

Members of MGI Asia

It was wonderful seeing all of you again at the recent MGI Asia meeting in Seoul – A big thank you to Young Ham and the good people at Hanmi Accounting Corporation for their efforts and hard work.

With 12 out of 15 members attending the meeting, there was a lot of exchange about the network vs alliance decision. It was also insightful to listen to the range of ideas from both the existing and new members. I hope that outside of the annual meeting, regular interactions will continue throughout the year. A key possible development will be the formation of technical groups, and I would urge you to share your Firm's expertise and industry specialism.

The focus of MGI has been the quality of its members, with the aim of enhancing the MGI brand. The ideal outcome is that quality members who are part of a renowned brand will be able to generate more business by pitching for bigger and better international work and also by providing a seamless premium service to clients. We in MGI Asia can play our part. By adopting the MGI brand consistently, the brand will gain recognition, this will benefit members and hopefully, this will result in more business for all of us. We also look forward to attracting more quality members along the way. MGI Asia is looking to expand in Sri Lanka, Laos and Chennai, India. Members who have any leads are advised to contact Audrey.

As most of you are probably aware, stakeholders have always sought to derive greater value from the audit of financial statements. Regulators throughout the world have adopted the soon to be effective enhanced auditor's report, which will require additional matters to be disclosed in the auditor's report. These matters include areas where significant judgement was used, such as estimates used when valuing investments. The enhanced auditor's report is already effective in some parts of the world in the public interest entity segment, and the Rolls Royce 2013 auditor's report is quoted extensively. The increasing challenges and demands placed on the audit profession come with a silver lining – there will naturally be a shift away from the traditional services of audit to other services including family offices, transfer pricing and non-audit advisory work. Once again, these are times and opportunities for us to find ways to synergise our strengths.

I look forward to meeting as many of you at the 2015 AGM to be held in London as it will be nice to see a strong Asian contingent at the global meetings.

Imran Assan
Area Leader - Asia

SEOUL: The venue for the 2015 Asia Area meeting

The one and a half day of meetings was focussed on discussions on how the Asia members can collectively unlock the value of MGI membership.

A big part of the meeting was dedicated to the MGI Worldwide and the mint.alliance discussions. Clive spent some time on Day 1 explaining to members what it means to be members of either organisation, what next in respect of the decision & application process.

Hanmi Accounting Corporation hosted a Korean dinner followed by a traditional Korean stage show – MISO.

Day 2 was dedicated to panel discussions & break-out sessions on building a successful referral market, how to generate more business & how to build a common platform for MGI Asia.

Part of Day 2 was spent on administrative matters such as updates from the International Committee, Asia area update, Area Coordinating Committee member nominations and budget approval.



MGI ASIA MEMBER NEWS

MGI ranked 5th in South Korea

The August Edition of the International Accounting Bulletin ranked Hanmi Accounting Corporation number 5 in respect of both fee & staff data. Congratulations to Young Ham & team.

RANKINGS		SOUTH KOREA		International Accounting Bulletin									
RANKINGS - 03 2015		Per capita (USD)											
Rank	Name	Fee income (USD)	Growth rate	Audit & Accounting	Tax services	Management consulting	Corporate Finance	Corporate advisory	Capital raising	Insurance	Legal	Other	Year end
1	Hyundai International*	27,000.0	20%	51	16	27	1	1	1	1	1	1	Mar 14
2	IBP*	23,000.0	20%	41	27	27	1	1	1	1	1	1	Mar 14
3	GS International*	18,000.0	20%	40	12	25	1	1	1	1	1	1	Mar 14
4	Praxys*	16,000.0	1%	41	16	1	1	1	1	1	1	1	Mar 14
5	HMI*	16,000.0	10%	41	16	1	1	1	1	1	1	1	Mar 14
6	Praxys*	16,000.0	10%	41	16	1	1	1	1	1	1	1	Mar 14
7	GS International*	8,000.0	1%	41	16	1	1	1	1	1	1	1	Mar 14
8	ADP International*	7,000.0	1%	41	16	1	1	1	1	1	1	1	Mar 14
9	IBP*	7,000.0	1%	41	16	1	1	1	1	1	1	1	Mar 14
10	Praxys*	7,000.0	1%	41	16	1	1	1	1	1	1	1	Mar 14
Total International		122,000.0	10%	41	16	1	1	1	1	1	1	1	

RANKINGS - 03 2015		Per capita (USD)											
Rank	Name	Total staff	Partners	Professional staff	Administrative staff	Others	Year end						
1	Hyundai International*	276	122	154	100	54	Mar 14						
2	IBP*	230	100	130	100	30	Mar 14						
3	GS International*	180	80	100	100	0	Mar 14						
4	Praxys*	160	70	90	100	0	Mar 14						
5	HMI*	160	70	90	100	0	Mar 14						
6	Praxys*	160	70	90	100	0	Mar 14						
7	GS International*	80	35	45	50	0	Mar 14						
8	ADP International*	70	30	40	50	0	Mar 14						
9	IBP*	70	30	40	50	0	Mar 14						
10	Praxys*	70	30	40	50	0	Mar 14						
Total International		1,200	500	700	800	200							

Kenneth Chau & Co fete's their team

After the Hong Kong Profits Tax reporting peak season in August, Partners of Kenneth Chau & Co. treated their staff to a buffet dinner on August 27, 2015. All participants had a relaxing time, unwinding & enjoying the good food.



Scoring new clients!

Khan Wahab Shafique Rahman & Co added Bangladesh Petroleum Exploration and Production Co. Ltd and Bangladesh Red Crescent Society to their growing list of elite clients.



Lehman Brown added multinationals Yahoo China & British Council



APV Cambodia – Annual Staff Retreat

The annual staff retreat was held at Preah Sihanouk Province, a Coastal Zone of the Country.

This retreat enabled the APV team to step away from their daily responsibilities and see each other, their assumptions and their work with a wider lens and a different perspective.

It enabled them to dig into their hearts and minds, to think outside the box to generate ideas to work together and move forward in powerful ways.



PROFESSIONAL NEWS FROM AROUND THE WORLD

More Transparency and Audit Insights with Adoption of Enhanced Auditor Reporting Standards in Singapore

The enhanced auditor reporting standards were issued by the Institute of Singapore Chartered Accountants (ISCA). The Accounting and Corporate Regulatory Authority (ACRA)'s Public Accountants Oversight Committee (PAOC) has since reviewed and approved the application of these enhanced standards for Singapore. The enhanced standards take effect for audits of financial statements for periods ending on or after 15 December 2016. The new and revised auditor reporting standards can be accessed [here](#).

Tokyo Stock Exchange data shows voluntary adoption of IFRS by Japanese companies continues to grow

The Tokyo Stock Exchange (TSE) has released data showing that 112 companies, accounting for a quarter of the market capitalisation, have adopted or plan to adopt International Financial Reporting Standards (IFRS) and that nearly 200 further companies are actively considering adoption.

Currently, companies in Japan are permitted to use four different accounting frameworks: IFRS, Japanese Generally Accepted Accounting Principles (GAAP), US GAAP and the newly issued Japan's Modified International Standards (JMIS). Over the past three years there has been an increasing trend to move to IFRS.

The 112 companies include 91 companies (20 per cent of the TSE market capitalisation) that have already adopted or are in the process of adopting IFRS, and 21 companies (five per cent of the TSE market capitalisation) that are planning to adopt IFRS.

In addition, the analysis shows that an additional 194 companies (17 per cent of the TSE market capitalisation) are considering whether to move to IFRS.

By comparison, in December 2012 only 10 Japanese companies were using IFRS. Hans Hoogervorst,

Chairman of the International Accounting Standards Board (IASB), said, *The situation in Japan is unique and insightful; companies have a choice between several sets of standards. There has been a significant increase, in a short period of time, in the number of companies voluntarily adopting IFRS. This demonstrates that these companies find IFRS helpful for their international business activities.*

Source: IASB website

IFAC Sees Validation on Strategy and Activities

The International Federation of Accountants found wide support for its activities in the results of a strategy survey that polled member organizations on IFAC's strategic plan for 2016–2018.

IFAC identified several key global trends that have implications for the profession and asked survey respondents to comment on them. These trends, which will help shape IFAC's strategy and activities going forward, include the increasing pace of change of information technology; the volume and complexity of regulation; the need for transparency and accountability in the public sector; the shrinking tolerance for corruption; the changing structure of education; changing demographics and competition for talent; shifts and uncertainty in economic power; increasing economic interconnectedness; the desire for international harmonization and simplification of taxation rules; the shifting focus from short-term to long-term organizational sustainability; and increased stress on natural resources.

The survey respondents agreed that these are all key areas affecting the accounting profession and identified additional trends, including attracting and retaining talent and the impact on recruiting, training and development; big data's impact on accountancy; cybersecurity as an increasingly high priority and key risk; the impact of regulation on small and midsize practices and entities; and the role of the profession in corporate governance, fighting corruption, and money laundering.

There was virtually unanimous agreement among member organization respondents that IFAC's vision remains appropriate. A significant majority of respondents agreed that IFAC is effective or highly effective in its areas of global comparative advantage—those areas in which it is uniquely positioned to spearhead initiatives because they demand a global reach, freedom from commercial

interests, and the ability to create dialogue and debate. These roles include being a natural facilitator, trusted intermediary, credible convener and influential voice. In addition, a substantial majority said IFAC's current allocation of resources achieved an appropriate balance among the various priorities.

"The results of this survey indicate strong support for IFAC's strategic objectives, key areas of focus, and activities," said IFAC CEO Fayez Choudhury in a statement. "As we move forward with developing IFAC's Strategic Plan 2016–2018, the insights provided will help us hone our comparative advantages and identify areas for new or intensified activities in response to key global trends—including big data, cyber security, and social issues, such as taxation policies—for the benefit of our member organizations and in the public interest."

The survey results showed a high level of support for all of IFAC's current activities. All activities were rated as being "important" or "very important" by an average of 89 percent of respondents, indicating they believe these activities effectively and efficiently achieve IFAC's vision and strategic objectives, leverage its global comparative advantages, and respond to key global trends.

Respondents also weighed in on proposed activities that IFAC is considering for the future. These activities—from sharing knowledge on emerging trends affecting the profession to identifying knowledge gaps in relevant areas and forming collaborations to address them—leverage IFAC's global comparative advantages and were welcomed, with an average of 86 percent of respondents rating them "important" or "very important."

The results endorsed IFAC's activities to speak out on behalf of the global accountancy profession, with an average of 95 percent of respondents saying IFAC's current activities in this area are "important" or "very important." Proposed future actions in this area—including substantially intensifying efforts to promote the value of the profession and speak out on regulatory issues, intensifying collaboration with member organizations on public policy and regulation, and leveraging the IFAC brand to help promote member organizations to key national stakeholders—were also heartily endorsed, with an average of 90 percent calling them "important" or "very important"

Source: Accountant Today

IASB Proposes Changes in Revenue Recognition Standard

The International Accounting Standards Board has proposed making some clarifications to the revenue recognition standard that it released last year with the U.S. Financial Accounting Standards Board.

The proposed targeted amendments follow discussions at meetings of the joint Transition Resource Group that was set up by the IASB and FASB to help companies implement the new revenue recognition standard after it was issued in May 2014. The changes are similar to ones that FASB also proposed in the areas of licensing revenue and performance obligations

The two boards are trying to stay in sync after releasing the long awaited revenue recognition standard last year after more than a decade of work on converging U.S. GAAP with International Financial Reporting Standards. They decided earlier this month to defer the effective date of the revenue recognition standard for one year until 2018 to give companies more time to adjust to them, while also allowing for early adoption on the original effective date

The IASB issued an **exposure draft** proposing to clarify how to identify the performance obligations in a contract; how to determine whether a party involved in a transaction is the principal (responsible for providing the goods or services) or the agent (responsible for arranging for the goods or services to be provided to the customer); and how to determine whether a license provides the customer with a right to access or a right to use the entity's intellectual property.

In addition, the IASB has proposed two types of relief to aid the transition to the new revenue recognition standard.

The consultation on the exposure draft proposals is open for comment until Oct. 28, 2015. The IASB said it expects to complete its discussions on these issues by the end of 2015, after which the final amendments to the standard will be issued.

Source: Accountant Today

IAASB Proposes Limited Changes in Audit Standards for New Ethics Rules

The International Auditing and Assurance Standards Board released an **exposure draft** proposing amendments to its International Standards on Auditing in response to recent proposals from International Ethics Standards Board for Accountants on how to respond to noncompliance with laws and regulations.

The proposed amendments to the IAASB's International Standards—Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations, come in the wake of the IESBA's **re-exposure draft**, Responding to Non-Compliance with Laws and Regulations. Both the IAASB and the IESBA operate under the auspices of the International Federation of Accountants.

“The IESBA’s exposure draft proposes a framework for professional accountants in deciding how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations, which will be highly relevant for auditors,” said IAASB chairman Arnold Schilder in a statement. “The IAASB therefore believes that amendments are needed to the IAASB’s International Standards in the public interest to enable them to operate in concert with the IESBA standards and without confusion due to the many jurisdictions that utilize both.”

The exposure draft focuses on proposed amendments to International Standard on Auditing 250, Consideration of Laws and Regulations in an Audit of Financial Statements, with less extensive changes proposed to seven other standards. The amendments are limited in nature and mostly acknowledge the enhancements that will be made by the IESBA in the Ethic Code to clarify how aspects of the IESBA’s proposals will be reflected in the IAASB’s international standards.

The exposure draft is open for comment through Oct. 21, 2015. “The IAASB has issued its proposals with a 90-day comment period in hopes that stakeholders will consider them alongside the IESBA’s re-exposure draft,” said IAASB technical director Kathleen Healy. “The IAASB intends to continue to coordinate with the IESBA as both boards move forward on this important

Source: Accountant Today

IAASB Revises International Auditing Standards to Emphasize Disclosures

The International Auditing and Assurance Standards Board has release its revised International Standards on Auditing to provide more focus on financial statement disclosures.

The revised standard, **Addressing Disclosures in the Audit of Financial Statements**, aim to focus auditors more explicitly on disclosures throughout the audit process and drive consistency in auditor behavior in applying the requirements of the International Standards on Auditing.

As a complement to these revisions, IAASB staff has also developed a **companion publication** for auditors that describes financial reporting disclosure trends and their possible implications from an audit perspective and highlights how the ISAs as revised guide the auditor in addressing disclosures. The IAASB operates under the auspices of the International Federation of Accountants.

The publication is intended to provide more consistent application of the standards when addressing disclosures as part of an audit of financial statements, and may be particularly relevant to small and medium practices implementing the changes to the ISAs.

“Understandable and relevant disclosures are essential to users of financial statements, and the focus has shifted to providing more qualitative information in the disclosures,” said IAASB chairman Arnold Schilder in a statement. “Increased auditor attention to disclosures is therefore in the public interest. We will continue to collaborate and coordinate with the accounting standards setters as they consider how to best improve financial statement disclosures and make them more effective.”

“Addressing the information included in disclosures is an integral part of the audit, regardless of the financial reporting framework under which the financial statements have been prepared,” said IAASB technical director Kathleen Healy. “The IAASB firmly believes these changes to the ISAs will enhance audit quality and are capable of being applied proportionately in audits of entities of all sizes, and in all jurisdictions and sectors.”

The revisions to the standards encompass changes to 10 ISAs and conforming amendments to five other ISAs. They will be effective for audits of financial statements for periods ending on or after Dec. 15, 2016, in line with the effective date for the new and revised **Auditor Reporting standards and ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information**

Source: Accountant Today

IFAC Advises Accountants on Meeting Sustainability Challenges

The International Federation of Accountants has released a new briefing paper on how accountants can help their organizations address sustainability issues and incorporate them into business decisions.

The briefing, **Accounting for Sustainability. From Sustainability to Business Resilience** highlights the important role accountants can, and must, play in embracing sustainability challenges and ensuring that the organizations they serve are resilient by linking these challenges to a broader business agenda and strategy.

"Businesses are resilient when they are able to create and continue to deliver value to stakeholders, which involves considering both the risks and opportunities presented by sustainability issues, including environmental and social aspects, that ultimately affect financial performance and value creation," said IFAC President Olivia Kirtley in a statement. "Accountants working in the public and private sectors have a significant role to play in supporting and making the decisions that guide an organization's ability to be resilient."

The briefing examines the link between sustainability and business resilience, how integrating sustainability leads to better performance, and the key elements of developing a sustainable strategy and business model.

The document clarifies how accountants can make a difference and includes references to some of the tools available to help develop knowledge and skills.

Source: Accountant Today

Accountants See Regulations Stifling Growth and Innovation

Two-thirds of accounting, finance and business professionals believe regulation is having a significant or very significant impact on their organizations' opportunities to grow and innovate, according to a new [survey](#) by the International Federation of Accountants.

Meanwhile, 79 percent of the survey respondents reported that the regulation affecting their organizations is complex or very complex, and 83 percent said the impact of regulation on their organizations has become more significant or much more significant over the past five years. Eighty percent also believe regulation has a significant or very significant impact on their organizations' cost of doing business.

"Good regulation is essential to the fairness, efficiency and effectiveness of economies, and making it work as well as it can is a never-ending mission," said IFAC CEO Fayez Choudhury in a statement. "Growth remains a concern globally, and these results should be a wakeup call for us to examine the impact of regulation, including the regulation and reform introduced in response to the global financial crisis."

Choudhury pointed to the growing scope of regulations. While the Glass-Steagall Act, which was instituted in 1933 in the wake of the Great Depression, was 37 pages, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which was passed in response to the 2008 financial crisis, had more than 2,000 pages. The first Basel Accord, introduced in 1988, had seven risk categories and required seven calculations, while Basel III had more than 200,000 risk categories and more than 200 million calculations.

The results also demonstrate that the regulatory approach across different regions is inconsistent, with nearly half the respondents reporting that collaboration between regulators is ineffective.

"There are urgent questions surrounding regulation's impact on growth and innovation, as well as how its complexity is affecting the agility needed to face emerging risks and potentially the next financial crisis," said Choudhury. "IFAC aims to collaborate with policy makers, regulators, and the organizations impacted to examine these questions and probe the impacts as a major priority."

The [Global Regulation Survey](#) polled 313 accounting, finance, and business professionals in organizations ranging from small and medium entities to very large entities, operating in a wide range of industry sectors on six continents. The survey was conducted during July and August 2015.

Source: Accountant Today

IIA Updates Guidance Framework

The Institute of Internal Auditors has enhanced its **International Professional Practices Framework**, which has provided internal auditors worldwide professional guidance in various forms since 1947, in response to more recent risks, while also releasing a report on the current pulse of the internal audit profession.

The updated framework now includes a **Mission of Internal Audit** and articulation of 10 **Core Principles for the Professional Practice of Internal Auditing**. The changes do not affect the content of other key elements of the framework, including the definition of internal auditing, the **Code of Ethics** or **International Standards for the Professional Practice of Internal Auditing**.

The new mission statement articulates what internal audit aspires to accomplish: "To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight."

The new Core Principles highlight what effective internal auditing looks like in practice as it relates to the individual auditor, the internal audit function, and internal audit outcomes. These include, among other things, demonstrating integrity, objectivity, competence, and due professional care. In addition, the principles highlight the need for internal audit to be proactive, insightful and future-focused.

Other enhancements to the framework include transitioning "Practice Advisories" to a more comprehensive suite of "**Implementation Guidance**"; and grouping Practice Guides and Global Technology Audit Guides, as "**Supplemental Guidance**."

The IIA said the new structure does not eliminate the content of existing Practice Advisories, but recognizes that these will be revised and re-issued as

Implementation Guides over the next 18 months. Starting this month, the Practice Guides automatically will become part of the IIA's recommended Supplemental Guidance and will be updated as needed.

"The enhancements we unveil today are designed to strengthen internal audit's position as an invaluable partner in business success," said Larry Harrington, senior vice chairman of the IIA's Global Board and chairman of the IPPF Re-look Task Force Steering Committee, in a statement Monday. "As we traverse an increasingly complex business environment, we must be clear what internal audit's mission is and underscore the basic tenants and principles that will continue to propel our profession forward."

Source: Accountant Today

New Guide on Compilation Engagements Helps Accountants Meet Changing Market Demand

The International Federation of Accountants (IFAC), released the [Guide to Compilation Engagements](#). The Guide aims to help professional accountants in practice, especially those operating in small- and medium-sized practices (SMPs), in conducting compilation engagements in compliance with ISRS™ 4410 (Revised), an International Standard on Related Services developed exclusively by the International Auditing and Assurance Standards Board (IAASB).

"The regulatory environment is changing. As a result, increasingly small- and medium-sized entities (SMEs) may now be able to choose from an array of assurance and related services to meet their needs," said IFAC SMP Committee Chair Giancarlo Attolini. "Accounting practices, especially SMPs that typically serve SMEs, need to be prepared to help their clients navigate this choice, while being prepared to meet clients' changing demands. The Guide can help practitioners increase their knowledge and understanding of compilation engagements, thus broadening their service offerings and strengthening their practices in this important area."

Practitioners can use the Guide as an introduction to compilation engagements, to deepen their prior understanding and knowledge, as a day-to-day reference guide, or as the basis for training modules.

The Guide includes practical guidance on the application of the requirements in the standard and “Consider Points,” which offer suggestions to facilitate efficiency and address areas where practitioners often encounter difficulties. Featuring illustrative examples alongside relevant extracts from the standard, the Guide also includes appendices with key checklists and forms that practitioners can use as is or modify to meet the requirements of their particular jurisdiction.

Visit [SMP Publications & Resources](#) for access to the Guide, which forms part of IFAC’s suite of implementation support and includes comprehensive Guides covering the implementation of the IAASB’s audit, quality control, and review standards: ISA, ISQC, and ISRE 2400 (Revised), respectively.

For access to additional implementation resources from IFAC and notable organizations from around the world, see the [Global Knowledge Gateway](#), in particular, the areas of audit & assurance and ethics

Source: IFAC website

IFAC Global SMP Survey: 2015 Opening Soon

The 2015 IFAC Global SMP Survey will open in October. Please plan to take the 10-minute survey, which will be available in 22 languages, and share it with your colleagues.

Go to <http://www.ifac.org/about-ifac/small-and-medium-practices> for more details

MGI GLOBAL NEWS

MGI held on to its ranking in the annual list of top accounting associations and alliances from Accountancy Age.

Despite a slight fall in fee income, MGI remains the 15th-largest association globally, a position it secured last year.

Fees were down three per cent in the 2015 edition to \$541 million, but that came after a stellar 15 per cent rise in income the previous year.

Inter-group switching has been a big feature of the last year for the leading associations and alliances.

“The big headline changes in affiliation have been mostly in the UK and the US, often coming out of the consolidation resulting from succession/baby boomer retirement issues,” says Clive Viegas Bennett, chief executive at MGI, as quoted by Accountancy Age.

“This churn has not yet stopped, but there are signs it is slowing. Some mergers may result from this underlying firm level phenomenon. Networks and associations are also looking to grow through mergers in order to increase their cost efficiency and competitiveness, although we all recognise the significant cultural and geographical barriers to such mergers.”

Overall, the world’s top 40 international accountancy networks and associations delivered combined growth worth \$10 billion between 2014 and 2015.

Accountancy Age published the 2015 Top 20 Associations and Alliances rankings on 15 July, to see the full rankings [click here](#)

MGI ranks top 4 in Africa

MGI is Africa’s fourth-largest accounting association, according to latest analysis of fee and staff data by the International Accounting Bulletin (IAB).

With members in a diverse range of countries from South Africa to Ghana, income for MGI firms in Africa topped \$9.6 million to the year ending June 2014.

Arthur Baguley, partner at MGI Bass Gordon GHF in Cape Town, commented: “MGI has a stable African fee and staff base. There are requirements to acquire new firms and hopefully this will be achieved in the New Year.”

MGI Mexico member firms launch joined internal audit service

MGI member firms in Mexico have launched a joined internal audits and corporate governance service for companies across Mexico.

The new service is aimed and tailored for medium sized enterprises and include functions such as internal control, finances, accountancy, budgetary control, evaluation process and a review of the policies and procedures implemented within the organization.

All of MGI Mexico member firms in Mexico (12) are involved in the project and are promoting the service locally.

MGI member Votum AG launches Germany business guide

First published in 2008, the new edition was put together by Votum partner Alexander Leoff. It has been significantly updated with all new chapters on "Thin capitalisation rules" and on intellectual property (IP) law in Germany and Europe.

The corporate law and IP law issues were written by Dr Alexander Wolf from Votum's own affiliated law firm KMO Kestler Mielert & Partner (KMO), which specialises in the field of commercial, corporate and tax law with international clients mainly in the UK, France, Italy and the US.

This latest edition of 'Doing Business in Germany' is a helpful aid for fellow MGI members and their clients looking to set up a business in the country

Rickard Keen merger will create MGI's biggest UK firm

Rickard Keen, a valued member of MGI for 36 years, will be merging with Bird Luckin a highly respected firm of chartered accountants based in Chelmsford, UK.

The merger will take place on October 1st to create Rickard Luckin, which will become MGI's largest UK firm with a turnover in the region of £8.5 million, 13 shareholders and a total team of more than 130.

MGI is delighted to hear that Bird Luckin has decided to give up membership of IAPA, in preference for the relationships they value within MGI.

TIPS & HELP

Taking the Pain out of Practice Management

Managing your own accounting practice is a gratifying and fulfilling experience, especially if you've worked many years to make that dream a reality.

However, many practitioners face similar pain points when it comes to organizing data, tracking projects and managing finances. In a business environment filled with complex client expectations, constant legislative changes and advancing technology, addressing these pain points by re-evaluating your internal work processes is more important than ever.

Let's take a look at some of the most common pain points of practice management and common sense approaches to solving them.

1. Organizing Your Client Data

Needless to say, unorganized client data can lead to a complicated work environment and ultimately a disappointing client experience. We've all heard the horror stories of tax returns being sent to the wrong address or invoices going unpaid because a client moved offices.

These problems often occur because most firms use numerous systems to address their compliance, accounting, payroll, audit, CRM, email and document management needs. With so many access points, client data is nearly impossible to keep up to date and organized.

The simple answer to this challenge is a single database where changes and updates only have to be made one time. This is where an all-encompassing practice management system comes into play. With a single data entry point for all information, you can ensure consistency, accuracy and time savings for the entire firm—and this leads to a seamless client experience.

Before you make the commitment to implementing a single system, however, make sure the owner or partners of the firm have bought in and are supportive of the process. If staff sees that management isn't following the guidelines, they're much less likely to comply.

It's also important to establish a champion within the firm to oversee the change. Give them accountability and clear measurements for success and make sure

they have sufficient time to manage the process. Document the new process very clearly and make sure every member of the staff knows the firm's expectations.

Most importantly, make sure to properly train staff on the new process and follow up frequently to confirm their understanding and ensure that they're following the steps properly. If they understand the benefits of using a single system and the ways in which it will help them get their job done more quickly, easily and efficiently, they will be much more engaged in the process.

2. Tracking Your Projects

Whether you refer to it as workflow, due date tracking or project management, keeping track of your client obligations can be a big challenge. From current work to anticipated projects, it is imperative for a successful firm to keep track of who is working on what and what the real-time status is so that client questions can be answered in the same way, by any staff member. Further, your staff should have access to this information at any time and from any location. As we all know, clients now expect to call, email or text their firm and receive a response in real time. With an integrated project management system that is part of an overall practice management system, you can track all aspects of your firm's projects, including client/contact management, resource management, notes and interaction tracking.

As you evaluate and implement a project management tracking system, ensure that the system is not only easy to set up and implement but also allows for future growth and refinement, as the staff become more adept at tracking and updating the system. If the system is too complex and difficult to maintain, the staff will quit using it, which could result in a firm-wide breakdown in project tracking. You should also make certain that the system has a real-time dashboard and reporting function that allows any staff member in the firm to check on the status of a project in real time, in order to address any client inquiry quickly.

3. Managing Your Finances

Many firms think they have a handle on where they're making and losing money, and don't see the need to keep track of it in detail. These firms are often surprised at the incredible visibility they get into their business when they implement a practice management system.

In order to ensure the practice is running at its most optimal state, it's important that you are able to answer questions about the type of work you do best, as well as which staff members are most productive and contributing most to the bottom line. It's also vital to know which clients are the most profitable, as well as those clients for which you should raise fees or let go.

By addressing common pain points with a comprehensive practice management system, a more efficient and productive work environment emerges, giving you more time to focus providing the best possible experience for your clients.

It is important to realize, however, that making this change is a major undertaking. Without the support of the entire firm, it will be difficult to see the implementation through to completion. So, take your time, do your research, and make a thoughtful plan of action. If you do, you'll undoubtedly realize the benefits are well worth the investment—and rest assured you'll be providing your firm with a foundation of efficiency, productivity and growth for years to come.

Matt Jagst is director of product management of the professional segment with the Tax & Accounting business of Thomson Reuters.

Filling the Soft-Skills Gap

Yes, you need to hire people who have or can learn the required technical skills. But no, that doesn't mean you can ignore soft skills in your hiring.

Every day in our work, the stories managers tell us about good hires gone bad (and bad hires gone worse), are almost always stories about failures in the soft skills, not the hard skills. Nine times out of 10, an unsuccessful hire fails due to soft skills, not hard. Never forget, one very good hire is much better than three or four or five mediocre hires.

How can you build in soft skills criteria systematically in every aspect of your staffing strategy and hiring process?

Step1 For every position, build a profile and job description that includes not just the key hard skills for that role, but also the key soft skills. Once you identify the high-priority soft skill behaviors for each position, name them yourself. Describe them in detail. Build those criteria into the basic job requirements in no uncertain terms from the very

outset. Be prepared to turn away candidates who do not meet these soft skill criteria just as you would turn away candidates without the necessary hard skills. Or else, if you are forced to hire people without the required soft skills, make sure you have a plan in place to address those soft skill gaps from the first day of employment.

Step 2 Look for talent from sources well known for the strong soft skills you need. This is why so many employers want to hire those who have served in the military: You can be sure that they will display respect for authority, willingness to wear a uniform, excellent manners, timeliness, consistency, follow-through, teamwork, and initiative. The same goes for anybody who makes it to Eagle Scout. What schools, employers or organizations do you know where members or alumni are likely to have stronger soft skills in the areas that matter the most to you? Maybe it is the Peace Corps, or a non-governmental organization, a club or a church or an athletic team; maybe you are looking for someone who has run a marathon or been a camp counselor or a school teacher or volunteered in a soup kitchen.

Step 3 Include your high-priority soft skills behaviors in your employer branding and recruitment campaign messaging. That's why it's so important to name your high-priority soft skills — to have meaningful slogans to capture them. Of course, there is always the iconic "The few, the proud, the Marines" as an example. That message is a signal to applicants that this job is going to be very demanding of them on a very deep level. Your recruitment message says a lot about how you see yourself as an employer. You want to draw applicants who are looking for a job where they can learn and grow and build themselves up.

Step 4 Build a selection process that places a heavy emphasis on high-priority soft skills. Here's a shortcut: Scare away young job candidates who only think they are serious by shining a bright light on all the downsides of the job. Whatever the worst, most difficult aspects of the job may be, start your selection process with vivid descriptions of those downsides. Then see which candidates are still interested in the job. They are the ones worth testing and interviewing. We recommend using research-validated testing wherever possible to get a quick baseline reading of an applicant's aptitude in key areas of the job, including high-priority soft skills. Whatever test you settle on, just make sure you can implement and evaluate it with relative speed. And make sure you know in advance exactly what you are looking for. When it comes to interviewing, the best practice is still the simple model of behavioral interviewing.

Behavioral interviewing simply means asking applicants to tell you a story and then listening carefully to their story. When you are doing behavioral interviewing, make sure to ask applicants not only about their use of hard skills, but also their use of soft skills: "Tell me a story about a time you solved a problem at work," or, "Tell me a story about a conflict you had with another employee at work. How did you solve it?"

Finally, consider one last stage of selection. We call it "the realistic job preview." This might be a probationary hiring period, or a pre-real-job internship, during which you can try out the prospective employee and the prospective employee, can try out the job. Make sure to assign real tasks that mirror the actual tasks, responsibilities and projects they will be asked to do if they accept the job.

Bruce Tulgan is the founder of Rainmaker Thinking. This article is adapted from his latest book, Bridging the Soft Skills Gap: How to Teach the Missing Basics to Today's Young Talent.

Teamwork in the Accounting Firm

Teamwork is a concept that is thrown around loosely in the accounting profession. We all want it and expect it, until we worry if we are billing enough hours.

Furthermore, we oftentimes look at teamwork on a job-by-job basis rather than in a firm-wide structure. As a leader of your firm, look at your organization and the people who comprise it. Are you working together to achieve a common goal? Or is everybody just trying to please the next person, out of fear of the repercussions if jobs are not completed on a timely basis? Either way, there is an opportunity to improve how your team functions for the betterment of the staff, the firm and your clients.

How Teamwork Is Preached

At every firm I talk to, teamwork is one of the core principles that managing partners will preach. They'll say, "We work as a team," "We become an integral part of our client's team," "Without our teamwork, our efficiency would be lost," and my personal favorite, "Every team member holds a special place in our firm."

These are all great comments, but at the end of the day they're just rhetoric. Words that if the managing partner failed to say, there would be no thought of teamwork in the office.

What Teamwork Probably Looks Like in Your Office

Despite the motivational/sales/inspiration/recruiting pitch from the managing partner that “we are more than a team, we are family,” accounting firms in my experience tend to work in silos with little to no interaction between departments in the office. The tax department fails to talk to the A&A department, valuation specialists fail to talk to the tax credit people, and niches find themselves to be exempt from talking to other niches. One person has a direct contact to the client and the information passed through that person is lost somewhere in that person’s head.

In the end, there is a great firm with terrific resources, but since nobody talks to anybody outside their department, opportunities to improve services and meet (or dare I say, exceed) clients’ expectations are missed.

Furthermore, in each of these department silos, there is a top-down approach. The partner talks to the manager, the manager talks to the supervisor, and the supervisor talks to the staff. This is not the worst setup (since colleagues are actually talking to one another), but it lacks the opportunity for discovery, new perspectives, fresh ideas and exploration of improved processes.

I believe we can build better teams in our firms.

What Teamwork Should (and Could) Look Like

I like to compare impressive teamwork to the freshness and open expanse of the big blue ocean. The ocean is built by numerous environments. Each presence plays its role. Each living organism communicates with each other in some fashion. The ocean moves together to achieve a result. And every so often, the ocean takes drastic action to correct itself and its boundaries.

Accounting firms, and the people within the firms, should be communicating regularly. That doesn’t mean you need to talk to every person in your firm every single day, but departments need to talk to other departments on a regular basis.

This should not be just a report from each department on how work is progressing, but explanations, practical discussions and education roundtables on when teams should approach each other to offer new services to clients. Furthermore, within specific departments, process improvement discussions should be happening all the time. When

discoveries are made, new pronouncements or regulations are instituted, and new issues arise, departmental discussions should occur to ensure the team is following the same approach consistently.

If you are thinking to yourself, “Yeah, we need to communicate about these issues, and I’m going to implement a program to ensure our team emails the whole firm every time ...” stop right there!

Steps to Ensure Teamwork is Appropriately Practiced

Repeat this saying over and over: “We are not sending out mass emails to communicate more efficiently.” Have a staff person in your office go out and choose a free (or low-cost) app that will allow discussions and threads to occur over time and at your teams’ leisure. If you don’t have a staff member with the available time to find a program to use, here is a [summary of apps](#) you could employ.

Let technology be your friend. Most of the time, these are not urgent communications. Advise your staff it’s expected they review, participate and explore the discussions on a monthly basis.

Furthermore, if discussions pique their interest, they are expected to take the lead and further educate the firm, discuss opportunities with relevant parties, and act in a manner to help the firm grow.

These online discussion boards are great, but face-to-face interaction can be the most impactful opportunity to communicate as a team. Create one monthly event (yes, even during the busiest times of the year) to have a discussion hosted by a department, partner, staff person or however your firm wants to break it up. Make these meetings mandatory as they are integral to ensuring a true team-based approach from your firm.

Wrap It Up

To solve a lot of problems in your office quickly, get your team on the same page. Communicate with your staff that taking responsibility, being part of a committed team, and encouraging your teammates to be better together is best for their individual careers (not to mention their happiness), the firm and their clients. And when you achieve high-quality teamwork, celebrate your success.

Adam Blitz is a CPA and a relationship builder. You can reach Adam at Adam@getblitzedsolutions.com

The Missing Ingredient in Growth

Does your firm need to hire a marketing director?

Firms of all sizes are placing a greater emphasis on obtaining new clients. Research by the Association for Accounting Marketing and Hinge Research Institute revealed that high-growth firms employ more marketers — one marketer for every 34 people, versus 45 people for other firms.

This demonstrates that marketers can contribute to your firm's growth. Yet firm size isn't the only criteria when considering hiring your firm's first marketing professional.

THE DECISION TO HIRE

"A CPA firm should consider hiring a marketing professional sooner than they otherwise might think," said James Roorda, CPA, managing partner of Roorda, Piquet & Bessee Inc. which has six partners, 25 total employees, and one office. RP&B's marketing efforts were inconsistent, restarting several times a year, and the partners recognized that they should be growing more than 10 percent a year.

Enter Karen Rashid, who joined RP&B four years ago as its first marketing manager. She coordinates all marketing efforts, tracking, measuring and monitoring everything, and providing resources for prospect meetings. "The key issue is that we never ever let anything fall through the cracks," said Roorda. "It has resulted in our growth moving from an average of 10 percent to 16 to 18 percent, which ... more than compensated for her position."

Gilliam Coble & Moser LLP, a five-partner firm with 35 total employees and two offices, hired its first marketing professional in June 2012. "We discussed [hiring a marketer] among the leadership team from time to time for several years," said partner Scott Williams, CPA. "Finally, we placed [the topic] on our retreat agenda for serious debate."

GCM's leadership team concluded that creating a marketing culture was vital. "It was apparent some members were on board and others not," said Williams. "We deliberately sought a consultant to ready ourselves. Over 18 months of working with the consultant, habits formed and a culture developed. Marketing is now part of our DNA."

At Albright Crumbacker Moul & Itell LLC, a six-partner firm with 32 total employees and two offices, the revenue line was flat. "Partners are too busy with client work," explained managing partner John Itell,

CPA, "so there was no time to devote to marketing efforts."

THE NEEDED SKILLS

The skills required of your marketer depend upon their role. Do your goals revolve around your Web site and social media? Hire a digital marketer. Do you organize a lot of seminars and events? Hire an event planner. Implementing an inbound marketing strategy? Hire a writer. Involved in many networking organizations? Hire an extroverted marketer who can represent your firm at these events.

Before hiring Rashid, Roorda met with a firm in the next county that had a marketing professional on board. He met with a key partner and the marketer to get a sense of what marketing pro could do for RP&B. "We were looking for somebody who had CPA firm familiarity," he said, "somebody who had a creative bent and good social media skills."

Williams contacted members of his firm's association, PKF North America, to learn more about the role of marketing pros. They decided to look for someone with fundamental marketing skills, Web and social media know-how. "We wanted someone organized, committed to building a network of professional relationships, with integrity and learning attitude," he said. "These qualities are similar to what we seek in other professionals."

After joining ACMI in January 2015 as a processor, Branigan Rak's role turned to marketing in April 2015. "We were looking for a college graduate with a positive personality, a doer," said Itell. "We wanted someone who executes plans well and in a timely manner, young, but mature ... a catalyst."

THE IMPACT OF A MARKETER

Rashid keeps the RP&B team accountable. "We have a standing time on each of our calendars where Karen stands in our doorway and says, 'It's time to make calls,'" Roorda said. "We pull up our customer relationship information and [determine] the last interaction with particular prospects. Is it time to contact them again? If we're not getting any success by making phone calls, what's our next best means of contacting them?"

Rashid also drives the firm's pipeline. Meetings are held every three weeks, with the team going through the pipeline to talk about where they're succeeding — or not.

"The most valuable contribution our marketing coordinator makes is keeping us visible throughout the marketplace with a positive brand image," said GCM's Williams.

With Rak on the job just a few months, ACMI is still in the exploratory phase of seeing what works best for their firm. "She has been efficient at getting the ball rolling and moving us in the right direction," said Itell.

ADVICE FOR MANAGING PARTNERS

Having hired their first full-time marketers what advice do they have for fellow MPs?

"Rent before you buy," advised Williams. "Engaging with a marketing consultant conditioned us culturally for the next step."

"Convince the 'doubting Thomas' of the firm that utilizing someone solely for marketing efforts is the best thing for the firm's success," said Itell.

One thing Roorda learned was the value of attending an Association for Accounting Marketing conference. "That was something we should have done ahead of time," he said. "It would have solidified the absolute benefit of having a marketing person on board. It also would have answered a host of questions: What size firm do I need to be? How much should I be paying? What should the person be doing? All those questions can be answered in an AAM conference in spades."

FINAL WORD

My advice is to hire your firm's first full-time marketer when your partners are prepared to help them be successful. This includes 110 percent support from the MP. Rarely will an entire partner group be excited about hiring a marketer. The role for those with the greatest objection is to stay out of the way and let the rest of the team participate and succeed.

Set expectations early. Do your homework and survey your partner group about the skills they would find most valuable in a marketer. Use the results to create a job description that will drive the recruiting process. Refer to the job description when your marketer becomes overwhelmed and needs to prioritize.

Provide your marketer with a budget and other resources to encourage success. This could include membership in AAM; a marketing plan; a client/prospect database; a functional, responsive Web site; market research; and the ability to hire specialty consultants, e.g., writers, designers, inbound, search engine optimization, and trainers.

Jean Marie Caragher is president of Capstone Marketing, providing marketing consulting services to CPA. She can be reached at jcaragher@capstonemarketing.com.

MGI ASIA COUNTRY UPDATE



Financial Reporting Act 2015

The Bangladesh National Parliament passed the Financial Reporting Act 2015 on September 6, 2015.

The [Institute of Chartered Accountants of Bangladesh](#) (ICAB) was the one and only governing body for the country's chartered accountants. From now onwards the Financial Reporting Council (FRC) of 12 members under this act will ensure accountability and performance among the chartered accountants of Bangladesh. Moreover, the council will be a statutory body with members from various government bodies, institutions and professional groups. The FRC will be the watchdog body in order to monitor the function of auditors and ensure transparency and accountability in accounting and auditing of financial organizations, including various government ministries, autonomous and non-government institutions. The act will monitor both chartered accountants and cost and management accountants of Bangladesh.

The audit system of the financial institutions is now run by two major institutions:

1. Institute of Chartered Accountants of Bangladesh (ICAB) for the financial reporting position,
2. Institute of Cost Management and Accounts of Bangladesh (ICMAB) for cost audit portion.

The new law will have a provision of forming a new independent structure for monitoring the system and set up a standard of auditing. The council will have three departments: standard setting, monitoring and enforcing. Under the act, audit firms' financial reports can be re-examined and those found guilty of placing fabricated reports will face punishments



Draft Law on Accounting and Auditing

On 10 July 2015, the Minister Council agreed on a New Draft Law on Accounting and Auditing. This law will govern all aspects of the accounting and auditing profession, in an effective, transparent and accountable manner.

This Law aims to:

- Determine legal framework for accounting and auditing management
- Strengthen and develop institutional capacity for accounting and auditing management
- Strengthen and develop professional ability and responsibilities of accountants and auditors
- Determine the legal framework for the implementation of the accounting and auditing standards, professional code of conduct of accountants and auditors which are in consistent with international standards and which reflect the actual needs of Cambodia
- Develop mechanism, rules and procedures for following up, monitoring and evaluation of this law
- Strengthen and develop accounting and auditing professions

Contributed by APV Cambodia



Administrative Review for Non-China Residents to Claim Treaty Benefits

The State Administration of Administration in China have recently released Announcement [2015] No.60 for the Administration of People's Republic of China Non-residents to enjoy Double Tax Agreement benefits as well as updated filing requirement with the PRC tax authorities. These will be put into effect as of November 1st, 2015.

Compared with the existing administration practices under Circular 124 [2009], the changes are summarized as follows:

1. Expand the Applicable Area

DTAs signed by China and foreign countries, the Administrative Measures in Announcement 60 also apply to tax clauses of conventions on aviation, sea transportation, and automobile transportation, as well as the agreement or exchange letters on the mutual-exemption from tax on income from international transportation.

2. Cancel the "Pre-approval" Procedure

According to Announcement 60, no tax authority pre-approval is required for Non-resident enterprises or individuals whose tax obligation arises in China to claim this DTA relief as was previously the case. When a Non-resident taxpayer believes that they are qualified after self-assessment, they can apply for this pre-approval exemption by filing the forms and declaring tax, or through a withholding agent to perform the procedure.

3. Simplify the Required Documentation

The documents required are simplified for Non-Resident taxpayers to apply for enjoying DTA benefits:

- (a) Resident Status form
- (b) Entitlement of a non-resident taxpayer to DTA benefits form
- (c) A Tax Residence Certificate issued by relevant tax authority of the DTA partner jurisdiction since

the commencing calendar year prior to the year of DTA filing by the Non-resident tax payer or the withholding agent.

- (d) Contracts, agreements, resolutions of board of directors, and invoices, etc.
- (e) Other documents.

4. Clearly Define the Obligation and Rights

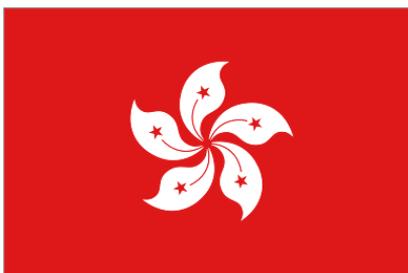
Non-resident tax payers should make a proposal to the tax authority or the withholding agent regarding DTA benefits, and provide related information and documents. The burden of proof is on the Non-resident.

It is the withholding agent's obligation to check information and documents provided by a Non-resident tax payer with related laws and conduct the subsequent withholding tax procedure.

5. Subsequent Administration by Tax Authority

Tax authorities conduct a post-supervision by requiring additional documents and recovering tax.

Contributed by Lehman Brown



Companies Registry releases statistics for first half of 2015

Per the statistics released by the Companies Registry on July 12, 2015, the total number of Hong Kong companies registered under the Companies Ordinance reached 1,279,819 at the end of June this year. A total of 70,894 local companies were newly registered during the first half of 2015. The Registrar of Companies, Ms Ada Chung, said, "We are glad to see the smooth implementation of the new Companies Ordinance since March 2014, and that the business community has benefited from the new measures introduced under the Ordinance."

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

Hong Kong, Italy tax treaty in force

On August 10, 2015, The agreement between Hong Kong and Italy for the avoidance of double taxation with respect to taxes on income and the prevention of fiscal evasion has entered into force.

The CDTA between Hong Kong and Italy will bolster the economic and trade connections between the two places, and offer added incentives for companies in Italy to do business or invest in Hong Kong, and vice versa.

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

Survey shows continued growth of Hong Kong startup ecosystem

On September 15, 2015, Invest Hong Kong announced that its recently completed poll of the startup ecosystem showed continued growth in terms of the number of startups and co-work spaces and incubators operating in Hong Kong.

Top sectors included Information, Computer and Technology taking up 19 per cent, Hardware (IoT, prototypes and wearables) accounting for 14 per cent (compared to only five per cent a year ago) and E-commerce/Supply Chain Management and Professional or Consultancy Services, each taking up 10 per cent.

Contributed by Kenneth Chau & Co



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

The Indian Parliament ratified the Undisclosed Foreign Income and Assets (Imposition of Tax) Bill, 2015 on May 13th 2015. The President of India signified his assent on 26 May 2015. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the "Foreign Assets Act") promulgates a comprehensive framework for

dealing with undisclosed foreign income and assets, together with imposition of tax on such undisclosed foreign assets and penalty for tax evasion and non-disclosure.

Key aspects of the new legislation are

Scope: The Foreign Assets Act applies to all persons *who are resident and ordinarily resident* of India under the Income Tax Act. An **undisclosed asset located outside India** is defined to mean an asset (including any financial interest in any entity) located outside India, held by the assessee in his name or in respect of which he is a beneficial owner, and the assessee has no explanation about the source of investment in such assets or the explanation given by the assessee is unsatisfactory in the opinion of the assessing officer. Further, "**undisclosed foreign income and asset**" is defined as the total amount of undisclosed income of an assessee from a source located outside India and the value of an undisclosed asset located outside India.

Administration: The Central Board of Direct Taxes (CBDT) and the existing hierarchy of tax authorities under the provisions of the Income Tax Act, including the appeals machinery prescribed there under, have been tasked with implementation of the new legislation.

Taxation Rate: Any undisclosed foreign income or asset shall be taxed at the rate of 30 percent, and the provisions relating to exemption, deduction or minimization of tax liability by way of set off of losses under the Income Tax Act will not be available.

Penalties: Non-disclosure of any income or asset located outside India will attract, in addition to the tax, a penalty equal to three-times the tax payable on the undisclosed foreign income and assets. Not furnishing income tax returns for foreign income and assets or providing misleading information for such foreign income and assets attracts a penalty of INR 1,000,000 under the new legislation. Criminal punishment for such tax evasion practices could attract rigorous imprisonment from three to 10 years and a discretionary fine. However, it is important to note that the Foreign Assets Act provides that persons who have foreign accounts with *minor balances*, which may not have been reported out of oversight or ignorance, are protected from penalty and prosecution.

One-Time Amnesty Scheme: The Foreign Assets Act provides a one-time amnesty scheme for all persons who have not previously disclosed their foreign assets for the purpose of taxation. The

Central Government will provide notification on the scope and administration of the amnesty scheme after the legislation comes into force. The amnesty scheme requires payment of tax at the rate of 30 percent, together with a penalty amount equalling the total tax amount levied on the undisclosed foreign assets

Challenges in asset valuation

Getting a fair valuation could be a tricky affair in the case of certain assets. Listed below is the process of valuation for various assets.

Jewellery : The value of jewellery and precious stones shall be taken at cost or fair market value whichever higher. For calculating the fair-market value, the assessee should obtain a report from a government-recognised valuer in the country where the assets are located. However, in case of gold and jewellery, the assessee may end up paying less tax than on other foreign assets like bank deposits because the fair-market value of gold is lower in several countries in comparison to India. Along with this there may also be substantial difference in the valuation of precious stones.

Artifacts: The valuation of such assets is subjective and may vary depending upon the valuer and the country. The fair-market value can be decided only on the basis of auction of the artifacts.

Shares and Securities: The process of valuation of listed shares and securities is rather simple and the assessee has to disclose the value that is higher of the acquisition cost or market value at the time of declaration. The process, however, is much cumbersome for an unlisted company. If the assessee is holding shares of an unlisted company then he has to first get valuation report of all the assets of that firm from a government-recognised valuer and then disclose the value of his holding. Even if one is holding 5 per cent stake in the company, he would be required to get the valuation of whole company done to arrive at the value of his holding.

Immovable property: The procedure to get fair-market value of immovable properties and the disclosure should be of the value that is higher of the acquisition cost or fair-market value. The fair-market value assessment has to be done by a government-recognised valuer in that country

Bank account: In order arrive at the value of declaration in this case, all credits to the account from the date of opening will have to be added and any withdrawals made and redeposit of withdrawal at

a later date will have to be excluded. Also, the amount on which taxes and penalties have already been recovered before the declaration has to be excluded. The problem in this case is that it is tough to get details of all transactions in the account especially if the account is an old one. So, if one had opened the account 25 years ago, he will have to provide the details for the entire period.

Interest in partnership firm: The valuation of share in a partnership firm has to be determined by dividing the net assets of the firm in the ratio as mentioned in the partnership deed that will become applicable at the time of dissolution. The valuation process is similar to that of holding in unlisted companies.

As per the notification by Ministry of Finance, the window for declaration is open for three months between July 1 to September 30, 2015 and both the valuation and declaration of undisclosed foreign assets has to be completed within this period. While declarations, once made, can't be rectified, wrong declaration will be treated as invalid. Also if there is any dispute relating to valuation, no opportunity will be provided for rectification. This may not be very easy as it would be difficult to complete the valuation process for assets like unquoted shares or share in partnership firm within the stipulated three months. Even in the case of bank account it may be difficult to comply within the deadline. If an individual has a trading business abroad and all transactions are routed through his personal foreign bank account but no books of account has been maintained then in such case it will become difficult for the individual to provide details the transactions in his account.

In some countries like the UAE, there is no income tax and also no legal requirement to maintain books of accounts for tax purpose. In such cases, it will be difficult for individuals to get details of all transactions in the bank account.

The new Act and rules are not applicable to non-residents. Suppose an assessee has opened the bank account 15 years back and for the last five years he is an Indian resident, in such cases only assets that have been acquired from the income taxable in India will be liable to tax. Income earned outside India as a non-resident would not be subject to tax. It is duty of assessee to explain the source of income and provide the evidence in support of source of income for the acquisition of foreign asset. However, if the assessee has no explanation of the source of income for acquisition of such assets then he will be liable to pay tax on fair-market value of the asset.

Contributed by Tambakad & Goil



Changes to the Taiwan Companies ACT

The Taiwan government approved the amendment to Article 356 (1) – (14) of the Company's Act on July 1st 2015. The articles cover the formation of "closed companies" which are not publicly listed and must have fewer than 50 shareholders.

This is to encourage knowledge creation business, helping entrepreneurs and start-ups to promote innovation in the economy. The advantages of a close company includes capital could be partially contributed by technical know-how, service or goodwill, set up restrictions on transfer of shares, shareholder meetings could be through video conferences or other nonphysical means.

This hopefully will attract more foreign entrepreneurs to set up in Taiwan. The act can be found at <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0080001>

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