

Megatrends Shaping The Future  
Of Audit **18**

Indonesia: Fascinating Market  
Opportunities **34**

The Transition To Alternative  
Protein **38**



# Social Entrepreneurship

Building The Next Generation Of The People Sector



Resolute  
About  
Giving Back

**24**

CONTENTS

FOCUS

12  
SOCIAL ENTREPRENEURSHIP

The future of work will be changed in significant ways, fuelled by exponential changes as well as shifting expectations, and the rise of the unknown. To remain relevant, the People sector will require continuous upskilling. Organisations can leverage the “7 Elements Of Social Entrepreneurship” to work towards success.

18  
MEGATRENDS SHAPING THE FUTURE OF AUDIT

The ISCA Practitioners Conference 2022, the flagship conference for the audit profession, identifies and examines the megatrends that will impact the profession in the next three to five years. They include the talent crunch; environmental, social and governance factors, and automation.

24  
RESOLUTE ABOUT GIVING BACK

Doing good should not be limited to only the year-end. Here, two ISCA Council members, both veteran volunteers, share the causes that first pulled them in, and continue to resonate with them. They also speak about the immense fulfilment they get from giving back to the community.

30  
ONE YOUNG WORLD SUMMIT 2022

Over four days in September, ISCA member Tan Cihui held the flag high at the One Young World Summit 2022 as the ISCA and Chartered Accountants Worldwide representative. This is a first-hand account of what she considers a “mindblowing experience”.

IN TUNE

4  
SECOND NATIONAL SKILLS REPORT: HELPING SINGAPOREANS PLAN THEIR UPSKILLING

6  
ISCA BREAKFAST TALK: THE IMPACT OF CLIMATE CHANGE ON BUSINESSES AND ACCOUNTANTS

8  
TRAVEL IN THE WORLD OF COVID-19

10  
MARK YOUR CALENDAR

VIEWPOINT

34  
INDONESIA: FASCINATING MARKET OPPORTUNITIES

Indonesia has been introducing measures to encourage economic activity. And, with several Singapore-Indonesia treaties providing additional protection for investments and investors, as well as tax changes, the country is offering a great deal of new business and internationalisation opportunities.

38  
THE TRANSITION TO ALTERNATIVE PROTEIN

Widespread adoption of alternative protein in global diets is likely to bring benefits such as healthier diets and lower greenhouse gas emissions. The strong growth in the alternative protein sector opens up new opportunities for investment across the supply chain.

TECHNICAL EXCELLENCE

42  
TECHNICAL HIGHLIGHTS

44  
TAX COMPLIANCE AMID GLOBAL DEVELOPMENTS

A fuzzy line separates legitimate tax mitigation from tax avoidance and, landing on the wrong side of the line could result in financial or reputational repercussions, especially when paying taxes is seen as both a legal and social obligation. Here is an overview of recent developments.

48  
TRANSFER PRICING IN SINGAPORE AND MALAYSIA

While both Singapore and Malaysia adhere to the same arm's length principle, each country has a distinct “flavour” when it comes to transfer pricing (TP). Taxpayers must be mindful of the nuanced differences, both in terms of the TP regulations as well as the tax authorities’ approach and administration.

52  
FRS 117 INSURANCE CONTRACTS VS MAS’ RISK-BASED CAPITAL 2 (PART 3)

The article explores the specific considerations around the measurement of insurance liabilities for the life insurance business under FRS 117 and RBC 2 in five areas, namely level of aggregations, component of liabilities, contract boundaries, valuation methodology, and expense.



COUNCIL MEMBERS

President Teo Ser Luck

Vice Presidents Shariq Barmaky, Yiong Yim Ming

Treasurer Jocelyn Goh

Secretary Judy Ng

Members Yvonne Chan, Choo Eng Beng, Balasubramaniam Janamanchi, Koh Wee Kwang, Lai Chin Yee, Lim Yeong Seng, Tan Kuang Hui, Darren Tan, Kelvin Tan, Roger Tay, Belinda Teo, Don Wee, Christopher Wong

PRINCIPAL OFFICERS

Chief Executive Officer Fann Kor

Divisional Director (Members Experience and Communications) Soh Suat Lay

Divisional Director (Executive Office and Practice Monitoring) Ang Pei Fen

Divisional Director (Professional Standards) Kang Wai Geat

Divisional Director (Members and Stakeholders Engagement) Fua Jiu Lin

Director (Continuing Professional Development) Zoey Xie

EDITORIAL ADVISORY PANEL

Chairman Shariq Barmaky

Members Chng Chee Kiong, Benny Chwee Bo Chong, Kevin Dw Yong Keng, Phua Yung Keat, Tashna Rajah, Philip Shin An, Patricia Tan Mui Siang, Vincent Toong

EDITORIAL TEAM

Editor-in-Chief Kang Wai Geat

Deputy Editor Pauline Chee

Members Koh Soo Hoon, Lee Zhen Ni, Eugene Lum, Felicia Tay, Wang Zhumei, Melissa Wu, Zoey Xie

To contact the Editorial team, please email: editor@isca.org.sg

PUBLISHER

Institute of Singapore Chartered Accountants

60 Cecil Street, ISCA House, Singapore 049709

Tel: (65) 6749-8060 Fax: (65) 6749-8061

Email: isca@isca.org.sg Website: www.isca.org.sg

PUBLISHING & DESIGN CONSULTANT

mediacorp

MCI (P) 086/10/2022

PPS 709/09/2012 (022807)

ISSN 2010-1864

ADVERTISING

Bold Ink Magazines Pte Ltd

Jacqueline Wong

Tel: 6223-4258

Hq: 9790-0905

Email: jacqueline@boldink.com.sg

PRINTING COMPANY

Oxford Graphic Printers Pte Ltd

The views expressed in *IS Chartered Accountant Journal* do not necessarily represent those of the Institute of Singapore Chartered Accountants (ISCA). No responsibility is accepted by the Institute or its staff for the accuracy of any statement, opinion or advice contained in the text or advertisements, and readers are advised to rely on their own judgement or enquiries, and to consult their own advisors in making any decisions which would affect their interests. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of ISCA. *IS Chartered Accountant Journal* welcomes contributions and letters. These may be edited for clarity or length. Articles, letters and requests to reproduce articles appearing in *IS Chartered Accountant Journal* should be sent to Editor, IS Chartered Accountant, Institute of Singapore Chartered Accountants, 60 Cecil Street, ISCA House, Singapore 049709 or email: editor@isca.org.sg.

Download the *IS Chartered Accountant Journal* on your smart phone or tablet.

Download on the App Store

Get it on Google play

To read the journal on your computer, simply go to <http://isca.org.sg/journal>



# Second National Skills Report: Helping Singaporeans Plan Their Upskilling

**AS ACCOUNTANTS ARE FOUND IN EVERY SECTOR OF EVERY INDUSTRY**, the second edition of the “Skills Demand for the Future Economy Report”<sup>1</sup> will serve to update them on the developments around them, as they navigate the increasingly complex Industry 4.0.

This second edition, published on November 22 by SkillsFuture Singapore (SSG), is similar to the inaugural 2021 report, and aims to share jobs and skills insights with Singaporeans so that they can better plan their skills development journey. The new edition continues to spotlight the Digital Economy, the Green Economy and the Care Economy. As important growth areas for Singapore, they heavily influence the emergence of new skills demand across many different industry sectors. In addition, the 2022 edition includes:

- (a) an analysis of skills needs associated with the increasing adoption of Industry 4.0 technologies and processes;
- (b) an analysis of the different career paths and upskilling options available for mid-career workers, and
- (c) research findings on the use and development of Critical Core Skills in Singapore workplaces.

Insights were derived using machine learning techniques and indepth market analysis, coupled with validation by sector agencies, industry partners and academia.

## Digital, Green and Care Economies

This year’s report provides a deeper understanding of the priority skills associated with these economies. These are skills with high demand growth, and are also highly transferable across different jobs and industries. Readers can better appreciate the priority skills that they already possess, and consider what new priority skills they

wish to take up, to raise their career health and versatility. SSG has grouped these priority skills into 18 emerging domains.

In the Green Economy, priority skills with high demand growth and high transferability include Carbon Footprint Management, and Environment and Social Governance.

In the Digital Economy, priority skills with high demand growth and transferability are in Customer Experience Management and Software Design. This is expected, as businesses increasingly rely on the digital platform to reach customers, and as digital products continue to proliferate.

For the Care Economy, SSG found skills such as Human Resource Advisory and Career Coaching to have high demand growth and transferability. These skills reflect a desire by companies to better access and retain talent, and also to better develop their staff.

## Jobs and skills in Industry 4.0 implementation

More companies in the manufacturing and related sectors are changing their business models and operations in line with Industry 4.0 transformation. SSG has mapped out 60 priority skills with high demand growth and high transferability associated with Industry 4.0. There is a fair degree of overlap with priority skills associated with Digital and Green Economies, as digitalisation and sustainability are key themes for Industry 4.0. Individuals can consider upgrading themselves in these skills to thrive in Advanced Manufacturing. Companies looking to implement Industry 4.0 will need to upskill or reskill their workforce, as manufacturing processes become more digitalised, connected and sustainable.

## Continuous learning journey for mid-career workers

Mid-career workers, aged 40 to 59, make up half of

Singapore’s resident workforce. They have a wealth of working experience accumulated through the years. At the same time, many of them are in job families that are undergoing transformation and job redesign. Skills topups can help them retain currency in their existing jobs, or give them the versatility and confidence to take on a new job.

The report charts potential upskilling and career options for mid-career workers, riding on their existing expertise and experience. It is important that employers and training providers recognise the accumulated skills and experiences of these workers, and provide the workplace and learning opportunities that help to complement their existing skills.

## Refresh of SkillsFuture Series

SSG will refresh the SkillsFuture Series – a curated list of short, industry-relevant training programmes that focus on emerging skills – from 1 January 2023, to ensure that Singaporeans have access to courses and training that provide for priority skills identified in the report. The SkillsFuture Series courses, previously categorised into eight areas, will be reorganised to support emerging industry trends and developments. The series will now focus on delivering training for skills that support the Digital, Green and Care Economies, as well as Industry 4.0. The courses will continue to be available at different proficiency levels (basic, intermediate and advanced).

Training providers have already responded to industry trends and are rolling out courses in the various growth economies. For example, our Institutes of Higher Learning have, over the course of this year, actively responded by launching new CET courses in transferable green skills such as Carbon Footprint Management, as well as courses that provide specialised skills training in areas such as Green Facilities Management, Sustainable Engineering, Sustainable Investment Management, and Environmental Sustainability Management. They will continue to ramp up the supply of skills training in areas with high demand growth and high transferability, such as Environment and Social Governance, which supports greening efforts across multiple sectors.

“The aim of the Skills Report is to help Singaporeans plan and act on their upskilling,” said Tan Kok Yam, Chief Executive of SSG. “We seek to unpack macro trends such as digitalisation and sustainability, and translate these into priority skills that the individual can act on.”



<sup>1</sup> <https://www.skillsfuture.gov.sg/skillsreport>



● isca breakfast talk

# The Impact Of Climate Change On Businesses And Accountants

AT THE RECENTLY CONCLUDED CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (COP 27) IN EGYPT, the global community revisited the impact and trajectory of climate change, to assess if they were on target to meet the climate commitments. The November ISCA Breakfast Talk revolved around the same theme with the title: The Impact Of Climate Change On Businesses And Accountants. Helmed by Krishna Sadashiv and Maria Teo, both from the Sustainability and Climate Change team of CLA Global TS (formerly Nexia TS), the session covered the impact of climate change as well as how responses to climate change are taking shape around the world.

Mr Sadashiv spoke about trends around the world and the impending effects of climate change on the global, national and organisational levels, and the actions Singapore is taking to curb these effects. He also shared the country's initiatives to move it closer to its decarbonisation targets, such as green

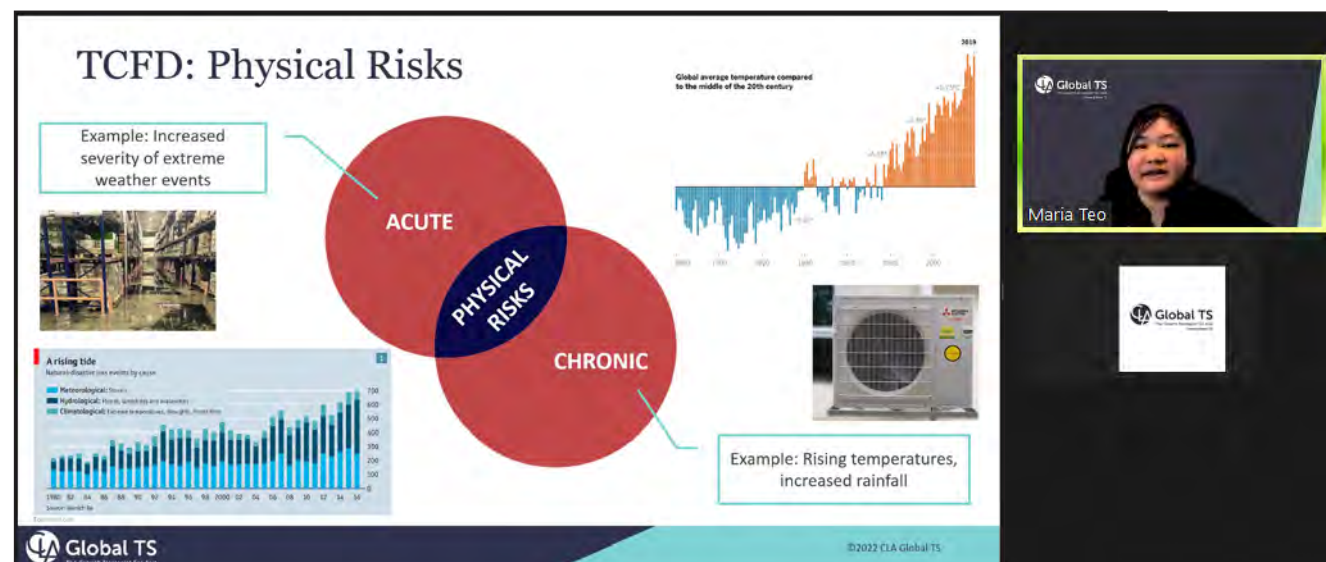


financing and industry programmes.

Ms Teo then went into detail on the Taskforce for Climate-Related Financial Disclosures (TCFD) and how the framework could be applied to a climate reporting programme on an organisational level. She shared examples and descriptions of the risks and opportunities that companies may face in Singapore, and the upcoming changes to the sustainability reporting regime that listed companies will be

facing in the coming years.

To provide more context to the topic, the speakers shared case studies from companies which have already embarked on the climate reporting journey, and what participants can expect when launching a climate reporting programme. For climate reporting, business operations and strategy will need to be reconsidered as companies must integrate their ESG goals with their business performance.



# ISCA ACCOUNTIFY



## THE FUTURE OF LEARNING

Bite-sized | Anytime, anywhere

Launch price for ISCA members:

### S\$100

### Pay 1 fee

to achieve your full year CPE hours

\*All fees quoted are exclusive of prevailing GST rate



Learn more at  
[isca.org.sg/accountify](https://isca.org.sg/accountify)

**ISCA** INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS



# Travel In The World of COVID-19

## IS IT VERY DIFFERENT TO TRAVEL FOR WORK AND FOR PLAY, AND DURING THE PRE- AND POST-COVID-19 TIME?

As two members share their travel experiences – one was seconded overseas for two years while the other was on vacation – it appears that it's the attitude and expectations that they bring with them that determine the final outcome.



Winter fun



BENJAMIN WONG

CA (SINGAPORE)

INTERNAL CONTROLS MANAGER, GRAB

**"I RECENTLY RETURNED FROM A TWO-YEAR SECONDMENT AT THE PWC TEL AVIV, ISRAEL OFFICE.** That was the most fun I've had in my life. I spent my weekends travelling to deserts in the south, riding on camels, learning sandboarding, experiencing glamping, doing water sports at the Red Sea, immersing in the Dead Sea, snorkelling in the Mediterranean Sea, and skiing at Mt. Hermon.

I attended my first pride parade, visited religious sites in Jerusalem, Bethlehem, and Jordan, and even crossed over to Palestinian cities like Ramallah, Nablus, and Gaza to see life in those 'dangerous' cities. Between 10 and 18 May 2021, I was caught in the Israel-Palestine crisis where more than 4,340 rockets were fired at Israel. Sirens wailed several times a day to indicate an incoming missile, and we had only 90 seconds to seek a bomb shelter for cover. Despite this, work and public transport were not suspended, and Israelis continued to live life as normal.

Israelis are generally liberal, kind, and happy people. From them, I learnt to put happiness over money and accept that some risks in life are worth taking to be happy.

On a professional level, I expanded my network, learnt some Hebrew, and developed skills in Internal Controls and SOX compliance testing."



NG WEI HAN

CA (SINGAPORE)

PARTNER, PLUS LLP

"I recently went to Norway for a change of pace and place from Singapore, and get a much-needed holiday. Starting off with Stavanger, I learned more about how it transformed itself from an industrial trading town to the oil and gas capital of Norway we now know and, more relevantly, how Norway today

is trying to pivot to a more balanced approach by considering the impact of climate change. It was there that I also took the opportunity to hike up the Pulpit Rock (more commonly known as the Mission Impossible rock that Tom Cruise was seen dangling from). Thereafter, I made a stop at Bergen, known for so many things like its colourful wooden houses, arts and dining scene and, of course, being the birthplace of world-renowned composer Edvard Grieg.

Continuing my journey up north, I travelled to Ålesund, a small and idyllic fishing town completely rebuilt in a distinctive art nouveau style after a big fire destroyed the old buildings more than a century ago. Finally, I flew across the Arctic Circle, all the way up to the Lofoten Islands – home to a group of fishing villages. These days, it also plays host to tourists like me who are drawn by its unspoiled nature and stunning scenery. Ending the trip on the last night with sightings of the aurora borealis (more commonly known as the Northern Lights) was definitely the icing on the cake.

Travelling offers a great deal – it allows us to recharge and reflect away from work, and when people do that, organisations, too, benefit from their invigorated employees. I felt that the effects were more pronounced this time round as we emerged from the pandemic. With this renewed enthusiasm as 2022 comes to an end, I'm excited about what 2023 will bring."

ISCA



Breathtaking views



# MARK YOUR CALENDAR

14  
DEC

## FRS 116 (IFRS 16) Leases (Case Study Approach) (Live Webinar) (Code: A218v)

Learn about the overview of the New Standard:

- What is a lease?
- Is the contract a lease, service contract or combined contract?
- What is the right of use asset and how is it measured?
- How is the liability measured?
- What is the impact of Covid-19 to FRS 116 (IFRS 16) Leases

19  
DEC

## The Essence of Corporate Cashflow Sustainability (Live Webinar) (Code: BF186v)

In this programme:

- Learn what cashflow sustainability is about
- Understand the flows and interrelationships of financial statements in respect of the cashflow engines.
- Identify and apply the components of cashflow Sustainability
- Understand the importance of shareholder value drivers
- Identify what drives cashflow sustainability for the going concern assumption to be upheld and more

14  
DEC

## GST Assisted Self-help Kit (ASK): How to Maximize the ASK Benefits (Code: TAX272v)

This programme explains the ASK Annual Review processes and the commonly committed GST errors that could be uncovered through the review. By mapping the GST errors with the administrative concessions, the facilitator illustrates the dos and don'ts in leveraging such benefits.

21  
DEC

## What Lies Ahead for Finance & Accounting Functions and Professionals (Code: BT2212)

Finance & Accounting (F&A) functions are evolving, and there are increasing expectations on F&A professionals to provide insights that will support businesses in a volatile environment.

This webinar will focus on highlighting the megatrends that are reshaping the in-house F&A function, impact on jobs, and emerging roles that F&A professionals can consider. It will also share details of an online self-assessment tool that corporates and individuals can use to measure their sophistication levels at a company, functional, and individual level, and also generation of a report card to guide F&A transformation and upskilling for individuals.

16  
DEC

## Top 18 Lessons We Learn – Professional Conduct and Ethics in Preparing Financial Statements (Live Webinar) (Code: E123v)

This course is specially conceptualised and designed to provide you the top 18 lessons we learnt from the financial scandals that have rocked the world and the relevance of ethics, personal and professional skills that are expected in preparing financial statements.

Participants will take away with a number of lessons regarding the professional conduct and ethics in preparing financial statements, as well as the evaluation of the quality of financial reporting by companies.

Our Annual Career Pathway Talk is Back! This time, offering both Virtual or Physical attendance. Join us in the comfort of your homes or come network over dinner.

Want to know what career paths are there for someone who is accountancy trained? What are the options that you have? Come have your burning questions answered.

Register now:

Virtual - <https://bit.ly/3EXhyaJ>

Physical - <https://bit.ly/3AJikFH>



PayrollServe®

A Stone Forest Company

## Overwhelmed with ongoing HR regulatory updates?

From changes to qualifying salaries to various passes, sectorial progressive wage models, CPF rates and other updates, to preparing for employees' income tax filing this season...if you or your HR personnel are overwhelmed, speak with us to help relieve your load. We provide:

### HR Admin Support

01

Assist in application for employment, paperwork requirements, employee termination and submission of government reimbursement.

### HR Advisory

02

We are able to provide HR advice on best HR practices and employment regulations.

### Switch & Save

03

Experiencing system limitations? Switch over to our PayrollServe services and benefit from an implementation fee waiver.\*



Contact Us

### Our Accreditations



\*T&Cs apply

Dates and events are subjected to change without prior notice.

For more details, visit [isca.org.sg/learn-connect](https://isca.org.sg/learn-connect)

[www.stoneforest.com.sg/payrollserve](https://www.stoneforest.com.sg/payrollserve)

@PayDay.PayrollServe





Ang Hak Seng

# Social Entrepreneurship

## Building The Next Generation Of The People Sector

### TAKE AWAYS

- For the People sector, the future of work will be changed in three ways, comprising exponential change, changes in expectations, and the rise of the unknown.
- To be future-ready, workers would need three core skills and three mental strengths, namely strategic thinking, strategic execution and strategic relevance; and resilience, optimism and confidence.
- Lifelong learning is a must for the People sector, to enable workers to seize the many opportunities arising.

**ABOUT THREE YEARS AGO, THE WORLD WAS IRREVOCABLY CHANGED** when COVID-19 swept across nations, leaving behind a devastated global economy and a weary people.

For those in the People and Social sectors, there is no doubt that this is one of the biggest hurdles to date. As Singapore encouraged its people to stay at home, the demand for help surged as individuals who were once independent had to rely on assistance. Unfortunately, the supply of help was also affected. Small and medium-sized enterprises (SMEs), specifically those which ran eateries, saw a drop in sales and, coupled with the rising costs of running them, several businesses folded. This would be but the first of many challenges the People sector would face.

To better prepare Singapore's People sector for the future, I conducted some research via two methods – first, by interviewing selected social service agencies (SSAs), and second, by reviewing the best practices of the People sector. From this applied research, I have narrowed down the needs of the People sector, to produce a viable theory of success.

### DISRUPTION: A WAY OF LIFE

Disruptions will be the way of life moving forward. I see two main drivers that will impact the People sector – Industrialisation 4.0 and Socialisation 4.0.

Industrialisation 4.0 is characterised by technologies that blur the line between the

physical and digital worlds. In this era of artificial intelligence (AI), economic and social environments are reshaped. The emergence of new technologies like quantum computing has spawned ripples of disruptions across industries.

Aside from Industrialisation 4.0, another driver of disruption is Socialisation 4.0. I define this term as the evolution of the people's aspirations. According to Singapore's Department of Statistics, the percentage of Singapore residents who are university graduates had increased from 4.5% 1990 to 12% in 2000<sup>1</sup>, and from 23.7% in 2010 to 33% in 2020<sup>2</sup>.

With an increasingly educated population, the needs of Singapore's residents have evolved. Jobseekers in Singapore today prize meaningful jobs with work-life balance over one with a high salary – a distinct step away from earlier studies such as the 2015 survey by recruitment specialist Hudson, where salary and benefits outranked work-life balance<sup>3</sup>.

As disruptions like Industrialisation 4.0 and Socialisation 4.0 continue to persist, it is inevitable that the future of work in the People sector will change.

### CHANGES TO THE FUTURE OF WORK

In the context of the People sector, the future of work will be changed in the following three ways – exponential change, changes in expectations, and the rise of the unknown (Figure 1).



### Change: Beyond linear, towards exponential

Today, exponential change is experienced by everyone. Change used to be more linear, more gradual. However, with the emergence of disruptive technology, changes are becoming more frequent and unstable. For example, as AI develops, the adoption of such technology would challenge traditional organisational structures.

### Expectation: Beyond help, towards dignity

The evolution of Singapore's demographics has also left its mark on those in the People sector as the expectations of volunteers, beneficiaries and donors alike have changed. Beyond receiving handouts, beneficiaries today want to be taught sustainable strategies to resolve their issues. They want to take charge of their own situation and resolve their own problems instead of having someone else solve said problems for them.

### Unknown: Beyond COVID-19, towards Disease X

Even after battling COVID-19 for over three years, the virus continues to persist, with new variants appearing. However, as the future of a post-COVID-19 world remains uncertain, there is yet another threat that we will need to be prepared for – Disease X. A code name given to the next pandemic-inducing microbe,

FIGURE 1 THREE CHANGES TO THE FUTURE OF WORK



Source: Social Entrepreneurship webinar by Centre of Excellence for Social Good (CESG), Singapore University of Social Sciences (SUSS)



Two main drivers that will impact the People sector:

- Industrialisation 4.0
- Socialisation 4.0



<sup>1</sup> Singapore Department of Statistics. Census of Population 2000. Statistics Release 2: Education, Language and Religion: Highlights. [https://www.singstat.gov.sg/-/media/files/publications/cop2000/census\\_2000\\_release2/highlights.ashx](https://www.singstat.gov.sg/-/media/files/publications/cop2000/census_2000_release2/highlights.ashx)

<sup>2</sup> Singapore Department of Statistics. Census of Population 2020. Statistics Release 1: Demographic Characteristics, Education, Language and Religion. <https://www.singstat.gov.sg/-/media/files/publications/cop2020/sr1/cop2020sr1.ashx>

<sup>3</sup> Williams, A. (20 Jan 2016). What Do Singapore Job Seekers Want? Here's What a Hudson Survey Says. <https://www.straitstimes.com/business/what-do-singapore-job-seekers-want-heres-what-a-hudson-survey-says>



To remain relevant, Singapore’s People sector will need to develop the “7 Elements of Social Entrepreneurship” – a theory of success adapted from the business excellence model.

the unknown illness is a prime example of the types of uncertainties we will need to be comfortable with moving forward. In fact, beyond our current COVID-19 situation, another disease of concern to us is monkey pox, and Singapore already has several unlinked local cases.

Taking reference from COVID-19, Disease X would not only impact our healthcare and economy sectors, it will also have a big impact on our social needs and the People sector. We must continue to remain cautious and have a system in place as it is a matter of time before another global pandemic occurs.

THE FUTURE OF WORK FOR THE PEOPLE SECTOR

In a world full of disruptions, the future of work for the People sector is filled with opportunities for those who are prepared for it. In a recent report, SkillsFuture highlighted the need to adopt several core skills for Singapore to be future-ready. I have also identified three mental strengths that would supplement these three core skills. The three core skills and three mental strengths are: strategic thinking, strategic execution and strategic relevance; and resilience, optimism and confidence (Figure 2).

Core Skills

Strategic thinking

Strategic thinking, in the context of the People sector, refers to value creation. As the People sector is in the business of creating desirable social values, it is vital that we can know what said values are. We will also need to be on the lookout for the value curve and, if there are no value curves, we will need to create them.

Strategic execution

Beyond achieving good performance, the organisations of today are expected to attain stellar results with minimal resources due to the resource-scarcity mindset many agencies possess. For stellar results to be possible, greater importance must be placed on productivity as high productivity results in affordable, excellent, and quick outcomes.

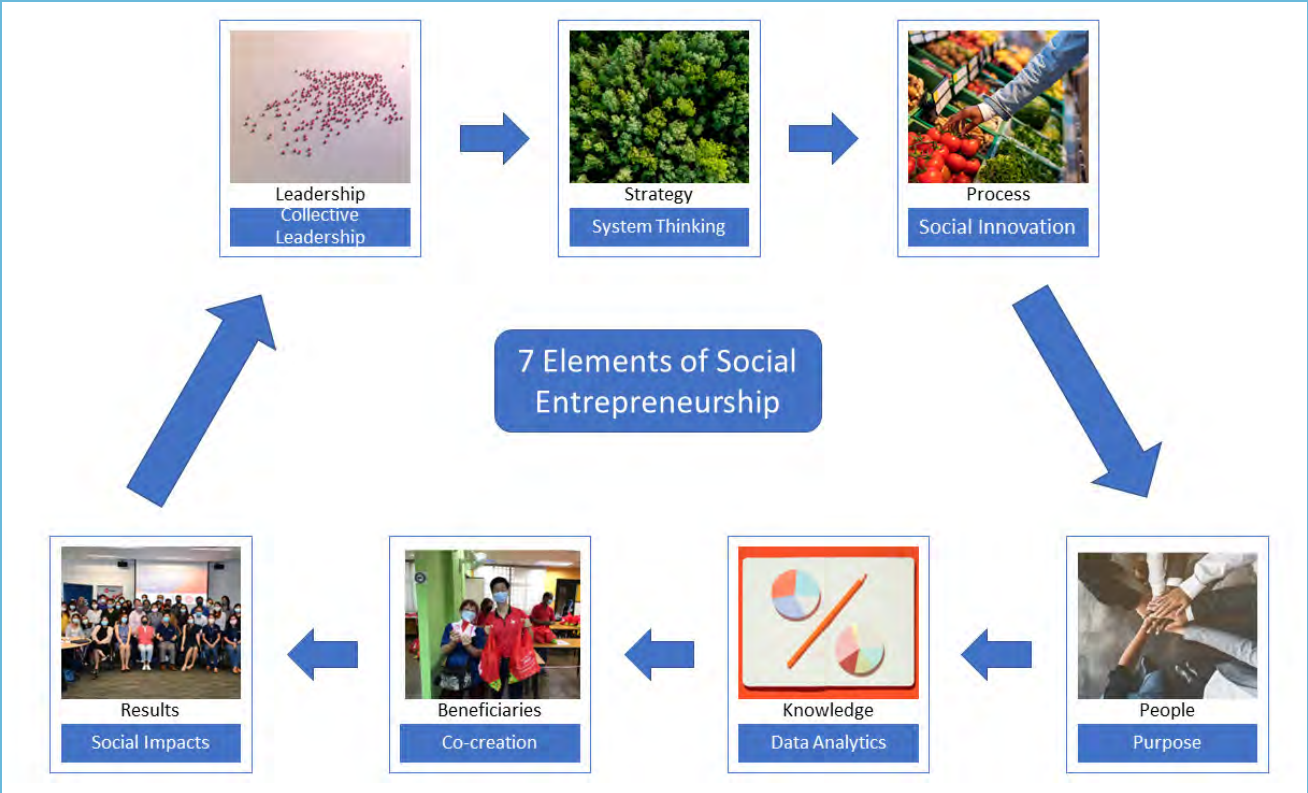
Strategic relevancy

To address the complex problems of today, the People sector needs to constantly update itself by adapting new strategies. However, with limited resources, the sector cannot be expected to adopt all emergent strategies. Instead, organisations should be agile, and quickly adaptable to new and proven strategies to catch up with new sector norms.

FIGURE 2 THREE CORE SKILLS AND THREE MINDSET SHIFTS



FIGURE 3 7 ELEMENTS OF SOCIAL ENTREPRENEURSHIP



Other than the new hard skills, soft skills such as empathy would also be required to help build trust within the sector.

Mental Strengths

Resilience

In creating a resilient society, Singapore will be prepared for the incoming era of disruption where some failure cannot be avoided. Resilience refers to the individual’s ability to bounce back from failure, being able to learn and grow from mistakes, and quickly rising up to new challenges. For instance, after weathering the initial waves of COVID-19, Singapore was able to leverage the “digital awakening” experienced by many sectors to further the nation’s Smart Nation Singapore initiative – a vital movement for Singapore to remain competitive on the global stage.

Optimism

Being able to see the cup as half full allows one to find opportunities and thrive – not just survive – during times of crisis and hardship. For instance, during the “circuit breaker” period, an unexpected positive was the increase in the number of individuals who wished to give back to society through donations.

While the boom has proven to be helpful, it is crucial that we continue to harness and maintain this momentum for the purposes of community building to ensure that SSAs will have a sustainable source of support in the long run.

Confidence

“Can do” – that is the Singaporean spirit. This motto has propelled Singapore’s development and brought us onto the global stage. As a nation with few natural resources, it was only through our confidence in our workers’ and country’s abilities that we were able to brave the storms that this young nation had faced.

To have confidence is to believe in one’s potential and abilities. This mindset is crucial going into the VUCA (volatile, uncertain, complex, ambiguous) world where volatility and uncertainty could easily generate doubts in oneself.

THEORY OF SUCCESS: SOCIAL ENTREPRENEURSHIP

In combining the three core skills and three mindset shifts, I have produced a theory of success that is adapted from the business excellence model<sup>4</sup>, which organisations should adopt to achieve success. Known as the “7 Elements of Social Entrepreneurship”, this model comprises seven different elements – leadership, strategy, process, people, knowledge, beneficiary, and results – all of which work in tandem to ensure organisational success (Figure 3). Each element is non-negotiable and will impact all other elements. As such, to achieve organisational success, there is a need to develop all aspects of social entrepreneurship.



<sup>4</sup>Professor Ang Hak Seng was the Chairman of the Singapore Quality Award Committee for Business Excellence from 2010 to 2020





### Element 1: Leadership

Leaders, at all levels, are critical for organisational success as they are the key drivers of change for the teams that they lead. However, in a world of complex and multifaceted problems, a single leader would not have the expertise to resolve every issue on his own. Hence, this sets up a need for collective leadership, as a group of leaders from diverse backgrounds would have the collective wisdom to tackle most issues that today's organisations may face. Having diverse collective leadership in the People sector is crucial as the needs of clients and beneficiaries are everchanging and require different perspectives to ensure effective solutions are recommended.

### Element 2: Strategy

Traditionally, strategy comprises only two main perspectives – long- and short-term solutions – which are created independent of each other. However, moving forward, we will need to develop approaches which would address more than just two points of view. Similar to social systems theory, the new system thinking strategy will be able to account for both the long- and short-term perspectives at the same time, where the short-term solution will contribute to the long-term solution. Hence, this ensures that the solutions created will be sustainable and effective.

### Element 3: Process

As a direct result of the age of disruption, many previously held assumptions and hence, solutions, are no longer relevant. Therefore, social innovation is necessary to revise old processes or create new ones that can better address current and future problems. One such instance of social innovation is the adoption of social prescription into Singapore's healthcare system.

Healthcare has typically been about curing the sick via medical procedures and prescriptions. However, there is evidence to say that many healthcare outcomes are impacted by one's social determinants of health (SDH), many of which are outside the influence of traditional healthcare. Hence, on top of medication, healthcare providers may be prescribing

food to induce positive behaviour change to treat a person's SDH, ensuring that people will attain wellness.

### Element 4: People

Compared to previous generations of workers, the workers of today have very different expectations regarding work. For one, people now place greater importance on the organisation's purpose. Therefore, in the future of work, to meet the expectations of the people, it is vital to align the individual's and organisation's purpose and aspirations. One such possible method would be the concept of shared vision, actions, and experiences as these three would result in the creation of trust between the organisation and employee.

### Element 5: Knowledge

As Singapore pushes towards its Smart Nation vision, it is vital for the People sector to view the incoming technological wave as an opportunity. One such tool that People-sector organisations will need to adopt for the future of work is data analytics. With data being the bedrock for all decision making, it is crucial for those working in the People sector to know how to draw meaningful conclusions from data to substantiate their decisions, which would then allow them to make better decisions for the organisation and most importantly, for the beneficiaries.

### Element 6: Beneficiaries

Like how today's employees have very different aspirations than previous generations of workers, the beneficiaries of today also have very different expectations about the aid they receive from the People sector.

Today, beneficiaries want dignity – to take control of their situation and to be involved in the problem-solving process. To achieve this, social entrepreneurship advocates for organisations to co-create and co-deliver with their beneficiaries. Through co-creation and co-delivery, aspirations and concerns of beneficiaries will be addressed in the ensuing service/product that the organisation creates, resulting in a service/product that will be better received by the beneficiaries.

PHOTO: SHUTTERSTOCK



Disruptions will be the way of life moving forward. I see two main drivers that will impact the People sector – Industrialisation 4.0 and Socialisation 4.0.

FIGURE 4 THREE FORMS OF LIFELONG LEARNING



Source: Social Entrepreneurship webinar by CESG, SUSS



To address the complex problems of today, the People sector needs to constantly update itself by adapting new strategies

Diverse collective leadership brings different perspectives, which help ensure that there are effective solutions

### Element 7: Results

As the People sector is in the business of improving the wellness of people, the positive impacts of our actions tend to be invisible and thus difficult to quantify. However, to ensure that the interventions are effective, some means of evaluation is required. In this respect, social entrepreneurship pushes for the use of social impact analysis to quantify the good that the sector does. It enables input to output to impact reporting, ensuring that the entire intervention process is well documented.

Social impact analysis also equips SSAs with the vocabulary to better communicate their progress and accomplishments to stakeholders like their donors or volunteers.

### LIFELONG LEARNING

The future of the People sector is filled with opportunities for those who are ready to seize them. To be prepared for these opportunities, lifelong learning will need to happen in the sector, which means we need to head back to school to upskill. I am proposing three ways to do so – formal education, informal education, and applied learning (Figure 4).

In the first track, education institutions like Singapore University of Social Sciences (SUSS) have produced micro courses which are modular and stackable, allowing students to attain formal accreditation at their own pace. In the second track, informal learning happens via webinars and workshops, which training centres like CESG will be organising for the People sector. For the last track, applied learning can be done via communities of practice (CoP), which are self-sustaining self-help groups where like-minded volunteers share their experiences. These self-help groups serve as informal consultancies where experts and others who have undergone similar experiences can provide step-by-step guidance for others.

### CONCLUSION

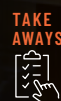
In an era of disruptions and uncertainties, one thing is certain – the future of work is changing as we speak. To remain relevant, Singapore's People sector will need to develop the 7 Elements of Social Entrepreneurship, and we are prepared to walk the journey with you. ISCA

Dr Ang Hak Seng is Professor of Social Entrepreneurship, Singapore University of Social Sciences and Adjunct Professor, Nanyang Technological University.



# Megatrends Shaping The Future Of Audit

ISCA Practitioners Conference 2022



- ▶ In the next three to five years, the talent crunch, ESG (environmental, social, governance) and automation will have the greatest impact on audit.
- ▶ In the area of cryptocurrencies, the profession should learn from good use cases and keep pace with developments in order to help build trust in the ecosystem.
- ▶ EP 100 Implementation Guidance 5 provides guidance on applying the requirements of SG410.27A, which came into effect on December 15.

## MEGATRENDS ARE POWERFUL AND TRANSFORMATIVE FORCES

, shifting the business landscape and driving the business world. In line with the emerging trends and forces that continue to impact and take shape in the profession, ISCA's Practitioners Conference was centred around the theme of Connecting The Trends Of Tomorrow. The flagship conference for the audit profession, held on October 28, featured eight esteemed industry leaders and subject matter experts who took close to 400 delegates through an afternoon of thought-provoking presentations and panel discussions, as they defined the latest buzzwords, discussed implications brought about by trends, and reimagined shifts to the future of audit.

ISCA President Teo Ser Luck, in his opening address, encouraged practitioners to proactively keep abreast of the latest trends shaping the dynamic business world. To ensure the profession is well placed to scale new heights, ISCA empowers practitioners through initiatives to deepen outreach with key stakeholders, strengthen the talent pipeline, and uplift the quality of the profession. Noting a critical role that ISCA plays in the accountancy ecosystem, Mr Teo hopes that "ISCA can be the conduit between the government, businesses and the profession to facilitate mutual understanding and collaboration to grow as one community".

In her keynote speech, Guest-of-Honour Lai Wei Lin, Second Permanent Secretary for Finance, encouraged the profession to stay nimble, and equip themselves with the relevant knowledge and skill sets to seize the new opportunities ahead. As accountancy job roles evolve, particularly in times of macroeconomic uncertainty and turbulence, her message resonated deeply with the delegates.

As a nod to the increasingly multidisciplinary nature of new growth areas, Ms Lai also emphasised the need to continuously upskill accountants and auditors to ensure a sustainable pipeline of talent to the profession. She urged key industry players to work together to review talent development strategies to enhance the attractiveness of the profession.

Close to 400 delegates attended the Practitioners Conference - ISCA's flagship conference for the audit profession - at the Marina Bay Sands Convention Centre



Accountants must continually upskill themselves to navigate the complex business environment



AUDIT MEGATRENDS OF TOMORROW

The Practitioners Conference kicked off with a panel discussion on audit megatrends. It was moderated by Lee Eng Kian, Deputy Chairperson of ISCA's Public Accounting Practice Committee and Managing Partner, PKF-CAP LLP, and featured panellists Shariq Barmaky, Audit & Assurance Leader, Deloitte & Touche LLP (Singapore) and Regional Managing Partner, Audit & Assurance, Deloitte SEA, and Kuldip Gill, Assistant Chief Executive (Accounting and Compliance Group), Accounting and Corporate Regulatory Authority (ACRA).

As a prelude to the panel discussion, a poll was launched where the panellists agreed with the consensus that the talent crunch, ESG (environmental, social and governance) and automation are the top trends that will have the greatest impact on the profession in the next three to five years. Sharing his perspectives on the megatrends that are dictated by the demands of the next generation, Mr Barmaky discussed the technological breakthroughs as well as transition to greater transparency on sustainability reporting disclosures which are redefining the future of audit and the role of assurance.



Technology can free up talent to focus on areas that provide richer services and add value to businesses

Mr Lee encouraged the profession, grappling with the perennial manpower crunch that is becoming more acute and pronounced, to leverage on technology as an opportunity to automate; this will free up talent to focus on areas that matter, to provide richer services to add value to businesses. With the new quality management standards coming through this year, Ms Gill encouraged firms to look beyond the standards as a matter of compliance and instead, embrace them as a foundation to execute high-quality audits for continuous improvement.



Guest-of-Honour Lai Wei Lin, Second Permanent Secretary for Finance, encouraged the profession to stay nimble, and equip themselves with the relevant knowledge and skill sets to seize the new opportunities ahead.

It was an exciting afternoon, with new perspectives gained and connections forged among like-minded practitioners and peers at the in-person conference



<sup>1</sup> In view of the wide-ranging implications arising from ESG considerations, the ISCA Auditing and Assurance Standards Committee (AASC) and Financial Reporting Committee (FRC) have formed a joint ESG working group (AASC-FRC ESG WG) to support the profession in dealing with implications relating to financial reporting and auditing in Singapore  
<sup>2</sup> [https://isca.org.sg/docs/default-source/technical-bulletins/technical-bulletin-1-clean.pdf?sfvrsn=7b901511\\_2](https://isca.org.sg/docs/default-source/technical-bulletins/technical-bulletin-1-clean.pdf?sfvrsn=7b901511_2)

SUSTAINABILITY: IMPLICATIONS ON FINANCIAL REPORTING AND AUDITING

Ghamazy Rashid, a member of ISCA's AASC-FRC ESG Working Group<sup>1</sup>, shared the launch of ISCA's Technical Bulletin on Addressing Climate-Related Risks in Financial Statements and Audits of such Financial Statements<sup>2</sup>. Through an illustrative example of a hypothetical transportation company, the bulletin demonstrates how climate-related risks can impact the application of financial reporting and auditing standards in Singapore. Mr Rashid was joined by Rishi Kalra, Executive Director and Group CFO, Olam Food Ingredients, in a fireside chat to delve further into the topic. Mr Kalra shared his organisation's experience on how business decisions have

been affected by the shift in value proposition to focus on sustainability, arising from strong consumer demand amid a rapidly changing regulatory landscape. He reiterated the importance of the role of accountants in capturing the impact of such developments in the financial statements. Mr Ghamazy highlighted observations of inconsistencies in companies' reporting of climate-related risks in sustainability reports vis-à-vis the effects of those risks on the financial statements. He emphasised the need for finance teams to work closely with other departments to understand such risks. He also reminded auditors in the audience of the importance of incorporating ESG-related risks in their audit risk assessment process.



ISCA President Teo Ser Luck hopes that “ISCA can be the conduit between the government, businesses and the profession to facilitate mutual understanding and collaboration to grow as one community”.

### DRIVING SUSTAINABLE AUDIT QUALITY

Ms Gill spoke on the importance of high-quality audits in driving trust in the financial reporting ecosystem, the various trends that are impacting the audit profession, as well as what the audit profession can do to better prepare for the future.

She reiterated the importance of an effective system of quality control, which forms the bedrock of consistent delivery of quality audits, and also shared common observations from ACRA's firm-level inspections, along with key reminders and good practices.

Given the wide range of implications arising from ESG considerations, Ms Gill urged the profession to build capacity and capabilities in this space, as the audit profession is well poised to seize this opportunity to prepare clients for the sustainability journey and to provide assurance on sustainability reporting. There is also a need to build a digital-ready workforce by adopting technology in audits.

### BUILDING TRUST IN THE CRYPTOCURRENCY WORLD WITH ASSURANCE

While cryptocurrencies have been making the headlines, not many have interacted with digital assets in a professional or personal capacity. Wong Wanyi, Partner, PwC Singapore, gave delegates a flavour of the different forms and functionalities of digital assets, namely cryptocurrencies that are native to a blockchain, and tokens which are built on top of a blockchain. As financial reporting standards “do not cater for digital assets”, Ms Wong's word of advice is to understand the use of the token and apply the principles behind the financial reporting standards.

Ms Wong discussed the needs of the industry as two-fold: firstly, they are industry-driven by a rise in hacking, protocol breaches and money laundering and secondly, regulations-driven. While she observed that many crypto-native companies are in fact thirsty for assurance, she cautioned on the many challenges in providing that assurance. In particular, she pointed out the potential issues in the decentralised ownership verification process,



Delegates welcomed the opportunity to network and exchange ideas after a two-year hiatus



<sup>3</sup> [https://isca.org.sg/docs/default-source/ep-100/eps-100-igs/ep-100-ig-5-\(for-upload\).pdf?sfvrsn=2e6c6626\\_2](https://isca.org.sg/docs/default-source/ep-100/eps-100-igs/ep-100-ig-5-(for-upload).pdf?sfvrsn=2e6c6626_2)

regulations that are still catching up, and the short time that this space has been innovating. Ms Wong reinforced the importance for the profession to learn from good use cases and to keep pace with developments in order to help build trust in the ecosystem.

### ADOPTION OF IESBA'S NON-ASSURANCE SERVICES AND FEE-RELATED PROVISIONS IN SINGAPORE

Eng Chin Chin, Chairperson of ISCA's Ethics Committee, explained the key revisions to the non-assurance services (NAS) and fee-related provisions in EP 100 (revised on 7 September 2022) *Code Of Professional Conduct And Ethics*, which came into effect on 15 December 2022. EP 100 (revised on 7 September 2022) has also replaced extant paragraph SG410.4A with revised paragraph SG410.27A which introduces a new term, “audit-related services” (ARS), applicable to firms with audit clients that are listed entities.

Ms Eng noted that revised paragraph SG410.27A relates to the communication with those charged with governance of listed entities about the proportion of non-audit services fees to the audit fees and the related safeguards, when this proportion exceeds 50%. She emphasised that SG410.27A now scopes out both (i) non-audit services fees earned by the firm or its network firms from the audit client's parent and sister entities, and (ii) ARS fees from the fee proportion computation in assessing whether the 50% threshold has been exceeded.

Ms Eng announced the issuance of EP 100 Implementation Guidance 5 (IG 5) *Frequently*

*Asked Questions On Provision Of Non-Audit Services To Listed Entities*<sup>3</sup> to provide guidance to assist professional accountants in public practice in applying the requirements of SG410.27A. Among others, Ms Eng shared that IG 5 contains an illustrative example of the fee proportion computation and a non-exhaustive list of common examples of ARS along with the rationale behind each example.

### PROLIFERATION FINANCING: UNDERSTANDING PROLIFERATION FINANCING & SANCTION RISKS

The final presentation of the conference was delivered by Martin Lim, Founder and Director, Ingenique Solutions. Mr Lim provided an overview of the landscape surrounding sanctions, including the two main types of sanctions imposed as well as the varied purposes of sanctions as tools to further political or diplomatic causes, restore international peace, counter terrorism, or protest violations of treaties and human rights.

Elaborating on the differences between the three broad stages of proliferation financing, Mr Lim highlighted that this was a crucial area that the profession “needs to understand to help us in our risk assessment”. He wrapped up the conference by discussing the red-flag indicators for proliferation financing, and how professional accountants can adopt good practices to manage such risks. These include reviewing AML/CFT internal policies, procedures and controls with additional counter-proliferation financing risk assessment, and performing customer due diligence to cover beneficial owners and counter-parties. ISCA







CHOO ENG BENG  
FCA (Singapore)  
Partner, Assurance,  
PwC Singapore



BELINDA TEO  
CA (Singapore)  
Assurance Senior Manager,  
Ernst & Young LLP

# Resolute About Giving Back

Guided by a passion to serve the community, two ISCA Council members share how they are putting their professional skills to use for the greater good.



- TAKE AWAYS**
- Accountants have unique skill sets that are sufficiently flexible to add value to a wide range of activities, when they engage in volunteerism.
  - Volunteer work need not be limited to the festive year-end period; it can also be fitted into the most hectic of schedules.
  - The key to volunteering is to find a cause that resonates with you.

**THE YEAR-END PERIOD IS SYNONYMOUS WITH GIVING BACK TO THE COMMUNITY**, as people take stock of the 12 months that have passed and look forward to the future. But giving doesn't have to be restricted to the festive period. As the two ISCA Council members show, giving can be a year-long affair, and incorporated into even the most hectic of schedules. The key is to find your calling – that cause that speaks the most loudly to you.

ISCA Council member Choo Eng Beng is moved by the plight of seniors, which inspires him to do good in the eldercare space. He currently contributes to the strategic direction and operations of the St Luke's family and also sits on ISCA's committees. Having volunteered for almost two decades has given him fresh perspectives about life, particularly about living and leaving well, as well as insights into different fields outside of accountancy. He hopes to share his wealth of experience with his younger counterparts

in the profession through mentorship.

For Belinda Teo, the "calling" lies in mentoring and grooming the next generation. Her own experience benefitting from the guidance and encouragement of her seniors drives her passion to give back to the profession. She is an ISCA Cares mentor, and a member of ISCA's committees including Chairperson of the Young Professionals Advisory Committee (2016 to 2022). Juggling these roles in addition to her work and family is no mean feat. But for Ms Teo, volunteering provides her with a balance in life, and fills a void she had felt early in her career.

The experiences of Mr Choo and Ms Teo demonstrate the flexibility of the unique skills afforded by an accountancy background. Not only does it contribute to an enriching career, it enables accountancy professionals to do good, and uplift the community.



# In Good Company

Choo Eng Beng, FCA (Singapore), Partner, Assurance, PwC Singapore

## COLLEAGUES AND FRIENDS OF CHOO ENG BENG KNOW HIM AS A VETERAN ACCOUNTANT

with more than 20 years of experience under his belt. But what they may not know about the 53-year-old is that he is equally committed to another pursuit: doing good for the community. Since 2005, he has been an active volunteer with St Luke's Hospital and later, St Luke's ElderCare; both institutions are dedicated to bettering the lives of seniors in Singapore.

These contributions are rooted in Mr Choo's unique accountancy skill set, with stints in the Audit & Risk and Fundraising Committees of the two organisations. He also sits on the Board of Directors of St Luke's ElderCare. "In all these roles, I cooperate with the full-time team on various financial matters," he explains. "We're very blessed to have people working full-time in these organisations who are driven by passion and who do the heavy lifting. I'm just happy to guide their decisions and provide them with some suggestions, based on my experience and expertise."

As an accountancy professional, Mr Choo appreciates the diverse nature of the board at St Luke's,

whose other members include public health specialists and human resource professionals. "Clearly, finance is my strength. But we only know what we know, right? People in my field might see things through a similar lens as me, simply because of the way we're trained," he reveals. "But someone from another discipline might have a completely different perspective that turns out to be very valuable." He learns from these new perspectives and says that the new domain knowledge he picks up can also help him in his day job as a Partner (Assurance) at PwC Singapore. "No knowledge is wasted," he quips.

## CASTING A WIDE NET

Mr Choo's focus on helping seniors is a deliberate one that stems from his beliefs. "We all go through a unique journey in life, but no matter what the journey is, how we end is important. I think everyone deserves to end their life with dignity." His explanation makes it clear why he started volunteering with the St Luke's family, which runs various facilities and programmes for seniors, including a community hospital, nursing home and day rehabilitation centre. "There may be a time when a loved one, or even I myself, may need to use these facilities, and I want to contribute to their development."



"It is a privilege to be able to leverage my expertise to contribute to the advancement of the profession, especially with regard to the next generation."

But it is not the only area he helps out in. Mr Choo is also committed to uplifting the entire charity sector through his work as a Director of Shared Services for Charities. This organisation was set up by Singapore Exchange Limited and philanthropic organisation BinjaiTree in 2008 to tap on professional services to enhance the governance and organisational excellence of the charity sector.

With so much on his plate, Mr Choo admits that it can be challenging to juggle his charity responsibilities with those of his work and family. Being on various committees entails around three to four meetings a month, with one board meeting every quarter. "But if you're passionate about something, you'll make time for it," he says. "This may mean late family dinners or having to rely more on my fellow committee members if I have to travel for work, for example."

As he looks to the next phase of his career, Mr Choo hopes to make more time to share his experience with younger professionals. "I want to remind them that there are different 'seasons' in life, when different priorities take centre stage. For example, at some time, climbing the career ladder is important whereas at other times, it's making time for the family. It also varies from person to person. Hence, compromise may be necessary. These are some lessons I learnt from my own journey that I hope to share with the next generation," he says.

One way he can do this is through his work on the ISCA Council, which helps set the direction for the Institute, approves major policy decisions and oversees matters relating to governance and membership, among other responsibilities. "It is a privilege to be able to leverage my expertise to contribute to the advancement of the profession, especially with regard to the next generation," he adds.

## FRESH PERSPECTIVES

Being on the side lines of Singapore's eldercare sector has also changed Mr Choo's perspectives about ageing. For one, it has inspired him to start thinking about not just living well but also leaving well. This refers to the final few years of his own life, which he hopes will be dignified and spent with his loved ones.

Working closely with St Luke's has opened his eyes to the challenges that seniors face, from the loneliness that many grapple with every day to the loss of abilities that were once familiar, such as walking, clarity of sight and hearing, or washing and feeding themselves. "I can see myself going through these changes in the future," he shares. "Being around people who work with seniors has taught me to be prepared for that inevitable future. But of course, it's easier said than done." He recalls something shared by his co-workers at St Luke's, about an elderly lady in palliative care. "During the last days of her life, the team asked her about her final wishes and she said she wanted to cook a final meal for her husband. So the staff arranged for her to make a bowl of simple fried rice for him and they enjoyed it together. A few days later, she passed on." That narrative resonates with Mr Choo for many reasons: for one, it is a reminder that amid the bustle of daily life, it can be easy to forget that it is often the simple things that count the most, such as a meal with a loved one or a small gesture to show your care.

Mr Choo has one resolution for the coming year: to spend more time with his daughter, who is completing her undergraduate studies in the United States. "I hope that I can be a good role model for her," he says. "I hope that when she sees how my wife and I live our lives, she, too, can reflect and be inspired to make a difference. After all, it's a blessing to be able to give." This is a message that Mr Choo is confident will resonate with other ISCA members as well.



## THREE TAKEAWAYS

Giving back is not all about giving; those who give also get back a lot in return, as Mr Choo shares. Here're what his volunteering stints have given him:

- **Gratitude:** "I think we all get lost in the rat race every now and then, but seeing the simple joys (of others) is a good reminder that we should be grateful for what we have."
- **Companionship:** Mr Choo's professional and friendship circles have widened, thanks to his volunteer activities.
- **A view of what is important:** For this, Mr Choo defers to the words often attributed to American business magnate and philanthropist Warren Buffet, "When you get to my age, you'll measure your success in life by how many of the people you want to have love you, actually do love you."



# Answering The Call

Belinda Teo, CA (Singapore), Assurance Senior Manager,  
Ernst & Young LLP

**AS AN ASSURANCE SENIOR MANAGER AT ERNST & YOUNG**, Belinda Teo has her work cut out for her. “Whatever they say about the demanding hours of an auditor is true,” she says with a laugh. Yet, the mother of a toddler and a newborn manages to juggle not just work and family commitments, she is also a passionate volunteer for causes that resonate with her.

Over the past six years, the ISCA Council member has served variously as an ISCA Cares mentor, Membership Growth and Engagement Committee member, and Chairperson of the Young Professionals Advisory Committee (YPAC). She acknowledges that some of her peers struggle to find time outside work to pursue their own interests but the reality is, “work will never be finished, so you have to set your own limits”. For her, doing volunteer work allows her to put a pause on work, and provides her with a respite from office demands.

Her desire for balance has its roots in her past. She had been working for about five years as an auditor then and, in her own words, “my life was all about work, but I wanted to do more in life – I wanted to do meaningful things outside of work”. When the opportunity to join YPAC came, she grabbed it. “I have always liked planning get-togethers as well as networking with others. This opportunity – to organise events for accountancy professionals in my age group – came at exactly the right time. I was happy to step in and fill the gap to engage young accountants in a more effective way.”

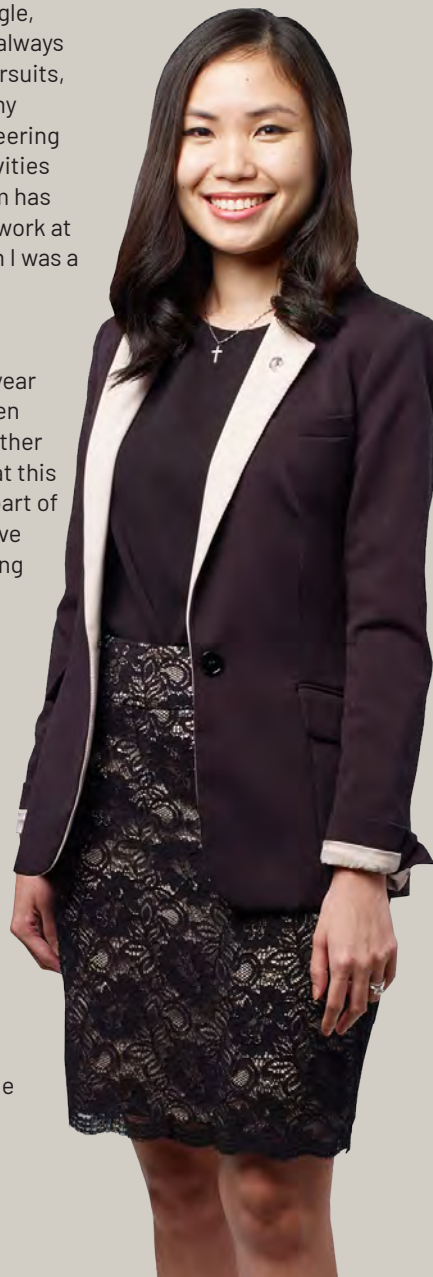
The experience proved to be an eye-opener. “Many of us who were not so involved in the Institute did not realise how much ISCA’s work contributes to the profession, and I came to appreciate the organisation more,” reveals Ms Teo. Thus, she was grateful for other opportunities to serve within ISCA, taking on

mentorship and membership growth roles. This naturally meant more things to juggle, but Ms Teo highlights that her firm has always been supportive of her out-of-office pursuits, such as those at the Institute. “Within my firm, there are actually plenty of volunteering channels and opportunities; these activities are encouraged,” she discloses. “My firm has shared that they will firmly support my work at ISCA ever since I became involved when I was a first-year manager.”

## POSITIVE ROLE MODELS

Although Ms Teo made much of her 12-year career in auditing, there was a time when she briefly left the industry to explore other opportunities. “But I came to realise that this is the place I want to be in, and a large part of the conviction came from having positive role models,” she recounts. “Transitioning out of school life and being thrown into a full-time job – where you did overtime all the time – was very difficult.” Indeed, Ms Teo admits that she would have left auditing within the first year on the job if not for her mentors and role models whom she looked up to. She remembers observing how driven and motivated they were at work and how, with a positive mindset, they found learning opportunities at every turn. She also saw how those who came from less privileged backgrounds rise to become partners through perseverance and positivity. “This is a profession that allows one to build success with one’s own capabilities,” she shares. “They reminded me to keep my eyes focused on long-term goals.”

Having benefitted from role models



“The skills I have developed through my career allow me to delegate work, empower others and manage my own time. These are good skill sets that I might not have picked up if I had left the industry permanently too early.”

in her work, Ms Teo relishes the opportunity to be a positive influence on younger members through the ISCA Cares Mentoring Programme and her role as Chairperson of YPAC (2016 to 2022). One of the key points she often shares with young accountancy professionals is that it is more realistic to strive towards work-life “integration” than work-life “balance”. “I did leave briefly for another profession when I was 26 years of age, and at that point, it felt like I was living my dream. I was leaving work at 6pm, could go out for social dinners, and even had time for myself during the weekends. But it also allowed me to reflect on what I truly wanted. I realised that there are different things to prioritise at different stages of my life,” she shares.

Rather than seeking a job that allows her to “switch off” after office hours, she chooses to live each day to the fullest – integrating career, family life and volunteer work into her daily schedule. “With this new perspective, I can juggle my different responsibilities and feel fulfilled,” says the go-getter, who was speaking to us while on maternity leave.

As someone who is organised by nature, Ms Teo lists her tasks for every single day and professes to “planning my life outside of work to a T, in half-hour slots”. But beyond that, she attributes this ability to handle various tasks and roles to her professional training. “The skills I have developed through my career allow me to delegate work, empower others and manage my own time. These are good skill sets that I might not have picked up if I had left the industry too early.”

As YPAC Chairperson, Ms Teo had organised career pathway talks where senior members shared their journey with young accountancy professionals. The talks have since become recurring events which offer younger members a rare opportunity to gather valuable first-hand insights from the industry veterans. In her last year as Chairperson – she had handed over the reins earlier this year – Ms Teo also initiated the mentorship programme, which links mid-career members in their 30s with those in their 20s. “These two groups can better connect because of the smaller age gap. But being at different life stages, the mid-career members can share with younger members about what they can look forward to in the profession,” she explains.

## GAINING FROM GIVING

Volunteering is not just about giving either, as there are intangible benefits to reap. “It is unrealistic to think about volunteering as just giving and not receiving. It has to complement your goals too,” says Ms Teo. For her, volunteerism not only allows her to fill the void she had felt earlier in her career when she was consumed solely by work,

it enables her to grow through interacting with the senior members she gets to meet. “Many of them are extraordinary women who have walked the journey of juggling work and motherhood,” she notes. “I relish the opportunity to learn from their experience and hear their insights.”

The rewards of giving back can come from all corners. “Beyond contributing to others, volunteering is about how I can learn from others. For example, through ISCA Cares, I was learning from the students I mentored,” she says. “By hearing about their struggles, I got to better understand the challenges some of our younger members face.” She also views volunteering as a refreshing activity that gives her a break from work.

Ms Teo highlights that accountancy professionals possess a unique and useful skill set which they can bring to their volunteer work. As Treasurer of the Methodist Girls’ School Alumnae Association, she shares this, “It is the first role I took up that taps on my professional skill set. I didn’t really want to repeat what I was doing at work in my volunteer roles, but our professional skills are very valuable. Other than our ability to analyse numbers and our budgeting skills – which some NGOs and non-profit groups struggle with as external firms might charge quite a high fee for the professional service – we bring with us a valuable network of professionals, such as lawyers and bankers, who can deliver essential services in running any organisation.”

Noting that there are many accountants who serve on the boards of charities, Ms Teo looks forward to a similar engagement in the future. “I don’t see myself reducing the time dedicated to volunteer work in the future, but I do think the areas of focus might change,” she shares. “The last eight years have been focused on young people but eventually, I will move on to other aspects, such as developing the accountancy sector. I also want to contribute to my children’s schools as a way to stay in touch with their lives. And for the long term, I hope to use my expertise to help charity organisations as a board member.”

Volunteering has been a truly rewarding journey for Ms Teo, and she encourages one and all to give their time. “It is easy to brush off plans for volunteering, such as, I would do it when I change my job, when I move to another position, when my kids are older... But if something calls out to you, do it now,” she urges. “No one is going to fault you for not volunteering, but you should really see it as a bonus to your life.” ISCA





Tan Cihui



A At One Young World Manchester Central

# One Young World Summit 2022

## Working Towards A Positive Impact



- More than 2,000 delegates from around the world leveraged the One Young World (OYW) Summit platform to share, discuss and implement ideas that would make a positive impact on the world.
- Chartered Accountants Worldwide representatives, by sharing the community projects they are driving at home, provided insights into how much more Chartered Accountants, with their talent for numbers, can do.
- As OYW Ambassadors, we have been tasked to think of innovative solutions to help our communities.

**AFTER MORE THAN TWO YEARS OF THE COVID-19 SAFE MANAGEMENT MEASURES** in various countries, the One Young World (OYW) Summit 2022 was successfully held in Manchester, the United Kingdom, from 5 to 8 September 2022. More than 2,000 delegates from around the globe participated in-person without social distancing restrictions, and also digitally. OYW is a global community that brings together young leaders to share, discuss and implement ideas that make a positive impact on the world.

As a long-standing partner of OYW, Chartered Accountants Worldwide (CAW) gathered delegates from its network of accountancy institutes to attend this annual Summit. Having won the ISCA One Young #CharteredStar Competition, I was happy and honoured to represent ISCA and CAW at OYW Summit 2022.

Before the opening of the Summit, CAW organised a get-together dinner for its delegates. It was heartwarming to be a part of a global accountancy family, and we had a wonderful evening getting to know each other. We shared about what we do at work as well as other activities we have been pursuing, including their impact on our respective communities. The stories gave me new insights into what more Chartered



A Representing ISCA and CAW

Accountants can possibly do for the community, using our talent for numbers.

The OYW Summit 2022 opening ceremony was held at Bridgewater Hall, home of the Hallé Orchestra. It was an exciting night filled with meaningful performances aimed at reflecting the key themes of inclusion and diversity, and making a difference together. What touched me most was when all nations, including the nation for refugees, were represented by a flagbearer at the official opening, signifying the recognition and inclusion of everyone on a shared global platform to make a positive change.

### FIVE PLENARY THEMES

The next three days of the Summit proved to be action-packed, with inspiring speeches from influential leaders and speakers, fireside chats and workshops focused on five plenary challenge themes, namely conflict prevention, gender equality, safeguarding and restoring the world's oceans, ethical leadership, and ensuring health equity for all.



A The flagbearer with the Singapore flag, at the Official Opening Ceremony at the iconic Bridgewater Hall

V Conflict prevention plenary



A OYW 2022 presentation stage

### 1) Conflict Prevention

Till date, there are still conflicts around the world, such as the Russia-Ukraine war and, nearer home, the unrest in Iran and China-India border, to name a few. Although there are different agendas and motivations underlying these conflicts, one common consequence remains – people suffer. They lose their homes and their loved ones, and struggle for survival. Even if they succeed in relocating to another country, they may face challenges like being accepted and fitting in, rebuilding a new home, and managing the mental trauma the war has left on them.

Yet, it is also through tough times that the tough get going. Some of the delegate-speakers are victims and survivors of conflicts. They shared how they have turned scars into strengths, and set up platforms to allow people with similar experiences to reach out and get help.





Gender equality: Sharing on LGBTQ+

## 2) Gender Equality

The gender inequality gap varies in different countries and societies. In some countries, inequality exists at the workplace while in others, it exists in the form of expectations on how women should behave in everyday life. One of the delegate-speakers from India gave her personal account on the “taboo” topics, even though they pertain to the natural biological makeup of a woman. The result is that many women are inadequately educated, and continue to have misconceptions about societal norms.



One should only be a leader when one is ready to commit to the leadership responsibilities

## 3) Safeguarding And Restoring The World's Oceans

It was reiterated by Dr Sylvia Earle, President and Co-Chair of Mission Blue and The Sylvia Earle Alliance, that 71% of the earth is made up of water, and oceans are a significant portion of our ecosystem. Hence, the health of the oceans and the marine organisms that live within them have a much more significant impact on our lives than we realise. As such, small and simple actions by everyone, such as ensuring that we do not pollute the beaches and seas, and volunteering for periodic beach cleanups, can collectively make a huge difference.

## 4) Ethical Leadership

Ethical leadership was one of the topics I was most interested in at the Summit. It is an increasingly important and relevant topic to all who hold leadership positions, to ensure a fair, motivating, and sustainable working environment. John Roberts, Founder of AO and Trustee, defined ethical leadership as “people behaving themselves” to create an environment that attracts and retains talents. This will then ensure a sustainable business in the long run.

Being a strong advocate of ethical leadership, I signed up for the ethical leadership workshop organised by the BMW group. During the workshop, participants shared their thoughts on key attributes of ethical leadership and ways to implement it. Ilka Horstmeier, member of the Board of Management of BMW AG, highlighted that being in a leadership position is a choice that one makes. One should only be a leader when one is ready to commit to the leadership responsibilities, and not just go with the flow of taking it up as part of annual promotions. What sets an ethical leader apart from the rest? – he/she acknowledges when a mistake is made and takes corrective actions. This is definitely a takeaway that I want to adopt in my leadership.

Sharing on ethical leadership by Ilka Horstmeier, member of the Board of Management of BMW AG



Fireside chat on health equity

## 5) Ensuring Health Equity For All

Today, there are still approximately 1.6 billion people who do not have access to clean water, and one in two people do not have ready access to proper healthcare. This would impede their ability to manage the spread of chronic diseases and premature death. An example would be the higher COVID-19 infection and death rates in countries where people do not have ready access to proper healthcare and vaccination. The speakers called upon the delegates to explore ways which we could make use of technology to devise solutions that will provide and have a wider outreach to people who require this aspect of proper healthcare.

## BUSINESSES IN ACTION

Another interesting part of the Summit was where businesses such as Asahi, Audi, BMW, and IKEA shared the efforts they have made to create a positive social impact. For instance, Audi showcased its latest e-rickshaw which is powered by recycled batteries. These rickshaws will be provided to women in rural parts of India, to help them transport the woven products they make to the marketplace. The availability of transport will greatly assist them in generating income and improving their lives.

These businesses demonstrate that it is possible to explore and develop innovative solutions to create a positive social impact while still generating profits to make them viable businesses.



Audi's e-rickshaw

## CLOSING CEREMONY

At the end of the Summit, delegates gathered for the closing ceremony where we officially became OYW Ambassadors. While the Summit had come to an end, it marked the start of our journey as Ambassadors to reflect on the takeaways from the Summit, and think of ways that we can create a positive impact on our local communities.



CAW OYW 2022 Ambassadors

## ROUNDING UP

It was a mindblowing experience at OYW Summit, where I heard many inspiring stories and ideas on making a difference. Having grown up in this generation – in a part of the world where there is ready access to many resources – some of the themes that were discussed did not immediately resonate with my experiences. Nonetheless, they made me realise that we have the capacity to give more, and make a significant impact to improve the lives of others.

“Ubuntu”, an African term, means humanity towards others. It is a keyword that summarises my takeaway from the Summit. We are all impacted in one way or another by the events that are happening in a different part of the world. If we are able to embrace the Ubuntu mindset – where an impact we make today for others will also create a positive impact for ourselves in the long run – we can all make the world slightly better today than yesterday, for everyone. ISCA

Tan Cihui is Senior Manager, Audit & Assurance, Deloitte & Touche LLP, Singapore.





# Indonesia: Fascinating Market Opportunities

Bring Your Business And Career To The Next Level



## TAKE AWAYS

- Entering and thriving in the Indonesia market takes a deep understanding of its unique culture, market, and regulatory and tax landscape.
- Recent Singapore-Indonesia treaties provide additional protection for investments and investors from the other country; tax changes also create a more conducive business environment.
- Measures to encourage economic activity in Indonesia include cutting bureaucracy and simplifying licensing procedures, opening up foreign investment limits, harmonising Indonesia's taxation framework, introducing more flexibility into its labour market and facilitating capital investment.

**ALL EYES ARE ON INDONESIA** as it seeks to step up international diplomacy and emerge stronger from the pandemic, offering a great deal of new business and internationalisation opportunities. Much is owed to its fast-growing middle-class population of close to 280 million<sup>1</sup> – the fourth largest in the world – rich natural resources, high levels of Internet penetration and its vibrant startup scene. Entering and thriving in the Indonesia market takes a deep understanding of its unique culture, market, and regulatory and tax landscape.

### COUNTRY OVERVIEW AND ECONOMIC DEVELOPMENTS WITH SINGAPORE

Emerging strongly from the COVID-19 crisis, the Asian Development Bank (ADB) raised its economic growth projection for Indonesia to 5.2% in July – up from its April forecast of 5%<sup>2</sup> – in

expectation of robust demand domestically and high prices for key commodity exports.

This positive outlook further stems from the country's digital economy, which is going through a "golden period". Based on the East Ventures Digital Competitiveness Index research<sup>3</sup> 2022 conducted in conjunction with PwC Indonesia and the Katadata Insight Centre, 2021 saw seven startups being recognised as unicorns in Indonesia and an unprecedented amount of fundraising (US\$9.4 billion) despite pandemic disruptions. These funds are expected to fuel growth in e-commerce, fintech and logistics, and as digital connectivity spreads across the archipelago.

In the first half of 2022, Indonesia recorded IDR310.4 trillion (S\$28.9 billion) of actualised foreign direct investment (FDI)<sup>4</sup>, marking a 35.8% year-on-year increase. Investment

Minister and Head of the Investment Coordinating Board, Bahlil Lahadalia, noted that Singapore investors accounted for 27.7% of total FDI in the second quarter. Investments that flowed from and through Singapore into Indonesia have continued to top Indonesia's FDI since 2014.

At the Singapore-Indonesia Leaders' Retreat early this year, Singapore Prime Minister Lee Hsien Loong and Indonesia President Joko Widodo, popularly known as Jokowi, witnessed the signing of a raft of Memorandums of Understanding (MoUs)<sup>5</sup>. Among them is an MoU on financial and economic cooperation which opens doors to opportunities in financial services, climate finance and the digital economy. The two countries also

agreed to collaborate in green economy development and energy cooperation.

Of particular relevance to accountancy professionals is the MoU between the Monetary Authority of Singapore and Bank Indonesia. This promotes collaboration on projects in relation to payments innovation and formalises cooperation across an expanded range of central bank and regulatory functions, including monetary policy, oversight of payment and settlement systems, as well as anti-money laundering and countering the financing of terrorism.

Moreover, the Singapore-Indonesia Bilateral Investment Treaty came into effect in 2021, establishing legally binding rules on how Indonesia and Singapore should

The Singapore-Indonesia Bilateral Investment Treaty came into effect in 2021, establishing legally binding rules on how Indonesia and Singapore should treat investments and investors from the other country.

treat investments and investors from the other country. Investors from both countries are also granted additional



<sup>1</sup> <https://www.worldometers.info/world-population/indonesia-population/>

<sup>2</sup> <https://www.adb.org/news/adb-raises-growth-forecast-indonesia>

<sup>3</sup> <https://www.dealstreetasia.com/partner-content/ev-dci-2022-golden-era-indonesia>

<sup>4</sup> <https://en.tempo.co/read/1614123/indonesias-foreign-investment-up-to-rp310-4tn-singapore-dominates-with-over-27>

<sup>5</sup> <https://www.mfa.gov.sg/Newsroom/Press-Statements-Transcripts-and-Photos/2022/01/20220125-Singapore-Indonesia-Leaders-Retreat>

protection on their investments on top of the existing protection and benefits accorded under domestic laws and free-trade agreements.

The new Singapore-Indonesia Double Tax Treaty also came into force in January 2022. Encouragingly, tax exemption from the Source State on capital gains is now available under certain scenarios, and lower withholding tax rates on royalties and branch profits and updated anti-abuse provisions are now included.





From the tax perspective, the Omnibus Law provides for a streamlined approach to amend the various key tax codes which would take years to amend under the conventional law-making process

- While uncertainties remain, they are believed to be short-term
- Accountancy professionals would do well to explore the potential and opportunities in an increasingly dynamic Indonesia

## NAVIGATING BUSINESS REFORMS AND OPPORTUNITIES

The Indonesian government has been focused on accelerating the pace of reform to improve the ease of doing business in the country. A game-changer is President Jokowi's signature Omnibus Law, which came into force in November 2020.

Almost 80 existing laws have been amended top-down under the Omnibus Law. Many subsequent measures to encourage economic activity were also introduced. These changes include provisions to cut bureaucracy and simplify business licensing procedures, open up foreign investment limits, harmonise Indonesia's taxation framework, introduce more flexibility into its labour market and facilitate capital investment.

### 1. For existing businesses in Indonesia Relaxation of labour laws

Singaporeans who have set up or are managing businesses in Indonesia would be pleased to hear that the Omnibus Law has relaxed

the previously onerous manpower rules. Employers now have more flexibility with severance payments and enjoy eased regulations relating to outsourcing arrangements and work permit requirements for foreigners. This makes it easier for business owners – from small and medium-sized accountancy practices (SMPs) to multinational corporations – to hire and expand their operations in Indonesia.

### Streamlined tax regulations amendments

Currently, Indonesia has different laws and regulations governing individual and corporate income tax, withholding tax, dividend tax and interest tax, among others. From the tax perspective, the Omnibus Law provides for a streamlined approach to amend the various key tax codes which would take years to amend under the conventional law-making process. Both fiscal and non-fiscal incentives in the special economic zones or free-trade zones have been created for prioritised sectors.

### 2. For businesses considering entering or expanding into Indonesia Liberalised foreign ownership restrictions

ISCA members involved in market development may be most excited about the opening up of foreign holdings under the Omnibus Law. A Positive Investment List has been issued that liberalises the majority of sectors to allow 100% foreign holdings, except for those which are reserved for the Indonesian government (for example, weapons production) or prohibited entirely (for example, narcotics, gambling).

Foreign investors can enter into more new business lines and restructure or expand their presence in Indonesia, with key sectors such as energy, telecommunications, transportation and construction now on the table. One should nonetheless note that additional requirements



\* <https://www.tmf-group.com/en/news-insights/articles/2022/july/gbci-2022-business-complexity-in-apac/>

PHOTO: SHUTTERSTOCK

Almost 80 existing laws have been amended top-down under the Omnibus Law.

### A varied legal system

Indonesia's legal system is based mainly on civil law. However, take into account other influences including traditional customary law (*adat*) and Islamic law (*sharia*), and the result is a legal system wholly distinct from the common law system to which Singaporeans are accustomed. For instance, common law courts tend to abide by past judgements or legal precedents in examining an issue, whereas codified statutes and ordinances predominate in civil law systems.

Tapping on the expertise of specialists such as lawyers familiar with the Indonesian market can help improve compliance with Indonesia's regulations and in navigating the application and approval processes for permits or licences from relevant government authorities.

### 3. For finance professionals working with Indonesian counterparties Strict foreign exchange monitoring

Strict currency rules apply for domestic transactions, as nearly all transactions that take place within Indonesia must be billed using the Indonesian rupiah. While there is no exchange control on foreign currency, and investors can freely transfer foreign currency funds to and from Indonesia, such transfer of funds is subject to a reporting obligation to Bank Indonesia.

Offshore assets and liabilities as well as foreign shareholder loans have specific reporting requirements as well. Some of these requirements in the latter case are tied to whether the borrower enjoys corporate income tax deductions for interest, so foreign investors should consider any transaction from all angles.

### CONCLUSION

In TMF Group's latest Global Business Complexity Index 2022<sup>6</sup>, Indonesia dropped out of the top 10 list of most complex jurisdictions to do business, having previously ranked number one in 2020, marking a significant progress the country has achieved. That said, there are still complexities and nuances relating to Indonesia's operating and legal structures that financial investors should be conscious of.

While uncertainties remain, such as the potential implications of ongoing supply chain disruptions, inflation and Indonesia's political future post-President Jokowi's administration, these risks are believed to be short-term. Accountancy professionals would do well to explore the potential and opportunities in an increasingly dynamic Indonesia. ISCA



### Useful links:

- Enterprise Singapore's Market Profile on Indonesia (<https://www.enterprisesg.gov.sg/overseas-markets/asia-pacific/indonesia/market-profile>)
- See what government grants can help your business (<https://www.gobusiness.gov.sg/gov-assist/grants/>)
- Find out more about ISCA's overseas business study missions (<https://isca.org.sg/member-support/members-in-practice/create-opportunities>)

This article was co-written by ISCA, Suyanti Halim, Tax Leader, PwC Indonesia, and Lim Kexin, Partner specialising in Tax and Indonesia business initiatives, PwC Singapore.





Ong Shu Yi

ALTERNATIVE PROTEIN REFERS TO INGREDIENTS HIGH IN PROTEIN CONTENT

that are typically sourced from plants, insects, fungi or tissue culture to replace conventional animal-based protein<sup>1</sup>. There is increasing consumer interest in alternative protein, attributable to the growing health and environmental concerns, as well as interest in animal welfare and ethical consumerism. Soy protein, pea protein, mycoprotein and cultured meat are examples of alternative protein.

Widespread adoption of alternative protein in global diets is likely to bring benefits<sup>2</sup> such as healthier diets and lower

# The Transition To Alternative Protein

Providing Environmental And Dietary Benefits



- Widespread adoption of alternative protein in global diets is likely to bring benefits such as healthier diets and lower greenhouse gas emissions.
- Alternative protein may be more readily accepted by consumers if substitutes can reach parity with animal proteins in taste, consistency and price.
- There are opportunities for investments across the alternative protein supply chain, including in pea protein production and protein innovation.



There is strong growth in the alternative protein sector, attracting considerable financial investment and research interest.

greenhouse gas emissions. The transition to plant-based alternatives can save over one gigatonne of CO<sub>2</sub>e emissions by 2035. Compared to conventional animal-based protein, the production of plant-based alternatives emits 1/12 the CO<sub>2</sub>e/kg of beef, 1/9 for pork, 1/8 for chicken and 1/3 for eggs. By 2035, moving away from agricultural activities for the production of animal protein could save approximately 39 billion m<sup>3</sup> of water and free up 240,000 km<sup>2</sup> of land previously used for ranching. The land can be used for habitat-restoration activities and contribute to increased carbon sequestration.

ALTERNATIVE PROTEIN MARKETS AND GROWTH

The market for alternative protein is still nascent<sup>3</sup>, with 13 million metric tonnes consumed globally in 2020 (2% of animal protein market), currently valued at US\$29.4 billion from primary markets in North America, Europe and Asia. It is estimated that alternative protein

consumption will expand by approximately seven times to 97 million metric tonnes by 2035, accounting for 11% of the overall protein market. The alternative protein revenues are anticipated to reach US\$290 billion in 2035, distributed throughout the value chain<sup>4</sup>.

Regionally, the most mature markets for alternative protein are North America (the US and Canada) and Europe, and both are expected to continue growing because of increasingly climate-conscious and health-conscious consumers. Asia Pacific is the largest market for alternative protein (approximately 61% in 2020) and will continue to grow at the fastest rate. This is driven by a large, growing and increasingly wealthy population that is consuming greater volumes of protein. The region is anticipated to account for about 66% of global alternative protein consumption in 2035.

Milk alternatives, for example, oat milk and almond milk, are alternative protein products that are most widely consumed at present, and are likely to account for the largest proportion of the market through 2035 (approximately 36%). The market for meat alternatives such as chicken and seafood are also expected to increase quickly from 2030 to 2035. Many popular dishes globally could have economical alternative protein substitutes by 2025, especially those with less structured meat such as ground chicken or beef. Examples of such dishes are dumplings, lasagne and sandwiches.



<sup>1</sup> <https://www.mckinsey.com/industries/agriculture/our-insights/alternative-proteins-the-race-for-market-share-is-on>  
<sup>2</sup> <https://www.spglobal.com/commodityinsights/en/ci/Info/0122/future-of-alternative-proteins-market.html>  
<sup>3</sup> <https://www.bcg.com/publications/2021/the-benefits-of-plant-based-meats>  
<sup>4</sup> <https://www.spglobal.com/commodityinsights/en/ci/research-analysis/future-of-alternative-proteins-implications-for-meat-industry.html>



## VIEWPOINT



### WIDESPREAD CONSUMER ACCEPTANCE IS A KEY BARRIER TO INDUSTRY GROWTH

Some consumers' interest to adopt alternative protein in their diets may be impaired by concerns on food health and safety, if regulation is not sufficiently strong as a result of excessive regulatory hurdles. This is on top of other factors such as substitutes that are priced higher and have unfamiliar tastes. Alternative protein may be more readily accepted by consumers if substitutes can reach parity with animal proteins in the following three key areas<sup>5</sup>:

- 1) **Taste:** Substitutes must imitate the familiar flavours and smells of conventional products, for example, meat, seafood;
- 2) **Consistency:** Substitutes must have the same appearance and consistency as animal protein. For example, alternative eggs and dairy will be better perceived if they behave like real eggs and dairy when cooked;
- 3) **Price:** Most alternative proteins are currently priced at a premium compared to animal proteins. The prices of alternative proteins must match or be lower than conventional products to be more widely accepted by consumers.

### ALTERNATIVE PROTEIN AS AN INVESTMENT OPPORTUNITY

There is strong growth in the alternative

protein sector<sup>6</sup>, attracting considerable financial investment and research interest. There are opportunities for investments across the alternative protein supply chain, including in the following areas where investments are required:

- 1) **Pea protein production:** Pea protein is one of the most competitively priced alternative protein types and it is expected to lead the alternative protein market in the short to medium term. An existing challenge in pea protein production is producing a quality product with a minimal taste and colour profile. Investments in improved processing facilities and technologies may encourage consistency in pea protein supply and capture market share.
- 2) **Protein innovation:** Investing in protein innovation can enable the adoption of more advanced technologies to overcome criticisms of plant-based meat not meeting protein demand as much as animal-based meat, for example, developing pea varieties with higher pea content. Technologies including artificial intelligence and computational breeding can be used to produce seeds with premium characteristics such as higher protein content and nutritional value. ISCA

Ong Shu Yi is Manager, ESG at Treasury Research & Strategy, OCBC Bank.

PHOTO: SHUTTERSTOCK

# Stone Forest

## Tap on professional digital advisors at no cost

\*Fully funded by IMDA

?

Not sure how to start?

!

Want to avoid the hassle of trial and error?

Q

Looking for a more holistic digitalisation approach?

Despite higher adoption of digital transformation, **only two in five SMEs perceive their efforts to be successful**. Digitalisation can be intimidating. Unfamiliarity with the subject matter and start-up costs deter SMEs from taking the plunge.

## CTO as-a-Service

gives SMEs the **confidence to go digital by providing more handholding and holistic support** with its fully-funded in-depth digital advisory and project management support services.

“CTO-as-a-Service can help companies **shave off time for putting their digital plans in motion to a month, instead of the six to nine months they would have taken on their own.**”

### HOW WE HELP

#### DIGITAL ADVISORY Digitalisation2SME™

More than just finding the right digital solution:

- ✓ Learn digitalisation fundamentals and IT best practices through short videos
- ✓ Holistic advisory that covers cybersecurity, data protection, and reskilling concerns
- ✓ Ready-to-use useful guides and security awareness training

#### PROJECT MANAGEMENT PM2SME™

Helping SMEs project manage for optimal digital outcomes:

- ✓ Communications bridge to align expectations between you and your digital solutions vendor
- ✓ Proactive project risk and issues advisory
- ✓ Effective project tracking with documentation templates and checklists

Scan & learn more



Asia Pacific is the largest market for alternative protein (approximately 61% in 2020) and will continue to grow at the fastest rate



<sup>5</sup> <https://www.bcg.com/publications/2021/the-benefits-of-plant-based-meats>  
<sup>6</sup> <https://www.bcg.com/publications/2021/the-benefits-of-plant-based-meats>

Contact us:

T +65 6594 7594 | Info@StoneForestIT.com

Supported by:



In support of:

SMEs GO DIGITAL



IS CHARTERED ACCOUNTANT JOURNAL



# Technical Highlights

## ETHICS

### **IESBA Staff Issues Alert Highlighting Key Ethics And Independence Considerations For Professional Accountants In Relation To The Military Conflict In Ukraine**

The publication highlights a number of important ethics and independence considerations for professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs) under the IESBA Code in view of the challenges and risks arising from the Russia-Ukraine war.

For more information, please visit:

<https://www.ethicsboard.org/news-events/2022-10/iesba-staff-issues-alert-highlighting-key-ethics-and-independence-considerations-professional>

## FINANCIAL REPORTING

### **ISCA Issues FRG 4 Accounting Considerations For A Special Purpose Acquisition Company (SPAC) Under SGX SPAC Listing Framework**

In recent years, SPACs have gained popularity as an alternative vehicle for a private company to achieve a stock exchange listing without going through its own initial public offering (IPO). After the acquisition by a SPAC, that private company becomes part of a listed public company.

In September 2021, SGX introduced a new regulatory framework for the listing of SPACs on its mainboard to give companies an alternative listing avenue.

Cognisant that the accounting of a SPAC transaction could be more complex than for a traditional IPO, ISCA has developed Financial Reporting Guidance 4 (FRG 4) to provide guidance on key accounting considerations for SPACs under the SGX SPAC Listing Framework.

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-guidances>

### **October 2022 IASB Update Available And Work Plan Updated**

This Update highlights IASB's discussions on topics such as Post-Implementation Review of IFRS 9-Classification and Measurement, and Disclosure Initiative-Targeted Standards-Level Review of Disclosures. Other topics covered include Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9) and finalisation of an IFRIC agenda decision relating to the accounting of warrants on acquiring a SPAC.

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-october-2022/>

### **Q3 2022 IFRS Interpretations Committee (IFRIC) Podcast Available**

In this podcast, IFRS Interpretations Committee Chair and IASB member Bruce Mackenzie joined Technical Staff member Patrina Buchanan to share on IFRIC's discussions to support consistent application of IFRS Accounting Standards in the third quarter of 2022. Topics discussed include Lessor Forgiveness of Lease Payments; Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition, and Non-Current Liabilities with Covenants.

For more information, please visit

<https://www.ifrs.org/news-and-events/news/2022/10/q3-2022-ifrs-interpretations-committee-podcast-now-available/>

### **IASB Webcast Series On Dynamic Risk Management (DRM)**

The IASB Technical staff have produced a series of eight webcasts to explain the DRM project based on IASB's tentative decisions to date. The project's aim is to get companies to reflect better, in their financial statements, how interest rate risk management affects the amount, timing and uncertainty of future cash flows. The first webcast provides an overview of the project. There are six webcasts which discuss each element of the DRM model and a final webcast on a walkthrough of illustrative examples of how the DRM model could be applied in practice.

For more information, please visit

<https://www.ifrs.org/projects/work-plan/dynamic-risk-management/webcast-series-dynamic-risk-management/>

### **September 2022 IFRS For SMEs Accounting Standard Update**

This Update includes an overview of the consultation on updating the IFRS for SMEs Accounting Standard, a summary of forthcoming events and an update on the SME Implementation Group (SMEIG).

For more information, please visit

<https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/ifrs-for-smes/2022/september-2022-ifrs-for-smes-accounting-standard-update/>

## SUSTAINABILITY & CLIMATE CHANGE

### **ISSB Unanimously Confirms Scope 3 GHG Emissions Disclosure Requirements With Strong Application Support**

At its October meeting, the ISSB has voted to require disclosures on Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions. The ISSB will develop relief provisions to help companies apply the Scope 3 requirements. The ISSB also made key decisions relating to the proposed general requirements standard, interoperability with jurisdictional requirements, and future agenda priorities.

For more information, please visit

<https://www.ifrs.org/news-and-events/news/2022/10/issb-unanimously-confirms-scope-3-ghg-emissions-disclosure-requirements-with-strong-application-support-among-key-decisions/>





Liew Li Mei



Chua Kong Ping

# Tax Compliance Amid Recent Global Developments

## Understanding The Concepts And Requirements



- TAKE AWAYS**
- Recent measures against tax avoidance and aggressive tax planning may be conceptually categorised under assurance programmes, reporting regimes, public tax transparency, and a retooling of international tax rules.
  - While there are no standards for good tax governance, certain good corporate practices exist.
  - Due to increased disclosure and transparency obligations, taxpayers should ensure they understand data requirements early on and budget the necessary time and resources to get ahead of the data curve.

**FILLING NATIONAL COFFERS, DEPLETED BY RECENT MULTIPLE FINANCIAL CRISES AND A GLOBAL PANDEMIC, IS EXTREMELY IMPORTANT BUSINESS.** Governments' tools, however, have remained largely unchanged since the early 20th century. Additionally, the existing international tax architecture, which assigns taxing rights to jurisdictions where people and production factories are located, has been buckling under the weight of digitalisation. In today's digital economy, value is primarily driven by intellectual property and it comes as no surprise that the staggering corporate profits generated by such assets are parked in low-tax jurisdictions.

Governments are not the only ones looking to balance the books after the financial drain of COVID-19. The general public, aggrieved that the spoils of economic growth have been disproportionately accrued to shareholders of multinationals, are increasingly vocal that this group of taxpayers pay their "fair share" of taxes.

It is within this context that consequential changes to the international tax framework have been proposed and look to take effect in the next couple of years. Measures against tax avoidance and aggressive tax planning

have also mushroomed in recent years. Understanding the scope of all the changes may be difficult, even for seasoned finance professionals. Conceptually, the developments may be broken down into four categories: (1) assurance programmes, (2) reporting regimes, (3) public tax transparency, and (4) a retooling of international tax rules.

### 1. Assurance programmes

The overarching objective of these programmes is to encourage companies to self-police tax planning and tax reporting.

Taxpayers are encouraged by revenue authorities to conduct "self-checks".

At the granular level, to ensure that returns are complete and accurate, focus is placed on the internal controls and processes of taxpayers that govern the collection of financial data, the subsequent analysis and the eventual reporting to tax authorities. More broadly, such assurance programmes also require taxpayers to state their attitudes towards tax compliance and planning, and require material tax issues to be aired within the boardroom.



<sup>1</sup> The requirement to prepare the CbCR is imposed on multinational groups with annual consolidated revenues of €750 million or more.

PHOTO: SHUTTERSTOCK

Some examples of assurance programmes include Germany's Tax Compliance Management System, Australia's Combined Assurance Program, and at home, Singapore's Tax Governance Framework, Corporate Tax Risk Management and Control Framework (for income tax) and Assisted Compliance Assurance Programme (for Goods and Services Tax, or GST).

### 2. Disclosure regimes

We move away from "self-checks" territory and venture into "trust but verify" land of compulsory disclosures. Taxpayers meeting certain profiles are required to divulge a variety of information to revenue authorities so that the latter may focus their audit activity on perceived "high-risk" entities or transactions. Examples include:

- The country-by-country report (CbCR)<sup>1</sup>, which provides the revenue, income, tax paid and accrued, employment, capital, retained earnings, tangible assets and activities in each jurisdiction that a taxpayer operates in, so that local tax authorities are better equipped to assess transfer pricing risks.
- The European Union (EU), pursuant to a directive known as DAC6, requires the mandatory disclosure of cross-border arrangements (in which at least one EU member state is affected) if that arrangement bears certain characteristics or features, or "hallmarks", that indicate a potential risk of tax avoidance.
- A global reporting framework has been developed by the Organisation for Economic Co-Operation and Development (OECD) and the EU to share information of activities facilitated by digital platforms, particularly in today's gig economy. This is because such activities may not always be visible to tax authorities or self-reported by taxpayers. In Singapore, the Inland Revenue Authority of Singapore has engaged digital economy players like Grab to report the earnings of ride-hailing drivers.



### 3. Public tax transparency

Public tax transparency entails presenting relevant information that is easily understood by the public on how taxpayers contribute to the economy by paying taxes (such as income tax) or collecting taxes (such as GST). On the one hand, proponents of tax transparency claim that such public disclosures would narrow the gap between what businesses are doing and what they are reporting. This is a variation of the theme where what gets measured gets done, or in the case of transparency, what gets reported gets the management's attention. On the other hand, critics are worried that tax avoidance and aggressive tax planning may mean various things to various parties, and increased disclosure may serve to confuse rather than clarify.

Be that as it may, countries such as Australia have laws in place that require the tax authorities to publish information reported to them by large corporations. The EU has mandated that large multinationals based or operating in its member states publicly disclose information that closely resembles the CbCR. The list of jurisdictions embracing public tax transparency is expected to grow and it is probably a matter of when, not if, that increased disclosure of tax and other related information to the public becomes the norm.

### 4. Retooling of international tax rules

Lastly, international tax rules are slated to be overhauled to combat tax avoidance and aggressive tax planning. This is embodied in the Pillar One and Pillar Two proposals under the aegis of OECD's Base Erosion and Profit Shifting Project.

A key element of Pillar One<sup>2</sup> is a move to a global tax based on where products and services are used/consumed, instead of where economic activities are conducted. This proposal, which seeks to reallocate 25% of an affected multinational enterprise's profits that are in excess of 10% of its global revenue to market jurisdictions, appears to benefit larger countries which have more consumers.

As for Pillar Two<sup>3</sup>, it aims to ensure that large multinationals pay a minimum level of tax wherever they operate. Multinationals would

Multinational companies walk a tight-rope between delivering shareholder returns and operating in a manner that enhances the societies and environments that they do business in. Paying taxes have thus become a highly scrutinised activity. The importance of good tax governance, although not a cure-all, is expected to grow as these companies navigate an increasingly complex tax environment.



PHOTO SHUTTERSTOCK



International tax rules are slated to be overhauled to combat tax avoidance and aggressive tax planning

Taxes are ultimately a business cost and well-governed companies will seek to be efficient in managing them



<sup>2</sup> Briefly, this proposal would apply to multinational enterprises with global revenues exceeding €20 billion and a profitability greater than 10%.

<sup>3</sup> Briefly, this proposal would apply to multinational enterprises if the revenue in its consolidated financial statements exceeds €750 million.

be required to pay an effective tax rate of 15% in each jurisdiction that they operate in, thus reducing the incentive for taxpayers to arbitrage tax rates between countries.

### HOW CAN COMPANIES DEAL WITH THE CHANGES?

Taxes are ultimately a business cost and well-governed companies will seek to be efficient in managing them. Unfortunately, a fuzzy line separates legitimate tax mitigation from tax avoidance. Landing on the wrong side of the line could result in financial or reputational repercussions, especially when paying taxes is seen as both a legal and social obligation.

The importance of good tax governance, although not a cure-all, is expected to grow as companies navigate an increasingly complex tax environment. While there are no standards for "good" tax governance, common elements include setting the tone at the top regarding attitudes towards tax planning and compliance, maintaining an inventory of material tax risks and delineating roles and responsibilities within the organisation with respect to tax. Companies operating in jurisdictions with assurance programmes introduced should also evaluate opportunities to build trust with local tax authorities.

Increased disclosure requirements and the change in international tax rules are two sides of the same coin; the former provides tax authorities with the requisite information to combat aggressive tax planning, while the latter reduces taxpayer incentives to indulge in the same. The immense amount of data required to comply is a common denominator across both regimes. Taxpayers should determine what data is required, where it resides (at a local level or at a group level), and whether enough resources exist to collect the data, especially if the process is not automated. Taxpayers should also ensure they understand data requirements early on and budget sufficient time and resources to get ahead of the data curve. ISCA

Liew Li Mei is International Tax Leader, and Chua Kong Ping is Tax Partner, Deloitte Singapore.





Felix Wong



Agatha Oei



“Transfer pricing (TP) is like Hainanese chicken rice. While both Singapore and Malaysia adhere to the same arm’s length principle, each country has a distinct ‘flavour’ when it comes to TP.”

# Transfer Pricing In Singapore And Malaysia

## A Comparison Between Two Neighbours



- TAKE AWAYS**
- In determining the arm’s length price of an RPT, the Singapore tax authority does not have a specific preference for any one method. Conversely, the Malaysian tax authority has a preference for traditional transactional methods over transactional profit methods.
  - Under Malaysia’s transfer pricing (TP) regime, all taxpayers that have entered into domestic or international controlled transactions are required to prepare contemporaneous TP documentation, whether full or simplified.
  - Singapore provides certain safe harbours for TP, such as the indicative margin which taxpayers can apply on their related party loans under S\$15 million. Conversely, there are no such safe harbours in Malaysia.

**BESIDES SHARING A LONG HISTORY AND A COMMON BORDER,** Singapore and Malaysia also share a love for good Hainanese chicken rice. Without getting into a debate on who serves the better chicken rice, those who have tried the famous dish in both countries would notice their distinct local flavours even though they are, in theory, the same dish.

“Transfer pricing (TP) is like Hainanese chicken rice,” explained Adriana Calderon, Director, Transfer Pricing Solutions Asia, and Hong Chuan Tan, Director, Transfer Pricing Solutions Malaysia, in a webinar organised by the Singapore Chartered Tax Professionals.



Adriana Calderon, Director, Transfer Pricing Solutions Asia, and Hong Chuan Tan, Director, Transfer Pricing Solutions Malaysia, compared Singapore and Malaysia’s TP regimes and highlighted their distinct flavours

“While both Singapore and Malaysia adhere to the same arm’s length principle, each country has a distinct ‘flavour’ when it comes to TP. In this regard, taxpayers must be mindful of the nuanced differences, both in terms of the TP regulations as well as the tax authorities’ approach and administration.”

### TRANSFER PRICING DOCUMENTATION REQUIREMENTS

#### Malaysia

Malaysia has adopted the Organisation for Economic Cooperation and Development (OECD)’s three-tiered standardised approach to TP documentation (TPD) comprising a master file, a local file, and a country-by-country (CbC) report.

Under Malaysia’s TP regime, all taxpayers that have entered into domestic or international controlled transactions are required to prepare contemporaneous TPD. TPD is generally accepted as contemporaneous if it has been prepared no later than the filing due date of the tax return.

PHOTO: SHUTTERSTOCK



Singapore’s TPD requirement is largely similar to the OECD’s, covering both group-level and entity-level information

- A full TPD is required in Malaysia if:
- a) the annual gross income exceeds RM25 million, and the total controlled transaction value exceeds RM15 million per annum, or
  - b) the provision of financial assistance exceeds RM50 million for non-financial institutions.

Taxpayers falling outside of the scope above are required to prepare a simplified TPD. It is a common misconception that the Inland Revenue Board of Malaysia (IRB) does not require the testing of transactions or carrying out of benchmarking analysis for simplified TPDs. In practice, taxpayers are expected to test their controlled transactions by applying an appropriate TP method.

In addition to the local file, taxpayers are

also required to prepare a master file if their total consolidated group revenue in the financial year (FY) preceding the first reporting FY is more than RM3 billion. “While the master file provides a useful overview of the multinational enterprise (MNE) group, in our experience, IRB tends to put its attention on the local file as it focuses on controlled transactions of the Malaysian entity,” clarified Mr Tan.

Taxpayers in Malaysia are required to furnish their TPD within 14 days for TP audit cases commencing on or after 1 January 2021. Given the short timeline (compared to at least 30 days in many countries), taxpayers must ensure the timely preparation of contemporaneous TPD and not wait until the commencement of an audit by IRB.



#### Singapore

Singapore's TPD requirement is largely similar to the OECD's, covering both group-level information (similar to the master file) and entity-level information (similar to the local file). The group-level information aims to provide an overview of the group's businesses that are relevant to the business operations in Singapore, and the entity-level information aims to provide details of the Singapore taxpayer's business and its related party transactions.

Taxpayers must prepare contemporaneous TPD if the gross revenue derived from their trade or business for the basis period exceeds S\$10 million, or if they were required to prepare TP documentation in the previous basis period. Unlike Malaysia, Singapore does not have an option for simplified TPD. However, exemptions are available for specific transactions.

Similar to Malaysia, TPD is generally accepted as contemporaneous in Singapore when it has been prepared no later than the filing due date for the year of assessment (YA) corresponding to the FY in which the transaction has taken place. Taxpayers are given 30 days to submit their TPD upon the Inland Revenue Authority of Singapore's (IRAS') request.

#### PREFERRED TP METHOD

##### Malaysia

In Malaysia, taxpayers may use one of the five internationally accepted TP methods for their related party transactions based on the specific nature of the transactions and the availability of reliable data. However, in practice, traditional transaction methods (that is, the comparable uncontrolled price (CUP) method, resale price method, and cost-plus method) are generally preferred by IRB over the transactional profit methods (that is, the transactional profit split method and transactional net margin method).

##### Singapore

Unlike IRB, IRAS does not have a specific preference for any one method and would generally accept the method that produces the most reliable results, taking into account the quality of available data and the degree of



accuracy of adjustments. The choice of the most appropriate TP method depends on the facts and circumstances of each case.

Taxpayers are expected to consider the strengths and weaknesses of the methods, the nature of the transaction, the availability of reliable information needed to apply the method, as well as the degree of comparability between the related and independent party transactions.

#### RELATED PARTY DOMESTIC TRANSACTIONS

##### Malaysia

TP is applicable to both cross-border and domestic transactions in Malaysia, with the exception of domestic transactions between taxpayers who are both assessable and chargeable to tax in Malaysia, and that any adjustments made will not alter the total tax payable or suffered by both persons.

##### Singapore

Similarly, TP applies to both cross-border and domestic transactions in Singapore. Taxpayers

are exempt from preparing TPD for domestic transactions between related parties subject to the same tax rate, or for related party domestic loans where the lender is not in the business of borrowing and lending money.

#### OTHER SAFE HARBOURS

##### Malaysia

There are no specific safe harbours for TP in Malaysia.

##### Singapore

To facilitate compliance with the arm's length principle, IRAS has put in place an indicative margin which taxpayers can apply on their related party loans under S\$15 million. Where the indicative margin is applied, taxpayers are not required to prepare TPD on the loan.

Taxpayers can also apply a 5% cost markup for certain routine support services (such as accounting and auditing, computer support, and payroll services) as a reasonable arm's length charge when certain conditions are satisfied.

In Singapore, a fine of not exceeding S\$10,000 may be imposed for offences such as the failure to prepare TPD in accordance with the prescribed timing or content, or the failure to submit TPD within 30 days from a request by IRAS. A surcharge of 5% will be imposed on TP adjustments, regardless of whether there is any additional tax payable resulting from the TP adjustment.

#### PENALTIES FOR NON-COMPLIANCE WITH TPD REQUIREMENTS

##### Malaysia

Since 2021, Malaysia has introduced criminal liability for failure to maintain contemporaneous TPD. Taxpayers who fail to submit contemporaneous TPD upon request by IRB within 14 days will be liable, upon conviction, to a fine of RM20,000 to RM100,000, or to imprisonment for a term not exceeding six months, or both.

##### Singapore

In Singapore, a fine not exceeding S\$10,000 may be imposed for offences such as the failure to prepare TPD in accordance with the prescribed timing or content, or the failure to submit TPD within 30 days from a request by IRAS. A surcharge of 5% will be imposed on TP adjustments, regardless of whether there is any additional tax payable resulting from the TP adjustment (for example, due to losses or tax incentives).

From different thresholds for TPD to the general approach taken by the tax authorities, there are many differences between Singapore and Malaysia's TP regimes. Businesses with operations in both countries should be mindful of the nuanced differences when preparing their TPD so as to avoid the domino effect of incorrect transfer prices leading to prior years' TP adjustments, incorrect tax returns, and possible indirect tax issues. To minimise their TP risks, taxpayers should ideally prepare TPDs for all their open YAs (that is, five YAs in Singapore and seven YAs in Malaysia) if they have not done so already. *ISCA*

Felix Wong is Head of Tax, and Agatha Oei is Tax Specialist, Singapore Chartered Tax Professionals.



The choice of the most appropriate TP method depends on the facts and circumstances of each case

PHOTO: SHUTTERSTOCK





**THE MEASUREMENT OF INSURANCE LIABILITIES UNDER THE RISK-BASED CAPITAL 2 (RBC 2) FRAMEWORK** is mainly prescribed in the Insurance (Capital and Valuation) Regulations 2004 and MAS Notice 133 *Notice on Valuation and Capital Framework for Insurers*. Under FRS 104 *Insurance Contracts* (FRS 104), many insurers align the measurement basis for MAS reporting and the statutory financial statements, resulting in efficiency. However, this will not be possible under FRS 117 *Insurance Contracts* (FRS 117).

FRS 117 states that the accounting standard shall be applied to all components within an insurance contract, except distinct investment components, embedded derivatives, and any promise to transfer to a policyholder distinct goods or services other than insurance contract

services. This requirement implies that the measurement of insurance liabilities under FRS 117 may include various components that are not part of policy liabilities under RBC 2, for example, policy loans, premium receivables and claims payable. Conversely, certain components such as distinct service components, investment components or embedded derivatives may be excluded from measurement under FRS 117 but not RBC 2.

This third article continues the discussion from the first two articles, which were published in this *IS Chartered Accountant Journal* in July and September 2022. Here, the IFRS 17 Working Group, in collaboration with the committee members of the Singapore

TEXT BY



Alvin Chua



Harry Lee



Charles Chiu

### Takeaways

- Under FRS 104 *Insurance Contracts* (FRS 104), many insurers align the measurement basis for MAS reporting and the statutory financial statements, resulting in efficiency. However, this will not be possible under FRS 117 *Insurance Contracts* (FRS 117).
- This article explores specific considerations around the measurement of insurance liabilities for the life insurance business under FRS 117 and RBC 2 in five areas, namely level of aggregations, component of liabilities, contract boundaries, valuation methodology, and expense.

Actuarial Society (SAS) Life IFRS 17 Workgroup, explores the specific considerations around the measurement of insurance liabilities for the life insurance business under FRS 117 and RBC 2 in the following areas:

1. Level of aggregations,
2. Component of liabilities,
3. Contract boundaries,
4. Valuation methodology,
5. Expense.

### 1. Level of aggregations

FRS 117 emphasises that an insurance contract is the lowest unit of account. Highly interrelated basic plans and their riders are to be measured as single insurance contracts. Treatment of other basic plans and riders that are not highly interrelated will depend on the facts and circumstances, such as the legal form of the contracts.

Consequently, there may be insurance contracts for which the basic plans and their riders could be written in different insurance funds or sub-funds, and have very different risk characteristics. They would be measured under FRS 117 on a combined contract basis, but could be measured separately under RBC 2. Additionally, FRS 117 groups contracts into three profitability groups at initial recognition, namely contracts that are onerous, contracts that have no significant possibility of becoming onerous subsequently, and remaining contracts in the portfolio.

# FRS 117 *Insurance Contracts* Vs MAS' Risk-Based Capital 2 Part 3

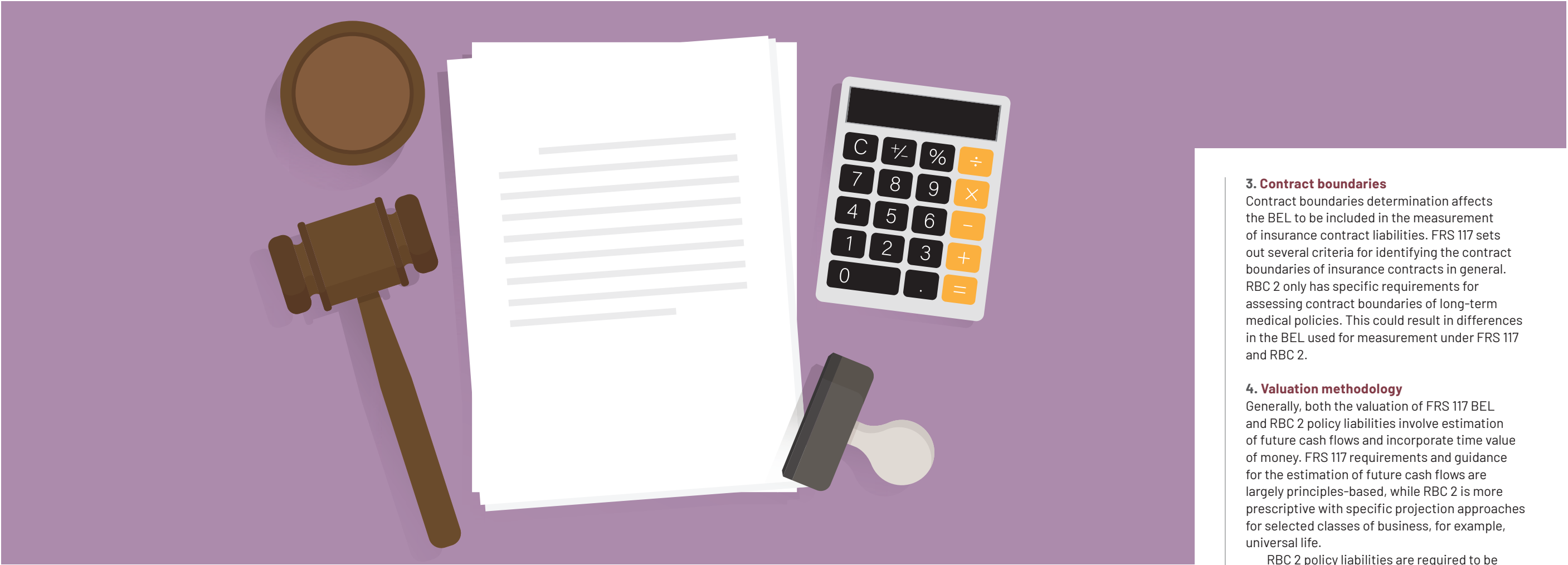
Guidance From ISCA's IFRS 17 Working Group

PHOTO GETTY IMAGES





Under FRS 104 *Insurance Contracts* (FRS 104), many insurers align the measurement basis for MAS reporting and the statutory financial statements, resulting in efficiency. However, this will not be possible under FRS 117 *Insurance Contracts* (FRS 117).



FRS 117 requires that a reinsurance contract held be measured as a separate contract, independent of the measurement of the underlying contract. The requirements on how the various components in an insurance contract can or cannot be separated apply to reinsurance contracts as well, and it is expected that many different coverages under one reinsurance treaty could be measured as a combined reinsurance contract. While reinsurance contract liabilities are being reported separately at the fund level under RBC 2, RBC 2 does not require the aggregation of reinsurance cash flows at the contract level that may straddle across insurance funds. Similar to insurance contracts, FRS 117

groups the reinsurance contract into three profitability groups at initial recognition, namely net gain, no significant possibility of a net gain arising subsequently, and remaining contracts in the portfolio.

**2. Component of liabilities**

Under FRS 117, insurance contract liabilities comprise a best estimate of future cash flow (best estimate liability or BEL), an explicit allowance for non-financial risk (risk adjustment or RA) and contractual service margin (CSM). Measurement of the policy liabilities under RBC 2 comprises an estimation of future cash flows and a provision for adverse deviation



FRS 117 requires that a reinsurance contract held be measured as a separate contract, independent of the measurement of the underlying contract

The FRS 117 requirements for future cash flow estimations are largely principles-based, while RBC 2 is more prescriptive

PHOTO GETTY IMAGES

(PAD). The policy liability should not be less than zero. Although there are differences, a parallel can be drawn in the areas below:

- FRS 117 BEL vs best estimate cash flows component within RBC 2 policy liabilities; and
- FRS 117 RA vs RBC 2 PAD component.

The reserves are required to be floored at zero at policy level under RBC 2, but there is no corresponding requirement in FRS 117. This difference reduces comparability between the two bases and this difference would also extend to the comparison between reinsurance FRS 117 BEL and RBC 2 reinsurance share of policy liabilities.

**3. Contract boundaries**

Contract boundaries determination affects the BEL to be included in the measurement of insurance contract liabilities. FRS 117 sets out several criteria for identifying the contract boundaries of insurance contracts in general. RBC 2 only has specific requirements for assessing contract boundaries of long-term medical policies. This could result in differences in the BEL used for measurement under FRS 117 and RBC 2.

**4. Valuation methodology**

Generally, both the valuation of FRS 117 BEL and RBC 2 policy liabilities involve estimation of future cash flows and incorporate time value of money. FRS 117 requirements and guidance for the estimation of future cash flows are largely principles-based, while RBC 2 is more prescriptive with specific projection approaches for selected classes of business, for example, universal life.

RBC 2 policy liabilities are required to be floored at zero, but such adjustments would not be required under FRS 117 as the CSM component would be set up similar to the concept of flooring initial reserves to zero, and subsequently recognising the initial negative reserves or initial profits over the lifetime of the contracts.

In addition, RBC 2 specifically requires that shareholder transfer for participating policies be included in the policy liabilities. Under FRS 117, these amounts would not form part of BEL but are part of CSM and released to profit or loss over time.

Under FRS 117, time value of financial options and guarantees (TVOG) is required to be included in the BEL where relevant, but there is no such requirement under RBC 2.



FRS 117 states that the accounting standard shall be applied to all components within an insurance contract, except distinct investment components, embedded derivatives, and any promise to transfer to a policyholder distinct goods or services other than insurance contract services. This requirement implies that the measurement of insurance liabilities under FRS 117 may include various components that are not part of policy liabilities under RBC 2.

## 5. Expense

FRS 117 allows only attributable expenses to be included in the measurement of insurance contracts. Attributable acquisition expenses are included in the estimates of future cash flows and are capitalised on Day 1 in CSM. Acquisition expenses that are incurred before the group of contracts are capitalised as an asset (that is, preresognition acquisition expenses) and the amount relating to the recognised contract will be derecognised from the asset and recognised into the liability for remaining coverage. Non-attributable expenses such as product development and training costs are excluded from FRS 117 BEL.

In addition, FRS 117 is more explicit in the types of investment management expense that are attributable. Only the cost incurred to perform investment activities to enhance policyholder benefits and to provide investment-related and investment-return service are attributable. Hence, an investment expense related to policies that do not have these features, such as traditional term contracts, would be viewed as non-attributable under FRS 117.

Under RBC 2, expenses are allocated to their respective funds, with specific requirements on participating fund expense allocation to protect

policyholder interests. There is no concept of capitalisation and amortisation of acquisition costs under RBC 2 for the life business.

In Part 4 of the series, to be published in the January 2023 issue of this journal, the IFRS 17 Working Group, in collaboration with the SAS Life IFRS 17 Workgroup, will discuss specific considerations around the measurement of insurance liabilities for the life insurance business under FRS 117 and RBC 2 in the following areas:

1. Economic assumptions,
2. Risk adjustment vs provision for adverse deviation,
3. Contractual service margin and profit emergence. ISCA

Alvin Chua is Chairman, IFRS 17 Working Group (WG) and Director, KPMG Services Pte Ltd; Harry Lee is a WG member, Co-Chair of the SAS Life IFRS 17 Workgroup and Program Director, IFRS 17 Program Office, Prudential Assurance Company Singapore; Charles Chiu is Co-Chair of the SAS Life IFRS 17 Workgroup and Actuarial & Pricing, Group Finance, Great Eastern Life Assurance Co Ltd.



This is the third in the series of articles from the IFRS 17 Working Group (set up under the ambit of the ISCA Insurance Committee) to help insurers in Singapore navigate through the differences between FRS 117 and RBC 2.

PHOTO GETTY IMAGES



## LET YOUR PROFESSIONAL ACCOMPLISHMENTS SHINE

Stand out among your peers in an increasingly competitive business environment by displaying the **ISCA Digital Badges** and **Chartered Accountants Worldwide (CAW) Network Member logo**.

The ISCA Digital Badges include the **Membership Milestone** and **Professional Accomplishment badges**. Membership Milestone badges recognise your loyalty and commitment to the institute, while Professional Accomplishment badges are awarded for the completion of ISCA CPE Certification courses, Professional Qualification programmes and Specialisation Pathways.

As a Chartered Accountant of Singapore, you may also tap on the CAW Network Member logo to expand your global connections.

By displaying the digital badges and CAW Network Member logo, you can:

1. Showcase your credentials and qualifications on your online profiles and resumes
2. Highlight the competencies and accomplishments you have achieved in your professional fields
3. Inspire confidence in employers of your expertise
4. Narrate your achievements online in a secure way
5. Enhance your professional brand and digital footprint

**Start earning your badges today!**  
Find out more at [isca.org.sg/digitalbadges](https://isca.org.sg/digitalbadges).



Learn more at  
[isca.org.sg/digitalbadges](https://isca.org.sg/digitalbadges)





## ARE YOU SAVVY ENOUGH TO NAVIGATE THROUGH THE NEW NORMAL?

As the national accountancy body, ISCA helps develop the capabilities and confidence that ISCA Youth Associates need to enhance their CV and achieve their career aspirations.

Even during these unprecedented times, ISCA continues to support all our student members by curating relevant webinars and online workshops. These resources are designed to transform student members into agile, resilient, and curious learners who can position themselves ahead of the curve.

---

Take the first step to hone your skill sets and prepare for your future career.

**Learn more at [isca.org.sg/YouthAssociate](https://isca.org.sg/YouthAssociate)**

*Membership fees will be waived for a limited time period.*



Scan here to sign up as  
a Youth Associate now