ISChartered Journal









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ISChartered Accountant Journal



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Evolving To Stay Relevant, Transforming For The Future

Dear members,

EVERY YEAR, AT THE ISCA PRE-BUDGET ROUNDTABLE, ISCA takes the lead to gather the views of the business leaders and finance and accountancy community. This year, which marks the 10th consecutive year that the Institute has been helming the Roundtable, the discussion centred on the theme "Progressing With A Vibrant And Innovative Economy". As an advocate for the profession, the Institute submitted the pertinent points to the government for its consideration for Budget 2019. The findings and feedback also provided valuable insights to policymakers, the business and accountancy community, and other stakeholders. Organising the annual Roundtable is one of the ways that the Institute ensures that the views of our members and profession can be heard where it matters.

In recent years, technological advancements and geopolitical events, such as the US-China trade war and Brexit, continue to have a bearing on the global economy. Given the interconnectedness of the world today, the ripple effects from such events are felt in far-flung regions including Asia. The accelerated pace of change, and the shifting dynamics in commercial relations and transactions, is expected to persist. Here in Singapore, we are experiencing a business environment that is evolving quicker than before, and becoming increasingly more complex. Forward-looking organisations that have adapted quickly and put in place the measures to ride the different waves of change are in a better position to seize the opportunities arising. Organisations that have been resistant or too slow to change will find themselves falling by the wayside.

As the national accountancy body, ISCA, too, is aware of the need to evolve with the times. The Institute had embarked on its transformation journey almost 10 years ago, with the vision to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community. With the support of our members, ISCA is now on the cusp of realising our vision; we are also on track to support Singapore's standing as a leading global accountancy hub.

There is a close parallel at an individual level, and I urge members to be aware of what's happening around you, and continue to upgrade and upskill. Commit to continuing professional education and keep in tune with the latest developments through the Institute's many initiatives, so that you can evolve to remain relevant. Deepen your knowledge base so that when new opportunities open in emerging areas of accountancy, you have the right skill sets to fulfil the requirements. Our featured member in the Member Profile column, Lee Jianwen, Senior Manager of Management Accounting, Resorts World Sentosa, is testimony that professional excellence goes hand-in-hand with a personal commitment to adapt and work hard towards progress, such as keeping up with developments in technology.

Digitalisation is a major technological advancement that impacts almost all aspects of life. At the ISCA Pre-Budget Roundtable, the panellists had observed that there has been an escalating drive within their respective industries to digitalise. However, some companies are facing challenges in their transformation journey and may require more "hand-holding". For the accountancy sector, the Institute is supporting small and medium-sized practices (SMPs) in their digitalisation journey through numerous initiatives. Since 2017, ISCA has been playing the role of an industry multiplier with the help of Enterprise Singapore's funded Local Enterprise and Association Development (LEAD) programme. The LEAD programme aims to help SMPs build capabilities and improve productivity. We will continue to push ahead with initiatives to give our SMPs a leg-up in their digitalisation journey. Find out what else transpired at the Roundtable in this cover story.

Facing the current reality of evolving global developments and a looming economic slowdown, organisations need to rethink their approach to boost their bottom lines. Various studies have shown that it costs between five to 25 times more to acquire a new customer than to retain an existing one, so business leaders may want to re-focus on deepening their relationships with existing customers. A robust Customer Relationship Management (CRM) programme can help to do so, and the article, "Accelerate Business Growth With CRM", provides some guidance.

Many members are aware that from YA 2019, companies that fall within the criteria must prepare transfer pricing (TP) documentation under Section 34F of the Income Tax Act. "Getting Your TP Documentation Right" alerts members on what to take note of in relation to TP documentation requirements in Singapore, how to overcome common mistakes as well as how to manage TP risks. Elsewhere in the Journal are relevant resources that can add value to your work.

On a lighter note, shopping and eating are common activities on any travel itinerary, and "To Market, To Market", featuring several popular markets around the world, may just provide the inspiration for your next trip. At home, was the Chinatown Festive Market your all-in-one place to visit for your Lunar New Year goodies?

We wish our Chinese readers a Happy and Prosperous Lunar New Year!

Kon Yin Tong FCA (Singapore) president@isca.org.sg



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To Market, To Market Feel the pulse of top tourist destinations by checking out their famous shopping spots; here are five markets popular with visitors and locals alike

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in tune

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- WEF Addresses Crisis **Of Trust, Slowing Growth** In Digital World
- **Singapore Passport Ranks First In ASEAN**, Second Globally
- **Top Areas For Board And Audit Committee Focus** In 2019
- **Transforming Lives Through ISCA Cares:** A Joy Giving Back To Society
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- Hitting The Nail On **TP Documentation**
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- Mark Your Calendar



viewpoint



Eight Key Considerations

CROs play a critical role in

enterprise risk management

Leadership Signature

and, crucially, themselves

46 Crafting Your Own

(Part 1 of 3)

For Chief Risk Officers

ensuring that the organisation's

programme is robust and updated

Exceptional leaders need to have

a thorough understanding of the

world, their industry, their company

Accelerate Business Growth With CRM CRM has the potential to transform your relationships with your customers. and contribute to the organisation's longer-term growth

Decoupling Temporarily 38 From A Slowing US Despite the prevailing uncertain environment, a constructive case for Asia in 2019 is beginning to emerge; here are five reasons why

technical excellence



Technical Highlights

Getting Your TP Documentation Right With the new transfer pricing documentation requirements effective this YA 2019, here are some tips to overcome common mistakes and manage TP risks





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February 2019

Accountants Must Seize Opportunity To Drive Effective ERM

PROFESSIONAL ACCOUNTANTS

have a meaningful opportunity to enable more effective Enterprise Risk Management (ERM) within their organisations, according to the report, "Enabling The Accountant's Role In Effective Enterprise Risk Management", published by International Federation of Accountants (IFAC).

Businesses face rapid change and increasing uncertainty driven by a myriad of factors, including geopolitical events, volatile financial markets, technology developments, cybersecurity, data privacy concerns, and climate change. According to the report, professional accountants can play an amplified role within their organisations to identify, measure and mitigate emerging risks through robust ERM practices.

The report underscores the reality that risk management remains underdeveloped in many organisations. A survey of mainly US-based organisations, conducted by North Carolina State University and American Institute of CPAs, found that fewer than 20% of organisations view their risk process as being integrated with strategy and objectives, and 69% of organisations do not have a comprehensive ERM process in place.



CFOS AND ACCOUNTANTS WITH CLEAR RISK MANAGEMENT RESPONSIBILITIES ARE IN A BETTER POSITION TO MAKE INDIVIDUALLY AND FUNCTIONALLY **GREATER CONTRIBUTIONS TO BISK MANAGEMENT.**

To drive more effective ERM, management must draw upon the Chief Financial Officer (CFO) and finance function to ensure risk management practices provide a holistic understanding of opportunity and risk linked to objectives and value creation.

"This is a particularly uncertain time for businesses as the global economy experiences heightened volatility and rapid change. In this environment, proper risk management will be increasingly important for organisations to ensure their resiliency and success over the long term," says Kevin Dancey, Chief Executive Officer, IFAC. "Professional accountants are well-positioned to better serve the organisations they work for, by enabling effective enterprise risk management that identifies both risks and opportunities for the business."

CFOs and accountants with clear risk management responsibilities are in a better position to make individually and functionally greater contributions to risk management. The report identifies three ways in which CFOs and finance functions can enhance their contribution to ERM:

- Align risk management with value creation and preservation;
- Drive insights and enable decisions through provision of risk modelling and analytics, data governance and identification of organisational risk appetite, and
- Enable integration and interconnectivity by breaking down silos across the organisation to share information.

Enabling effective ERM will require accountants to employ various competencies, including strong leadership and interpersonal skills, and to commit to lifelong learning on risk management and emerging risk issues. In the coming decades, it will be critical to better integrate risk management into professional education and training for accountants, and to improve the relevance and quality of continuing professional development.

Skill sets for professional accountants, to excel in ERM

Source: "Enabling The Accountant's Role In Effective Enterprise Risk Management", IFAC

Deep understanding of the business

Models. frameworks quantitative and and tools statistics skills

Enhanced

Ability to lead and communicate across teams

Confidence to challenge and ask difficult questions

WEF Addresses Crisis Of Trust, Slowing Growth In Digital World

BUILDING A DIGITAL ECONOMY AND SOCIETY that is trusted, inclusive and sustainable requires urgent attention in six priority areas, according to a new report, "Our Shared Digital Future", published by the World Economic Forum (WEF) in December 2018.

The report comes at a historic moment when, for the first time, more than half of the world's population is connected to the Internet. At the same time, less than half of those already online trust that technology will make their lives better.

With 60% of the global economy forecast to be digitised by 2022, there remains huge potential for the Fourth Industrial Revolution (IR 4.0) to lift more people out of poverty and strengthen societies and communities. However, success depends on effective collaboration among all the stakeholder groups. The report, in addition to unveiling six key areas for action, also highlights several existing efforts, at global and local levels, where collaboration is helping to restore trust and deliver broad-based societal benefits. The six priority areas for multi-stakeholder collaboration are:

1) Internet access and adoption

60% of global GDP

is expected to be

digitised by 2022,

with very little

distinction between the digital economy

and the economy.

or between digital

society and society.

Internet access growth has slowed from 19% in 2007 to 6% in 2017. At the same time, we have reached the milestone of 50% of the world's population being connected to the Internet. To close the digital divide, more investment is needed to not only provide access but also to improve adoption.

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The digital world is

facing a crisis with

lowing Internet growth

and declining levels of

trust that urgently need

to be addressed

HIGHLIGHTS OF WEF REPORT

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WEF identifies six priority areas for action: Access and adoption

identity, positive societal impact,

security, governance, and data.



By 2020, the average Internet user will have more than 200 online accounts and by 2022, 150 million people are forecast to have blockchain-based digital identities. However, one billion people currently lack a formal identity, which excludes them from the growing digital economy. Good digital identity solutions are key to addressing this divide, empowering individuals, and protecting their rights in society.

3) Positive impact on society

By 2022, an estimated 60% of global GDP will be digitised. In 2018, companies are expected to spend more than US\$1.2 trillion on digital transformation efforts. Yet, only 45% of the world's population feel that technology will improve their lives. Companies need to navigate digital disruption and develop new responsible business models and practices.



4) Cybersecurity

Cyber attacks result in annual losses of up to US\$400 billion to the global economy. More than 4.5 billion records were compromised by malicious acts in the first half of 2018, up from 2.7 billion records for the whole of 2017. A safe and secure digital environment requires global norms and practices to mitigate cyber risks.

5) Governance of IR 4.0

Policymakers and traditional governance models are being challenged by the sheer magnitude and speed of the technological changes of IR 4.0. Developing new and participatory governance mechanisms to complement traditional policy and regulation is essential to ensure widespread benefits, close the digital divide and address the global nature of these developments.

6) Data

The amount of data that keeps the digital economy flowing is growing exponentially. By 2020, there will be more than 20 billion connected devices globally. Yet, there is no consensus on whether data is a type of new currency for companies to trade or a common public good that needs stricter rules and protection. The digital economy and society must bridge this gap by developing innovations that allow society to benefit from data while protecting privacy, innovation and criminal justice.

According to Derek O'Halloran, Head, Future of Digital Economy and Society, WEF, "The digital environment is like our natural environment. We all – governments, businesses, individuals – have a duty to ensure it remains clean, safe and healthy." The report is thus a blueprint that helps develop a "better" Internet that is "inclusive, trustworthy and sustainable".

"The breadth of digital's impact shows that this is not merely a challenge to be delegated to Chief Digital Officers and others," adds Pierre Nanterme, Chairman and Chief Executive Officer, Accenture. "It represents more than a commercial opportunity. (IR 4.0) demands that CEOs take responsibility for the massive transformation of their businesses and for the extraordinary impact that this transformation will have on the wider society."

For Gillian Tans, Chief Executive Officer, Booking.com, the term "digital economy" should be retired. "There is only one economy which is digitising at varying speed. Therefore, special regulatory regimes for digital businesses don't make sense. We must develop agile and consistent policies that apply to all actors in a changed market reality where technology and data are omnipresent."

The report represents a collaborative effort by business, government and civil society leaders, experts and practitioners. It follows an 18-month dialogue aimed at restoring the Internet's capacity for delivering positive social and economic development.

Singapore Passport Ranks First In **ASEAN**, Second Globally

SINGAPORE CITIZENS ARE GOING PLACES,

as they enjoy visa-free/visa-on-arrival access to 189 destinations, making the Singapore passport the most valuable among the ASEAN countries. The ranking was revealed in the latest Henley Passport Index (Index) released on January 8. Globally, the Singapore passport is jointsecond with Korea, with Japan leading the pack with a visa-free/visa-on-arrival score of 190.

Elsewhere, the US and UK continue to drop down the Index, which is based on authoritative data from the International Air Transport Association (IATA). Both countries now sit in joint-sixth place, with access to 185 destinations – a significant fall from their first position in 2015. Denmark, Finland, Italy, and Sweden now hold joint-fourth place, while Spain and Luxembourg are in fifth. As they have done for much of the Index's 14-year history, Iraq and Afghanistan remain at the bottom of the ranking, with access to just 30 visa-free destinations.

According to Dr Christian H. Kälin. Group Chairman of Henley & Partners. and the inventor of the Passport Index concept, the latest ranking shows that despite rising isolationist sentiment in some parts of the world, many countries remain committed to collaboration. "The general spread of open-door policies has the potential to contribute billions to the global economy, as well as create significant employment opportunities around the world. South Korea and the United Arab Emirates' recent ascent in the rankings are further examples of what happens when countries take a proactive foreign affairs approach, an attitude which significantly benefits their citizens as well as the international community," he says.

The dominance of Asian countries on the Index reflects the extraordinary effect that international mobility and migration has had on the region. The full scope of



this impact is explored in the 2019 edition of the "Henley Passport Index and Global Mobility Report", which features the latest trends shaping international and regional mobility patterns today.

Commenting in the report. Dr Parag Khanna, Founder and Managing Partner U. S. IMA 307 N of FutureMap in Singapore, notes that China's Thousand Talents scheme, **DEC 2**: Thailand's entrepreneur visa, and similar initiatives from the UAE to Singapore ADMITTED WT "show many states sustaining a high MAR 13 comfort level with mutually beneficial economic migration", paving the way for people to explore opportunities in other regions.

"Overall, international migration has not only helped stabilise economic AMSTER growth in Asia Pacific, it has enabled many labour-sending South and Southeast Asian countries to sustain strong economic 8 30 MA growth, even in times of crisis," says Froilan Malit, Associate at the Gulf Labour Markets, Migration, and Population (GLMM) programme and a Fellow at Centre International de Formation des Autorités et Leaders (CIFAL).

2019 Henley Passnort Index: Ton 10

CEPTIBITY-U.S. Price	2019 Henley Passport Index: Top 10		
NORE AND SECURITY U.S. CUSTOMS AND SOME	Rank	Passport	Score
S APR 09 2009 8	1	Japan	190
Class	2	Singapore South Korea	189
J. S. IMMIGRATION 307 NEW 563	3	France Germany	188
DEC 23 2003	4	Denmark Finland Italy Sweden	187
MAR 13 2004	5	Luxembourg Spain	186
17.10.2007 74 AMSTERDAM SCHIPHOL F 1004	6	Austria Netherlands Norway Portugal Switzerland UK US	185
ب تعلي State of catar دولاي الدوحة DOHA 30 MAR 2008	7	Belgium Canada Greece Ireland	184
	8	Czech Republic	183
TAL BATAO TO BIATE CELS	9	Malta	182
작당 바 한 번 국 대 해 한 번 국 MMICRATION 2005 DEC. 08	10	Australia Iceland New Zealand	181

Top Areas For Board and Audit Committee Focus In 2019



TALENT IN THE BOARDROOM and throughout the organisation, along with understanding the potential impact of disruptive risks posed by advances in digital technologies, will be critical areas of focus for boards as they guide their companies forward, according to KPMG LLP's Board Leadership Center (BLC).

Drawing on insights from BLC's work and interactions with corporate directors and business leaders throughout the year, the BLC's "On The 2019 Board Agenda" highlights seven areas of focus for boards to keep high on their agendas in the months ahead:

- **O** Take a hard look at the board's composition - Is the talent in the boardroom diverse and aligned with the company's strategy and future needs?
- Recognise that connecting digital disruption with risk management and strategy is more important, and more challenging, than ever;
- Help focus the company on long-term value creation and understand the views of all key stakeholders;

- Make CEO succession and talent development throughout the organisation a priority;
- Assess, monitor and reinforce culture
- as a strategic asset and critical risk; Continue to refine boardroom
- discussions about cybersecurity as a risk management issue, and
- Reassess the company's crisis prevention and readiness.

"Keeping pace with digital advances and disruptive risk, and driving a strategy focused on long-term value, will hinge on having the right talent in the boardroom and throughout the company," says Dennis T. Whalen, BLC Leader. "Corporate culture and understanding the views of investors, customers, employees and communities will also be key to helping the company navigate for future success." In another BLC report, "On The 2019

Audit Committee Agenda" highlights risk and regulatory issues beyond their core oversight responsibilities (financial reporting integrity, internal controls, and audit quality) that audit committees (ACs) will want to prioritise.

Sharpening the company's commitment to culture, ethics, and compliance, understanding how developments in technology and the use of data will impact the finance organisation, monitoring implementation of major accounting changes, while keeping the AC's agenda and workload focused will be critical.

"Audit committee members continue to tell us that it is increasingly difficult to oversee the major risks on their agenda on top of their core oversight responsibilities," says Jose R. Rodriguez, Partner In-Charge and Executive Director of the KPMG Audit Committee Institute. "While the committee's core oversight responsibilities remain paramount, it's also more important than ever to take a fresh look at the agenda as the complexity of business and risk continues to increase."

• transforming lives through isca cares

A Joy Giving Back **To Society**

IT HAD ALL STARTED in secondary school when Chermaine Pung developed a love for accountancy during her study of Principles of Accounts. Her audit internship experience and exposure to accountancy when she was at the polytechnic developed her interest further, as she got to review the daily transactions of a company and check for completeness in the accounts. She was enamoured by how figures can reveal so much about a company, and from then on, she was determined to pursue an accountancy education in university.

Since her teens, Chermaine's family had been tight on finances. Things took a turn for the worse two years ago, just as the 20-year-old was about to enrol in an accountancy programme at the Singapore University of Social Sciences (SUSS). Chermaine's father, a taxi driver and the sole breadwinner of her family, was facing stiff competition from the thennovel ride-hailing applications such as Grab and Ryde. To him, the apps

were foreign and complicated, and he was unable to benefit from them. As a result, income dipped drastically and strained the family's finances. Her mother, a homemaker, juggled housework and took care of her thenailing grandparents and four children. With an unstable income, it became even more challenging to bring food to the table, but Chermaine did not let the challenge derail her plans for an accountancy education.

A BURDEN LIFTED BY ISCA CARES

Knowing her family's financial situation, Chermaine had been working part-time and contributing to the family income; she worked as an accounts assistant at a medical clinic twice a week and as an assistant teacher at speech and drama camps for children during her school holidays. "With the ISCA Cares Bursary, my father did not have to worry about providing allowances for me and my siblings. He could focus on the household expenses such as the



Thank You, ISCA Cares

Chermaine expresses her heartfelt gratitude for the help she has

received through two pictures. "Each flower in the garden represents the dream of a student in need, and the balloon symbolises the hope he/she holds dear to his/her heart. The boy and girl represent the donors of ISCA Cares, who make dreams come true for the beneficiaries, like me.

hard towards the hope of becoming an accountant or auditor in the future. I am truly grateful that ISCA Cares Bursary Award has made a positive impact in my life," she says.

utility bills and the hefty medical

the youngest of four children. Her

Programme, Chermaine received

Jocelyn Goh, Audit & Assurance

Partner at BDO LLP, for which she

is immensely grateful. Her industry

at EY has broadened my knowledge

and horizons towards audit and

brought me one step closer to my

career goal of becoming an auditor.

I was given the chance to apply the

concepts that were taught in school,

understanding of audit. Throughout

the course of my internship, I was

which further strengthened my

internship also deepened her interest

in accountancy. She shared, "Working

to colon cancer.

grandparents recently passed on due

As part of the ISCA Cares Education

guidance from an experienced mentor,

expenses for my grandparents," shared



Nanvang Polytechnic Graduation Ceremony IS Chartered Accountant Journal



A photo memento on the last day of internship at EY Singapore

exposed to various sections such as cash, revenue and expenses of an audit. Additionally, I learnt to adapt to the new environment and team whenever I started on a new engagement, which in turn improved my interpersonal communication skills and teamwork."

HELPING OTHERS IN NEED

Chermaine not only excelled academically - against the odds - she also made time to help others. When she was Vice President of Rotaract Club at Nanyang Polytechnic, she would visit old folks' homes and repaint the old and dirty walls of HDB void decks.

When asked what motivated her to dedicate time for volunteer work despite her already-busy schedule filled with school and part-time work, Chermaine said, "Having gone through financial difficulties myself, I understand the importance of helping others in need. I know that there are many other people going through worse times than me. I love bringing joy to others because I feel accomplished when I can put a smile on someone's face."

Currently, she serves as Vice President of a group of representatives from SUSS that helps out at Runninghour, a club which provides support to people with special needs through physical exercise. She would spend one day every week running with intellectuallyand/or visually-challenged people, whom she calls friends.

GIVING BACK TO ISCA CARES

The ISCA Cares Award helps to subsidise her tuition fees through university and also contributed to her basic living expenses. Now in her third year in university, Chermaine hopes to secure a position in an accounting firm upon graduation.

To thank the donors of ISCA Cares for helping her achieve her dreams of becoming an accountant, Chermaine drew two pictures that expressed her heartfelt gratitude for the support she has received. These simple yet heart-warming designs will be imprinted on mugs to raise funds for ISCA Cares so that it can continue its mission in supporting needy students in their journey towards completing their accountancy education. Stay tuned for updates from ISCA Cares! February 2019



• isca career pathway talk

Opportunities Ahead & Beyond

IN THIS ERA WHERE CHANGE IS THE ONLY CONSTANT, how can being a Chartered Accountant (CA) add value to an individual's career? How can a CA remain relevant and continue to create and add value to an organisation?

To inspire young finance professionals who are exploring the various career pathways available for a CA, ISCA Young Professionals Advisory Committee (YPAC) organised the third instalment of the ISCA Career Pathway Talk on 13 December 2018 at ISCA House. The session began with a sharing

session by Suriani Norahim, Division



Speakers for the evening: (From left) Chan Ying Jian, Group Chief Financial Officer, BreadTalk Group; Belinda Teo, Chairperson, YPAC and Assurance Senior Manager, Ernst & Young LLP; Sarjit Singh, Executive Chairman, Ardent Associates LLP; Julie Yeap, Founder and Managing Director, Mastering Success; Genevieve Chua, Managing Director, Spicers Asia, and Suriani Norahim, Division Director for Finance & Accounting, Robert Half; with them is Fann Kor, Director, Audit Quality & Standards Development, Continuing Professional Education and Industry Support, ISCA



Attendees had a surprise treat of traditional ice-cream awaiting them after the session



Director for Finance & Accounting, Robert Half, on the new and growing recruitment trends in 2018 and 2019. As observed, there has been an increasing demand for roles involving artificial intelligence and data analytics which automate mundane tasks to focus on big picture analysis for management decision-making. In addition, organisations are also placing higher value on employees' soft skills like communication and negotiation.

The panel discussion, moderated by Belinda Teo, Chairperson of YPAC and Assurance Senior Manager of Ernst & Young LLP, provided young professionals with valuable insights on how being a CA would give them an edge in their careers, regardless of the paths they were to take. The panellists, who are all accountants by training, agreed that the rigorous accounting education during their school days allowed them to glean meaningful insights from financial numbers and provided them with the foundation to understand how an organisation functions. This knowledge has increased their mobility and marketability, with two out of the four panellists venturing out of their comfort zones to pursue their passion in public

Close to 80 young finance professionals attended the session

speaking and entrepreneurship. n As the leaders of their respective organisations, the panellists highlighted that besides focusing on the daily grind, it is equally, if not more, important to network and forge relationships. They also cing encouraged the attendees to stay lls abreast of current affairs, as well as understand how these issues would impact their careers and lives. The AC panellists concluded the discussion with candid anecdotes of their ng journey, which elicited much chatter ts and laughter. The attendees went home with valuable words of advice

home with valuable words of advice to continually learn, upskill and network to adapt to the dynamic business environment.

The evening ended on a sweet note as attendees gathered for an unexpected treat of traditional ice-cream while mingling among the crowd.

If you are keen to join us for our next instalment of the ISCA Career Pathway Talk series, do register your interest with us at ypac@isca.org. sg. Also follow us on our ISCA YPAC Instagram account (isca_ypac) to receive first-hand updates on the latest YPAC happenings.

Membership Privileges

ISCA Members' Privileges Programme (MPP) is a platform where various merchants of different industries offer their respective services and products as a form of privilege to our esteemed members. Membership benefits now extend beyond signing up for CPE courses at members' rates and accessing the Technical Knowledge Centre as ISCA members can ride on and take advantage of the various discounts or deals that are offered throughout the year.

Our newly-revamped ISCA MPP allows our members to enjoy special deals and discounts from various merchant partners, enhancing our value to you as an esteemed member of the Institute.

You may also access your privileges online at http://bit.ly/memberssignup. *Terms and conditions apply.

Flash your membership e-card to enjoy these benefits as an ISCA member.



ISCA

VISA

UOB

UOB

ISCA members enjoy:

- UOB-ISCA Professional Platinum Credit Card
- Principal card & 1st supplementary card (FREE for life)
- Up to 20.8% at Shell and 24% at SPC
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10 Class Package (Non-Renew)	\$199	\$169	ISCA10C
20 Class Package (Non-Renew)	\$359	\$269	ISCA20C



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• isca breakfast talk

Staying On Board With Tax Changes



DID YOU KNOW that there are potential tax exposures arising from the adoption of new financial reporting standards? With the impact of FRS 109 *Financial Instruments*, FRS 115 *Revenue from Contracts with Customers*, and FRS 116 *Leases*, Accredited Tax Advisor (Income Tax) Chai Sook Peng, Tax Partner at Deloitte & Touche LLP, updated finance professionals on the transition measures as companies adopt the new accounting standards. Ms Chai spoke at the Breakfast Talk jointly organised by ISCA and the Singapore Institute of Chai Sook Peng, Tax Partner at Deloitte & Touche LLP, giving a snapshot of the tax impact from the application of new accounting standards

Accredited Tax Professionals (SIATP) on January 16.

Participants learnt that upon adoption of FRS 116 for accounting purposes, if the lease arrangement giving rise to a Right-of-Use asset meets the statutory definition of a finance lease and is regarded to be a sale agreement, the lessee is eligible to claim capital allowances on principal repayments and tax deductions on interest expenses. Salient points for FRS 115 highlight that the transitional adjustment for both trade income and non-trade income would be taxed at the rate(s) applicable to income taxed in the initial YA. The key takeaway from a tax perspective for FRS 109 would be that the outcome of any change in classification of financial assets and liabilities may impact the timing and amount to be taxed.

Membership Suspension and Removal – Bankruptcy

UPON FINDING THAT MR CHNG KANG HAI was adjudged a bankrupt on 18 January 2018 and is still an undischarged bankrupt, the Council has granted him to be suspended with immediate effect until such time when he is discharged. Contract Accountant | Recruitment | Employment Pass

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Hitting The Nail On TP Documentation

WITH TRANSFER PRICING (TP) BEING

THE TALK OF THE TOWN, there is no time like the present to build up an arsenal of knowledge to power through TP documentation.

In this session of *Tax Excellence Decoded* organised by Singapore Institute of Accredited Tax Professionals (SIATP), participants geared themselves to manoeuvre through the ins and outs of TP documentation. This was done with the help of Adriana Calderon, Director at Transfer Pricing Solutions Asia, who delved into the nitty-gritties of the subject.

Ms Calderon demolished misconceptions on the arm's length principle and hammered home the importance of TP documentation. Participants learnt how to lay down the columns and beams of a sturdy TP documentation and armed themselves with tips and tricks on navigating the rigorous TP documentation requirements in

> Adriana Calderon, Director at Transfer Pricing Solutions Asia. nailed the know-hows of TP documentation





At the end of the session, participants walked away enlightened and expert builders capable of constructing the proper documentation for their organisation's TP matters.

Want to be an engineer of tax excellence? Email enquiry@siatp.org.sg to find out more.

Disciplinary Findings

UPON FINDING THAT MR JAMES RAJ S/O RAJASINGAM,

CA (Singapore), had contravened Rule 64.3, and Rule 64.1 read with Rule 65.1 of the Institute (Membership & Fees) Rules, in that he, at the material time, had been disciplined by the Public Accountants Oversight Committee (PAOC) on 13 November 2017 and his registration as a public accountant was cancelled under Section 52(2)(a) of the Accountants Act. The Disciplinary Committee ordered:

- 1) That pursuant to Rule 137.1.1 of the Institute (Membership and Fees) Rules, his name be removed from the register and that he shall cease to be a Member of the Institute with effect from 11 December 2018.
- 2) That pursuant to Rule 167 of the Institute (Membership and Fees) Rules, he shall pay to the Institute the sum of S\$500.00 (inclusive of 7% GST), being the costs and expenses incurred by the Institute in connection with the investigation and disciplinary proceedings undertaken against him within 28 days from the date on which this order is served on him.

UPON FINDING THAT MS NG YING YING, CA (Singapore), had contravened Rule 64.1 read with Rule 65.1 of the Institute (Membership & Fees) Rules ("Rules"), and Rule 64.4 of the Rules read with Sections 110.1 and 150.1 of the Code of Professional Conduct and Ethics under the Third Schedule of the Rules, in that she, at the material time, sent the draft financial statements of two clients of Spring & Associates PAC ("Clients") to the Clients' representatives without the audit partner-in-charge's knowledge and consent, and subsequently, she filed the annual returns of the Clients for the financial year ended 31 December 2016 with ACRA without the audit partner-in-charge's knowledge and consent, although she was not a Public Accountant registered under the Accountants Act (Cap. 2). The Disciplinary Committee ordered:

- 1) That pursuant to Rule 137.1.9 of the Institute (Membership and Fees) Rules, Ms Ng shall be fined a sum of S\$3,000 which shall be paid within 28 days of the date on which this order is served on her, and shall be required to attend a professional development course on the Code of Professional Conduct and Ethics conducted by ISCA at her own expense.
- 2) That pursuant to Rule 167 of the Institute (Membership and Fees) Rules, she shall pay to the Institute the sum of S\$374.50 (inclusive of 7% GST), being the costs and expenses incurred by the Institute in connection with the investigation and disciplinary proceedings undertaken against her within 28 days of the date on which this order is served on her.

MARK YOUR CALENDAR



ISCA Breakfast Talk: Alternative Financing -Grow Businesses to the Next Level

Join us to learn about Peer-to-Peer Lending aka Debt Crowdfunding and how it can aid SMEs during various tight cash flow situations. Understand through this session how to increase your client's working capital and further grow their business in 2019!



Strategies of Effective Client Interviews for Auditors NEW!

Get to know the right techniques to prepare and conduct an effective client interview and properly document the interview



Income Tax Implications and Tax Planning for Individuals

The purpose of this programme is to familiarise participants with a better understanding on the income tax treatment and tax planning for

individuals.

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An Overview of Selected FRSs

To discuss on selected Singapore Financial Reporting Standards (FRS) issued by the Accounting Standards Council (ASC). The major provisions of each FRS will be highlighted and illustrated



Ethical Dilemmas in Business and Finance To explore issues related to ethical dilemmas in the fields of business and finance. SkillsFuture Credit approved

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ISCA Budget Update 2019 NEW! The budget seminar aims to discuss the impact of tax changes

in Budget 2019 on Companies and Individuals.



Dates and events are subjected to change without prior notice. For more details, visit www.isca.org.sg



BY LOKE HOE YEONG AND JOYCE HAN

ISCA PRE-BUDGET SOUNDTABLE 2019 Progressing With A Vibrant And Innovative Economy

RANSFORMING THE ECONOMY AND EQUIPPING SINGAPOREANS WITH THE RELEVANT SKILLS,

global economic headwinds notwithstanding, continue to be among the foremost priorities of businesses and the government. That was the theme of the discussion at ISCA's Pre-Budget Roundtable 2019, which took place on January 9 at InterContinental Singapore.

For most of late 2018, talk of the trade wars between China and US echoed constantly, leading to market unease, instability and falling sentiments as the world watched with bated breath. The prolonged uncertainty led the International Monetary Fund to lower its world economic growth projections for 2019 from 3.9% in July 2018 to 3.7% in October, before cutting it again to 3.5% as of 22 January 2019¹. Likewise, market analysts trimmed their forecasts for Singapore, citing protectionism as a top risk. Liang Eng Hwa, Chairman, Government Parliamentary Committee for Finance, Trade and Industry, and co-chair of the Roundtable, acknowledged the current state of affairs; he said, "The uncertainties in the global economy and more fundamentally, the rapid technological advancements, necessitate us to constantly seek new positioning in the global marketplace, develop new niches and recalibrate our value propositions."

ISCA President Kon Yin Tong, who co-chaired the Roundtable with Mr Liang, noted that Minister for Finance Heng Swee Keat had said, in his 2018 Budget Debate Round-up Speech in Parliament, that while people might be more interested in the planned GST hike², economic transformation

¹ "IMF Chair Christine Lagarde cuts global growth forecast for 2019 to 3.5 percent", 22 Jan 2019, CNBC online ² "Economic transformation the 'most critical challenge' facing Singapore: Heng Swee Keat", 1 Mar 2018, Channel



ISCA Pre-Budget Roundtable 2019

Progressing with Hibrant and nnova Econd

Panellists (seated, from left) Selena Ling, Head, Treasury Research & Strategy, OCBC; Kenneth Loo, President, Singapore Contractors Association Ltd; Dr Ahmad Magad, Secretary-General, Singapore Manufacturing Federation; co-chairs Kon Yin Tong, President, ISCA, and Liang Eng Hwa, Chairman, Government Parliamentary Committee (Finance, Trade & Industry); Prof Sum Yee Loong, Board Member, Singapore Institute of Accredited Tax Professionals; Joanne Guo, Assistant Executive Director, Strategy and Development, Singapore Business Federation; R. Dhinakaran, President, Singapore Retailers Association; (standing, from left) Tay Hong Beng, Head of Tax, KPMG Singapore; Chia Ngiang Hong, Second Vice President, Real Estate Developers' Association of Singapore (REDAS; President, REDAS, from 17 January 2019); Ang Yuit, Vice President (Membership & Training), Association of Small & Medium Enterprises; Chia Hock Lai, President, Singapore FinTech Association; Keith Chua, Vice President, Restaurant Association of Singapore; Suan Teck Kin, Head of Research, Executive Director, Global Economics and Markets Research, United Overseas Bank; Low Hwee Chua, Regional Managing Partner (SEA Tax and Legal), Deloitte





OCUS ISCA PRE-BUDGET ROUNDTABLE 2019



was the "most critical challenge" that Singapore faced, and that this task "was growing more urgent by the day, as structural changes in the global economy and technological advances disrupt the status quo". Mr Kon posed these questions to the panellists – as Singapore companies brace themselves for the impact of global uncertainty and rising costs, how could business leaders encourage proactive and progressive efforts in transformation? How does Singapore ensure that transformation does not become a mere buzzword, but an action item?

Held for the 10th year running, the annual Roundtable brought together leaders of trade bodies and accounting firms to discuss



and provide recommendations on Singapore Budget 2019. It is a key ISCA platform for gathering the views and insights of business leaders on how the Budget can be shaped to advance Singapore's future.

ECONOMIC OUTLOOK 2019

Selena Ling, Head of Treasury and Research, OCBC Bank, set





value-add (VA) in exports from China to US and vice versa. Entering 2019, as manufacturers and investors potentially switch production and imports away from the two countries to avoid tariffs, Singapore and Southeast Asia stand to gain as the next destination for headquarters, investments and finance and logistics. That said, a prolonged and more severe

CONTRACTOR of trade bodies and accounting firms to discuss and provide recommendations on Singapore Budget 2019

trade war scenario (where US enforces levies of over US\$505 billion on Chinese imports) could impose downside risks of -0.2% to -0.9% on all Asian economies (and an estimated -0.5% on Singapore).

Ms Ling also provided forwardlooking analyses on Singapore's economy, given the global developments playing out today. At home, the GDP growth slowdown has been relatively mild so far, despite the external risks, intensifying global competition and digital disruption. Given the extant challenges to business and weak business sentiments, she said that there was "room for a more fiscally-generous Budget," and noted that Budget 2019 will likely see the continuation of existing schemes such as the Industry Transformation Maps (ITMs).



Head of Research, Executive Director Board Membe Singapore Institute of Global Economics and Markets Research Accredited Tax Professionals

PROF SUM YEE LOONG

SUAN TECK KIN

United Overseas Bank

TAY HONG BENG Head of Tax KPMG Singapore

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WHAT PANELLISTS SAID...

OUTLOOK FOR 2019

SELENA LING "The external environment remains fairly murky, given the on-going US-China situation and geopolitical uncertainty at different parts of the world. Market sentiments have started off on a very weak tone this year, so it is likely that expectations are already very low. There might be potential upside when we get to the end of the year. Growth-wise for Singapore, we are looking at a slower growth trajectory. If things settle externally, perhaps we can hit the higher of the 2% range; if things remain choppy, perhaps the lower end."

TAY HONG BENG "Initiatives under ITMs are more of targeted assistance, where inevitably, we may end up picking winners. If we can nave a broader scheme to encourage a wider transformation exercise across businesses (including SMES), that helps them to see the urgency and need to transform, that would be better."

KENNETH LOO "As we enter the 'nuts and bolts' stage of working to implement the ITMs, it is important that the success of ITMs be measured in terms of outcomes, such as business uptake and financial outcomes, rather than in terms of the adoption of solutions, because technology changes over time."

DIGITALISATION, PRODUCTIVITY & INNOVATION

R. DHINAKARAN "Some SMEs have already embarked on simple digital initiatives, such as buying off-the-shelf package, two to three years ago. But these are quickly going out-of-date given new developments, for example, new portals developed in e-invoicing, which are incompatible with old systems. They would need to invest in new software but are resistant to do so given the investments they had previously made. Therefore, to support this initial phase of transformation, businesses may need some 'hand-holding' and subsidies from agencies such as ESG, IMDA and SSG, along with their respective TACs."

DR AHMAD MAGAD "There have been many propositions on how to get Singapore companies to innovate and come up with new products and better services, but we need to educate them on the approach towards innovation. Take China, for example – its level and speed of innovation is unmatched compared to most countries, and one key reason is its approach towards innovation. While the traditional approach is always consequential, where steps are taken one at a time, Chinese companies develop their process and products in parallel and piece them together. This results in new products being produced at a much faster rate."

INTERNATIONALISATION

SUAN TECK KIN "The government could look at how it can help Singapore companies ride on international developments such as China's Belt and Road initiatives. They could also look at how to tap on Singapore's relations with China. For example, Chongging will be the gateway to the western part of the railway linkages - Singapore companies can tap on the initiative to transport their goods from the region up to Chongqing and then to Europe, thus saving on shipping costs.

PROF SUM YEE LOONG "When internationalising by 'hunting in a pack', there will always be an alpha. We need the big boys to bring the smaller boys along, to open doors for smaller companies. We can try to incentivise hunting in a pack, perhaps through a triple deduction for all parties big and small that work in overseas ventures or projects together."

JOANNE GUO "Singapore Business Federation recognises that there is a gap in helping companies to access the benefits of FTAs. It is working with government, particularly the Ministry of Trade and Industry and Enterprise Singapore, to raise awareness and educate SMEs on how to use FTAs to their advantage."

JOBS & SKILLS

KEITH CHUA "The F&B industry is particularly suitable as a place of employment for those with particular needs and marginalised groups. There are many social enterprises that are doing that, but I think it could be extended into the commercial arena. There could be some way to encourage commercial operators to be more intentional in providing opportunities for marginalised groups. For example, they could receive help on the costs involved in restructuring operations so that the business can be more inclusive in its hiring practices. With the support of the government, I believe the F&B industry can play an increased role in bringing us closer to being a more inclusive society."

CHIA HOCK LAI "While MAS has been supportive of fintech in Singapore, the industry has found some challenges to establish a Professional Conversion Programme (PCP) to create a pipeline of professional talent in the emerging technologies of artificial intelligence (AI) and blockchain. This is due to the administrative hurdles to clear multiple government agencies, from MAS to IMDA to SSG. Perhaps a sandbox can be created for some of the emerging skills needed by the fintech industry, whereby emerging skills programmes could enjoy a more streamlined approval process on a pilot-run basis."

RISING BUSINESS COSTS

ANG YUIT "Back in 2011, labour laws were tightened and the cost of hiring overseas workers increased through the raising of levies. It was shared back then that these additional levies will be channelled back to the industry. Today, while the grants are being phased out – understandably to reduce reliance on handouts – the levies remain. Perhaps it is time to review some of the costs in this area so that we can help Singapore companies maintain their cost competitiveness."

R. DHINAKARAN "On a Fair Tenancy Framework for SME tenants, we've just scratched the surface, and more work needs to be done. There must be legislation for there to be any fair play in commercial tenant-landlord dealings. Legislative teeth are important for implementation of the FTF."

CHIA NGIANG HONG "The community of property developers would like the government to consider tweaking the five-year limit under which developers must sell all units in their residential project, or face heavy penalty on the Additional Buyers' Stamp Duty (ABSD) plus penalty interest on the land price. In the latest round of cooling measures in July 2018, the ABSD, if not all units are sold within five years, was increased from 15% to 25%, on top of a further non-remissible 5% ABSD. A longer period of up to seven years for selling off a project, or a differential time frame based on project size - with longer periods for larger projects - would help to mitigate the very high financial risks which have deterred many developers from tendering for larger projects."

LOW HWEE CHUA "To improve liquidity for businesses, the government could consider giving companies that suffer losses, the ability to carry-back such losses for ideally up to three years, instead of only one year, and increase the current cap for carry-back from S\$100,000 to S\$300,000. Separately, a suggestion targeted at encouraging entrepreneurship is to retain the real value of the losses to be carried-forward by companies, especially start-ups, by indexing the losses to metrics like the CPI (Consumer Price Index) or SGS (Singapore Government Securities) yield."



to look out for in the coming year

INDUSTRY TRANSFORMATION MAPS: WHAT NEXT?

In developing the ITMs, the government has been playing an enabling role in bringing together all stakeholders to develop and implement the plans for industry. Each ITM is customised to an industry's specific needs and coordinated by an economic agency. Currently, all 23 ITMs have been launched, and were now in what Mr Liang called the "nuts and bolts" phase - being worked on for implementation across their respective sectors. Despite positive response from trade associations and chambers (TACs) and their members on the direction given, many highlighted the need to refine the ITMs further, by making them clearer and more detailed, so that they can be relevant to small and medium-sized enterprises (SMEs), which are more averse to change.

From a policy perspective, the panellists still felt that the ITMs were being worked on in silos, whereas in reality, a business value chain would involve multiple interconnected sectors. For example, the introduction of e-invoicing would require both customers and vendors to migrate their systems online. While the government's introduction of the six cluster groupings of related ITMs in 2018 was acknowledged. more could be done to ensure greater cross-sector interaction between the ITMs, and that the speed of transformation is matched between different stakeholders across the value chain.

As ITM campaigns shift from raising broad awareness towards

implementation, some panellists also broached the need to define how the ITMs' success would be measured. One TAC leader suggested that they should be measured in terms of real business uptake or financial outcomes rather than the popularity of uptake of certain solutions, given the ever-evolving nature of technology. Furthermore, the ITMs themselves would also have to evolve along with changes in the environment.

DIGITALISATION, PRODUCTIVITY & INNOVATION

The panellists generally observed that there has been an increased drive within their industry to digitalise. That said, they highlighted areas of improvement in existing business support schemes.

The panellists spoke of challenges on the ground which discouraged SMEs from applying for government support schemes. Of these, the improvement of administrative processes was raised as one that was still a work-in-progress. For example, the Business Grants Portal, which aims to consolidate information on grants and streamline the approval process for businesses, only allows applicants to apply for four grants and is information-scarce, despite its launch three years ago. Ultimately, said one panellist, the goal should be to make it easy for the SMEs to go to the portal and make the application themselves, without having to engage the help of professional services or consultancy firms, which can be costly.

Some businesses might have bought off-the-shelf solutions two to three years ago (during the era of the Productivity and Innovation Credit (PIC) scheme when companies were heavily incentivised for upgrading), which today are quickly going out-ofdate given technology advancements and platform developments. They would need to invest in new software but are understandably resistant to do so because of their previous investments. According to one TAC, these businesses may need some "hand-holding" in their transformation journey, including financial support to implement new technologies and guidance on how to go about doing so. This should be provided by their respective TACs, as well as agencies such as Enterprise Singapore (ESG), Info-communications Media Development Agency (IMDA) and SkillsFuture Singapore (SSG).

INTERNATIONALISATION

There was consensus in the room that when venturing abroad and "hunting in a pack", large companies with the capability and the connections to bid for large-scale foreign projects should play an alpha role in bringing Singapore SMEs overseas along with them. Government-linked companies or multinationals could be given greater tax deductions - up to triple the existing amount, for example – to collaborate or employ SMEs and help pave the way for Singapore Inc. in overseas markets.

Attitudes towards venturing abroad was also a major inertia-inducing factor towards internationalising. On reasons why SMEs might not be keen to venture abroad, the panellists cited, in particular, a "defensive attitude" among some companies. They tend to be wary about working with their competitors and want to guard their trade secrets. Yet, such



OTHER SUGGESTED TAX MEASURES TO HELP ALLEVIATE BUSINESS COST

Tax carry-forward/carry-back

Increase cap and number of years allocation for Loss Carry-Back relief, ideally up to three years – and have the amount capped at \$\$300,000. Alternatively, start-ups (which could be lossmaking in its initial years) could be allowed to carry-forward their current year's tax loss at nominal value, indexed according to a matrix like CPI (Consumer Price Index).

Encourage green building demand While there are top-down initiatives in place to spur supply of green buildings, there could likewise be incentives, such as tax rebates (tiered to the environmental rating of buildings), or reduced stamp duties, to encourage demand among buyers for green buildings.

Incentivise hunting in packs Triple the tax deduction for all parties big and small that work in internationalisation projects together.

Grow an inclusive society

Given the emphasis on making Singapore a more inclusive society, there is scope for commercial entities to be more intentional in providing employment for marginalised groups. The government could help businesses with the costs involved in restructuring operations to be more inclusive.

Support Singapore's aspirations as a wealth management hub

Given the current proliferation of high-growth/ high-tech companies, it would be opportune to introduce incentives for fund/asset management companies and other early-stage investors to invest in them.

Consider process-based transformation Most government grants on innovation or R&D tend to focus on ideation, and less on implementation, which is a crucial part of the journey. If the implementation cost of good ideas is too high, that will deter a lot of businesses from actual adoption. There is scope to support businesses that seek to transform or upgrade via enhancing their processes, instead of procuring solutions.



ISCA Pre-Budget Roundtable 2019

Progressing with a Vibrant and Innovative Economy



a mindset is counterproductive in today's solutions-driven market. One Big Four representative suggested a flip in perspectives – instead of SMEs limiting themselves to working alongside similar businesses in the industry, they could band together to form a consortium of complementary businesses to provide solutions.

TACs present highlighted the need for more awareness among SMEs on how to leverage Singapore's extensive free trade agreements (FTAs) in their internationalisation plans. A panellist cited feedback from SMEs that there was little information available on Singapore's FTAs that appear to be relevant to them. Mr Liang, the co-chair, agreed that there was an opportunity for TACs to bridge the gap by finessing broad messages from the government and delivering them to their members. In fact, this is positioned to be an upcoming area of focus as some TACs reported that they were partnering with government agencies to organise dialogues and seminars aimed at helping their members understand the FTAs better.

(From left) Mr Liang and Mr Kon co-chaired the ISCA Pre-Budget Roundtable 2019

JOBS & SKILLS

Many new emerging trends in today's changing business landscape, such as cybersecurity, require new skill sets that workers were not prepared for under the traditional education system and curricula. However, many SMEs are generally resource-constrained and therefore find it a challenge to send workers for training. To incentivise SMEs to send workers for training, the government could consider bringing back a scheme similar to the old PIC scheme, where businesses are given 400% tax deductions on training expenditures.

In some industries, such as food and beverage and retail, labour demand is seasonal and there is a shortage of manpower during certain periods. A TAC whose industry is severely impacted by the manpower crunch during peak season proposed a seasonal quota consideration for foreign manpower, which would soften the crunch and have minimal impact on the government's overall policy on foreign labour.

It was proposed that it be made mandatory for university and polytechnic students to undergo an attachment period in an SME before graduation. While the panellists acknowledged an existing preference among the young to work with larger companies, the hope was that such exposure to SMEs would trigger interest among the young to work in SMEs. Simultaneously, it would create a fresh pipeline of talent for SMEs, which have long grappled with thin manpower resources.

> Mr Kon presented a token of appreciation to Mr Liang for co-chairing the Roundtable



RISING BUSINESS COSTS

Amid the fresh challenges and novel ideas deliberated, the panellists also discussed perennial issues such as rising business costs. In her economic outlook, Ms Ling listed inflationary pressures and rising labour costs as key risks to a business' bottom line. One panellist also called for the Fair Tenancy Framework (FTF) to be made into legislation, to further

About the Fair Tenancy Framework

Developed by the Rental Practices Working Group of the SME Committee – which is led by the Singapore Business Federation – the FTF aims to establish a set of clear leasing guidelines and negotiation principles for small businesses looking to rent premises for commercial, industrial, retail and food and beverage activities. These guidelines are developed based on feedback and studies on the impact of rental overheads on business operating costs. enforce fair play measures between landlords and their tenanting SMEs.

Some panellists noted that when the government introduced foreign worker levies (FWL) in the past to reduce Singapore's reliance on foreign workers, it had balanced this increased cost with productivity grants and benefits, such as the PIC scheme. Now, despite the PIC having been phased out, there was no corresponding removal or reduction of the FWL. A suggestion was thus raised for the levies to be relooked in order to help businesses maintain their costs. Alternatively, the levy revenue could be redirected back into other grants or business-friendly initiatives.

As one panellist succinctly put it, before SMEs can look at transforming or internationalising, "they first have to survive and do well, before they are able to think about moving out of Singapore. The first thing we should look at is to make sure business costs are controlled."

CONCLUSION

Other issues raised by the panellists included how to spur market demand for green buildings, in order to achieve Singapore's goal of having at least 80% of all buildings to be green by 2030; ideas to encourage commercial entities to be more inclusive in terms of hiring workers (example, older workers), and ways to encourage entrepreneurship. While noting the existing challenges, the Roundtable panellists were keenly aware of the urgency of encouraging businesses, particularly SMEs, to take the first steps in the transformation journey. To this end, they made recommendations to the government for the progress of Singapore's industry and economy, which ISCA collated and submitted for consideration in Budget 2019. ISCA

Loke Hoe Yeong is Manager, and Joyce Han is Executive, Insights & Intelligence, ISCA.



Feel the pulse of these top tourist destinations by checking out their famous shopping spots

RE YOU THE SORT OF TRAVELLER WHO CRAVES AUTHENTIC SIGHTS, SCENTS AND FLAVOURS? Markets offer great crash courses on local cultures when you are exploring new places. Whether tucked in an iconic town square or stretched over a couple of streets by the suburbs, they are typically hubs of activity and specialties. Go with an open mind and seize the chance to hustle and haggle with the locals for the most authentic experience! Here are five great destinations to get you started.



STANLEY MARKET, HONG KONG

The serene southern coast may not be as crowded as Kowloon or Causeway Bay, but Stanley Market remains one of the most popular markets in Hong Kong due to its picturesque location near Repulse Bay. Once an openair marketplace in Chek Chu Tsuen, the market has since grown, with more shops springing up to cater to the increasing number of people flocking to the area for bargains. Today, it boasts both luxury retailers and streetside merchants, so one can find anything from garments to suitcases, and paintings and electronic items peddled along alleyways. If you prefer not to jostle with the crowds, head down on a weekday when it is less packed; shopowners are generally more amenable to offering better prices during the off-peak hours too. Stanley Main Beach is a short 10-minute walk away, so if weather permits, pack your beach towel and work up a tan before heading back into town.

Stanley New Street, Island South, Hong Kong Island | Daily: 1030h to 1830h

HOI AN NIGHT MARKET,

Graceful, historic Hoi An has been listed as a UNESCO World Heritage Site since 1999 and is presently one of Vietnam's most atmospheric towns. Its famed night market, which is at its most glorious at sundown, is right across the river from Hoi An Old Town and boasts close to 50 vendors selling a dizzying array of knickknacks and snacks. If you are looking to buy gifts for your family or friends back home, this is the best place to find anything from tee-shirts to trinkets. Otherwise, push past the ubiquitous souvenir shops and make a beeline for the street food. Start with a *bánh mì* or spring roll if you must, but the star is the selection of signature Hoi An food. The market is lined with vendors selling the likes of *bánh xoài*, a sticky rice cake filled with peanuts and sugar; crispy wontons which resemble giant nachos more than petite dumplings, and *bánh tráng nướng*, a rice paper pizza topped with egg, bean sprouts, pork and lashings of shallot and chilli. When you are done with the shopping and banter, there are plenty of restaurants and watering holes nearby for you to either wind down or get the party started.

3 Nguyễn Hoàng, Phường Minh An, Hoi An, Vietnam | Daily: 1800h to 2200h





FOCUS FAMOUS MARKETS



MARCHÉ AUX PUCES DE ST-OUEN, PARIS, FRANCE

Whether permanent, weekly, covered or street, markets are the quintessential Parisian experience. They are not just for tourists either - most markets teem with locals as they are often better than the city's supermarchés when it comes to stocking up on produce or bargaining for bric-a-brac. Tucked away in the 18e Arrondissement is the famed Marché aux Puces de St-Ouen, generally regarded as the most extensive flea market in the world as it stretches beyond seven hectares, has 1,700 merchants and 14 smaller marchés – or markets - each with its own specialties. Marché Vernaison, for example, is a wonderful, winding market full of kitchenware, glassware, books and lamps. Marché Dauphine, on the other hand, is newer and brims with prints, art and vintage clothing. Restaurant pickings are slim within the markets, with the recently-established Phillip Starck-designed Ma Cocotte growing

The 250-seater housed within an industrial loft has eclectic furniture and décor personally sourced by Starck himself from the surrounding markets, thereby making the restaurant a delightful ode to its locale. If you can, snag a seat in the outdoor terrace to take in the view of the market and recharge after a long day of bargaining and browsing.

to be a popular mealtime destination.

18e Arrondissement (Rue des Rosiers and surrounding streets), 93400 Saint-Ouen | Saturday: 0900h to 1800h, Sunday: 1000h to 1800h, Monday: 1100h to 1700h







GRAND BAZAAR, ISTANBUL, TURKEY

Istanbul's Grand Bazaar certainly lives up to its name. Sprawled across a huge area in the city centre, it has grown from the modest vaulted *bedesten* (warehouse) in 1461 to almost 4,000 shops across lanes, shops and *hans* (caravanserais) in a labyrinthine form. You will find anything imaginable – from silk clothing to copper ware and "Oriental imports". Jewellery

persists as a crowd favourite here, with glittering collections inspired by Art Deco and the Ottoman culture peppering the streets. Though the bazaar has lost some if its traditional ambience after the barrages of tourists through the years, it remains a mustvisit in Turkey and an unforgettable experience as long as you go with an open mind and a sense of humour. Channel your inner flaneur and peer through doorways to discover hidden hans and narrow lanes - you may just find treasures amid the tourist tack. Bargaining and haggling are part of the experience, so compare prices, be firm, and do not feel obliged to buy or look at anything you do not need. Once in a while, you may spot celebrities, as the bazaar also hosts fashion shows or serves as a setting for films and TV series occasionally. ISCA

Beyazıt Mh., Kalpakçılar Cd. No:22, 34126 Fatih/Istanbul, Turkey | Monday to Saturday: 0830h to 1900h (closed on religious holidays)



CRAWFORD MARKET, MUMBAI, INDIA

Though recently renamed Mahatma Jyotiba Phule Market after the country's famous 19th century social activist, this Mumbai market is still better known by its colonial moniker. The building itself is impressive, famously designed in the 1860s by John Lockwood Kipling (father of the famous Rudyard, who was born in the very neighbourhood). Crawford Market's exteriors, including the extensive frieze at the entrance, are awe-inspiring. Beautiful paintings, murals and etchings of Indian farmers working in fields adorn its walls, and the building was thoughtfully

designed to receive ample sunlight during the day. Come as early as you can to explore this fresh-produce emporium, and take the opportunity to load up on spices, sauces and seasonings. In the middle of the market lies Mangaldas Market, which is a wholesale textile market with an overwhelming variety of fabrics. As with most Indian markets, the experience can be chaotic, so take your time to navigate the crowds and soak in the experience.

Dhobi Talao, Chhatrapati Shivaji Terminus Area, Fort, Mumbai, Maharashtra 400001, India | Monday to Saturday: 0900h to 1800h; Sunday: 0900h to 1200h



MEMBER PROFILE THE **TEAM** PLAYER

OR SOMEONE WHOSE JOB PLACES A HUGE EMPHASIS ON FIGURES,

Lee Jianwen, 35, believes in not just going by the numbers. Instead, his focus always lies in doing the right thing. He puts this into action at Resorts World Sentosa when he iterates his full commitment to his team. "I want to lead by example and show my team that they are not alone in situations," says Mr Lee. "Even when it comes to mistakes, I will ensure that we face the music as a team."

Sceptics may think they recognise a management mantra here, but Mr Lee really hits it out of the ballpark when it comes to teamwork. He goes so far as to cite the prospect of working with his colleagues every day as the thing that gets him going in the morning. "Alone, you can go fast, but with a team, you can go far," says Mr Lee, paraphrasing an old African proverb. This "all-for-one and one-forall" work ethic generally stems from extensive experiences in the field, and he acknowledges the debt he owes to both his seniors as well as to society.

KEEPING IT REAL

Having chalked up more than 10 years in the profession, Mr Lee confesses that he really only became interested in accountancy after he had earned his degree. "I realised that accountancy is not just about number crunching. In my Lee Jianwen, CA (Singapore), ASEAN CPA, Senior Manager, Management Accounting, Resorts World Sentosa

current role, I analyse the performance of the business. Accountants understand the strengths and weaknesses of the business by understanding what the numbers mean. Thereafter, we help to make sense of these numbers and communicate with the stakeholders," he explains. "This is how we can add value not only in having the technical abilities deliver quality and accurate insights."

accountancy as it represented a good career choice - because he knew that Even today, he remains practical about accountancy and the challenges facing the profession. For example, he sees automation and machine learning in accountancy as net positives. "We no longer need to worry about mundane tasks and can now be more focused on strategic roles," he shares. "More time can be spent interpreting and analysing

... he sees automation and machine learning in accountancy as net positives. "We no longer need to worry about mundane tasks and can now be more focused on strategic roles... More time can be spent interpreting and analysing the data."

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but also possessing the integrity to A pragmatic man, Mr Lee had initially decided on a degree in every industry needs accountants.



"Change is the only constant in life and we have to embrace it. We have to move out of our comfort zones. Anyone who can do that can stay relevant."

Joined KPMG Singapore

Resorts World Sentosa

Resorts World Sentosa

Senior Manager, Casino Finance,

Senior Manager, Management Accounting,

2017

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Graduated from Nanyang Technological University

the data. We have to keep evaluating ourselves and make sure we are moving with the times. Being resistant to technology will leave us lagging behind." Before his move to Resorts World Sentosa, Mr Lee spent the first nine years of his career as an auditor at KPMG Singapore, and is thus no stranger to long hours and tight deadlines. Interestingly, he says his commando training during National Service helped to equip him with the determination to persevere, and to pull through.

CAREER

HIGHLIGHTS

Mr Lee returns to the importance of his mentors, specifically, the senior partners at KPMG Singapore, who had provided him with valuable career guidance. "They were very hands-on, and I was able to turn to them whenever I needed help." In addition, his mentors were "very open", making it easy for him to communicate with them. "This is exactly the kind of leadership I aspire (to emulate) today," he says.

You might have formed a mental image of the consummate corporate man in Mr Lee but he is quick to point out that he is not a "nerd with a calculator". He volunteers with Citizens On Patrol. a community initiative by the Singapore Police Force, where he and his fellow residents become the "eyes and ears" of the police in his neighbourhood. "I believe a lot in giving back to society. Even during my NTU (Nanyang Technological University) days, we offered tuition to underprivileged kids of the Singapore Boys' Home," says Mr Lee. He also volunteers at ISCA, having served previously on the Community, Social & Sports Advisory Panel, and currently, the Young Professionals Advisory Committee (YPAC). It certainly makes sense that even

in giving back to society, Mr Lee likes to make it a team effort. In fact, teamwork also plays a part in his life outside work. He is proud to have been on a race-winning dragonboat team at the DBS Marina Regatta. For the record, it was a team of accountants.

AN ENDLESS PURSUIT

Mr Lee links his passion for team activities with his positive view of technology in the finance world. "Change is the only constant in life and we have to embrace it. We have to move out of our comfort zones. Anyone who can do that can stay relevant. That was why I moved out of a Big Four (firm)." Nevertheless, he notes that though his current scope of work is far different from what he had as Audit Manager, the requisite skill sets are very much similar.

There is a connection between Mr Lee's motivation to constantly update his own knowledge – and he regularly encourages others to do the same – and the benefits of an ISCA membership. "ISCA is not just any membership that anyone can take up. There are prerequisites and requirements that members must fulfil, to join as well as maintain their membership. We need to constantly upskill and reskill ourselves, and the membership is a validation that we possess the relevant skills."

Mr Lee has made the best of his membership over the years and is also an ASEAN CPA. "Being an ASEAN CPA elevates our status as accountants because we are partners for growth in this region. As businesses become more international, transactions also become more complex. There is a growing demand for qualified accountants because of this. We are more valuable and more mobile, not just in Singapore but in this region."

Asked about what makes him anxious, or what keeps him awake at night, he mentions his two children – a three-year-old daughter and a two-year-old son – "Worrying about them literally keeps me up!" he exclaims with a laugh. ISCA

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ACCELERATE BUSINESS GROWTH WITH CRM

Choose The Right Solution For Your Business

> FOR MANY BUSINESSES AND INVESTORS, 2018 is probably a memory best forgotten. The year had started with great promise. Spurred by the jobs recovery and tax cuts in the US, the Dow Jones and S&P indices gained 3.9% and 5.7% respectively from January to August, even as interest rates began to rise. But this positive momentum abruptly shifted in the last quarter of the year as the US sought to impose significant tariffs on US\$200 billionworth of Chinese goods in a bid to rectify an everexpanding trade deficit with its second-largest trading partner (after the European Union). Since then, global markets have largely erased their gains for 2018, with the International Monetary Fund (IMF) lowering its growth forecasts for 2019, citing increasing trade protectionism and instability in emerging markets. Naturally, as an international trade hub, Singapore is not immune to the turbulence in the global markets. Singapore's Ministry of Trade and Industry has already lowered its GDP growth forecasts from 3 to 3.5% to 1.5 to 3.5% for 2019.

With the spectre of a global economic slowdown looming in the background, organisations need to rethink their approach to growth. In a low interest rate and stable business environment, organisations have invested heavily in expanding into new markets and acquiring new customers. However, studies have shown that it costs between five to 25 times more to acquire a new customer than to retain an existing one. As headwinds to growth gather strength, business leaders may need to re-focus on deepening their relationships with existing customers. This is where a robust Customer Relationship Management (CRM) programme can make a difference.

FOCUS ON CUSTOMER EXPERIENCE

CRM is not new; in fact, it has existed ever since the time of organised trade. Before the days of the computer and Internet, businesses and salespeople were tracking details of individual customers using pen and paper - recording every customer detail that will enable them to sell more, and over a longer period. Smart salespeople understand that every customer is different their needs, their decision-making criteria, and most critically, their ability and readiness to buy. To obtain these information, salespeople need to gain the trust of their customers by building long-term relationships. In turn, they can sell to customers in a more personalised and effective way, creating a virtuous sales cycle. That is the essence of any CRM programme - building longterm, personalised relationships with customers to cultivate brand loyalty and generate more sales for the business.

Clearly, the way that CRM is implemented today differs greatly from when ancient tradesmen had to rely on carefully-handwritten notes about their customers. In the digital age, powered by data and technology. CRM is finally able to reach its full potential of one-to-one marketing at-scale. The opportunity at stake is significant - Nucleus Research estimated that the average return from a dollar invested in CRM is between US\$5.60 and \$8.71. A study from Salesforce, a leading provider of CRM applications, showed that CRM can increase sales by up to 29% and sales productivity by up to 34%. Regardless of whether you are a B2B (businessto-business) or B2C (business-to-consumer) organisation, investing in CRM can be an effective way to accelerate your growth.

UNDERSTAND YOUR BUSINESS NEEDS While CRM is not a technology, technology platforms are critical enablers of CRM.

... a comprehensive end-to-end solution from a leading CRM provider,

including implementation fees, could cost up to US\$100,000 in the first year. At the same time, it could also cost close to nothing for the most basic solution.



d rovider, Technology platforms allow organisations to collect data about their customers, analyse that information to identify meaningful and differentiating traits, and finally trigger or automate sales and marketing activities to engage the customer. Most CRM platforms offer some, if not all, of the above features. However, there are substantial variations in the depth and breadth of those features. For example, most basic CRM platforms will allow a salesperson to enter customer information manually, but more advanced ones will pull out and integrate customer data from multiple sources, for example, sales transactions, campaign engagement, social data and more. Some platforms allow users to create simple customer segments based on product preferences or customer value, while others employ the use of artificial intelligence (AI) to automate segment creation for a wider variety of use cases.

The wide range in CRM features is reflected in how CRM platforms are priced – you can get a basic version for free, example, from Hubspot or Sage CRM, or pay up to US\$300 per user per month for higher-end solutions from Salesforce and Microsoft (Dynamics). In addition, you may need to pay extra if you want a marketing platform to send out emails, SMS, social or digital advertisements to your customers. To leverage Salesforce Marketing Cloud, for instance, you will need to pay anywhere between US\$600 to \$3,000 per use per month, on top of your basic CRM licence. This figure excludes any professional fees needed to implement those systems or integrate them with existing ones. Hence, a comprehensive end-to-end solution from a leading CRM provider, including implementation fees, could cost up to US\$100,000 in the first year. At the same time, it could also cost close to nothing for the most basic solution. (*Please note that prices are indicative and will vary depending on your requirements. Please reach out to the CRM vendors if you would like an exact quote for your organisation.*)

Without a clear understanding of your business needs and objectives, you may end up either overpaying for the technology, or implementing one that does not address your needs.

IMPLEMENTATION STEPS

To implement a successful CRM programme, business leaders may need to consider the following: Firstly, organisations need to be clear about their objectives and have well-defined CRM use cases. Since CRM is a long-term investment, it will be ideal to define these objectives and use cases in a three-year roadmap. The roadmap should evolve over time as the organisation gains a better understanding of the effort and costs, versus the returns from various CRM initiatives.

The next step is to think about what CRM capabilities should be outsourced, and what should be developed in-house. This exercise is useful prior to engaging vendors as it will facilitate the project scoping process. With clear objectives, a forwardlooking roadmap and an understanding of internal capability gaps, organisations can then engage and evaluate vendors in a more focused way.

Beyond cost and features, organisations should pay special attention to the vendor's data governance and security policy. Today, most CRM solutions are hosted on the cloud, but as data controllers, the onus is still on organisations to ensure that all reasonable precautions are taken to protect their customers' data.

Lastly, organisations need to realise that the technology platform itself will not guarantee results. A successful programme will require the long-term commitment of senior management, a wellarticulated strategy to use data to improve customer experience and communications, and changes to existing ways of working to support this strategy.

At Kantar Consulting, we tell our clients that CRM is a journey, not a destination. When thoughtlessly implemented, it can be an extravagant waste of time and resources. Done well however, CRM has the potential to transform your relationships with your customers, and sustain growth in an increasingly uncertain and volatile market environment. ISCA

Eugene Yap is Head of Digital and Marketing Effectiveness Practice, Kantar Consulting Southeast Asia.



FROM DBS GROUP RESEARCH

DECOUPLING TEMPORARILY FROMASLOWING US

Five Areas Where Asia Might Part Ways

THE WORD "DECOUPLE" HAS BEEN USED IN

THE CONTEXT OF ASIA in the past, and frequently proven wrong as deep trade and financial linkages tend to make Asia tied to the global economic cycle (led by the US). But going into 2019, does a slowing US necessarily have to drag Asia down? We think that ingredients are in place for a mild upward surprise for Asia's markets and economies, which may well appear to be decoupled from the likely trajectory of the US economy. Here are our five supporting narratives. (*Note: This article was originally published in December 2018 and the points of reference are based on that date.*)

1 OIL

Only a couple of months ago, we were looking at crude averaging US\$75 to \$80 in 2019, a good 20% higher than in 2018. This would have added to the already-strained external balances of large oil-importing economies, raising risks of further currency selloff and debt-refinancing distress. Indeed, we have flagged this risk repeatedly through the course of this year.

But what if oil supplies remain buoyant and

despite Iran sanctions, we see a flat trajectory of crude next year? That would be a major boost for the likes of India and Indonesia, helping ease inflation, reduce administrative subsidies on fuel products, stabilising exchange rates, and supporting foreign investor sentiments. With the exception of Malaysia, lower oil would be a net positive for all major Asian economies.

In contrast, contrary to the exhortations of the US president, lower oil prices are no longer an unambiguous positive for the world's largest economy, which is slated to overtake Saudi Arabia as the world's largest oil producer next year and also set to become a net exporter of crude and refined fuel products. While this reinforces US' energy security, low oil prices hurt the earnings of US shale producers and discourage large-scale capital expenditure on future energy projects. Moreover, low oil prices may help put a lid on headline inflation, and the prevailing strength in the labour market could still leave the outlook for wage and core prices strong. Hence, as the US has become a major player in the energy industry, low oil prices are an increasing negative development from its perspective.

We expect growth-supportive fiscal measures in China, India, Indonesia, Philippines, and South Korea in (2019). This could provide critical support to sentiments as a US slowdown becomes more visible.

Kev summary points

Low oil price could be a

major source of relief for

economies like China, India,

and Indonesia

As bond vields have climbed

and equity prices fallen,

value investors are returning

to Asia

Public spending will pick up

in China, India, Indonesia, the

Philippines and South Korea

Flections in India and

Indonesia could settle market

sentiments and solidify reform expectations

As western markets

become harder to enter,

China could redouble its

investments and deals in Asia

US markets may have experienced selloff and volatility in recent months, but they are by no means cheap. The Shiller cyclically-adjusted, real earnings-based PE ratio for the S&P500 is presently around 30, much higher than the peak before the 2007-08 global financial crisis. As per this metric, the equity market would have corrected by a large margin before attractive valuations emerge. Given the widespread concerns about ballooning corporate leverage among US companies, similar arguments can be made about the credit space.

In contrast, having sold off sharply this year, many Asian equity and bond markets have already begun receiving interest from valueseeking investors. A recent report from the Institute of International Finance shows that portfolio inflows to emerging markets jumped to around US\$34 billion in November, with investments in Chinese equities and EM debt spiking. One month does not make a trend, but we can see this scenario play out repeatedly next year.

In recent weeks, we have seen both Asian sovereigns and corporates completing debt offerings that were six to 10 times oversubscribed. The interest rate paid on such debts has gone up this year, but only modestly. The fact that the market remains liquid and there is considerable demand for appropriatelypriced products this late in the year is a constructive signal for us as we look at 2019.

FISCAL POLICY

With the US Congress turning over to the Democrats, and concerns about US government debt, deficit, and runaway military spending becoming louder, the direction of fiscal policy in the world's largest economy is very likely to be restrained, in our view. The high from the

Facing a sustained slowdown and concerted challenge to its emergence,

we expect that China will act forcefully in 2019. This could entail certain actions beneficial to Asia (at the expense of the US)



2017-18 tax cuts would likely dissipate through the course of 2019, with little in the pipeline to offset that.

In Asia, however, fiscal policy is going in the opposite direction in several large economies. We expect growth-supportive fiscal measures in China, India, Indonesia, Philippines, and South Korea in the coming year. This could provide critical support to sentiments as a US slowdown becomes more visible.

ELECTIONS

4 **ELECTIONS** Unless the results are a massive upset, elections don't change the direction of economic policy or market sentiments. Nevertheless, a temporary lull in structural reforms, visible both in India and Indonesia, could fade quickly after their respective elections as various uncertainties are resolved.

The US, having just had its game-changing mid-term elections, won't see any politicallycrucial events next year. The market has already priced in a gridlocked legislative agenda, in our view. This is one more area of contrast between the US and parts of Asia next year.

5 CHINA Facing a sustained slowdown and concerted challenge to its emergence, we expect that China will act forcefully in 2019. This could entail certain actions beneficial to Asia (at the expense of the US). For instance, increasing hurdles to investments in the west will turn China's investors further towards Asia. Also, China will want to expedite or reinforce the terms of its Belt and Road projects, likely benefiting the host countries of those projects. Additionally, if Chinese companies or multinationals feel compelled to outsource investments due to trade wars, the most likely beneficiaries would be the South or Southeast Asian companies.

There are also idiosyncratic factors that would help Asia next year. The worldwide rollout of the 5G network would boost Asian ICT companies; bank clean-up in India could reach its concluding chapter, and infrastructure investment in Indonesia and the Philippines could help regional capital goods demand.

Putting these together, we can conceive of a scenario under which, at least in 2019, Asia steals the thunder from the US. If the US economic slowdown is sharp and the market correction is severe, the downside for Asia will also be substantial, but in a gradual slowdown scenario, Asia's relatively better story could well shine. ISCA

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BY MIKE WILKINSON AND DAVE INGRAM

EIGHT KEY CONSIDERATIONS FOR CHIEF RISK OFFICERS

After The Strategic Planning, Then What?

BUSINESS PLANNING FOR MOST INSURERS WRAPPED UP A FEW WEEKS AGO (in the last

quarter of 2018). For a Chief Risk Officer (CRO), these sessions offer a key opportunity to share insights on the risks that companies may face in the coming year, provided they have a seat at the table. But that's not the case in some companies. Even when it is, they might have limited opportunities to voice their concerns or be brought in too late in the process to exert the level of influence they would like.

So what can a CRO do after the decisions have been made and plans set? The short answer is, "Plenty".

Since planning and strategy discussions are focused on future business activities, it's important to review your current risk management plan to assess whether changes need to be made. Decisions made during the planning process may result in increases to some activities and decreases to others. This shift could mean that activities that were immaterial in the past could become significant in the future; prior decisions on which risks to prioritise in the enterprise risk management (ERM) programme should be revisited so that risk management is sufficiently forward-looking rather than just looking back at what's already happened.

Risk tolerances and limits, metrics and reports should be reconsidered. Risk modelling should establish if different analyses are now needed, including if some items should be separated to reflect changing risks, combining others or using more complex or simpler techniques. Essentially, the CRO should ask, "Does the ERM programme appropriately reflect the business as it is now and will be going forward?"

Here are eight things to consider, although ideally, these should be integral to the planning process itself.

BOARD VISIBILITY

For reporting purposes, many insurers look at their risks as falling into prioritised tiers. For example, Tier 1 goes to the board, Tiers 1 and 2 are discussed by the executive group and risk committee, and Tier 3 are the remaining risks.

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After planning, the CRO should reassess the tiers so the board is notified of the most important (example, whether any Tier 2 risks should now be Tier 1, or vice versa, and any new risks introduced by the planning activity). Of course it is important to stay vigilant as risk preferences may also have changed. While it may be tempting to keep adding new risks to Tier 1, the structure and board communication can become less effective if the Tier 1 list is too large. Many firms maintain their list of top risks – often for convenience – called "top 10 risks", which are monitored continuously by the board, although 10 should be a maximum number rather than a target.



Many firms maintain their list of top risks

often for convenience – called "top 10 risks", which are monitored continuously by the board, although 10 should be a maximum number rather than a target.

2 KEY RISK INDICATORS, RISK MEASURES AND RISK REPORTS

Key risk indicators (KRIs) should mean exactly that and therefore, the KRIs should follow the risks that are fundamental to delivering the strategic objectives and shorter-term business plan, which, by implication, incorporate critical solvency and regulatory requirements. Typically, these will link to key planning assumptions that can be tested. As an example, stress and scenario testing may find that the performance (both volume growth and improving profitability) of a major distribution channel or business line is critical to achieving the plan, in which case KRIs should be developed to monitor these.

3 RISK MITIGATION APPROACHES Changes in the plan could mean that risks will need to be treated differently, and different analysis is needed. For example, there may be new products with different exposures or investment decisions changing asset allocations. So, for instance, if the planned allocation of an asset such as mortgagebacked securities is tripled, it may need different asset liability management treatment to better reflect the specifics of the cash flows. Or in current plans, there may be a special class of buildings in a book of property insurance that has become significant enough to make special rules. In the past, vou applied a general approach to risk mitigation of large claims (example, to limit the size of the building that you will insure), but on further examination, you may find that the market is much more willing to take a large deductible in exchange for an increase in the total limit.

REVIEW OF RISK TARGETS, LIMITS 4 AND CHECKPOINTS

The plan naturally provides many of the targets. By incorporating them into the ERM process, you have just joined the team instead of constantly trying to play defence against your own offence. Limits can provide the level of acceptable deviation from the plan. This enables everyone to get on board with the idea that the limit just documents what everyone agrees would be an unacceptable situation or too much of one risk.

A much trickier task is the development of ideas, in advance, on how the company can deal with a scenario of having too much success (example, because of limits of capital/capacity, capability to manage and concentration concerns). Once you have settled the limits, checkpoints can be put in place in between the target and the limit to flag potential issues.

UPDATING OF MODEL ASSUMPTIONS O While this is done annually for the business plan, you'll want to consider the impact of

... inflexible reporting approaches create a problem for the strategic CRO because consistency, when applied to risk reports, may not let you feature the information that's likely to be most important to management.

planning decisions. If planning assumptions differ from historic trends, there should be a clear understanding of why the future will be different, and the potential level of variation and impact examined via stress and scenario testing. Equally, the frequency of potential changes to risks should be considered. These should feed back to the design of the management information, KRIs and thresholds for limits and warning flags.

6 UPDATING MODEL OUTPUT REPORTS Reporting should reflect the current risk

profile of the business as it is, and as it is expected to be. But inflexible reporting approaches create a problem for the strategic CRO because consistency, when applied to risk reports, may not let you feature the information that's likely to be most important to management. This may lead to a conclusion that two versions of the model output reports are needed - one that features the activity of the newest, hottest activity, and one that is consistent. Watch what the sales reports do. See if they favour consistency or relevance, and be careful about just adding more to the reports. Whatever the approach, it needs to be targeted to the audience and facilitate better board understanding.

7 CAPITAL ALLOCATIONS

Capital planning will normally be done from a finance perspective as part of planning. But the strategic CRO will spend some time considering whether the expected changes to the firm might invalidate some explicit or implicit assumption of the allocation process that's been used, including diversification.

There are dozens of allocation schemes and each one starts with different assumptions about the objectives of the allocation process, the interactions of the risks of the firm, and links to the risk limit framework; in some places, the choice depends upon the regulatory regime. The strategic reaction may

be to recommend modification to allocations or to provide additional information about the impact of the existing allocation scheme on reporting of results under the chosen course of action.

8 PROJECTIONS OF FUTURE PROFITS AND RETURN FOR RISK

With the above changes, you can tentatively develop updates to prior calculations of projected return for risk-taking. As with the capital allocation, care should be taken with any other allocations of other company activities. Ideally, this will be undertaken in conjunction with the planning process before it's completed. However, if it can only be completed afterwards, it should provide a key input to plan monitoring and KRIs. This can also be a helpful way of positioning the CRO to play a more active role in the next planning round.

Changes made during the business planning process will require extra consideration. The strategic CRO will want to match, as closely as possible, the thinking of the planning group in order to assess the emerging experience and risks as the plan unfolds. This also involves aligning the risk management plans and activities as much as possible with business and planning cycles to stay relevant throughout the year. ISCA

Mike Wilkinson is Senior Director, Insurance Consulting and Technology, Willis Towers Watson, London. Dave Ingram is Executive Vice President, Willis Re. This article was first published by StrategicRISK. Reproduced with permission.

CRAFTING YOUR OWN LEADERSHIP SIGNATURE PART 1

Start By First Knowing Yourself

IN AN AGE WHERE EVEN SILICON VALLEY

DISRUPTORS STRUGGLE TO KEEP UP, it is more critical than ever for leaders to know themselves. Otherwise, how can they learn and develop? Or create a dream team, one that magnifies their strengths and remedies their weaknesses? Or avoid costly blind spots? Exceptional leaders need to have a thorough understanding of the world, their industry, their company and – crucially – themselves.

However, as Benjamin Franklin wrote, "There are three things extremely hard: steel, a diamond and to know one's self." Based on decades of research on leadership effectiveness and close observation of leadership in practice, we have designed a development and feedback tool called the x360 to facilitate this self-discovery.

Since its launch in 2017, some 2,000 INSEAD programme participants have used it to identify their current leadership signature – their unique way of leading – and to explore how they could further develop in their roles. As with other 360-degree tools, it allows subjects to compare their self-image with how managers, peers, subordinates and external stakeholders perceive them. Our tool's three core dimensions have been shown to be valid across cultures and types of organisations.

In this first article of a three-part series, we will describe the dimension of adaptability, that is, the "Who you are" component of the x360.

ADAPTABILITY AND LEADERSHIP

Our Adaptability Index captures decades of research on what differentiates those who can deal with stress and lead through it and those who cannot. This aspect of leadership considers facets of the self that are relatively stable and hard to change. It measures how well respondents are able to adapt and thrive in an exponentially changing context. It contains five parts:

1 Resilience

In an environment that requires constant experimentation, setbacks are inevitable. Resilience refers to the ability to bounce back from such setbacks and function well in the face of adversity. Those with resilience have strong coping mechanisms and are less prone to anxiety and depression. Low levels of resilience may signal the need to learn how to cope with setbacks or to stay away from more risky leadership work.

The core dimensions of the x360+ Leadership Development model



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Self-awareness is empowering as it will allow you to figure out which skills you will need going forward, to become the best leader you can be.

T Emotional intelligence

When the going gets tough, it is easy to get overcome by negative emotions, to lose one's temper or to feel overwhelmed. Emotional intelligence refers to the ability to properly monitor and regulate one's own emotions. It is also about assessing other people's emotions and their impact. Leaders need to understand when they (or their team members) are incapacitated by anger or fear and need some extra time before making decisions.

D Paradoxical thinking

Change tends to exacerbate tensions because resources are often scarce. New priorities create competing demands and can force leaders to choose, for instance, between long-term and shortterm gains. A paradoxical mindset is the ability to embrace contradictions and to be energised rather

than overwhelmed by them. Leaders who perceive tensions as opportunities are better able to devise fully-integrated solutions.

Learning orientation

T Some people interpret failure as an opportunity to learn; others view it as a sign of poor performance. A learning orientation refers to the former and it helps leaders quickly adapt both their thinking and actions to changing demands. A strong learning orientation reflects a tendency to seek new knowledge, to keep up with novel ideas and to constantly upgrade one's skills. In an exponentiallychanging environment, a learning orientation is critical for breakthrough performance.

5 Leadership confidence When constant change becomes the name of the game, top-down leadership is no longer sufficient. A command-and-control style must be replaced by leadership exercised at all levels of the organisation - what we call distributed leadership. But for this to work, individual contributors must have the confidence to step into a leadership role. Leadership confidence refers to the belief in one's ability to mobilise others and take on the next leadership challenge. Leadership in this fast-paced world is not for the faint-of-heart; courage and a can-do attitude is required.

SELF-AWARENESS AND COMPANIES' BOTTOM LINE

There is no single way to lead, and no leader is perfect. We can't emphasise enough that the x360 is not an assessment tool. It is a development and feedback instrument that aims to discover your unique strengths, experiences and values so vou can build on them. Crafting your own leadership signature is an ongoing process that begins by creating a clear, unvarnished picture of who you are. It is about eliminating your blind spots. Self-awareness is empowering as it will allow you to figure out which skills you will need going forward, to become the best leader you can be. Selfknowledge will also enable you to communicate your style to others so that they can more easily work with you. ISCA

The second article of this three-part series will be published in IS Chartered Accountant Journal, March 2019

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TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ISCA ISSUES TECHNICAL BITE-SIZE GUIDANCE ON IFRIC'S TENTATIVE AGENDA DECISION

ISCA has issued a new Technical Bite to raise awareness of the Tentative Agenda Decision recently issued by IFRS Interpretations Committee (IFRIC) relating to the capitalisation of borrowing costs for the construction of a residential multiunit estate development (entity).

IFRIC tentatively concluded that the entity should not capitalise borrowing costs. This conclusion may be different from accounting policies currently applied by residential real estate developers in Singapore reporting under SFRS(I) or FRS. Entities are urged to consider the Tentative Agenda Decision, and evaluate whether a change in the entity's accounting policy is necessary and whether additional disclosures on the potential impact should be included in the financial statements.

As tentative agenda decisions are subject to finalisation by IFRIC after consideration of comments received, the above evaluation should be updated when the agenda decision is finalised after February 2019. Notwithstanding this, if this Tentative Agenda Decision is finalised with no amendments to its content, it will be an adjusting event for entities whose financial statements have yet to be authorised for issue on the date that the agenda decision is finalised.

For more information, please visit https://isca.org.sg/tkc/fr/techbites/#tab-1-4

IASB PUBLISHES PROPOSED AMENDMENTS TO IAS 37 REGARDING ONEROUS CONTRACTS

The proposed amendments specify which costs a company should include when assessing whether a contract will be loss-making. The amendments seek to provide greater clarity to companies and ensure IAS 37 is applied consistently.

For more information, please visit www.ifrs.org/news-and-events/2018/12/iasb-proposes-

clarifications-for-companies-assessing-whether-contracts-willbe-loss-making/

DECEMBER IASB UPDATE AND WORK PLAN UPDATED

This Update highlights preliminary decisions of IASB on topics such as Business Combinations under Common Control, Disclosure Initiative: Accounting Policies, and Insurance Contracts. The work plan of IASB has also been updated.

For more information, please visit www.ifrs.org/news-and-events/2018/12/december-iasb-updatepublished-and-work-plan-updated/

IFRS FOUNDATION TRUSTEES ISSUE AMENDMENTS TO CONSTITUTION

The amendments increase the maximum tenure of the Trustee Chair and Vice Chairs to nine years. They also clarify the requirements for Trustee reappointments.

For more information, please visit www.ifrs.org/news-and-events/2018/11/ifrs-foundation-trusteesissue-amendments-to-the-constitution/



EFFECTIVE DATE OF UPDATED EP 100

ISCA issued the updated EP 100 on changes to Long Association provisions on 14 August 2018. The updated EP 100 is effective from 15 December 2018. The Accounting and Corporate Regulatory Authority (ACRA) has issued changes to the ACRA Code relating to Long Association provisions on 5 December 2018, and Singapore Exchange has started the process to amend the listing rules to refer to the relevant ACRA Code.

For more information, please visit https://isca.org.sg/ethics/ethics-headlines/ethicsheadlines/2018/december/ep-100-amendments-effective-15-december-2018/

REGULATORY

ETHICS

ACRA'S AUDIT PRACTICE BULLETIN NO. 3 OF 2018

This APB discusses some of the past disciplinary cases against public accountants and aims to raise awareness of important issues concerning inappropriate and unacceptable professional conduct.

For more information, please visit www.acra.gov.sg/components/templates/newsDetails. aspx?id=cda99564-c2e3-49c5-aa49-ca179bd3a7f3

ACRA ISSUES CHANGES TO THE CODE OF PROFESSIONAL CONDUCT AND ETHICS

The changes are intended to give effect to the Close-Off Document on Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client issued by IESBA.

For more information, please visit www.acra.gov.sg/components/templates/newsDetails. aspx?id=a2552425-1384-4510-9fe3-b3542b959fad

Stone Forest IT

Automating Payment Processing for Greater Productivity

CHALLENGE

As a global leader in mineral-based solutions increased purchases to meet growing demand, its Singapore office found it increasingly challenging to process voluminous payments to vendors in a timely manner.

Payment processing was tedious and time-consuming as various vendors used different payment modes, such as GIRO, cheque or remittance. The finance team had to manually input transactional data from the firm's Sage 300 accounting system into the bank's portal in order for payments to be released to the vendors. This manual process also presented a high risk of human errors. Consequently, the firm sought a solution from Stone Forest IT (SFIT), its existing service provider for Sage 300 support.

SOLUTION

After consulting with the client, SFIT proposed BankLink, which is able to integrate transactional data from commonly used ERP applications, such as Sage 300, SAP and Oracle, with the bank's solution. BankLink has the following capabilities:

- Translates financial data from the client's Sage 300 system into a format recognised by the bank's solution to rapidly process payments through internet banking
- Eliminates data entry duplication and the risk of human errors arising from such duplication
- Built–in error detection feature provides additional assurance over accuracy of transactional data
- Audit trail of changes made by users

RESULTS

With BankLink, the client enjoyed several benefits:

- · Quick and accurate payments to vendors
- A significant increase in productivity at the Singapore office
- Automation of payment processing allows the finance team to focus on revenue–generating activities

The successful project was a result of SFIT's extensive experience in integrating BankLink with several online banking platforms such as DBS IDEAL, Velocity (OCBC), CitiDirect (Citibank), and iFile (HSBC).

HIGHLIGHTS

Industry: Mineral-based Solution:

Globally Connecte

RSM

Location: Singapore

Solution: BankLink

Results:

 Quick and accurate payments
Greater productivity
Focus on revenue-generating activities





Stone Forest IT Pte Ltd



BY FELIX WONG AND ANGELINA TAN

GETTING YOUR TP DOCUMENTATION RIGHT

Practical Tips For Implementation

IN RECENT YEARS, more and more countries around the world are introducing Transfer Pricing (TP) documentation requirements to their domestic legislation. Likewise in Singapore, the Income Tax (Transfer Pricing Documentation) Rules 2018 (TP Documentation Rules) were gazetted in February 2018, codifying the country's TP documentation requirements into the Income Tax Act (ITA).

"While TP documentation is now mandatory in Singapore, companies should not prepare it solely for compliance purposes," shared Adriana Calderon, Director, Transfer Pricing Solutions Asia, at a recent Tax Excellence Decoded (TED) session organised by the Singapore Institute of Accredited Tax Professionals.

"TP planning is key to successfully defending a TP position. Accordingly, companies should recognise the importance of contemporaneous



Adriana Calderon, Director, **Transfer Pricing Solutions Asia**, shared her extensive experiences on TP documentation

TP documentation, particularly in the event of a TP dispute or audit, as it provides evidential support that a taxpayer's related party transactions are in line with the arm's length principle and commercial realities. More importantly, the TP documentation exercise can be taken as an opportunity for companies to review their organisational structures and related party transactions, so as to ensure the alignment of substance and form."

"Companies with cross-border related party transactions should note that while a transaction may not trigger **TP** documentation requirement in Singapore, the same transaction may yet create a TP documentation requirement in the counterparty's home country."





There is a common misconception that the arm's length principle does not apply if a company is not required to prepare TP documentation. It should be noted that the arm's length principle applies to all companies that have entered into related party transactions, regardless of whether they are required to prepare TP documentation.

TP DOCUMENTATION REQUIREMENTS IN SINGAPORE

From Year of Assessment (YA) 2019 (financial year 2018), companies must prepare TP documentation under Section 34F of the ITA if the gross revenue derived from their trade or business for the basis period exceeds S\$10 million or if they were required to prepare TP documentation in the previous basis period, unless exempted under the TP Documentation Rules. For example, one exemption stipulates that TP documentation is not required for a specific transaction if its total value does not exceed the stated threshold.

To illustrate, Company A, which derived gross revenue of S\$12 million and service fee of S\$0.5 million, is exempted from preparing TP documentation on the service transaction. This is on the basis that the service fee is within the S\$1 million exemption threshold for the category "provision of services from related parties". Company A is still obliged to comply with the arm's length principle under Section 34D of the ITA.

The Inland Revenue Authority of Singapore (IRAS) recognises that the type of transactions and details of the transactions may not change significantly from year to year. Accordingly, companies are allowed to rely on previous TP documentation to support their transfer price for up to two basis periods if they comply with the specific requirements as prescribed in the IRAS' e-Tax guide on "TP Guidelines".

Companies with cross-border related party transactions should note that while a transaction may not trigger TP documentation requirement in Singapore, the same transaction may yet create a TP documentation requirement in the counterparty's home country, and hence should be examined based on the other country's TP rules.



STRUCTURE OF TP DOCUMENTATION

In Singapore, TP documentation generally covers group-level information, entity-level information, industry analysis, overview of the international related party transactions, functional analysis and characterisation of entities, selection of TP methods, and application of the TP methodology. The requirements for group-level and entitylevel information are largely similar to the OECD's master file and local file requirements respectively. An overview of each core section is provided below.

1 Group-level Information

This section provides an overview of the group's businesses relevant to the Singapore company for the financial year. Specifically, a description of the group's business (such as the group's products and services and key competitors), the group's intangible assets that are used in and applied to the Singapore company, the group's financial activities and financial position, and key changes that took place within the group (such as important business restructuring, acquisition or divestitures), should be provided. In addition, Advanced Pricing Agreements that are relevant to the Singapore company should also be included. The arm's length principle applies to all companies that have entered into related party transactions, regardless of whether they are required to prepare TP documentation.

2 Entity-level information

The entity-level information provides details of the Singapore company's business and the transactions with its related parties. It includes providing a description of the role of the Singapore company within the group (for example, whether the Singapore company is an entrepreneur or a limited risk entity), the management structure showing the reporting lines, the organisational structure showing the number of employees, the products and services provided, and the financial performances of the Singapore company.

It is to be noted that companies that are consistently loss-making are generally considered to be high-risk entities by tax authorities. As such, it is vital for loss-making companies to explain and justify their losses for the financial period (for example, the losses may be due to market downturn affecting the entire industry).

3 Industry analysis

The industry analysis provides an overview of the company's business model and the macro economic factors influencing the model, such as the characterisation of the market (whether mature, high-growth or contracting), competitors, regulatory issues, and industry trends.

It is to be noted that companies should take into context how the company is impacted when preparing the industry analysis, and avoid providing too much information that is irrelevant to the purpose of the TP documentation (for example, providing extensive industry analysis with irrelevant worldwide information or business segments).

4 Overview of international related party transactions

This section provides an overview of the international related party transactions entered into by the company during the financial year (for example, purchases of goods, technical services and intercompany loans) and explains the way in which each price is determined and implemented.

Intercompany contracts would generally provide the basic information in describing the transactions. Companies can then couple these with a narrative of the commercial drivers of the transactions and substance.

5 Functional analysis and characterisation of entities

The functional analysis describes the taxpayer business model that focuses on the functions, assets and risks. It identifies the economically significant functions undertaken, risks assumed and assets used by related parties that entered into a transaction, and provides evidential support that profits are being taxed at where the value is created. Accordingly, each related party that participated in the transaction is characterised (whether it is a marketing agent, limited risk distributor, etc). The functional analysis is one of the fundamental pillars of the TP documentation as it is the key to supporting the substance of a transaction.

6 Selection of TP methods

This section documents the selection of the most appropriate TP method for the transaction, which is based on an analysis of the strengths and weaknesses of each of the five TP methods (comparable uncontrolled price method, resale price method, cost plus method, profit split method and transactional net margin method), the nature of the transaction, the availability of reliable data, and the degree of comparability between the transactions.



7 Application of the TP methodology (including economic and benchmarking analysis)

The economic analysis, including the benchmarking analysis, provides an analysis and understanding of the price used in the transaction. It includes the choice of comparable data, the compatibility analysis, the financial analysis and calculation of the arm's length range (whether full range or interquartile range). In practice, it is generally advisable to ensure the transfer price falls within the interquartile range and is as close as possible to the median. Deviations from the median should be explained.

OVERCOMING COMMON MISTAKES AND MANAGING TP RISKS Providing clear conclusions and adequate explanations

while minimising irrelevant information

When preparing TP documentation, it is vital to provide clear conclusions and adequate explanations. Taxpayers should also recognise

that less is often more for TP documentation - a "to-the-point" approach is generally preferred. Extensive documentation with no clear conclusions on key issues should be avoided.

For example, the characterisation of the related parties and the test parties should be clearly defined after conducting a functional analysis; the reasons for choosing a particular



TP method and the reasons for selecting a particular set of comparable companies should be well explained and justified. On the other hand, irrelevant information (such as detailed description of a business line that is not related to the Singapore company) should be minimised.

Addressing the issue of lack of substance

Companies need to recognise that TP documentation cannot resolve the issue of lack of substance, as substance cannot be created with TP documentation. To address tax authorities' concern that there may be a mismatch between profit and value contribution, a robust functional analysis should be performed to ensure that profits are being taxed at where the value is created, and that there is matching between substance and form. It is important to understand that substance and arm's length pricing are the two key pillars of any TP analysis. Particularly, the lack of substance is the biggest TP risk for companies, one that is difficult to minimise and manage even if the taxpaver prepares TP documentation.

Managing other TP risks

In the absence of TP documentation, tax authorities may make TP adjustments to companies' transfer prices to collect what they deem as the appropriate amount of tax. This risk can often be mitigated by performing a benchmarking analysis (which uses comparable data to validate that the price of the transaction was carried out at arm's length) prior to the filing of the income tax return.

When carrying out a benchmarking analysis, companies should note that local comparables are generally preferred by tax authorities over regional comparables. As such, it is advisable to use local comparables unless the company can demonstrate that no suitable local comparables can be found.

With increased transparency and sharing of information by tax authorities, the heightened scrutiny on TP is here to stay. As the new TP documentation requirements kick in this coming YA, companies that have not been preparing contemporaneous TP documentation for their related party transactions will need to act now. ISCA

Felix Wong is Head of Tax, and Angelina Tan is Technical Specialist, SIATP.

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