ACCOUNTANTS Sept-Oct 2017 Vol. 30 No. 5













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Vision and Mission

MIA'S VISION

 To be a globally recognised and renowned Institute of Accountants committed to nation-building.

MIA'S MISSION

 To develop, support and monitor quality and expertise consistent with global best practice in the accountancy profession for the interest of stakeholders.

Section 6 of the Accountants Act 1967 (the Act) states that the functions of the Institute shall be:

- To determine the qualifications of persons for admission as members;
- To provide for the training and education; by the Institute or any other body, of persons practising or intending to practice the profession of accountancy;
- To approve the MIA Qualifying Examination (QE) and to regulate and supervise the conduct of that Examination;
- To regulate the practice of the profession of accountancy in Malaysia;
- To promote, in any manner it thinks fit, the interest of the profession of accountancy in Malaysia;
- To render pecuniary or other assistance to members or their dependents as it thinks fit with a view to protecting or promoting the welfare of members; and
- Generally to do such acts as it thinks fit for the purpose of achieving any of the aforesaid objectives.

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A key element in the world of publishing is what readers have to say. We want to hear from you on just about anything that appears in each issue of Accountants Today. Why not drop us a line now? e-mail: communications@mia.org.my

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#NATIONBUILDING

hat's special about this particular issue of *Accountants Today*?

Plenty. One, it coincides with the month in which the Institute was established 50 years ago, on 30 September

1967, subsequent to the passing of the Accountants Act 1967. Our mandate then-and-now is to develop and regulate the profession, in order to support national development – hence our hashtag of nation-building. Since this is our 50th birthday, what better time to tell a condensed version of our purpose and journey than in the cover story? Check out our reforms and our initiatives that are gamechangers

for the profession, and how we aim to serve stakeholders and members as we go forward. For a longer, more fleshedout narrative, do take a look at our inaugural Integrated Report which can be downloaded on our website.

Two, a birthday is incomplete without a grand celebration. We share highlights of our 50th Anniversary Gala Dinner, which was graced by His Majesty the Sultan of Perak and attended by over 800 members, guests and well-wishers. Prominent personalities included the Institute's newly-elected President Encik Salihin Abang and Vice-President Dato' Narendra Kumar

Jasani, along with our former President Dato' Mohammad Faiz Azmi and former Vice-President Datuk Zaiton Mohd Hassan. On behalf of MIA, I'd like to welcome Encik Salihin and Dato' Narendra aboard, and thank Dato' Faiz and Datuk Zaiton for their tremendous services to the Institute and the profession.

Three, we highlight the insights and ideas of both current leaders and future leaders, to appeal to a profession and membership whose profile is fragmented and changing rapidly. The average age of our members is 45 years, we have many professional women accountants and 45% of members are aged below 40 years. Our demographics are incredible, and I cannot stress how critical it is for MIA to address diversity and inclusiveness to ensure that we meet the development needs of all members.

At the top of their game in this issue are the national regulators. Delivering the third instalment of MIA's 50th

Anniversary Commemorative Lectures, Tan Sri Ranjit Ajit Singh talked about the 3Ts of Trust – technology, teamwork and transparency – and how to harness these to build accountability, trust and confidence. Meanwhile, our flagship annual GST Conference featured the nation's Titans of Tax from the Royal Malaysian Customs Department and the Inland Revenue Board Malaysia, who shed light into the thought processes behind Malaysia's tax systems and how our collective tax compliance supports nation-building.

At the other end of the spectrum, we capture inspirational stories of emerging talent that augur well for Malaysia's future. Young millennial accountant Rajeshpal

Singh runs the Biji-Biji social enterprise that merges the UN Sustainable Development Goals with accountancy to measure and control our carbon footprints and green existing business models. Generation Z schoolgirl Quah Jinq Qi tells us why the pen trumps the calculator in an evocative essay that won MIA's 50th Anniversary Essay Contest for students, part of MIA's efforts to unearth fresh young talent.

Since engagement is a two-way process, MIA strives to take members' feedback into account when crafting content, as *Accountants Today* is part of our continuing professional develop-

ment (CPD) tools. There is growing demand for accessible technical content, as the profession's landscape becomes more complex. This issue delves into Base Erosion and Profit Shifting (BEPS) and incoming regulations, which will definitely affect cross-border transactions and local taxation systems.

Finally, all work and no play makes Jack (and Jill!) an overworked accountant. To round off this issue, we look into the burgeoning crisis of mental ill health. Find out how you can take better care of yourself, so that you can take better care of your family, your community and your nation.

OUR MANDATE
THEN-AND-NOW
IS TO DEVELOP
AND REGULATE
THE PROFESSION,
IN ORDER TO
SUPPORT NATIONAL
DEVELOPMENT –
HENCE OUR HASHTAG
OF NATION-BUILDING.

Happy Deading!

INSTILLING PRIDE IN CA (M)

PRESIDENT SAYS | SALIHIN ABANG

Effective 24 August 2017, the baton of the Institute's leadership was handed over to me as the newly elected President.

I am very grateful to have been entrusted with this immense responsibility and pledge to do my best to serve the Institute, the members and the profession. It is my hope to drive pride in CA(M) as the badge of membership in our esteemed profession and, deriving from that, pride in the nation.

How can we do this? One, we need to reflect on our ori-

gins and our history. MIA was born when the Accountants Act 1967 was passed in September of the same year, to regulate and develop the profession, and to support economic development and nationbuilding.

However, MIA was inactive till the 80s. We issued our first annual report and held our first AGM only in 1987. Since then, we have been striving to grow stronger despite obstacles.

In the 21st century, our challenges are becoming more pressing, especially globalisation, demographic change, changing regulations and digital disruption.

As markets become more borderless and global, the profession in Malaysia faces increasing competition as a result of trade and talent mobility. MIA's response is that we must upskill accountancy professionals to become more globally competitive. We must advocate ethics, professional practices and standards that are aligned with global benchmarks to raise competency and trust.

Demographic change means that millennials – and soon post-millennials – are dominant in today's workforce. MIA is positioning accountancy as a preferred profession and adopting digitalisation and

technology to appeal to our younger members and attract new talent to the profession.

To manage regulatory changes affecting company law, taxation and standards, MIA is strengthening education and enforcement to improve compliance. Furthermore, we are

proposing reforms to the Accountants Act 1967 to strengthen MIA's powers of regulation and enforcement, to enhance member quality and improve public trust.

Digital disruption – such as uberised and virtual business models, Big Data, data analytics, artificial intelligence and machine learning, cloud, optical character recognition software, blockchain and cybersecurity - is impacting the profession profoundly. MIA is future-proofing members by offering relevant CPE that stresses critical thinking, inter-

personal, technical and soft skills. Plus, we are supporting SMEs and SMPs as the profession's backbone to invest in digital and improve performance.

To ensure future sustainability, MIA must be agile and adaptable to the many challenges we face. To prepare for change, MIA is drafting its Strategic Blueprint 2018 – 2030, which will provide the roadmap for our strategies and actions for the next 12 years. We hope to have the Blueprint ready for members' scrutiny and feedback soon.

MIA will also build on the foundations that have been laid. During his term, my predecessor Dato' Mohammad Faiz Azmi charted the future course of MIA with the 3R Strategy of Repositioning, Rebranding and Recruiting. Thanks to his efforts and enthusiasm, we are where we are today, having successfully transformed our operations model and management and become more efficient. I assure you that I will continue charting the course of MIA's future with emphasis on education, empowerment, engagement and enforcement.

Within my term, I hope to inspire mindset change in our members, and to shift the public perception to inspire trust

and pride in CA(M) as the Pride of the Nation. As members of the Institute with CA(M), we add value not just to ourselves but to the society, the state and the country. Hence, let us continuously pledge to contribute to nation-building in our capacity as CA(M).



MIA IS POSITIONING
ACCOUNTANCY
AS A PREFERRED
PROFESSION
AND ADOPTING
DIGITALISATION
AND TECHNOLOGY
TO APPEAL TO OUR
YOUNGER MEMBERS
AND ATTRACT NEW
TALENT TO THE
PROFESSION.

trends

Economic and political outlook in and around the world

UNLIKE STANDARD

DECENTRALISED

BLOCKCHAIN TO BOOST CHINESE TAX

A DIGITAL TRAILBLAZER, the

Chinese government is reportedly planning to use blockchain technology for managing taxation and the issuance of electronic invoices, reported the Coinfox website in end-July.

The Miaocai Network, which is a state-sanctioned electronic

taxation and invoicing enterprise, announced that it will be collaborating with the "government affairs chain GACHAIN" to create a blockchain-based system for "social taxation" and electronic invoicing. GACHAIN is being developed by

blockchain tech company Shenzhen ChainHold Technology Investment CO., Ltd., and the anticipated launch is around October 2017. Unlike standard decentralised blockchain systems, GACHAIN aims to ensure that command and control of the entire system remains in the government's hands.

Currently, China's government believes that there is widespread tax evasion, and key sectors of the economy have not yet been integrated into the tax system, such as e-commerce. According to China's Ministry of Commerce, in 2016, China's online retail trading volume reached RMB5.16 trillion (approx.

USD760 billion), an increase of 26.2% over 2015. Blockchain should enable integration of online stores of China's e-commerce powerhouses such as Taobao (taobao. com), Tmall (tmall. com) and WeChat into China's taxation system,

enabling the tax authorities to capture these taxes and contributing to a potentially huge surge in tax revenues. In 2016, China reported a tax revenue of RMB16 trillion (approx. USD2.4 trillion), second behind the US globally with approximately USD6.5 trillion in tax revenue.

QUOTE



The essence of professionalism is that the accountant has a backbone and will fight for what he believes to be right.

puts the public interest before his own and seeks only to enhance society's trust in accountants.

~Sir David Philip Tweedie, former chairman of the International Accounting Standards Board and the ninetieth member of The Accounting Hall of Fame, addressing students during his annual visit to MIA and Malaysia.



USD4.4 BILLION

the investment to be pumped into WeWork by SoftBank Group's USD93 billion Vision Fund. WeWork is a New Yorkbased unicorn valued at USD20 billion as of July 2017, offering its members co-sharing offices branded as "WeWork" and shared living spaces branded as "WeLive".

IMPROVING PUBLIC SECTOR GOVERNANCE

■ ACCORDING TO MINISTER OF FINANCE INCORPORATED: OWNERSHIP AND CONTROL

OF CORPORATE MALAYSIA, the latest book released by Edmund Terence Gomez, a University of Malaya economics professor and prolific author, the government is a major player in the Malaysian economy. The Ministry of Finance (MoF) owns seven GLICs – MOF Inc, Employees

Provident Fund (EPF), Lembaga
Tabung Angkatan Tentera (LTAT),
Kumpulan Wang Amanah Pencen
(KWAP), Khazanah Nasional Bhd,
Permodalan Nasional Bhd (PNB) and
Lembaga Tabung Haji (LTH) which
collectively own approximately RM1
trillion in investments. The seven GLICs
dominate the economy, through
majority ownership of 35 public-listed



companies and their control of about 42% of Bursa Malaysia's market capitalisation.

Commendably, Gomez's research indicates that the GLICs and

GLCs are well managed and there has been a shift towards professionalism in the composition of their management. Leading professionals in the GLICs and GLCs who are governing with integrity are accountants Tan Sri Dato' Seri Azman Mokhtar and Tan Sri Dato' Sri Abdul Wahid Omar. Nevertheless, the book recommends the separation of the finance minister's and prime minister's portfolios to enhance public sector governance and curb the concentration of power.



+IR FOR SMEs



■ CREATING VALUE FOR SMEs THROUGH INTEGRATED THINKING: The Benefits of

Integrated Reporting, published recently by the International Federation of Accountants (IFAC) and the International Integrated Reporting Council (IIRC), highlights how SMEs—and the professional accountants serving them - can benefit from integrated thinking and reporting. "As the engines of economic development, SMEs are critically important to the world's economy,"

said Sylvia Tsen, IFAC Executive Director. "They

INTEGRATED
REPORTING IS
WELL UNDERWAY
TO BECOMING
THE GLOBAL
NORM, SO IT HAS
TO WORK FOR
ALL BUSINESSES,
LARGE AND SMALL.

Richard Howitt, IIRC Chief Executive Officer

have significant value beyond the financial, which integrated thinking and reporting helps uncover. An integrated approach can help SMEs, including not-for-profits, increase their impact because it encourages an inclusive view of operations, risks and opportunities, and future outlook." "Integrated reporting is well underway to becoming the global norm, so it has to work for all

businesses, large and small," said Richard Howitt, IIRC Chief Executive Officer. "I am delighted how this new publication shows the considerable benefits for smaller organisations. The IIRC's principles-based framework is deliberately flexible so that SMEs can apply it to their own specific

circumstances."



BUILDING THE NATION

How does **MIA HELP TO BUILD THE PROFESSION**, and by extension the nation? Let's count the ways.

BEN Affleck's autistic celluloid accountant who cooks books for bad hats might have given accountants a bad name. But reel life isn't real life. Empirically, real life accountants on the whole have been good guys.

The Nexus 2: The Accountancy Profession – A Global Value Add report released by the International Federation of Accountants (IFAC), published in November 2015 based on research by the Centre for Economics and Business Research (Cebr), estimated that the global profession contributes USD575 billion annually to the global economy. The report also showed the correlation between the share of accountants in total employment, and both GDP per capita improvement and improved human development outcomes.

Here in Malaysia, accountants have also been linked to the nation's wellbeing. At a 2017 MIA roundtable on talent development, representatives from the government's Department of Statistics (DoS) estimated that for 2015, exports of accounting





Dr. Nurmazilah Dato' Mahzan, MIA CEO

services were valued at around RM673 million, while imports of accounting services stood at RM392 million, resulting in net exports of RM281 million. The DoS further estimated the value of the accountancy profession to the country at around RM3 billion annually.

Drilling down, accountants are perceived as pivotal players in the business ecosystem, as essential as lawyers, doctors and teachers, and demand for accounting professionals continues to rise. PEMANDU set a goal for MIA to produce 60,000 accounting professionals by 2020 to meet the market demands. Currently, the MIA has slightly over 34,000 members, so there is still some way to go. As the nation progresses, diversity and inclusiveness will be critical in achieving the targeted number of professional accountants, explained MIA CEO Dr. Nurmazilah Dato' Mahzan.

"Accountants and finance professionals are sought after by organisations for their analytical skills and their ability to interpret financial data in a way that makes it easier for management to make informed decisions or even explore new business opportunities, especially using technology," she said. "Furthermore, MIA members have an impact in all segments of the economy and society, thus making a difference in public

practice, large corporate and industry, small and medium enterprise, public sector and government, and education."

DEVELOPING TALENT

MIA celebrated its 50th Anniversary on 30 September 2017, and the Golden Jubilee is an opportune time for the Institute to reflect on its achievements and to chart the way forward. The MIA strives to strengthen the accountancy profession and support nation-building, roles which are spelt out in the Accountants Act 1967. This purpose was further entrenched in the Report from the Committee to Strengthen the Accountancy Profession (CSAP), which listed 15 recommendations for reforming and strengthening the profession.

One strategy is to ensure that the profession produces sufficient numbers of competent accounting professionals. Therefore, one of the Institute's major projects over the past year has been the Competency Framework, which maps out skillsets for various roles to ensure that accountancy professionals meet baseline competencies as expected by employers and markets. "Once finalised, the Competency Framework will not only develop talent, but ensures that accountants will be matched more accurately to market demand. For example, we anticipate significant technological disruption; our framework addresses how to equip accountants with requisite skills like data analytics," clarified Dr. Nurmazilah.

Related to this is the CFO Competency Framework that maps out the required qualifications and skills to optimise the finance function. By clarifying the diversity of talent requirements, it will be easier for MIA to develop talent effectively and deliver the target of 60,000 accountants.

At the same time, MIA is mindful of the



contributions of academia in the development of a strong accountancy profession in Malaysia. Academicians are an effective motivator to inspire youth and to raise competency. Therefore, the MIA has several initiatives to upskill them via the Train the Trainer programme in line with the Malaysia Education Blueprint 2015-2025. The MIA has collaborated with the Ministry of Higher Education (MOHE) to raise education quality standards, and formed a Joint Technical Committee with the Malaysian Qualifications Agency (MQA) to look into the accreditation process for professional qualifications.

MIA is also engaging directly with young talent at the school and tertiary level to position accountancy as a desirable profession. The Institute works very hard to organise collaborative co-branded events such as quizzes and career talks and fairs jointly with schools and universities.

Equally imperative to building capacity is to enhance member retention. MIA has kicked up its efforts to attract and retain new members by focusing on member engagement and member

satisfaction. Through the Member Development Programme, collaborates with Professional Bodies and engages members to promote special pathways to professional qualifications. Key initiatives include the MIA Digital Membership Privilege Card that provides members with one-stop access via mobile to a slew of benefits and lifestyle privileges as well as updates on MIA news and developments. MIA is also upgrading to a new MIA Membership Information System (MMIS) utilising data analytics to better serve members.

SUPPORTING YOUNG PROFESSIONALS, ENHANCING MARKETABILITY

Building inclusivity and diversity is increasingly important for MIA, because MIA members come from all generations and walks of life. Recently, MIA set up the Young Professionals Committee which reports directly to the Council to address the needs of members aged under 40, who

comprise about 45% of the membership. Comprising the youngest elected members of the Council, the Young Professionals Committee is headed by Steven Chong Hou Nian, who thanked the Council for their support. According to Steven, the Committee currently has several workstreams in the pipeline, managed by five subcommittees looking at areas such as members' engagement, corporate social responsibility (CSR), recreation, professional development, and young SMPs (small and medium practitioners). To kick off their efforts, MIA recently organised the Young Professionals Symposium which received overwhelming response, followed up by an evening mocktail featuring leading young speakers who are making their mark in business and society. The Committee is very keen on engaging MIA's young professionals and talent, and welcomes members and volunteers to help out on its projects and initiatives as run by the subcommittees.

MIA is also working to ensure that our members are marketable at all levels, especially in ASEAN. MIA continues to amass influence and brand Malaysia through its participation in the ASEAN Federation of Accountants (AFA), specifically the AFA Working Committee on Adoption and Implementation of International Standards and the Working Committee on Professional Accountancy Organisations (PAO) Capacity Building. **Furthering** MIA's commitment to regional talent and services mobility, Malaysia's Assessment Statement to the ASEAN Coordinating Committee on Services and the ASEAN CPA Coordinating Committee was approved in May 2017. This paved the way for MIA members to be registered as ASEAN CPAs and subsequently to become Registered Foreign Professional Accountants in other ASEAN Member States, expanding our members' prospects and marketability. "I'm delighted to extend my congratulations to 211 members of MIA who were accepted as the ASEAN Certified Professional Accountant (ASEAN CPA) during the 7th meeting of the ASEAN Chartered Professional Accountant Coordinating Committee in Siem Reap, Cambodia on 12 October 2017," enthused Dr. Nurmazilah.

MANAGING DIGITAL DISRUPTION

MIA recognises digital disruption as a megatrend affecting the accountancy profession. But disruption poses both risks and opportunities. "We have put in place key initiatives to prepare our members and all accounting professionals in the ecosystem to leverage on these unfolding prospects and mitigate the risks," stressed Dr. Nurmazilah.

Stakeholder engagement crucial to advancing digitalisation in the profession. MIA has conducted several roundtable discussions with the relevant stakeholders, engaged with thought leaders, and conducted various conferences and seminars relating to automation and technologies. Elaborated Dr. Nurmazilah, "for example, we are working with the ASEAN Data Analytics eXchange, an initiative by the Malaysia Digital Economy Corporation (MDEC) to enable businesses, governments, academia, and professionals to rapidly adopt data analytics. The MIA is working

with ADAX to strengthen our CPD (continuing professional development) and offer courses on big data and analytics (BDA) to our members. We are also working with the Malaysian Global Innovation & Creativity Centre (MaGIC), MIMOS Berhad, and the Human Resources Development Fund (HRDF) on several tech and digital initiatives relevant to the profession."

Indeed, BDA is a major value segment for MIA going forward, and MIA is seriously studying the impacts of big data and data analytics on the profession. "The opportunities presented by big data are endless. We have yet to unlock the full potential of big data and analytics." Dr. Nurmazilah projected that accountants and finance professionals





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BUILDING TRUST

Under the CSAP reforms, MIA has been tasked with enhancing regulation and enforcement, in order to inspire greater trust and confidence among the public and stakeholders, and in the capital market. "This is aligned with embedding our core values of Integrity, Accountability and Trust. A key step was to appoint a new head to our newly-created position of Executive Director Surveillance and Enforcement. Under his leadership, our Surveillance and Enforcement division has put in place changes to speed up investigative and disciplinary procedures - such as Practice Review - within the current scope of the Accountants Act 1967." Engagement with other regulators and streamlining processes are crucial to heighten enforcement. "We are working closely with the Companies Commission of Malaysia to combat the problem of bogus accountants. Other milestones include the completed revision and adoption of enhanced SOPs (standard operating procedures) benchmarked to ISOs for surveillance and enforcement," added Dr. Nurmazilah.

can leverage on big data and analytics to gather, analyse, and interpret data in real time, expediting management's informed decisions. As a result, they could play an increasingly strategic role in their organisations as their ability to interpret and provide useful insights into data could strengthen their position as business advisers.

To guide its digital strategies and align them with its overall purpose, MIA has set up the Digital Economy Task Force (DETF) to study the impact of technology on the accountancy profession in Malaysia, and also preparing the Digital Economy Blueprint.

In addition, MIA is positioning digitalisation as a mechanism to improve financial literacy and inclusion, especially for the SMEs and the public. "MIA intends to form a

task force on financial literacy to help SMEs and the public at large gain a better understanding on accountancy and financial management. This will improve their financial wellbeing," she added.

MIA is also assessing how to improve support for SMEs by developing digital tools such as mobile applications to facilitate convenient, timely, and accurate recording of transactions that can flow into the accounting system. "This would enable SMEs to practise better financial discipline at lower costs, and they can better understand the accounting process and their own company's financial accounts."

To support auditors, MIA has set up a task force to look into the possibility of online bank confirmations. "The suggested platform connects banks and auditors, enabling auditors to obtain instant bank confirmations for their audit clients, expediting the auditing process," said Dr. Nurmazilah.

CHARTING THE WAY FORWARD

"By crafting and executing all these strategies, MIA hopes to discharge its mandate as developer and regulator of the accountancy profession to support nation-building. We believe that a stronger accountancy profession in Malaysia is a positive driver for society and the economy. For the past 50 years, MIA has recorded many successes in our continuing journey to serve the nation and the people, and we will strive to do even more for the public, our members, our stakeholders, and the nation," concluded Dr. Nurmazilah. ■











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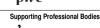
















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"TRUST is a delicate force, easily unsettled and quickly diminished. Events have shown that high levels of trust and confidence underpin a healthy, orderly market, and the overall economy and welfare of society. Preserving trust and confidence is at the core of what regulators do." - Tan Sri Dato' Seri Ranjit Ajit Singh, Chairman, Securities Commission Malaysia.

"Trust takes years to build, seconds to break and forever to repair," stated Tan Sri Ranjit, at the third Commemorative Lecture on Trust held in conjunction with MIA's 50th Anniversary celebrations recently. A breach of trust, he said, could be the undoing of stability, and result

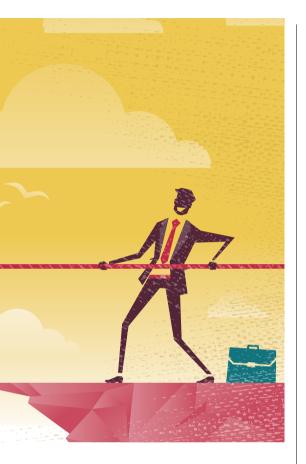
in a continued attitude of scepticism, suspicion and doubt. Describing trust as fragile, he remarked that it grows in consequence by its ability to inspire confidence, which in turn can galvanise or influence choices and impact upon the wellbeing of society – as acknowledged by economists, political scientists and researchers alike.

Trust also has the ability to influence global affairs. As co-Chair of the recent Salzburg Forum, he highlighted issues and global trends including income inequality, the increasing risks of climate change, surging debt levels of major economies and job insecurity. These are now challenging the status quo,

spurring unease and societal change. "It is important to note that these occurrences are symptomatic of a global environment lacking trust," he pointed out.

He cited major examples of actions that have eroded trust in capital and financial markets. One was the LIBOR2 scandal, where dealers colluded to manipulate interbank reference rates. "This led to a loss of trust in a key benchmark, and resulted in massive fines for financial institutions," he said. Consequently, many stakeholders also became disenchanted with financial markets – another symptom of distrust.

Some of the world's largest banks were also recently fined USD321



billion – more than the GDP of some countries! – for regulatory breaches, such as the case of the unauthorised opening of 2.1 million Wells Fargo accounts, and its subsequent charging of 570,000 customers for insurance that they did not need. Worse, in an age of social media, people do not need to have personal bad experiences to lose trust; they just need to hear about it happening to someone else, for mistrust to foment.

Trust is key to the smooth running of markets. "Consumer and investor confidence form the bedrock of the consumer market," he said. "It highlights how aligned interests lead to trust and how misaligned interests lead to suspicion." With trust, capital can be efficiently utilised and the cost of capital can decrease. He said Malaysia's capital market has been healthy over the past five years. On average, RM116 billion has been raised annually; the market is now worth RM3.1 trillion and can sustain economic development. In the first half of 2017, the country's fund management industry had RM750 billion in assets under management, making it one of the fastest-growing segments of the capital market at 15.8% per annum, from RM161 billion ten years ago.

being advised by artificial intelligencebased programmes that do not bear the consequences of their incorrect assumptions, yet providers of these platforms must be held accountable for their impacts. Besides data integrity, data confidentiality and privacy were now also an issue, primarily because system hacking was becoming a common occurrence. Data security, cyberfraud and cybersecurity risks are now a priority for everyone in the digital capital market. Social media, too, has had an unprecedented impact on the way information is

CREATING VALUE WITH THE PURPOSE OF EARNING CUSTOMER TRUST IS AN IMPORTANT CONSIDERATION FOR BUSINESSES WHICH WANT TO REMAIN RELEVANT AND COMPETITIVE.

The unit trust industry also saw a significant increase, from RM122 billion in 2006 to RM409 billion as at end June 2017. "This growth shows that there is still trust and confidence in the Malaysian capital market," he said. But to sustain growth, robust market infrastructure and regulatory architecture will be required to ensure that transactions are fair, transparent and orderly, and that investors are protected. This, he said, can be achieved through three Ts: Technology, Teaming and Transparency.

TECHNOLOGY AND TRUST

Technology is being increasingly applied in managing capital markets, but accountability and regulation have yet to catch up. Investors were now disseminated. As such, society is demanding to know more before trust can be established.

"Creating value with the purpose of earning customer trust is an important consideration for businesses which want to remain relevant and competitive," Tan Sri Ranjit said. "Trust can provide a significant competitive advantage."

TEAMING FOR TRUST

The second T – Teaming – emphasises sharing responsibility and the collaboration of stakeholders to build and sustain trust. One example is the Comprehend, Apply and Report (CARE) approach of the Malaysian Code of Corporate Governance (MCCG), to empower Boards and hold them accountable. Board Audit Committees not only have to ensure



that the financial reporting process is appropriately done, they must also provide auditors with information of transactions which could impact on the company's financials.

The SC, he said will step in when regulatory discipline is necessary, demonstrating this with the establishment of the Audit Oversight Board (AOB) to provide more confidence in overall audit quality and financial reporting in Malaysia. "After six years of operation, I am happy to say that the AOB has fulfilled its objective of enhancing public trust in the audit process," he affirmed.

TRANSPARENCY FOR TRUST

Cultivating a culture of Transparency, the third T, involves developing noble characteristics that could incline people to trust you. They cannot trust you if they do not know what is happening; transparency is necessary for effective corporate governance and reduces information asymmetry between stakeholders and company management.

But he stressed that although

regulators may impose requirements, transparency needs to come from wanting to treat investors fairly, and thereby earn their trust. "Transparency is not just about making disclosures," he advised. "It also means not letting investors take risks that they are not prepared for." While regulators trust the market to discipline itself to a certain extent, events around the world have prompted some strict measures that were intended to restore safety, fairness, efficiency and transparency.

Accountants as the custodians of trust must be frontliners in safeguarding financial integrity and championing the public interest. With roles that go beyond mere audit and compliance, they play a vital role as gatekeepers and in maintaining good corporate governance. Unfortunately, major financial scandals have cast accountants in a poor light but they still are integral to helping investors make informed investment decisions. The high-quality reporting standards that accountants must adhere to, have been linked to increased investment levels. Quality financial information also contributes to a lower cost of capital, and better accounting

standards will help businesses strategise both short- and long-term growth and value creation.

In the subsequent question and answer session, he was asked how the SC strikes a balance between overregulation and self-regulation. Tan Sri Ranjit assured the audience that while there was a major role for selfregulation, everyone has roles to play in the changing overall architecture of the market as methods like crowdfunding and P2P funding gain traction. He pointed out that the growing practice of equity crowdfunding also entailed trust, confirming that businesses have successfully raised crowdfunding and that the SC was enabling and encouraging it. Queried about how he builds trust among his own team, he said that open, robust discussion was one way. Discussion not only encourages transparency but empowers people in decision-making and spurred collaboration, which positively enhanced trust among team members.

Summing up, his final observation was a caution that accounting standards are becoming more complex than they needed to be. He urged the use of simple language and avoidance of jargon - particularly in prospectuses - as this could deter prospective investors from reading them thoroughly. Such language only made information difficult to understand and was therefore of little value. A simpler approach to disclosure was more desirable, as investors would find it easier to make decisions and participate more effectively in the market. In the final analysis, it will not be accounting standards exclusively, but a combination of these and the collaborative sincere efforts of all stakeholders, that will uphold trust. ■



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■ BY MAJELLA GOMES

 Young Accounting Professional Rashvin Pal Singh explains how he applies accounting knowhow to help businesses become more sustainable

SMALL STEPS FOR

Sustainability

Poverty, hunger, health, education, gender equality, water, sustainable energy, economy and industrialisation, reduction in inequality, inclusive cities, sustainable consumption and production, action on climate change, conservation of sea and marine resources, protection of the environment and biodiversity, building inclusive societies and strengthening global partnerships – these are encapsulated in the 17



Sustainable Development Goals (SDGs) that were agreed to by 196 UN Member States in 2015. But what do the SDGs have to do with accounting? Rashvin Pal Singh, Co-founder and CEO of Biji-Biji Initiative, decided to utilise

what he had learned as an accountant, to applying these SDGs.

"The accountancy profession is based on financial measurement, which, at first glance, is not connected to the SDGs like gender equality, access to education, recycling and conservation of resources," he said. "But a different kind of measurement can be applied to make accounting skills relevant within the SDG context."

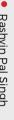
The main challenge was to apply measurement creatively to the data being generated by businesses. "Creative" in this instance concerns recognising what aspects of sustainability can benefit from the kind of measurement that accountants are familiar with e.g. measuring expenditures and calculating profit ratios. An accountant by training, Rashvin decided to apply what he had learned, and train others to do the same. In

2013, he and his partners set up Biji-Biji with the intention of incorporating social development principles into commercial enterprises so as to achieve long-term sustainability. Today, the enterprise does a lot of hands-on sessions for organisations which want to take the same route but are not sure how.

Rashvin recounts methods they can apply accounting and measurements within their respective organisations to more effectively utilise resources and cut costs. "You could look at your mileage and petrol claims for example, and track which routes are the most expensive. Then perhaps you could maximise deliveries on this route to make it more cost-effective. Or in the case of employees who drive to work, this kind of data could help them identify who they can car-pool with. This would also shed light on the organisation's carbon footprint, in relation to how its employees come to work. Perhaps the firm could even provide transport if there are many employees coming from the same area, thereby alleviating some of the burden of transport costs for them. It could even be used as an incentive.



You could look at your mileage and petrol claims for example, and track which routes are the most expensive. Then perhaps you could maximise deliveries on this route to make it more costeffective.









You could also measure how much you spend on utilities like electricity and water over a working week."

If, after crunching these numbers, you find that employees don't all actually need to be in the office all the time, but could be just as effective working remotely, you could lower their transport costs and your utility bills. It may seem like small savings but things do add up in the long run. Enterprises are in business for the long-term after all; making resources last is therefore a priority. Long-term inevitably means being sustainable, which links back to the SDGs.

Another area to scrutinise is inclusivity for effectiveness. "How is gender equality being managed in your organisation? Is training being skewed to one gender? Is this connected to what the firm wants to achieve? If it is not in keeping with organisational policy, HR should be notified and the imbalance should be addressed."

TRANSPARENCY THROUGH OPEN BOOK FINANCE

Besides offering training on practical techniques of applying accounting skills

to achieving the SDGs to interested organisations, Rashvin advocates "Open Book Finance" where a firm's finances are transparent to all. Why? Making finances transparent is more likely to have a stronger impact when employees recognise how their work directly impacts the firm's bottom line, and understand that policies are in their best interests. Biji-Biji has already implemented this. "All projects we undertake are 100% transparent. We create savings that are jointly shared. 40% of the revenue earned must go to salaries." On average, Biji-Biji's 32 full-time employees work on six or seven projects valued at RM200,000-RM300,000 per project, every year.

In sync with Biji-Biji's values, their projects are sustainable. "Biji-Biji people join because they are interested in doing things that are sustainable," Rashvin stressed. "They subscribe to our philosophy. We make things like furniture from repurposed wood, shopping bags from banners, purses, handbags and totes from car seatbelts and felt scraps – that sort of thing." They also create items from unwanted fabric, which wholesalers sometimes



want to get rid of cheaply. Such is the level of skill of Biji-Biji's people, that the items they produce are becoming "designer" wear; some of the bags created using car seatbelts actually made a runway appearance at KL Fashion Week!

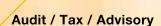


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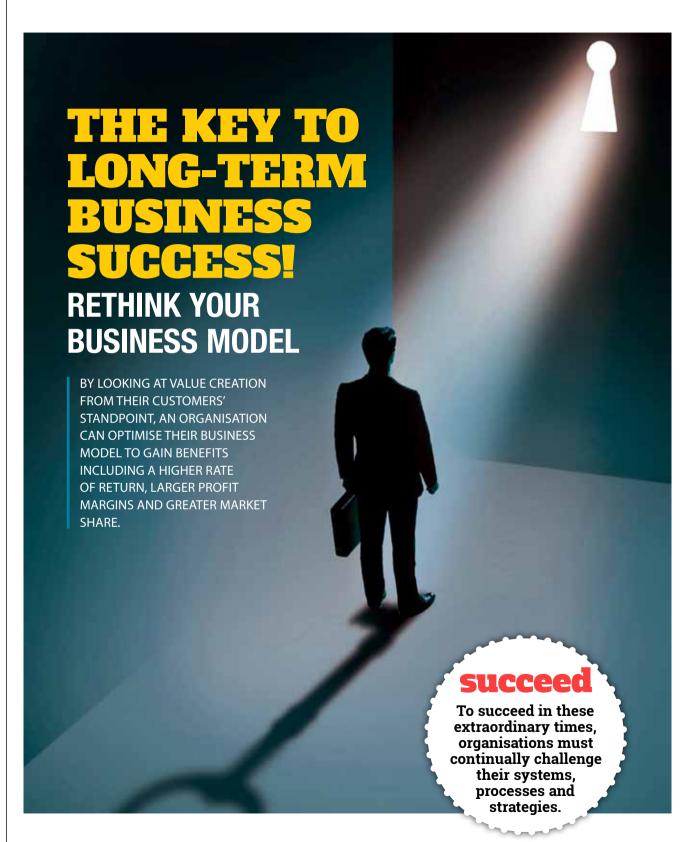
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■ BY STEVEN SWIENTOZIELSKYJ



MOST CEOs have the same challenge top of mind: how can they position their organisation for long-term success in an era of radical disruption? From celebrated brands that go out of business in a matter of years to no-name start-ups worth billions of pounds overnight, today's business environment is anything but predictable.

To succeed in these extraordinary times, organisations must continually challenge their systems, processes and strategies. That includes the way they think about their businesses and their customers. To thrive, organisations must continually rethink their business models.

LOOKING THROUGH YOUR CUSTOMER'S LENS

McDonald's faced this scenario when it tried to revitalise its stagnant milkshake business. The fast-food giant had been trying to increase its penetration of the milkshake market for a long time with little success. Armed with significant amounts of data, it tried first to adjust the product and then the pricing. Neither provided much gain.

But what if McDonald's was trying to answer the wrong question? Harvard Professor Clay Christensen explains how the company revitalised its milkshake business by asking a different question: What job is the customer trying to hire the milkshake for?

Data revealed that 40% of all milkshakes were purchased before 8:30a.m. by adults on their commute to work. Looking at their business model through a new lens, McDonald's realised that their customers were "hiring" the milkshake for a very specific job - and that their competitors were not just milkshake brands but rather all breakfast options: bagels, doughnuts, bananas and more.

AN **ORGANISATION'S ABILITY TO VIEW THEIR BUSINESS MODEL FROM THIS NEW** PERSPECTIVE **CAN RESULT** IN BENEFITS **INCLUDING A HIGHER RATE** OF RETURN, LARGER PROFIT **MARGINS** AND GREATER MARKET SHARE.

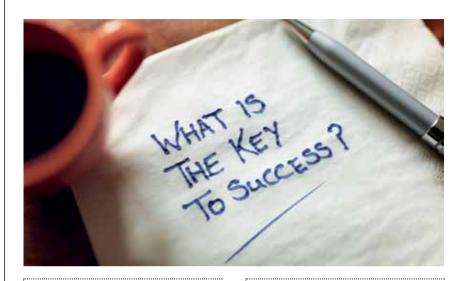
So how did McDonald's change their business model based on this new information? They modified their product and their delivery model for the job their customers were actually hiring them to do: keep them full and entertained on their morning commute. To accomplish this, they thickened the consistency of milkshakes. This gave their customers the opportunity to savour the shake longer. Since they knew their customers were in a hurry, they also installed machines that dispensed milkshakes with a prepaid swipe card. This allowed customers to come in and out with speed. By changing their product and delivery model to fit their customers' needs, they were able to grow their milkshake business significantly.

The McDonald's story is a great example of how an organisation looked at value creation from their customers' standpoint. An organisation's ability to view their business model from this new perspective can result in benefits including a higher rate of return, larger profit margins and greater market share.

HOW TO ARTICULATE AND RETHINK YOUR BUSINESS MODEL

So, you may be asking yourself, "How do I rethink my organisation's business model to achieve long-term value creation?" The Association of International Certified Professional Accountants introduced the CGMA Business Model Framework to help organisations enhance decision-making by considering their business model through a series of lenses. Finance leaders are invited to share their views and feedback at www. cgma.org/businessmodelconsultation as part of a global consultation to make the framework even more robust, relevant and useful for business.

THE KEY TO LONG-TERM BUSINESS SUCCESS! RETHINK YOUR BUSINESS MODEL



THE FRAMEWORK AND ACCOMPANYING WHITEPAPER IDENTIFIED CLEAR STEPS TO HELP ORGANISATIONS ARTICULATE THEIR BUSINESS MODEL:

STEP 1 Define value

Start by articulating how your organisation defines value. Identify your stakeholders and your organisation's value goals. This could include: profit at yearend, the number of satisfied customers, the number of new products on the market or even growth in a particular product.

STEP 2 Create value

Next, identify how resources and

inputs are transformed into goods and services that customers value and desire. Apple doesn't just have great ideas and know-how. They have a great design-to-production process that allows them to quickly deliver innovative products that excite and delight their customers.

STEP 3 Deliver value

Then, determine how your organisation is bringing value to your customer. This question is critical, as it poses an opportunity to identify segments of customers and the various channels by which to reach them. Take Netflix, as an example. They were offering the same product as Blockbuster:

motion picture movies for all ages and interests. However, Netflix delivered its product through a new channel that, ultimately, helped the brand gain massive market share.

STEP 4 Capture value

Finally, detail your organisation's revenue model and how you are capturing value from your customers. Cloud services provider Oracle started with an 'on-premise' software revenue model. However, as technological innovation around the Cloud accelerated, Oracle shifted its model to a software-as-a-service revenue model, enabling it to increase penetration in a very competitive Enterprise Resource Planning (ERP) market.

CONCLUSION

By articulating your business through the four steps listed above, you can more easily identify what part of the value chain you're trying to address and change.

Disruptors usually focus on a particular component of your business model. If you use a systematic framework to forecast your business model, you can have greater confidence that opportunities will be leveraged and risks mitigated, helping you to achieve long-term success.

This article is contributed by Steven Swientozielskyj, FCMA, CGMA, Deputy President of CIMA. The Association of International Certified Professional Accountants (www.aicpaglobal.com) was formed by members of CIMA and the American Institute of CPAs (AICPA) to advance the entire accountancy profession globally. Launched on 1 January 2017, it brings together the reach, rigour and resources of both organisations and builds on a century-long heritage of driving excellence within the accountancy profession. The Chartered Global Management Accountant (CGMA) designation (www.cgma.org) was created in 2012 by CIMA and AICPA to elevate the role of management accounting worldwide and distinguish those professionals who have reached the highest benchmark of quality and competency.





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50 years

OF INTEGRITY, ACCOUNTABILITY AND TRUST

MIA's lavish Gala Dinner was the culmination of many celebratory initiatives undertaken in 2017 to commemorate its Golden Jubilee.

On 30 September 2017, the MIA celebrated its 50th Anniversary themed 'Integrity, Accountability and Trust' at a Gala Dinner graced by guests of honour HRH Sultan Nazrin Muizzudin Shah, Sultan of Perak Darul Ridzuan and HRH Tuanku Zara Salim, Raja Permaisuri Perak Darul Ridzuan. Also present was YBhg. Datuk Seri Johari Abdul Ghani, Minister of Finance II, Malaysia.

In his welcome remarks, MIA President Encik Salihin Abang said, "A stronger accountancy profession in Malaysia is a positive driver for society and the economy. For the past 50 years, MIA has recorded many successes in our continuing journey to serve the nation and the people, and we will strive to do even more for the public, our members, our stakeholders, and the nation."

Amidst the elegantly transformed Grand



Ballroom of Mandarin Oriental Kuala Lumpur, the 700-odd guests enjoyed an evening of accolades and entertainment. Doing the honours, His Royal Highness presented the prize to the essay competition winner, Presidential Merit Award medallions to MIA past presidents and their representatives, and the MIA Lifetime Achievement Award to the legendary Tan Sri Dato' Hanafiah Hussain.

Serenading the guests were
Sean Ghazi, Ida Mariana and the
Tarakucha band whilst the 'Funniest
Person in the World' Harith Iskander
had everyone in stitches at the event
helmed by celebrity emcee Datin
Elaine Daly. In addition, a silent
auction of artworks by renowned
artist Raja Azhar Idris raised
RM12,215.09 for the Malaysian
Accountancy Research and
Education Foundation (MAREF) in aid

A stronger accountancy profession in Malaysia is a positive driver for society and the economy.

Encik Salihin Abang MIA President







CELEBRATING 50 YEARS OF INTEGRITY, ACCOUNTABILITY AND TRUST







of the Islamic Finance textbook.

The Gala Dinner was the culmination of celebratory initiatives undertaken in 2017. As MIA 50th Anniversary Celebration Organising Chairman Dato' Mohammad Faiz Azmi said, "The celebrations had to be iconic, it had to be inclusive and it must reflect our values. We also decided to have the 50th anniversary celebrations over a span of a few months, in order to better publicise our golden jubilee."

The initiatives encompassed Commemorative Lectures by iconic accountants YBhg. Tan Sri Abdul Wahid Omar, YBhg. Tan Sri Dato' Azman Mokhtar and YBhg. Tan Sri Ranjit Ajit Singh, essay and video competitions to promote the English language and the three thematic values, as well as fun and educational programmes to counsel students on the myriad of opportunities in the profession, CSR activities which included a visit to a paediatric hospital and children's home, environmental protection activities such as tree planting and beach cleaning, and fitness and health awareness programmes. Just four days short of the Gala Dinner, a 56-strong team of MIA climbers reached the summit of Mount Kinabalu and to cap off the celebrations, a special documentary will be screened in October featuring iconic accounting figures and their nation-building role, expounding the merits of the profession whilst charting MIA's history, accomplishments and forward strategy.







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■ BY OUAH JINO OI

PEN TRUMPS CALCULATOR

To engage the younger generation and interest in the profession, MIA is initiating many projects that appeal to younger millennials and post-millennials. Student Quah Jinq Qi won the 50th Anniversary Essay contest, held in conjunction with MIA's Golden Jubilee celebrations.



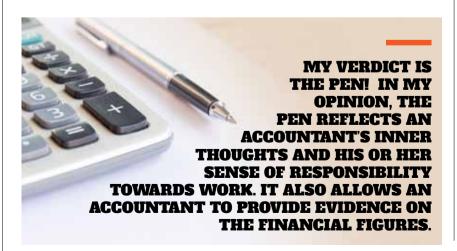
A pen and a calculator are two common pieces of stationery for most of us. They play a very important role in the accounting industry. Both of them are needed by an accountant to produce and calculate financial figures, and cash flows in a company within an accounting period. But have you

ever wondered which one of these is more important for an accountant, who has the qualities of integrity, accountability and trust? My verdict is the pen! In my opinion, the pen reflects an accountant's inner thoughts and his or her sense of responsibility towards work. It also allows an accountant

to provide evidence on the financial figures.

WHY I HAVE CHOSEN PEN OVER CALCULATOR? BELOW ARE SOME OF MY POINTS.

To start off, the pen is like a piece of a mirror that reflects the accountant's integrity. Since it is stationery that can't function by itself, it's up to the accountant to decide what he or she intends to write. The accountant can either choose to jot down the exact amount shown on the calculator or choose to mislead others by recording manipulated financial figures. While a calculator is a scaled - down computer that produces output strictly based on punched-in numbers, a pen reflects more on the accountant's honesty, personality and inner thoughts. For example, the accountant can choose to write RM50,000 in the statement, or rather, a calculated balance figure



PEN TRUMPS CALCULATOR

of RM5,000. This decision could be due to personal thoughts and/or external influence. But the act of hiding or distorting the truth reflects the integrity of the accountant.

A pen also reflects on the accountant's responsibility for work. According to the Sarbanes-Oxley Act, it is the accountant's responsibility to approve the correct and accurate financial documents. A responsible accountant would double check before signing and approving the financial documents to ensure the final annual reports published are in line with the company's internal operations. On the other hand, if an accountant fails to exercise his or her responsibility for work, he or she might choose to report on the inaccurate financial documents, and this may lead to fraud and financial crime. And for this, we can see that being aware of signing any financial documents and taking responsibility for any financial accounts are two unbreakable elements of being an accountant.

On the same note, a pen also allows an accountant to produce touchable hard copy work. Unlike a calculator where the output will be erased once its power is off or it is reset, a pen provides evidence for the information reflected in the financial documents and the company's current operation. By posting the transactions in double-entry forms, the accountant can easily identify the sources and know how the financial figures are derived. This will allow the accountant to rectify errors found, and the process or procedures can be improved to avoid re-occurrence of similar errors. This eventually will enhance the trust of the accountant and the company. Therefore, written or black-and-white evidence can indirectly build a company's image and portray a reliable image in the clients' hearts.

All in all, the pen can be used to describe an accountant's personality. The ink is the level of trust given by the public; it reduces every time when an accountant carries out an unscrupulous act. The ink isn't inexhaustible, but it depends on whether the accountant makes good use of it. Since young, we have been taught to do the right things, such as avoiding cheating in exams, following the correct procedures, as well as showing the truth. For accountants, it is their responsibility to provide accurate financial documents. And thus, I can conclude with clarity that a pen is more important for an accountant to have integrity, accountability and trust qualities. ■







Economic crime causes massive losses to the economy and can destroy reputable financial institutions. The biggest victims are organisations and professionals who think it can never affect them."

Dato' Akhbar Haji Satar

CFE, AIBM, MA (Criminal Justice) (Detroit) Director, Institute of Crime and Criminology, HELP University

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How to Manage Millennials

The National Accounting Educators' Convention 2017 grappled with a perennial problem: millennials and how to manage them.

AFTER years of research and debate, employers and educators are still stymied by the millennial challenge. Millennials are the largest demographic cohort in history, and their mindsets and culture are definitely impacting the workplace and career paths.

Their desire for novel experiences and spontaneity defines this generation. "Millennials are often impatient and want to see fast results," remarked Mohd Sidki Hassan, Director, National Human Resource

Centre, Human Resource Development Fund (HRDF). "It takes a while before they realise the downside of instant gratification. They want experiential learning but they have no experience to share, and they don't want passive learning, so they share their aspirations instead. Job descriptions have to change to fit the dynamic environment that millennials operate in." But shouldn't millennials also metamorphose to fit into prevailing organisational culture? Can employers and millennials meet in the middle and blend expertise and enthusiasm to forge a new breed of working styles and maximum productivity?

Approaching millennials with a positive attitude and open minds could pay off. Millennials are an easy target for negative generalisations



and assumptions, and they are largely misunderstood, just like how the flower power peaceniks of the sixties and seventies clashed with their more conservative bellicose seniors. Parents and employers will always face an impasse with their offspring and employees in the clash of generations. "The social environment is dynamic, and it is easy to brand millennials unfavourably but they behave differently depending on their individual environments, backgrounds and upbringing. While there are some general criteria, we cannot be too judgemental," advised Dato' Mohd Khalis Abdul Rahim, Chief Human Capital Officer, Telekom Malaysia Bhd.

Some theories hold that millennials are also psychologically scarred by recession and crises. They are frustrated and unprepared for an unforgiving economic landscape post-crisis, where education doesn't guarantee employment and the phenomenon of growing global youth unemployment is worsening social upheaval. Monsy Siew, Executive Director, People, Performance & Culture, KPMG PLT Malaysia, said that millennials were just a group of people trying to survive in a VUCA (volatile, uncertain, complex, ambiguous) world. "There is so much being thrown at them; they have so much to keep up with – and they are constantly being prodded to keep up," she said. "They need to feel a sense of purpose."

MILLENNIALS WANT TO MAKE A DIFFERENCE

How can we help infuse this purpose, and move the needle on the millennial



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013 367 3012 | kenneth.siew@wolterskluwer.com





L-R: Dato' Mohd Khalis Abdul Rahim, Mallory Loone, Monsy Siew and Mohd Sidki Hasan

challenge? One, millennials need to feel that their contribution matters and is appreciated - just like their colleagues from different generations. Unfortunately, millennials, due to their youth and inexperience, have not yet cultivated the ability to think in ways that help them in their workplace. Ideally, any workplace upskilling or training session for them has to be relatable. Employers need to craft a narrative that resonates with millennials. "It's like storytelling," Siew described. "Deliver the message through stories. Learning has to be bite-sized and engaging. Try gamification - games that are customised to the situation - to get through to them."

But hard-pressed employers already have enough of a struggle with sustaining performance. Do they have the time for hand-holding millennials? Do they have the bandwidth to think up games and other methods to engage their millennial employees, some of whom lack independence or exhibit poor discipline and work ethics?

Two, employers must clearly communicate their expectations and share their values so millennials can fit in culturally. Mohd Khalis suggested that employers should expose millennials to reality by seconding them to areas and units where

Employers should expose millennials to reality by seconding them to areas and units where they haven't been before, for a better understanding of the organisation as an integrated ecosystem. Oldschool methods don't work with this new generation.

Dato' Mohd Khalis Abdul Rahim,

Chief Human Capital Officer, Telekom Malaysia Bhd. they haven't been before, for a better understanding of the organisation as an integrated ecosystem. Old-school methods don't work with this new generation. "Use unorthodox methods to measure their performance," he added. "Allow them to fail. It builds character!"

Other out-of-the-box methods to spur performance include doling out bite-size rewards to satisfy their appetite for spontaneity and feedback, and offering blended learning and structured career paths to keep them engaged. Mohd Khalis noted that organisational structures and regulations may need amending to accommodate these millennialdriven trends. Set KPIs that measure effective outcomes instead of hours spent at work. Reward results, not routine. "Flexibility is good because it empowers millennials and can spur productivity," he said, observing that millennials are encumbered by short attention spans and can't work long hours. On the flipside, employers need to be more tolerant and adaptive to squeeze out more productivity from millennials. "You can't have flexible policies if bosses don't want to let go. Flexibility will lead to agility, and the emergence of an adaptable environment."

A millennial herself, Mallory Loone, Director, Thriving Talents, cautioned that millennials must earn trust and demonstrate maturity, responsibility and results before employers grant flexibility. Siew advised millennials to practise the "Three R" method. "Be Resourceful – know how to look for things, and don't hope to be spoonfed. Be Resilient; become stronger mentally; Be Realistic – you have to go through the wringer like everybody else. You are not entitled."





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BY MAJELLA GOMES



BUILDING CAPACITY, ENHANCING COMPETENCY

MALAYSIA NEEDS
MORE ACCOUNTING
PROFESSIONALS TO
SUPPORT THE ECONOMY,
AND BUILD THE NATION.

STATISTICS show Malaysia currently has about 36,000 accountants but needs 60,000 by 2020. Accounting remains one of the most in-demand jobs but the number of students taking up accounting in institutions of higher learning is falling, said Leong Mun Foong, Manager, Education, MIA, moderating a

Accounting remains one of the most in-demand jobs but the number of students taking up accounting in institutions of higher learning is falling.

Leong Mun Foong Manager, Education, MIA panel session on capacity and competency building at the MIA National Accountancy Educators Convention 2017. From a graduate high of 6,102 in 2013, the number declined to 5,944 in 2015. But there has been no decline in demand for finance managers, finance directors, financial controllers, auditors, tax consultants, financial analysts, fraud specialists or transfer pricing personnel.

QUALITY AND QUANTITY

It isn't just a case of making up the numbers. MIA is pushing for competency and quality aligned with global professional standards and practices. Given the constraints on resources and time, universities and institutes of higher learning face tremendous pressure to deliver to stakeholder and market expectations. The conundrum is that they are expected to impart soft skills along with technical knowledge, and this is tough to achieve in three or four years of higher learning.

"As far as universities are concerned, we follow the syllabus offered by all universities in Malaysia," explained Assoc. Professor Dr. Mahfudzah Mohamed, Director, IPAC Education. "We also listen to industry, and try to make graduates ready for market. Graduates need to be trained but they also have to be trainable because they will be working in different industries.



Highlights

Our journey on building trust

In 2015, PwC Malaysia set out on a journey to encourage Malaysian companies to make trust-building a priority. Since then we have continued to broaden this conversation to more stakeholders including the general public and our future leaders.

PwC Building Trust Awards (2015, 2017)

Our Awards celebrates companies in Malaysia that are making strides to build trust with their stakeholders.



PwC - Young Corporate Malaysians (YCM) Trust Debate (2016)

Industry leaders and young professionals participated in this debate organised in collaboration with YCM. They delivered strong arguments that demonstrated the importance of trust for businesses, big or small.



In broadening the trust conversation, we've gained insights, been inspired, and felt that our PwC purpose "To build trust in society and solve important problems" is coming to life in small and not-so-small ways.

To learn more about our building trust programme, visit pwc.com/my/trust

'Trust in business: Delivering authentic value' thought leadership (2016)

Do business leaders and the public share the same views on trust? Our report revealed some interesting results.

82%

Is the CEO the face of trust for a business?

Poll respondents said YES.

Business leaders added that a captain is only as good as his team.

83%

Can there be a one-size-fitsall model for building trust?

Poll respondents said NO.

Business leaders said NO, but agreed there are some basic values which all businesses must have.

'PwC Trust Builders: The Building Trust Challenge' (2017)

Our competition for university students attracted 137 teams of 3 to present their ideas on how a case of broken trust can be fixed.

33%

understood why trust matters for a business before participating in the challenge

92%

understand why trust matters for a business after participating in the challenge



Pauline Ho

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Stephanie Caunter

Executive Director +6(03) 2173 1168 stephanie.caunter@my.pwc.com Educators teach with the intention of training accountants to be able to apply skills but students need more, like critical thinking, problem-solving skills and the ability to apply what they have learned. We are becoming increasingly concerned that they are not developing these "soft" skills."

According to the Committee to Strengthen the Accountancy Profession (CSAP) Report, the skill sets required for accountants in Malaysia range from understanding core technical concepts and technical and communication skills for graduates, to application of advanced technical concepts at professional level, to understanding strategy and specialised technical skills at senior management level, and strategic thinking, advanced leadership and communication skills at the highest level.

Are new accountants able to deliver on these requirements? "Students who enter industry are not up to standard," stated Novie Tajuddin, Chief Operating Officer, Education Malaysia Global Services. They may be technically sound but generally lack 'soft' or people skills. "They are good students but they are not good 'people' persons," he continued. "Most of them are rigid

and find it difficult to articulate, which is unfortunate because articulation and the ability to communicate are integral to good leadership. They need to say the right thing at the right time; they need presentation skills to do forecasting, answer questions, interpret, strategise, plan, discuss. They have to do this fast and flexibly - and they need to be able to think critically." Teresa Chong, Member, Education Committee, MIA agreed, adding that extra skill sets need to be nurtured, but the burden should not be shouldered by educators alone. "Firms usually provide upskilling and reskilling because jobs develop over the years," she explained. "They need different skills as they progress so upskilling is a continuous process."

TRAINING THE TRAINERS

Dr. Mahfudzah stressed that quality students required quality lecturers. "The challenge for lecturers is how to transfer knowledge effectively to students who have come through a completely different school system to begin with," she stated. "Lecturers themselves have to constantly keep abreast of developments and methods of teaching,



L-R: Teresa Chong, Assoc. Professor Dr. Mahfudzah Mohamed, Novie Tajuddin and Leong Mun Foong

as well as changes in exam questions." "Continuous professional development has become as essential to lecturers as it is to other professionals, agreed Leong. "Accountants are expected to deliver a certain standard of services, so there has to be constant updating (of academicians)," Chong insisted.

"It would be a good thing if lecturers themselves had different kinds of exposures," suggested Novie, raising the possibility of lecturer internships. "This may be necessary to enable them to impart the right kind of knowledge directly from industry itself, and ensure that students learn what is really relevant," he concluded.

TALENT DEFICIT

The brain drain is a key factor behind the declining number of accounting graduates, resulting in a talent deficit.

Why is this so? Novie opined that the brain drain can be explained by the better compensation given in other countries, as well as globalisation and porous borders. "It is possible to work from anywhere now; the rise of shared service centres is testament to this. MNCs like Shell and BP are already taking this route." Another reason is that some firms in Malaysia tend to skimp on costs and talent in investment, and lose talent because of it. Companies need to have a different, more flexible approach to develop and engage staff.

On the bright side, the Malaysian government's efforts to promote Malaysia as an education hub could be a means of attracting and retaining talent in the country, said Chong. Looking ahead, mutual recognition of ASEAN CPAs could provide access to more quality accountancy talent for talent-starved markets in the region, including Malaysia.



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■ BY SHARMILA GANAPATHY-WALLACE





160 countries that have a similar tax system in place. "India is implementing GST and there are reports that the Middle East are expected to follow suit, beginning with the United Arab Emirates next year."

Post-implementation, the emphasis is on enhancing compliance, he stressed. The Royal Malaysian Customs Department (RMCD) is enhancing its regulatory mechanisms to ensure compliance. "The regulators are putting in place the audit processes and businesses must ensure they are fully prepared and compliant. Businesses and accountants should actively provide feedback to the RMCD to fully understand the unique circumstances and problems," urged Salihin.

Meanwhile, GST implementation has been going full steam ahead, thanks to a successful collaborative strategy among the stakeholders involved. Dato' Sri Subromaniam Director-General Tholasy, οf the RMCD, shared that as of 13 September 2017, 2,568 GST tax agents have been approved by the Ministry of Finance under the GST Act. As of 16 September 2017, the RMCD had recorded 452,638 GST registrants. "This success is not only due to the RMCD; it is also due to the contribution made by the private sector, including the tax practitioners and the tax agents," he acknowledged.

FROM ENFORCED TO INFORMED COMPLIANCE

The RMCD is keen to change attitudes towards tax compliance, and embed the mindset that paying taxes is a patriotic duty that supports national development. The RMCD's



Dato' Sri Subromaniam Tholasy

Director-General of the RMCD

BUSINESSES AND
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SHOULD
ACTIVELY
PROVIDE
FEEDBACK TO
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THE UNIQUE
CIRCUMSTANCES
AND PROBLEMS.

Salihin Abang
President, Malaysian Institute
of Accountants



Operation Blue Ocean Strategy (Ops CBOS 3.0) which was inspired by the National Blue Ocean Strategy, is not intended to punish or burden the business community, but rather to create an awareness on the need for compliance to the GST legislation using a totally different approach, said Dato' Sri Subromaniam.

"Through these changes, we hope to change the mindset of the private sector including those businesses registered under GST so that they could comply on a voluntary basis. The key message here is that the RMCD is embarking on a different strategy from an enforced compliance strategy to an informed compliance strategy. This would eventually help to guide and better educate the GST registrants in complying with GST legislation."

To promote voluntary compliance, the RMCD is studying the possibilities of the assisted compliance assurance programme (ACAP), which is still in the pipeline, and could be a "gamechanger for all, including tax practitioners", he said. Currently, the RMCD is still discussing this programme with the Ministry of Finance. "ACAP will facilitate GSTregistered businesses to better manage their GST risks by providing a set of guidelines to undertake holistic review of the robustness and effectiveness of internal control systems that impact GST compliance."

At the end of the day, successful implementation of GST depends on two important aspects, getting the technical aspects and communications right. This is vital. "High tax compliance will definitely ensure the drivers of GST will lift the economy higher in the near future," he concluded.

Common GST Issues

Despite the RMCD's efforts to educate business, misconceptions and misunderstandings concerning GST and compliance still remain, and this hinders compliance, concluded panellists at the GST Conference 2017 session on 'Common Issues In GST Implementation'.

Yap Lai Han, Tax Executive Director, PricewaterhouseCoopers Taxation Services Sdn Bhd noted that while businesses are more clued in to how GST works and how it applies to business, the issues that remain are more technical in nature. "Businesses realise that GST is not so easy, looking at the chain of transactions. A lot of technical issues have come up, in terms of reimbursement and disbursement and applying the concept in day-to-day transactions. We also see a lot of cases where clients need further clarity and there are a lot of letters written to the RMCD regarding technical issues."

Common problems customers face involve which tax code to use or apply; confusion over mixed supply; and ignorance in calculating their internal rate of return on GST as well as capital good adjustments, said Hong Gek Yeow, General Manager, Fast Track SBOi Sdn Bhd.

Since many taxpayers still face problems post-implementation, continuing education and engagement are still necessary to stabilise GST. "Two years down the road, we see a lot of changes. The RMCD has continually engaged with the business community. A lot of the guides have changed and been updated; a reflection of the understanding that the RMCD has to facilitate the businesses in complying with GST," said Yap.



Yap Lai Han, Tax Executive Director, PricewaterhouseCoopers Taxation Services Sdn Bhd

Technology adoption can go a long way in smoothening the GST experience and compliance for businesses. For example, GST software can be customised to generate GST Audit Files (GAF) for GST audits, which will be more prevalent in future. GST software can also include features such as reverse charge mechanism. Note that GST software must be approved by the RMCD.

The session drew many questions, which ran the gamut from input tax to GST for inherited property to cash deposits. Asked



Hong Gek Yeow, General Manager Fast Track SBOi Sdn Bhd

about GST for inherited property, Yap clarified that for GST to apply, there must be a supply. "For a supply to happen, you must be doing something where you receive consideration. Since you don't receive consideration, there is no GST to be considered for inherited property. If it is a commercial property, you need to ask if you are liable to register that property for GST. When you sell or rent it out, there may be GST implications."

Input tax is claimable only if you have a tax invoice under your name. "It cannot be issued under a partnership's name, you need to write in to the RMCD to enquire further," advised Yap.

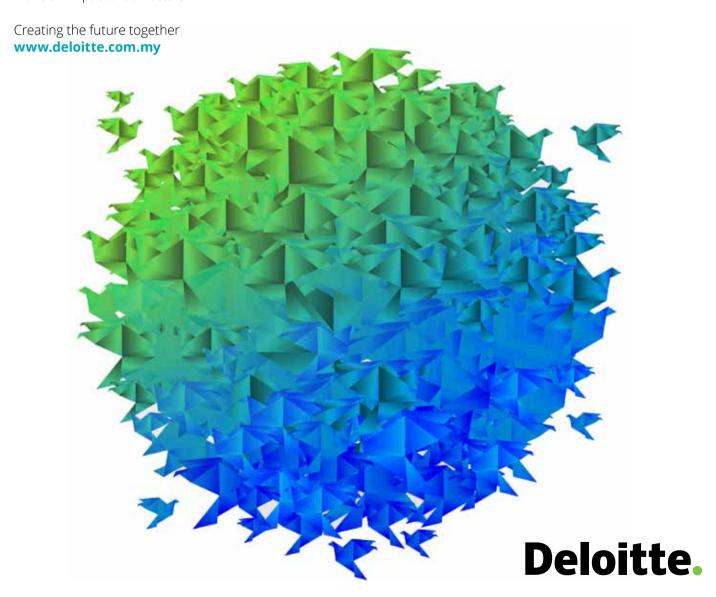
GST on cash deposits depends on the type of deposit. For example, if it is a cash security deposit that is refundable to the customer, no GST applies. "But if the cash deposit is for advance payment, look at the type of services provided, GST may be applicable. Item 12 comes to mind, you need some conditions to fulfil. For instance, the services must not directly relate to goods in Malaysia. If not an exported service, it is standard rated, not zero rated," explained Yap.

Hopefully, the RMCD's informed compliance approach guided by its Operation Blue Ocean Strategy (Ops CBOS 3.0) will be effective in clearing up much of the confusion as GST systems and taxpayers mature.

Congratulations to MIA for 50 years of integrity, accountability and trust

The achievements of the Malaysian Institute of Accountants over the past 50 years have laid the foundation for the future of the accountancy profession in Malaysia, but there always will be more to do, more to build and unique challenges ahead.

As the world's leading professional services organisation, Deloitte is committed to supporting the MIA in advancing the profession to even greater heights and developing accounting leaders who can make an impact that matters.



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TITANS ON TAXATION

THE GST CONFERENCE 2017'S 'A DIALOGUE WITH THE TITANS OF THE MALAYSIAN TAX ARENA' BROUGHT TOGETHER ROYAL MALAYSIAN CUSTOMS DEPARTMENT (RMCD) DIRECTOR-GENERAL DATO' SRI SUBROMANIAM THOLASY AND INLAND REVENUE BOARD MALAYSIA (IRBM) CHIEF EXECUTIVE OFFICER DATUK SABIN SAMITAH, WHO SHARED THEIR INSIGHTS ON TAXATION DEVELOPMENTS AND THEIR THOUGHT PROCESSES.

COMPLIANCE is at the heart of the taxation conversation right now as tax authorities discharge their mandate to collect revenues to support government expenditure and nation-building, and improve fiscal health.

TO PROMOTE GREATER COMPLIANCE, JOINT AUDITS ARE ON THE HORIZON.

According to Datuk Sabin Samitah, the RMCD and the IRBM have signed a standard operating procedure (SOP) agreement to facilitate joint audits. "This is one of the projects under the National Blue Ocean Strategy increase the effectiveness of government departments. The SOP is an extension of the memorandum of understanding signed by the RMCD and the IRBM in 2013," he explained. The objective of the SOP is to ensure the success of a joint audit by both organisations, to ensure that there are no repetitive visits to common taxpayers, and to reduce the cost of compliance by taxpayers.



The objective of the SOP is to ensure the success of a joint audit by both organisations, to ensure that there are no repetitive visits to common taxpayers, and to reduce the cost of compliance by taxpayers.

Datuk Sabin Samitah, Chief Executive Officer, Inland Revenue Board Malaysia (IRBM) With regards to joint audit leadership, both agencies have jointly set up a committee to look at the procedures and ensure seamless joint audit implementation. "If the case is handled by the IRBM, an officer from the IRBM will lead the team. But if the case is initiated by the RMCD, their officer will lead the team," said Datuk Sabin. The SOP has clearly spelled out who is in charge of what. If the RMCD has the documents and discovers irregularities, the IRBM will be allowed to view the documents and assist with the audit, and vice-versa.

The initiative will also streamline repetitive post-clearance audit issues. Dato' Sri Subromaniam noted that apart from the GST, there is a post-clearance audit division in the RMCD that oversees imports and exports. "There were many complaints from companies that were audited by this department and then GST (officers) from a different division. We found that it is time that we consolidated everything into a single audit, but at the same time the IRBM also has audits and investigations. Instead of going to the same taxpayers for repeated visits, the idea is to let the joint team look at the audit holistically and resolve the issues once and for all."

COMPLIANCE ISSUES PERSIST

Asked if they would surprise the taxpayer with the audit or tell taxpayers upfront, Dato' Sri Subromaniam answered frankly that they have an audit framework and usually notify taxpayers in advance, unless it is an exceptional case. "When we suspect under-declaration, evasion or compliance issues, or if someone has complained about you, then do you expect us to give you a one-month notice?"

THERE WERE MANY COMPLAINTS FROM COMPANIES THAT WERE AUDITED BY THIS DEPARTMENT AND THEN **GST (OFFICERS) FROM A DIFFERENT** DIVISION. WE FOUND THAT IT IS TIME THAT WE CONSOLIDATED EVERYTHING INTO A SINGLE AUDIT, BUT AT THE SAME TIME THE IRBM ALSO HAS **AUDITS AND INVESTIGATIONS.**

"I fully concur. The IRBM has established an audit and investigation framework. For audits, we need to inform the taxpayers-but we can also make a surprise visit. For investigations, we don't have to give notice; we do a surprise visit," Datuk Sabin said.

INFORMED COMPLIANCE

Both are committed to ensuring that taxpayers pay the right tax at the right time, to support national development goals. Datuk Sabin recalled that his primary agenda upon his appointment as the IRBM CEO was to ensure a fair and systematic tax system in this country.

Dato' Sri Subromaniam meanwhile said he wanted to introduce something different on his first day as Director General, hence brainstormed ways to enforce informed compliance with his deputies. "When I communicated this idea of informed compliance, everyone was excited. This is the way forward to educate taxpayers."

There is still plenty of room for improvement. "The GST system gave us 62,000 companies that are under suspicion of underreporting or over-claiming input. We issued friendly reminders to these 62,000 businesses to



L-R: Dato' Sri Subromaniam Tholasy, SM Thanneermalai and Datuk Sabin Samitah

relook their returns and re-submit on a voluntary basis.

After more than five months, fewer than 10,000 companies have responded to the RMCD queries. He considers 10,000 out of 62,000 a healthy percentage. "The second phase is enforced compliance; now auditors will go visit the remaining 52,000 companies. For those who come and disclose liabilities on a voluntary basis, we would look at their penalty very favourably."

Since the GST system is still maturing, taxpayers are understandably still making errors on disbursement, reimbursement and inputs. Dato' Sri Subromaniam advised taxpayers to seek professional financial and tax advice. "Not everyone can afford the Big Four, but SMEs and micro enterprises need someone else to assist them."

Similarly, the IRBM is striving to educate taxpayers on compliance. "Our direction is quite simple, we would like to create a level playing field. Our stand is to make compliance easy and noncompliance very difficult," said Datuk Sabin. Non-compliers take note. "We are taking action against those who fail to pay their taxes - civil action and legal

action against those who have been audited and investigated before, but refuse to keep to proper documents although they have been advised."

A SECOND CHANCE FOR BUSINESSES

Both departments understand that there are prevailing GST issues, and wish to give a second chance to businesses that have made mistakes in compliance and documentation. "We don't want to enforce compliance yet, although we may have to do that eventually. Top management discussed this issue; some of us wanted to take a hard approach-but we decided finally to give them another opportunity. At the end of the day, if you deal with this audit, you will get better revenue. We are going to write to them (businesses) again to correct the statements," explained Dato' Sri Subromaniam.

He noted that many companies don't know where they went wrong. "Based on the returns, we know something's not right." For example, by studying a restaurant's sales figures and input and output tax, officers can gauge that its GST returns don't match the industry's.

"We do have a certain ratio for these

industries; if you don't fall under this ratio, you could be in trouble. Most get the input tax right, but when it comes to output tax, they sometimes under-declare. Even though you may not have a record, we can still make an assessment," he explained.

HARSHER UPCOMING TAX PENALTIES?

Businesses are understandably unsettled by the proposed dramatic increase in income tax penalties from 45% to 100% next year. But Datuk Sabin indicated that the punitive penalties will apply primarily to recalcitrant taxpayers. For example, taxpayers who were investigated in 2015 or 2016 and settled their case within that year were imposed a penalty of 15-20%.

"We have been very lenient for the last two years. But we found out that quite a number of taxpayers didn't declare the right amount of tax. It is already in the Act that we can impose up to 300%. Hence, next year we would like to increase the penalty to 100%, but not for all taxpayers, only those who are habitual tax evaders," Datuk Sabin explained.

Would the IRBM be more accommodating if taxpayers voluntarily go to the IRBM? According to Datuk Sabin, the IRBM has a provision for voluntary disclosure in its framework. "They can come to our office for a declaration, but if technical or grey areas are involved, as the implementer of the law we can only see black and white unless there is a decision by the higher court for certain cases," he clarified.

Moving forward, it will be interesting to see how informed compliance pans out for the RMCD and if higher tax penalties by the IRBM lead to greater compliance. ■





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ALIGNING TAX STRATEGIES

WITH BEPS

JEROME STEPHANE VAN STADEN, INTERNATIONAL DIRECTOR, INTERNATIONAL TAX SERVICES, ERNST & YOUNG SOLUTIONS LLP SINGAPORE WAS SPEAKING ON ALIGNING TAX STRATEGIES WITH BEPS AT MIA'S BASE EROSION AND PROFIT SHIFTING (BEPS) SYMPOSIUM 2017.

THE 2013 Organisation for Economic Co-operation and Development (OECD) report Addressing Base Erosion and Profit Shifting concluded that no single tax rule on its own enables BEPS; it is rather the interplay among the different issues that makes it possible. Domestic laws and rules that are not co-ordinated across borders, international tax standards that have not always kept pace with the changing global environment and a pervasive lack of relevant information at the level of tax administrations and policymakers combine to facilitate taxpayers' BEPS

strategies. The report also identified access to harmful tax practices as a key pressure area enabling BEPS.

Below, we outline Actions 1, 5, 12 and 14 of the OECD's BEPS project, which aim to align tax strategies with anti-BEPS initiatives.

ACTION 1 - TAX CHALLENGES OF THE DIGITAL ECONOMY

The Digital Economy (DE) has opened up a wide range of revenue models and the landscape is evolving rapidly. Whilst the DE by itself is not

culpable for BEPS, its key features exacerbate BEPS risks. These include mobility in respect to intangibles and business functions, flexibility on the location of servers and resources, heavy reliance on 'big data', volatility due to low barriers to entry and rapidly evolving technology.

From the tax perspective, DE's nature of operating virtually, its ability to avoid source- or resident- based taxation and its heavy reliance on intangibles substantially increase its ability to shift profits to low tax jurisdictions. The OECD itself acknowledges that the present international taxation standards have limitations in addressing BEPS and the tax challenges raised by developments in DE.

When the OECD released its final report on tax challenges of DE in October 2015, it did not recommend any specific measures or special rules to address DE tax issues. Instead, the OECD recognises that DE is increasingly becoming an economy in itself, making it difficult to ring-fence

DOMESTIC LAWS AND RULES THAT ARE NOT CO-ORDINATED ACROSS BORDERS, INTERNATIONAL TAX STANDARDS THAT HAVE NOT ALWAYS KEPT PACE WITH THE CHANGING GLOBAL ENVIRONMENT AND A PERVASIVE LACK OF RELEVANT INFORMATION AT THE LEVEL OF TAX ADMINISTRATIONS AND POLICYMAKERS COMBINE TO FACILITATE TAXPAYERS' BEPS STRATEGIES. DE from the rest of the economy. The report summarises the key features of evolving digital business models that the OECD considers relevant for BEPS analysis, and also identifies three main tax policy concerns which relates to Nexus, Data and Characterisation.

The report states that DE risks and tax challenges will be effectively addressed through other BEPS Actions. For example, Action 3 updates the Controlled Foreign Company rules to address challenges identified in the DE. Action 7 addressed the modification to the list of PE exceptions to ensure core activities involving preparatory and auxiliary functions cannot inappropriately benefit from the exception. Another area under Action 7 is the modification to the

definition of PE to address artificial arrangements through 'conclusion of contracts' arrangements to avoid PE status. The updates to the OECD TP Guidelines under Actions 8, 9 and 10 will also address DE risks and tax challenges.

Inaddition, the OECD is considering the indirect tax treatment of digital transactions and recommendations have been put forward to apply the OECD's International Value Added Tax/Goods and Services Tax (VAT/GST) Guidelines. The OECD plans to develop a coordinated implementation mechanism for the International VAT/GST Guidelines and will continue working with a broad range of stakeholders for post-BEPS monitoring process.

ACTION 5: COUNTERING HARMFUL TAX PRACTICES MORE EFFECTIVELY, TAKING INTO ACCOUNT TRANSPARENCY AND SUBSTANCE

The concerns on harmful tax practices are primarily about preferential regimes that can be used for artificial profit shifting and lack of transparency in connection with certain rulings. It is important to note that Action 5 is not intended to promote harmonisation of income tax or tax structures within or outside the OECD, nor is it intended to dictate the appropriate level of tax rates. The OECD's objectives in



tackling harmful tax practices, amongst others, is to encourage an environment for free and fair tax competition to move to a 'level playing field' and to develop solutions more effectively, taking into account factors such as transparency and substance. Another objective is to develop measures to counter harmful tax practices with respect to geographically mobile and easy to shift activities from country to country. Ultimately, the aim is to secure the integrity of tax systems across the globe by addressing issues that unfairly erode tax bases of other countries, potentially distorting location of capital and services, causing undesired shift of tax burdens and increasing administrative and compliance burdens on tax authorities and taxpayers.

A regime is considered preferential if it offers tax preferences, either in the forms of reduced tax rates, preferential payment terms or repayment of taxes, in comparison with the general principles of taxation in that country. Action 5 only targets regimes which are potentially or actually harmful and it is important to point out that a preferential regime is not necessarily potential or actually harmful. A regime that is regarded as potentially harmful is obligated to

A REGIME IS CONSIDERED **PREFERENTIAL** IF IT OFFERS TAX PREFERENCES. EITHER IN THE FORMS OF REDUCED TAX RATES. **PREFERENTIAL PAYMENT TERMS** OR REPAYMENT OF TAXES. IN **COMPARISON** WITH THE **GENERAL** PRINCIPLES OF **TAXATION IN** THAT COUNTRY.

TAX REFUND

exchange information in respect of rulings whereas a regime that is actually harmful is to be abolished or realigned to comply with the agreed minimum standards.

In order to establish that a preferential regime has become potentially harmful, the OECD has outlined four key factors for consideration. The first is a primary or gateway/entrance criterion where there is no or nominal tax on the relevant income. The other three secondary key factors are ring-fencing from the domestic economy, lack of transparency of the regime or inadequate regulatory supervision, and lack of effective exchange of information. If the primary factor plus any one of the three secondary factors exist, then the regime is considered as potentially harmful.

In addition to the four key factors, the OECD also prescribes another eight supplementary factors for consideration in the potentially harmful regime test. They are artificial definition of tax base, failure to adhere to international transfer pricing (TP) principles, foreign source income exempted from residence country taxation, negotiable tax rates, existence of secrecy provisions, a wide network of tax treaties, promotion of the regime as a tax minimisation vehicle, and encouragement of operations that are purely tax driven with no substantial activities. The evaluation of these eight factors provides evidence to support existence of the four key factors and harmful impact.

The next step is to establish whether a potentially harmful regime is actually harmful. The OECD defines a potentially harmful regime as actually harmful if it creates harmful economic effects. The factors to consider are whether the tax regime is merely an attraction to shift activities from another country



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rather than generating significant new activities, the preferential regime is the primary motivation for location of an activity, and lastly, the presence and level of activities in the host countries do not commensurate the amount of investment or income.

In order to improve transparency, BEPS Action 5 has also introduced compulsory spontaneous exchange of information covering rulings on the preferential regimes, unilateral advance pricing agreements or crossborder unilateral rulings in relation to TP, cross-border rulings providing for a downward adjustment of taxable profits, permanent establishment rulings and related party conduit rulings. This compulsory exchange of information is applicable to countries of residence of the related party with whom the taxpayer has transactions, as well as the immediate holding company and the ultimate parent company. In February 2017, the Peer Review and Monitoring Process was also released by the OECD covering four review areas which include: the information gathering process, the exchange of information, confidentiality of the information received and statistics on the number of rulings exchanged spontaneously.

ACTION 12 -MANDATORY DISCLOSURE RULE (MDR)

Aggressive tax planning (ATP) is a major risk to the revenue base of countries. The lack of timely, comprehensive and relevant information on ATP strategies is one of the main challenges faced by tax authorities worldwide. Timely access to the relevant information gives tax authorities improved accuracy



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in risk assessment, and faster and greater flexibility in responding to the tax risks, including changes in legislation, which are not sufficiently addressed through traditional audits. Action 12 on MDR is a disclosure initiative introduced by countries to receive timely information about ATP schemes. The aim is to obtain early

information on tax avoidance schemes including the users and advisors of the schemes and to act as a deterrent to reduce the promotion of the schemes. Action 12 recommendations do not represent a minimum standard and countries are free to choose whether or not to introduce MDR. The recommendations mooted by Action 12 cover both the domestic and international schemes and outline the best practices in terms of information to be included, the timing of the reports as well as the consequences of disclosure and non-disclosure. It also sets out recommendations for the development and implementation of information exchange and co-operation between tax administrators.

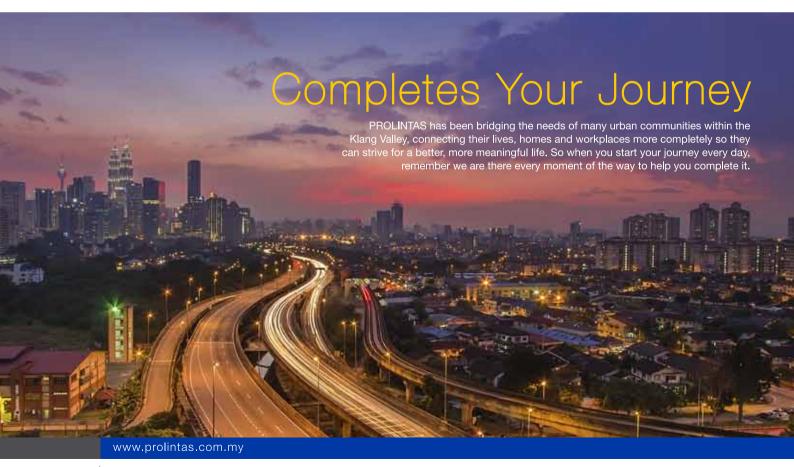
ACTION 14 - MAKING DISPUTE RESOLUTION MECHANISMS MORE EFFECTIVE

The OECD recognises that the changes introduced by the BEPS project may lead to uncertainty, and could lead to double taxation and Mutual

Agreement Procedure (MAP) disputes in the short-term. The measures developed under Action 14 therefore aim to strengthen the effectiveness and efficiency of the MAP process by outlining minimum standards which have to be mandatorily implemented such as peer review, identifying best practices as recommendations and introducing mandatory arbitration for disputes not resolved through MAP. Under Action 14 there are three overarching principles which the OECD hopes to achieve as minimum standard principles. They are to ensure: that treaty obligations under MAP are fully implemented in good faith and resolved in a timely manner, the implementation of an administrative process that promotes the prevention and timely resolution of treaty-related disputes, and that taxpayers can access the MAP when eligible. In addition to the three overarching principles, the OECD also issued eleven best practices to improve the dispute resolution mechanisms. The best practices are recommendations based on the broad theme of the mandatory requirements but are not obligatory.

The MAP process is rather new to most Asian countries compared to the Europe or the USA. Japan is the most advanced and fulfils most of the three minimum standards and the eleven best practices recommended by the OECD under Action 14. Japan has also introduced arbitration in its national tax law and it is common practice for Japan to resolve disputes by arbitration.

Singapore and Korea also have a working MAP process but have not implemented arbitration. Malaysia and Indonesia amended their MAP processes recently by issuing new guidance to improve the efficiency of the process. With regard to arbitration, there is no consensus amongst the countries for the adoption of mandatory arbitration as part of the three minimum standards or the eleven best practices. Only a group of countries, mainly in Europe and the USA, have committed to introduce mandatory binding arbitration as a way of dispute resolution, which could not be solved within a MAP process. Moving forward, mandatory binding MAP arbitration provision is to be developed as part of the multilateral instruments envisaged by Action 15 of BEPS Action Plan. ■







COMPLYING WITH BEPS LAWS

AUROBINDO PONNIAH, EXECUTIVE DIRECTOR, TAX – TICE ENERGY, PRICEWATERHOUSECOOPERS TAXATION SERVICES SDN BHD SPOKE ON COMPLYING WITH BEPS LAWS AT MIA'S BASE EROSION AND PROFIT SHIFTING (BEPS) SYMPOSIUM 2017. BELOW ARE SOME HIGHLIGHTS OF HIS PRESENTATION.

THE final report on BEPS issued by the Organisation for Economic Co-operation and Development (OECD) in October 2015 indicate that the impact of BEPS on developing countries, as a percentage of tax revenues, is higher than BEPS' impacts on developed countries, given developing countries' greater reliance on corporate income tax.

In a globalised economy, governments need to cooperate and refrain from harmful tax practices to address tax avoidance effectively and provide a more stable international environment to attract and sustain investment. Actions 2, 4, 6, 7 and 15 look at the subject matter of complying with BEPS Law.

ACTION 2 - NEUTRALISING THE EFFECTS OF HYBRID MISMATCH ARRANGEMENTS

Action 2 refers to arrangements arising from the different tax treatments of an instrument or entity. A hybrid instrument is an instrument that assumes the characteristics of both debt and equity. In a case of a hybrid financial instrument, one party may record the instrument as debt, giving rise to interest whereas the other party treats it as equity which results in dividend. Since the tax treatments for interest and dividend are different in most tax jurisdictions, a hybrid instrument allows an entity to

design tax structures that benefits from the different tax jurisdictions.

A simple example of a hybrid entity is a partnership, whereby in some countries the entity or the partnership is taxed, whereas in some other jurisdictions the partners are taxed individually instead. These mismatches in the global tax systems allow taxpayers to reduce their tax liabilities; hence the need for the OECD to address the issues arising from hybrid instruments and entities. These mismatches usually result in double non-taxation, long-term deferrals, multiple deductions for a single expense, deduction without a corresponding taxation and multiple

Since the tax treatments for interest and dividend are different in most tax jurisdictions, a hybrid instrument allows an entity to design tax structures that benefits from the different tax jurisdictions.





that benefits from treaties are granted only in appropriate cases as well as addressing issues on the elimination of double taxation.

ACTION 4: LIMITING BASE EROSION INVOLVING INTEREST DEDUCTIONS AND OTHER FINANCIAL PAYMENTS

In most jurisdictions, interest is tax deductible and the deduction accorded to the interest gives rise to certain risks. In order to reduce the tax payable, MNC groups often load high levels of 3rd party debt in a jurisdiction that has high tax rates. Similarly, intragroup loans are sometimes

structured so that the resultant interest payments are higher than the actual 3rd party interest payments. Another common approach is the use of intragroup and 3rd party financing to

a supplemental worldwide group ratio which allows an entity to exceed the fixed ratio limit in certain circumstances. Ideally, the fixed ratio and group ratio should work together as there could be non-tax reasons for high 3rd party debts in some instances.

ACTION 6: PREVENTING THE GRANTING OF TREATY BENEFITS IN APPROPRIATE CIRCUMSTANCES

Action 6 primarily focuses on preventing treaty abuse and treaty shopping, and the use of intermediary jurisdiction where treaty benefits are claimed when such benefits were not intended to be granted. A good example is an investment in India through a Singapore or a Mauritius tax resident company. Under the tax treaties between India and these two countries, capital gains arising in India, if not related to properties or

foreign tax credits.

For hybrid instruments and entities, the OECD proposes the use of linking rules to align the tax treatment in both the party and the counterparty's jurisdictions. For example, a tax deduction is not allowed if it is not included in the counterparty's taxable income or it is also deductible for the counterparty. Alternatively, the counterparty's jurisdiction can require inclusion of the deductible payment as income or deny a duplicate deduction.

Hybrid entities also affect tax treaties. For dual resident entities, the OECD proposes to not change the treaty rules but to review the situation on a case-by-case basis, and there should be changes to the domestic provisions to counter any tax avoidance. The OECD is also proposing new provision or commentary to ensure

Therefore any capital gains from the disposal of the investment would not be subject to any tax in India but instead in Singapore or Mauritius where capital gains are tax-exempt under their respective domestic provisions.

generate tax-exempt income.

In order to counter these practices, the OECD has come up with some recommendations. The first is a fixed ratio rule to limit an entity's deductions for interest and similar payments to a percentage of EBITDA. However, the OECD also recognises that in some jurisdictions the interest rates are higher. It therefore proposes the use of

land, would only be taxable in the country of residence of the taxpayer. Therefore any capital gains from the disposal of the investment would not be subject to any tax in India but instead in Singapore or Mauritius. Since the capital gains are tax exempt under the latter's respective domestic provisions, effectively the income can be brought out of India tax-free.



Under most tax treaties, profits of foreign enterprises are only taxable in the country of business if there is a PE and therefore it is possible to avoid paying tax on business profits if creation of PE can be avoided.

The OECD recognises that these tax treaties were signed a long time ago. Since business has evolved over the years, there is a need to amend the treaties. The OECD is recommending that treaties should have a clear statement that there is no intention to create opportunities for non-taxation or reduced taxation. In addition, the OECD is recommending the inclusion of a Limitation of Benefits provision which effectively puts in place conditions that must be met by the taxpayer in order to use the tax treaty. The OECD is also proposing a general anti-abuse clause based on the principal purpose of the transaction or arrangements i.e. Principal Purpose Test; if one of the principal purposes or the transaction arrangement is to obtain treaty benefits, then it should be denied.

ACTION 7: PREVENTING THE ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS

Action 7 addresses businesses' Permanent Establishment (PE) status. As a general tax rule, a PE has to exist in order for business profits to be taxed. Under most tax treaties, profits of foreign enterprises are only taxable in the country of business if there is a PE and therefore it is possible to avoid paying tax on business profits if creation of PE can be avoided.

Common strategies adopted by MNC groups in order to avoid the creation of PE include an arrangement to convert a subsidiary into a commissionaire, the use of independent agents which do not solely rely on that source of income, leveraging on the

exceptions given such as setting up a representative office for preparatory and auxiliary services activities, as well as fragmentation of activities and splitting up of contracts.

The definition of PE included in the tax treaties is therefore crucial in determining whether a non-resident entity is liable to income tax in the country of business. The OECD proposes that the rules on PE be tightened up and similarly, the rules on independent agents and fragmentation of activities be narrowed down. Moving forward, we can expect the Malaysian Inland Revenue Board (IRBM) to amend the definition of PE on the tax treaties in line with the recommendation by the OECD.

ACTION 15: DEVELOPING A MULTILATERAL INSTRUMENT TO MODIFY BILATERAL TAX TREATIES

Current tax treaties are meant to eliminate double taxation but due to globalisation, some features of the treaties facilitate BEPS. In order to arrest these BEPS issues, the tax treaties need to be modified but the process can be time consuming. As a way forward, instead of renegotiating thousands of bilateral tax treaties, the OECD is recommending that countries sign up to a multilateral treaty which will amend bilateral treaties when required. Common items such as the amendments to the definition of a PE or the Limitation of Benefits provision can be included in the multilateral instrument, so that the countries that sign up for this multilateral instrument will automatically have their bilateral treaties amended.



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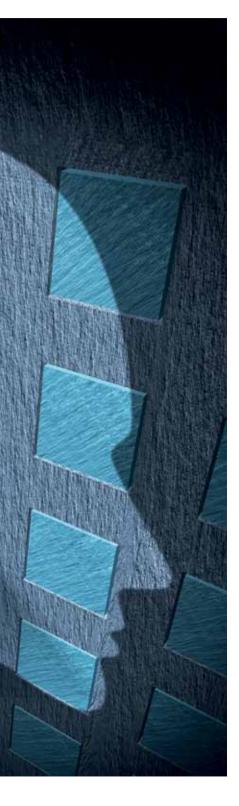
IT'S A TABOO TOPIC, BUT BUSINESS NEEDS TO RECOGNISE THAT STRESS AND MENTAL HEALTH ISSUES ARE PUTTING WORKERS' CAREERS AND COMPANIES IN PERIL.

Tackling the Hidden Menace of Mental Ill-Health

WHEN it comes to workplace taboos, none can be more prevalent and costly to companies than mental health. Mental health disorders have been recognised by the World Health Organization (WHO) as the number one disease to impact the global economy and experts agree that unless mental health issues at the workplace are addressed, they will continue to be a burden not only to employees' health, but also company productivity.

Unfortunately, mental health is still a problem that is not being openly discussed. While high- profile personalities such as Princes William and Harry and celebrities such as Lady Gaga and Cara Delevingne have spoken up in an effort to end the stigma that surrounds mental health disorders, that has not really happened with business leaders. Employees continue to suffer in silence and are reluctant to disclose issues that concern their mental wellbeing for fear of raising red flags and being penalised by employers. However, this culture of silence can no longer be ignored by employers as it continues to





stifle business productivity and global competitiveness.

COUNTING THE COSTS

In the UK, the Organisation for Economic Co-operation and Development (OECD) estimated that absenteeism caused by mental illhealth cost the UK economy £70bn per year in 2013. In the United States, 200 million days are lost from work each year due to depression resulting from mental health conditions, costing the economy US\$30-40bn a year. Though there are no formal statistics, Datuk Shamsuddin Bardan, executive director of the Malaysian Employers Federation, was quoted as saying that there is visible increase in depression among workers in Malaysia. In fact, mental illness is expected to be the second highest form of health problem affecting Malaysians after heart disease by 2020, according to Dr. Ruzita Jamaluddin, head at Hospital Tuanku Fauziah's Department of Psychiatry. This concurs with WHO's prediction that depression will overtake all other illnesses in causing work absenteeism and impairment by 2020.

In defining mental health, WHO described it as "a state of wellbeing upon which an individual realises his or her potential, can cope with normal stress every day, work productively and contribute to society." A workplace that stresses upon good mental health allows workers to perform at their best. While stress is common at the workplace, the changing nature of today's work environment has resulted in excessive stress among employees. Greater pressure and demands at work, lack of clear roles or clarity of work, interpersonal conflict, sexual harassment, lack of support from



colleagues and spouses affecting the work-home interface, increased competition, higher expectations and longer working hours – these are some of the challenges that have contributed to a more stressful work environment. When they are not managed well, these long-term stresses can increase a worker's risk of developing a mental health condition.

Symptoms of mental health problems can manifest themselves differently in an individual. But some common problems as described in the Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition (DSM-IV) include depression, bipolar disorder, attention deficit hyperactivity disorder (ADHD), and anxiety. In 2005, WHO produced a guide to help employers and policymakers implement a mental health workplace policy to help improve and protect the mental health of its workforce.

HOW TO TACKLE MENTAL HEALTH ISSUES IN THE WORKPLACE

Many steps can be taken to improve mental health at the office. Writing for *The New Straits Times* last year in an op-ed piece and in his capacity as chairman of the National Institute of Occupational Safety and Health, Tan Sri Lee Lam Thye recommended a two-step approach to address mental health issues at the workplace.

The first is to take care of workplace ergonomics – such as noise, lighting, air quality design and work density – and organisational development. Research has pointed that an office design can positively impact employees' health. Second, both employers and employees should be educated and trained to recognise and speak up on mental health concerns. Symptoms can be mild and not easily recognisable, such as burnout and depression.

Both employers and employees can demonstrate a visible and active commitment to mental health in the workplace by speaking openly about the issue. Making mental health an objective of the business can be exemplified through incorporating good health and safety management policies in the organisation and rewarding managers for maintaining a mentally healthy workplace. Likewise, employees should monitor and take charge of their mental health and safety as well as that of their colleagues. They need to proactively find a work-life balance that suits them, and be aware of stress triggers and seeking support for them.

In the same piece, Tan Sri Lee further suggested employers establish an Occupational Safety and Health Committee to formulate policies and strategic plans in sustainably addressing mental health issues at the workplace. He also recommended organisations set up an Employee Assistance Programme that can help workers look after their mental wellbeing by providing early assistance and intervention.

GLOBAL BEST PRACTICES

Businesses all over are beginning to recognise that supporting and fostering successful mental health programmes is integral to business success. Last year, New York's corporate leaders met in a roundtable meeting to discuss ways they can support employees and manage mental health issues at the workplace. This followed a 2015 CEO Summit on Mental Health that drew up four key principles to tackle the issue:

- Know the Impact: Develop an indepth understanding of the impact that mental illness has on society in general and the wellbeing of corporations and their employees.
- Break the Silence: Create an environment that helps to erase the stigma surrounding mental illness.
- ➤ Deliver Affordable
 Access: Provide mechanisms,
 including affordable health
 insurance, that allow individuals
 with mental illness to access
 quality care.
- Build a Culture of Well-Being: Build a workplace environment that encourages individuals to support their own overall health and mental health.

Tone from the top especially is important to destigmatise the urgent need to enhance mental health issues. Indeed, business leaders such as Procter & Gamble, Mars Chocolate UK and Deloitte are leading the way in addressing mental health as a strategic boardroom issue. It's high time business comprehends that what's good for the mind is equally effective for the bottomline. ■

¹ http://www.carolinashealthcare.org/documents/HEALTHWORKS/mhfa-hwa-article-final-7-21-16-r1.pdf

² https://www.theguardian.com/sustainable-business/mental-health-taboo-workplace-employers

http://www.who.int/mental_health/media/en/712.pdf

⁴ http://www.telligen.com/blog/impact-mental-health-has-workplace-productivity

http://www.longwoods.com/content/22409

⁶ http://psychnews.psychiatryonline.org/doi/full/10.1176/appi.pn.2015.12a8

⁷ http://psychnews.psychiatryonline.org/doi/full/10.1176/appi.pn.2015.12a8



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