IS Chartered Accountant Journal

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focus

ISCA ANNUAL GENERAL MEETING 2021/2022

DIVERSITY IN ISCA COUNCIL

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS


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Dear members,

THANK YOU FOR YOUR SUPPORT IN THE NEW ISCA COUNCIL.

This Council Election in April achieved some milestones. It is the first time the Election was conducted online, which made it more convenient for members to participate in the proceedings. That has resulted in a 44% increase in votes compared to the 2019 Election. Credit goes to the ISCA secretariat for the many months of preparation.

The newly elected Council comprises a diverse mix of finance leaders and representatives from the small and medium-sized practices and Big Four accountancy firms, and an entrepreneur; 30% are women. The members, from both the public and private sectors, bring with them their unique insights, wide-ranging experiences and extensive industry networks. Their diversity and vibrancy are representative of the Institute's membership, making them ideal to lead ISCA.

The strength of a diverse ISCA Council will help to forward the Institute's vision to be a world-class accountancy body of trusted professionals, contributing towards an innovative and sustainable economy. Our vision is underpinned by five elements: **I**nclusiveness, **I**nnovation, **I**nfrastructure, **I**mpact and **I**nformation, where the focus of what we do must make a difference to our members, the profession, and the community and society at large.

We look forward to the continued support of our members to achieve progress for the Institute and bring value to our members and the profession.

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contents

viewpoint

technical excellence

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Good Progress On Singapore Green Plan 2030

FOLLOWING THE LAUNCH OF THE SINGAPORE GREEN PLAN 2030 IN FEBRUARY 2021 as a whole-of-nation movement to advance Singapore's national agenda on sustainable development, the one-year report card shows good progress. The Green Plan is spearheaded by five ministries, namely, the Ministries of Sustainability and the Environment, Trade and Industry, Transport (MOT), National Development (MND), and Education, and supported by the whole of government.

At the 2022 Committee of Supply Debate segment on the Green Plan on March 8, Senior Minister and Coordinating Minister for National Security Teo Chee Hean, who is Chairman of the Inter-Ministerial Committee on Climate Change, outlined the impetus behind the decisive move to raise Singapore's ambition to achieve net-zero emissions by or around mid-century. He said that the UN Climate Change Conference 2021 (COP 26) had provided greater clarity on carbon market rules, and the increased global investments in decarbonisation technologies will enable Singapore to achieve net-zero emissions earlier. Aligning with the global call for net zero now will help the country establish a competitive edge early in a low-carbon future, and create new growth opportunities in industry, services, and finance. There will be consultations with industry and citizen stakeholders before finalising a specific net-zero year.

The revised carbon tax levels will send the appropriate price signal across the economy, and shape business decisions and individual consumption habits. Help will be given to industry to mitigate the impact of a higher carbon tax. For example, for the manufacturing sector, the National Environment Agency will raise the maximum grant support for energy-efficient technologies under the Energy Efficiency Fund from 50% to 70% of qualifying costs. This would enable companies to build capabilities and decarbonise early by adopting energy-efficient technologies. The government will continue to invest in science and technology to unlock possibilities for a low-carbon future.

The Singapore Energy Transition plans and Green Economy Strategy will drive MOT's plans to transition Singapore to a low-carbon economy. In greening Singapore's economy, it is critical to decarbonise the energy sector. The government will continue to enhance the energy and carbon efficiency of natural gas power plants, accelerate solar deployment, work with partners to develop the regional grid, and explore low-carbon energy solutions. There will be new opportunities for businesses and workers in areas such as green finance, carbon services and trading, and sustainable tourism. MOT also announced measures to significantly reduce carbon emissions in the land transport sector, with a target of reducing peak emissions by 80% by or around mid-century. For example, every HDB town will be electric vehicles-ready by 2025, and the government will continue to promote public transport and active mobility, which are the greenest ways to commute.

MND has committed an additional $45 million of funding for the enhanced Green Buildings Innovation Cluster programme, to support the development, testbedding and deployment of green technologies and solutions for buildings. In transforming Singapore into a City in Nature, the government will continue to leverage R&D to innovate and find new solutions to improve urban sustainability.

The Institutes of Higher Learning (IHLs) are making sustainability a strategic priority in their plans and leveraging their research and innovation capabilities to develop new products and solutions, in partnership with and support of local industry. The IHLs, for example, are developing the skills and competencies among graduates and the workforce so that they can access new green opportunities.

The Singapore Green Plan 2030 will require the collaboration of both the public and private sectors. Accountants can play a part in helping their organisations drive the green agenda, such as by aligning the environmental, social and governance factors to the company vision and mission, and developing metrics to quantify the impact of sustainability.

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Singapore Stewardship Principles For Responsible Investors

WITH THE INCREASING FOCUS ON THE BROADER CONCEPT OF SUSTAINABILITY, Stewardship Asia Centre released the second edition of the Singapore Stewardship Principles (SSP) for Responsible Investors on 31 March 2022, updating the practices to enhance Singapore's investment environment. The revisions were driven by a 10-member steering committee and supported by the Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX).

Singapore first introduced the principles in 2016, outlining practices related to the core behaviour and actions associated with stewardship to promote active and responsible investment. Since then, capital markets have undergone profound developments as global concerns intensified over the impact of financial investments on the economy, society and the environment. Stakeholders were of the view that investors should become better stewards by demonstrating a genuine intent to deliver sustainable performance and long-term value to clients and beneficiaries, as well as to factor in environmental, social and governance (ESG) considerations.

"Responsible investment stewardship can help raise corporate governance standards, drive positive change and create sustainable long-term value for all stakeholders – not just for the individual company or investor, but also for the wider economy, environment and society," says Abigail Ng, Executive Director and Head of Markets Policy and Infrastructure Department, MAS. "This is in line with MAS' efforts to promote sustainable financing in our financial sector. We strongly encourage market participants to become signatories of the SSP and to co-create sustainable business value in an environment of good governance."

"Institutional investors, through their investment strategies, play an important role in the allocation of capital to companies. Institutional investors can shape the practices of their portfolio companies through active stewardship and their investment decisions," says Tan Boon Gin, CEO, Singapore Exchange Regulation. "This is especially pertinent with the market's increased focus on ESG considerations and outcomes. With institutional investors engaging actively with companies, I hope SGX-listed companies will be more motivated towards creating and sustaining long-term value."

Although compliance to this industry-led initiative remains

Singapore Stewardship Principles

These seven principles provide useful guidance to investors towards fostering good stewardship in discharging their responsibilities and creating sustainable long-term value for all stakeholders.

1) Develop and articulate stewardship responsibilities and governance structures;
2) Monitor investments regularly;
3) Stay active through constructive and purposeful engagement;
4) Uphold transparency in managing conflicts of interest;
5) Exercise rights and responsibilities on an informed basis;
6) Report stewardship activities periodically;
7) Take a collaborative approach in exercising stewardship responsibilities where appropriate.

Source: Singapore Stewardship Principles for Responsible Investors 2.0, March 2022

voluntary, signatories are strongly encouraged to submit evidence of their stewardship efforts annually to the secretariat of the steering committee. Given their training and expertise, accountants and finance professionals are well placed to play an active role in helping to guide their organisations towards SSP compliance.

"In the drive for sustainability, every voice matters," highlights Dennis Tan, CEO, Prudential Singapore. He shares that the principles are "aligned with our approach to responsible investment" and, "through active engagement with companies in our investment portfolio, we aim to achieve our net-zero target by 2050".

PHOTO **GETTY IMAGES**

The Stewardship Compass: Doing Well While Doing Good

Businesses can activate their stewardship practices using the Stewardship Compass (Figure 1). The framework encourages the articulation and activation of an organisational purpose based on four core values: long-term view, ownership mentality, interdependence and creative resilience; its application is a four-step process.

Figure 1

Source: Stewardship Asia Centre

As highlighted by Rajeev Peshawaria, CEO, Stewardship Asia Centre, in an uber-connected and uber-populated world, while megatrends have created exciting growth opportunities, they also present daunting challenges such as income inequality, environmental degradation, and social and political unrest. These challenges have "profound consequences for future generations" and organisations today need to find business models that drive profitable growth by addressing these issues. "In today's world of free and open information, customer and consumer expectations are changing. It is only by integrating the needs of society (people) and the environment (planet) can companies be assured of their long-term performance and resilience."

The values embedded in the Stewardship Compass are intended to help guide personal actions and business decisions towards better stewardship of the earth's natural and human resources.

- **Interdependence: The activities and decisions undertaken by businesses and individuals have far-reaching consequences. We live in an interdependent world and therefore, organisations and individuals must recognise that their success depends on the success of others. Business strategies and operations must lead to mutual benefits and win-win outcomes.**
- **Long-term view: The focus on short-term profit should not come at the expense of long-term value creation. Business leaders should strategise and execute their plans for sustained value creation for both current and future generations.**
- **Ownership mentality: Stewards take the initiative to act responsibly to ensure that they not only keep the world's human, social and environmental capital intact but make every effort to enhance their value for the next generation. Businesses and individuals should think and act like owners and take proactive responsibility to make stewardship happen.**
- **Creative resilience: A well-stewarded company is resilient because it manages risks and learns from mistakes and setbacks. It is constantly seeking innovative solutions to disruptive challenges.**

"The 21st-century business leadership challenge is to do well by doing good. Creating a collective better future based on the stewardship approach involves defining and activating your Stewardship Compass," says Mr Peshawaria.

INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

Building a competent and future-ready profession

ISCA partners the government and industry in developing a competent and future-ready accountancy profession that contributes to Singapore's aspiration to become a global accountancy hub.

MARK YOUR CALENDAR

18 & 19 MAY

Enable Strategic Business Decisions via Scientific Business Analytics and Data Visualization

This program aims to provide an introductory 101 understanding on how scientific use of data analysis and data visualization could lead to improved decision making and problem solving.

19 MAY

Business Mandarin: Application of Chinese Accounting Vocabulary

This seminar emphasizes on the classifications, characteristics and applications of the Chinese Accounting vocabulary.

20 MAY

GST in the Digital Economy

This session aims to give an overview of the GST taxing tools and taxing framework in areas specific to the digital economy: reverse charge, overseas vendor registration regime; digital tokens, digital payment tokens, cross-border digital and non-digital transactions.

26 MAY

Professional Judgment and Ethics

This session aims to better equip current and aspiring auditing/accounting/finance professionals with essential knowledge and practical approaches in applying and/or demonstrating professional judgment and skepticism appropriately in their job and thereby enhancing the substance and ethics of judgment made.

27 MAY

An Overview of Selected FRSs

This programme is to discuss on selected Singapore Financial Reporting Standards (FRS) issued by the Accounting Standards Council (ASC).

31 MAY

Geographical Source of Income – In the determination of Taxability of income

This course aims to guide participants on the determination of the geographical source of income for various types of income and in determining whether the income concerned is subject to Singapore income tax.

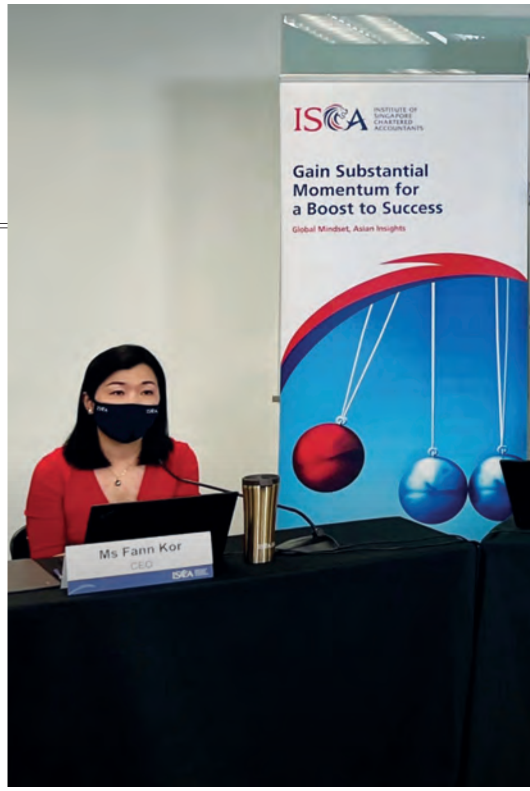
SAAC SINGAPORE ACCOUNTANCY AND AUDIT CONVENTION SERIES

PAIB CONFERENCE 2022

Bringing back the in-person conference experience after running virtually for the past two years, this year's PAIB Conference will be held in a hybrid format, catering to differing interests and needs. The conference will see a continued and deeper look into the sustainability agenda, as we explore from why to why not, sharing how business leaders, in particular, finance and accountancy professionals can steer their organisations towards sustainable, inclusive growth. With an exciting content line-up, our esteemed speakers and panellists will delve into how organisations and accountancy professionals can play critical roles in driving the sustainability agenda and disclosures. Speakers will also discuss the impact and opportunities brought about by the growing sustainability agenda on skills and jobs, energy landscape and financial reporting.

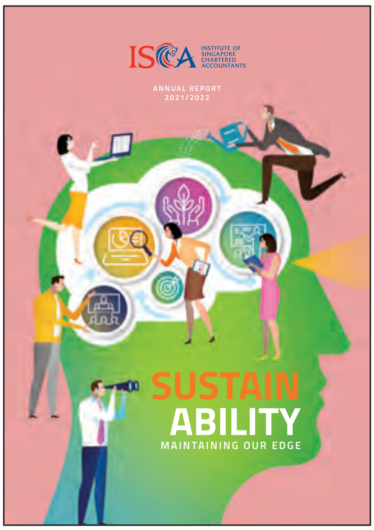
Join us in-person or virtually on **Thursday, 25 August 2022** in the discussions and presentations on the varied topics, curated especially to equip professional from the private and public sectors, that will enable you to progress ahead and contribute positively in the growing sustainability space!

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



ISCA ANNUAL GENERAL MEETING 2021/2022

Sustain Ability



ISCA HELD ITS ANNUAL GENERAL MEETING (AGM) 2021/2022 VIRTUALLY ON 23 APRIL 2022.

Similar to last year, this year's AGM was held virtually to comply with safe management measures. In total, 176 ISCA members attended the AGM online, to keep up to date with the Institute's latest developments and offerings.

As an organisation that has evolved over time to remain relevant to the profession's needs, members who were present received a snapshot of the key milestones that ISCA had achieved during the past year from ISCA President Kon Yin Tong. ISCA Vice President Yvonne Chan shared on the importance of sustainability while ISCA Treasurer Roger Tay presented the financials. ISCA CEO Fann Kor gave an overview of the upcoming new initiatives to prepare members for the future economy.

Following the conclusion of the AGM, Mr Kon stepped down as ISCA President after four years at the helm, in accordance with the Institute's Constitution. This is in line with ISCA's leadership renewal process to regularly refresh the leadership team, inject new perspectives and involve more members of the profession to spearhead the Institute.

For members who could not join us that day, here is Mr Kon's AGM address, which focused on what ISCA has done to support our members and the profession over the last year.

SUPPORTING OUR MEMBERS AMID THE PANDEMIC

"With the heightened uncertainty of an evolving pandemic, the challenges of working from home and more recently, rising business costs, it has indeed not been an easy journey for many members over the past year. I am heartened that the Institute made a difference with our initiatives to support members and the profession through the pandemic.

The ISCA Support Fund has helped close to 140 small and medium-sized practices (SMPs), enabling them to tap into new opportunities and build digital capabilities.

The Support Fund also provided financial respite for about 500 members affected by the pandemic, through membership fee waivers and complimentary Continuing Professional

To support members in upskilling amid the pandemic, ISCA organised more than 40 complimentary webinars...

Development (CPD) training courses.

To support members in upskilling amid the pandemic, ISCA organised more than 40 complimentary webinars on topics such as strengthening governance, fighting climate change and supporting green finance, driving finance transformation and trends, mitigating financial fraud risk, and coping with stress and anxiety in uncertain times. These webinars cumulatively garnered more than 17,000 signups.

The topic of mental wellness also came to the forefront during this challenging period. To support our members' wellbeing, ISCA designated October 2021 as our mental wellness month, rolling out resources such as a Mental Wellness section on ISCA's website, a cover story in ***IS Chartered Accountant** Journal* and two webinars on the subject.

To keep our members updated about the latest developments in an evolving COVID situation, we released regularly updated guides such as the ISCA COVID-19 Navigator, which summarises the support schemes from the government and ISCA; the COVID-19 FAQs to address auditing and accounting issues arising from the pandemic, as well as advisories on safe management measures.

In an uncertain economic environment, we boosted our career support for members. Our job-matching scheme has enabled our members to discreetly connect with potential employers by posting their job history online anonymously.

In 2021, we fulfilled more than 420 employer requests to connect with members looking for career opportunities. The Virtual Career Fair for Accountancy and Finance Professionals, which we co-organised with Workforce Singapore, helped our members seek new career opportunities.

UPSKILLING AND RESKILLING MEMBERS

The pandemic accelerated the pace of digital transformation and technology adoption.

With new technologies and innovations rapidly changing the business landscape, ISCA provided new avenues for our members to gain in-demand skills and remain relevant, helping them thrive in today's dynamic environment.

Our Memorandum of Understanding with the Corrupt Practices Investigation Bureau (CPIB) paved the way for eligible CPIB officers to become ISCA members and be conferred the ISCA Financial Forensic Professional (ISCA FFP) credential. In addition, the ISCA Audit Committee Programme launched in 2021 equips members with essential financial reporting skills to strengthen the quality of financial reporting disclosures and best practices in corporate governance and risk management.

A The ISCA team comprised (from left) CEO Fann Kor, President Kon Yin Tong, Vice President Yvonne Chan and Treasurer Roger Tay

With the pervasive use of technology, businesses must understand and manage technology-related risks. ISCA, with the support of the Singapore Accountancy Commission (SAC), worked with industry experts to develop the ISCA Information Systems Risk Management (ISRM) Certificate to upskill practitioners in information systems risk management.

We launched the Digital Learning Guide to help members select the right courses to meet their upskilling needs. The guide highlights 12 potential roles amid five focus areas of digital transformation.

Our publication, "The State of Play of Intelligent Automation in the Finance Function", helps those in management roles understand the challenges and benefits of implementing intelligent automation solutions in the finance function, including upskilling and training considerations for finance employees.

ELEVATING ISCA'S GLOBAL PROMINENCE

Despite the travel restrictions, ISCA took part in several international and regional events last year, both in person and virtually.

Representing ISCA, I shared the state of sustainability reporting in Singapore and ISCA's initiatives in this area at the United Nations Conference on Trade and Development (UNCTAD), where I addressed delegates at the International Standards of Accounting and Reporting (ISAR) meeting in November last year. I also spoke on the same subject at the UNCTAD-ISAR Consultative Group meeting on national infrastructure for high-quality sustainability reporting in March this year.

The Institute took part in the Sustainability Assurance Roundtable co-hosted by International Federation of Accountants (IFAC) and the Jeju Group, as well as the Jeju Group's webinar on Sustainability Reporting and Assurance. The Jeju Group, which comprises ISCA, the Japanese Institute of Certified Public Accountants and the Korean Institute of Certified Public Accountants, aims to foster a stronger accountancy profession in Asia Pacific.

At the ASEAN Federation of Accountants Conference last November, I facilitated a session on the future of reporting, in view of the global trend towards mandatory sustainability reporting, while ISCA CEO Ms Fann Kor presented the key challenges experienced by ASEAN SMPs in technology adoption, and the competencies required to future-proof an SMP. Fann was also a panellist for the discussion on Future-Proofing our SMP Practice: Building Technological Skills and Competencies.

ISCA's growing prominence on the global accountancy arena can also be evinced from the appointment of ISCA members to global positions. ISCA Council member Adjunct Professor Chan Yoke Kai was first appointed to the IFAC International Panel on Accountancy Education in 2019. He has been reappointed for a second term from 2022 to 2024.

Our collaboration and engagement with regional and global counterparts elevate our brand and raises our prominence on a global level. In turn, our members benefit from being part of a globally recognised body, which enhances their employability in an increasingly globalised business landscape.

A ISCA President Kon Yin Tong providing an overview of some of ISCA's key achievements over the past year

SUPPORTING THE SMP SECTOR

Next, I would like to share with you about how we have supported the SMPs. The overwhelming majority of businesses in Singapore are small and medium-sized enterprises (SMEs) – many of which turn to SMPs for professional services. Hence, supporting SMPs has always been an important part of what we do at ISCA.

Our initiatives to support SMPs are guided by the ISCA Quality Assurance Framework and its four pillars: Quality Assurance, Digital Capability, Knowledge Circle and Opportunities Creation.

1) Quality Assurance

Under the Quality Assurance pillar, the Institute runs programmes that raise the quality of audit practices.

Through our Quality Assurance Review (QAR) Programme, participating firms receive support in reviewing signed-off engagement files, firm-level quality control systems and/or policies, procedures and controls on anti-money laundering/combating the financing of terrorism. The programme also covers tailored training sessions on the key findings and/or recurring findings from the review.

We also provide guidance materials for SMPs, which are updated regularly. These include the "ISCA Audit Manual for Standalone Entities", "ISCA Audit Manual for

Group Entities" and "ISCA Illustrative Financial Statements".

Last year, ISCA expanded its database of On-the-Job Training (OJT) Blueprints, producing a new set of blueprints covering 10 new audit topics. These blueprints were developed to boost the inhouse training of auditing firms and guide audit personnel.

ISCA also created platforms for dialogue and discussion on topics related to audit quality. Through the virtual ACRA-ISCA Dialogue Session held in October, practitioners provided feedback on ACRA's Practice Monitoring Programme (PMP), an important regulatory instrument that promotes audit quality and provides quality assurance.

In November last year, ISCA organised two focus group discussions with accounting firms to gather feedback regarding ACRA's Proposed Amendments to the Accountants Act. The insights from the discussions were included in ISCA's comment letter to the Ministry of Finance and ACRA.

2) Digital Capability

Under the Digital Capability pillar, we support SMPs in digitalisation, upskilling, diversification and internationalisation via the virtual SMP Centre.

The SMP Centre provides digital advisory support and conducts robotic process automation (RPA) workshops to support firms in automating routine and repetitive auditing and internal processes. Resources such as the self-assessment toolkit help SMPs determine their digital readiness and digital and training roadmap as it identifies the solutions and training required for their stage of digital development. We work closely with government agencies to help SMPs defray costs when adopting digital solutions.

Last year, our first ASEAN Tech Fair introduced members to new digital offerings, including accounting and auditing tools. We have also organised tech talks to support SMPs in their digitalisation journey. Last year, we organised five tech talks on how to tap government grants for digitalisation, and digital solutions that enhance work processes.

ISCA co-organised the Robotic Process Automation Hackathon in July 2021. The hackathon challenged its participants to develop an RPA script for categories including the audit process, finance, planning and treasury process. Through such events, ISCA aims to boost the development of innovative technology solutions that accelerate SMPs' digitalisation journeys.

3) Knowledge Circle

Under the Knowledge Circle pillar, ISCA helps SMPs build new skills and strengthen their domain knowledge. We also identify high-growth areas for SMPs and develop qualifications and certification programmes to equip them with relevant skills and enable them to tap new business opportunities.

In addition, we provide customised technical training sessions and materials tailored to the needs of individual firms. The scope of the training includes ISCA Audit Manuals, Ethics Pronouncement 200 and other audit-related topics. To support firms in the implementation of the new quality management standards, ISCA developed a quality management toolkit with implementation tips, examples, suggested policies and procedures, and forms.

4) Opportunities Creation

We create opportunities for SMPs to grow their businesses by expanding into overseas markets or via new service offerings.

Over the years, we have organised overseas mission trips for practitioners from Singapore to network with SMPs in countries including China, Australia, the United Kingdom and Myanmar. Last year, in view of pandemic-related travel restrictions, we collaborated with the Vietnam Association of Certified Public Accountants (VACPA) on a virtual business mission trip via Zoom.

REVIEW OF MEMBERSHIP FEES AND ISCA CONSTITUTION

As we refocus our strategic priorities to promote sustainability, expand our service offerings and provide greater support for our diverse member segments in a post-pandemic environment, there is a need to review our membership fee structure.

We have maintained the same membership fees since 2017, even though it is a common practice among the other professional accountancy bodies to have annual fee increases that range from 2% to 5%. While we have been prudent with our finances, the fact remains that business costs and inflation are rising. Even as we review the fee structure, we will ensure that ISCA's membership fees remain competitive.

We are also looking at reviewing ISCA's Constitution. The last time ISCA's Constitution was amended was in 2018. As such, it is timely for us to review our Constitution, to compare it against best practices and ensure alignment with other professional bodies. Areas for review include the tenure and composition of the Council members. As I am stepping down, I will leave this to the incoming President and other Council members.

CONCLUSION

As a lifelong accountancy professional, it has been a wonderful privilege to have made a difference to the profession through our work at ISCA. I would like to thank my fellow Council members, as well as the ISCA management team and staff for working with me to serve the accountancy profession these past four years.

Last but not least, I would like to say a big thank you to ISCA members for your unwavering support during my tenure, and I ask that you continue to give ISCA your full support." ISCA

Here is ISCA Vice President Yvonne Chan's sharing on the Institute's initiatives to prepare members for the green economy.

THE TEST OF OUR TIME

"It is said that every generation faces tests of their time. For instance, our founding fathers faced the test of building post-independence Singapore into the leading financial hub that it is today. The generation before us faced the test of fortifying Singapore's position in the global economy against the backdrop of external pressures such as the Asian Financial Crisis in the 90s and the Global Financial Crisis in the early 2000s. The COVID-19 pandemic is one of the tests of our time. After how the world almost ground to a halt when COVID first struck two years ago, we find ourselves on the road to recovery, albeit facing headwinds such as geopolitical tensions and an uncertain global economy.

Climate change will be the defining test of our generation. Thus, the onus is on us to lay a good foundation for sustainability action, and to empower our future generations to be adequately equipped to face the challenges posed by climate change.

Another test looms in the background – climate change. We have already seen its effects over the past decade. Climate change will be the defining test of our generation. Thus, the onus is on us to lay a good foundation for sustainability action, and to empower our future generations to be adequately equipped to face the challenges posed by climate change.

ISCA'S COMMITMENT TO SUSTAINABILITY

At ISCA, we are committed to supporting the profession in forging a sustainable future. This commitment is underscored in our sustainability strategy, which aims to drive and influence positive change in the accountancy ecosystem. This will be done through measures such as championing sustainable practices within ISCA, building capability in our accountants to be sustainability advocates in their own organisations, and pursuing collaboration opportunities for ISCA.

Make no mistake – sustainability is an intentional and strategic focus of ISCA. This will be a good opportunity for ISCA members to demonstrate that we are difference makers who are taking action and contributing to the sustainability agenda.

PHOTO SHUTTERSTOCK

ISCA Vice President Yvonne Chan sharing on the initiatives to prepare members for the green economy

To achieve this, our sustainability policy is underpinned by three key pillars.

1) Every member a key part of the body (corporate citizenship)

First, as a key professional body in Singapore's corporate ecosystem, we recognise that we are first and foremost corporate citizens. We have a responsibility to integrate environmental, social and governance considerations into our strategy and operations, in support of the vision of building a sustainable future for Singapore.

To oversee ISCA's sustainability practices, we will set up a Sustainability Reporting Taskforce, comprising various departments within ISCA and chaired by ISCA's CEO. This taskforce will develop and implement environmental, social and governance initiatives – or ESG initiatives – across ISCA, and report disclosures relating to ISCA's ESG performance. As a target, we have set out a roadmap of our sustainability commitments, in support of both the Singapore Green Plan 2030 as well as the UN Sustainable Development Goals. While we may not have the most impressive mechanism to track these measures or establish a full-scale implementation, we nevertheless want to kickstart this journey and take the very important first step.

Across ISCA, we will implement several measures in the areas of our energy, water and waste policies, not only to reduce the environmental impact of our work but to also encourage our staff and our members to adopt such green practices in their own organisations. For example, we aim to install 100% LED lighting with motion sensors in our office, water-efficient fittings that allow for efficient flow rates and flush volumes, and explore the use of renewable energy solutions such as solar energy. We will endeavour to reduce our paper usage by ensuring that we print on both sides, reduce printing of materials for meetings, and promote reusing and recycling of materials. There are many more tangible actions that we have committed to, and members can refer to our sustainability policy for the full list.

We are also cognisant of our social responsibilities and the importance of giving back to the community. Through our charity arm ISCA Cares, we have established an Education Programme to help accountancy students from financially-challenged families access quality education. This is achieved not just through financial assistance but also other forms of support such as the ISCA Cares Mentoring Programme. To date, ISCA Cares has awarded close to S$650,000 in bursaries to more than 230 students.

Eileen Kong was an ISCA Cares bursary award recipient for two years and was part of the ISCA Cares Mentoring Programme. When Eileen was studying accountancy at NTU, her family faced financial challenges. As her father was unemployed, her mother worked part time to support the family. Both parents have medical conditions and medical expenses were a big concern. Things were made worse when Eileen herself was hospitalised for an eye condition. Despite the challenges, Eileen had a strong resolve to excel in her studies and leveraged opportunities as she worked towards her aspiration of becoming a Chartered Accountant. The ISCA Cares bursary helped in her family's finances and gave her the peace of mind to focus on her studies.

Through the ISCA Cares Mentoring Programme, Eileen also had the opportunity to be mentored by senior accountancy professionals. Her mentor not only explained the roles and career prospects of tax professionals, she also offered her an internship in tax. This sparked her

interest in tax advisory. Eventually, these experiences helped her secure her first job as a Tax Advisory Associate in a Big Four firm. Eileen is now an ISCA Youth Associate member. Today, she works as an Associate at the Performance & Evaluation department at the Ministry of Finance, and is embarking on the Singapore CA Qualification Programme.

ISCA also promotes skills-based volunteerism among our members. As part of our partnership with the Ministry of Culture, Community and Youth, we connect experienced members who wish to volunteer their services with the relevant charities and non-profits.

KMS Therapeutics Foundation, which undertakes research relating to unmet medical needs, is one of the organisations which has benefited from our pro bono consultation service, having received accounting advice from one of the ISCA Volunteer Advisors.

To remain accountable, we will also implement mechanisms to

PHOTO SHUTTERSTOCK

... we can build a self-sustaining model of development, advocacy and knowledge for sustainability, and ensure that future generations will be equipped to combat climate change.

measure and track our progress in reaching these sustainability targets. We have included sustainability as one of the themes of our 2021/2022 annual report, and we will also create a sustainability hub on our website in the second half of this year.

The latter will state our sustainability policy, outline the initiatives we have undertaken, as well as provide sustainability-related resources for our members.

2) Empowering every member to be a catalyst for change (capability building)

Next, we aim to develop capability in our members, to transform them to become catalysts for change. In particular, we want to activate our members to be sustainability advocates, championing ESG initiatives back in their own organisations. In doing so, we can build a self-sustaining model of development, advocacy and knowledge for sustainability, and ensure that future generations will be equipped to combat climate change.

Now, you may ask: Why should accountants take a more active role in sustainability? I echo the words of Kevin Dancey, Chief Executive Officer of the International Federation of Accountants here: Sustainability is the future of corporate reporting and assurance.

As such, accountants must be proactive about climate reporting under existing financial reporting standards and best practices, by helping companies identify climate matters material to financial performance and align their climate commitments with financial disclosure. Thus, our members need to be equipped to prepare sustainability reporting as well as to understand the financial performance metrics relating to ESG. These are all growth areas for our members and so, we want to do our part in training and equipping our CAs for what lies ahead in the future.

Over the next two years, we will publish various guidelines and collaterals to promote the incorporation of sustainability within our practice. We will also propose for sustainability reporting to be a viable career pathway track under our Skills Framework for Accountancy. In addition, we will implement small but meaningful actions such as adding a category in the Singapore Accountancy Awards to recognise excellence in sustainable practices or in sustainability reporting.

At ISCA, our people are at the heart of what we do and so, we want to foster a supportive and inclusive workplace. We will implement tangible measures in this regard, such as ensuring fair and progressive working practices within the Institute as well as recruiting and supporting staff from diverse backgrounds. As part of our commitment to ESG, we strive to promote diversity and social mobility within our community, and to increase opportunities for more aspiring accountants to achieve their aspirations. We do this by providing disadvantaged youths with opportunities to pursue higher education through ISCA Cares.

By investing in our staff and our members, we can reap much benefit in the areas of empowerment and capability. After all, ISCA members have the breadth of skills, ethics and global expertise to make a difference – not just for the profession but for Singapore as well.

3) Fostering the future, together (collaboration opportunities)

Lastly, we have to recognise that when it comes to driving sustainability, it can never be a siloed effort. Rather, it requires a unified effort from all parties, so that we can complement each other's strengths and weaknesses.

We will explore opportunities to collaborate with like-minded organisations such as government agencies, professional services firms and other professional bodies, across areas of mutual interest such as climate reporting and green finance. National movements such as the Singapore Green Plan 2030 are also excellent opportunities for collaboration, and ISCA will explore such avenues. We all need to be proactive, advocate for sustainability, and work hard – together – to succeed.

THE WAY AHEAD

To conclude, I wish to highlight that when it comes to sustainability, it has to start with ourselves. And we want to be able to empower our members – every single one of you – to be advocates in your respective organisations.

Sustainability is not about ensuring compliance; it is about protecting our ecosystem and preserving natural resources for future generations. For this reason, ISCA is wholly committed to driving sustainability and forging a brighter future not just for our profession, but for the entire planet.

This is the test of our time and so, let's get to work." ISCA

DIVERSE MIX OF BUSINESS LEADERS ELECTED TO ISCA COUNCIL

A diverse group of business leaders was elected to the ISCA Council. Among the ISCA Council members are women leaders, who make up 30% of the Council, finance and accounting firm partners, representatives from the small and medium-sized, mid-tier and Big Four accounting practices, and an entrepreneur.

This is the first time the election was conducted via online voting. In previous years, the voting process was conducted using paper ballots. This year's Council Election also had greater participation from ISCA members, with a 44% increase in votes compared to the 2019 Council Election. The Council Election closed on April 18 and results were announced at ISCA's virtual AGM on April 23.

This year, five newly-elected Council members and three re-elected Council members joined the Institute's leadership team. They join seven business leaders who continue to serve their terms as ISCA Council members.

At the Council meeting following the conclusion of ISCA's virtual AGM, Mr Teo Ser Luck was elected ISCA President.

Get to know the newly elected and re-elected Council members here.

BIOGRAPHIES OF OFFICE BEARERS

MR TEO SER LUCK
FCA (Singapore)
Chairman,
BRC Asia Ltd

PRESIDENT

Mr Teo Ser Luck is a Fellow Chartered Accountant of Singapore. He was Advisor to ISCA from 2009 to March 2022, and championed the formation of the ISCA Young Finance Leaders Network in 2018. He also facilitated members' engagement through dialogue sessions with government leaders, to share challenges faced by the accountancy industry and profession in 2019 and 2020.

Mr Teo is an entrepreneur and investor who started his own companies in different sectors. He began his career as an auditor and spent 15 years in the private sector managing multinational companies and operations in the Asia-Pacific region before being elected as a Member of the Parliament of Singapore and appointed as a full-time political officeholder in the Singapore government for 11 years in four ministries. He returned to the private sector in July 2017 and remained as a Member of Parliament till June 2020.

Mr Teo was recognised as a young global leader by the World Economic Forum and was thrice conferred the Nanyang Alumni Awards – Nanyang Outstanding Young Alumni Award, Nanyang Alumni Achievement Award and Nanyang Distinguished Alumni Award – from Nanyang Technological University (NTU).

Apart from having his own companies, Mr Teo is also Chairman of two public-listed companies and board member of a few other companies listed on the Singapore Exchange main board. He is Advisor to the Singapore Fintech Association.

Mr Teo graduated with a Bachelor of Accountancy from NTU. He is an avid sportsman who trains daily and participates in races; he loves to read.

VICE PRESIDENT

A Fellow Chartered Accountant of Singapore, Mr Mohammad Shariq Sayeed Barmaky has served on the ISCA Council since 2018. He currently chairs ISCA's Audit Committee and is a member of the Executive Committee. Prior to his current service, he served on the Auditing and Assurance Standards Committee and Financial Reporting Committee.

Mr Barmaky has more than 30 years of experience in public accounting in the United Kingdom and Singapore. He has extensive experience in the audits of multinational and local companies in various industries, as well as due diligence and public listings of equities and commercial paper. He acts as audit partner for entities in the pharmaceutical, trading and distribution, manufacturing, oil and gas, shipping, postal and e-commerce/logistics and telecommunications sectors.

Mr Barmaky is currently Chairman of the Professional Education Council of the Singapore Chartered Accountant Qualification. He also serves on the boards of Accounting and Corporate Regulatory Authority (ACRA), Civil Service College and Shared Services for Charities Limited, as well as various committees in these organisations.

MR MOHAMMAD SHARIQ SAYEED BARMAKY
FCA (Singapore)
Audit & Assurance Leader,
Deloitte & Touche LLP (Singapore)
and Regional Managing Partner,
Audit & Assurance,
Deloitte Southeast Asia

VICE PRESIDENT

Ms Yiong Yim Ming is a Fellow Chartered Accountant of Singapore. She serves as a member of the ISCA Council and Continuing Professional Education Committee. She was a mentor in the ISCA Mentoring Programme for Aspiring CFOs in 2017.

Ms Yiong is a member of the United Nations Global Compact's CFO Taskforce for Sustainable Development Goals, as well as a member of the Board of Trustees of Singapore University of Social Sciences.

She joined City Developments Limited (CDL) in 2007 as an executive and was appointed its Chief Financial Officer in April 2016. She was re-designated as Group Chief Financial Officer on 1 February 2018. She has extensive knowledge of the group's financial and operational matters both domestically and overseas, covering the group's operations in property development, investment properties and hotels. Ms Yiong has strong technical competencies, specialising in the real estate sector, harnessed through 12 years of audit experience. Prior to joining CDL, she served a 10-year stint in KPMG Singapore and two years in Ernst & Young Singapore.

Ms Yiong holds a Bachelor of Accountancy degree from NTU.

MS YIONG YIM MING
FCA (Singapore)
Group Chief Financial Officer,
City Developments Limited

MS JOCELYN GOH CHERN NI
FCA (Singapore)
Audit & Assurance Partner,
BDO LLP

TREASURER

Ms Jocelyn Goh is a Fellow Chartered Accountant of Singapore. She served as a mentor to beneficiaries of the ISCA Cares bursary from 2017 to 2019. She was also a member of ISCA's Accounting Technicians Learning and Development Board from 2016 to 2020, and of the ISCA Young Professionals Group from 2009 to 2011.

Ms Goh has 27 years of experience in public accounting and commercial, including over 20 years with BDO LLP. As an audit partner, she is involved in the firm's talent acquisition and development, quality management, and learning and development. Being part of the leadership team means she plays an integral part in the strategic development of the firm. As Head of Quality Management which includes quality reviews of audit engagements, her responsibilities span policy development, monitoring and evaluation of quality management. As a talent partner, she facilitates the training and development of emerging leaders of the firm; she also constantly engages accountancy undergraduates to share her experience about the profession.

Ms Goh currently serves as a member of ACRA's Disciplinary Committee.

MS JUDY NG
CA (Singapore)
Chief Financial Officer,
Institutional Banking Group,
DBS Bank

SECRETARY

Ms Judy Ng is the Chief Financial Officer (CFO) for the Institutional Banking Group (IBG) at DBS Bank. As part of the core management team, she works closely with the IBG Group Business Head in providing strategic recommendations, leadership, direction and management of financial goals, objectives and planning.

The role requires being at the forefront of managing the implications arising from macroeconomic, geopolitical, regulatory, business and human resource changes; and recommending re-pivots to the business.

Ms Ng is a finance professional with 30 years of experience in banking and financial services. She is a Chartered Accountant of Singapore and holds a Master of Applied Finance. Prior to joining DBS Bank, she worked for many years in a foreign bank. Ms Ng started her career at KPMG. Her experience spans the banking, securities and insurance sectors.

RE-ELECTED COUNCIL MEMBER

MS LAI CHIN YEE
FCA (Singapore)
Finance Director,
Qian Hu Corporation Limited

Ms Lai Chin Yee is a Fellow Chartered Accountant of Singapore. She is a member of the ISCA Council and Chairperson of the Continuing Professional Education Committee, as well as a member of the Membership Committee. She also served previously on ISCA's CFO Committee and Corporate Governance and Risk Management Committee.

Ms Lai has been the Finance Director of Qian Hu Corporation Limited since 2004. She was an auditor with international accounting firms prior to joining Qian Hu as its Group Financial Controller in 2000. She has more than 30 years of experience in areas including auditing, finance and accounting, taxation and treasury.

Ms Lai is a member of the Singapore Institute of Directors. She is Non-Executive Chairman of Singapore Paincare Holdings Limited, and Independent Director of Micro Mechanics (Holdings) Ltd.

She was appointed by Ministry of Finance (MOF) as a member of the Tax Advisory Committee from 2004 to 2006 and served as a member of Council on Corporate Disclosure and Governance from 2006 to 2007. She has been a board member of ACRA since being appointed by MOF in 2019.

At the 2009 Singapore Corporate Awards, she was named CFO of the Year (for companies listed on the Singapore Exchange Securities Trading Limited with less than S$300 million in market capitalisation).

Ms Lai graduated from NUS with a Bachelor of Accountancy.

A Fellow Chartered Accountant of Singapore, Mr Choo Eng Beng is a member of ISCA's Investigation and Disciplinary Panel.

Mr Choo is the Assurance Leader at PwC and has over 28 years of experience in public accounting. Prior to his current appointment, he was the Risk and Quality Leader in PwC Singapore and part of the leadership team.

Mr Choo spent two years in London in PwC Global Accounting Consulting Services, which supports PwC Global on various matters concerning International Financial Reporting Standards (IFRS). His scope of support for IFRS included working with the International Accounting Standards Board on matters related to the quality of application, training, marketing and communications.

He is Director of Shared Services for Charities, Director and an Audit Committee member of St Luke's Elder Care, Audit Committee Chairman of the Church of Singapore, and Audit Committee member of the National Research Foundation.

Mr Choo graduated from NTU with a Bachelor of Accountancy (Honours).

MR CHOO ENG BENG
FCA (Singapore)
Assurance Leader,
PwC Singapore

Mr Koh Wee Kwang is a Chartered Accountant of Singapore and a Certified Sustainability Reporting Specialist with the Institute of Certified Sustainability Practitioners.

Mr Koh has more than 20 years of experience in auditing and assurance. He was involved with the implementation of Sarbanes-Oxley framework for American-related corporations during his three-year secondment in London with a Big Four accounting firm. He has also undertaken and led engagements in internal audit, enterprise risk management and sustainability reporting for companies listed on the Singapore Exchange and Growth Enterprise Market board of the Stock Exchange of Hong Kong, as well as for charitable organisations. Mr Koh has also spoken on various platforms on the topic of sustainability reporting.

Mr Koh was Treasurer of Yuhua Citizen's Consultative Committee from 2013 to 2019. He holds a Bachelor of Accountancy from NTU.

MR KOH WEE KWANG
CA (Singapore)
Director,
Kreston ACA PAC

A Chartered Accountant of Singapore, Mr Lim Yeong Seng has been a member of ISCA's Investigation and Disciplinary Panel since 2013 and sat on ISCA's Public Accounting Practice Committee from 2009 to 2015. He is currently Chairman of TASK International and Millet Holdings Pte Ltd, and sits on the boards of Abacus Worldwide Advisory and The Rice Company Limited.

Mr Lim has more than 35 years of experience in audit, corporate recovery, tax, secretarial, finance and administration. He is Founder and Managing Partner of KLP LLP, which he started in 1999. Mr Lim has cross-functional skills which enable him to assist clients in various ways, and these include consultancy relating to financial management and enterprise risk management. He is an ACRA-approved liquidator, with experience in judicial management, liquidation and litigation support.

Mr Lim graduated from National University of Singapore (NUS) with a Bachelor of Accountancy. ISCA

MR LIM YEONG SENG
CA (Singapore)
Managing Partner,
KLP LLP

For the full list of Council members, please visit the ISCA website (**https://isca.org.sg/about-us/about-the-institute-of-singapore-chartered-accountants/the-council**).

ISCA BUDGET AND TAX CONFERENCE 2022

Charting Our Way – New Way Forward Together

BY CONTINUING PROFESSIONAL DEVELOPMENT, ISCA

THE FIRST INSTALMENT OF THE INSTITUTE'S SIGNATURE SINGAPORE ACCOUNTANCY AND AUDIT CONVENTION (SAAC) SERIES – THE ISCA BUDGET AND TAX CONFERENCE 2022 – kicked off on March 10 with more than 900 participants attending the virtual live stream.

The previous Budget Update Seminar has been transformed into a full-fledged conference this year featuring more comprehensive discussion and extensive sharing from the esteemed speakers and panellists. In addition to highlights on the government-announced Budget and a panel discussion, the updated format included two new segments, namely:

1) Tax governance, risk management and controls for corporate tax and GST compliance in Singapore;
2) Implementation issues relating to revised GST rates

ISCA Vice President Yvonne Chan, in her opening address under the theme of "Charting Our Way – New Way Forward Together", spotlighted the emerging trends on sustainability reporting and the assurance on sustainability reporting. She encouraged chartered accountants to embrace the new trends and take a leadership role in sustainability reporting and related services. She emphasised the need for chartered accountants to keep abreast of the new technical standards relating to sustainability reporting that will be established in due course. In this way, chartered accountants will remain relevant and contribute towards global initiatives towards sustainable development.

BUDGET 2022 HIGHLIGHTS

Professor Sum Yee Loong, Accounting Professor, Singapore Management University

Corporate income tax

Professor Sum Yee Loong, Accounting Professor, Singapore Management University, took the participants through the salient features of Budget 2022. For corporate income tax (CIT), Prof Sum reminded participants that there is no change in the CIT rate, which remains at 17%, and there is no CIT rebate for the Year of Assessment (YA) 2022.

While Singapore's CIT rate remains competitive as compared to other jurisdictions, Prof Sum highlighted that, due to Pillar 2 of Base Erosion and Profit Shifting (BEPS), the Singapore government may have to consider top-up tax if the effective tax rate of a multinational enterprise group in Singapore (with annual global revenues of at least €750 million) is below 15%.

Non-tax-resident mediators

For non-tax-resident mediators, the existing withholding tax exemption will be extended by one year to 31 March 2023. From 1 April 2023 to 31 December 2027, gross income derived by non-tax-resident mediators from mediation work carried out in Singapore will be subject to a concessionary withholding tax of 10% (subject to conditions). Alternatively, non-tax-resident mediators may elect to be taxed at 24% on net income, instead of 10% on gross income.

Personal income tax

On a personal front, personal income tax for YA 2022 remains with no changes in tax reliefs and tax rates. To achieve greater progressivity, the top marginal personal income tax rate will be increased with effect from YA 2024. Chargeable income in excess of $500,000 up to $1 million will be taxed at 23%, while that in excess of $1 million will be taxed at 24%; both up from the current rate of 22%.

Prof Sum commented that despite the increase, Singapore's top marginal tax rate for resident individual taxpayers remains low when compared with other jurisdictions. The top marginal tax rate is 30% for Malaysia and Indonesia, and 35% for the Philippines, Thailand and Vietnam.

Goods and Services Tax (GST) hike

The single tax change that garnered the most attention was the hike in GST. The increase will take place in two phases:

- GST will increase from 7% to 8% with effect from 1 January 2023; and
- GST will increase by another 1% to 9% effective from 1 January 2024.

Prof Sum commented that even at 9%, Singapore's GST rate, when compared with other jurisdictions in the region and globally, is still considered low. For example, the GST/Value-added Tax (VAT) rate is 10% in Australia, Japan, Korea, Indonesia and Vietnam. In New Zealand, the GST rate is 15%.

To cushion the impact of the GST increase on Singaporeans, a $6-billion Assurance Package was previously provided by the Singapore government in 2020. The good news is, an additional $640 million will be added to the Assurance Package. The Assurance Package is intended to provide a buffer for the lower- and middle-income households from the GST increase, for 10 and five years respectively.

GST: Importation of low-value goods and non-digital services

Though this was not something new announced in Budget 2022, the GST on importation of low-value goods and business-to-consumer (B2C) non-digital services is relevant as it will become effective from 1 January 2023. Prof Sum reminded the delegates that preparation work should begin now and should not be delayed.

Low-value goods are goods which at the point of sale,

1) are not dutiable goods, or are dutiable goods but payment of the customs duty or excise duty chargeable on the goods is waived under section 11 of the Customs Act;
2) are not exempted from GST;
3) are located outside Singapore and are to be delivered to Singapore via air or post; and
4) have a value not exceeding the GST import relief threshold of $400.

Supplier of low-value goods who belong outside Singapore is required to register for GST in Singapore if it

1) has an annual global turnover exceeding $1 million; and
2) makes B2C supplies of low-value goods to Singapore exceeding $100,000.

Once registered for GST, the supplier is required to charge and account for GST on B2C supplies of low-value goods made to Singapore.

GST: Travel arranging services

In Budget 2022, the Minister for Finance announced that the basis for determining whether zero-rating applies to a supply of travel arranging services will be updated, to be based on where the customer and direct beneficiary of the services belong. Specifically, zero-rating will apply if the services are contractually supplied to an overseas person and directly benefiting an overseas person or a GST-registered person in Singapore. If the customer belongs in Singapore, the supply of travel arranging services will be standard-rated.

Property tax

The property tax rates for owner-occupied residential properties with annual value in excess of $30,000 will increase, to be:

- Between 5% to 23% for 2023;
- Between 6% to 32% for 2024.

As an illustration, the property tax of a property with an annual value of $300,000 will increase from $36,580 in 2022 to $54,730 in 2023, and $75,980 in 2024.

For non-owner-occupied residential properties, the property tax rates will increase, depending on the annual value of the properties, to be:

- Between 11% to 27% for 2023;
- Between 12% to 36% for 2024.

Introduction of new Additional Registration Fee tier for luxury cars

There will be a new Additional Registration Fee (ARF) tier for cars, taxis, and goods-cum-passenger vehicles whose Open Market Value (OMV) exceeds $80,000. This is to achieve a more progressive vehicle tax system.

Carbon tax

The carbon tax will be raised from $5 per tonne to $25 per tonne in 2024 and 2025; $45 per tonne in 2026 and 2027, and $50 to $80 per tonne by 2030. Current rates will be unchanged until 2023.

ECONOMIC OUTLOOK AND ANALYSIS OF BUDGET 2022

A Suan Teck Kin, Head of Research, Executive Director, Global Economics and Markets Research of United Overseas Bank

Suan Teck Kin, Head of Research, Executive Director, Global Economics and Markets Research of United Overseas Bank (UOB), shared his views on the economic outlook and analysis of Budget 2022 in relation to three key themes, namely, inflation, geopolitics and crude oil price increases.

For inflation, Mr Suan believes that the upward pressure will persist in 2022. Particularly for transportation, housing and food costs, the pressures remain due to production disruptions, supply chain bottlenecks, labour and material shortages, volatile commodities prices and geopolitical factors. He commented that this upward pressure is a global issue and not just affecting Singapore.

Mr Suan believes that the US Federal Reserve will announce interest rate hikes five times starting with March (50 basis points), and another four times, by 25 basis points each. He was of the view that the central banks in ASEAN will likewise follow and increase their interest rates.

Another factor to consider, according to Mr Suan, is that the US Federal Reserve might soon tighten quantitative easing (QE). This is because the Federal Reserve's QE had expanded its balance sheet significantly during the COVID-19 period. The higher US interest rates and firm US dollar trend may lead to weaker Asian currencies.

Mr Suan believes the Singapore economy is recovering but recovery remains uneven. The increase in the GST rate, while necessary to bring in revenue to pay for expenditures, particularly the significant increase in healthcare expenditure, will add to the inflationary pressure.

Geopolitics risk, particularly the Russia/Ukraine crisis, will have significant negative implications on commodities such as energy, agricultural/food supply and price shocks. It will also bring about uncertainty and volatility to the financial systems.

Given that Russia is the world's third largest crude oil producer, the Russia/Ukraine crisis will lead to higher crude oil prices, bringing upside risks to inflation and downside risks to growth. There is a risk of global stagflation.

PANEL DISCUSSION: BUDGET 2022 ON THE RED DOT

(From left) Chris Woo, Board Member, Singapore Chartered Tax Professionals (moderator); Professor Sum Yee Loong, Accounting Professor, Singapore Management University; Suan Teck Kin, Head of Research, Executive Director, Global Economics and Markets Research, United Overseas Bank; Ang Yuit, Vice President (Strategies, Development & Digitalisation), Association of Small and Medium Enterprises; Lee Pak Sing, Assistant Chief Executive Officer, Enterprise Singapore

The panel discussion, moderated by Chris Woo, Board Member, Singapore Chartered Tax Professionals, was an action-packed discussion led by the distinguished panel featuring Prof Sum; Mr Suan; Ang Yuit, Vice President (Strategies, Development & Digitalisation), Association of Small and Medium Enterprises; and Lee Pak Sing, Assistant Chief Executive Officer, Enterprise Singapore (ESG).

Mr Woo initiated the discussion by raising a concern which many shared – that given the hike in tax rates in Budget 2022, will there be more tax increases to come? Prof Sum expressed that the Singapore government is very careful in ensuring that the hike in tax rates would not reduce Singapore's ability to attract foreign investment and talents. He pointed out that the tax rates are still relatively low despite the increases.

In relation to the initiatives and measures rolled out by ESG, Mr Lee used the analogy of a boat sailing through a storm to reflect Singapore's current situation. He believes that Budget 2022 will help to repair the damage sustained by the boat as it navigated the choppy waters and, not only that, Budget 2022 will make the boat even stronger. Measures such as the Small Business Recovery Grant are meant to do this.

When considering the implications of Budget 2022 on small and medium-sized enterprises (SMEs), Mr Ang said that a common wish among SMEs is for the GST increase to be delayed – a finding from the pre-Budget survey among SMEs. That the GST will increase in 2023 and 2024 and not in 2022 is a relief for many SMEs.

However, Mr Ang highlighted other challenges SMEs are facing, namely, the volatile and rising electricity cost, unstable supply chain, and manpower crunch. All these factors combined would increase the cost of operations, which will in turn be passed on to the end-consumers.

Prof Sum commented that the Singapore government has done a lot to advance business recovery. Despite the Russia/Ukraine crisis, the Singapore economy continues to be on the path to recovery. Mr Lee cited the Monetary Authority of Singapore's off-cycle strengthening of the Singapore currency to help contain inflation. Another example of government assistance is the Temporary Electricity Contracting Support Scheme to address the issue of volatile electricity prices. Mr Lee believes the long-term and sustainable way to deal with these issues is to increase revenue and productivity.

The panellists then turned their attention to the carbon tax increase. According to Mr Lee, an effect of the increase would be a growth in carbon credit trading. Prof Sum commented that the youths, including his students, are enthusiastically embracing the green movement. Mr Suan observed that Singapore banks, including UOB, are already active participants in green financing.

RELEVANCE OF TAX GOVERNANCE, RISK MANAGEMENT AND CONTROLS FOR CORPORATE TAX AND GST COMPLIANCE IN SINGAPORE

(From left) Low-Chua Pik Sim, Tax Director, Corporate Tax Division; Lee Imm, Tax Director, Goods and Services Tax Division, IRAS

This segment was presented by two speakers from the Inland Revenue Authority of Singapore (IRAS):

- Low-Chua Pik Sim, Tax Director, Corporate Tax Division;
- Lee Imm, Tax Director, Goods and Services Tax Division.

They explained the concept of tax governance, risk management and controls, and walked participants through IRAS' two new voluntary initiatives – Tax Governance Framework (TGF) and Tax Risk Management and Control Framework for Corporate Income Tax (CTRM).

TGF is a principles-based framework to guide companies in establishing good tax governance for CIT and GST.

CTRM provides guidance on the review of an entity's internal risk management and control framework for managing CIT compliance risks.

Any company can adopt TGF. Companies that have adopted TGF and obtained IRAS' endorsement on meeting the elements of TGF are granted the following benefits:

- One-time extended grace period of two years for voluntary disclosure of CIT and withholding tax errors;
- One-time extended grace period of two years (or three years for companies accorded the Assisted Compliance Assurance Programme status) for voluntary disclosure of GST errors.

Any entity that has met the prerequisites to participate in CTRM can apply to IRAS.

When the internal control processes for CIT compliance of the company are assessed to be effective and adequate, it will be accorded CTRM status by IRAS.

Companies granted CTRM status by IRAS can enjoy the following benefits:

- One-time waiver of penalties once for voluntary disclosure of prior years' CIT errors, and once for voluntary disclosure of prior years' withholding tax errors disclosed within three years of effective CTRM;
- Step-down on CIT compliance audit if internal controls and processes to mitigate key tax risk areas are assessed to be adequate and effective, excluding new CIT issues which emerged due to exceptional circumstances.

GST HIKE: GETTING READY FOR JANUARY 2023, TODAY

Richard Mackender, Indirect Tax Leader, Deloitte Singapore and Asia Pacific

The final speaker was Richard Mackender, Indirect Tax Leader, Deloitte Singapore and Asia Pacific. He first brought delegates through the changes to be expected, and how companies should prepare for the new GST rate change in terms of system, documentation, mitigation and transition rules.

System changes include tax codes table, GST rates hardcoded into the programmes, general ledger and point-of-sale system, while documentation changes include sales invoice format, contract, pricing schedules and price labels. Mitigation measures include accelerating purchases so as to pay the current GST rate, and revising contracts with customers and suppliers. One change that attracted the most attention is the applicable transition rules. For example, if an invoice is issued and full payment is made before 1 January 2023, use the prevailing GST rate; after 1 January 2023, use the new GST rate.

Mr Mackender suggested in jest that everyone should make purchases of big-ticket items before the GST hike kicks in on 1 January 2023.

The imposition of GST on imported low-value goods means that:

- There will no longer be GST-free goods below $400;
- Vendors need to determine the belonging status of customer;
- Vendors need to determine if customer is GST-registered or not;
- Vendors need to determine if it is liable for GST registration.

The imposition of GST on B2C remote services signifies that:

- There will no longer be GST-free remote services from outside Singapore to non-GST registered customers in Singapore;
- Remote services providers will need to identify non-GST registered customers and determine the turnover and value of supplies made to them. If global turnover exceeds $1 million and value of B2C supplies of remote services to Singapore exceeds $100,000, such suppliers must register, charge and account for GST on these supplies;
- Suppliers must make system changes to;
  - Identify if customers belong in Singapore;
  - Determine GST registration status of customers;
  - Determine GST collected and remitted to IRAS.

The conference concluded with an engaging question-and-answer session helmed by Mr Mackender. It also marked the end of the first event in ISCA's hallmark SAAC Series. Stay tuned for the ISCA PAIB Conference in August, and ISCA Practitioners Conference in October. ISCA

This article was written by Continuing Professional Development, ISCA.

BY STELLA LAU

THE BURGEONING GREEN FINANCE MARKET

What Accountants Need To Know

THE CASE IS UNDENIABLE FOR THE WORLD TO GO GREEN AND IN FACT, IS ONE OF GREAT URGENCY. Globally, rising temperatures, storms, droughts, melting ice sheets and rising sea levels are leading to the destruction of nature, animals, and human lives. Pandemics, too, have their root causes in climate change.[1] Singapore is not spared – it has been experiencing higher temperatures, a rise in sea levels in the Straits of Singapore, more frequent flash floods and an increase in annual rainfall. These are threats to the country as a low-lying island and, more occurrences of heat stress also put the vulnerable at greater risk.

Green finance is the catalyst for green transition, with global momentum building up

Green finance will catalyse the green transition and global momentum is building up strongly. At the COP 26 held in November 2021, country and business leaders scaled up commitments of public and private funding for climate action. The United States will double annual public climate finance by 2024 to US$11.4 billion, while Germany is set to increase climate financing to US$6.3 billion from US$4.2 billion by 2025.[2] In a significant agreement, the world's two largest CO_2 emitters – China and the US – jointly declared they would increase cooperation to achieve the 1.5°Celsius temperature goal set out in the 2015 Paris Agreement.[3] Another major development was the launch of the Glasgow Financial Alliance for Net-Zero (GFANZ) that represents 450 financial firms from 45 countries with a total of US$130 million in managed assets.[4]

Green financing is focused on the provision of financial products and services that cater to projects that lead to environmental improvement, resource conservation and the mitigation of climate change. The financing can cover project investment and financing, project operation and risk management.

Green financing is part of the category of **sustainable financing**, which involves the provision of financing to address environmental, social and governance (ESG) initiatives.[5] Financial instruments involve bonds and loans and work similarly to standard bonds and loans, except that the funds are channelled into projects with environmental and social benefit.

Since the inception of the sustainable finance market in 2013, more than US$4 trillion of sustainable debt have been issued.[6] In 2021 alone, the global sustainable market amounted to US$1.6 trillion, growing with "unprecedented global traction"[7] to double that in 2020[8]. The Asia Pacific is one of the fastest-growing regions for sustainable finance with a jump in global share from 15% to 21% in 2021. Although late to the game, the region looks set to catch up fast.

As the world leader in renewable energy capacity growth, China has issued funding for building solar and wind farms and the development of solar and wind power technologies. This spurred record growth of new generation capacity in 2020, which increased 45% more than in 2019,

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[1] https://www.hsph.harvard.edu/c-change/subtopics/coronavirus-and-climate-change/
[2] https://www.bakermckenzie.com/en/insight/publications/2021/11/public-and-private-finance-for-climate-action
[3] https://www.bbc.com/news/science-environment-59238869
[4] https://www.climatebonds.net/2021/11/lesson-cop26-finance-now-driving-global-change
[5] https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/679081/EPRS_BRI(2021)679081_EN.pdf
[6] https://www.bloomberg.com/professional/blog/webinar/sustainable-finance-2022-outlook/
[7] https://www.bloomberg.com/professional/blog/webinar/sustainable-finance-2022-outlook/
[8] https://about.bnef.com/blog/sustainable-debt-issuance-breezed-past-1-6-trillion-in-2021/

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according to the International Energy Agency[9]. The fourth largest bank in the world, Bank of China, has issued green loans towards several projects in renewable energy and clean transportation. One of the projects involve building a new metro in northern China, which is expected to increasingly reduce CO_2 emissions over time as passenger capacity increases. The Bank of China also committed to lending 30% of project investment for an integrated energy project to build wind and solar power capacity for electricity generation in northwest China.[10]

China alone issued US$44 billion in labelled green bonds, which made it the second largest country for green issuance in 2020, behind the United States which issued over US$50 billion.[11] China leads the world in spending on energy transition, with US$266 billion spent on low-carbon technologies in 2021 – more than a third of global expenditure.

ASEAN is also a key contributor to the growth of green finance in Asia Pacific. Cumulatively, the total ASEAN green, social and sustainability (GSS) market is valued at US$29.4 billion. Total ASEAN GSS bonds and loans issued reached US$12.8 billion in 2020, up from US$11.5 billion in 2019. Singapore leads in the region, accounting for close to half of the green bond and loan market in ASEAN.[12]

Types of sustainable financing instruments and projects

There are several types of sustainable financing instruments. They include GSS bonds and loans as well as sustainability-linked bonds and loans.

Green bonds make up the largest share of global sustainable debt and is the most established funding type in green financing, where public or private entities borrow money to undertake projects that address climate and environmental issues.[13] **Green loans**, on the other hand, are offered by financial institutions to fund green projects. Across ASEAN and in

Singapore, green investment has been mainly focused on the energy sector and development of green buildings. Some examples of green financing projects in Singapore are:

- In February 2022, the Singapore government committed to S$35 billion in green bonds, issued by 2030, to fund green public-sector infrastructure projects.[14]
- In October 2021, HSBC Singapore extended a S$6-million green trade loan to Singapore technology company Durapower Group, becoming the first participating financial institution to issue financing via the Enterprise Financing Scheme-Green (EFS-Green Scheme).[15]
- In September 2021, Singapore's National Environment Agency (NEA) raised S$1.65 billion in its first green bond issuance, which will be used to fund or refinance new or existing green projects.[16] One of the projects is the Tuas Nexus integrated waste management facility, the first phase of which is due for completion by 2025. Once operational, the plant will generate electricity from waste and will also process incinerable waste, household recyclables, and food waste.[17]
- In April 2021, utilities organisation SP Group established a green financing framework and secured its first green loan of S$100 million from DBS Bank, OCBC Bank and UOB Bank on a bilateral basis. Under the framework, SP and its subsidiaries will issue green financing instruments to finance or refinance qualified projects in clean transport, energy efficiency, renewable energy and green buildings.[18]

The social and sustainability bond markets are still nascent in Asia compared to the western regions. In ASEAN, Thailand and Philippines are the frontrunners in this space.[19] **Social bonds and loans** are aimed at financing projects that create positive social impact, such as driving diversity and social mobility within the community, to improve socioeconomic advancement and empowerment. The positive impact could also include other social aspects, including in the provision and promotion of basic infrastructure such as clean drinking water, sanitation and energy, access to healthcare and education, among others.[20] In 2017, Singapore saw the listing of the world's first social sustainability bond – the US$8-million Women's Livelihood Bonds – on a stock exchange. The Women's Livelihood Bonds works via a special purpose vehicle to provide financing for a group of enterprises whose activities benefit women. The enterprises pay interests charged which fund coupon payments to bondholders.[21]

Sustainability bonds and loans involve funding projects that achieve a mix of environmental and social improvement which are aligned to the United Nations' Sustainability Development Goals (UN SDG).

Differently, **sustainability-linked bonds and loans** involve financing being directed to improve the borrower's sustainability profile based on the achievement of predetermined sustainability performance targets.[22] For example, in April 2021, in line with Earth Day[23], Singtel Group's wholly owned subsidiary launched its first sustainability-linked loan of US$565 million provided by DBS Bank, OCBC Bank and UOB Bank. It features interest rate discounts linked to predetermined ESG targets in climate risk, carbon management, and workplace health and safety metrics.

Green finance will lead in the new normal, and the important role accountants can play

The growing green finance market presents a burgeoning opportunity for businesses to access financing to drive their sustainability projects and enhance their sustainability profile. Given the long-term targets set by countries around the world, the opportunity is likely to last for the next few decades and longer. According to the Asian Development Bank, Asia Pacific alone will need up to US$1.5 trillion investment per year to achieve the UN SDG goals in 2030.[24]

Sustainability is the new normal for businesses. Investors and asset owners are assessing companies based on both financial and sustainability performance. The Singapore Exchange (SGX) explained that investors are also "expecting (companies) to fulfil obligations of repayment and returns on investment in a responsible and sustainable manner".[25] There has also been a reallocation of capital to sustainable assets. The Global Sustainable Investor Alliance reported a rise in sustainable assets from US$30 trillion in 2018 to US$35 trillion in 2020.[26]

Increasingly sustainability-conscious consumers and governments globally also mean that the ability of companies to identify and address unsustainable practices and mitigate ESG risks have a direct impact on their competitive advantage and bottom lines.

Businesses must contend with regulatory implications. The Singapore Budget 2022 announced a five-fold increase in carbon pricing from S$5 to S$25 per tonne in 2024, with further subsequent increases through to 2030. This is in addition to emission standards on industries and motor vehicles[27].

In December 2021, SGX announced mandatory climate reporting for issuers in the financial, energy, and agriculture, food and forest products industries from 2023. Listed companies in sectors such as materials and buildings, and transportation will also be subject to mandatory reporting commencing 2024.[28] From financial year 2022, all issuers must provide climate reporting on a "comply-or-explain" basis.

As such, finance professionals and auditors must be equipped to collect, analyse, and report on the ESG performance metrics. New sustainability reporting and disclosure standards are also being developed. At COP 26, the International Financial Reporting Standards Foundation announced the creation of the International Sustainability Standards Board, a new standards-setting board that may result in the development of global sustainability reporting standards.[29]

Accountants can also play important strategic roles in accelerating the uptake of green finance in their organisations. Being stewards of capital and corporate reporting, the accountancy profession is in an influential position to help businesses infuse a sustainability culture and accelerate business practices in sustainability from planning and strategy to improving processes and measuring performance. They can be strategic advisors to highlight financial considerations and risks in determining the best ways to embed sustainability into their company's strategy and decision making. ISCA

This is the first article of a two-part series on sustainability. The next article, to be published in the June issue of this journal, will discuss the risks and challenges around green financing, as well as key considerations to keep in mind as accountants support their companies to leverage green financing.

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[9] https://www.scmp.com/business/china-business/article/3161732/china-remain-renewable-energy-leader-strong-capacity-growth

[10] https://www.climatebonds.net/files/files/BoC-Macau-Branch-pre-issuance-verification.pdf

[11] https://www.climatebonds.net/2021/09/china-totalled-usd44bn-labelled-green-bonds-during-2020-second-largest-country-green

[12] Budget 2022 statement, Ministry of Finance

[13] https://www.bloomberg.com/professional/blog/webinar/sustainable-finance-2022-outlook/

[14] https://www.businesstimes.com.sg/government-economy/budget-2022-boost-to-green-plan-from-public-sector-green-bonds-more-ev-chargers

[15] https://www.straitstimes.com/business/banking/hsbc-issues-singapores-first-efs-green-loan-worth-6-million-to-durapower#:~:text=SINGAPORE%20(THE%20BUSINESS%20TIMES)%20%2D,(EFS%2DGreen%20Scheme)

[16] https://www.pinsentmasons.com/out-law/news/singapore_s-nea-issues-s$1_65bn-green-bonds-for-sustainable-projects

[17] https://www.pinsentmasons.com/out-law/news/singapore_s-nea-issues-s$1_65bn-green-bonds-for-sustainable-projects

[18] https://www.pinsentmasons.com/out-law/news/singapore-firms-announce-green-financing

[19] ASEAN Sustainable Finance State of the Market 2020, Climate Bonds Initiative

[20] https://www.sustainalytics.com/social-bonds

[21] https://www.businesstimes.com.sg/companies-markets/worlds-first-listed-social-bond-draws-private-banking-clients

[22] https://www.pwc.com/sg/en/financial-services/assets/sustainable-finance-developments-in-singapore.pdf

[23] https://www.pinsentmasons.com/out-law/news/singapore-firms-announce-green-financing

[24] https://www.adb.org/news/asia-infrastructure-needs-exceed-17-trillion-year-double-previous-estimates

[25] https://www.iflr.com/article/b1sgmvnq1ndxc8/a-closer-look-at-singapores-mandatory-corporate-esg-disclosures-and-associated-legal-risks

[26] https://www.businesstimes.com.sg/hub/wealth-pulse/sustainable-investing-an-unstoppable-trend

[27] https://www.nea.gov.sg/our-services/pollution-control/air-pollution/air-quality

[28] https://www.businesstimes.com.sg/companies-markets/sgx-rolls-out-mandatory-climate-reporting-for-financial-energy-issuers-from-2023

[29] https://www.ifrs.org/groups/international-sustainability-standards-board/

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BY VIOLET KOH

EVOLUTION OF JOBS IN THE ACCOUNTANCY SECTOR

Initiatives To Support Careers And Employability

IN RECENT YEARS, companies the world over are moving towards digitalisation and the ensuing job transformation. This acceleration in technology adoption has caused concern among professionals across industries as they worry about their ability to catch up, the potential loss of their jobs, and being left behind in the global push.

Efforts have been invested to investigate how technology impacts jobs for various industries including the Accountancy sector. Over the last few years, nation-wide initiatives have been introduced to urge and help impacted accountancy and finance professionals to keep pace by upskilling and reskilling to stay relevant to the shifting needs of businesses.

JOBS TRANSFORMATION MAPS

In January 2022, Jobs Transformation Maps (JTMs) were launched for the Accountancy sector, for both inhouse finance and accounting (F&A) functions, and accounting practices. Essentially, the JTMs call on businesses and workers to embrace technology and acquire new skills at all levels to remain competitive and relevant (Figure 1).

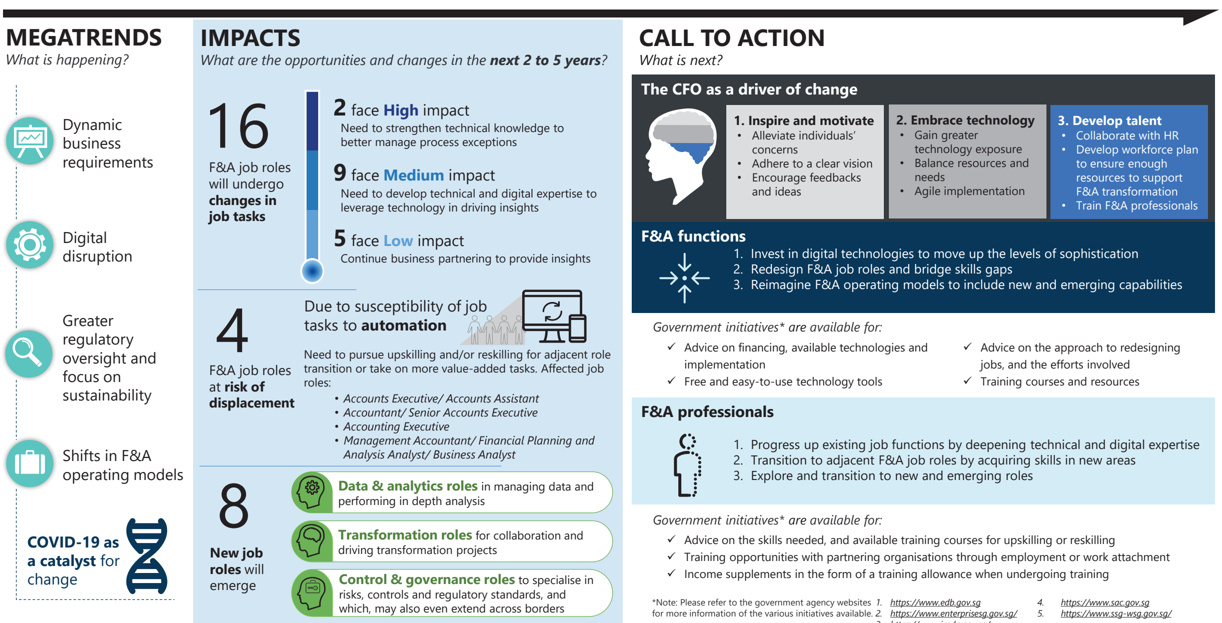
Job roles that are most at risk of displacement by various megatrends were also identified, along with new roles that are expected to emerge in the wake of these changes impacting the sector.

With F&A functions increasingly being expected to assume a greater strategic role in driving businesses' growth objectives, there is an imperative to leverage technology to perform activities more efficiently and effectively, to continue being an essential part of the organisation and remain competitive.

Specifically, 16 job roles are expected to undergo changes, at varying degrees,

Figure 1

FINANCE AND ACCOUNTING (F&A) FUNCTION OF THE FUTURE



Source: Insights for Finance & Accounting Functions

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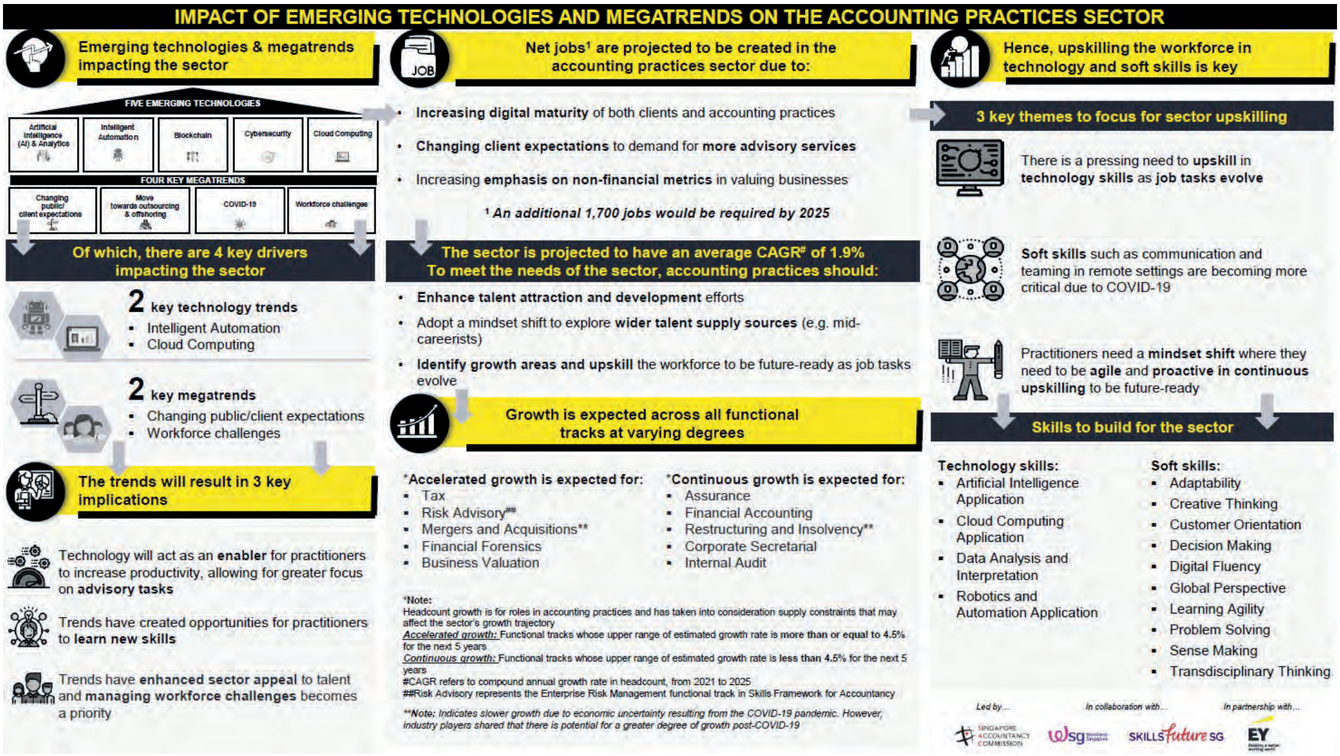
Figure 2



Source: Insights for Accounting Practices Sector

in their job tasks within the next two to five years, with four highlighted to be at the highest risk of being displaced due to automation (Figure 2). At the same time, eight new job roles will emerge as a result of these trends, in the fields of data and analytics, transformation, and control and governance.

To enable the transition of impacted roles to adjacent roles or undertake more value-added tasks, as well as capitalise on new emerging roles, Chief Financial Officers (CFOs) are called upon to lead and drive change. With adoption of the right technology and investment in talent development, F&A professionals can be better supported in acquiring technical and digital expertise to take on new roles or tasks, for the evolved F&A function to deliver deeper financial insights with greater agility.

For accounting practices, the implications of key technology trends and megatrends necessitate practitioners to increase productivity with technology to allow greater focus on advisory services. While technology was initially assumed to replace jobs, the creation of opportunities to learn new skills and evolve accounting practices have enhanced the sector's appeal to talent, and in tandem with other global trends, the sector is expected to grow across all functional tracks.

To effectively capture these opportunities as job tasks evolve, accounting practices need to adopt a mindset shift and recognise the importance of being agile and proactive in continuous upskilling of their workforce to be future-ready. The new job roles that will emerge to meet the needs and expectations of clients include roles such as the IT auditor, ethical hacker and environmental, social and governance specialist.

ACCOUNTANCY CAREERS HUB

As part of the initiatives following the unveiling of the JTMs, the Accountancy Careers Hub (ACH) was launched on 29 March 2022 (Figure 3). A joint initiative by ISCA, NTUC's e2i and Singapore Accountancy Commission (SAC), ACH aims to be a touchpoint providing employment and employability support for the Accountancy sector. With career guidance, job-matching services, information on skills upgrading courses (which includes a variety of ISCA courses) and industry-specific events, ACH caters to both jobseekers looking to enter the industry as well as finance professionals exploring new career tracks within the sector.

The ACH launch was officiated by Patrick Tay, Assistant Secretary General, National Trades Union Congress. Mr Tay said that the overall positive and vibrant labour market from the second half of 2021 has continued into 2022. Professional Services (of which the Accountancy sector is a part of) is poised to expect growth, which in turn will fuel a stronger demand for finance professionals. He urged both employers and accountants to embrace technology to stay competitive in an increasingly uncertain and volatile business environment, and to leverage the various initiatives that have been developed and offered to support reskilling and upskilling efforts.

A deeper dive into the JTMs highlights the importance and continued relevance of accountants in the financial ecosystem that underlies Singapore's position as a global business hub.

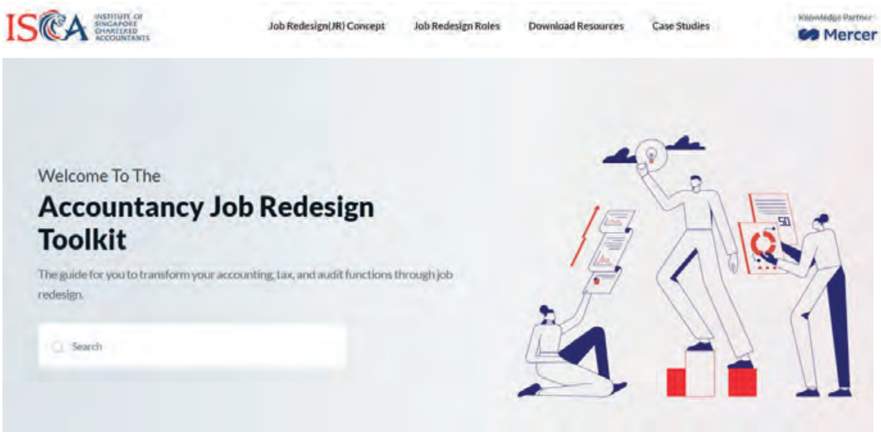
With the rise of several trends impacting the F&A sector, companies are now expecting more from their F&A functions in terms of deeper

Figure 3

business analysis and insights to support them in view of increasingly complex regulatory requirements and greater focus on sustainability. As the digitalisation wave continues to advance, there is an imperative to harness technology as an enabler to enhance productivity and efficiency, particularly in light of growing workforce challenges that have led to a tighter and more competitive labour market for highly skilled talent.

As the national accountancy body of Singapore, ISCA is at the forefront in supporting the skills and professional developmental needs of accountants. Professional recognition in the form of professional designations including the Chartered Accountant of Singapore (CA Singapore), ISCA Professional Business Accountant, ISCA Financial Forensic Professional and ISCA Infrastructure & Project Finance Professional; knowledge and expertise from technical resources and advice; professional development through a wide range of affordable courses and programmes, as well as broadening networks both in Singapore and internationally are some of the ways that ISCA continually works on, to help accountants remain relevant in the fast-changing business environment.

Figure 4



ISCA CAREER SUPPORT INITIATIVES

ISCA established a Career Support Portal (https://isca.org.sg/member-support/career-support) in 2020, aimed at empowering jobseekers in achieving their career aspirations while supporting companies with hiring needs.

The portal hosts a career-matching service that offers companies a pool of qualified accountants seeking new job opportunities. Complimentary to all hiring employers, the pool of candidates comprises ISCA members across a diverse range of experiences and job levels, and targets to bridge the needs of employers looking for qualified accountants and ISCA members seeking new roles.

A job board, listing the latest job openings in the accounting, tax and banking arenas, has also been curated from the national jobs portal (MyCareersFuture.gov.sg), streamlining the most relevant jobs for finance professionals looking for new opportunities. The job board listing provides accountancy professionals with a consolidated and convenient stop of relevant job openings.

Each year, ISCA also runs a mentoring programme for aspiring CFOs, who are matched with experienced C-level executives in a nine-month programme to take their professional and personal growth to the next level. Having been held successfully for four runs, the fifth run kicked off in April 2022 with more than 25 pairs of mentors and mentees. In 2021, a new Young Accountants Mentorship Programme was also launched, led by the ISCA Young Professionals Advisory Committee. A shorter version than the CFO Mentoring Programme at six months, the inaugural run commenced in December 2021, bringing together 17 pairs of fresh accounting graduates and final-year accounting students with their more experienced finance counterparts who have about five years' experience.

As the economy and business landscape continue to evolve and shift, plans are also in place to enhance these Career Support initiatives progressively in line with the needs of the accounting and finance community.

Access the ISCA Career Support resources here to explore how you can grow and develop in your career!

ISCA JOB REDESIGN TOOLKIT

The Accountancy Job Redesign Toolkit is another initiative arising from the JTMs (Figure 4).

Even as the JTMs outline the importance of learning new digital skills and leveraging technology to enhance productivity of the workforce to move up the value-add chain, simply implementing technology without considering how it affects people and their jobs would result in suboptimal outcomes. With this in mind, job redesign carries the multifaceted objective to optimise processes and implement new technologies to meet changing business demands, increase job value and improve employee engagement and satisfaction.

ISCA, together with Workforce Singapore, Singapore Economic Development Board and SAC, developed the toolkit to address the impact of technology on key at-risk job roles, enabling employers to transform and redesign these jobs in support of keeping workers relevant to carry out higher value-adding work. With people and the job at the core of the redesign process, the appropriate technological solutions were then identified for deployment to empower the people to work more efficiently and effectively.

Unveiled in January 2022, this is a complimentary toolkit that offers step-by-step guidance that includes a job evolution and training roadmap, case studies, and available funding options for job redesign and adoption of technology solutions. With the toolkit, companies and individuals can self-help in carrying out job redesign independently, using the resources, framework and templates. ISCA

Find out more about insights from the Jobs Transformation Maps and how you can leaverage the Tookit for job redesign here.

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INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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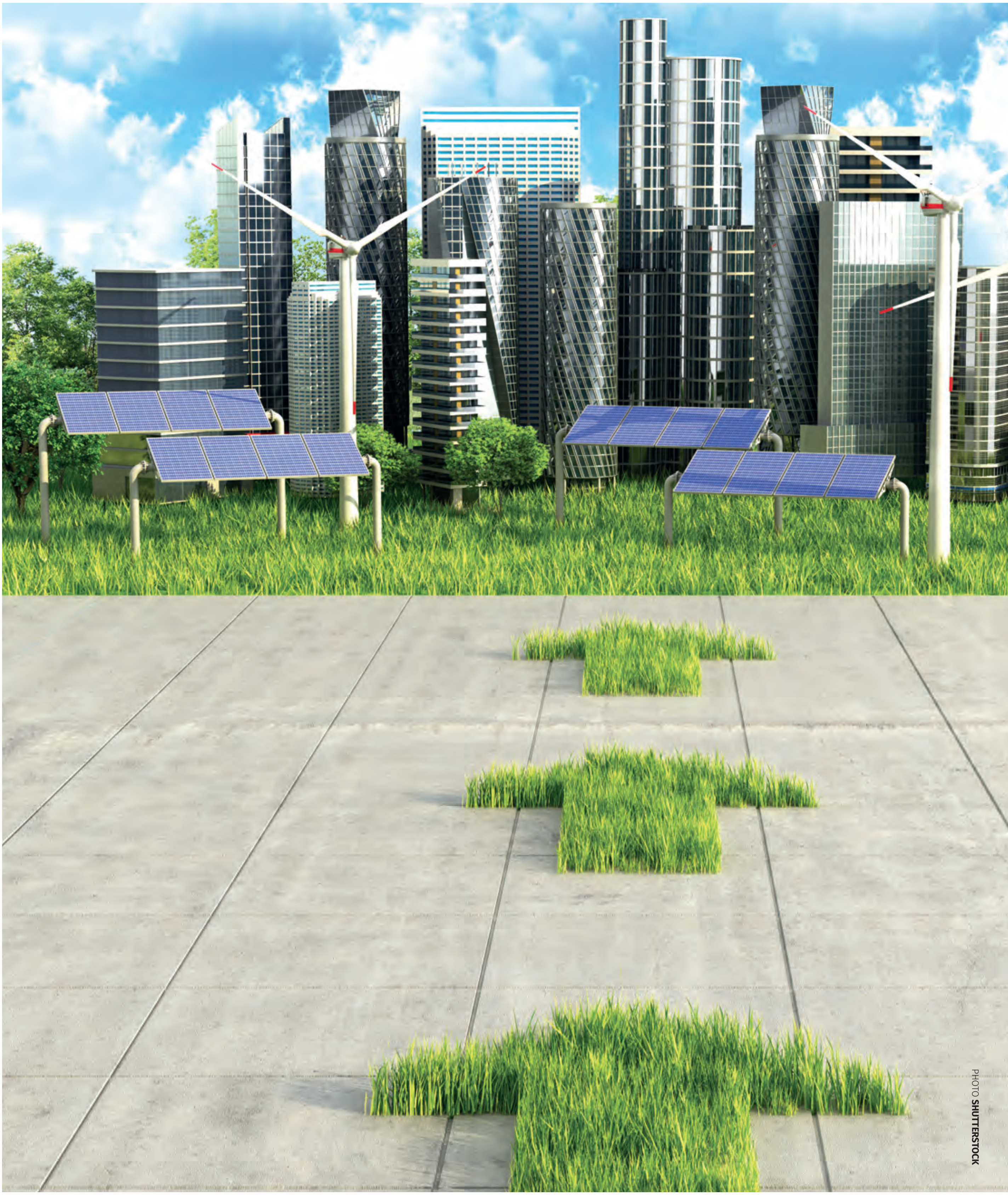
Our CPE programmes, specialisation pathways and qualifications contribute towards building a future-ready profession by providing members with diverse opportunities to acquire relevant knowledge and cutting-edge skills.



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BY KEVIN DANCEY

REPORTING AND ASSURANCE ON SUSTAINABILITY

Professional Accountants Leading The Way

AS PROFESSIONAL ACCOUNTANTS, the chief stewards of business information, we have both an important responsibility and a transformative opportunity to engage in and lead on upcoming changes in corporate reporting, and improving the quality of sustainability information.

The voluntary approach to reporting sustainability information has been in place for a long time and it has not worked. The capital markets do not have consistent, comparable, and assurable information, and greenwashing continues to be prevalent. The immediate development of a baseline of global standards for sustainability information under the IFRS Foundation is important for the capital markets, investor protection and for companies.

[1] https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

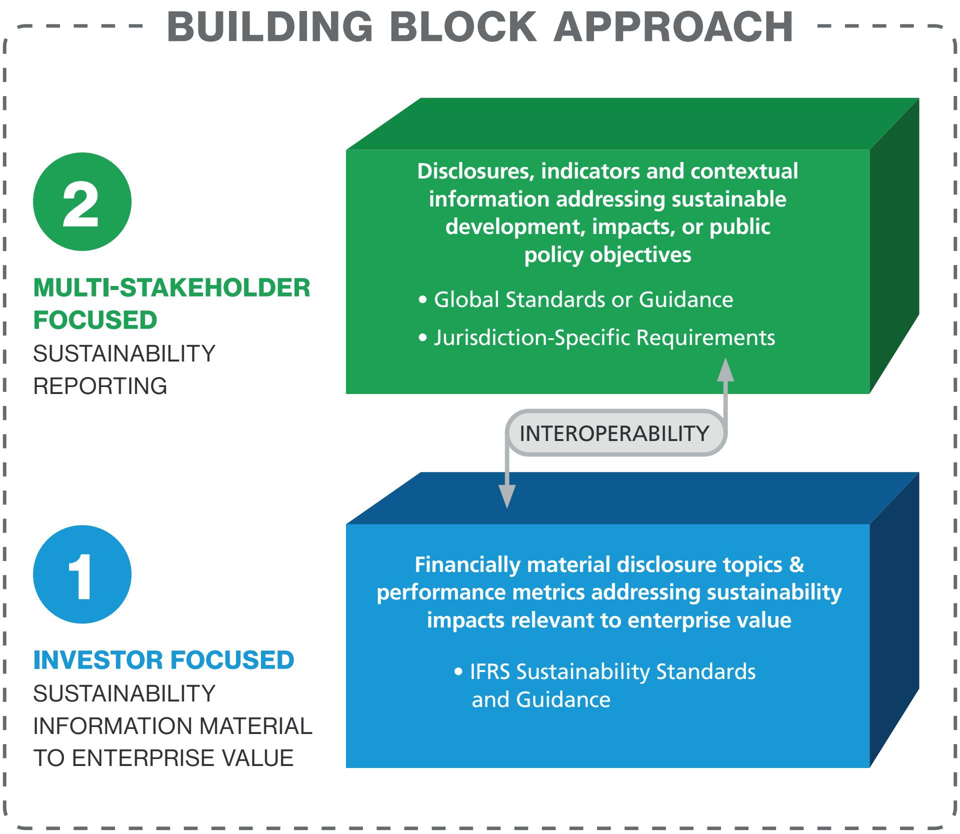
WHY IS THIS IMPORTANT NOW?

The world needs better corporate reporting. The demand for sustainability information is driven by institutional investors and asset managers (for example, Blackrock Larry Fink's 2021 Letter to CEOs[1]) and other stakeholders wanting better information about an entity's operations and the effect that it is having on the economy, environment and people/society at large. Stakeholders want information that is relevant, reliable, comparable, and assurable. Unfortunately, there is currently a high degree of confusion in the marketplace due to the variety of frameworks and approaches. This has led to companies using a mixture of reporting standards/frameworks that is not helpful for anybody.

There is also recognition that the climate crisis is real, but no commonly agreed way to measure progress.

The insight gained from both financial and sustainability-related (or "non-financial") information is maximised when an integrated approach connects the two... An integrated approach leads to better decisions that deliver long-term value creation...

Figure 1



Commitments to climate targets are hollow if jurisdictions, and the businesses within jurisdictions, cannot measure progress.

A GLOBAL PROFESSION POSITIONED TO LEAD

IFAC's corporate reporting and sustainability agenda focuses on:

1) Advocating for a global approach to sustainability standards

There has been significant global momentum in which IFAC has been a leading advocate. IFAC believes setting up a new International Sustainability Standards Board (ISSB) under the auspices of the IFRS Foundation is critical to achieve globally consistent sustainability standards that lead to relevant, reliable, comparable, and assurable information. A global approach reduces regulatory fragmentation and the proposed approach leverages a global structure that already has legitimacy.

IFAC's Building Blocks approach[2] (Figure 1) to reporting sustainability information enhances our previously issued roadmap, The Way Forward[3]. IFAC believes that adopting a Building Blocks approach is the only way to reconcile the objectives and demands of all stakeholders and the aspiration of achieving both a global solution for a baseline of consistent information for global capital markets and satisfying the objectives of certain jurisdictions (for example, the European Union) for better reporting on a variety of public policy matters.

In summary:

- **Block 1** is investor-focused sustainability information that is material to/relevant to enterprise value. We call this the "outside-in" impacts – the impacts of (environmental, social and governance (ESG) factors on an organisation's short-, medium- and long-term performance. Block 1 information needs to be integrated with existing Financial GAAP reporting to provide a complete picture of enterprise value. IFAC believes a new ISSB should first focus on Block 1, focusing first on climate, but then turning its attention to all Block 1 issues.
- **Block 2** is multistakeholder-focused sustainability reporting that helps a wide range of stakeholders understand a company's positive and negative contributions to sustainable development and its impacts on economy, environment, and people. What we call the "inside-out" impacts. These are the impacts that an entity has on the outside, but these impacts do not, at least as of now, affect the entity's performance. The issue with Block 2 information is more challenging and the demand for information in this space will, in many cases, be in response to jurisdiction-specific public policy objectives. Accordingly, for Block 2, there can be an aspirational goal for global standards or guidance (for example, a new ISSB under

[2] https://www.ifac.org/knowledge-gateway/contributing-global-economy/publications/enhancing-corporate-reporting-sustainability-building-blocks

[3] https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/enhancing-corporate-reporting-way-forward

[4] https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/discussion/rethinking-value-creation

[5] https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/accelerating-integrated-reporting-assurance-public-interest

[6] https://www.iaasb.org/publications/non-authoritative-guidance-applying-isae-3000-revised-extended-external-reporting-assurance

[7] https://www.cpajournal.com/2017/08/16/chief-value-officer-accountants-can-save-planet/

[8] https://www.ethicsboard.org/international-code-ethics-professional-accountants

Professional accountants are central to gathering, analysing, and communicating high-quality information. Our role in sustainability-related reporting – and insights – represents an even greater opportunity to unlock value for companies and clients.

the auspices of the IFRS Foundation could help here by facilitating the sharing of approaches and encouraging the coalescing of approaches), but there will likely always be a need for jurisdiction-specific requirements.

2) Encouraging sustainability-related skills and competencies

IFAC will continue to work with professional accountancy organisations and through the International Panel on Accountancy Education to demonstrate that professional accountants not only have the skills and competencies needed to prepare, assure, and utilise this information, but also the expertise to build and evaluate necessary controls and processes related to sustainability. In identifying which existing foundational skills can be leveraged to meet new requirements, and in creating access to obtain new subject matter expertise, IFAC supports the positioning that professional accountants are best placed to meet the advisory, preparatory and assurance sustainability-related needs of organisations.

3) Championing an integrated mindset

The insight gained from both financial and sustainability-related (or "non-financial") information is maximised when an integrated approach connects the two. Quite simply, financial and sustainability information are not two disconnected silos. An integrated approach leads to better decisions that deliver long-term value creation – financial returns to investors while taking account of value to customers, employees, suppliers, and societal interests. Professional accountants working in companies must continue to foster an integrated mindset that connects financial and sustainability data, processes and analysis. IFAC's Rethinking Value Creation webpage[4] provides case studies of integrated thinking.

4) Advancing assurance services

Assurance is a necessary component of the evolving global reporting system and an imperative for our profession. IFAC is undertaking a benchmarking study to better understand current and best market practices, identify gaps, and develop a shared narrative that best positions professional accountants to perform sustainability assurance. We recently published Accelerating Integrated Reporting Assurance in the Public Interest[5], and IAASB has released new Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting Assurance Engagements[6].

5) Why are professional accountants best positioned?

As Professor Mervyn King has said, "Only accountants can save the world!".[7]

Professional accountants are central to gathering, analysing, and communicating high-quality information. Our role in sustainability-related reporting – and insights – represents an even greater opportunity to unlock value for companies and clients. We will have to integrate into our work new and diverse subject matters and technologies, but our core knowledge, skills, professional judgement, integrity, and code of ethics (The International Code of Ethics for Professional Accountants[8]) are already in place. The future potential of sustainability information is too important to not get it right; together, we will actively make the case that our profession is well positioned to rise to this challenge.

Recent key events:

- September 2020, IFAC issued a call for the IFRS Foundation to create a global sustainability standards board alongside the IASB. In February 2021, IFRS Trustees announced definitive steps towards a decision on whether to announce the establishment of a new global sustainability standards board. IOSCO provided strong support for a global approach overseen by the existing IFRS governance structures.
- November 2020, SASB and IIRC announced their intention to merge into the Value Reporting Foundation (VRF), further supporting the objective of unified and simplified sustainability disclosures. The VRF will be launched in June 2021.
- December 2020, five internationally significant framework- and standard-setting institutions (CDP, CDSB, GRI, IIRC, and SASB) published a prototype climate-related financial disclosure standard that also incorporated recommendations from the TCFD.
- The European Commission has continued to move forward on its Corporate Sustainability Reporting Directive.
- IFAC submitted a response to the UK Financial Reporting Council (FRC) Consultation on the Future of Corporate Reporting, targeting recommendations that align future UK reporting changes with the development of a global sustainability standards board.
- The Trustees of the IFRS Foundation (Foundation) has published proposed amendments to the Constitution of the Foundation to accommodate the potential formation of an ISSB. IFAC intends to respond to the consultation, which is open through 29 July 2021.

GLOBAL COMMUNITY

IFAC encourages all individuals to advocate on behalf of the profession as preparers, advisors, directors, investors and auditors – whatever your role may be – to make sure advancing sustainability happens the right way and that, as a profession, we play a leading, proactive role. ISCA

Kevin Dancey is Chief Executive Officer, IFAC.

BY KRISTY ILLUZZI, PORTIA TANG

GIG ECONOMY TRENDS AND IMPACT ON SMPS

Benefits, Drawbacks And Implications

THE TERM "GIG ECONOMY" DESCRIBES A LABOUR MARKET THAT COMPRISES SHORT-TERM CONTRACTS OR FREELANCE WORK AS OPPOSED TO PERMANENT JOBS. In 1915, jazz musicians conceptualised the term "gig" in reference to live performances and the transient nature of their jobs. In the 1940s, World War II prompted the opening of the first large companies promoting gig-type work, offering temporary labour to businesses needing to fill workforce gaps. Since then, the gig workforce has grown exponentially.

The gig economy encompasses all sorts of contingent work arrangements, including the following:

- Freelancers,
- Consultants,
- Independent contractors and professionals,
- Temps (temporary contract workers),
- Moonlighters,
- Outsourced teams and networks.

One major shift during the pandemic was the progression beyond app-based drivers for Uber or Lyft to a more diverse and highly skilled gig workforce, including small and medium-sized practices (SMPs) around the globe that have started to look at gig workers as they faced headcount freezes and a need to bridge the resourcing and talent gaps.

GIG ECONOMY TRENDS AND STATISTICS

A 2019 study by Mastercard[1] estimated that the global gig economy generates US$204 billion in gross volume, and is expected to grow by 17% by 2023. In the United States, it has been predicted that by 2027, the country may have more "giggers" than non-gig workers.[2] According to a 2020 report from Intuit[3], 25 to 30% of the US workforce is contingent, and more than 80% of large corporations plan to substantially increase their use of a flexible workforce in the coming years. Intuit predicts that small businesses will develop their own collaborative networks of contingent workers, minimising fixed labour costs and expanding the available talent pool.

While 58% of the gig economy worldwide is in the area of transportation (according to the Mastercard study), other industries are starting to see a rise in gig workers as well, including accounting and finance, legal, IT and other professional advisory services.

Some companies have had to be creative with hiring through the pandemic. In some cases, that could mean hiring

In July 2019, a CPA Australia survey of members and accountants in public practice found that the younger the firm, the more likely they were to rely more on gig workers over the next five years.

[1] https://newsroom.mastercard.com/wp-content/uploads/2019/05/Gig-Economy-White-Paper-May-2019.pdf

[2] https://www.statista.com/topics/4891/gig-economy-in-the-us/

[3] https://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf

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It seems the trend towards hiring gig workers will continue upward, and expand to more skilled services, including those provided by SMPs.

temporary or freelance staff where decreased budgets may not be able to accommodate full-time staff salaries along with the cost of benefits. It has also been found that workers in Generation Z[4] may prefer gig work to full-time employment in a more traditional office environment, so employers are trying to be responsive to those changing needs and appetites. Some additional advantages to gig work for the individual include the following:

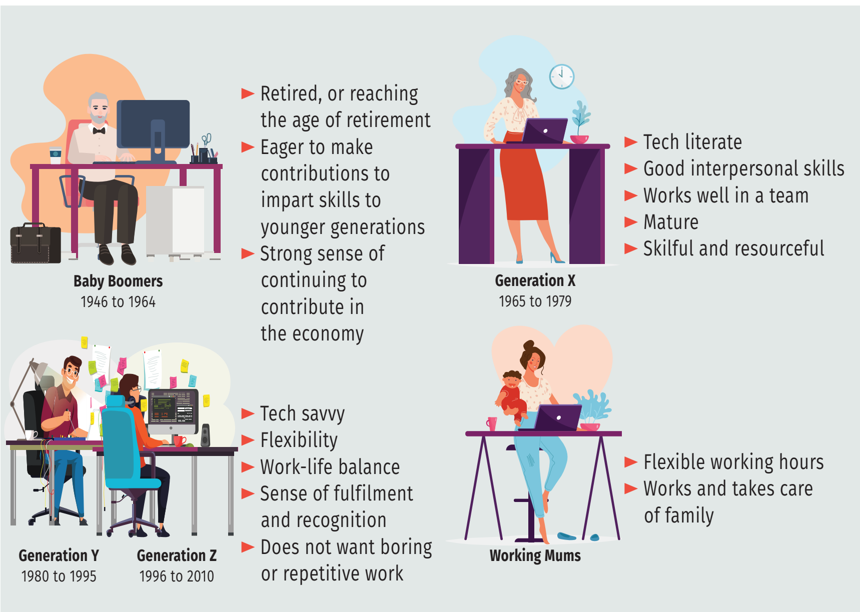
- Flexibility,
- Work-life balance,
- Being your own boss,
- Digitalisation provides more gig opportunities,
- Job exposures and career advancements,
- Provides an alternative income stream.

We illustrate below (Figure 1) the personality traits of the various generational groups in the workforce today, and how each of these generation groups will be able to fit into the gig economy by contributing their specific strengths and complementing each other when working as a team:

While the trend of hiring gig workers has been upward for years now, the pandemic seems to have given those numbers a boost. According to Forbes[5], there were 24% more gig workers in the summer of 2020 than in previous years. Many independent workers prefer having greater flexibility, and this became crucial during the pandemic, especially for those workers that have young children or aging parents at home that needed to be cared for. Technology has also been a key driver, and new platforms have been developed where gig workers are able to sell their services or bid for work across the globe and work from virtually anywhere.

In July 2019, a CPA Australia survey[6] of members and accountants in public practice found that the younger the firm, the more likely they were to rely more on gig workers over the next five years. For example, if a firm was less than eight years old, over 48% of those firms surveyed expected to rely on the gig economy more than older firms.

Figure 1 Personality traits of generational groups



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HOW COMPANIES CAN ADAPT

Companies may encounter challenges when they first start to hire gig workers. There are a number of things that they will need to consider. First and foremost, some countries, including the US[7] and the UK[8] have been in ongoing legal battles regarding the classification of gig workers. The issues under consideration include how gig workers are treated for purposes of benefits, business insurance, and taxation.

For companies that are ready to move forward with a gig economy plan, below are the steps they should follow to change and adapt in order to get themselves ready for a gig workforce:

1) Implement policies that promote flexibility;
2) Ensure legal adequacy by creating standard contracts and clear guidelines for both giggers and non-gigger employees on their abilities to provide gig work;
3) Consider remuneration package, benefits and/or alternative compensation for gig workers;
4) Improve employer's branding and create a reputation as a great place to work in order to retain the best giggers;
5) Review talent acquisition requirements and key attributes that the company should look for when hiring giggers;
6) Review the existing hiring structure to accommodate engagement of giggers, establish processes and controls to monitor the performance of giggers;

7) Enable technological capabilities, including remote work policies and enhanced IT procedures for issues like cybersecurity;
8) Complete with a flexible, sustainable and affordable resourcing strategy for now and for the future – look at "resourcing" from a holistic perspective.

Being receptive, embracing change, understanding the importance of top-down transformation, leading the strategic implementation of the "future perfect team", and encouraging growth for your team are all critical to ensuring a successful and sustainable gig economy strategy.

SMP PERSPECTIVES

In July 2021, the IFAC Small and Medium Practices Advisory Group (SMPAG) met to discuss some of the benefits and challenges of working in a gig economy and how their firms are leveraging a gig workforce.[9] It became clear from the discussions that some countries are more hesitant to embrace giggers due to legal and governmental requirements placed on contractors in certain jurisdictions. Where SMPs are hiring giggers, it tends to be for very specific roles and responsibilities where it would not be cost-efficient to hire a full-time employee.

Some examples of the types of work being outsourced to gig workers included IT, Finance, HR, entry-level, routine or administrative and research functions. Some firms are even contracting with other firms, agencies, or firm networks to perform certain types of work. One example provided was bank field examinations (third-party evaluation of collateral supporting a loan) being consolidated in certain markets by SMPs.

Some of the benefits for SMPs in hiring gig workers include:

- Greater ease filling gaps in expertise when workload is insufficient to justify a full-time position;
- Handling workload compression and seasonality of certain work;
- The time differences around the globe can result in a 24/7 workforce;
- Access to a more diverse and skilled workforce;
- Cost savings, especially on shorter-term projects or where deadlines are tight;
- Declining staff retention means replacing some with gig workers is not as big of a risk as it used to be for firms.

Some of the drawbacks discussed include:

- Limited knowledge transfer and development of internal capacity, which might in the long run be more costly;
- More difficulty building firm culture and developing long-term relationship with clients;
- More challenges to training and quality management;
- Some gig workers take on too much work and have competing priorities with multiple firms/companies;
- Gig work is not always billable to a client, therefore creating more overhead and administrative costs;
- Availability and loyalty of gig workers may not be as high as for employees;
- In many jurisdictions, gig workers are required to use their own technological devices, and this could result in greater technology and cybersecurity risks.

SMPAG members also considered whether they see firms increasing the use of gig staff in the future. Many noted that this may be inevitable due to how the market is shifting, and some saw this as a way for retired partners to formally mentor the younger staff. Others believe SMPs need to create alliances to be able to compete, and that adding gig workers is one way to do that. Some SMPs are also hiring more temporary staff in an effort to save costs as they continue to navigate the economic impact of the pandemic.

ADDITIONAL RESOURCES

- "Responding to the Growing Gig Economy" (https://www.journalofaccountancy.com/issues/2019/oct/helping-self-employed-clients-gig-economy.html) by *Journal of Accountancy*
- "Are You Preparing Your Firm for the Gig Economy" (https://www.cpapracticeadvisor.com/firm-management/article/12403858/are-you-preparing-your-firm-for-the-gig-economy) by CPA Practice Advisor
- "The Alternative Workforce: It's Now Mainstream" (https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2019/alternative-workforce-gig-economy.html) by Deloitte
- "How Millennials and Post-Millennials are Redefining Success" (https://www.psychologytoday.com/us/blog/future-trends/202009/how-millennials-and-post-millennials-are-redefining-success) by *Psychology Today*
- BDO, a Catalyst for Growth in the Gig Economy (https://www.bdo.com.hk/en-gb/insights/publications/bdo-a-catalyst-for-growth-in-the-gig-economy)

SUMMARY

It seems the trend towards hiring gig workers will continue upward, and expand to more skilled services, including those provided by SMPs. Careful consideration should be given to the benefits and some of the drawbacks to hiring gig workers, not to mention the legal implications in a given jurisdiction. See the box above for some additional resources related to the gig economy that may be helpful in navigating these decisions. ISCA

Kristy Illuzzi is Principal, SME/SMP and Research, IFAC. Portia Tang is Director and Head of Professional Solutions and Client Services, BDO Hong Kong.

[4] https://www.ifac.org/system/files/publications/files/GEN-Z-GROUNDBREAKERS.pdf

[5] https://www.forbes.com/sites/forbeshumanresourcescouncil/2021/05/13/the-gig-or-permanent-worker-who-will-dominate-the-post-pandemic-workforce/?sh=6e0dc1ce3cdc

[6] https://www.cpaaustralia.com.au/public-practice/my-firm-my-future#:~:text=MY%20FUTURE.%22%20report%20 2019%20explores,members%20prepare%20for%20the%20future

[7] https://techcrunch.com/2021/08/20/californias-gig-worker-prop-22-ruled-unconstitutional-by-superior-court/

[8] https://www.nytimes.com/2021/03/16/technology/uber-uk-drivers-worker-status.html

[9] https://www.ifac.org/who-we-are/advisory-groups/small-and-medium-practices-advisory-group

BY SIMON POH

SHIFTING THE TAX BURDEN TOWARDS GST AND INDIVIDUALS?

The Search For A Sustainable Tax System

IN HIS MAIDEN BUDGET SPEECH ON 18 FEBRUARY 2022, Minister for Finance Lawrence Wong finally announced that Singapore's Goods and Services Tax (GST) rate will be increased – first to 8% in January 2023, and then to 9% in January 2024.

Mr Wong said he had "carefully considered the overall situation" and understood Singaporeans' concern about the tax hike coming at a time of global inflation, rising costs of living and a COVID-19 pandemic that does not seem to end, but that "our revenue needs are pressing".

GST has always been among the top three contributors of government operating revenue, accounting for about S$12 billion in financial year 2021. The other two contributors are corporate income tax (CIT) and personal income tax (PIT), accounting for S$17.5 billion and S$13.8 billion respectively.

GST COULD BECOME THE TOP TAX REVENUE STREAM

With the two-percentage point GST hike, experts expect to raise an additional S$3.2 billion in revenue – or about 0.7% of Singapore's gross domestic product.

In fact, GST could become Singapore's largest tax revenue stream.

Additional GST revenue is expected with the introduction of new GST rules from January 2023, with GST extended to cover business-to-consumer (B2C) imported non-digital services and imported low-value goods.

Although PIT revenue will also be boosted with the increase in the top marginal PIT rate of two percentage points with effect from the Year of Assessment 2024, the projected increase generated at S$170 million is much lower than the revenue generated by GST.

Going forward, there is probably little scope to increase PIT revenue further, with a rapidly aging population and continued low birth rates. With globalisation and many businesses offshoring operations, highly mobile, high-income earners might be tempted to relocate to cities with lower tax rates, such as Hong Kong.

Ongoing discussions under the OECD Base Erosion Profit Shifting initiative (BEPS 2.0) may also mean reduced CIT revenue in the future.

Under BEPS, some multinational enterprises (MNEs) will need to reallocate profit from where activities are conducted to where consumers are located, and this is expected to hurt tax revenue due to Singapore's small domestic market and extent of activities conducted. Some MNEs may also be imposed a Minimum Effective Tax Rate of 15% instead of current investment-friendlier rates, and choose instead to relocate.

While these are early days and Singapore would do well to observe the experience of other countries and the behaviour of MNEs, it is not inconceivable that GST will end up being the biggest tax revenue stream.

SHIFT TOWARDS TAXING CONSUMPTION NOT NEW

Regardless of whether GST eventually overtakes both CIT and PIT, there is a clear trend of shifting from income tax to consumption tax over the last decades.

When Singapore was recovering from its first post-war recession back in 1986, one of the key recommendations of the 1986 Economic Committee, convened to respond to the recession and lead the nation to recovery, was to introduce GST and gradually increase GST revenue. This

Over the long term, GST offers a more stable revenue source, compared to income tax which is more directly affected by the state of the economy.

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would help Singapore be more competitive and attract investments, compared to the high 40% CIT and top marginal PIT rate which were then slashed to sustain economic growth and create good jobs.

Other economies have also undertaken similar tax reform, cutting income tax rates to increase attractiveness to international investments and manpower, and structuring their tax system to rely more on GST.

For example, Ireland's standard corporate tax rate was phased down from 40% in 1995 to today's 12.5%, while standard value-added tax (VAT) rate was increased from 21% in 1995 to the current 23%. VAT is generally the second highest revenue generator for Ireland, behind individual income tax. In Singapore, GST rates were raised from the initial 3% to 4% in 2003, 5% in 2004 and 7% in 2007 for the same reasons.

One advantage of taxing consumption is that it allows more revenue to be collected at relatively low tax rates. Consumption also grows in tandem with the economy. Taxing consumption creates fewer distortions on people's desire to work hard and save, and does not require people to file tax returns or run the risk of capital flight.

Over the long term, GST offers a more stable revenue source, compared to income tax which is more directly affected by the state of the economy.

Rebalancing the tax mix is a fiscal policy priority. As Singapore's average growth rates slow as its economy matures, reliance on pro-growth taxes like consumption and property taxes can avoid disincentivising work. OECD research also shows that a shift towards such less mobile taxes makes the tax system more resilient and less vulnerable to the effects of globalisation.

As Singapore's average growth rates slow as its economy matures, reliance on pro-growth taxes like consumption and property taxes can avoid disincentivising work.

Although Minister Wong has clarified that carbon taxes will not significantly add to the government coffers, a shift towards such environmental taxes is also in line with the ethos of developed nations pricing in externalities when it comes to climate and health.

TAX BURDEN SHIFTED FROM BUSINESSES TO INDIVIDUALS?

With greater focus and reliance on GST, coupled with potential losses in CIT, does this mean Singapore's tax burden is shifting from businesses to individuals?

It is tempting to come to this conclusion given that GST is a regressive consumption tax that affects most individuals.

But there is proactive targeted assistance to cushion the impact of GST and make the overall tax system fairer and progressive, ahead of the GST hike, including the permanent GST voucher scheme and the broader S$6.64-billion Assurance Package.

In fact, Singapore's fiscal position actually shows that the largest contributor to our revenue does not come from tax but from the Net Investment Returns Contributions (NIRC) from our reserves. The NIRC in financial year 2021 was S$20.33 billion, larger than any tax revenue stream.

Perhaps a fairer way to look at it is that Singapore and the government need to generate a suitable source of revenue to fund its public expenditure. And, broadening the tax base to tap on more forms of taxes, including income tax and GST judiciously, can keep it sustainable for our public spending needs in the long term. **ISCA**

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An edited version of this article was first published in *Channel NewsAsia* online on 21 February 2022. Reproduced with permission.

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TECHNICAL HIGHLIGHTS

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AUDITING AND ASSURANCE

UPDATE TO AGS 1 APPENDIX 5A

Editorial amendments were made to Appendix 5A, a sample agreed-upon procedures report for an EDB Scheme.

For more information, please visit https://isca.org.sg/docs/default-source/audit-assurance/aa-standards/ags-1-(mar-2022)-(clean).pdf

IFAC RELEASES NEW IMPLEMENTATION TOOL ON AUDITING ACCOUNTING ESTIMATES

The implementation tool provides an overview of steps and related matters to consider in auditing accounting estimates and disclosures to assist auditors in implementing SSA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*.

For more information, please visit https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/auditing-accounting-estimates?utm_source=Main+List+New&utm_campaign=3b61e11780-IFAC-ISA-540-Implementation-Tool&utm_medium=email&utm_term=0_c325307f2b-3b61e11780-80727572

IAASB RELEASES NEW WEBINAR ON IMPLEMENTATION OF QUALITY MANAGEMENT STANDARDS

This is the fourth webinar of IAASB's Quality Management Webinar series, focusing on the governance and leadership, relevant ethical requirements and information and communication components of the system of quality management.

For more information, please visit https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/isqm-full-picture-how-do-components-quality-management-system-fit-together-iaasb-ifac-fourth-and?utm_source=Main+List+New&utm_campaign=8654895472-EMAIL_CAMPAIGN_2022_04_05_12_54&utm_medium=email&utm_term=0_c325307f2b-8654895472-80727572

ETHICS

IFAC RELEASES NEW "EXPLORING THE IESBA CODE" INSTALMENT FOCUSED ON TECHNOLOGY

This two-page publication examines the application of the IESBA Code's fundamental principles and conceptual framework to address ethics and independence issues that may arise from the use or implementation of artificial intelligence by professional accountants.

For more information, please visit https://www.ifac.org/news-events/2022-03/ifac-releases-new-exploring-iesba-code-installment-focused-technology

IFAC AND ICAEW RELEASE INSTALMENTS SEVEN AND EIGHT OF THE ANTI-MONEY LAUNDERING EDUCATIONAL SERIES

These publications are part of a series to help professional accountants enhance their understanding of how money laundering works, the risks they face, and what they can do to mitigate these risks and make a positive contribution to the public interest.

Instalment Seven: Virtual Assets looks at the broad new class of assets that has emerged over the past decade known as virtual assets, including Bitcoin and NFTs (non-fungible tokens). *Instalment Eight: Crime Trends* looks at recent crime trends like human trafficking and terrorist financing and the role money laundering plays.

For more information, please visit https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/discussion/anti-money-laundering-basics#bean-block-aml-page-block-new-aml-series-in

FINANCIAL REPORTING

ISCA COMMENTS ON IASB'S ED ON NON-CURRENT LIABILITIES WITH COVENANTS (PROPOSED AMENDMENTS TO IAS 1)

We are appreciative of the Board's efforts to address stakeholders' concerns arising from the classification requirements introduced by the amendments made to IAS 1 in January 2020 titled *Classification of Liabilities as Current or Non-current*, which will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

We generally agree with the Board's proposal that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions within 12 months after the reporting period, those conditions should have no

effect on whether the entity has a right to defer settlement of the liability for at least 12 months after the reporting period. This would be applicable to liabilities with conditions which the entity must comply with only after the reporting date.

While we agree with the non-current classification of these liabilities, we have concerns on the requirement to provide additional disclosures which are intended to enhance users' understanding of the liabilities and their related covenants.

For more information, please visit https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/comment-letter-ed-ncl-with-covenants-(final).pdf

ISCA COMMENTS ON IASB'S ED ON SUPPLIER FINANCE ARRANGEMENTS (PROPOSED AMENDMENTS TO IAS 7 AND IFRS 7)

We are supportive of the Board's timely efforts towards meeting the information needs of users of financial statements by enhancing the transparency over the use of supplier finance arrangements and its impact to an entity's liabilities and cashflows.

We note that the proposals in the ED are intended to complement the IFRS Interpretations Committee's agenda decision titled *Supply Chain Financing Arrangements – Reverse Factoring* published in December 2020 and we agree with this approach. The addition of an overall disclosure objective and specific disclosure requirements in IAS 7 *Statement of Cash Flows* will help users of financial statements to assess the effects of supplier finance arrangements on an entity's liabilities and cash flows. Having said that, we have received feedback from preparers on the practical challenges they will face in obtaining the required information for the proposed disclosures in the ED.

For more information, please visit https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/comment-letter-ed-supplier-finance-arrangements-(final).pdf

FEBRUARY 2022 IASB UPDATE AVAILABLE AND WORK PLAN UPDATED

This Update highlights IASB's discussions on topics such as Disclosure Initiative – Targeted Standards-level Review of Disclosures, Second Comprehensive Review of the IFRS for SMEs Standard and Lease Liability in a Sale and Leaseback (Amendments to IFRS 16): Transition, effective date and due process. 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-february-2022/

MARCH 2022 MEETING PAPERS AVAILABLE

- **Accounting Standards Advisory Forum Meeting**

Topics discussed included Rate-regulated Activities – Regulatory Assets and Regulatory Liabilities, Non-current Liabilities with Covenants (Amendments to IAS 1), Primary Financial Statements and Supplier Finance Arrangements.

For more information, please visit https://www.ifrs.org/news-and-events/calendar/2022/march/accounting-standards-advisory-forum/

- **International Accounting Standards Board Meeting**

Topics discussed included feedback received from Post-implementation Review of IFRS 9 – Classification and Measurement, and updates on IASB projects such as Financial Instruments with Characteristics of Equity and Business Combinations under Common Control.

For more information, please visit https://www.ifrs.org/news-and-events/calendar/2022/march/international-accounting-standards-board/

- **IFRS Interpretations Committee Meeting**

Topics discussed included Quantity of the Benefits Provided under a Group of Annuity Contracts (IFRS 17 *Insurance Contracts*), Demand Deposits with Restrictions on Use (IAS 7 *Statement of Cash Flows*) and Rent Concessions: Lessors and Lessees (IFRS 9 *Financial Instruments* and IFRS 16 *Leases*).

For more information, please visit https://www.ifrs.org/news-and-events/calendar/2022/march/ifrs-interpretations-committee/

IFRS FOUNDATION PUBLISHES IFRS ACCOUNTING TAXONOMY 2022

The IFRS Accounting Taxonomy enables electronic reporting of financial information prepared in accordance with IFRS Accounting Standards. IFRS Accounting Taxonomy 2022 is based on IFRS Accounting Standards as at 1 January 2022, including those issued but are not yet effective. It incorporates changes made to IFRS Taxonomy 2021 which resulted from amendments made to IFRSs.

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-publishes-ifrs-accounting-taxonomy-2022/

MARCH 2022 IFRIC UPDATE AVAILABLE

Topics discussed included tentative agenda decisions on Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32) and SPAC: Accounting for Warrants at Acquisition; and an agenda decision on Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7).

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


BY FELIX WONG AND ANGELINA TAN

MANAGING TAX EXPOSURES

Protect Against Unexpected Tax Liabilities And Secure Certainty

AGAINST THE BACKDROP OF CHANGING TAX LEGISLATIONS AND REGULATORY REQUIREMENTS, evolving business models and rapidly advancing technology, companies have to grapple with how tax rules apply to their business operations and adopt tax positions based on their judgements.

Given that judgements are involved, it is safe to say that the tax authorities will not always agree with taxpayers' interpretation of the tax rules and the tax positions they adopt. Such disagreements will result in uncertainties over multiple financial years and, in some cases, lead to significant tax exposures.

"Tax risks, if not managed properly, can lead to severe financial exposure and even reputational risks for a company," highlighted Vijay Nair, Associate Director, Tax and Transaction Liability, Aon, at a webinar organised by the Singapore Chartered Tax Professionals. "Tax insurance is a useful tool to help companies manage their tax risks. Companies should keep this in mind when reviewing their overall tax risk management strategy."

Vijay Nair, Associate Director, Tax and Transaction Liability, Aon, shed light on how tax insurance can be used to secure certainty to tax exposures and mitigate tax risks

WHAT IS TAX INSURANCE?

Tax insurance is essentially a risk management tool where a company pays a premium to transfer an identified tax risk to an insurer. As the insurer takes on the tax risk (and becomes liable for any taxes which may arise from a successful challenge by the tax authority), the company has effectively eliminated its exposure to the identified tax risk.

Unlike a warranty and indemnity insurance policy which covers the insured party for any unknown risks at the time of entering into a transaction, a tax insurance policy only covers identified tax risks.

Tax insurance is a useful tool to help companies manage their tax risks. Companies should keep this in mind when reviewing their overall tax risk management strategy.

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TAX
INSURANCE
TAX

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In an M&A transaction, tax insurance can provide cover for the small probability of significant loss due to a tax position taken and provide peace of mind for the parties involved.

In practice, a warranty and indemnity insurance often excludes issues such as transfer pricing, secondary tax liability, as well as other issues identified in a tax due diligence. However, such issues may be covered under a tax insurance. Tax insurance may also be used to cover other known tax risks, such as the taxability of certain gains, the deductibility of certain expenses, withholding tax rates applied or tax risks arising from restructuring transactions.

Coverage

In a tax insurance policy, the insured is typically covered against losses arising from the failure to achieve the expected tax treatment. These may include the tax liabilities plus any interests and penalties, the defence costs incurred to defend the tax authority's challenges, and the tax gross-ups on the proceeds of the insurance.

The duration of a tax insurance coverage is typically linked to the statutory limitation period of the relevant jurisdiction (generally five to seven years).

Features

It is important to note that the insurer will only pay out claims relating to losses incurred on the specific tax risk(s) as defined in the tax insurance policy. Tax risks that are not specifically covered in the tax insurance policy will be excluded.

Common exclusions of tax insurance policies include fraud, material misrepresentation, and a change in law. For example, if Singapore changes its law to tax capital gains and a tax policy was put in place prior to the disposal, the insurer will not pay out claims relating to any losses arising from the change of law (notwithstanding that the insured may have robust analysis and documentations to support that the gains are capital in nature and would not have been taxable under the old law).

Pricing

The premium for a tax insurance policy is typically a percentage of the sum insured and paid as a one-off payment upfront. Pricing is specific to the identified tax risk and may also be adjusted depending on market conditions, jurisdiction(s) covered and the size of the risk.

WHAT KIND OF TAX RISKS ARE INSURABLE?

In general, a tax risk may be insurable if:

- There is a low probability of it happening but its potential impact on the business is high (generally, for tax exposure of at least $1 million);
- It results from a historic or proposed transaction where the law is not completely black and white;
- It is not an aggressive tax avoidance arrangement or contrived structure;
- There is a sound legal basis for the tax position taken.

On the other hand, if a tax risk does not qualify as a remote or low risk (such that there is a medium or high possibility of it happening), it will generally not be insurable. For example, the insurance market is unlikely to take on the risk of covering a tax position on the deductibility of a certain expense if the position is not strong and is expected to be challenged by the tax authority and argued in the courts for a prolonged period.

While the insured is responsible for defending its tax position from a challenge by the tax authority, the insurer is expected to be kept informed. In some cases, the insurer may also participate in the defence of the tax position.

Common tax risks insured extend beyond merger and acquisition (M&A)-related risks, and may include risk areas such as permanent establishment, tax residency, withholding tax, availability of treaty benefits, indirect share transfer, transfer pricing on certain related parties' transactions, interest deductibility, and characterisation of revenue versus capital receipts.

STRATEGIC USES OF TAX INSURANCE

Tax insurance may be used for a myriad of strategic reasons:

(1) *Attain peace of mind through tax certainty*

With a tax insurance policy in place, tax risks arising from the contentious issue are passed on to the insurer, and certainty to a particular tax outcome is achieved.

In an M&A transaction, tax insurance can provide cover on the small probability of significant loss and provide peace of mind for the parties involved. For example, a buyer may reduce its tax exposure by taking up a tax insurance policy to cover an identified tax risk for which the seller is unwilling to provide indemnity. With this, the buyer can factor in the cost of the insurance policy into its bid price and avoid uncertainties.

(2) *Avoid the need for advance ruling*

The process to obtain a binding advance tax ruling from the tax authority may be protracted in certain jurisdictions, ranging from a few months to a few years. In this regard, advance tax rulings may not be the answer for transactions that are time sensitive. In situations where advance tax rulings are not feasible, a tax insurance may serve as an alternative to provide a faster option to achieve economic certainty and minimise exposures.

(3) *Replace or reduce escrow*

In an M&A transaction, the seller may put in place a tax insurance policy to cover identified tax risks that it takes on. Accordingly, the seller may replace or reduce the escrow and free up cash without worrying about whether the tax position is challenged.

(4) *Unlock capital*

Tax insurance eliminates the need to set aside monies in the event the tax risks materialise. Accordingly, it allows sales proceeds of a transaction to be fully distributed to shareholders, thereby maximising sales proceeds and unlocking capital in a cost-effective manner and help to achieve a "clean exit" from the M&A transaction.

(5) *Remove deal blockers*
Tax insurance can help remove deal blockers, uncertainties and valuation issues in an M&A process. With a tax insurance policy in place, the seller may be able to offer broader representations and greater indemnity coverage, both in terms of scope and duration, as any claims will be made against the policy. This could improve the attractiveness of the target and optimise its valuation.

(6) *Eliminate balance sheet contingencies*
With tax insurance providing protection to uncertain tax positions, balance sheet contingencies on such tax items can be eliminated.

CASE STUDIES OF HOW TAX INSURANCE MAY BE USED

Non-resident capital gains tax

The seller, a private equity fund, is looking to sell its shares in a Korean target.

Based on Korean tax rules, the buyer is required to withhold Korean capital gains tax. As there are risks relating to the availability of tax treaty relief for the investors in the private equity fund, the buyer requires an indemnity and escrow from the seller. Under the escrow, the seller's funds will be tied up for 10 years, and this will in turn affect the internal rate of return of the private equity fund and prevent the closing of the fund.

The private equity fund may consider putting in place a tax insurance policy to protect the buyer against the tax risks, and negotiate the release of the escrow since it is no longer required.

Transfer pricing

A Singapore-headquartered company carries out a distribution business in Asia. Based on robust transfer pricing analysis and documentation prepared by its tax advisor, the company's related entities across Asia are characterised as "limited risk distributors" and remunerated on a cost-plus basis.

Even though the company's transfer pricing positions were supported with robust analysis and documentation, there is still a small risk that the local tax authorities may challenge the company's transfer pricing arrangement. The company may consider tax insurance to cover the identified transfer pricing risk if the financial exposure is significant.

As the global tax landscape becomes more complex and the scrutiny by tax authorities intensifies, tax insurance can be a very useful tool for companies and tax professionals in managing tax risks and minimise tax exposures. In certain circumstances, it may even be the only feasible tool. ISCA

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