ISCA Chartered Accountant JOURNAL

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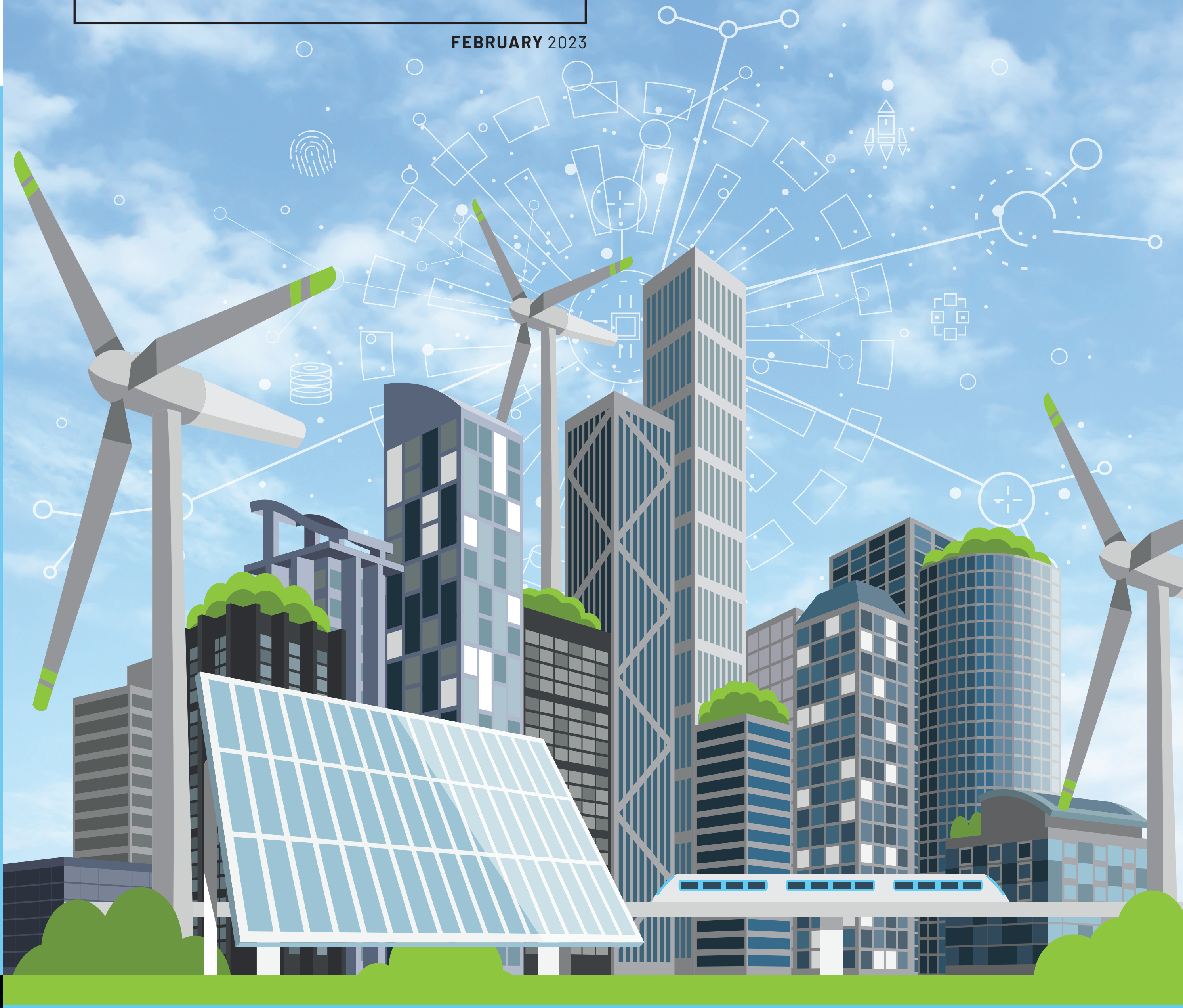

Lessons From The School Of Life

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ISCA Pre-Budget 2023 Roundtable

Stepping Forward Amid Megatrends

ISCharteredAccountant JOURNAL

FEBRUARY 2023

CREATING OPPORTUNITIES FOR TOMORROW

Don Wee
FCA (Singapore)
ISCA Council Member

Dear members,

THE ISCA PRE-BUDGET 2023 ROUNDTABLE TOOK PLACE ON JANUARY 19, against a backdrop of challenges facing economies and businesses. With the theme, Stepping Forward Amid Megatrends, the event delved into three megatrends – sustainability, digitalisation and diversification – which are profoundly reshaping the accountancy and finance profession. As with previous editions of the roundtable, we have shared pertinent points and our budget wish list with the government, so that our views are heard during the formulation of Budget 2023. To keep members in the loop, we have the highlights of the roundtable in our cover story.

The thrust towards sustainability has led to both disruption and evolution in business practice. As a banker, chartered accountant, one of 15 Members of Parliament spearheading Action For Green Towns in estates across Singapore and an ISCA Council member, I have the opportunity to look at sustainability from different perspectives. And, at every turn, it is clear that accountants have a head start when it comes to taking advantage of developments in the green space.

Through upskilling in the relevant sustainability-related areas, we can strengthen our competitive edge and bring more value to our companies and clients. Auditors who perform sustainability-related assurance work can leverage Singapore's reputation, and use it as a launchpad to provide assurance beyond Singapore's shores. Truly, the potential is immense.

On our part, we have to commit to continuing professional development to upgrade our knowledge and skills. Think of it as creating opportunities for tomorrow, because when exciting new opportunities arise – and they will – we will be ready to seize them.

ABOUT DON WEE

Don Wee was elected to the ISCA Council in 2019. He is currently a member of the Audit Committee and Advisor to the ISCA Young Professionals Advisory Committee. He is also serving on the Accountancy Workforce Review Committee.

Previously, Mr Wee served as a member of the Continuing Professional Education Committee. He was also involved in the accountancy profession as a Workshop Facilitator and an Exam Marker for the Singapore Chartered Accountant Qualification.

Mr Wee is Senior Vice President of United Overseas Bank Limited (UOB). Prior to UOB, he held the position of Senior Vice President of HSBC. Mr Wee is a Member of Parliament for Chua Chu Kang GRC and serves as a member on three ministries' Government Parliamentary Committees. He also serves on the Advisory Council on Community Relations in Defence, under the Ministry of Defence, as well as Advisor to the Union of Institute of Technical Education (ITE) Training Staff.

Teo Ser Luck
FCA (Singapore)
ISCA President

THOUGHTS

It has been a busy start to 2023 for the Institute. The revamp and renovation of ISCA House carried over to the new year, and it's at the refreshed premises that we held our first event for the year – the Forward Singapore dialogue session with the Ministry of Finance (MOF). The engagement session on January 6 was hosted by Minister Ms Indranee Rajah and Senior Minister of State Mr Chee Hong Tat, and it took place at the newly furnished library even before the paint was dry, literally. 😂 This kickstarted the strong partnership that we have with the government, and members can look forward to more of such engagement opportunities, consultation and support for the accountancy sector.

Our partnership with the government is essential to develop the accountancy sector and build Singapore into an accountancy hub. We have been working closely with MOF, Accounting and Corporate Regulatory Authority (ACRA), and Singapore Accountancy Commission (SAC) – which will be integrated into ACRA on 1 April 2023. As the sector continues to face its challenges and with plans to scale greater heights, this partnership is integral to ISCA's success.

Currently, our joint efforts include looking into issues such as having an adequate supply of accountancy and finance professionals, enhancing the contents and requirements of the Singapore Chartered Accountant Qualification (SCAQ), and developing the accountancy sector. These are important areas to the profession and business community, and our engagements with the government and its agencies take place almost daily.

ISCA looks forward to deepening our relationship with MOF and ACRA this year as we explore many more collaborative efforts moving forward.

FEBRUARY 2023

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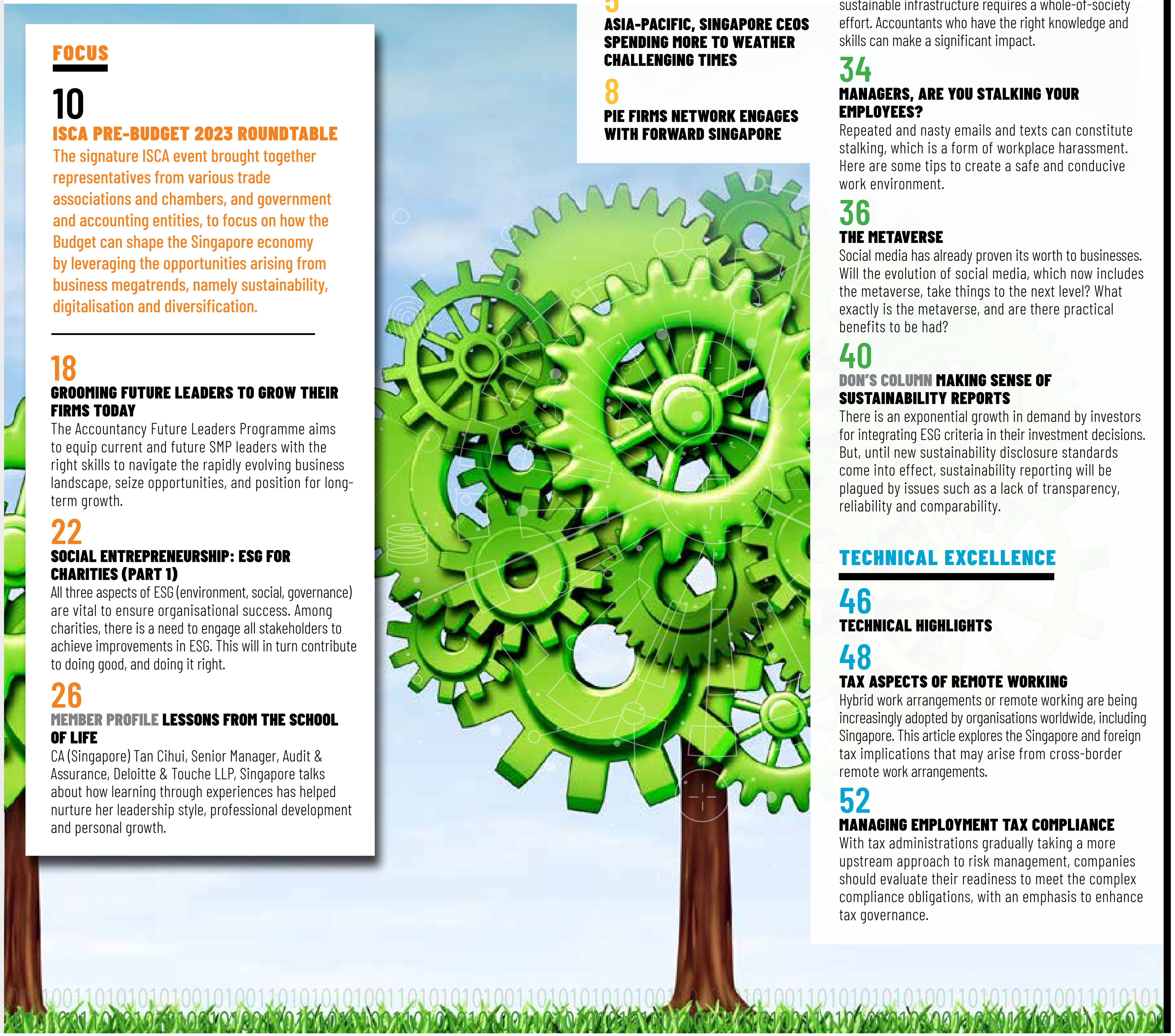

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ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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SINGAPORE BUSINESSES ARE APPROACHING 2023 WITH GREATER CAUTION as manpower challenges and increased costs emerge as key areas of concern, according to the latest National Business Survey (NBS) 2022/2023 by the Singapore Business Federation (SBF). Almost all businesses report facing manpower issues, especially those related to manpower costs and foreign manpower. Wages pose the biggest cost challenge to companies as they compete to attract and retain talent.

Manpower And Increased Costs Are Core Challenges For Businesses In 2023

The survey, conducted between 29 August and 23 November 2022, reflected responses from 931 companies across all key sectors, and covered a wide range of topics. Of the 931 companies, 73% were small and medium-sized enterprises (SMEs), and 27% were large companies.

Current sentiments are more positive but there is a greater sense of cautiousness in the year ahead

For the second consecutive year since the pandemic, business sentiments have continued to rise, from 23% in 2020 to 37% in 2021 and 52% in 2022.

Looking ahead to the next 12 months, there is a greater sense of cautiousness. Some 40% of businesses expect the local economy to improve in 2023 (down from 47% in 2021), while 26% of businesses think it will worsen (up from 13% in 2021). In line with the cautious sentiments, 97% of businesses expect current inflationary pressures to continue into 2023.

Despite expecting inflationary pressures to persist, 80% of businesses remain confident about the resiliency of their operations in the next 12 months, with large companies (89%) being somewhat more confident compared to SMEs (77%). To mitigate inflationary risks, implementing cost-saving measures (55%), increasing price of products/services (42%), and renegotiation of financial terms with suppliers and customers (38%) are the reported top three strategies adopted by businesses.

On top of manpower issues, increasing cost is the top challenge faced by Singapore businesses

Ninety-six per cent (96%) of businesses continue to face manpower issues, especially those related to manpower costs and foreign manpower. These issues are multifaceted, including rising manpower cost (75%), attracting and/or retaining younger workers (51%), new foreign manpower policies raising costs (48%), limited pool of local high-skilled labour (47%) and stricter policies that restrict the supply of foreign workers (43%).

Businesses' top cost challenges are those related to wages (79%), logistics costs (52%), overall cost pass-through (48%), procurement costs (48%), and utilities (45%).

Looking ahead, companies plan to increase salaries (40%), invest more in new technologies (32%) and staff training (27%), re-engineer business and operational processes (28%), as well as diversify their supply chains to build resiliency (27%). Top priorities for businesses are growing revenue (66%), reducing costs (43%) and ensuring positive cash flow (42%).

Singapore businesses are committed to driving business transformation and incorporating environmental, social and governance (ESG) as part of their company activities

Businesses remain committed to driving business transformation, and this is primarily done through operational process (71% indicating it as very important), customer service (70%) and products & services innovation (70%).

Their commitment to digital transformation is strengthened by the benefits that business transformation and digitalisation have brought, which include increased productivity (54%), greater scope in optimising operations (48%), and reducing operational costs (44%).

Confidence in the prevention of cyber attacks remains high, with 74% of businesses confident that their security measures can protect against cyber threats.

Their biggest concern is the risk originating from third-party service providers (61%), employees' lack of awareness of cyber security (45%) and suppliers or multiple cloud services (41%).

For ESG, 75% of businesses have implemented at least one ESG area, with the top ESG areas implemented being 'Employee health & safety' (81%), and 'Fair and equitable employee pay & rewards policies' (71%). Looking ahead, companies are planning to do more in ESG areas such as 'Increasing sustainability in business supply chain' (45%), 'Mitigating supply chain risks' (43%), 'Inclusion & diversity in business' (43%), and 'Contributing to communities' (40%), among others.

PHOTOS SHUTTERSTOCK

Asia-Pacific, Singapore CEOs Spending More To Weather Challenging Times

ASIA-PACIFIC (APAC) CEOS ARE SET TO INVEST TO GET AHEAD of the inter-related threats of ongoing COVID-19 pandemic-related disruptions, increasing geopolitical tensions and climate change, according to findings of EY CEO Outlook Pulse (October 2022), which surveyed the views of 760 global CEOs, including 30 from Singapore, on their prospects, challenges and opportunities.

Some 48% of the surveyed CEOs in APAC (Singapore 43%) have identified a continuation or return of COVID-19-related disruption, including new lockdowns and supply chain pressures, as the greatest risk to their business, higher than CEOs in the Americas (43%) and Europe (41%). Inflation is also top of mind, with the majority of CEOs (APAC 68%, Singapore 73%) forecasting it will negatively impact their earnings and growth. With the price rises across major inputs including labour, energy and raw materials, 20% of APAC CEOs (Singapore 43%) consider inflation as the single biggest threat to their companies' revenue and margins.

Contributing to the challenges ahead, 38% of APAC respondents (Singapore 27%) point to geopolitical tensions and 35% to climate change (Singapore 40%) as critical risks to growth. As a result of geopolitical challenges, almost all respondents are reshaping their investment plans and operations. The survey indicates that geopolitical concerns mean CEOs are actively reconfiguring their supply chains (APAC 48%, Singapore 40%), delaying a planned investment (APAC 43%, Singapore 47%), or relocating an operational asset (APAC 39%, Singapore 27%). Also, a significant proportion have stopped a planned investment (APAC 26%, Singapore 43%) or are exiting businesses in certain markets altogether (APAC 25%, Singapore 33%).

An earlier EY-Parthenon research[1] has found that this approach of delaying or stopping planned investments can be value-destructive. In fact, the EY-Parthenon research disclosed that companies that proactively undertook transformative actions as they worked through disruptions saw business outperformance compared to reactive transformers.

According to Sriram Changali, EY ASEAN Value Creation Leader, "While corporates may need to consider reshaping their business model or operations to deal with the disruptions, that does not necessarily mean stopping or delaying a business transformation initiative." In fact, the EY-Parthenon research showed that "during disruptions, companies that deepen their transformation efforts to manage the challenges actually also position the organisations optimally for long-term value creation".

APAC and Singapore CEOs stay future-focused with plans for M&A

Despite the geopolitical and economic headwinds, the CEOs surveyed are not holding back on their investment plans. A significant majority (APAC 66%, Singapore 76%) intend to increase capital investment, versus just 13% in APAC and Singapore who plan to reduce it.

Half (50%) of the surveyed CEOs in APAC (Singapore 67%) plan to pursue an acquisition in the next year while 42% of APAC respondents (Singapore 23%) plan to be active on all fronts as they are looking to acquire, divest and enter new joint ventures or strategic alliances. "With the rising interest and inflation rates, companies are seeing that debt and capital will become more expensive. On the same note, valuations will be more favourable, which is good news for companies that are looking to acquire," says Andre Toh, EY ASEAN Valuation, Modelling and Economics Leader.

In Southeast Asia, given that a significant proportion of businesses are conglomerates, companies may see this as "an opportune time to 'right size' the organisation", says Mr Changali. "There are still substantial amounts of dry powder available, and investors are seeking the right assets to place their dollar on." Companies in Singapore and Southeast Asia "should leverage this opportunity to divest non-core assets to build up their capital and focus on and acquire businesses that can enhance the value of the broader organisation".

[1] https://www.ey.com/en_sg/news/2022/07/ey-parthenon-study-companies-in-southeast-asia-that-undertake-transformative-actions-during-the-covid-19-pandemic-outperformed-peers

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

CORPORATE MEMBERSHIP

Top 6 Reasons To Be An ISCA Corporate Member

Launch Price: $650
~~(Usual Price: $900)~~
Valid now until 31 March 2023

Scan To Learn More

1. Access to the ISCA members' lounge via your Corporate Membership Administrator
2. $500 credits for booking ISCA training and meeting rooms
3. Complimentary 20 hours of curated e-learning
4. Access to pool of qualified accountants or CAs for Board, Audit Committee and Treasurer appointments
5. Enjoy member rates when staff enrol for ISCA's courses (including the new ISCAccountify), conferences and events
6. Grow your network & strenghten relationships with fellow corporate member and industry leaders

ISCA Corporate Membership – FAQs

What're the benefits of being a Corporate Member?

- Access to the ISCA members' lounge (Account Representative)
- $500 credits for booking ISCA facilities
- Member rates for all staff enrol for ISCA's courses, conferences, events and ISCAccountify
- Grow your network through exclusive events for Corporate Members

If I'm already an ISCA member, what more can I get from being a Corporate Member?

- Let all your staff, including those who are not ISCA members, enjoy member rates for courses and events.
- Get help in sourcing for CAs to fill finance roles.
- Get help in sourcing for senior CAs for Board or AC appointments.

What are the facilities available and how to book?

Facilities include meeting rooms (including for coffee and/or dining), training rooms (suitable for hybrid events) and work spaces. Members can log into ISCA Portal to book or contact corporate@isca.org.sg.

Do Corporate Members enjoy preferential rates for ISCAccountify?

Yes, all staff of ISCA Corporate Members can subscribe to ISCAccountify at members rate.

How much is corporate membership?

Launch price of $650 until 31 Mar 2023 (usual price $900)

Who can access members' lounge?

ISCA members and Corporate Members (via Account Representative). Members may bring guests but they need to register upon entry.

What's the catering arrangements for dining room?

Members can bring in their own caterers. ISCA is currently working to bring in F&B vendors to be our partners in our catering requirements. Once this is available, it will be updated in the booking website. However, ISCA will impose a service fee to provide this service.

Can ISCA provide logistics support?

Yes, ISCA will provide essential support such as room set-up and AV equipment. Events support can also be provided at separate charges.

Contact us at corporate@isca.org.sg

Scan to learn more!

Minister in the Prime Minister's Office and Second Minister for Finance & National Development Indranee Rajah, and Senior Minister of State for Finance and Transport Chee Hong Tat, with attendees at the engagement session

PIE Firms Network Engages With Forward Singapore

THE INSTITUTE warmly welcomed Minister in the Prime Minister's Office and Second Minister for Finance & National Development Indranee Rajah, and Senior Minister of State for Finance and Transport Chee Hong Tat, at the refurbished ISCA House. The engagement session with ISCA's PIE Firms Network on January 6 was part of the Forward Singapore engagement conversation.

The PIE Firms Network comprises leaders from the top 15 firms that audit public interest entities.

Forward Singapore is a collective effort led by Deputy Prime Minister and Minister for Finance Lawrence Wong and his 4G leadership team, working in partnership with Singaporeans, to review and refresh Singapore's social compact and set out a roadmap for the next decade and beyond.

The event was an opportunity for attendees to hear more about the key pillars of the Forward Singapore initiative from Minister Indranee. The Institute also shared what it is doing for the accountancy profession, and for its members. After the presentations, the ministers and attendees engaged in lively conversations.

Minister Indranee shared on the key pillars of the Forward Singapore initiative

ISCA President Teo Ser Luck outlined the Institute's approach to support the accountancy profession in keeping pace with the fast-moving changes in the sector

Minister Indranee in conversation with PIE Firms Network members

Minister Chee in conversation with PIE Firms Network members

TEXT BY

Joshua Sim

"In the medium term, Singapore will have to navigate an increasingly complex and volatile operating environment. We will need to adapt to a changed world or risk undermining our economic position."
Liang Eng Hwa, Co-Chair, ISCA Pre-Budget 2023 Roundtable; Chairperson, Government Parliamentary Committee (Finance, Trade and Industry)

ISCA Pre-Budget 2023 Roundtable

Stepping Forward Amid Megatrends

TAKE AWAYS

- Singapore businesses are facing strong headwinds domestically and externally, with major shifts in the operating environment and slowing growth in the major economies, except China.
- To negotiate the complex and challenging environment, the government must continue to take the lead in relation to business megatrends, such as sustainability, digitalisation and diversification.
- The Roundtable panellists provided recommendations on how the Budget could address the shifts in the operating environment, leverage opportunities amid the megatrends, and tap on capabilities for the future.

THE 14TH EDITION OF THE ISCA PRE-BUDGET ROUNDTABLE WAS HELD ON 19 JANUARY 2023 AT ISCA HOUSE. The session was co-chaired by Liang Eng Hwa, Chairperson, Government Parliamentary Committee (Finance, Trade and Industry) and Don Wee, Council Member of ISCA. They were joined by 14 representatives from various trade associations and chambers (TACs) and accounting entities.

The Roundtable acknowledged the strong headwinds facing Singapore from the start of 2023. To negotiate the challenging environment, the government must continue to take the lead in relation to business megatrends, such as sustainability, digitalisation and diversification. This set the tone for this year's theme – Stepping Forward Amid Megatrends – to discuss the progressive steps which businesses, and accountancy and finance professionals could take in 2023.

ISCA President Teo Ser Luck opened the session by highlighting the importance of ISCA's Pre-Budget 2023 initiatives, including the Roundtable and related focus group discussions, as avenues to elicit on-the-ground feedback to help policymakers shape the Singapore Budget. He added that feedback garnered at these platforms are purposeful, and would be seriously considered by the government.

Mr Liang's keynote address then outlined the key developments in the global macro environment. He noted that growth is expected to moderate further in 2023 across the United States, Eurozone, and Southeast Asian economies, including Singapore. China remains the only area of growth, although uncertainties remain in its post-COVID recovery. He added, "In the medium term, Singapore will have to navigate an increasingly complex and volatile operating environment. We will need to adapt to a changed world or risk undermining our economic position."

ISCA Pre-Budget 2023 Roundtable Co-Chairs (from left) Liang Eng Hwa, Chairperson, Government Parliamentary Committee (Finance, Trade and Industry); and Don Wee, Council Member, Institute of Singapore Chartered Accountants

"As auditors and accountants, we are trusted advisors to companies and manufacturers when it comes to introducing and implementing sustainability solutions."
Don Wee, Co-Chair, ISCA Pre-Budget 2023 Roundtable; ISCA Council Member

ISCA PRE-BUDGET ROUNDTABLE 2023 PANELLISTS

(Co-Chair)
LIANG ENG HWA
Chairman
Government Parliamentary Committee (Finance and Trade and Industry)

(Co-Chair)
DON WEE
Council Member
Institute of Singapore Chartered Accountants

CHEW SUTAT
Pro-tem Chairman, SGListCos

FANG EU-LIN
Deputy Chairperson, Sustainability and Climate Change Committee, ISCA

DEREK HOW
Partner, Head of CPA Practice, RSM Singapore

HOWIE LAU
Councillor, SGTech

LEE ENG KIAN
Deputy Chairman, Public Accounting Practice Committee, ISCA

LIM HOCK YU
Secretary-General, Singapore Chinese Chamber of Commerce & Industry

JOSHUA ONG
Managing Partner, Baker Tilly TFW LLP

PANG FU WEI
Treasurer, Singapore Retailers Association

AJAY KUMAR SANGANERIA
Head of Tax, KPMG Advisory LLP

ASLAM SARDAR
Chief Executive Officer, Institute for Human Resource Professionals

SUAN TECK KIN
Head of Research, United Overseas Bank, and representative of The Association of Banks in Singapore

LENNON TAN
President, Singapore Manufacturing Federation

KURT WEE
President, Association of Small and Medium Enterprises

CAROLINE YANG
President, Singapore Shipping Association

SHIFTS IN THE OPERATING ENVIRONMENT

The panellists discussed general trends and challenges in 2023. They agreed that the reopening of borders after COVID-19 would lead to an increase in consumer spending. However, businesses have reservations about bullish forecasts. Domestically, panellists raised concerns that the increase in consumer activity could exacerbate manpower shortages in sectors such as retail, services, and hospitality. On the regional and international front, panellists agreed that the reopening of borders creates new business opportunities for expansion and diversification. However, they raised concerns that the escalating operating costs – from higher interest rates, supply chain reconfigurations, higher material costs and higher rental expenses – could make it difficult for companies to expand overseas.

The panellists also discussed broad shifts in the operating environment in 2023. They acknowledged that Singapore is increasingly becoming hyperconnected, where many things that used to be offline are now online. This creates new opportunities, such as having a bigger market for products and services, but also presents new challenges with global competition. The labour market, for instance, is becoming more fluid with widespread flexible and remote working arrangements. Many talents are using technology to find working opportunities around the world.

Meanwhile, sustainability concerns are also on the rise. Many businesses, especially small and medium-sized enterprises (SMEs), are recognising the potential of sustainability, but there remains a knowledge and capability gap. The panellists also noted that certain sectors, such as chemical and oil, are likely to continue experiencing decreasing demand.

The Roundtable discussion offered recommendations to address these shifts in the operating environment, as summarised in Table 1.

TABLE 1 RECOMMENDATIONS TO ADDRESS SHIFTS IN THE OPERATING ENVIRONMENT

Context	Recommendations
Reopening of borders to facilitate business and trading	The Budget should consider **extending current regionalisation and internationalisation incentives to bring SMEs overseas** and tap on a wider labour market.
High operating costs for companies seeking to regionalise and internationalise	The Budget should consider **providing low-interest loans or temporary bridging loans for business borrowers to seize opportunities, especially those seeking to venture outside of Singapore**.
	The Budget should consider helping labour-intensive industries, such as retail, keep operating costs low by **extending the progressive wage model credit scheme for up to 70% for another year**.
Decreasing demand in some sectors	Some sectors (for example, chemical and oil) may be experiencing decreasing demand, resulting in deteriorating payment performance. They would need **bridging or temporary loans** for this period.
The normalisation of flexible and remote working	Singapore could **tap on regional and global talent through flexible and remote working.** Singapore could establish a comprehensive policy that considers issues pertaining to immigration, tax and other matters, which harmonises remote talent acquisition.
Lack of industry-specific sustainability roadmaps	Singapore could create a **sustainability roadmap for each industry** to help companies in their sustainability transition.
The world is becoming hyperconnected	Globally, hyperconnectivity is rapidly growing. Singapore could take advantage of its trusted brand to **create digital trust**. To create digital trust, it is necessary to **raise digital benchmarks, promote digital trust adoption, and increase the takeup rate of cyber insurance.**

OPPORTUNITIES AMID MEGATRENDS

There are huge opportunities amid the growing business focus on sustainability. Panellists discussed the growing field of green finance and suggested that Singapore could play a strategic role as a sustainability hub for the region and beyond. The panellists also highlighted the need for a consistent framework in green finance to harmonise and standardise blended finance and risk-based capital requirements – an area that Singapore could spearhead to take the lead.

Singapore could also solidify its position as a sustainability hub through establishing sustainability accreditation. This would help fill the knowledge and accreditation gap for businesses seeking to acquire capabilities in sustainability. This is a role that accountancy and finance professionals are increasingly being called upon to fill. As Roundtable Co-Chair Mr Wee pointed out, "As auditors and accountants, we are trusted advisors to companies and manufacturers when it comes to introducing and implementing sustainability solutions."

The discussion also outlined areas of opportunity in adversity. Panellists assessed that geopolitical tensions have led to a pattern of supply chain shifts, described as 'friendshoring', where supply chains are redirected to stable and allied countries. Singapore's brand and reputation for stability is an advantage in these new geopolitical circumstances.

Similarly, the high-cost environment is also an opportunity for businesses to pivot towards sustainability. One way that the Singapore government could encourage this is by improving the fiscal attractiveness of decarbonisation activities to help drive sustainability efforts. Because consumers are willing to pay more for sustainability products, becoming sustainable earlier would help defray cost increases. Sustainability can also become a strategy for talent acquisition. Younger talents are placing a higher premium on finding fulfilment and meaning in their work, beyond larger pay packages; these young talents are showing a preference for companies with strong sustainability agendas.

The Roundtable discussion offered recommendations to leverage opportunities amid the megatrends, which are summarised in Table 2.

Singapore could solidify its position as a sustainability hub through establishing sustainability accreditation

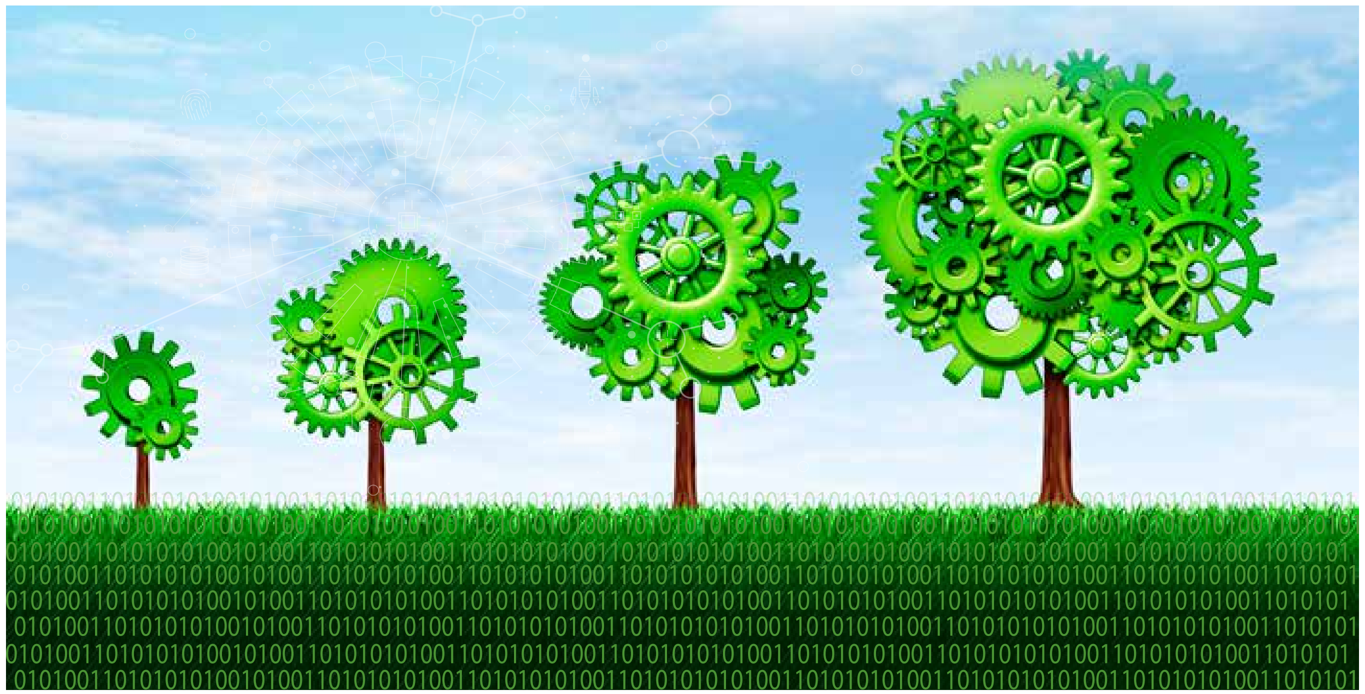


TABLE 2 RECOMMENDATIONS TO LEVERAGE OPPORTUNITIES AMID THE MEGATRENDS

Context	Recommendations
Friendshoring is becoming commonplace	The experience of COVID-19 and geopolitical tensions have led to a reconfiguration of the supply chain; countries and companies are 'friendshoring', where supply chains are redirected to stable and allied countries. Singapore's brand and reputation for stability and legal enforcement will be an advantage in these circumstances. The Budget could help **companies take advantage of 'friendshoring' through an infusion of bridging and temporary loans**.
Lack of framework for blended finance in sustainability	Singapore should spearhead and **create a framework of blended finance for sustainability** to become a leader for ASEAN and a hub for sustainability in the Asia-Pacific region.
Lack of sustainability accreditation and institutionalisation	The Budget should consider investing in spearheading and **establishing sustainability accreditation for positions such as Chartered Sustainability Officer or Chief Financial and Sustainability Officer through TACs such as ISCA**. This would enable Singapore to take the lead in this aspect
	There should be policies **mandating that companies of a certain size must have a Chief Financial and Sustainability Officer**, which would be partially or wholly supported (via funding) through the Budget.
	The Budget should work to **create internationally recognisable sustainability labels**, which would help to brand the products and services of Singapore's companies.
Lack of global framework on green financing	The Budget can help **develop a framework for risk-based capital requirements** to allow banks to lend more to SMEs for sustainability purposes.
Green finance is growing	**The Singapore sustainable bond scheme** is expiring in 2023. The Budget should consider extending this scheme with the cap for raising bonds lowered from S$200 million, so that more companies can play a part. The Budget should consider giving **concessionary tax rates for green financing**.
	The Budget could help SMEs better take on sustainability commitments by **reducing the cost of green finance for banks**. The Budget could offer capital relief for green financing that must be passed on to SMEs.
Address talent attrition and difficulty in talent recruitment by going green	Sustainable companies are better able to attract talent who wish to work in green companies. They are also able to charge higher prices as consumers are willing to pay more for sustainable products; these would create new and better conditions for business cash flow and survival. **The Budget, alongside TACs, can do more to educate SMEs on these benefits**.
Implementation of the global minimum tax	The Budget should have **a roadmap for implementing the global minimum tax** and how to remain competitive through non-tax support.
Multinational and big companies are key to sustainability transitions	**The Budget should facilitate symbiotic partnerships between MNCs and local SME partners**, where MNCs help their vendors, which are SMEs, become compliant with the necessary sustainability standards. MNCs could receive tax breaks for participating in these partnerships, while local SMEs would have a pathway to winning and retaining businesses with MNCs, allowing them to be ahead of the global competition.
High business costs	The high-cost environment is an opportunity to **increase the fiscal attractiveness of decarbonisation activities**, such as investing in energy-efficient equipment and renewable energy.

TABLE 3 RECOMMENDATIONS TO LEVERAGE ON CAPABILITIES FOR THE FUTURE

Context	Recommendations
Manpower shortages	To better retain talent, **Singapore should offer a shorter path to permanent residency for employees**, especially those who have worked for the same employer in Singapore for five years and above.
	Small and micro enterprises should be considered separately, by industry, for additional foreign manpower support to ensure their survivability in the face of tight manpower pressures.
	The Budget should seek to diversify the sources of foreign labour by reaching out to more countries for skilled labour, such as technicians and heavy vehicle drivers. **The Budget should continue to diversify the sources of foreign labour from non-traditional countries.**
Leveraging our COVID-19 experiences for growth	COVID-19 saw the successful implementation of **SGUnited jobs and programmes, which can be modified for longer-term re-employment or career conversions**.
Improving uptake of digital invoicing tools	Digital invoicing systems, such as Invoice Now, should be the preferred platform for government payments **to improve business uptake of digital tools**. For instance, vendors using Invoice Now could have their payments processed first and hence, more quickly.
Using technology as an enabler for sustainability	Technology can help businesses collate and measure non-financial data. Some of these require engineered solutions. **The Budget should have schemes to help defray investment costs for sustainability technology enablers.**
Building a pool of sustainability experts	The Budget should support capability building in sustainability for specific needs and industries. However, sustainability experts are in short supply. In the initial stage, it is necessary to tap on foreign sustainability experts to help upskill the local workforce. The **Budget should facilitate the flow of sustainability experts into Singapore** to accelerate the imparting of relevant knowledge and experience.
Risks in regionalisation and internationalisation	The Budget should **enable cross-border payment infrastructure for digital real-time payments**. This would boost working capital while improving speed, reliability and cost efficiency.
Upskilling the local workforce in sustainability	There is a need to develop a Singapore-based sustainability reporting qualification programme to build up capabilities in the local workforce. **The Budget could continue to facilitate professionals in Singapore to acquire such skill sets through funding the takeup of such programmes.**

ISCA President Teo Ser Luck and panellists

Upskilling the local workforce, especially in sustainability, is a primary concern

LEVERAGING CAPABILITIES FOR THE FUTURE

The Roundtable also discussed manpower needs with recommendations to adopt job redesign and career conversion schemes from COVID-19 for future growth. One area of success has been the SGUnited jobs and programmes. Although designed to be a temporary measure, its success shows that the programmes could be modified to help with career conversions on a broader scale.

Singapore's COVID-19 experiences have also led to widespread digitalisation among Singapore companies. This has enabled digital tools, such as invoicing tools, to become more attractive and applicable to a broader base of users. A more ubiquitous use of technology could be leveraged in two ways: one, technology could become an enabler for sustainability by helping to measure non-financial data for sustainability disclosures; two, technology could reduce the risks in regionalisation and internationalisation through the use of digital tools.

Panellists also discussed ways to leverage policies to better address manpower and capability needs for the future. They discussed ways to adjust manpower policies for hiring foreign workers to better meet the needs of businesses. Upskilling the local workforce, especially in sustainability, is also of primary concern. Panellists noted that there is a dearth of sustainability experts and suggested that upskilling in this area could be accelerated with the help of foreign sustainability expertise.

The Roundtable discussion offered recommendations to leverage on capabilities for the future, as summarised in Table 3.

CONCLUSION

The global economy is at a crossroad, which poses new challenges to Singapore. However, these new circumstances also present new opportunities. Megatrends such as sustainability, digitalisation and diversification would continue to permeate more aspects of our lives. Hence, it is vital for Singapore to take the lead in these large-scale changes to traverse the troubled times ahead. ISCA

Joshua Sim is Research & Insights Manager, ISCA.

TEXT BY
Singapore Accountancy Commission

Grooming Future Leaders To Grow Their Firms Today

AFLP Offers Relevant Insights, Curated Content

TAKE AWAYS

- Participants of the AFLP workshop on business strategies will learn strategic planning, how to derive insights from data analytics reports, and create action plans to develop new revenue streams, among others.
- The AFLP workshop on people strategies will share useful case studies and various SMPs' perspectives and experiences on talent management, ways to attract and retain employees, the essentials in building high-performing teams, and more.
- During the AFLP workshop on technology, participants will discover ideal digital strategies and suitable technologies for SMPs.

"A GOOD BOSS IS BETTER THAN A GOOD COMPANY," Jack Ma, Co-Founder and former Executive Chairman of the Alibaba Group once said. Indeed, leaders can make or break companies. While the pandemic, along with recent geopolitical tensions, has shown how sudden and unexpected events can upend the global status quo, they have also shone the light on how capable leadership can help companies turn challenges into opportunities.

So, how can small and medium-sized practices (SMPs), already grappling with challenges such as limited resources and manpower, continue to be competitive and successful? ISCA and the Singapore Accountancy Commission (SAC) developed the Accountancy Future Leaders Programme (AFLP) with the aim to equip current and future SMP leaders with the right skills to navigate the ever-changing business landscape, seize opportunities, and position themselves for long-term growth.

AFLP takes inspiration from leadership grooming programmes of larger accounting entities to tailor a programme to address SMPs' practical needs. The programme covers leadership and management best practices, business and productivity growth strategies, as well as talent attraction and retention. Participants will also get the chance to pick up insights from experienced industry professionals to improve their firms. "The AFLP will improve SMPs' competitiveness by providing tactical and practical assistance to enhance their services," according to ISCA.

TACKLING BUSINESS CHALLENGES AND NEW OPPORTUNITIES WITH ACTION PLANS FOR BUSINESS GROWTH

Over the years, Singapore and other countries have raised their revenue thresholds for audits, thus exempting more companies from the process. With accountancy firms vying for fewer audit clients, SMPs that continue to rely on such work as their main source of revenue will have declining earnings, and some may even go out of business. The recent Jobs Transformation Map (JTM) for Accounting Practices indicates that accountancy firms need to diversify their offerings. The JTM states, "Most practitioners have been focusing on compliance and reactive activities, but clients today expect them to provide more advisory services."

PHOTO SHUTTERSTOCK

The AFLP will improve SMPs' competitiveness by providing tactical and practical assistance to enhance their services

Amid current challenges are new opportunities for growth as more companies are looking to outsource some of their finance functions to accountancy firms, and demand for environmental, social and governance (ESG) reporting is rising.

Participants of the AFLP workshop on business strategies will learn how to tackle challenges and take advantage of new opportunities. They will learn strategic planning, how to derive insights from data analytics reports, and create action plans to develop new revenue streams, among others.

HONING TALENT MANAGEMENT

SMPs often face difficulties in hiring and retaining talent. Many new graduates prefer to join industries that they consider to be more lucrative and exciting, such as the IT sector. Those who join accountancy

AFLP takes inspiration from leadership grooming programmes of larger accounting entities to tailor a programme to address SMPs' practical needs.

PHOTO SHUTTERSTOCK

AFLP participants can learn from other participants' experiences to elevate and grow their practices

firms tend to favour larger practices as these can offer higher pay, overseas postings, better career progression and other benefits. Many may also hold the misperception that SMPs operate with traditional and outmoded practices, such as only using paper documents or basic accounting software, which further discourages them from joining the smaller firms.

The AFLP workshop on people strategies will share useful case studies and various SMPs' perspectives and experiences on talent management, ways to attract and retain employees, the essentials in building high-performing teams, and more. Participants will also get a customised human resources best practices guide.

Some insights from the workshop include highlighting the advantages of working in SMPs, including the possibility to gain a wider range of experiences, perform more impactful work, and be mentored by senior management. A commitment to develop tailored professional advancement plans for employees would also improve talent recruitment and retention.

TAPPING ON TECHNOLOGIES

The JTM states, "Increased productivity will allow practitioners to shift their focus to complex and advisory tasks such as performing analysis and interpreting insights. By shifting the 'mundane' nature of work performed, this also results in increased attractiveness for talent to join the sector." It adds that embracing technology is vital in the wake of the COVID-19 crisis.

During the AFLP workshop on technology, participants will discover ideal digital strategies and suitable technologies for SMPs. They will also find out the key challenges to digital transformation, and how to avert or address them, and craft technology roadmaps to improve their firms.

Technologies that SMPs can adopt to boost productivity include robotic process automation (RPA) solutions to handle manual, repetitive and non-value-adding tasks such as data entry. SAC's RPA Adoption Support Scheme defrays the cost of implementing RPA in auditing, accounting, taxation, corporate secretarial, human resource, and administrative processes, and trains employees to operate and maintain them. ISCA also has courses to equip staff without coding or programming knowledge with skills to create useful RPA scripts.

SETTING UP FOR SUCCESS

While many know the importance of good leadership, the difficulty is in understanding what works. The AFLP is specially curated for SMPs. As the trainers and facilitators are well-versed in the needs of SMPs, the solutions and ideas gleaned from the programme are not only useful but practical for participants.

Participants will also have ample opportunity to learn from one another's experiences to elevate and grow their practices.

The next edition of the AFLP will take place over six days from May 2023 to July 2023. ISCA

This article was written by the Singapore Accountancy Commission.

To find out more about the AFLP, please visit: https://isca.org.sg/learn-connect/cpe-courses/accountancy-future-leaders-programme

Alternatively, sign up by scanning this QR code:

TEXT BY

Professor Ang Hak Seng

Social Entrepreneurship: ESG For Charities Part 1

Doing Good, Doing Right

TAKE AWAYS

- All three aspects of ESG (environment, social, governance) are vital to ensure organisational success.
- Among the many charity stakeholders, there are three main groups that charities will need to involve for ESG: the charities themselves, the intermediaries and the community.
- There is room for charities to improve in the area of ESG. In turn, it will contribute not only to doing good but doing it right.

IN THE PAST FEW DECADES, ESG'S RISE TO PROMINENCE HAS BEEN TREMENDOUS. Coined in 2004, the concept has gained widespread acceptance around the globe. Within the Private sector, ESG practices have been widely adopted by companies that are often required to do so at the behest of their stakeholders, such as investors and customers. However, the movement has yet to gain the same momentum here in the People sector.

Today, it is not enough that charities intend to do good work; we must also ensure that the way we conduct our events is held to high standards of governance and ethics. As such, a hot new topic of discussion for charities is ESG. While ESG might be a norm for the Private sector, the People sector may not be as familiar with the concept. To better understand the role that ESG can play for charities, I conducted some research through two methods – first, through literature review and second, through interviews with selected social service agencies. I shall present my findings in a two-part article.

This first part seeks to answer the 3Ws of ESG – the 'why', 'what' and 'who' of ESG for Charities. The second part will elaborate on the 'how', and the ESG solution for charities.

THE 3WS OF ESG FOR CHARITIES

Why ESG for Charities?

Charities may ask, "Why is ESG relevant to us?"

During the Charity Governance Conference 2022, a poll conducted before the presentations showed that only a quarter of the 600 charities present were initially interested in ESG. This corroborated my research on ESG for Charities, which indicated that many of our charities do not actively practise ESG. There are three main reasons for this: firstly, they may perceive ESG as being too expensive because it may involve the procurement of additional equipment like solar panels and electric vehicles. Secondly, charities may believe that positive ESG practices would not have a significant impact on their reputation. Lastly, charities may believe that their stakeholders do not care about ESG.

However, the above perceptions about ESG are unfounded as people do care about ESG (Figure 1). The first group that cares are the stakeholders of charities, like donors, volunteers, and beneficiaries. In fact, charities which do not adopt eco-friendly practices may not attract sufficient donations or volunteers. Beneficiaries may also avoid seeking help from such charities. The second group of people that cares would be the regulators, specifically, the government. It is especially concerned with the compliance of ESG by charities. This is evident through the slew of nudging measures that have been put forth by regulators. These measures include codes and laws which ensure that ESG compliance is met. For example, it is an offence under the Environment Act to pollute the water and hence, charities which break this law would be prosecuted and charged accordingly. The last group of people that cares is society.

Due to the greater awareness about ESG, the concept has been widely accepted as a societal norm for all of us to follow. As such, if organisations do not comply with ESG, they are deemed to be not socially responsible, which will negatively impact their reputation.

What is ESG for Charities?

When I embarked on my journey to understand how charities perceive ESG, I quickly realised that many were unaware of what the acronym 'ESG' stands for, despite the sector being a key practitioner of ESG. Even among those who know ESG, there is some confusion as ESG has many different definitions. It is important for us to have a common terminology and framework and hence, Singapore's definition

PHOTO SHUTTERSTOCK

FIGURE 1 THREE MAIN REASONS WHY CHARITIES SHOULD CARE ABOUT ESG

As organisations are created to do social good, it is paramount that the charity sector understands the dire need for ESG.

FIGURE 2 BREAKDOWN OF WHAT ESG MEANS

of ESG for Charities is based on two documents, namely the Singapore Green Plan 2030, and Code of Governance for Charities and IPCs. For us, ESG is an acronym that stands for environment, social, and governance (Figure 2). All three aspects are vital to ensure organisational success.

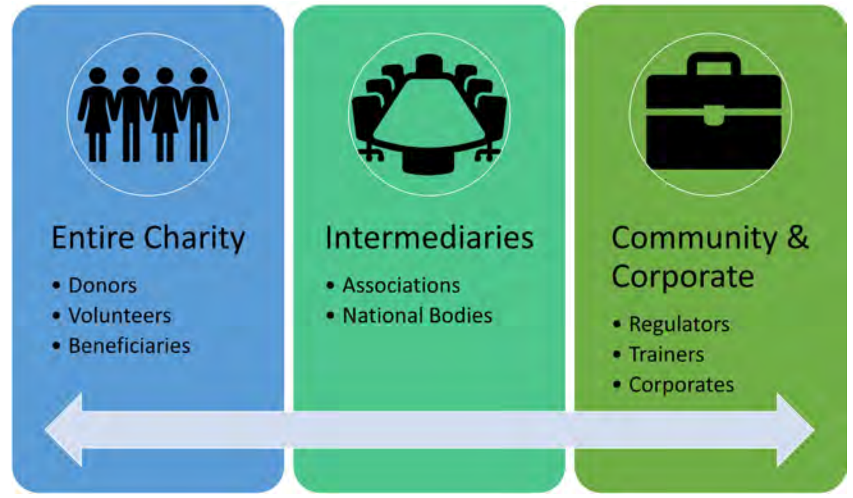
1) Environment. This element deals with all the variables that could impact nature. Some topics that fall under this category include wildlife, pollution, and carbon. There are charities which are strong in this aspect of ESG as they focus on environmental issues such as protecting Singapore's waterways, animals, and forests.

2) Social. This element seeks to explain all the factors that could impact our society, including equality and community building. This aspect is the strength of the People sector as, ingrained into our charities, is the 'leave none behind' mindset. We ensure that the young, not-so-young and young-at-heart are protected and taken care of. Charities by nature are meant to elevate those who are less fortunate in society. Hence, it is no surprise that this aspect of ESG is our speciality.

3) Governance. This element oversees all variables that could impact how an organisation is governed. Singapore's charities are accustomed to this element, especially those which have attained the coveted IPC status, as we are used

FIGURE 3 THREE IMPROVEMENTS FOR ESG FOR CHARITIES

FIGURE 4 THREE MAIN GROUPS OF STAKEHOLDERS INVOLVED IN ESG FOR CHARITIES



It is crucial for charities to be whiter than white to maintain the high level of trust we have with our stakeholders

to complying with the Charity Code of Governance and the Charity Act. Furthermore, Singapore has the Companies Act or the Society Act for organisations, adding another layer of governance for the charities of Singapore. Hence, in terms of the basal level of ESG, Singapore's charity sector has most certainly reached that goal.

However, I believe that the sector is still lacking in certain aspects of ESG (Figure 3). After all, there is always an opportunity for us to do 'better, better-er, and better-est'.

1) Environment. All charities need to be eco-friendly, not only those which champion environmental causes. Furthermore, charities with environmental causes need to be more holistic and ensure that they support other environmental issues, to ensure that the whole ecosystem is protected.

2) Social. Charities need to ensure that our interventions are impactful to our beneficiaries as it is not enough to provide only basal levels of help. On top of that, we will also need to address other issues under the social element, such as diversity and inclusivity, to ensure that there are opportunities for everyone in the People sector and that everyone is taken care of.

3) Governance. We must be willing to go beyond the compliance of codes and laws, beyond leadership, and move towards ethics and stewardship. It is crucial for charities to be whiter than white to maintain the high level of trust we have with our stakeholders.

Who is involved in ESG for Charities?

Among the many charity stakeholders, there are three main groups that charities will need to involve for ESG (Figure 4). The first group are the charities themselves, including their donors, volunteers, and beneficiaries. Once a charity determines that ESG is a key agenda, the process of adopting good ESG practices and policies would be smoother and its impacts more long lasting.

Beyond the charities, for the ESG movement to be successful, other stakeholders will need to be involved. The next group to be involved are the intermediaries, such as associations, national bodies, and the parent organisations that some charities are part of, as it is the intermediaries who would steer the vision of the group towards ESG.

The last group that will need to be involved in ESG for Charities would be the community. This includes the regulators of charities and, most importantly, the corporates. The power of the Private sector has yet to be fully harnessed by the People sector. In terms of ESG, the Private sector has been miles ahead of the People sector in terms of having better best practices. Charities can learn from them to do ESG cheap, good, and fast.

CONCLUSION

As organisations are created to do social good, it is paramount that the charity sector understands the dire need for ESG. It is not just about doing good, it is also about doing it right. In the second part of this article, to be published in the March issue of the journal, I will put together a framework on how charities can do ESG. Rest assured; we will walk the journey with you. ISCA

Professor Ang Hak Seng, FCA (Singapore), is Director, Centre of Excellence for Social Good (CESG) and Professor of Social Entrepreneurship, Singapore University of Social Sciences; and Adjunct Professor, Nanyang Technological University.

> "As managers, we owe it to our people and our organisations to think about how to lead our people so that they remain motivated and fulfilled."

Lessons From The School Of Life

Tan Cihui, CA (Singapore),
Senior Manager, Audit & Assurance,
Deloitte & Touche LLP, Singapore

TAKE AWAYS

- A potential way to help firms stay relevant in this complex economic climate is via ethical leadership.
- Being open to experiences enables learning, such as different applications of accounting standards across sectors; it also ensures work remains varied and interesting.
- A managerial role requires not only technical knowledge of accounting standards, it needs project management skills.

It's important for managers to check in regularly with the team so members know that their views are heard; it creates a better working relationship for all

ACCOUNTANTS, LIKE MANY OTHER PROFESSIONALS, are drawn to organisations where staff are groomed for growth. This perhaps explains why Tan Cihui has stayed at Deloitte ever since she graduated from Singapore Management University (SMU) in 2012. For sure, the firm has given the 34-year-old a slew of opportunities for personal and professional development, the most significant of which was a two-year secondment to Deloitte's London office between 2018 and 2020. The stint was part of the firm's global mobility programme, which gives employees (assistant managers and above) a chance for secondments in various Deloitte offices around the world.

Ms Tan recalls that her time in London was a two-way exchange of ideas and best practices. "As Asians, we are very used to the blurring of lines between work and our personal lives," she notes. "We don't really bat an eyelid if someone contacts us after office hours to talk about work." That is not the case in Europe, however. In fact, Ms Tan says that such actions are frowned upon. "I think there's a positive lesson to be learnt, and I've applied it to my engagement teams: we ought to be as efficient as we can during our working hours and should try not to communicate about work after those hours, unless something really urgent crops up," she explains. "It's a give and take."

Her advice for her peers about navigating new industries is simple: talk to people who are employed in these sectors so you get a better sense of the work and what they are trying to achieve.

Having led engagement teams since her fourth year of joining the audit profession, Ms Tan has also brought home a renewed focus on well-being. "I've realised the importance of checking in with my team regularly, and not just when an issue crops up," she shares. Such an approach allows team members to know they are heard, and creates a better working relationship for all. As she alluded to earlier, the learning was two-way, as Ms Tan had shared some positives from the Asian work culture with her British colleagues as well. "In Singapore, we are very focused on meeting timelines and know how to 'work backwards' to hit our goals," she elaborates. "I brought over that style of planning and forward-thinking."

FROM AUDITOR TO PROJECT MANAGER

The importance of planning and looking ahead became more apparent to Ms Tan as she progressed to a managerial role in her career. "I realised that it's much more than just the technical knowledge of the accounting standards," she discloses. "We need to be skilled at project management because we're running multiple engagements at once, each with a tight timeline."

Being able to prioritise is an important skill as well, as teams are equipped with limited resources and these need to be allocated across different projects. "I picked up these skills through the guidance and advice of my seniors," she reveals. "When I was working under them, I observed how they would prioritise tasks for us and allocate resources accordingly. The firm also provides training and workshops for us to learn how to apply these skills in practice." Such skills are especially valuable in a time of resource attrition. According to a report by the Singapore Accountancy Commission, there will be a talent shortage in the accountancy and finance sector in the foreseeable future, driven by Singapore's declining birth rates and a "war for talent" across industries.

Ms Tan says that a potential way to help firms stay relevant in this complex economic climate is via ethical leadership. This is an issue she is so passionate about that she contributed to conversations about the topic at global youth forum One Young World Summit last year. "As managers, we owe it to our people and our organisations to think about how to lead our people so that they remain motivated and fulfilled," she stresses.

"Too often, leadership is not deliberate enough."

BEING OPEN TO EXPERIENCES

Project management skills are valuable, regardless of the industry a team is auditing. Being in Deloitte's general audit team, Ms Tan has explored various industries from consumer business to aviation. "I've tried to keep an open mind and take on engagements from across the board," she says. "Each industry gives me nuggets of new knowledge, and since there are different applications of accounting standards across sectors, the work remains varied and interesting." She counts hospitality as one of her favourite industries to work with, given her penchant for travelling.

Her advice for her peers about navigating new industries is simple: talk to people who are employed in these sectors so you get a better sense of the work and what they are trying to achieve. "It may be unnerving at first, but it really does make a difference," Ms Tan emphasises. "When you talk to people from your client's various teams, be they finance or operations, you get a sense of why they do what they do." She adds that this ultimately makes for a smoother and more fulfilling engagement.

Even during our brief conversation with Ms Tan, it is clear that being open to new experiences is part of her DNA. During her undergraduate days, she joined the SMUXtremist Biking Team, a mountain-biking group. These days, she keeps fit with weekly dance classes. Her dance of choice is Bachata, which originated in the Dominican Republic. "I try to do it every week; I think it's very important to make a conscious effort to destress," she advises. But as most readers will relate to, there are some periods when working overtime and on weekends is common. Ms Tan is not immune to these, but says she adopts a "compensation mindset" to ensure she gives herself some time off. "So if I need to work over one weekend, I make sure that I set aside time for myself the next weekend, just so I don't get burnt out."

TIMING IS EVERYTHING

News of Ms Jacinda Ardern stepping down as New Zealand's Prime Minister – after acknowledging her inability to continue performing at the high standards she had set for herself – has shone the spotlight on a deliberate approach to leadership. Ms Tan, too, has given this issue a lot of thought. As she puts it, many of us have leadership roles thrust upon us with a promotion, and we accept these without much thought. She herself was no different until she attended a talk by a member of the BMW board at a One Young World Summit forum. "It made me question what it means to be a manager and leader. Do you coach your subordinates? When they raise issues, do you invest time and energy to understand their problems and help them?"

"Too often, leadership is not deliberate enough. If someone is not ready to be a leader, perhaps saying yes can do more harm than good," she says. Luckily, this was not an issue for Ms Tan as the firm works closely with all employees to chart their career goals and progression. ISCA

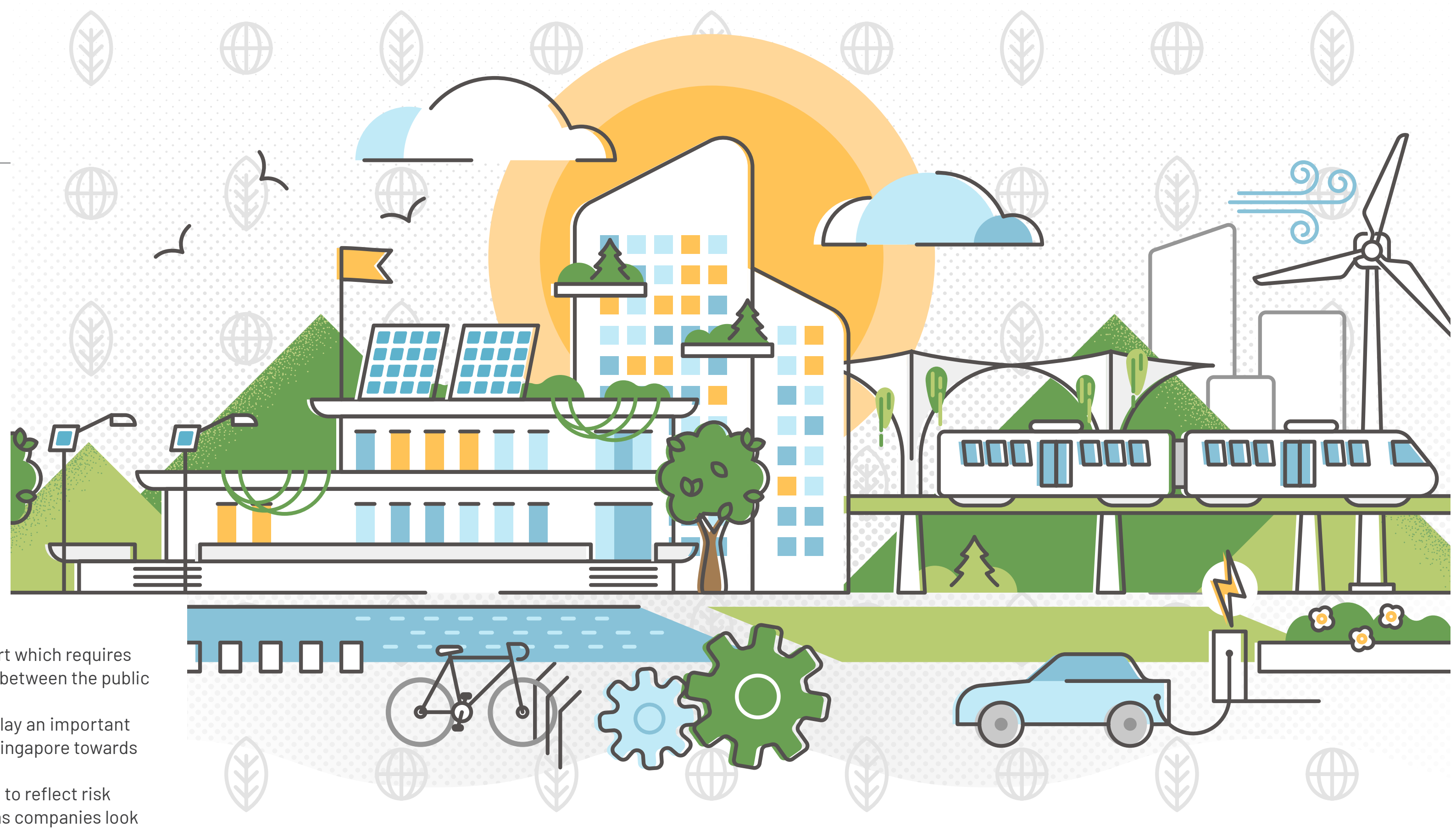
VIEWPOINT

TEXT BY

Infrastructure Asia

Understanding Sustainable Infrastructure

Accelerating Our Journey To Net Zero



TAKE AWAYS

- Scaling sustainable infrastructure is a whole-of-society effort which requires participation from all segments of industry, and partnership between the public and private sectors.
- As stewards of their organisation's finances, accountants play an important role in shaping sustainable infrastructure and accelerating Singapore towards a net-zero future.
- A recent survey shows that corporate agendas are beginning to reflect risk identification, assessment, and mitigation as priority areas as companies look to quantify risks of climate change-driven impacts on assets and businesses.

SUSTAINABLE INFRASTRUCTURE DEVELOPMENT HAS EMERGED AS AN IMPORTANT PILLAR in the effort to support Singapore's push to become a greener city. Creating sustainable infrastructure requires a whole-of-society effort and, with the right knowledge, accountants, too, can make a significant impact.

In September 2022, Singapore further refined its sustainability goals and is now considering a national net-zero carbon emissions target by 2050. For city-states like Singapore, sustainable infrastructure will be an essential piece of this decarbonisation puzzle as cities account for 70% of carbon emissions worldwide. This was a hot topic at the Asia Infrastructure Forum 2022 (AIF 2022), where leaders from the public and private sectors called for new ways to rethink how to scale sustainable infrastructure.

Scaling sustainable infrastructure requires participation from all segments of society, says Infrastructure Asia's Executive Director Lavan Thiru. "Decarbonisation does not happen overnight, and we need to foster a common level of understanding via public-private partnerships so that sustainable infrastructure can be built quickly. We have a lot to do, as infrastructure takes time to be invested in, structured, designed and then built," says Mr Thiru.

"In a city-state like Singapore, everyone inevitably influences infrastructure, be it the roads we drive on or the healthcare services we receive. Working with policymakers, the private sector has an important role in driving sustainable infrastructure and decarbonisation in their own capacity," he adds.

As custodians of their organisation's finances, accountants have a crucial role in this effort. With tools such as business financing and credit analysis, accountants and finance professionals can identify new ways to decarbonise their organisation's infrastructure including as workspaces, or advise leadership on the environmental costs and benefits of major business decisions.

Singapore's leaders, such as Minister for Sustainability and the Environment Grace Fu, who is a Fellow Chartered Accountant of Singapore, have called on the accountancy sector to accelerate this effort in 2021. At AIF 2022, Minister in the Prime Minister's Office and Second Minister for Finance & National Development Indranee Rajah further highlighted the need for professionals across the ecosystem, such as accountants, to have a "robust knowledge" of sustainability issues to contribute to the increasingly multidisciplinary nature of sustainable infrastructure projects. This allows accountants to better advise companies embarking on their sustainability journey, turning them into powerful actors within their organisations.

Scaling sustainable infrastructure requires participation from all segments of society

PHOTO SHUTTERSTOCK

UNDERSTANDING THE GOALS OF SUSTAINABLE INFRASTRUCTURE

'Environmental, economic, social and governance (ESG)' is a common term used when discussing sustainability, and it is one which accountants often encounter when reporting on progress or when conducting corporate audits. To understand how to apply ESG principles effectively, it is important to understand the nuances behind the E, S and G.

Accountants need to be aware that achieving sustainability goals goes beyond ensuring that infrastructure, such as buildings or business practices, is climate change-resistant. In their recommendations or checks, accountants should assess that their organisation, as a whole, supports infrastructure that is built holistically and factors in the city's environmental, economic, social and institutional goals. This has been codified in the United Nation's Sustainable Development Goals (Figure 1).

FIGURE 1

- **Environmental Sustainability:** Protecting the environment and mitigating climate change
- **Economic Sustainability:** Generating economic activity, creating job security or diversification, or construction optimisation and reduced lifecycle costs
- **Social Sustainability:** Infrastructure that provides services and connects society, promotes quality of life and cultural preservation and considers the social impact and human rights
- **Governance and Institutional Sustainability:** Transparency and robust governance framework with clear objectives

60% of global green house emissions come from infrastructure - the infrastructure we build today will determine our success in achieving net zero.

'Infrastructure can be the pillar upon which we base our growth, development and climate action, or it can crumble beneath us. If we want a prosperous, climate-resilient future, we must invest in sustainable infrastructure; it is the growth story of the future' (World Bank)

Sources: KPMG's Global Infrastructure and Climate Change Discussion Document (October 2020), United Nations Sustainable Development Goals, Infrastructure Australia

Accountants have the potential to create a powerful downstream effect on the way we finance and shape infrastructure assets, leading to innovations that can power the cities of the future.

With an understanding of ESG, accountants can draw on their skills to introduce meaningful financial recommendations and practices within their organisations. For example, accountants in a traditionally carbon-intensive industry could explore introducing organisational costs of CO_2 emissions through internal carbon pricing or demonstrate its costs through climate change projections.

An accountant's impact can also extend to an organisation's immediate surroundings. For example, Liaw Chun Huan, Chief Financial Officer of civil engineering firm KTC Group, leveraged his accountancy training to justify a solar panel system for the office, which brought about both sustainable impact and cost savings for the business.

A Sustainable infrastructure can take the form of greener and smarter considerations in our built environment, which improves the quality of life for citizens

PHOTO DANIST SOH ON UNSPLASH

THE STRATEGIES AND DYNAMICS BEHIND SUSTAINABLE INFRASTRUCTURE

Today, as there are more accountants sitting on companies' boards, they can play an increasingly influential role in organisations. In addition to advising on strategic costs and benefits to management, they contribute by supporting corporate governance and optimising operations. It is thus essential for accountants to grasp the dynamics and strategies of the ESG ecosystem, so they can produce tangible change in their organisations. These include:

- **Leveraging market sentiment and investors**

Accountants and finance professionals can leverage growing market sentiment towards ESG principles to guide and advocate for sustainable finance solutions in their organisations. A 2021 MSCI survey found that 79% of investors in Asia Pacific have increased their ESG investments in response to COVID-19, while 57% of investors expect to have incorporated ESG considerations into their analyses and recommendations by the end of 2021.

- **Building ESG-driven corporate agendas**

Accountants can leverage ESG-driven corporate agendas to justify sustainable financial recommendations. According to KPMG's 2021 CEO Outlook survey, more business leaders are taking more tangible action by embedding ESG principles into their business strategies. The survey also found that 30% of CEOs plan to invest more than 10% of revenue into sustainability efforts. As such, corporate agendas have begun to reflect risk identification, assessment, and mitigation as priority areas as companies look to quantify risks of climate change-driven impacts on assets and businesses.

- **Collaborating with the public sector**

The public sector also produces policies to guide ESG investment priorities and sets clear standards on sustainability reporting; these provide valuable resources for accountants and finance professionals to leverage on. For example, governments are widening the availability of ESG grants and subsidies for sustainable projects, which can spur the momentum of sustainable project development by improving access to blended finance. Another example is an upcoming roadmap of sustainability reporting for Singapore-incorporated companies, which will be produced through a joint effort between the Accounting and Corporate Regulatory Authority and Singapore Exchange Regulation.

With an understanding of ESG, accountants can draw on their skills to introduce meaningful financial recommendations and practices within their organisations

- **Standardising taxonomies**

A common challenge faced today by businesses is the inconsistent criteria on whether a project or financial asset is aligned with ESG principles. To suit their contexts, many institutions worldwide also interpret ESG goals differently, which could impact decision-making, especially with respect to cross-border transactions. This could also reduce investing confidence and assurance. This was raised by Clifford Capital's Chief Executive Officer Audra Low at AIF 2022, who shared that decisions become more difficult for investors regarding infrastructure projects outside the renewables sector. Close public and private partnerships will be crucial to ensure organisations can find a consensus on a joint sustainability taxonomy.

THIS IS WHAT SUSTAINABLE INFRASTRUCTURE LOOKS LIKE

Accountants have the potential to create a powerful downstream effect on the way we finance and shape infrastructure assets, leading to innovations that can power the cities of the future.

Some possible manifestations of sustainable city infrastructure that could emerge are:

- **Smart and green cities:** This entails citizen-centric infrastructure designs that aim to improve the quality of life for city residents. These cities are also hallmarked by smart and low carbon-emitting technologies in assets like transport systems, healthcare, and utilities, such as water, power, and urban waste management.
- **Sustainable energy technologies:** This entails clean energy technologies, including renewable energy-based electricity generation; carbon capture, utilisation and storage; hydrogen; and bioenergy as fuel.
- **Green bonds:** This refers to funds raised through public capital and investments by institutions, which will be used to resource projects that produce positive environmental or climate benefits. This ensures a resilient source of funds can be used to support sustainable city projects. For example, the Monetary Authority of Singapore has recently raised S$2.4 billion through the issuance of Singapore's first sovereign green bond.

A CONCERTED EFFORT FOR NET-ZERO SUCCESS

Sustainable infrastructure is more than just climate-friendly buildings and networks. It involves thinking about how to incorporate sustainability into our organisations, practices and even our daily lives while creating innovations and alliances to make it happen.

While closing the distance to a net-zero future might seem like a daunting process, the collective effort of stakeholders in the private and public spheres is already triggering shifts in policies and mindsets. The coordinated efforts between governments, businesses, and individual actors such as accountants will play a critical role in paving the road towards a net-zero future. ISCA

This article was written by Infrastructure Asia.

TEXT BY
TAFEP

... to create a safe and conducive work environment, employees also play an important role – they need to be accountable for their work deliverables and provide regular updates to keep their supervisors informed.

Managers, Are You Stalking Your Employees?

Tips To Create A Safe And Conducive Work Environment

TAKE AWAYS

- In trying to manage a project or a team, or because of their own insecurities, managers may end up unintentionally stalking their staff.
- To avoid crossing the line when engaging their staff, managers can practise self-reflection and self-restraint, establish clear performance expectations and set up emergency communication protocols.

STALKING IS REPEATED, UNWANTED CONTACT that makes the victim feel alarmed, distressed or harassed and is a form of workplace harassment. By sending employees incessant and nasty emails, texts or calls on work-related matters, managers could be guilty of stalking.

Why do some managers end up stalking their subordinates?

Some may want to exert control to address their own anxiety and insecurity to want to be in the know about everything and constantly checking on employees. As a result, they micromanage their employees and do not trust employees to accomplish their tasks. While these managers may have no malicious intent – all they want is to ensure that the job gets done – when such behaviours go too far, they can quickly turn into stalking. Others may rely on texting and emailing as efficient and convenient ways of sending constant reminders to keep employees with performance or disciplinary issues on track, and some may be venting their frustration and anger at subordinates for their sub-par performance.

Here's what managers can do to avoid crossing the line when engaging employees:

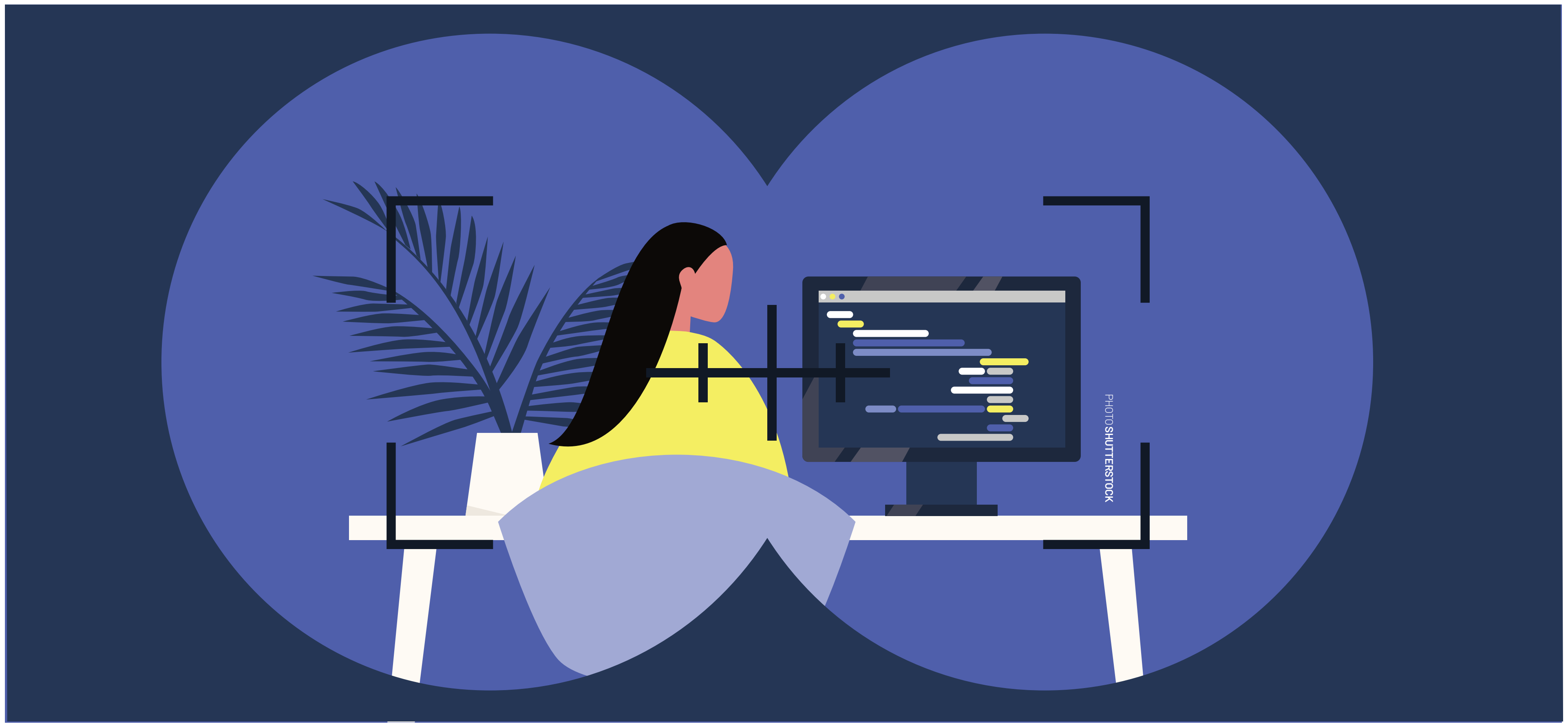


PHOTO SHUTTERSTOCK

1. PRACTISE SELF-REFLECTION AND SELF-RESTRAINT

Before hitting the 'send' button when conveying an email or text, pause, take a deep breath and reflect. For instance, ask yourself:

i. What makes you behave this way?
ii. Are you anxious about not being able to meet deadlines?
iii. Are you worried that your employees are not doing their work or will mess it up?
iv. Is this the management style that you want to be known for?

This will help managers develop an awareness of one's behaviours to make conscious changes.

2. SET AND COMMUNICATE CLEAR PERFORMANCE EXPECTATIONS

When assigning tasks or projects, make sure to set clear expectations to avoid confusion. By doing so, employees are also held accountable.

Be upfront about the objectives, work deliverables, performance targets and timelines. Concurrently, give employees the trust, space and time to meet those expectations.

Managers can also put in place a proper monitoring and measurement framework to track progress and performance. When communicating performance expectations, agree with employees on how and the frequency they should provide project updates. For example, biweekly team or one-to-one check-in meetings can be scheduled to provide employees a proper platform to keep you updated. This also serves as an opportunity for you to provide guidance, highlight any performance gaps and coach poor performers on how they can improve and how you can better support them.

→ Set clear expectations to avoid confusion
→ Give employees space and time to deliver on their projects

3. ESTABLISH EMERGENCY COMMUNICATION PROTOCOL

Managers could also establish an emergency or crisis communication protocol including information such as the definition of a crisis or emergency, each team's responsibilities and the means of appropriate communication. Having such guidelines in place ensures that employees are aware and understand the amount of communication to expect, and what is expected of them during a work crisis. It also serves to remind managers that certain communication protocols are reserved for urgent matters only.

While managers could adopt the above tips to create a safe and conducive work environment, employees also play an important role – they need to be accountable for their work deliverables and provide regular updates to keep their supervisors informed.

To learn more about other forms of workplace harassment and how to manage and prevent harassment at work, refer to the Tripartite Advisory on Managing Workplace Harassment[1] or visit the TAFEP website[2]. ISCA

[1] https://www.mom.gov.sg/-/media/mom/documents/employment-practices/guidelines/tripartite-advisory-on-managing-workplace-harassment.pdf
[2] https://www.tal.sg/tafep/employment-practices/workplace-harassment

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> Given the omnipresent nature of the Internet, thanks to smartphone usage, companies large and small are no strangers to trying to find growth opportunities in it.

The Metaverse

Next New Frontier For Business?

TAKE AWAYS

- Tech firms believe the metaverse offers huge potential for businesses, given that there are more than four billion active social media users globally.
- With digital transformation reshaping the business landscape, it is essential for business leaders to understand the opportunities and challenges presented by the metaverse.
- Metaverse experiences are anticipated to help businesses connect with their existing clients through a higher level of personalisation, and reach new markets; transform products and services, production and distribution processes, and organisational operations – even though there is currently little interoperability among existing metaverses.

PHOTO SHUTTERSTOCK

SOCIAL MEDIA IS WELL KNOWN TO US. This is, in fact, a massive understatement since Statista estimates that active social media penetration in Singapore is a whopping 89.5%[1]. However, these numbers are admittedly a bit misleading, because the term 'social media' is pretty generic and covers anything that might count as a digital interaction between individuals or groups. This typically not only includes platforms such as Facebook, Tik Tok and Instagram, but also WhatsApp and WeChat. In addition, if you are a YouTube Premium subscriber or actively subscribe to YouTube channels, 'like' videos or comment on videos, then you are, technically, also an active social media user, according to this very broad definition.

Given the omnipresent nature of the Internet, thanks to smartphone usage, companies large and small are no strangers to trying to find growth opportunities in it. Relevance, within the frame of reference of this article, is linked with the proposed next phase of social media, and perhaps the Internet – the metaverse. The reason is simple – the biggest player in the social media world, Meta, is banking so hard on it that it even changed its name (from Facebook) to match its ambitions.

Confusingly, the metaverse is actually a collection of diverse metaverses, and is not actually the creation of Meta. It is, broadly speaking, an evolution of social media in general – a way for groups to be social, or work socially, outside of the real world. More specifically, you could think of it as a way to virtually walk around the Internet as a digital representation of yourself, and meet other such avatars. Another definition, this one off the cuff from Philip Rosedale, creator of Second Life (more on this later), casts the metaverse as the "three-dimensional Internet"[2]. Like the Internet, the metaverse is promised to be persistent – meaning, it continues whether any given user or groups of users are on it; and immersive – you can drop in to a virtual location whenever you want and it will feel like you are really there.

> **Confusingly, the metaverse is actually a collection of diverse metaverses**

CHANGING THE GAME

Whatever the case may be, it is clear that technology firms – Meta most of all – believe that the metaverse will be big, literally and figuratively, and can support businesses in their growth ambitions. Broadly speaking, they base this on the overall success of the Internet in changing the world in general, and social media's leading role here; after all, there are more than four billion active social media users globally[3].

In other words, the current pitch to companies is not to miss out on another opportunity, as many did with the Internet. "A lot of brands that chose

[1] https://www.statista.com/topics/5815/social-media-in-singapore/#topicOverview
[2] https://www.wired.com/story/metaverse-philip-rosedale-second-life/
[3] https://blog.hootsuite.com/social-media-for-business/#Benefits_of_social_media_for_growth

VIEWPOINT

Like the Internet, the metaverse is promised to be persistent – meaning, it continues whether any given user or groups of users are on it; and immersive – you can drop in to a virtual location whenever you want and it will feel like you are really there.

to 'sit back and observe' (how the Internet developed) ended up losing out when Internet adoption took off," says Isaiah Chua, CMO Playground Metaverse Global Limited. "Essentially, you see everyone is into the Internet right now, and the biggest winners are those that kind of just went into it at the start. So, we see the same thing happening right now with the metaverse." Mr Chua observes that major names in fashion and sports were eager to leap headfirst into the metaverse, including Nike, Adidas, Gucci, Bulgari and Prada. Some of these brands have experimented with offerings on metaverse platforms such as Decentraland and Sandbox.

So how is this supposed to work exactly, especially when the metaverse is not quite here ... or, is it? In fact, the word 'metaverse' itself is taken from a 1992 science fiction novel called *Snow Crash* by Neal Stephenson, which did indeed feature something like an immersive virtual reality network. *The Economist*[4] noted that in reality, the idea of creating a network like this had been going on in the world of video-game development from the 1970s, including the development of the text-only MMORPGs (massively multiplayer online role-playing games). Indeed, the first time the metaverse came into prominence was in 2002, via the game Second Life, which invited the public to immerse themselves in its digital environment, offering a second life in a virtual world. In fact, gaming companies continue to play important roles in the development of the metaverse, and business analysts speculate that this partially explains Microsoft's move to acquire Activision Blizzard.

GAMING THE SYSTEM

Building on the example of Second Life, there are a number of metaverses in existence, including but not limited to Active Worlds, World of Warcraft, Minecraft, Fortnite and VRChat. In fact, a massive part of game developer Roblox's platforms are metaverse projects. Roblox has more than 100 million active users, and actively uses the term 'metaverse' in its marketing materials[5].

The view from the gaming world on how the nascent metaverse will help businesses is encapsulated in this statement from GamesPad, a private gaming, metaverse and web3 firm. "The metaverse will unlock new opportunities for almost all businesses. First of all, metaverse experiences can help businesses connect with their existing clients on a whole new level of personalisation, as well as reach new markets. Moreover, the metaverse can transform products and services, production and distribution processes, organisational operations and more."[6]

This is very ambitious forecasting, considering that the metaverse does not yet have anything close to interoperability between individual established metaverses, or the new metaverses that are being developed. The Internet and the web are connected by TCP/IP and html, for example, and no such protocols exist – or are even close to existing – for the metaverse. What then can companies do while the technical folks sort things out? Meta, for one, has a down-to-earth suggestion, albeit one that is heavily biased. In a November 2021 announcement, it said, "The business opportunity will follow consumer behaviour. That's why it's important to continue building your business for today's opportunities by innovating, experimenting and growing your audience, whether on Facebook, Instagram, Messenger or WhatsApp – because the connections that you're building on these platforms now will still apply in the metaverse."[7]

WHERE THE AUDIENCE WILL BE

Aside from the platforms listed, the implication is that the audience is key, and that plenty of people already on social media may one day be connecting in the metaverse. The global market is certainly sizeable, at an estimated US$22.79 billion in 2021, and this is projected to grow to US$400 billion by 2028[8].

This is why advocates such as Aaron De Silva, Account Director at Elliot & Co (a PR agency catering to SMEs and startups) are upbeat. "With digital transformation shaping so many businesses today, understanding the opportunities and challenges presented by the metaverse is essential for business leaders and company founders to devise a strategic roadmap," he explains. "This is especially so if the nature of your business has the potential to be impacted by VR, AR and XR. Industries as diverse as education and healthcare to entertainment, logistics, manufacturing and retail all have the potential to be disrupted by such technologies."

Again, the implicit suggestion here is that what happened with the Internet and social media will repeat itself with the metaverse, and this does lead to some pushback, from within the metaverse community no less. "I believe we don't have a crystal ball to spell out what's right or wrong for companies and organisations to take the plunge into developing their own metaverse," says Jack Soh, Co-Founder of metaverse and web3 firm Do-XX Studios. "I honestly feel that the strong metaverse initiative by Meta to push humanity to adopt a realistic virtual environment as a work/play/learn venue made 'metaverse' the biggest buzzword for the last couple of years (and perhaps more years to come)." As a result, he feels that brands are simply jumping onto the bandwagon without much consideration on its viability and feasibility, just to signal to the market that they are forward-looking.

CONCLUSION

Nevertheless, the metaverse is broad enough to support potential real-world benefits, even if such benefits are the result of tools that emerged separately from the metaverse itself. In Singapore, for example, JTC is using building information modelling (BIM) as the basis for the creation of a complex and promising platform called the open digital platform (ODP) that will be implemented in the upcoming Punggol Digital District (PDD). According to JTC, ODP will allow the optimisation of building management and resources with real-time data, with the system having control of virtually every aspect of PDD. PDD tenants can use the ODP to model and test their own products virtually, thus potentially saving time and money.

So, should companies consider the metaverse as the new frontier and jump in now? It all depends on their business and risk management strategy including risk appetite. Perhaps Meta's advice to businesses is the most useful one – because there is still plenty to learn before the true shape and form of the metaverse will come into being. ISCA

PHOTO SHUTTERSTOCK

"The business opportunity will follow consumer behaviour."

[4] https://youtu.be/LEgHRAQ1HmE
[5] https://en.wikipedia.org/wiki/Roblox
[6] https://www.globenewswire.com/en/news-release/2022/09/22/2520915/0/en/Emerging-Business-Opportunities-in-the-Metaverse-Report-2022-by-GamesPad.html
[7] https://www.facebook.com/business/news/metaverse-business-opportunity-insights
[8] https://www.zionmarketresearch.com/report/metaverse-market

TEXT BY


Kevin Koh


Tong Yen Hee

don's column

Making Sense Of Sustainability Reports

Insights Into Companies' Current Sustainability Disclosure Practices

PHOTO SHUTTERSTOCK

... companies with better sustainability performance issue longer reports with more words. These companies also disclose more incremental information in their sustainability reports beyond the sustainability-related information disclosed in their mandatory annual financial reports.

TAKE AWAYS

- With the emergence of the business case for sustainability, there is an exponential growth in demand by investors for integrating ESG criteria in their investment decisions.
- Until new sustainability disclosure standards come into effect, sustainability reporting will be plagued by issues such as a lack of transparency, reliability and comparability.
- Companies with better sustainability performance tend to disclose more incremental information in their sustainability reports, beyond the sustainability-related information disclosed in their mandatory annual financial reports.
- Companies with poor sustainability performance are less likely to provide information beyond what is mandated, to avoid drawing attention to their performance. They may also use impression management in their disclosure to potentially influence stakeholder perceptions.

IT IS WIDELY RECOGNISED that there is no single universally accepted definition of sustainability. For example, the United Nations describes business sustainability as "conducting operations in a manner that meets existing needs, without compromising the ability of future generations to meet their needs and has regard to the impacts that the business operations have on the life of the community in which it operates and includes environmental, social and governance issues"[1]. The book, *Business Sustainability in Asia*, defines sustainability as "a process of focusing on the achievement of all five dimensions of sustainability performance namely economic, governance, social, ethical and environmental in creating shared value for all stakeholders"[2]. The terms sustainability and corporate social responsibility (CSR) are often used interchangeably, especially in accounting academic literature. For example,

[1] United Nations. (2010) United Nations Conference on Trade and Development: Corporate governance in the wake of the financial crisis. https://unctad.org/system/files/official-document/diaeed20102_en.pdf

[2] Rezaee, Z., Tsui, J., Cheng, P. & Zhou, G. (2019). *Business Sustainability in Asia*. Wiley ISBN 978-1-119-50231-9

one study defines CSR as corporate activities and policies that assess, manage, and govern a firm's responsibilities for and its impacts on society and the environment[3]. In a review of definitions for the terms "CSR" and "sustainability" in academic literature conducted by the study, it is found that the meanings of both terms are similar and are often used interchangeably.

Sustainability reports can be conceptualised as non-financial disclosure documents intended to inform stakeholders of a company's environmental, social and governance (ESG) performance and impacts for a specific period. Sustainability reporting can be considered synonymous with other terms for non-financial reporting including CSR reporting, triple bottom line reporting, etc. It is also an intrinsic element of integrated reporting that combines the analysis of financial and non-financial performance.

INCREASING DEMAND FOR SUSTAINABILITY DISCLOSURES

With the emergence of the business case for sustainability, there is an exponential growth in demand by investors for integrating ESG criteria in their investment decisions. For instance, the Forum for Sustainable and Responsible Investment (USSIF) reports that the amount of all professionally managed assets in the US that were under ESG investment strategies experienced a 42% growth to US$17.1 trillion from 2018 to 2020[4]. There is also a heightened focus by stakeholders other than investors to consider sustainability issues in their decision-making. For example, it is reported by Deloitte that almost six in 10 consumers have changed their behaviours to help address climate change, and with the race for talent in the consumer industry, one quarter of employees say that they have considered switching jobs to work for a more sustainable company[5]. The increase in demand by various stakeholders, including investors, to incorporate sustainability in their decision-making drives the demand for companies to report on their sustainability-related activities.

Sustainability reports come in various content, format, and language styles as they are subjected to limited regulatory oversight and guidance in many countries. Academics have put forward two theories as to the impact of sustainability performance on the quantity and quality of information disclosed in sustainability reports. In academic literature, sustainability performance (which is how well a company manages relevant ESG risks and opportunities) is typically measured using ESG ratings provided by rating agencies such as MSCI or Refinitiv. Given the global increase in demand for sustainability reporting, we summarise recent research insights into the quantity and quality of sustainability reports in this article.

PHOTO SHUTTERSTOCK

Sustainability reporting can be considered synonymous with other terms for non-financial reporting including CSR reporting, triple bottom line reporting, etc

QUANTITY OF DISCLOSURES

The signalling theory of information disclosure suggests that companies with better sustainability performance (that is, higher ESG ratings) can enhance their reputation and market value by disclosing more relevant information. In contrast, companies with poor sustainability performance (that is, lower ESG ratings) would provide less or even no voluntary disclosures of information beyond that mandated by regulation. This is to avoid disclosing information that draws stakeholders' attention to their performance.

A recent study[6] by the authors, using 2,774 US standalone sustainability reports, concludes that companies with better sustainability performance issue longer reports with more words. These companies also disclose more incremental information in their sustainability reports beyond the sustainability-related information disclosed in their mandatory annual financial reports. Examples of such incremental information include disclosures on greenhouse gas emissions and diversity, while examples of similar information include disclosures on tax and anti-corruption issues. To the extent that a longer sustainability report with more incremental information is associated with greater quantity of relevant sustainability information, the findings are consistent with the signalling theory. Moreover, an international study[7] finds that independent directors support voluntary sustainability disclosure policies only for companies with better but not poor sustainability performance. This is because the directors are trying to avoid reputation risks from the potential dissemination of misleading information by companies with poor sustainability performance. Thus, consistent with the signalling theory, companies with poor sustainability performance are likely to disclose lower quantity of sustainability information.

QUALITY OF DISCLOSURES

The political legitimacy theory of information disclosure predicts that companies with poor sustainability performance seek to gain or maintain legitimacy by using impression management in their disclosure to potentially influence stakeholder perceptions. In their attempt to address legitimacy threats, poor sustainability performing companies will project an idealised image of themselves by obfuscating their sustainability disclosures, which lowers information quality.

As predicted by the political legitimacy theory, the earlier-mentioned study by the authors finds that sustainability reports issued by companies with poor sustainability performance contain more uncertainty or imprecise language. The use of imprecise language adversely affects understandability, which lowers disclosure quality. In contrast, the study finds sustainability reports issued by companies with better sustainability performance are less focused on short-term issues, reflecting a greater emphasis on forward-

[3] Christensen, H.B., Hail, L. & Leuz, C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, 26:1176–1248. https://doi.org/10.1007/s11142-021-09609-5

[4] USSIF Foundation. (2020). Report on US sustainability and impact investing trends. https://www.ussif.org/files/US%20SIF%20Trends%20Report%202020%20Executive%20Summary.pdf

[5] Cascone, J., Cook, J., O'Mara, S. & Renner, B. (2020). Driving accountable sustainability in the consumer industry. Deloitte. https://www2.deloitte.com/uk/en/insights/industry/retail-distribution/accountable-sustainability-consumer-industry.html

[6] h Koh, K., Li, H. & Tong, Y. H. (2022). Corporate social responsibility (CSR) performance and stakeholder engagement: evidence from the quantity and quality of CSR disclosures. *Corporate Social Responsibility and Environmental Management, Forthcoming*. https://doi.org/10.1002/csr.2370

[7] García-Sánchez, I.M. & Martínez-Ferrero, J. (2018). How do independent directors behave with respect to sustainability disclosure? *Corporate Social Responsibility and Environmental Management*, 25(4), 609-627. https://doi.org/10.1002/csr.1481

looking information that aligns with the long-term nature of sustainability issues. Similarly, an international study[8] finds that companies that engage in controversial sustainability practices use more narrative and deceptive language style in their sustainability reports instead of more technical and analytical language. For example, such reports tell a story without providing specific details by incorporating text such as "continuously improving the ways we monitor training effectiveness. We recognise that the working conditions in the factories we have audited have improved …" and "an extensive range of activities is being implemented to promote awareness of and support for conservation projects …".

In contrast, a more detailed and analytical disclosure will include more specific categorical and numerical outcomes, such as "34 lost-time accidents and 27 accidents without lost time were reported …" and "the Company pays days off granted to mothers or fathers to take care of a sick child, according to specific rules".

Besides textual content, companies can also manipulate the visual presentation of their sustainability reports as part of their obfuscation strategy. For example, one study[9] finds that US companies with poor sustainability performance are more likely to systematically manipulate the visual presentation of their reports. Techniques such as incorporating more graphs that only depict or exaggerate favourable trends through scale distortion are used to distract readers. Similarly, another study[10] in Spain finds that companies that disclosed less standardised sustainability information tend to divert readers' attention by using larger-size pictures and colour tones that are associated with nature in their sustainability reports (for example, blue and green).

Based on these studies, we caution stakeholders about companies' potential greenwashing attempts via textual and visual manipulation of sustainability reports to obfuscate poor sustainability performance.

STEPS TOWARDS HIGHER QUANTITY AND QUALITY OF SUSTAINABLE DISCLOSURES

Among recent developments, the creation of the International Sustainability Standards Board (ISSB) in November 2021 represents a step towards creating a set of globally aligned standards that will drive more transparent, reliable, and comparable sustainability reporting by companies. In March 2022, ISSB released two exposure drafts of its first two proposed IFRS Sustainability Disclosure Standards. The proposed IFRS S1 sets out overall requirements with the objective of disclosing sustainability-related financial information[11] while the proposed IFRS S2 focuses on climate-related risks and opportunities[12]. When the new sustainability disclosure standards come into effect, it is likely that greater standardisation will mitigate greenwashing via manipulation of textual and visual content in sustainability reports, which will in turn enhance the information quality of these reports. ISCA

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PHOTO SHUTTERSTOCK

[8] Corciolani, M., Nieri, F. & Tuan, A. (2020). Does involvement in corporate social irresponsibility affect the linguistic features of corporate social responsibility reports? *Corporate Social Responsibility and Environmental Management*, 27(2), 670–680. https://doi.org/10.1002/csr.1832
[9] Cho, C.H., Michelon, G. & Patten, D.M. (2012). Impression management in sustainability reports: An empirical investigation of the use of graphs. *Accounting and the Public Interest*, 12(1), 16–37. https://doi.org/10.2308/apin-10249
[10] García-Sánchez, I.M. & Araújo-Bernardo, C.A. (2020). What colour is the corporate social responsibility report? Structural visual rhetoric, impression management strategies, and stakeholder engagement. *Corporate Social Responsibility and Environmental Management*, 27(2), 1117–1142. https://doi.org/10.1002/csr.1869
[11] Exposure Draft IFRS S1. https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/exposure-draft-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf
[12] Exposure Draft IFRS S2. https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/issb-exposure-draft-2022-2-climate-related-disclosures.pdf

Technical Highlights

FINANCIAL REPORTING

ISCA Issues FRB 9 (Revised) On Accounting Implications Of The Interest Rate Benchmark Reform In Singapore
FRB 9, issued on 16 January 2023, shares accounting considerations on specific matters to assist entities in their understanding of the accounting for financial instruments and hedge accounting which are affected by the replacement of interest rate benchmarks within these contracts.

FRB 9 (Revised January 2023) has been updated from FRB 9 (issued on 21 February 2022) for the following:

- Additional background information on MAS Recommended Rate (MRR) and supplementary guidance for active transition of SOR contracts; and
- Updates on accounting considerations on the use of MRR and supplementary guidance in financial contracts and hedge accounting.

For more information, please visit https://isca.org.sg/standards-guidance/financial-reporting/technical-guidance-issued-by-isca-professional-standards-division/technical-guidance-issued-under-codification-framework/financial-reporting-bulletins

ASC Issues Amendments To SFRS(I) 1-1 And FRS 1 On Non-current Liabilities With Covenants And Amendments To SFRS(I) 16 And FRS 116 On Lease Liability In A Sale And Leaseback
The ASC has issued Amendments to SFRS(I) 1-1 and FRS 1 on Non-current Liabilities with Covenants and Amendments to SFRS(I) 16 and FRS 116 on Lease Liability in a Sale and Leaseback. Both amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

For more information, please visit https://www.asc.gov.sg/news-events/local-news/current-year

Call For Papers On Hedge Accounting Requirements Of Financial Instruments Accounting Standard
IASB and *Accounting & Finance* journal are calling for research papers on the application and impact of hedge accounting requirements in IFRS 9 *Financial Instruments* and new disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* related to this. IASB is seeking evidence about whether the requirements are working as intended and whether there are application and implementation issues to be considered. Papers must be submitted via the IASB online system by 1 September 2023.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/12/call-for-papers-on-hedge-accounting-requirements-of-financial-instruments-accounting-standard/

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December 2022 IFRS For SMEs Accounting Standard Update
This Update includes frequently asked questions on the proposals in the Exposure Draft third edition of the *IFRS for SMEs Accounting Standard*, a list of newly available resources to support the consultation on the Exposure Draft, and guidance on how to get involved in the consultation.

For more information, please visit https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/ifrs-for-smes/2022/december-2022-ifrs-for-smes-update/

December 2022 IASB Update And Podcast Available

- IASB Update and Work Plan Updated

This Update highlights IASB's discussions on topics such as Financial Instruments with Characteristics of Equity, Rate-regulated Activities, Goodwill and Impairment, and Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures. The IASB work plan has also been updated.

For more information, please visit https://www.ifrs.org/news-and-events/updates/iasb/2022/iasb-update-december-2022/

- IASB Podcast

In this podcast, IASB Chair Andreas Barckow and Executive Technical Director Nili Shah share on IASB's discussions on the above topics.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/12/december-2022-iasb-podcast-now-available/

IASB Publishes Its Review Of Classification And Measurement Requirements Relating To Financial Instruments
IASB has published its project report and feedback statement on the Post-implementation Review (PIR) of the classification and measurement requirement in IFRS 9 *Financial Instruments*. Feedback shows that the requirements set out in IFRS 9 are working as intended, and provides useful information to the users of financial statements. In response to the feedback, IASB has also identified areas for further research and standard-setting to enhance the information provided in the financial statements.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/12/iasb-publishes-its-review-of-classification-and-measurement-requirements-related-to-financial-instruments/

IASB Chair Andreas Barckow Discusses IFRS 17 Becoming Effective From 1 January 2023
IASB has published a short video to remind stakeholders that IFRS 17 *Insurance Contracts* applies to companies with annual reporting periods beginning on or after 1 January 2023, and that supporting resources are available on the IFRS Foundation's website.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/12/video-insurance-contracts-accounting-standard-becomes-effective-1-jan-2023/

IFRS Foundation Announces 2023 IASB Research Forum
IFRS Foundation has announced that it will host its 2023 Research Forum in Paris on 2 and 3 November 2023, and is seeking research papers on accounting for intangible assets. The deadline for submitting the research papers for the 2023 IASB Research Forum is 31 March 2023.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/11/ifrs-foundation-announces-2023-iasb-research-forum/

IASB Proposes Changes To The IFRS Accounting Taxonomy 2022 For Amendments To IFRS 16 And IAS 1
The proposed IFRS Accounting Taxonomy 2022 Update includes changes to (i) Lease Liability in a Sale and Leaseback, which amended IFRS 16 *Leases* and was issued in September 2022; and (ii) Non-current Liabilities with Covenants, which amended IAS 1 *Presentation of Financial Statements* and was issued in October 2022.
The comment period ended on 28 December 2022.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/11/iasb-proposes-changes-to-the-ifrs-accounting-taxonomy-2022-for-amendments-to-ifrs-16-and-ias-1/

SUSTAINABILITY & CLIMATE CHANGE

December 2022 ISSB Update Available
This Update highlights ISSB's deliberations of the proposals in its Exposure Drafts for IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, including those relating to greenhouse gas emissions.

For more information, please visit https://www.ifrs.org/news-and-events/updates/issb/2022/issb-update-december-2022/

TEXT BY


Edwin Leow


Koy Su Hiang

Under Singapore's territorial system of taxation, a remote employee who works overseas for a Singapore-based employer should not be subject to tax on his remuneration.

Tax Aspects Of Remote Work

Implications For Employers And Employees

TAKE AWAYS

- In planning for cross-border remote work arrangements, employers should seek to understand and address potential issues relating to permanent establishments in the foreign jurisdiction.
- Applying the source rule, an employee who works remotely outside Singapore for an employer based in Singapore would be earning foreign employment income, not subject to Singapore income tax. As the remote employee would be based in a foreign tax jurisdiction to perform his services, his remuneration would be treated as sourced in that jurisdiction and subject to tax.
- Where the employee's services are performed in relation to the production of the employer's income chargeable to Singapore income tax, the costs of his remuneration are usually deductible for the employer, unless specifically disallowed by law.

HYBRID WORK ARRANGEMENTS, OR REMOTE WORKING, ARE NOW COMMONLY ADOPTED by employers worldwide, including in Singapore, due to work-from-home arrangements put in place during the COVID-19 pandemic.

This article explores the Singapore and foreign tax implications that may arise from cross-border remote work arrangements.

TAX CONSIDERATIONS FOR THE EMPLOYEE

Singapore tax implications

Source of employment income

Under Singapore's territorial tax system, income from any employment that is exercised in Singapore is deemed to be sourced in Singapore. Thus, where an employee performs his services in Singapore, his employment income is treated as having a source in Singapore and is therefore subject to tax regardless of where it is received or where the employer is located.

Conversely, where an employee is contracted to be based overseas and his services are performed outside Singapore, his employment income has a foreign source. If the income is kept offshore, it is outside the scope of Singapore tax, and if it is received in Singapore, it is exempt from tax in the hands of the employee.

Applying the source rule, an employee who works remotely outside Singapore for an employer based in Singapore would be earning foreign employment income, not subject to Singapore income tax.

Business trips to Singapore

If the remote employee makes business trips to Singapore, he would be considered as exercising employment in Singapore during the period of the trip. Consequently, his remuneration attributable to the days of employment in Singapore is treated as sourced in Singapore and thus subject to tax in Singapore, unless exempt from tax.

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[1] Although directors are treated as employees under the Act, the tax exemption under section 13(6) does not apply to directors.

• Tax exemption for short-term visiting employees

Tax exemption is available under section 13(6) of the Income Tax Act 1947 (the 'Act') if the employee is a non-resident exercising employment[1] in Singapore for not more than 60 days in the calendar year. This is known as the tax exemption for short-term visiting employees.

Two tests – the qualitative test and quantitative test – are applied to determine the residency status of individuals on a year-by-year basis.

In practice, the quantitative test is applicable for a foreign employee. If the remote employee is a foreigner, he should be treated as a non-resident as it is expected that he would not be physically

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present or exercise employment in Singapore for 183 days or more during a calendar year.

However, if the remote employee is a Singapore citizen or permanent resident, the qualitative test should be applicable for ascertaining his residency status. To be considered a resident, the individual is required to reside in Singapore during the calendar year except for such temporary absences from Singapore as may be reasonable and not inconsistent with his claim to be resident in Singapore.

Applying the qualitative test, if the Singapore citizen/permanent resident's absences from Singapore are temporary, he will be treated as resident in Singapore, in which case, the tax exemption under section 13(6) will not be available. However, if he had left Singapore with the intention to establish residence overseas, he should be treated as a non-resident and therefore should not be precluded from availing of section 13(6).

Foreign tax implications

As the remote employee would be based in a foreign tax jurisdiction to perform his services, he should expect that his remuneration would be treated as sourced in that jurisdiction and subject to tax. Compared with other tax jurisdictions, the Singapore personal tax regime is relatively straightforward. As such, Singaporean employees who decide to relocate overseas to take up remote employment should understand and comply with the foreign tax rules and avoid any tax surprises.

TAX CONSIDERATIONS FOR THE EMPLOYER

Singapore tax implications

Tax deduction on employees' remuneration

Where the employee's services are performed in relation to the production of the employer's income chargeable to Singapore income tax, the costs of his remuneration should be deductible for the employer, unless they are specifically disallowed under the Act.

One of the specific disallowances under the Act relates to an employer's contributions to an employee's Central Provident Fund (CPF) that are not statutorily required. Under the CPF Act 1953, CPF contributions are not statutorily required for Singapore citizen and permanent resident employees based outside Singapore. An employer who makes CPF contributions for a remote employee who is a Singapore citizen or permanent resident should therefore not claim deduction on the contributions.

Under certain circumstances, a home office may be considered at the disposal of the employer for carrying on its business, and therefore be found to constitute a permanent establishment

Foreign tax implications

Employer's obligations

The Singapore-based employer should be mindful of whether the foreign tax jurisdiction imposes any employer's obligations relating to the reporting and payment of any income tax for the employee who is working remotely in that jurisdiction. Depending on the jurisdiction, there may also be obligations for payroll tax and social security contributions.

Permanent establishment concerns

The Singapore-based employer should also take care not to create a permanent establishment in a foreign tax jurisdiction through the presence or activities of remote employees in the jurisdiction.

If a double taxation agreement (DTA) between Singapore and the foreign jurisdiction is applicable, it would define a permanent establishment to mean a fixed place of business through which the business of an enterprise is wholly or partly carried on. According to the OECD Model Treaty Commentary, a fixed place of business that constitutes a permanent establishment is one that is considered at the disposal of the enterprise. The commentary adds that an individual's home office may be considered at the disposal of the enterprise if it is used on a continuous basis for carrying on the enterprise's business and the enterprise has required the individual to use the home office to carry on its business.

In a typical remote working arrangement, although the employer may not require the employee to work from his home office, the employee would nonetheless be using the home office on a continuous basis for performing services for his employer. That being the case, a home office may be considered at the disposal of the employer for carrying on its business, and therefore be found to constitute a permanent establishment, unless the employee is engaged in activities that are preparatory or auxiliary in nature.

As for the employer, remuneration paid to remote employees is generally a deductible expense except for employer's CPF contributions made for the employee.

Apart from the above, if a DTA between Singapore and the foreign jurisdiction is applicable, it may also deem a permanent establishment to be created through the existence or extent of certain activities in the foreign jurisdiction. Such activities may include the furnishing of services by an enterprise through its remote employees that continue for more than a specified period.

If the Singapore-based employer has a permanent establishment in the foreign jurisdiction, generally, it will be required to file corporate tax returns for the purposes of ascertaining the foreign tax payable on the business profits attributable to the permanent establishment.

Back in Singapore, the foreign tax paid would generally be taken into consideration for the purposes of allowing foreign tax relief in arriving at the tax payable on the business profits. Alternatively, the Singapore-based employer may claim foreign-sourced income exemption on the business profits of the permanent establishment, subject to qualifying conditions.

CONCLUSION

Under Singapore's territorial system of taxation, a remote employee who works overseas for a Singapore-based employer should not be subject to tax on his remuneration. This includes his remuneration attributable to business trips made to Singapore not exceeding 60 days in the calendar year, provided he is treated as a non-resident.

As for the employer, remuneration paid to remote employees is generally a deductible expense except for employer's CPF contributions made for the employee. Finally, in planning for cross-border remote work arrangements, employers should seek to understand and address potential issues relating to permanent establishments in the foreign jurisdiction. ISCA

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TECHNICAL EXCELLENCE

TEXT BY

Felix Wong

PHOTO SHUTTERSTOCK

Managing Employment Tax Compliance

Enhancing Employment Tax Governance And Risk Management

TAKE AWAYS

- Generally, all gains and profits derived by an employee in respect of his employment in Singapore are subject to income tax in Singapore, unless they are specifically exempt from income tax or are covered by an existing administrative concession issued by the Inland Revenue Authority of Singapore (IRAS).
- Critical financial information must be recorded and retained, with safeguards put in place to ensure the data integrity.
- Companies should document and validate their end-to-end process for risk management purposes, and designate appropriate signoffs at each stage of processes to enhance accountability.

THE TRANSFORMATION OF THE GLOBAL EMPLOYMENT LANDSCAPE SINCE COVID-19 has been nothing short of astonishing. Unthinkable just a few years ago, remote and hybrid work arrangements are now the default arrangements for a large part of the global workforce. The continual evolution of established working norms and the rise of the gig economy have led to growing complexities for both companies and individuals in handling their compliance obligations.

Accredited Tax Practitioner (Income Tax) **Grace Huang**, Partner and APAC Employment Tax Leader, and **Adi Kesuma**, Senior Manager, Vialto Partners, provided an overview of key employer obligations and common pitfalls to avoid in relation to employment tax and other obligations

"In view of the changing employment landscape, we expect further guidance from the authorities on the regulatory treatment for remote and hybrid work arrangements," shared Accredited Tax Practitioner (Income Tax) Grace Huang, Partner and APAC Employment Tax Leader, and Adi Kesuma, Senior Manager, Vialto Partners, in a recent webinar organised by the Singapore Chartered Tax Professionals. "In the meantime, companies should evaluate their readiness to meet increasingly complex compliance obligations, with an emphasis to enhance tax governance as tax administrations are gradually taking a more upstream approach to risk management."

"In view of the changing employment landscape, we expect further guidance from the authorities on the regulatory treatment for remote and hybrid work arrangements."

OVERVIEW OF KEY EMPLOYER OBLIGATIONS

An 'employer' is defined in Section 2 of the Singapore Employment Act as any person who employs another person under a contract of service. A contract of service is an agreement between both the employer and employee, which typically would indicate:

a) an employer-employee relationship;
b) the employee does business for the employer; and
c) the terms of employment such as working hours, leave benefits, etc.

In Singapore, an entity that meets the definition of an employer would have numerous compliance obligations, spanning from the annual reporting of the employee's remuneration and employer tax clearance return to making contributions to the Central Provident Fund (CPF), Skills Development Levy (SDL), Self-Help Groups (SHG), and Foreign Worker Levy (FWL).

Annual reporting of employee's remuneration

Employers are required to report the annual remuneration and other taxable benefits of all Singaporean employees (including Singapore permanent resident (PR) who have resigned, signed a letter of undertaking, and are not leaving Singapore permanently) and other employees who remain employed as of 31 December. The completed Form IR8A and the relevant appendices need to be filed by 1 March of the following year.

Employer tax clearance return

An employer of non-Singaporean employees who are ceasing their Singapore employment, starting an overseas posting, or leaving Singapore for any period exceeding three months, is required to file the Form IR21 one month prior to the employee's departure or cessation of the Singapore employment, "Companies should evaluate their readiness to meet increasingly complex compliance obligations, with an emphasis to enhance tax governance as tax administrations are gradually taking a more upstream approach to risk management."

whichever is earlier. The employer also needs to withhold all monies due to the employee from the date that it is made aware of the employee's cessation of employment or departure from Singapore. Otherwise, in the event of tax payment default, the employer may be held liable for the employee's tax liability.

Central Provident Fund

CPF is a comprehensive social security system that is applicable to all Singapore citizens and Singapore PRs. Employers are required to pay the total CPF contributions (both the employer's and employee's contributions) to the CPF Board by the end of the calendar month or by the 14th of the following month (grace period). Otherwise, enforcement actions would be taken against employers who fail to pay by the 14th day of the following month.

TAXATION OF EMPLOYMENT INCOME

Generally, all gains and profits derived by an employee in respect of his employment in Singapore are subject to income tax in Singapore, unless they are specifically exempt from income tax or are covered by an existing administrative concession issued by the IRAS. While the tax principle may seem straightforward, its application in practice is often not as simple as one may envisage.

Consider a scenario where John, a Singapore citizen, is employed by a company headquartered in China and is ordinarily based in China. In July 2022, John returned to Singapore for a holiday and plans to work remotely in Singapore for the rest of 2022 to

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avoid the quarantine requirements in China. John has not decided on when he will return to China.

From an employment tax perspective, John's situation raises many questions:

- Should John remain on the China entity's payroll while he is working remotely in Singapore?
- Which entity (the China head office or the Singapore subsidiary, if any) should handle the employer's reporting while John is in Singapore?
- Does the company need to fulfil employment tax obligations in Singapore (for example, CPF, SDL and SHG)?
- Are there any double taxation implications?
- Will John create a permanent establishment (PE) for the China entity in Singapore?

COMMON PITFALLS

Overseas payments not reported

One common employment tax pitfall relates to split payroll arrangements where payments made by the overseas payroll in relation to a Singapore employment are not reported in Singapore, leading to an under-reporting of taxable income in Singapore.

Taxable reimbursements

Depending on the set-up of a company, reimbursements may not be handled by the payroll department. If a taxable reimbursement is not processed via payroll, the company may overlook the reimbursement and under-report its taxable income.

Income versus capital payments

Some of the employment income may be incorrectly treated as capital payment and accordingly, not brought to tax (for example, severance payment). While severance payments that are made to compensate for the loss of employment are capital receipts and therefore not taxable, other payments such as salary in lieu of notice, ex-gratia and gratuity for past services are payments for services and therefore, taxable to the employee.

NAVIGATE THE COMPLEX EMPLOYMENT TAX LANDSCAPE

In view of the changing employment norms and the heightened scrutiny by tax authorities, companies should put in place a comprehensive risk framework and governance to handle the entire life cycle of employment – from the moment an employee joins the organisation to the moment the employee leaves. Critical financial information (such as remuneration, benefits, expenses, reimbursements and CPF contributions) must be recorded and retained, with safeguards put in place to ensure the data integrity.

Initial set-up
It is critical for the organisation to be aware of and set up all of the employer's statutory reporting requirements correctly from the onset. Professional tax advice should be sought where necessary as even the best system would not be useful if the organisation has misinterpreted the requirements.

Once the statutory reporting requirements and filing deadlines have been established, the organisation may then set up the system based on its specific needs. When setting up the system, the company should include all payroll codes including off-payroll items. The mapping of the codes to the various statutory filing should then be reviewed for accuracy.

Risk and governance
There should be a clear segregation of roles and responsibilities to manage risk and enhance governance. Some organisations adopt the RACI (responsible, accountable, consulted, informed) matrix to enhance the clarity of employee roles and responsibilities for each task, milestone and decision.

Monitor and control
Potential exposures and gaps in the system or process should be identified through periodic checks, and any gaps identified should be proactively resolved with the relevant authorities. Regular trainings should be conducted to help employees remain relevant and competent.

Governance and documentation
Companies should document their end-to-end process for risk management purposes, and designate appropriate signoffs at each stage of processes to enhance accountability. All relevant records must be retained to support the various compliance and reporting.

While employment tax compliance may not usually be in the spotlight, the recent transformation of the global employment landscape and the continual evolution of established working norms have raised questions of companies' readiness to meet the increasingly complex compliance obligations. It is thus timely for companies to put on new lenses to relook their employment tax compliance. ISCA

Companies should put in place a comprehensive risk framework and governance to handle the entire life cycle of employment

Felix Wong is Head of Tax, Singapore Chartered Tax Professionals.

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