reporting on other information that complement the changes arising from the IAASB's **new and revised Auditor Reporting standards**, issued earlier this year. Concurrent with those standards, ISA 720 (Revised) will be effective for audits of financial statements for periods ending on or after Dec. 15, 2016.

The standard also seeks to address the practical challenges that may arise when some or all of the other information is not available as of the date of the auditor's report, and prescribes additional communications in auditor's reports for listed entities in these circumstances

Source:Accountant Today

IESBA Reinforces Auditor Independence Provisions; Further Limits Exceptions and Clarifies Guidance around Non-Assurance Services

The International Ethics Standards Board for Accountants released *Changes to the Code Addressing Certain Non-Assurance Services Provisions for Audit and Assurance Clients*.

The changes enhance the independence provisions in the *Code of Ethics for Professional Accountants*™ (the Code) by, in particular, no longer permitting auditors to provide certain prohibited non-assurance services to public interest entity (PIE) audit clients in emergency situations, and ensuring that they do not assume management responsibility when providing non-assurance services to audit clients.

"Auditor independence is foundational to public trust in the external audit," said IESBA Chairman Dr. Stavros Thomadakis. "These enhancements will not only further reinforce independence but also promote greater consistency of application of the Code's provisions in the 100-plus jurisdictions around the world where the Code is currently in use."

The revisions include the removal of provisions that permitted an audit firm to provide certain bookkeeping and taxation services to PIE audit clients in emergency situations, as these were susceptible to being interpreted too generally. In addition, the revised provisions include:

- New and clarified guidance regarding what constitutes management responsibility; and
- Clarified guidance regarding the concept of "routine or mechanical" services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs.

The revisions also include corresponding changes to the Code's non-assurance services provisions with respect to other assurance clients.

"These changes focus on a few select, but important, areas of the Code. Nonetheless, the board continues to explore other areas where there may be a need for further enhancement," noted IESBA Technical Director Ken Siong. "In this regard, the board has recently launched a new project that will review the clarity, appropriateness, and effectiveness of the safeguards against threats to auditor independence in the Code, particularly as these relate to the provision of non-assurance services to audit clients."

To access the revised pronouncement, visit the IESBA website: www.ethicsboard.org. The changes will be effective April 15, 2016, with early adoption permitted.

Source: IFAC website

Accounting Ethics Board Proposes Global Standard for Whistleblowing

The International Ethics Standards Board (IESBA) for Accountants has re-exposed a proposed standard to guide auditors, other professional accountants in public practice, and professional accountants in business to help them decide how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations.

The enhanced standard, "**Responding to Non-Compliance with Laws and Regulations**," provides a new framework what practitioners should do when they encounter suspected wrongdoing at the companies where they work or among their clients.
"Fundamentally, all professional accountants have an ethical responsibility to respond in these situations and not turn a blind eye to them," said IESBA chairman Dr. Stavros Thomadakis in a statement. "Importantly, their response can play a role in ensuring that serious instances of non-compliance with laws and regulations are appropriately addressed, or in deterring them. The board intends the proposed framework to guide professional accountants' response in these situations, ensuring their actions serve the public interest while recognizing the essential role of management and those charged with governance in addressing the issue."

IESBA operates under the auspices of the International Federation of Accountants, whose member bodies include the American Institute of CPAs.

Among other matters, the proposed standard aims to better equip auditors and other professional accountants to address such issues by providing a pathway to disclosure to an appropriate authority in appropriate circumstances without the duty of confidentiality under the Code of Ethics for Professional Accountants acting as a barrier. It also places renewed emphasis on the importance of senior-level business accountants in promoting a culture of compliance with laws and regulations within their organizations.

"The board believes that the proposed framework represents a holistic, proportionate, and balanced model for addressing what can often be complex situations," said IESBA technical director Ken Siong. "The board also believes that the proposed standard's enhanced guidance will support and complement legal and regulatory frameworks in jurisdictions that already mandate reporting by professional accountants of identified or suspected non-compliance with laws and regulations to appropriate authorities."

The development of the proposed standard comes after the IESBA received responses from stakeholders to the first exposure draft it issued in August 2012 and extensive consultation with stakeholders, including global roundtables in Hong Kong, Brussels, and Washington, D.C., in 2014, along with discussions with the IESBA Consultative Advisory Group.

The Ethics Board is asking for further public comments on the exposure draft, particularly from regulators and audit oversight bodies, preparers, those charged with governance, investors, accounting firms, and all other stakeholders who have a role or interest in addressing the relevant issues. National and regional professional accountancy organizations also are invited to share the document and encourage participation from their members and employees. To access the ED and submit a comment, visit the Ethics Board's Web site at **www.ethicsboard.org**. Comments are requested by Sept. 4, 2015.

Source:Accountant Today

IFAC Offers Advice on Risk Management

The International Federation of Accountants has released a new thought paper offering advice on risk management.

The document, **From Bolt-on to Built-in**, discusses how to manage risk as an integral part of managing an organization.
The paper positions risk management as an integral part of decision-making and execution to ensure an organization makes the best decisions and achieves its objectives. The paper also demonstrates the benefits of properly integrating the management of risk, including internal control, into the governance, management, and operations of an organization.

In addition, it provides ideas and suggestions on how such integration can be achieved; and provides practical examples of how business accountants can support organizations with this integration.

"This paper recognizes what risk management was originally intended to do for an organization—help support effective decision making and improve performance," said IFAC CFO Fayez Choudhury in a statement. "Too many organizations don't realize how useful risk management can be if integrated properly. Without this step—building risk management into your organization—too many management teams are missing the point, and missing the benefits."

The thought paper applies to all organizations—regardless of size or structure, public or private—seeking to improve how they manage risk.

Source:Accountant Today

IASB Proposes Enhancements to Conceptual Framework

The International Accounting Standards Board (IASB) has proposed a set of enhancements to the Conceptual Framework for Financial Reporting.

The Conceptual Framework underpins International Financial Reporting Standards and helps the IASB to develop standards. The **exposure draft** proposes a number of enhancements to the Conceptual Framework, including a new chapter on measurement that describes appropriate measurement bases (historical cost and current value, including fair value), and the factors to consider when selecting a measurement basis.

The changes also would confirm that the statement of profit or loss is the primary source of information about a company's performance, and adding guidance on when income and expenses could be reported outside the statement of profit or loss, in 'Other Comprehensive Income (OCI). In addition, the proposed changes would refine the definitions of the basic building blocks of financial statements—assets, liabilities, equity, income and expenses.
The IASB listened to feedback from parties affected by the IASB's work and is also proposing to place more emphasis on the importance of providing information needed for investors to assess management's stewardship, and to reintroduce an explicit reference to "prudence," explaining clearly what it means.

Prudence is described as the exercise of caution when making judgements under conditions of uncertainty. The framework would state that prudence is important to achieve neutrality and hence, a faithful representation; and to state explicitly that a faithful representation reports the substance of a transaction rather than merely its legal form. This proposal has met with some controversy, however.

In 2011, respondents to the IASB's Agenda consultation called for the IASB to restart and prioritise revision of the parts that were not revised in 2010. The IASB has listened to that feedback and plans to issue a final Conceptual Framework in 2016.

"A solid Conceptual Framework is essential because it shapes the decisions the IASB takes when developing standards," said IASB chairman Hans Hoogervorst in a statement. "Two particularly important areas of the proposals published are the clarification of the key role of profit or loss as an indicator of a company's financial performance, and the chapter that describes the information provided by historical cost and current value measurements."
The IASB has also published for public comment a separate exposure draft Updating References to the Conceptual Framework, which proposes that references to the Conceptual Framework are updated in existing Standards. A 'Snapshot' providing a high-level summary of the key aspects of the Exposure Draft can be found **here**.

Source:Accountant Today

2015 Handbook of the Code of Ethics for Professional Accountants

The 2015 edition of the *Handbook of the Code of Ethics for Professional Accountants* is now available. The 2015 edition of the handbook includes the revisions addressing certain non-assurance services for audit clients in Section 290, and assurance clients in Section 291. The changes will be effective on April 15, 2016, except for the changes to Section 290, which will be effective for audits of financial statements for periods commencing on or after April 15, 2016. Early adoption is permitted. For information on recent developments and pending changes to the Code issued subsequent to May 31, 2015, visit the IESBA's website, in particular, Exposure Drafts and Standards & Pronouncements.
To access the web-based IESBA Handbook for personal use or purchase print copies, see *Handbook of the Code of Ethics for Professional Accountants.*

Source:IFAC website

MGI GLOBAL NEWS

Its decision time

mgiworldwide mint.alliance

It is now time to make your decision for your firm - network or alliance?

Whether you choose to join the new **MGI Worldwide** network or stay in the re-branded **mint.alliance**, you have to make a decision and act on it. Doing nothing is not an option!

If you choose to join the MGI Worldwide network, then you will need to complete some forms and pay a small fee.

You have until **18 September 2015** to complete the process but we strongly suggest you do this much sooner.

We have created a whole special area of the website to help you make and carry out your choice, with all the guidance, documents and information you need. So, go now to www.mgiworld.com and login to the members' area.

This is an exciting moment for MGI. Your decision is important - for your firm and for MGI.

MGI Europe welcomes new member in Antwerp, Belgium

Belgium firm Van Herck & Co Bedrijfsrevisoren CVBA is looking to expand its global footprint after becoming the latest addition to the MGI Europe area.

Van Herck was founded in 1983 and is headquartered in Antwerp, where it focuses on the diamond trading and construction sectors. It is one of two legal entities providing audit, accountancy, tax and legal services.

Most of its clients are local small and medium enterprises (SMEs), owner-managed businesses, subsidiaries of international groups and non-profit organisations.

MGI ranked top 5 association in Colombia

International Accounting Bulletin (IAB) has ranked MGI among the top five accounting associations in Colombia.

February's edition of the IAB shows the alliance is the fifth largest accounting association in the country by both fee data and staff numbers.

Last year fee revenues topped 3.4 billion Colombian pesos, roughly $1.3 million, while the number of staff was steady at just under 60 across the three offices.

MGI has three member firms operating in Colombia.

TIPS & HELP

How Smaller Accounting Firms Can Excel In Today's Hyper-Competitive Environment

Generally speaking, smaller firms need to add value-added advisory capabilities and do a good job of communicating their expertise to targeted audiences. Doing so will enable them to remain competitive and excel in an increasingly difficult marketplace.

The accounting industry is comprised of a number of colossuses, many mid-tier firms, and thousands of small firms. In a bustling economy – think pre-2008 – most smaller firms were able to do quite well. At that time, compliance services were in high demand, and it was relatively easy to cultivate new clients. Those days are long gone.

According to Joe Tarasco, CEO of Accountants Advisory Group, a consultancy specializing in maximizing the value of CPA firms, "One of the keys to success for small accounting firms is being able to provide integrated solutions. While continuing to deliver compliance services, small firms need to develop and highlight value-added advisory capabilities. They have to use these advisory capabilities to differentiate themselves. Many of the larger firms are growing because of their advisory services, and this approach can be duplicated by smaller firms."

At the same time, smaller firms would usually be well served by identifying and focusing on certain niches and specialties. For example, one of the biggest growth opportunities for smaller firms is the *family office practice*. "By bundling a variety of capabilities often including tax planning, compliance, and bill paying, the accountant becomes a trusted advisor to high-net worth clients," says Tarasco. "What's more is that well managed family office practices can readily generate margins reaching 75%. It is unquestionably one of the most lucrative types of practices for an accounting firm. It also can be a very effective way to generate business for the other practices in the firm."

Presently, smaller firms must become disciplined, agile, and business development oriented. They have to develop high margin value-added advisory capabilities such as family office practices. Very importantly, they must communicate to potential clients and centers of influence the depth, breath, and level of their expertise. Failing to do so makes them "hidden talents," who fall way short of their business potential.

Combining high caliber value-added advisory capabilities with effective outreach – think thought leadership – smaller accounting firms can be extremely successful. Failing to do so can result in a slow demise or – the more common consequence – being absorbed by larger accounting firms.

Source: Forbes

Who Will You Work With?

Picking the right clients can make you both richer and happier

BY JOHN NAPOLITANO

Picking your client is a voluntary action on your part, not an obligation imposed on you by society, your advertisements or your prospects. Many professionals are conditioned to believe that more is better, and that anyone who can fog a mirror qualifies to be a client of the firm.

When I was practicing as a CPA, there were days when I left the office wondering why anyone would ever want to go back tomorrow and do it again. Those days seemed to drag on forever. Those days did not feel very productive, and there were times when I didn't feel good about myself or my chosen career path. Then there were days when I'd look at the clock and be amazed that it was already 6 o'clock, and wonder if I could stop what I was doing until tomorrow or perhaps take it home to finish up after dinner.

What wasn't clear at the time was that there were very specific reasons why some days flew and others dragged. And more often than not, the quality of my day had to do with the clients who visited and the type of work that was consuming me on those given days. When the clients were too small or not fun to be with, work stunk. But when my day was filled with one or more ideal clients working on challenges that were interesting, the day was nirvana, and I wanted more just like that.

In public accounting, we are trained and conditioned to believe that more is better. Whether it's more hours, higher rates or more clients, many CPAs believe that more is the key to success. I now know that the key to success is more about doing what you love with the right clients, rather than more hours and more clients.

Know what you like

Discovering whether a prospective client is right for you is a combination of art and science, and involves qualitative and quantitative criteria. These criteria aren't a secret and don't need to be hidden. It's just that many CPAs give little effort to discovering what criteria are important to them personally and the firm. Having a minimum fee or raising the fee for difficult clients and hoping they soon leave is not an effective way of managing your client base.

Before ranking your clients from a quantitative and qualitative perspective, look at your client base for trends that involve lifestyle or enterprise consistency. If you notice that there are a lot of baseball fans or plumbers among your client base, perhaps that particular niche is worth exploring. Many firms have done this for traditional accounting and auditing services, but fewer have implemented a niche plan for financial planning services. Deepening your exposure or expertise in a particular niche may have long-term benefits as you become known as the expert in that particular area. By now, you may be asking what good developing a lifestyle niche is to your business. If you hold events or like to socialize with your clients, that lifestyle niche can become an important part of the relationship-building process. Witness the common golf-business connection enjoyed by many.

When beginning the stratification part, consider stratifying clients in three or four levels. Commonly a "school" system using grades from A through D is adequate. Some practice management consultants will tell you that you only need to define your ideal "A+" clients and disregard the rest, but that is not reality for the firm just embarking on this path of defining and attracting more ideal clients. We'll talk more about this later.

For a starting point, consider the top 10-25 percent of your clients today as the firm's A clients. The definition of an A client needs to begin with your current client base reality, and not your dreamy vision of your future ideal client. The balance of your clients will be ranked from B through D, where each level should occupy approximately 25 percent, unless a detailed analysis of your practice leads to a more natural break point that helps define their current stratification.

This stratification effort should be based on both the quantitative and qualitative criteria that are important to you. For the quantitative criteria, some of the more common criteria include:

- Gross accounting fees paid to the firm;
- Realization rate per hour worked;
- Years that a client has been in business;
- Longevity as a client;
- Whether or not the prospect has ever sued a professional services firm;
- The number of employees (for business clients);
- Quality of accounting staff ;
- Net worth;
- Gross income;
- Interest and dividend income;
- Gross sales of the client company;
- Tax bracket; and,
- Whether the client has employee benefit plans.

This list, obviously, can become quite long. Customize it with the quantitative criteria that are significant and important to your firm, and then rate each client in each of the important quantitative criteria. These matters should be considered on the facts and circumstances as they currently exist, and not as they may grow to be.

Qualitative criteria are just as important as the quantitative criteria. Some of the more important qualitative criteria include:

- Paying your firm's bill on time and without complaining or negotiating;
- Willing to refer you to other ideal clients;
- Being fun to spend time with;
- Appreciating your work and looking to you for more guidance;
- Willing to hire you for more than just telling them what happened last year; and,

- Sharing passions, such as golf, music, food or family.

Both the quantitative and qualitative criteria can and should include any niche specialties that your firm has successfully carved out. These may include:

- Multi-state issues;
- International issues;
- Industry specialization;
- Locations;
- Type of services that you deliver; or,
- Special education or CPE requirements needed.

So far, this sounds like a lot of work, and it is. Working on your business to identify your ideal client may not be billable time, but it can save a lot of guessing and false starts later. The information discovered from this process becomes the baseline that is necessary for you and whoever else in the firm is responsible for business development — especially when it comes to delivering a better experience for your clients. Whether you are creating a vibrant wealth management practice alongside your CPA practice or working side by side with another professional wealth management firm, clients appreciate working with professionals who understand their personal and professional needs.

Dropping Ds

Once you have the criteria established, and have ranked every client, you are in a position to use this information to benefit your life and your business. First, make a decision regarding how high a new client must score to make it through your new client acquisition process. If you decide that the firm will accept all levels of new clients, you may be asking for trouble. Ask yourself what significant opportunities are provided by new D clients. If you think that you have a good answer, ask the question of your staff.

Unfortunately, adding new D clients becomes counterproductive if the partners and employees want to enjoy every day and grow their business. In fact, one very liberating way to prove to your staff that you'll not be accepting new D clients is to terminate service with your more difficult existing D clients or refer (or sell) these smaller or difficult clients to a firm in which they may be A clients. I am shocked at just how many firms fight me on this, thinking that the tiny margins generated from such clients are worth the aggravation.

At the same time, if we were to poll your A clients, asking if they'd appreciate more time with you, the answer is typically an overwhelming yes. Don't waste time here: Find an appropriate solution for your Ds and spend more time with your As.

Profiling new clients is a critical part of having more favorable outcomes. Clients who need and want what you have to offer are more likely to be satisfied clients. When it comes to the wealth management side of your practice, a small client may take as much time as a larger client with far less revenue and opportunity — losses that you cannot make up with volume. In fact, it seems that client dissatisfaction happens more frequently with smaller D clients than those who better fit your profile.

Don't be shy when meeting new prospects for your firm. A big part of their enjoyment in working with your firm will be based on how well they fit your ideal client profile. Ask the questions that you need to ask in the first interview to see if they share your views and fit your profile. It makes the first meeting experience more of a mutual interview than a "sales" meeting where you are simply trying to generate more fees. You may be surprised by how liberating it can be to turn down new business because it doesn't meet the criteria for clients that your firm can help.

The most successful firms are those that have drawn a clear line in the sand about what new clients will look like. It sounds a lot harder to implement than it actually is, which is why most practitioners fail miserably at living by the line-in-the-sand rule. They continue to accept any and all comers whose payment for services will clear the bank.
Setting higher standards for the acceptance of new clients will not change your firm overnight. In fact, the first year may seem a little painful. If your typical year yields 20 new clients ranging from A to D, under the line-in-the-sand theory, you may only net one or two As and one or two Bs in the first year of these new tougher standards. But if you do it consistently, by the end of the third year, your new client flows will be back up to the old levels of 20 or more — except they'll all be As and Bs.

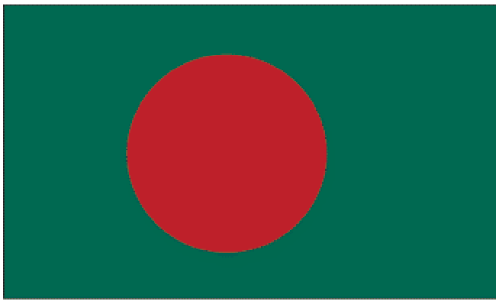
When you get to this point your days will be happier. Working for great people who fit your stringent quantitative and qualitative criteria for ideal clients starts and ends with you — and that is a voluntary decision.

John P. Napolitano CFP, CPA, is CEO of ***U. S. Wealth Management*** *in Braintree, Mass. Reach him through JohnPNapolitano on LinkedIn or (781) 884-2390.*

mgi BUSINESS SOLUTIONS WORLDWIDE

MGI ASIA NEWSLETTER
Quarter 2 2015

MGI ASIA COUNTRY UPDATE



Bangladesh Transfer Pricing Regulations
Transfer Pricing Regulations in Bangladesh is to be made effective from July 01, 2015 by the Finance Act, 2014.

The main reason for the implementation of transfer pricing regulation is to ensure fair share of tax revenue to respective jurisdictions and to protect shifting of profits outside of Bangladesh by manipulating price.

Bangladesh Transfer Pricing Legislation:
The National Board of Revenue (NBR) is the taxing authority and the tax laws have been introduced as:

1. Section 107A to 107J of Income Tax Ordinance, 1984 (The Ordinance)
2. Rule 70 to 75A of the Income Tax Rules, 1984 (The Rule)

Section 107(A) (2):
The pricing of any income or expenses arising from international transactions between associated enterprises will need to be determined with regard to the arm's length principle, using methods prescribed under Bangladesh Transfer Pricing Legislation.

Arm's Length Price-Section 107(A) (1):
"arm's length price" means a price in a transaction, the conditions (e.g. price, margin or profit split) of which do not differ from the conditions that would have prevailed in a comparable uncontrolled transactions between independent entities carried out under comparable circumstances"

International Transaction Section 107(A) (5):
Transfer pricing provisions are applicable to the following types of international transactions between associated enterprises, at least one of them being a non resident:

1. Purchase, sale or lease of tangible or intangible property.
2. Provision of services.
3. Lending or borrowing money.
4. A mutual agreement or arrangement for cost allocation or apportionment in connection with a benefit, service or facility provided or to be provided.
5. Any other transaction having a bearing on the profits, income, losses, assets, financial position or economic value of such enterprises.

Method for Computation of Arm's length Price-Section 107(C):
Bangladesh Transfer Pricing Legislation prescribes the following methods for determination of arm's length price:

1. Comparable Uncontrolled Price Method (CUP).
2. Resale Price Method (RPM).
3. Cost Plus Method (CPM).
4. Profit Spilt Method (PSM).
5. Transactional Net Margin Method (TNMM).
6. Any Other Method.

Documentation Requirements as Per Rule 73:
A detailed list of the documentation requirements are listed in rule 73. Some of the key documentation requirements are:

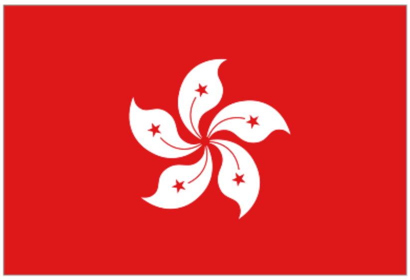
1. Profile of the multinational group including the consolidated financial statements of the group.
2. Profile of each members of the group including business relationships between each member.
3. Profile of each associate enterprise including tax registration numbers and financial statements of any associated enterprise operating in Bangladesh.
4. Business description.
5. The nature and term of international transaction.
6. Records of any financial estimates
7. Description of functions performed, risks assumed and assets employed.
8. Description of methods considered
9. Reasons for rejection of alternative methods.
10. Details of transfer pricing adjustments.
11. Any other information or data relating to the associated enterprise which may be relevant for determination of the arm's length price.

As per Rule 73, the above-mentioned information and documents shall be kept and maintained for a period of eight years form the end of the relevant assessment year.
The above documentation requirements shall not be applicable in case where the aggregate value of international transaction entered into during the

income year as recorded in the books of accounts does not exceed taka 30,000,000.

Statement of International Transaction – Section 107(EE)
The finance Act, 2014 has inserted a new section 107EE by virtue of which every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions in the form and manner as prescribed under Rule75A.

Conclusion:
As per the latest information, during the last nine months of the current fiscal year the NBR could not achieve the target tax revenue. So, for economic development of the country increasing internal resources mobilization is important and promulgation of the "Transfer Pricing" law is one such endeavour.



Recent Hong Kong Economic Facts

On May 15, 2015, The Government released the First Quarter Economic Report 2015. Hong Kong's economy grew by 2.1% in real terms in the first quarter year-on-year, slightly slower than the 2.4% growth seen in the preceding quarter. Due to full employment, earnings growth and upward stock market trends, domestic demand was relatively steady. Private consumption expanded moderately to 3.5% while investment grew 7.3%.

On June 12, 2015, The Hong Kong Monetary Authority released the key analytical accounts of the Exchange Fund at the end of May 2015. Foreign assets, representing the external assets of the Exchange Fund, increased during the month by HK$13.6 billion to HK$2,937.0 billion. The Monetary Base amounted to HK$1,424.8 billion.

Contributed by Kenneth Chau & Co

Goods and Service Tax (GST)

GST is considered one of the most important economic reforms in the history of independent India. Introduction of a GST will replace the existing multiple tax structures of Centre and State taxes. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transaction values into value of goods and services for taxation, which leads to greater complexities, administration and compliances costs. Integration of various taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST will be applicable to all transactions involving goods and services.
It does bring with it some problems, like division of taxation powers between the central government and states. Not surprisingly, the Finance ministry has already missed three of its deadlines to come out with an acceptable framework. The deadline now being looked at is April 01, 2016.
Important highlights of GST in India are:

1. This is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's/ service provider's point up to the retailer's level where only the final consumer should bear the tax.
2. The GST model as envisaged in India will have dual system for imposing the tax. GST shall have two components i.e.
   - Central or Federal GST (CGST)
   - State of provincial GST (SGST)

   In the case of CGST the following taxes which are presently levied separately on goods and services by Central government will be subsumed CGST
   a. Central Excise Duty
   b. Additional Excise Duty

c. The Excise Duty levied under Medicinal and toiletries preparation Act
d. Service Tax
e. Additional Custom Duty (CVD)
f. Special Additional Duty
g. Surcharge
h. Education Cess and Secondary and Higher Secondary education Cess

In case of SGST, following taxes which are presently levied separately on goods and services by State governments will be subsumed SGST

a. VAT/ Sales Tax
b. Entertainment Tax (unless it is levied by local bodies)
c. Luxury Tax
d. Tax on lottery
e. State Cess and Surcharge to the extend related to supply of goods and services.

3. It will cover all types of persons carrying on business activities, i.e. manufacturer, job-worker, trader, importer, exporter, all types of service providers, etc. and will result in a free flow of tax credit in inter and intra state levels.
4. Rates of tax- There with be a two-rate structure –a lower rate for necessary items and items of basic importance and a standard rate for goods in general. The rates are likely to be pegged between 18% and 22%.

Parliamentary process

The GST bill as introduced by the government was passed in May 2015 by the lower house of Indian Parliament, the Lok Sabha, where the present ruling party has a majority of its own. The bill was then introduced in the upper house of parliament, the Rajya Sabha where the government is in a minority and needs the support of other parties for passage of the legislation. Being a constitution amendment bill it needs the approval of 2/3rd of the members present and voting. Based on widespread divergence of views in the Rajya Sabha the bill has been referred to a select committee comprising 21 Members Of the Rajya Sabha who will debate on it and provide their recommendations to the government during the next session of parliament scheduled for July 2015. Further legislative process and implementation will depend on the recommendations of the committee, its acceptance by the government and consequent passage by Parliament.

Service Tax (ST)

Service Tax is a tax payable in India on services provided by a service provider. Effective June 01, 2015 the rate of service tax stands enhanced from 12.36% to 14%.

Other Indian economic updates

- Foreign Direct Investment (FDI) into the services sector which includes banking, technology, R&D grew by 46% to USD 3.50 Billion during the fiscal 2014-15.
- Reserve Bank of India (RBI), the country's Federal Bank reduced Repo rates by 0.25 bps to 7.25% effective June 2nd. Repo rates are the rates at which the RBI lends to other banks and hence has a direct bearing on cost of funds to borrowers.

Undisclosed Foreign Income and Assets (Imposition of Tax) Bill, 2015

Indian parliament has passed the **Undisclosed Foreign Income and Assets (Imposition of Tax) Bill 2015.**

The Bill also provides a one-time compliance opportunity for a limited period to persons who have any undisclosed **foreign** assets which have hitherto not been disclosed for the purposes of Income-tax. Such persons may file a declaration before the specified tax authority within a specified period, followed by payment of tax at the rate of 30 percent and an equal amount by way of penalty

Important provisions of the bill

- The bill proposes that starting financial year 2015-16 undisclosed foreign income & assets will be taxed under this new bill. Such income & assets will no longer be covered under the existing Indian Income Tax Act, 1961.
- The new bill only applies to the Residents of India (including their legal heirs). There is no exemption for expatriates who may become residents by virtue of their extended stay.
- No exemptions, deductions or set off of any carried forward losses (as provided under the IT Act) would apply to such income & assets.

- A penalty of Rs 10lakhs may be charged for failure to include details of foreign assets or income or in the income tax return or if inaccurate details have been furnished.

- Evasion of these taxes may also result in imprisonment from 3 years to 10 years. Cases where return has been filed but the tax payer failed to disclose foreign assets will also be punishable with imprisonment of 6 months to 7 years. Further the penalty for non-disclosure of income or an asset located outside India will be equal to three times the amount of tax payable thereon, i.e., 90 percent of the undisclosed income or the value of the undisclosed asset. This is in addition to tax payable at 30%.

- The bill after receiving President of India's assent will offer a window of one time compliance – where tax payers can disclose such foreign income & assets. During this window, a 30% tax (mentioned above) and a 30% penalty shall be charged. This window will be announced shortly.

Contributed by Tambakad & Goil

Government Regulation No. 18/2015 Removes Conditions of Minimal Investment

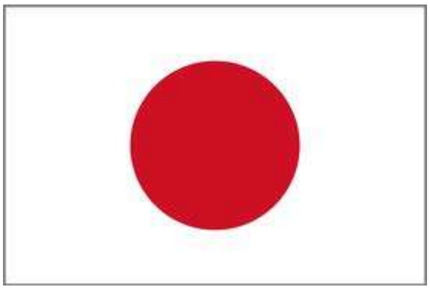
The presidential decree - Government Regulation (PP) No. 18/2015 - published in early April eases tax allowance requirements (involving discounts on companies' corporate income tax for a specific period) for local and foreign investment. Previously, investors were given a tax allowance if they invested at least IDR 1 trillion (USD $77 million). In the regulations set by the government, a company must meet a minimum investment requirement IDR 200 billion and a workforce capable of absorbing up to 300 people.
Removal of the minimum investment requirement will provide greater opportunities for investors.

The Removal of Administrative Penalty

Taxpayers who pay off their outstanding tax payable before January 1, 2016 will be exempt from the administrative penalty. The rule is in the newest Regulation of Finance Minister Number 29/PMK.03/2015.This rule is in accordance with Law of KUP article 36 which states that based on the taxpayer's application, the administration penalty can be reduced or removed.

Tax payable paid off is the tax payable incurred before January 1, 2015. The removal of the administrative penalty is to encourage tax payers to pay their taxes by end of 2015.

Contributed by KAP Basyiruddin Wildan



The Social Security and Tax Number System

The Japanese government will adopt the Social Security and Tax Number System in order to
(1) enhance the social security to people who truly need it,
(2) enhance public convenience and
(3) develop the efficiency in administration.

Each resident will be notified of his or her own 12-digit Individual Number (nicknamed “My Number”) beginning in October 2015. The Individual Number will be used for administrative procedures related to social security, taxation, and disaster response beginning in January 2016.

- Individual Numbers will be used only for legally stipulated tasks, such as procedures for the national pension, unemployment insurance and medical insurance, receipt of public assistance and welfare benefits, and the filing of income tax returns and other tax procedures.
- Private businesses will also handle Individual Numbers within a scope stipulated by law. Applicable tasks will include those related to social insurance and tax withholding.

Use of Individual Numbers for any purpose that is not stipulated by law and providing numbers to others are prohibited.

- Inappropriately obtaining the Individual Number of another person and providing a number to others without justifiable cause are punishable acts.
- Various measures will be implemented to protect personal information that is linked to Individual Numbers.

Japan’s Corporate Governance Code

The Tokyo Stock Exchange (hereinafter, “TSE”) has formulated the “Japan’s Corporate Governance Code” (hereinafter, the “CG Code”). The CG Code forms an “Exhibit” of TSE’s Securities Listing Regulations. The CG Code and the associated rules entered into force on June 1, 2015.

The CG Code establishes fundamental principles for effective corporate governance at listed companies in Japan. It is expected that the CG Code’s appropriate implementation will contribute to the development and success of companies, investors and the Japanese economy as a whole through individual companies’ self-motivated actions so as to achieve sustainable growth and increase corporate value over the mid- to long-term.

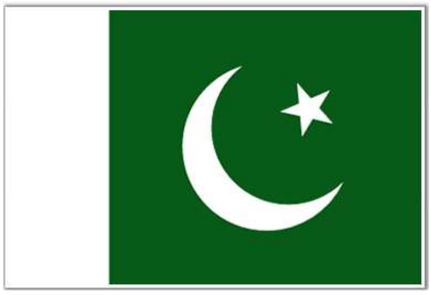
The characteristic of the CG Code is “The principle-based approach” and “Comply or explain”. One of main remarkable content is “Responsibilities of the Board”. Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

(1) Setting the broad direction of corporate strategy;
(2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
(3) Carrying out effective oversight of directors and the management (including shikkoyaku and so called shikkoyakuin) from an independent and objective standpoint.

This concludes many listed companies in Japan adopted “Company with an Audit Committee”.

The other main remarkable content is “Cross-Shareholdings”. When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so. In addition, the board should examine the mid- to long-term economic rationale and future outlook of major cross-shareholdings on an annual basis, taking into consideration both associated risks and returns. The annual examination should result in the board's detailed explanation of the objective and rationale behind cross-shareholdings.
Companies should establish and disclose standards with respect to the voting rights as to their cross-shareholdings.

Contributed by Seiyu Audit Corporation



Pakistan Finance Bill 2015- 2016

Finance Bill 2015-16 was announced on June 5, 2015 with the Fiscal Policy for the Financial year July 2015 to June 2016. The total outlay of PKR 4.451 Trillion with fiscal deficit to be around 4.3%.

This financial year (2014-15) saw stabilization of economy to a great extent with lowest inflation of 2.1% since 2003-04. Decline in international oil prices helped in stabilizing the USD parity with PKR in exchange rate. GDP growth rate slightly improved to 4.2% during the financial year. This was largely contributed by service sector which showed growth from 4.4% to 5%

This year budget is ambitious with 5.5% higher economic growth to be attained. Revenue targets are mainly driven by almost same tax rates as per last year with significant strategy to tax non-filers of income tax returns. Overall targets set by the Government for growth are modest and achievable given the right policies and strategies to be implemented at governance and monitoring frameworks.

Ilyas Saeed & Co has outlined its comments as 'Budget Memorandum 2015' on Finance bill for its clients and all interested parties. The same is available on our website www.ilyassaeed.com/budget-brief Comments, feedback and queries are welcome.

Securities & Exchange Commission of Pakistan - Amendments in Auditor's Report.

The proposed report shall be in line with IAS 1 with slight modification in compliance with local laws.
http://www.secp.gov.pk/notification/pdf/2015/Notification_AuditReportFormat_20150529.PDF

Contributed by Ilyas Saeed & Co.

Singapore Budget 2015

The Singapore Budget was delivered on 25 February 2015. This year's budget contained a slew of initiatives to help Singaporeans cope with the increasing cost of living, further their career prospects and enhance their retirement savings. The main highlights from Budget 2015 affecting businesses and individuals are as follows:

- The 30% corporate income tax rebate, has been extended for Years of Assessment (YA) 2016 and 2017, but with a reduced cap of S$20,000 per company per YA.
- The Productivity and Innovation Credit (PIC) Bonus will be phased out after YA2015. However, the PIC and PIC+ Schemes have been extended till YA2018.
- The Wage Credit Scheme (WCS) has been extended for 2 more years (ie 2016 and 2017). Under the WCS, the Government will co-fund 20% of wage increases of at least S$50 up to a gross monthly wage of S$4,000.
- The Central Provident Fund (CPF) salary ceiling will be increased from S$5,000 to S$6,000 starting from 1 January 2016. CPF rates for older workers will also be increased by 0.5% to 2%.
- The Temporary Employment Credit (TEC), a rebate given to employers to defray total costs due to the higher CPF ceiling and CPF rate for older workers, will be raised to 1% of wages in 2015 and will also be extended by two years (1% in 2016 and 0.5% in 2017).
- Businesses can now claim Goods and Services Taxes (GST) incurred on goods and services up to 6 months prior to GST registration.
- Individuals will receive a one-off personal income tax rebate of 50% capped at S$1,000 for YA2015.

- Individuals earning chargeable income above S$160,000 will see a marginal increase in their personal income tax rates. The previous rates of 17-20% will be increased to 18-22% with effect from YA 2017

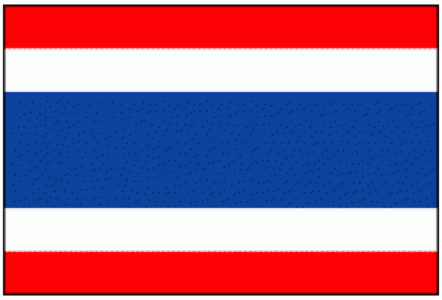
For a brief report on this year's Budget, please visit www.mgimenon.com/links.html

Changes to the Singapore Companies ACT

Several changes have been made to the Singapore Companies Act. These changes will be implemented in 2 phases. The first phase will be implemented on 1 July 2015 and the main amendments are as follows:

- Introduction of small company concept and new audit exemption threshold. Previously, exempt private companies (private companies having a maximum of 20 shareholders, all of whom must be individuals) were exempt from audit as long as their annual turnover was less than S$5 million. Non-exempt private companies required an audit unless they remained dormant throughout the year. Under the new legislation, private companies will be exempt from audit if they meet any 2 of the following 3 criteria for the immediate past 2 financial years:
  - (a) Annual turnover less than S$10 million;
  - (b) Gross assets less than S$10 million; and
  - (c) Total employees less than 50
- Auditors of non-public interest companies may resign upon giving notice to the company. Auditors of public interest companies and their subsidiaries need to seek ACRA's consent for early resignation.
- Companies will be able to issue shares for no consideration.
- Section 200 of the current Companies Act, requiring the financial year ends of parent companies and subsidiaries to be aligned, will be repealed.

Contributed by MGI Menon & Associates.



Thailand introducing Transfer Pricing

Thailand is expected to introduce new transfer pricing (TP) laws in the near future, which will apply to all companies in the country with related-party transactions.

The government had just approved the concept of TP regulation during May 2015. The main objective of these rules is to prevent the manipulation of taxable profit in Thailand being transferred outside country.

Although, the TP rules has not been enforced, but we expect to see the procedures relevant to TP document lodging, pre-approval of TP scope and pricing and so on.

Beside the impact on compliance requirements, this TP rules will encourage better treatment of double tax treaties and the tax credit used between countries is expected to be more convenience.

Contributed by Nathee Audit Office Co. Ltd.