

31 December 2013

Volume 5, Issue 4

Inside this issue:

Highlights

Welcome 2014

We begin this edition of the newsletter for the festive season with an article by our Australian office on an important consideration – asset protection. The article also touches on some far more valuable assets that we all have.

The Chinese government is also looking ahead and has recently released a new blueprint for tax reforms. The trend of shifting from indirect to direct tax continues.

Changes are also due in Hong Kong. The existing Companies Ordinance has been in use since 1950. It will be replaced by a new ordinance (titled Chapter 622) with effect from 3 March 2014. This newsletter contains an useful summary of some of the new rules.

Indonesia has seen high growth in the property sector in recent years. A new circular was issued in September 2013 to tighten up risk management for banks' lending collateralized by property assets.

In Malaysia, the 2014

Budget was released in October 2013. Similar to China, GST will replace the current sales and service tax. The implementation date of GST is 1 April 2015.

Singapore has an article on our own profession, covering auditor's responsibility on bank confirmation and fraud considerations. We will enter the year 2014 with confidence, taking stock of good measures and best practice.

Australia	2
China	3
Hong Kong	4
Indonesia	8
Malaysia	11
Singapore	16



"...there are some far more valuable assets that we all have..."

In 1968, US senator Robert Kennedy stated that GDP "measures everything... except that which makes life worthwhile." As accountants our focus is often on measuring things - taxable income, profit, cash flow, assets and liabilities. These things are of course important but there are many valuable things we can't measure.

Bruce Saward of Saward Dawson recently participated in a workshop on the topic of asset protection. They were asked to list down their assets. We would normally expect this to include things like the value of a business, our investment portfolio, superannuation and real estate. However, there are some far more valuable assets that we all have: our health, our families, our relationships and our capacity to work; things that are not easily measured but make life worthwhile.

And so if you are serious about considering the topic of asset protection, you should consider what you are doing to protect (and enhance the value

of) these assets. Are you eating well, exercising and spending time with family, friends and relationships?

There are also some practical things that Saward Dawson can assist you with in protecting these most valuable assets and your other assets including:

- Reviewing whether you have adequate life, trauma or income protection insurance so that your family is adequately provided for
- Developing a financial strategy that will enable you to adequately provide the needs of your family and to enable you to enjoy retirement
- Ensuring that you have the correct business structure in place so that your personal assets are isolated from your business assets

- Ensuring that your banking facilities are structured correctly to minimise the exposure of your personal assets
- Maintaining budgets and suitable forward looking indicators in your business so that you are warned of troubles ahead.

As you prepare for the festive season it is a good time to stop and consider the things of real value and whether they are adequately protected.

China's New Blueprint for Tax Reforms Recently Released

CHINA



The new Chinese leaders unveiled a new reform blueprint to push forward the development of the world's second largest economy, following the close of the third Plenary Session (the Third Plenum) of the 18th Central Committee of the Communist Party of China from 9 to 12 November 2013 in Beijing. The Decision on Several Major Issues Concerning the Comprehensive Deepening of Reform released afterwards sets out the roadmap for serials of political and economic reforms in China to be achieved by 2020.

In the economic area, the primary task is to build an open and unified market with orderly competition, with the market playing a "decisive" role in resource allocation. Certain specific measures were proposed such as developing China's capital market on multiple levels, reforming interest and exchange rate policy to make rates more market based, gradually implementing capital account convertibility of Renminbi, and developing private

financial institutions with better regulation. The fiscal and taxation reforms are much expected as a key not only to maintain sustainable economic growth but also to ease intensifying social instability. According to the Decision, the tax reforms aim to improve the tax system in China, stabilise the tax burden of taxpayers, improve the efficiency in tax administration, enhance social equity and regulate tax incentives policies. The following highlights the main reforms to achieve these goals:

- **More Direct Taxes**

A shift from indirect to a direct taxation will be implemented. It is observed that attempts to finance increases in government spending primarily via increases in indirect taxation would both increase the relative tax burden on the least well off sections of the population and be inflationary. The undergoing Business Tax (BT) to Value-added Tax (VAT) Transformation Pilot Programme is a major effort in this area. Starting from 1 August 2013, the Programme is extended to cover all

areas of mainland China. Further, it is intended that railway transportation, postal services and telecommunication services will also be shifted from BT to VAT. According to the plan, the VAT will cover all industries by 2015. Another plan is to expand the taxable scope of Consumption Tax to high energy-consuming and heavy-polluting goods as well as certain luxury goods.

- **Revising Individual Income Tax regime**

Individual income tax is regarded as a main channel of income redistribution. Worries exist in the leadership about growing discontent over inequality in China, which has one of the world's widest gaps between rich and poor and which has now reached levels which the government fears could spark unrest. The taxation of individuals will gradually migrate from the existing income category method to a combination of comprehensive income and the income category method.

".. taxation of individuals will migrate... to a combination of comprehensive income ..."

CHINA

(Continued)

"... will reinforce and standardize the administration on tax incentives..."

- **Reforming Resource Tax and introducing Environmental Tax**

A growing environmental awareness and industrial pollution have led the government to worry about the risk of yet more protests that could undermine social order. Reform of Resource Tax will be accelerated by extending the taxable scope to the use of most natural and ecological resources. Meanwhile, a new Environmental Tax will also be introduced to substitute the current fee levied on pollutant emission.

- **Legislation for Property Tax**

Currently, Property Tax, as one of the means to curb real estate

speculation, has been implanted on a trial basis in the city of Shanghai and Chongqing. It is expected that the government will legitimate the legal basis for imposing Property Tax across the country.

- **Regulating Tax Incentives Policies**

For a long time, local governments have used various tax incentives to attract investment, resulting in unfair competition among enterprises and distorting the normal allocation of resources. The new government will reinforce and standardize the administration on tax incentives, in particular local and regional incentives. A plan will be executed to review existing tax incentives

and the Decision reiterates that all tax incentives shall be formulated under a unified national tax regulation.

HONG KONG



Serving Hong Kong Since 1994

New Companies Ordinance

The new Companies Ordinance ("the new CO") passed on 12 July 2012 will be effective since 3 March 2014.

The new CO will bring various changes including those below:

Abolition of Par Value of Shares

- Concepts such as nominal value and share premium are abolished.
- Existing balances in

the share premium account and capital redemption reserve will become part of the company's share capital.

Restricting Corporate Directorship in Private Companies

- Subject to a 6-month grace period after the new CO becomes effective, a private company must have at least one natural person to act as director.

Offences relating to contents of auditor's reports

- If an auditor of a company fails to obtain all information or explanations that, to the best of the auditor's knowledge and belief, are necessary and material for the purpose of the audit, or if the auditor is of the opinion that the financial statements of the company are not in agreement with the accounting records in any material respect, the auditor must state such fact in the auditor's report.
- Under the new CO, an auditor who knowingly or recklessly causes any of the specified statements to be omitted from an auditor's report commits an offence under section 408 and

is liable to a fine not exceeding \$150,000.

Enhancement of Auditor's rights

- An auditor may require a wider range of persons to provide information or explanation reasonably required for the performance of the auditor's duties.
- A person commits an offence if he makes a statement to an auditor that conveys or purports to convey any information or explanation that is misleading, false or deceptive in a material particular.

Restricted disclosure of residential addressee and identification numbers

- Directors may withhold their residential addresses and full identity card / passport numbers from public inspection.
- For directors, the new CO requires the provision of correspondence addresses in addition to usual residential addresses. Only the directors' correspondence addresses will be

shown on the Companies Register.

Abolition of Memorandum of Association

- Article of Association is the constitutional document of a company.

Annual returns of local companies

- Under the new CO, the annual return of a public company or a guarantee company will no longer be filed with reference to the date of Annual General Meeting ("AGM") as an AGM may be dispensed with under the new CO.

Deregistration

- The new CO extends the voluntary deregistration procedure to companies limited by guarantee.
- Apart from the 3 conditions specified in the existing Company Ordinance, namely (i) the company has not commenced / has ceased operation or business, (ii) it has no outstanding liabilities; and (iii) all members agree to the deregistration, the new CO specified 3

"...directors may withhold their residential addresses and full identity..."

HONG KONG

(Continued)

"...by unanimous shareholders' consent dispense with the holding of an Annual General Meeting..."

additional conditions as below:

- The company is not a party to any legal proceedings;
- It has no immovable property situate in Hong Kong; and
- If the company is a holding company, none of its subsidiary's assets consists of any immovable property situate in Hong Kong.

Types of companies under the new CO

- Under the new CO, the types of companies that can be formed are streamlined from eight types under the existing Company Ordinance to five types:
 - (a) private companies limited by shares
 - (b) public companies limited by shares
 - (c) companies limited by guarantee without a share capital
 - (d) private unlimited companies with a share capital
 - (e) public unlimited companies with a share capital

Major changes affecting directors

- Many of the duties imposed on directors arise though common law rather than legislation. The new CO codifies a director's duty to exercise reasonable care, skill and diligence.
- There is a new two-pronged test: in performing duties, a director must bring to bear his or her own skills and experience (a subjective test), as well as those that any director in that position would be presumed to have (an objective test).

Meetings and resolutions

- A company may by unanimous shareholders' consent dispense with the holding of an Annual General Meeting and replace it by a written resolution, but documents required to be tabled must be provided to members on or before the written resolution.
- Subject to the company's articles, a company may hold a general meeting at two or more places using technology that enables them to

exercise their right to speak and vote at that meeting.

- Requirements regarding written resolutions have been refined with a statutory procedure prescribed for proposing, passing and recording such resolutions.

Registration of charges and their discharge

- The list of registrable charges under the new CO has been updated.
- Under the new CO, a certified copy of the instrument creating or evidencing the charge as well as the specified form containing the particulars of the charge are required to be filed and placed on the public register for public inspection.

Simplified financial and directors' reports

- The new CO sets out detailed requirements on reporting exemption which allows more private companies to prepare simplified financial and directors' reports.
- When a company falls under the reporting exemption:
 - (a) it is not required to prepare financial

HONG KONG

(Continued)

statements that give a true and fair view. Its financial statements are only required to comply with applicable accounting standards;

(b) one or more of its subsidiaries may be excluded from its annual consolidated financial statements;

(c) its financial statements need not disclose the remuneration of auditor;

- In general, the following types of private companies qualify for the reporting exemption:

(a) a "private company" which is not a subsidiary of another and does not have a subsidiary, and all members of that company agree in writing that the reporting exemption applies;

(b) a "small private company";

(c) the holding company of a "group of small private company";

(d) an "eligible private company" with approval from at

least 75% members in a general meeting with no member objecting; and

(e) the holding company of a "group of eligible private company".

- A private company is a "small private company" if any two of the following three conditions are satisfied:

(i) total revenue not exceeding HK\$100 million;

(ii) total assets not exceeding HK\$100 million; and

(iii) no. of employee not exceeding 100.

- A private company is an "eligible private company" if any two of the following three conditions are satisfied:

(i) total revenue not exceeding HK\$200 million;

(ii) total assets not exceeding HK\$200 million; and

(iii) no. of employee not exceeding 100.

To sum up, the new CO allows Hong Kong to leverage the developments of company law in other comparable jurisdictions

and further enhance its competitiveness and attractiveness as a major international business and financial center.

We look forward to the implementation of the new CO.

"...allow Hong Kong to leverage the development of company law I other comparable jurisdictions..."

INDONESIA



Russell Bedford Indomitra
Management & Legal Consulting

Risk Management for Banks that Provide Property Loans and Consumer Loans or Financing with Property Assets as Collateral

"...additional conditions include the requirement for the debtors/debtor candidates to report all their consumer loan facilities..."

The property sector in Indonesia has been growing significantly along with the relatively high growth of Indonesian economy in the last few years (6.5% in 2011, 6.23% in 2012, and 5.6% – 6% in 2013). The growth of the property sector has also escalated the property loans provided by banking institutions. On the other hand, banks also disbursed many consumer loans with property assets used as collateral. The concentration of loans disbursed to the property sector has been growingly unhealthy because it has exceeded the aggregate bank loan growth in the range of 20-25 percent. The considerable amount of property loans has also increased the credit risk of the banks so that significant improvement needs to be made to the risk management on the loans for the property sector.

Understanding the need for strengthening the risk management in this segment, Bank Indonesia as Indonesian central bank has issued a stipulation through the issuance of Bank Indonesia's circular letter

number 15/40/DKMP of 24 September 2013. Through this stipulation, the central bank improved the application of Loan to Value (LTV) / Financing to Value (FTV) for property loans and consumer loans with property assets as collateral. According to this stipulation, LTV/FTV is the ratio of loan or financing amount that can be granted by a bank to the amount of property collateral at the time the loan or financing is granted, which is based on the latest appraisal value. As part of risk management, this policy is basically aimed at maintaining the stability of the financial system and strengthening the banking sector by upholding the prudential principle. The imposition of the stipulation through this circular letter is expected to reduce the growth of credit risk concentration in the property sector and support the application of the prudential principle in providing loans.

The application of LTV/FTV as stipulated by BI's circular letter number 15/40/DKMP is complemented by the application of the prudential principle by

way of imposing additional conditions for loan processing and the equal treatment for both conventional and Islamic banks. These additional conditions include the requirement for the debtors / debtor candidates to report all of their consumer loan facilities that are associated with the ownership of property or that have property collateral, which have been obtained when the credit proposal is submitted. These facilities are to be accounted for in determining the order of credit facilities and the LTV/FTV to be imposed. As stipulated in this circular letter, the ratio of property loan must take into account the first, second, and third facilities. The loan amount to be granted to the customers will decline based on the order of credit facilities.

The property loans that are subject to the stipulation of this circular letter include the mortgage loans for landed houses (the conventional KPR or the Islamic KPR iB), mortgage loans for flats (the conventional KPRS or the Islamic KPRS iB), mortgage loans for office-houses (the conventional KPRukan or the Islamic

INDONESIA

(Continued)

KPRukan iB), mortgage loans for shop-houses (the conventional KPRuko or the Islamic KPRuko iB), and consumer loans with property collateral (the conventional KKBP or the Islamic KKBP iB).

The calculation of loan or financing amount and collateral amount in the calculation of LTV or FTV for conventional banks is determined by applying the following conditions:

- The loan amount must be determined based on the credit limit obtained by the debtor as stated in the loan agreement, while
- the amount of collateral must be determined based on the value of the property asset(s) to be used as collateral as appraised by banks. In conducting appraisal, a bank can employ either its own internal appraiser or an independent appraiser by

following the stipulation of Bank Indonesia on the evaluation of commercial banks' asset quality.

The summary of the new LTV/FTV stipulation for conventional banks' KPR, KPRS, KP Ruko, and KP Rukan mortgages is presented in the tables below:

CREDIT/ FINANCING/ COLLATERAL	MAXIMAL LTV/ FTV		
	FK/FP 1	FK/FP 2	FK/FP etc.
KPR Type > 70	70%	60%	50%
KPRS Type > 70	70%	60%	50%
KPR Type 22-70	-	70%	60%
KPRS Type 22-70	80%	70%	60%
KPRS Type up to 20	-	70%	60%
KP Ruko/Rukan	-	70%	60%

FINANCING/ COLLATERAL	MAXIMAL FTV		
	FK/FP 1	FK/FP 2	FK/FP etc.
KPR Type > 70	80%	70%	60%
KPRS Type > 70	80%	70%	60%
KPR Type 22-70	-	80%	70%
KPRS Type 22-70	90%	80%	70%
KPRS Type up to 20	-	80%	70%
KP Ruko/Rukan	-	80%	70%

“...bank can employ either its own internal appraiser or an independent appraiser...”

The application of the prudential principle in granting property loans such as the mortgage loans of property ownership (the conventional KPP or the Islamic KPP iB) as well as

in granting consumer loans with property collateral (the conventional KKBP or the Islamic KKBP iB) is set forth in BI's circular letter number 15/40/DKMP, which include the

following requirements:

- Banks must not grant credit or financing facilities for the down payment of the property assets financed by KPP or

INDONESIA

(Continued)

"...the property used as collateral has been available in its full form..."

KPP iB and/or KKBP or KKBP iB.

2. Banks can only grant KPP or KPP iB facilities if the property used as collateral has been available in its full form, i.e. the physical form has been fully constructed as promised and ready to be handed over.

3. The stipulation as stated in point number 2 above does not apply to KPP or KPP iB facilities fulfilling the following conditions:

- a. The KPP or KPP iB is the debtor's or customer's first mortgage loans of property ownership out of all facilities obtained from the same bank or different banks.
- b. The bank and the developer of the property have a cooperation agreement which at least include the representation of the developer that it will complete the construction of the property as promised to the debtor or customer.
- c. The developer provides the

bank with a corporate guarantee that it will fulfill its obligation to the debtor or customer granted with KPP or KPP iB mortgage facility that in the case that the property cannot be completed and/or handed over as promised.

- d. The disbursement of KPP or KPP iB mortgage facility can only be made in stages according to the completion progress of the property asset used as collateral. The progress of the property construction will be determined based on the reports of: 1) the developer – if the aggregate amount of the loan or financing for 1 (one) or more debtors or customers in the same project is not more than Rp5,000,000,000.00 (five billion rupiah); or 2) an independent appraiser – if the aggregate amount of the loan or financing for 1

(one) or more debtors or customers in the same project is more than Rp5,000,000,000.00 (five billion rupiah), provided that the amount has been verified by the bank.

2014 Malaysian Budget Highlights

MALAYSIA

On 25 October 2013, the Prime Minister and Minister of Finance, YAB Dato' Seri Mohd Najib Tun Razak, delivered the 2014 Budget themed "Strengthening Economic Resilience, Accelerating Transformation and Fulfilling Promises". The 2014 Budget is aimed at invigorating economic activity, strengthening fiscal management, inculcating excellence in human capital, intensifying urban and rural development and ensuring the well-being of the people towards achieving a developed nation status in 2020. Malaysia's real Gross Domestic Product is projected to record a growth of between 4.5% to 5% in 2013 and 5% to 5.5% in 2014. The Gross National Income ("GNI") is expected to increase by 6.2% to RM43,126 (USD13,376) in 2014 from RM32,144 (USD10,045) in 2013. The Government also expects an increase in per capita GNI to RM53,600 (USD16,750) by year 2020.

Some of the salient proposals tabled in the 2014 Budget include:

(A) INDIRECT TAX

1. Implementation of Goods and Services Tax ("GST")

The main highlight of the 2014 Budget would be the implementation of GST. After an 8 year hiatus since it was first proposed in the 2005 Budget, Malaysia has finally announced the implementation date of 1 April 2015.

It is proposed that the current sales tax and service tax will be abolished and replaced by a broad based consumption tax based on the value-added concept known as the Goods and Services Tax or GST.

The proposed GST rate is 6%.

GST charged on all business inputs such as capital assets and raw materials is known as "input tax" and GST charged on all supplies (sales) is known as "output tax".

(a) Scope of chargeability of GST

- (i) GST is to be charged on goods and services at all levels starting from production, manufacture, wholesale and retail;
- (ii) GST is to be charged on goods and services supplied within the country

or imported into the country.

(b) Scope of non-chargeability of GST

- (i) Supplies made by the Federal and State Government departments except for some services prescribed by the Minister of Finance;
- (ii) Supplies made by local authorities and statutory bodies in relation to regulatory and enforcement functions.

(c) Types of supplies

- (i) Standard-rated supplies

Standard-rated supplies are taxable supplies of goods and services which are subject to GST at standard rate. A taxable person who is registered under the GST has to collect GST on the supply and is eligible to claim input tax credit on his business inputs in making taxable supplies.

"...current sales tax and service tax will be abolished..."

MALAYSIA

(Continued)

"Exempt goods and services include public transportation services, private education..."

(ii) Zero-rated supplies

Zero-rated supplies are taxable supplies of goods and services which are subject to GST at zero percent rate. In this respect, businesses do not collect any GST on their supplies but are entitled to claim credit on inputs used in the course or furtherance of the business.

Goods and services which are zero rated include basic food items, piped water supply to domestic consumers, first 200 units of electricity per month for domestic consumers, exported services and international services.

(iii) Exempt supplies

Exempt supplies are supplies of goods and services which are not subject to GST. In this context, businesses do not collect any GST on their supplies and are not entitled to claim credit on

business inputs.

Exempt goods and services include public transportation services, private education, private health services, sale, purchase and rental of residential properties and selected financial services.

limited liability partnerships which qualify for the Small and Medium Enterprises ("SME") status]; and

- (ii) 24% on remaining chargeable income.

This proposal is effective from Year of Assessment ("YA") 2016.

2. Tax incentives in line with GST implementation

To support the smooth implementation of GST, it is proposed that certain expenses incurred in the course of GST implementation be given a tax deduction:

- (a) Secretarial fees of up to RM5,000 be deductible;
- (b) Tax filing fees of up to RM10,000 be deductible;
- (c) GST related training in accounting and information, communication and technology be given double deduction; and
- (d) Capital expenditure incurred in relation to purchase of information and communication technology

(B) CHANGES AFFECTING COMPANIES AND UNINCORPORATED BUSINESSES

1. Review of corporate income tax rates

Tax rates for a company, trust body, an executor, a receiver appointed by the court and a limited liability partnership be reduced from 25% to 24%.

For a company with paid up capital of up to RM2.5 million and a limited liability partnership with total contribution of capital of up to RM2.5 million, the tax rates will be reduced by 1% to the following tax rates:

- (i) 19% on chargeable income up to RM500,000 [for companies and

(Continued)

equipment be given Accelerated Capital Allowance for a further 3 years.

The effective dates for the above proposals are as follows:

- (i) Proposals (a) and (b) will take effect from YA 2015.
- (ii) Proposal (c) will be effective for YA 2014 and YA 2015.
- (iii) Proposal (d) will be effective from YA 2014 to YA 2016.

3. Amendment to definition of entertainment under Section 18 of the Income Tax Act 1967

Presently, "entertainment" is defined under Section 18 of the ITA to include

- (a) the provision of food, drink, recreation or hospitality of any kind; or
- (b) provision of accommodation or travel in connection with or for the purpose of facilitating entertainment of the kind mentioned in paragraph (a).

It is proposed that with effect from YA 2014 the definition of entertainment be amended such that expenses incurred by a

person or employee of his with or without consideration whether in cash or in kind, in promoting the business carried on by that person, shall fall within the definition of "entertainment".

This proposal is likely to impact companies in Malaysia which carry out extensive promotional activities. Certain types of promotional expenses which are currently deductible in full may now be categorised as "entertainment" expenses which only qualify for 50% deduction.

4. Deemed interest income from loan or advances to director

A new Section 140B in the ITA be introduced to provide that where a company provides any loans or advances from internal funds to its director, the company is deemed to derive interest income from such loans or advances.

The sum of monthly deemed interest is determined using the following formula:

$$\frac{1}{12} \times A \times B$$

Where A is the total amount of loan or advances outstanding at the end of the calendar month

Where B is the average lending rate of commercial banks published by the Central Bank at the end of the calendar month, or, where there is no such average lending rate, such other reference lending rate as may be prescribed by the Director General of Inland Revenue.

The above formula will not be applied if the actual interest charged by the company is more than the total sum of deemed interest.

This proposal is effective from YA 2014.

5. Tax incentive for implementation of minimum wages

Presently, under the minimum wages policy, employers are required to pay their employees (except those classified as domestic workers) a minimum wage of RM900 per month in Peninsular Malaysia and RM800 per month in Sabah, Sarawak and Labuan.

To reduce the burden of employers which are SMEs, co-operatives, societies, associations and organisations of having to comply with the minimum wages policy, it is proposed that the difference between the

"...promotion expenses... may be categorized as 'entertainment'"

MALAYSIA

(Continued)

"...ordinary share capital ...to be owned or controlled by...a director ..."

original salary and minimum wages paid be given a further deduction.

This incentive is effective for a period of one year from 1 January 2014 to 31 December 2014.

It is proposed that the percentage of ordinary share capital that is to be owned or controlled by a person who is regarded as a director (for purposes of determining the director's liability) be reduced from 50% to not less than 20%.

6. Interpretation of director

(C) CHANGES AFFECTING INDIVIDUALS

2. Reduction in individual tax rates

With effect from YA 2015, the tax rates for resident individuals be reduced as follows:

(i) Resident

Chargeable income (RM)	Existing rate (%)	Proposed rate (%)	Reduction (%)
1 – 5,000	0	0	0
5,001 – 20,000	2	1	1
20,001 – 35,000	6	5	1
35,001 – 50,000	11	10	1
50,001 – 70,000	19	16	3
70,001 – 100,000	24	21	3
100,001 – 250,000	26	24	2
250,001 – 400,000	26	24.5	1.5
Above 400,000	26	25	1

(ii) Non-resident

Tax rate for non-resident individuals be reduced by 1% to 25%.

3. Monthly tax deduction as final tax

Employees whose total income tax is equivalent to the amount of monthly tax deducted under the Monthly Tax Deduction ("MTD") be exempted from filing of annual tax returns provided that:

- The employee only receive cash remuneration;
- Monthly tax is deducted on that income and remitted under the MTD system;
- Employee has been serving under the same employer for a period of 12 months in a calendar year;
- Taxes are not borne by the employer;
- Employee has not elected for combined assessment.

This proposal is effective from YA 2014.

(D) REAL PROPERTY GAINS TAX ("RPGT")

1. Review of RPGT rates

Effective RPGT rates on gains from disposal of real properties and shares in real property companies be revised as follows:

Date of disposal	Real Property Gains Tax		
	Companies	Individual (Citizen & Permanent Resident)	Individual (Non-Citizen)
Within 3 years from date of acquisition	30%	30%	30%
In the 4 th year	20%	20%	30%
In the 5 th year	15%	15%	30%
In the 6 th year and subsequent years	5%	0%	5%

This proposal is effective for disposal from 1 January 2014.

"...RPGT rates on gains... be revised..."

Bank Confirmation – Fraud Considerations

"...must determine that the respondent is legitimate and free from bias..."

The practice of obtaining independent certificates or reports from banks is an important feature in the proper discharge of the auditor's responsibilities. Bank reports assist the auditor to ascertain the existence and the amount of liabilities and existence, amount, ownership and proper custody of assets; they also provide other information relevant to the audit of financial statements.

Generally, the auditor can reasonably rely upon the information given by reputable banks, provided it is not clearly wrong, suspicious or inconsistently in itself, ambiguous or in conflict with other evidence in the course of an audit. However, the auditor must be vigilant to confirmation fraud risk if the auditor is requesting for bank confirmation from unfamiliar foreign banks located overseas especially in countries where banking regulations are less stringent.

Confirmation Fraud Risk

SSA 240 "The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements" requires the auditor to maintain an

attitude of professional skepticism throughout the audit, and recognise the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience with the entity about the honesty and integrity of management and those charged with governance. The auditor must consider potential bank confirmation fraud risk. Exposure to bank confirmation fraud lies with not identifying the respondent. The auditor must determine that the respondent is legitimate and free from bias.

Typically, bank confirmation fraud is carried out by perpetrator in two phases:

Phase 1: The perpetrator provides false statements and documents. Cases where perpetrators produce fake bank statements are not uncommon and some even go to the extent of creating a website or a virtual office to "convince" the auditor of the bank's existence in that country.

Phase 2: The perpetrator provides a false response. Either by impersonating an officer of the bank or colluding with an officer in the bank who signs off on

that confirmation. This can happen when the auditor is not familiar with the foreign bank located in that country and the auditor obtains the contact person of the bank from client. Signature verification is also an issue as the auditor may lack resources to validate the legitimacy of the signatures on the confirmation requests.

Auditor's Response

The reliability of audit evidence provided by a confirmation is affected by the respondent competence, independence, authority to respond, knowledge of the matter being confirmed, and objectivity. For this reason, the auditor attempts to ensure, where practicable, that the confirmation request is directed to an appropriate individual.

For example, the auditor may consider contacting the authorised officer of the bank to verify the source and contents of the confirmation response. In addition, the auditor requests the authorised officer of the bank to mail the original confirmation directly to the auditor. With the increasing use of technology, the auditor considers validating the source of replies received

SINGAPORE

(Continued)

in electronic format. The need for the auditor to maintain control over communications with the intended recipient is to minimize the possibility that the results of the confirmation process will be invalidated by interception and alteration of the confirmation requests or responses. Maintaining control over external confirmations also means not involving the client in the process of collecting the confirmations.

Some auditors may insist on the bank confirmation to be signed by an authorized officer of the bank, whilst others may

accept as sufficient appropriate audit evidence a bank confirmation which states "This is a computer generated statement. No signature is required". Nevertheless, in all cases, the bank confirmation must be an original copy and be received by the auditor directly from the bank.

The auditor must be cognizant of technology that would allow a person to manipulate data (e.g. bank balances, names, addresses, e-mail and telephone and fax numbers, and the like) and that telephone numbers may be

untraceable and e-mail addresses may be deceptive.

Conclusion

It is the auditor's responsibility to consider whether there is sufficient basis for concluding that a confirmation request is being sent to a legitimate respondent who can provide sufficient competent audit evidential matter. If there is insufficient basis for that conclusion, the auditor cannot reasonably rely on the confirmation response.

"...must be original copy and be received by the auditor directly ..."

Doing Business

Russell Bedford International has been a 'global partner' in the **World Bank's Doing Business** annual projects since 2009, with Russell Bedford member firms contributing data on tax regulation, compliance and the real tax burden on businesses and entrepreneurs.

In the latest report, some impressive growths of ease of doing business in Asia Pacific countries are noted. For example, China has leapt 9 places in the ranking for access to credit, up to 73rd place from 82nd. The Malaysia's ranking in ease of starting a business is up 3 places to 16th whereas the ease of securing construction permits is up 56 places to 43rd.

You can view each of the country profile by visiting our international website:

www.russellbedford.com

and click under Quick Link "Doing Business"



Disclaimer

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

Business consultants with a
global perspective



Russell Bedford Asia Pacific Offices Contacts

Australia - Melbourne

Bruce Saward
bruce@sawarddawson.com.au
www.youraccountant.com.au

Australia - Perth

John Van Dieren
jvdieren@stantons.com.au
www.stantons.com.au

Australia - Sydney

Greg Ralph
gralph@gouldralph.com.au
www.gouldralph.com.au

China - Beijing / Shanghai

Guoqi Wang
guoqi_wang@huaander.com
www.huaander.com

China - Hong Kong / Guangzhou / Shanghai

Jimmy Chung
jimmychung@russellbedford.com.hk
www.russellbedford.com.hk

China - Shanghai

Charles Wang
charles.w@jialiangcpa.cn
www.jialiangcpa.cn

India

Shreedhar T. Kunte
sharp@bom3.vsnl.net.in
www.sharp-tannan.com

Indonesia

Syarief Basir
sbasir@russellbedford.co.id
www.russellbedford.co.id

Korea (South)

Kiwun Suh
kws@cjac.kr
www.cjac.kr

Malaysia

Loh Kok Leong
lohkl@russellbedford.com.my
www.russellbedford.com.my

Mauritius

Jaye C. Jingree
jaye.jingree@krossborder.mu
www.krossborder.com

Pakistan

Rashid Rahman Mir
rsrirlhr@brain.net.pk

Philippines

Marcelino Mercado
info@mcjcpas.ph
www.mcjcpas.ph

Singapore

Douglas Tan
douglas@stcsamasmgt.com.sg
www.strb.com.sg

Taiwan

Arthur Lin
jsgcpa@russellbedford.com.tw
www.russellbedford.com.tw

Thailand

Prof. Kesree Narongdej
kesree@amt-asso.com

Vietnam - Hanoi

Hung Duy Pham
hung.duy.pham@ktcvietnam.com
www.ktcvietnam.com

Vietnam - Ho Chi Minh City

Van Anh Thai
van.anh.thai@ktcvietnam.com
www.ktcvietnam.com



Russell Bedford International

Russell Bedford House
250 City Road
London EC1V 2QQ
United Kingdom

marketing@russellbedford.com

www.russellbedford.com

Russell Bedford International is a global network of independent firms of accountants, auditors, tax advisers and business consultants.

Ranked as one of the world's top accounting networks*, Russell Bedford International is represented by some 460 partners, 5000 staff and 200 offices in more than 80 countries in Europe, the Americas, Middle East, Africa, Indian Sub-Continent and Asia-Pacific.

**Ranked by global revenues in International Accounting Bulletin World Surveys. Networks defined in accordance with IFAC Code of Ethics.*