MALAYSIAN INSTITUTE
OF ACCOUNTANTS

2019
JAN-FEB

THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

accountants today

81.2% of MIA’s 2018 Member Satisfaction Survey Respondents Proud to be Associated with MIA

at-mia.my/2019/02/15/81-2-of-mias-2018-member-satisfaction-survey-respondents-proud-to-be-associated-with-mia

February 15, 2019

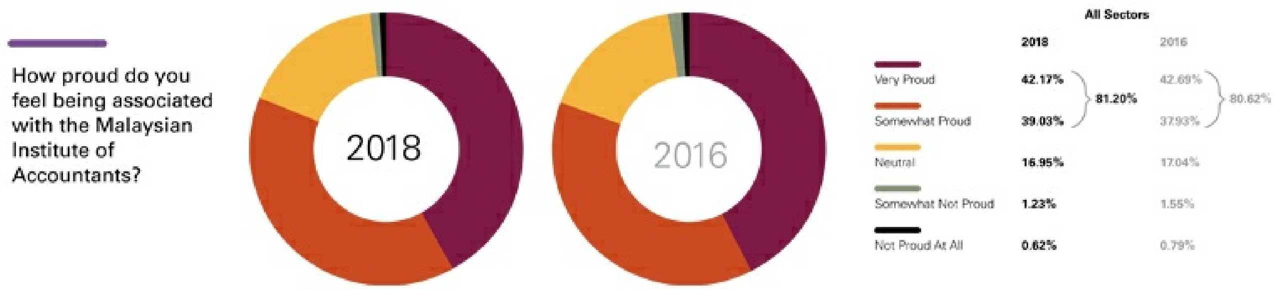
MIA’s Second Member Satisfaction Survey 2018 sought to obtain members’ feedback on how MIA can further add value to the membership and continue developing the profession in Malaysia.

Conducted from 2 April 2018 to 30 June 2018, the 2018 Survey was a follow-up to its inaugural MIA Member Satisfaction Survey 2016.

The 2018 survey polled a total of 7,463 members compared to 5,618 members for the 2016 Survey.

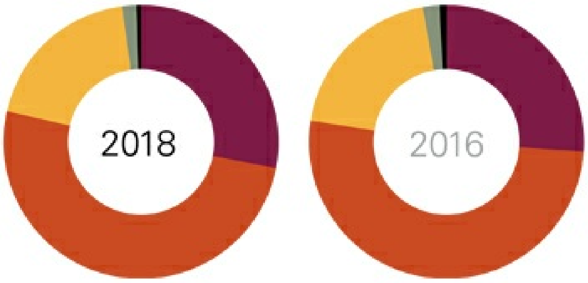
Survey Findings

Notably, 81.2% of respondents to the 2018 Survey were proud to be associated with the MIA, compared to 80.62% of respondents to the 2016 Survey.



Overall, 78.76% of respondents to the 2018 Survey said that they were satisfied with the Institute, up from 77.74% of respondents in the 2016 Survey.

Overall, how satisfied have you been with the Institute ?



All Sectors

	2018		2016	
Totally Satisfied	28.06%	78.76%	26.19%	77.74%
Somewhat Satisfied	50.70%		51.55%	
Neutral	19.25%		19.60%	
Somewhat Dissatisfied	1.58%		1.98%	
Dissatisfied	0.40%		0.68%	

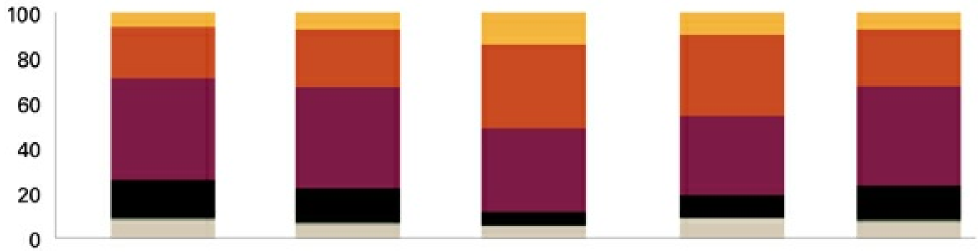
A majority (63.14%) of respondents also indicated that if MIA membership is not mandatory, they would still maintain their membership, attesting to the relevance of their membership and the Institute's role in developing and regulating the Malaysian accountancy profession. This was an improvement over the 62.13% who said they would maintain their membership in the 2016 Survey.

The following are some key highlights of the 2018 Survey findings:

85.52% of respondents were aware that MIA had developed an MIA Membership E-card offering numerous benefits and privileges, and 76.94% rated the quality of the E-card as being good, very good or excellent.

How would you rate the quality of the MIA E-Card ?

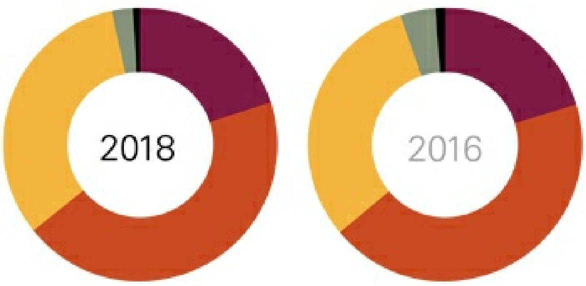
Features found in this apps
MIA benefits and privilege



	PAIB	PUBLIC PRACTICE	PUBLIC SECTOR	ACADEMIA	ALL SECTORS	
Excellent	6.42%	7.57%	14.24%	10.00%	7.58%	76.94%
Very Good	22.75%	25.65%	37.25%	35.88%	25.31%	
Good	45.23%	44.72%	37.09%	35.29%	44.05%	
Average	16.97%	15.20%	5.96%	10.00%	15.23%	
Poor	1.09%	1.14%	0.33%	0.59%	1.02%	
Skip	7.56%	5.72%	5.13%	8.24%	6.82%	

64.23% were satisfied with the Institute's media publicity and branding efforts to create awareness of its membership and activities, while 67.87% were satisfied with the Institute's effort to enhance the branding of MIA at local and international level and being the national voice of the accountancy profession amongst regulatory bodies.

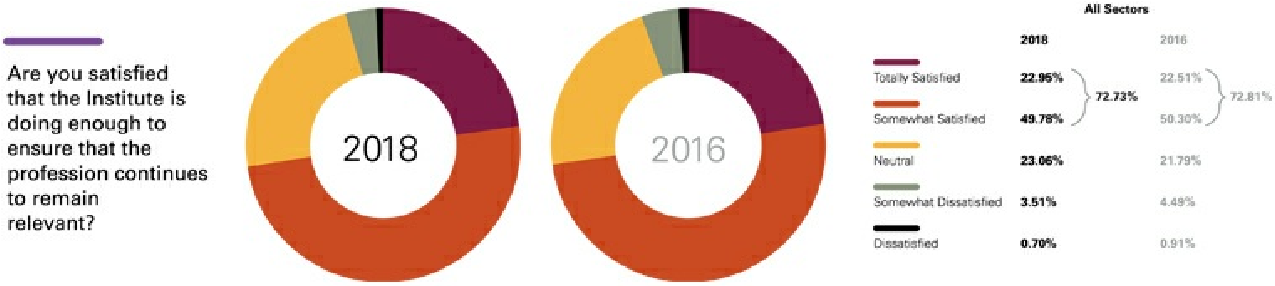
Are you satisfied with the Institute's media publicity and branding efforts to create awareness of its membership and activities?



All Sectors

	2018		2016	
Totally Satisfied	20.03%	64.23%	20.36%	64.07%
Somewhat Satisfied	44.20%		43.71%	
Neutral	32.59%		30.85%	
Somewhat Dissatisfied	2.60%		4.11%	
Dissatisfied	0.58%		0.97%	

- Just 39.18% were aware that qualified MIA members may register as ASEAN CPAs and subsequently as Registered Foreign Professional Accountants in other ASEAN member states. Going forward, the Institute will step up its efforts to create awareness of the ASEAN CPA qualification and benefits.
- 72.73% were satisfied that the Institute is doing enough to ensure that the profession continues to remain relevant, compared to 72.81% in the 2016 Survey of Members.



Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Asset Tracing and Forensic Methods

at-mia.my/2019/02/15/asset-tracing-and-forensic-methods

February 15, 2019

By Majella Gomes

When firms are confronted with insolvency, their assets will determine how much they are worth. But these have to be properly identified – not an easy process in today's business environment where a lot of a company's value comprises intangible assets. This is where forensic investigators come in and utilise technology integrated with forensic methods to trace assets and ascertain the market value of the firm.

Increasing Technology, Data Volumes

Technology plays a substantial role in forensics as it preserves evidence that is adduced in a court of law: hard- and soft-copy documents and evidence of transactions and assets, said Belinda Tan, Partner and Leader, Forensic & Integrity Service, EY Singapore.

With the application of technology and the extensive use of artificial intelligence, the bulk of data like deleted e-mails and electronically destroyed information can be recovered. "Data can be rebuilt and restored but the problem now is the volume of data – terabytes of it," said Darren Cerasi, Partner, Forensic APAC, Deloitte Singapore, underscoring the irony of the fact that having used technology to generate so much data, technological tools were now being applied to pare it all down.

This data is invaluable when unshakeable evidence is required by the courts before they decide on a course of action. "We need documents and analysis of outcomes to establish parameters of evidence," said John Mathew, Partner, Christopher & Lee Ong. "At the end of the day, we need a basis to go to court. Courts have tools but are reluctant to use them because of grave implications. So we need to establish evidential bases first." A high bar is set to ensure the integrity of such evidence, with multiple checks and verification at different stages to comply with stringent and conservative requirements of the Malaysian courts, although there is increasingly greater acceptance of technology within the judicial process.

(L – R) Darren Cerasi, Khoo Poh Poh, Belinda Tan and John Mathew

Upskilling

Insolvency professionals are generally not trained in the use of forensic tools and technology although some may have the basics. Sound knowledge of Excel will go a long way to upskilling, and online courses are readily available. Some professionals may already be dealing with forensics without fully realising it, particularly if they are using software for analytics and digital payment apps.

But they will need to learn to use better tools, and attitude must support aptitude. They need to know how the software works, and how relevant it is to what they want to achieve. All data resides on a platform somewhere. “Take the old-fashioned way,” Tan advised. “Download the data, run it with specialised software, establish parameters and find the relevant information.”

Knowing how to handle the tools will add value to the service but how does the insolvency professional handle hostility in the firm that is undergoing investigation? “Use terms like ‘tech support’ instead of ‘forensic investigation’,” suggested Cerasi, to mask the true purpose of the insolvency investigation.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Complying with the Special Voluntary Disclosure Programme (SVDP)

at-mia.my/2019/02/15/complying-with-the-special-voluntary-disclosure-programme-svdp

February 15, 2019

By Nithea Nadarajah

Accountants play a pivotal role in any successful business, whereby their responsibility also extends to effective tax compliance and assisting clients to better comprehend their obligations in relation to tax laws and regulations.

At the same time, accountants are also ethically bound to combat tax evasion. “You are answerable to the Inland Revenue Board Malaysia (IRBM). You are also answerable to the taxpayer,” highlighted Renganathan Kannan, Partner, TraTax, speaker for MIA’s SVDP programme on accountants and taxpayer rights.

How can accountants assist taxpayers to comply with the SVDP? The following are some recommended steps:

Do an Impact Analysis

Before embarking on any course of action, first differentiate the Permanent Voluntary Disclosure (PVD) and Temporary Voluntary Disclosure (TVD) initiatives.

A TVD initiative offers a temporary window of opportunity as compared to a more permanent period allowed under a PVD. This current SVDP is clearly a temporary initiative simply because of its limited eight month timeframe which ends on 30 June 2019.

This TVD is clearly less punitive. The PVD penalty rates in 2015 and 2016 ranged between 10% and 30% but rose to 35% from 2017 onwards, whereas the TVD’s penalty rates have been reduced from 25% in prior years to 10%/15% in 2019.

Unlike previous temporary initiatives which involve limited categories of taxpayers, the current SVDP involves all types taxpayers, including non-residents and taxable persons yet to be registered with the IRBM.

The intrinsic component of an impact analysis is a detailed examination of a client's business, including a study on risk factors as well as a full spectrum analysis of all the operations. Astute awareness of the characteristics of a client is equally pertinent, advised Renganathan. An ethical accountant will ensure that he does not participate in or condone a client's reckless or illicit actions which may cause him or his professional firm disrepute.

An impact analysis exercise will ultimately lead to the identification of tax shortages. "If there is a tax shortage, identify its nature," said Renganathan. This could be either a tax gap, misreporting, non-compliance or tax evasion.

- The tax gap occurs when either the taxable income is understated, or the deductible expenses overstated, which results in lesser taxes being paid to the tax authorities.
- Misreporting is when false or inaccurate information is provided to the IRBM.
- Non-compliance is failure to act in accordance with tax rules and regulations.
- Tax evasion is the use of illegal means to reduce tax liability.
- Each of the above occurrences need to be examined on a case to case basis, its severity determined, and appropriate actions taken accordingly.

Renganathan Kannan

Communication

Before liaising with the IRBM on matters relating to the SVDP, do obtain specific appointment letters from taxpayers. These letters should explicitly include the years of assessments covered as well as the mode of payment. "Protect yourselves," advised Renganathan. This is to avoid the parties involved 'playing the blame game' should things turn sour. Additionally, a proper reconciliation of tax submissions and payments need to be made once the SVDP exercise is duly completed to avoid future complications.

Clarify the Rights of Taxpayers and the IRBM

This SVDP is an excellent opportunity for taxpayers as submissions made at this juncture will be accepted in good faith and not scrutinised further by the IRBM. Renganathan advises taxpayers to leverage on it, especially taxpayers saddled with a backlog of unsubmitted tax returns. Furthermore, even if audited accounts are not available, taxpayers are allowed to make voluntary disclosures based on management accounts.

Taxpayers should also be cognisant that, although penalty rates under the SVDP are deemed final, avenues for appeal are always available, especially when there is no criminal intent. Hence, if a disclosure is made in relation to technical adjustments which are deemed non-tax evasive in nature, the relevant reservations signifying an appeal should be duly highlighted upon submission of the voluntary disclosure report.

Act fast

Since this SVDP ends on 30 June 2019, accountants should notify clients on a timely basis to enable proper planning and appropriate actions. This includes the settlement of taxes and penalties due to avoid the imposition of late payment penalties. “Pay once you submit the documents. Do not wait for the Notice,” advised Renganathan. This is to avoid the imposition of late payment penalties on payments deemed settled beyond the SVDP timeframe.

Keep Adequate Records

Renganathan revealed that the IRBM goes through fourteen (14) layers of the examination process in relation to any scrutinisation exercise, be it desk audit, field audit or even tax investigation. To pass this rigorous scrutiny, the existence of proper documents is essential and its availability becomes the responsibility of each and every taxpayer. The Malaysian tax laws explicitly require all taxpayers to keep sufficient records for a period of seven years from the end of the year to which income from the business relates. Hence, even if voluntary disclosures were made under this SVDP in good faith, which confirms no scrutiny by the IRBM, it is still a legal requirement for taxpayers to ensure that relevant records are maintained for a stipulated time period.

You might also be interested in the accompanying article: Take Advantage of the Special Voluntary Disclosure Programme.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Foreign Funds / Assets: How to Clear Your Tax Headache

at-mia.my/2019/02/15/foreign-funds-assets-how-to-clear-your-tax-headache

February 15, 2019

By SM Thanneermalai

It is no longer possible to hide your foreign assets and income from the taxman.

Although Malaysia does not tax foreign income, the Inland Revenue Board Malaysia (IRBM) has the right to scrutinise your tax affairs to determine the source of funds which gave rise to the overseas assets.

The IRBM is interested to know whether the source of funds (capital gains or income) which originated from Malaysia were disclosed to them in your tax returns during the earlier years.

The government has opened the door and provided an opportunity to taxpayers who have not declared income or capital gains which should have been subjected to tax in the earlier years without undergoing a detailed and sometimes painful scrutiny. As a sweetener, the government has provided a lenient penalty regime of 10% of the underdeclared tax until 31 March, and 15% until 30 June 2019.

This is provided for under the Special Voluntary Disclosure Programme (SVDP).

Can you carry on with a "hide and seek" game?

From September 2018, with the implementation of the Common Reporting Standards (CRS), under the Automatic Exchange of Information (AEOI) agreement, the foreign tax administrations are forwarding financial information to the IRBM. Waiting for the IRBM to seek you out is not advisable as they are reviewing the information received. They have started contacting taxpayers to explain their past tax position.

Since the SVDP works on a good faith and voluntary basis, it will be advisable for the taxpayer to approach the IRBM rather than wait. The voluntary approach will certainly add credibility to your disclosure and makes the
settlement easier.

Mr Thanneermalai

What information is available to the IRBM?

All financial information available with depository institutions, custodial institutions, investment entities such as banks, insurance companies, mutual funds, and share broking institutions, etc. This will cover bank balances, fixed deposits, insurance policies, shares, investment funds / instruments, etc.

What about real properties?

Although this is not covered in the first instance under the AEOI, the IRBM can ask the foreign tax authorities to provide the relevant information since most taxpayers will be declaring the rental income in the foreign countries. Alternatively, the IRBM can easily get this information through your foreign bank accounts. Although the offshore rental income will not be taxed in Malaysia, the IRBM is interested in the source relating to the purchase of the property.

Will the time bar protect you from disclosure?

No, it will not protect the taxpayer.

In the first place, if you have not filed a tax return in Malaysia or omitted such information in the earlier years, then the five year time bar can be breached on the grounds that there could be an element of fraud / wilful default / negligence.

Does SVDP provide a closure to your past?

The whole SVDP programme is based on good faith and honesty on the part of the taxpayer. Except in exceptional circumstances where the IRBM receives concrete evidence from third parties that the disclosure was significantly incorrect, the IRBM is unlikely to re-open the case.

The SVDP will give you assurance that your past affairs up to 2017 are up to date.

Can I declare any amount I like?

It is not advisable to declare without carrying out a due diligence on your past records of the amount of monies remitted out of Malaysia, which should have been taxed in the past.

My foreign assets would have grown over the years. How do I explain this?

It is best to be transparent to the IRBM to explain how the taxpayer has grown / multiplied their investments so that there is protection in the form of disclosure. It also prevents the IRBM from going back to the past again as they would have accepted your explanation.

To further protect your past position and to provide a clean slate from 1 January 2018, it will be advisable for the bigger taxpayers to prepare a net worth statement of your assets and liabilities as at 30 December 2017, and have it deposited with the IRBM as part of the SVDP.

The above approach will give you more or less absolute assurance that your past will not be scrutinised.

How will the IRBM reciprocate your goodwill?

Upon closure of an SVDP, the IRBM will provide you with a clearance letter.

Don't miss this golden opportunity to come clean.

SM Thanneermalai is Managing Director of Thannees Tax Consulting Services Sdn Bhd and Chairman of the Board of Trustees of the Malaysia Tax Research Foundation. This article was first published in the Sun.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Fulfill Your CPE Obligation

February 15, 2019

All MIA members must complete a minimum of 20 structured CPE credit hours each calendar year in accordance with Section 410.4 of the MIA By-Laws. The CPE learning activities taken have to be relevant to the members' scope of work and their professional responsibilities.

Members are also required to lodge their annual CPE compliance declaration. Update your CPE records on-line according to the following:

ACTION REQUIRED

STEP 1 UPDATE CPE RECORD
Members may update the 20 structured CPE credit hours records by logging in to www.mia.org. my – My Account.

STEP 2 DECLARE CPE COMPLIANCE
You are reminded to complete the CPE Declaration after you have updated your CPE records. To do this, Click on 'Annual CPE Declaration' at CPE Hours Summary.

AUDITORS

- **APPROVED COMPANY AUDITOR**
  Effective 1 January 2017, for the purpose of renewal as an approved company auditor, a minimum of 10 out of 20 structured CPE hours to be completed by the member each year, must be related to International Standards on Quality Control (ISQC 1), approved auditing standards and/or approved accounting standards.

- **PRACTISING CERTIFICATE HOLDER**
  Compliance with CPE requirements have been made a mandatory requirement for the renewal of Practising Certificate (PC) effective financial year 2018/2019.

  For 2019/2020 PC renewal, PC Holders must demonstrate compliance with the 2018 CPE requirements.

As a reminder, do plan your CPE activities for 2019!

For more information, contact Anne (03-2722 9176), Amy (03-2722 9177) or email cpeaudit@mia.org.my

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Having the Right Mindset for the Future of Finance

at-mia.my/2019/02/15/having-the-right-mindset-for-the-future-of-finance

February 15, 2019

We have all heard the saying ‘talk is cheap’, but thanks to technology it would seem that in the world of finance answers are as well. In fact, they’re plentiful and instantaneous – helped by the rise of hi-tech robotics and clever algorithms, meaning routine work to gain data is being done more and more by machines. But what really sets people apart from these clever computers is their ability to ask probing questions – an inquisitive mind is, to coin another phrase, worth its weight in gold.

The ability of the finance professional to construct a good question is becoming paramount and that means management accountants and the finance function as a whole must adapt. The curiosity of a good question is worth a million good answers – it has the ability to inspire and compel people to think and act. The rise of automation taking on more routine tasks is freeing up resources in the finance function.

Now is the time for us to contemplate how we can move away from transactional processing – which uses technical and business analytical skills in isolation of others – to become truly collaborative finance partners with people and leadership skills.

The role of the finance professional is shifting from one of knowledge collection and creation, to interpreting meaning from information produced by software. That means the skills required for the role are continually changing. And the knowledge that we as professionals currently hold and is valued today has a rapidly-decreasing shelf life.

Many of our skills and knowledge assumptions are likely to be obsolete in a couple of years and this will undoubtedly have an effect on finance professionals and their need to constantly learn new ones. We need to become adaptive learners, or to put it simply we need to learn, unlearn and relearn.

Luckily, this plays to the strength of the finance professional who has a mindset and philosophy of lifelong learning. It also highlights the ever-growing importance of continuing professional development and education in the quest to find out what we don’t know.

The Association of International Certified Professional Accountants (The Association) has a CGMA competency framework (https://www.cgma.org/resources/tools/cgma-competency-framework.html) based on what organisations expect finance professionals to do. Finance professionals are expected to perform accounting and finance activities within the context of the organisation in which they operate. They are expected to influence the decisions, actions and behaviours of their colleagues within their organisations and outside of it and to provide leadership at all levels. To do this, they need accounting and finance skills, business acumen, people skills and leadership skills.

As you’ll see when you click on the link above, the framework is underpinned by the need for objectivity, integrity and ethical behaviour. It also includes a commitment to continually acquire new skills and knowledge.

Our research – which included more than 300 interviews and 50 roundtable discussions on the future of finance – shows what organisations must do to transform their finance function. They must make use of technologies to release the full capacity of its professionals. They must widen the remit of finance to cover a broader range of management information, generating new insights and business solutions. And they must provide and empower finance professionals with new competencies and growth mindsets to create and preserve value.

However, while some organisations are innovators on the journey to the future of finance, some are lagging behind. Finance professionals should start a conversation on the future of the finance function in their organisation now. And, as part of that conversation, they must ask probing questions of where they themselves and their organisations are on the journey to realising the finance function of the future.

Further insight based on extensive research by The Association of International Certified Professional Accountants (The Association) on changing competencies and mindsets can be found at https://www.cgma.org/resources/reports/changing-competencies-and-mindsets.html.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Key Budget 2019 Proposals

at-mia.my/2019/02/15/key-budget-2019-proposals

February 15, 2019

Stamp Duty and RPGT. The Budget proposed new duty rates for the transfer of real property, stamp duty exemption on purchase of first residential homes, and stamp duty exemption on insurance policy and Takaful certificates with yearly premiums/contributions less than RM100 for a period of two years.

For real property gains tax (RPGT), it was proposed that the rates in the sixth and subsequent years of disposal be revised from 5% to 10% for companies; from 0% to 5% for non-citizens and non-permanent resident individuals; and that low-cost, medium low-cost and affordable residential homes priced at RM200,000 and below, be exempted from RPGT for Malaysian citizens.

Sales & Services Tax. One, the government has proposed to impose service tax on taxable services imported into Malaysia by businesses (B2B) and by consumers (B2C), to ensure equal treatment for services supplied by both local and foreign service providers. Two, the Budget also proposed the introduction of a credit system to ensure that registered manufacturers get the same treatment when buying from other registered manufacturers, to help reduce costs for small registered manufacturers and avoid double taxation. Three, the Budget proposed exempting selected services supplied to the same type of service provider who is registered, to avoid double taxation and to keep the local service industry competitive.

Excise Duty. The Budget imposed RM0.40 per litre on fruit and vegetable juices that contain or do not contain added sugar or other sweetening matter of 12g per 100ml or more. This includes carbonated drinks; the rationale behind this is to curb sugar consumption and the rising incidence of diabetes.

International Tax. It was proposed that some conditions pertaining to income tax and restrictions on transactions be abolished and new conditions imposed, in line with initiatives to promote long-term competitiveness of Labuan as an international financial hub, and ensure compliance with agreed international taxation standards.

Tax Incentives. Budget 2019 proposed several tax incentives. These include extending incentives for retail bonds and retail Sukuk for two years, to further encourage investment in the capital market. The Budget also proposed extending tax incentives for the issuance of Sukuk Ijarah and Wakalah.

Ibrahim Abdullah

In human capital, tax incentives were proposed for employers who employ senior citizens and ex-convicts. It was also proposed that employers who make PTPTN loan repayments on behalf of full-time employees be eligible for tax deduction on the repayment amount.

To encourage the growth of venture capital activities, it was proposed that the period of application for venture capital tax incentive be extended for another year.

Pioneer and Investment Tax Allowances that were unabsorbed after the end of the pioneer period were proposed to be carried forward for up to seven consecutive years, with the same for unabsorbed pioneer losses.

Under Review of Principal Hub Incentives, income tax at a 10% concession rate on statutory income relating to Principal Hub activities was proposed for a period of five years, to optimise returns on investment.

The proposal for Green Technology was divided into two parts: Assets and Plastics. Under Assets, it was proposed that the list of green assets which qualify for Green Technology Investment Allowance be expanded from nine to 40 assets.

Companies producing environmentally-friendly plastics may obtain Pioneer Status tax exemption for five years at 70% or Investment Tax Allowance of 60% for five years, in order to attract environmentally-friendly investment and to reduce the use of conventional plastic.

Industry4WRD. On 31 October 2018, the government launched the Industry4WRD Policy to be implemented between 2018 and 2025. Aimed primarily at the manufacturing and manufacturing-related services sector, this policy aims to spur strategic partnerships between manufacturing and related services in the AsiaPac region, making Malaysia the preferred destination for high-tech industries and investment, and providing solutions for advanced technology. The tax incentives for this sector covered Readiness Assessment (RA), the Vendor Development Programme and Human Capital Development.

The RA is the basis from which the intervention plan will be developed. For this, it was proposed that a tax deduction on this be allowed, up to RM27,000. Under the Vendor

Development Programme, the proposal was for double deduction on operating expenditure up to RM1 million annually, for up to three years. For Human Capital Development, it was proposed that double deductions be allowed for companies giving scholarships to Malaysian students in vocational and technical studies, and diplomas in engineering and technology; for upgrading and developing employees' technical skills in MIDA-approved programmes; for expenditure on internship programmes in selected fields approved by MOHR; and on relevant courses conducted by private institutions of higher learning.

Import Duty. The Budget proposed a review of the import duty rate on bicycles, to further support a healthy lifestyle by ensuring bicycles were more affordable. This will indirectly reduce carbon (emissions), especially in Kuala Lumpur.

Tourism. The imposition of a Departure Levy was proposed, at a rate of RM20 for outbound passengers to ASEAN countries, and RM40 for those departing for non-ASEAN countries. This new measure is slated for implementation on 1 June 2019.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Key Findings – MIA-ACCA Business and Economic Outlook 2019 Report

at-mia.my/2019/02/15/key-findings-mia-acca-business-and-economic-outlook-2019-report

February 15, 2019

(L – R) Tuan Haji Sudirman Masduki, Registrar, MIA, Dr Nurmazilah Dato' Mahzan, Chief Executive Officer, MIA, Dato' Merina Abu Tahir, Chair, ACCA Malaysia Advisory Committee, YB Dr Radzi Jidin, Deputy Minister of Economic Affairs, Salihin Abang, President, MIA, Dato' Lock Peng Kuan, ACCA Council Member and Hishamuddin Jalil, Head of Strategic Partnership, ACCA Malaysia.

As a key interest group who have their collective fingers on the pulse of business, accountants' market perceptions can help support informed decision-making in business as well as sound policy making in the public sector.

As such, MIA and ACCA undertook a collaborative research initiative to provide insights into the collective view of accountants and finance professionals on the business and economic outlook for Malaysia in 2019.

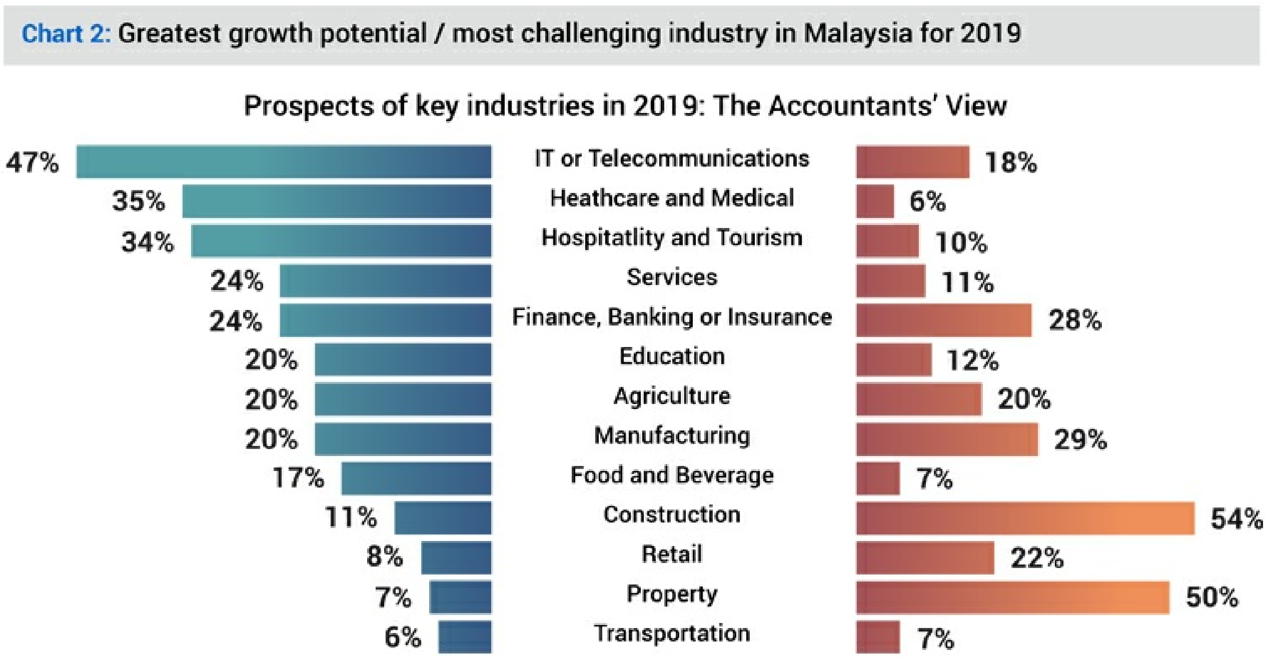
A total of 399 accountants and finance professionals responded to the survey, which was conducted online between 23 November and 9 December 2018. More than three-quarters (78%) of the respondents hailed from the corporate and public practice sectors. Nearly 50% of respondents were from firms with over 300 employees, both listed or non-listed, and both top and middle management were well represented.

The following are some of the key findings of the report:

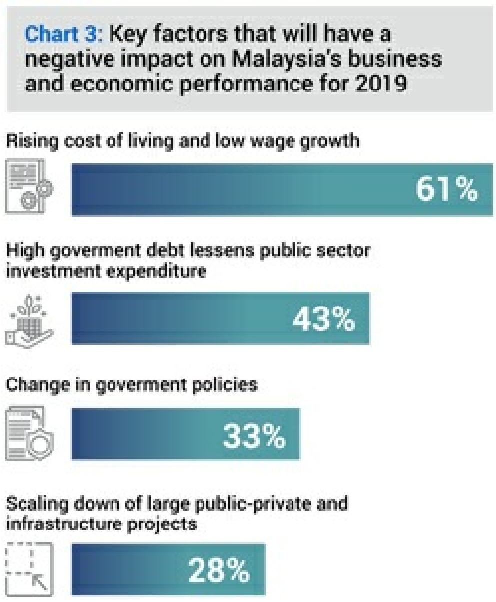
Positive Domestic Drivers. More than two-thirds of respondents ranked government policies in addressing economic issues and combating corruption as the primary driver of Malaysia's business performance in 2019.

The survey respondents also singled out Malaysia's economic growth, the weak ringgit vis-à-vis exports and buoyant consumer spending as other positive drivers for growth in 2019.

Factors Impeding Growth. Business conditions are not all rosy; 61% of respondents named the rising cost of living and low wage growth as the key factors obstructing growth. Other factors impeding growth include the negative impact of hefty government debt on public sector investment expenditure (43%), and the rationalisation of large public-private and infrastructure projects (28%).



Prospects of Key Industries. Reflecting the mammoth impact of technology, unsurprisingly 47% of respondents said that IT or telecommunications had the greatest growth potential for 2019, followed by healthcare and medical, hospitality and tourism and services.

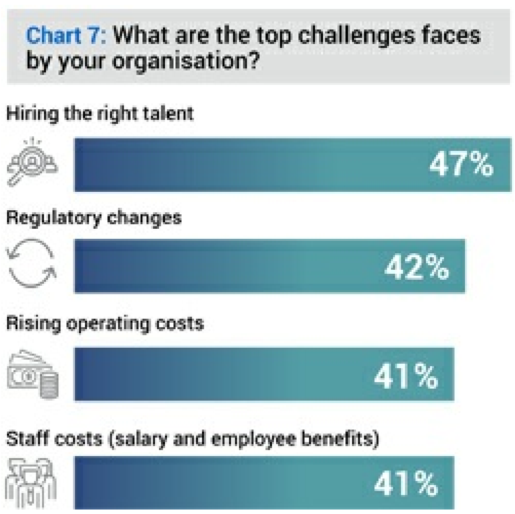


An overwhelming 54% and 50% of respondents respectively said that property and construction would be the most challenging industries for 2019, reflecting the overhang and weak demand in the sector.

Global Tailwinds and Headwinds. Interestingly, 53% of respondents opined that China's Belt and Road Initiative would be positive for Malaysian businesses, despite ongoing efforts by the government to unwind and/or dial down China projects.

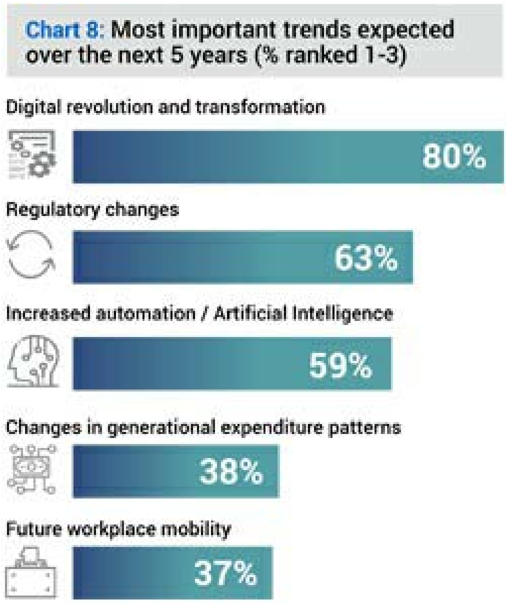
On the downside, 27% of respondents are wary of the ongoing US-China trade war's potential impact to Malaysian businesses, compounded by the slowing Chinese economy.

Challenges to Growth. 47% of respondents named hiring the right talent as the leading challenge, with respondents in public practice ranking this much higher (64%) compared to the corporate sector (36%). Regulatory changes (42%) ranked as the second most significant challenge, and rising operating costs and staff costs tied at third place (41%).



Significant Future Developments. The survey also polled expected significant developments over the next five years. Unsurprisingly, technological disruption ranked highest, with 80% predicting that the digital revolution will transform businesses while 59% of respondents foresee increased automation and artificial intelligence affecting the business status quo.

In addition, 63% predicted that regulatory or policy changes would be impactful, such as the widening of the net for services tax and digital taxation. Other trends mentioned were changes in generational expenditure patterns (38%) which will affect spending and consumption patterns and the demand for future workplace mobility (37%).



Overall Outlook. Given the domestic, regional and global factors described above as potentially impacting the Malaysian economy and business performance in 2019, 41% of respondents believe that the economy's impact on businesses' financial performance will remain unchanged in 2019.

34% of respondents, however, predict that their businesses will be negatively impacted in 2019. These concerns appear supported by recent measures of manufacturing activity and business confidence. The headline Nikkei Malaysia Manufacturing Purchasing Managers' Index™ (PMI) – an indicator of manufacturing performance hit a nadir of 46.8 in December 2018, its lowest level since the survey started in July 2012.

At the launch of the report, MIA President Salihin Abang and ACCA Malaysia Advisory Committee Chair Dato' Merina Tahir delivered their remarks, followed by a presentation on the findings by MIA CEO Dr. Nurmazilah Dato' Mahzan. Subsequently, guest of honour YB Dr.Radzi Jidin, Deputy Minister of Economic Affairs responded to these findings in his keynote address, while updating the audience on the Malaysian economic policy in relation to the midterm review of the 11th Malaysia Plan 2016 – 2020.

The event ended with a panel moderated by Sharath Martin – Regional Policy Consultant, ASEAN and ANZ ACCA and featuring Aimi Aizal Nasharuddin – Chairman, SKALI Group; Lim Fen Nee, Partner, Deloitte SEA; Mohd Shahar Yope, Group Chief Financial Officer, MMC; and Wan Suhaimie Wan Mohd Saidie, Head of Economic Research, Kenanga Investment Bank Berhad.

To view the report in full, please visit https://www.mia.org.my/v2/downloads/resources/publications/2019/01/29/MIA_Business_and_Economic_Outlook_2019_Report.pdf

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Malaysia Baru’s Tax Reform Agenda – What’s Next?

at-mia.my/2019/02/15/malaysia-barus-tax-reform-agenda-whats-next

February 15, 2019

The upcoming MIA Malaysian Tax Conference 2019 will discuss the government’s ongoing tax reform agenda, as guided by the Tax Reform Committee established in October 2018. The ultimate goal is to build a more business-friendly, simplified and competitive tax ecosystem.

The essence of tax reform is undertaking a holistic review of the national tax system – assisting to broaden the tax base and reduce the crippling national debt, while supporting economic growth and social well-being.

During the Conference, leading tax experts, including members of the Tax Reform Committee, will share insights into developments in direct and indirect taxes, transfer pricing and BEPS, governance and collaborative regulations, standards, dispute resolutions and taxpayer rights and the Client Charter.

Conference Highlights

- Delegates can expect to hear from tax experts on the following:
- Reforming and enhancing the Malaysian tax system and the business environment through the strategic use of Direct Tax and Indirect Tax
- How tax regulators are engaging with taxpayers to improve compliance and build a business-friendly tax environment through Co-operative Compliance.
- Aligning tax, accounting and financial reporting standards to simplify the tax system for the benefit of all stakeholders, following in the footsteps of other jurisdictions that have achieved full or partial alignment.
- How to better manage the dispute and resolution process, while also navigating issues arising from the appeals and court appeals processes.
- Discussion and review of recent tax cases.
- Updates on transfer pricing, which is becoming increasingly complex.

The MIA Malaysian Tax Conference is scheduled for 3 & 4 April 2019 at the KLCC Convention Centre, carries 16 CPE hours and is HRDF claimable.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

MIA Emphasises Role of Regional Offices to Strengthen Profession and Diversify National Growth

at-mia.my/2019/02/15/mia-emphasises-role-of-regional-offices-to-strengthen-profession-and-diversify-national-growth

February 15, 2019

(L – R) Tan Lay Beng, MIA Regional Chairman of Johor, Salihin Abang, MIA President and Datuk Osman Sapian, Menteri Besar of Johor

By Nazatul Izma

MIA is advocating the need to strengthen regional efforts to support nation-building in all corners of the country.

The growth of the accountancy profession must be inclusive and diversified to support business development across the country's regions, complementing strong growth in the central region.

This message was strongly emphasised at the 2018 Annual Dinner held by the MIA Johor Region, which was officiated by the Menteri Besar of Johor, Yang Amat Berhormat Datuk Osman Sapian and attended by well over 450 MIA members, stakeholders, associates and friends, including MIA President Salihin Abang, MIA Johor Region past Chairmen, and Tan Lay Beng, MIA Johor Regional Chairperson. The collaborative efforts of the MIA Johor Regional Committee and generous sponsors were instrumental in the dinner's organisation and success.

Themed Galactica – Moving Towards the Future, the dinner's key messages sought to prepare members to face the challenges of technology disruption in order to future-proof themselves. The MIA President exhorted the Johor accountants, many of whom comprise SMPs, to adopt technology, service diversification and enhance audit quality in order to better serve the small and medium enterprises (SMEs) as their primary business advisors. Since SMEs are the engine of the Malaysian economy, it is critical for SMPs to deliver value-added services to SMEs to better support nation-building.

The Menteri Besar echoed MIA's call for SMPs to adopt technology, as Johor has a large number of SMEs that rely on SMPs to advise them on technology adoption and automation to become more efficient and relevant in the digital economy. While moving forward, it is imperative that accountants balance development with the internalisation of good ethics, and strengthen one's moral compass to ensure that organisations are well governed in order to protect the public interest, advised the Menteri Besar. "This is especially important for accountancy professionals who are expected to behave ethically in their custodial and assurance roles, and in ensuring honesty and transparency in financial reporting so companies pay the right tax to support nation- building," he said.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Pledge for change

at-mia.my/2019/02/15/pledge-for-change

February 15, 2019

To celebrate Global Ethics Day (GED) 2018 on 17 October 2018, ACCA Malaysia held a Breakfast Event at the Grand Hyatt Kuala Lumpur that also saw the launch of its month-long nationwide "Doing the Right Thing" i-Pledge campaign to create awareness among Malaysians and encourage the practice of good ethics.

The campaign, the first of its kind, encouraged Malaysians from all walks of life – the public, ACCA members and students, learning partners and employers – to sign an online pledge to commit to more ethical behaviour. Participants were invited to choose from six categories: environment, business, human rights, classroom, personal values and democracy.

In her welcome speech, Dato' Merina Abu Tahir, Chair of ACCA Malaysia Advisory Committee and Head, Group Internal Audit, Malaysia Airlines Berhad said, "Being ethical is about doing the right thing even when no one is watching. Upholding good ethics is the responsibility of all, and together we can make a difference in the world, starting with ourselves and our country."

The breakfast event also featured a thought-provoking panel discussion on the topic "What it means to be ethical and professional", moderated by Aaron Saw, Head of Policy and Technical, ACCA Malaysia.

Sharath Martin, Regional Consultant, Professional Insights at ACCA ASEAN and ANZ defined it as: "Doing the right thing even when it is unpopular, even when it doesn't do you any favours with those who are in power and asking you to turn the other way."

Global Flexibility

Martin said that global organisations operating in many markets could balance codified ethics with flexibility in their ethical frameworks to accommodate cultural differences. For example, an organisation could have a universal rule against accepting gifts and bribes but this "could be nuanced in certain markets" where it might be customary to exchange gifts perhaps during festivals by setting limits on monetary value.

‘Technology doesn’t change ethical principles, but it narrows the window and timeframe that you have to respond to an issue,’ he said. ‘Say negative news emerges on social media, the organisation must move very quickly and balance speed and due diligence to respond.’ He noted that social media users also have a personal responsibility to exercise more ‘healthy scepticism. Don’t just believe what is circulating on social media; take a pause before you respond.’

Dato’ Merina said that emerging technologies such as robotics and artificial intelligence add another dimension to the ethical debate. “But if we remain true to the basics of the ethical code we can also address the ethical dilemmas arising from these.”

Concurring that tech is only an enabler, Devanesan Evanson, Chief Executive Officer, Minority Shareholder Watch Group added that, “Tech is the best guardian of our morality and our ethical values. It keeps us on our toes, because if we do something wrong it’s going to be viralised and it’s going to shape and influence opinions.”

(L – R) Aaron Saw, Dato’ Merina Abu Tahir, Devanesan Evanson and Sharath Martin

Under pressure

Noting that all three panellists had experienced the Asian Financial Crisis and the Global Financial Crisis, Aaron asked about the challenges of doing the right thing under pressure and the impacts of unethical behaviour. Devanesan noted that ethical dilemmas don’t necessarily have to be large, such as document theft and collusion to commit fraud, but could be as mundane as validating your boss’ mediocre pet project to keep superiors happy and protect one’s rice bowl. “Leaders in power can control us in two ways, through fear or favour and incentives or disincentives.”

Where accountants and finance professionals are concerned, Martin pointed out two common unethical practices. One, underreporting actual hours worked i.e. “eating hours” or “kitchen tabling”. “When people think of ethics, it usually involves money. But when a person underreports, it creates a culture where people coming in after them are squeezed.” Repercussions of these include stressed staff and undervalued audits, for example. Two, earnings management that is misleading and misrepresents an organisation's actual financial performance, with broader impacts on market returns and investors, for example.

To strengthen their ethical backbone, Dato' Merina said that it is essential for accountants to behave ethically from the get-go to "build an ethical inventory" and "ethical reservoir". Regardless of your role and level in the profession and organisation, accountants have to ask themselves: "Can I take that power and challenge ethically and walk away when pushed to take certain decisions? Kitchen table practices start when you are in a very junior role, so it is important that we always start to build an ethical reservoir so we don't have that cancer eating at us and we have the courage to walk away even when we have reached the C-suite."

To really change the ethical culture, Devanesan said that all of us have a collective responsibility to act. He urged Malaysians to stand up and speak out when they see wrongdoing instead of being apathetic. "When it comes to ethics, we don't do anything wrong, but we don't stand up when we see something wrong. We are not commissioners but omissioners. The culture of our organisations and the country must be such that we encourage people to stand up and say that it's wrong." This culture also needs to be embedded earlier for genuine change. "The education process to instil ethics and values needs to start earlier, even before we sit for professional modules or exams," commented Martin.

Accountants must also refrain from using the law as a shield and rationale to behave unethically. Concluding the discussion, Aaron asked the panellists how to manage ethical dilemmas in practice. All three advised accountants to initiate discourse and conversation about their conflicts; don't operate in silos.

More specifically, Dato' Merina felt that it would be useful to establish a "platform for accountants to leverage on and seek assistance when facing ethical dilemmas – and that may be something that MSWG can think about."

Martin recommended "building a consultative culture because you cannot be the only reservoir of what is right and wrong." Tone from the top is another absolute. "Demonstrated behaviour at the C-level is absolutely key and we the ordinary people in organisations and society must also speak up to hold people accountable," he added.

Devanesan warned of the dangers of groupthink in rationalising unethical behaviour. "Don't surround yourself with people who think like you and yes-men. Surround yourself with good people who are bold enough to tell you that you are wrong. And don't shoot the messenger!"

Finally, the breakfast culminated with participants being asked to make their i-Pledges at www.accaethicspledge.com. ACCA Malaysia targeted to collect 5,000 pledges; at the close of the campaign on 16 November 2018, more than 10,000 pledges had been collected online.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Procuring Service from Foreign Providers; here's an additional 6% tax

at-mia.my/2019/02/15/procuring-service-from-foreign-providers-heres-an-additional-6-tax

February 15, 2019

By Thenesh Kannaa

1 January 2019 didn't just mark the first day of 2019, but also the requirement for Malaysian businesses to self-account for 6% service tax upon procuring certain services from foreign service providers. This requirement applies even to Malaysian businesses that are not service tax registered.

Why this new requirement?

2018 was a year of unprecedented changes for Malaysia vis-à-vis the political front as well as taxation, particularly indirect taxation. Goods and Services Tax (GST) was reduced to zero per cent effective 1 June 2018 and formally repealed effective 1 September 2018.

Following the three-month tax holiday period, Sales Tax and Service Tax (SST) was implemented effective 1 September 2018.

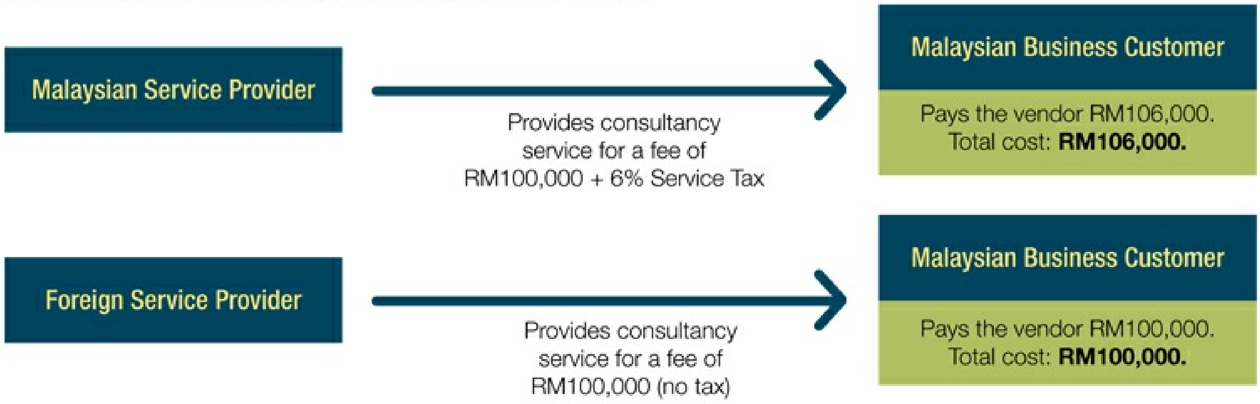
Thenesh Kannaa

One of the key differences between GST and SST is that SST is a single-stage taxation, which means that businesses that incur SST on their acquisition are generally not eligible for a credit of the SST incurred on their costs/acquisitions.

As a result, businesses would prefer to acquire goods and services without SST to keep the costs low (there's no compelling reason for such preference in the GST regime given that businesses are generally granted an input tax credit in respect of any GST incurred on acquisition).

Hence, during the period 1 September 2018 to 31 December 2018, Malaysian service providers were arguably at a disadvantage as they had to charge 6% service tax to their customers on provision of taxable services. However, these customers would not incur any service tax if they had purchased the same service from a foreign provider. This inequality is illustrated in **Diagram 1** below.

Diagram 1: The inequality during the period 1 Sept to 31 Dec 2018



As illustrated in **Diagram 1**, the Malaysian service provider is required to charge 6% service tax but the foreign service provider, which does not have any establishment in Malaysia, is not required to charge service tax.

Given that no input tax credit is available under the SST regime, the Malaysian business customer would prefer to acquire the services from a foreign service provider. To avoid such bias and any potential serious consequences in the long run, the imported services tax was introduced effective 1 January 2019.

The concept of imported services tax

Imported taxable service is defined in the Service Tax Act 2018 (as amended) as any taxable service acquired by any person in Malaysia from any person who is outside Malaysia. The three key phrases in the definition are further explained in **Table 1** below.

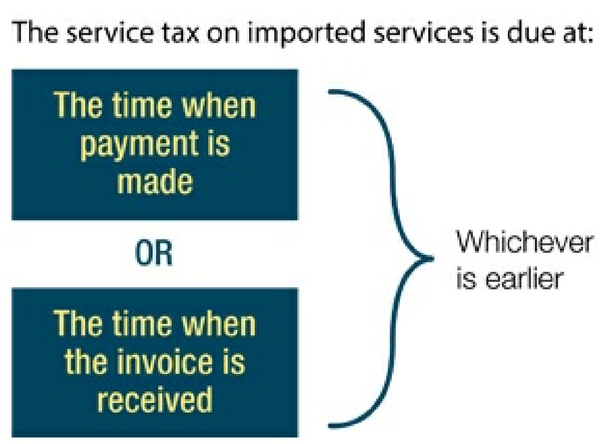
Table 1: Key components of the definition of imported taxable service

Phrase	Explanation
any taxable service	This refers to the list of prescribed services in the First Schedule of the Service Tax Regulations 2018 (as amended). An extract of this list is included in the Appendix to this article.
acquired by any person in Malaysia	Although this phrase appears to comprise both business-to-business (B2B) services and business-to-consumer (B2C) services, the requirement to self-account for service tax on imported services applies only to B2B services. As for the B2C services, it has been announced that the foreign online service providers will be required to register and charge service tax effective 1 January 2020. The requirement to self-account for 6% service tax effective 1 January 2019 applies regardless of whether the business customer in Malaysia is registered for service tax.
from any person who is outside Malaysia	This is understood as referring to service providers without any establishment in Malaysia.

The reverse charge mechanism during the GST era were limited to situations where the services are consumed in Malaysia. There's no express provision that limits application of imported service tax based on place of consumption. However, Customs has recently expressed its interpretation that accommodation in a hotel overseas is not an imported service, and hence not subject to imported service tax. No detailed reasoning was offered to support the interpretation and hence the criteria used by Customs to determine whether or not a service is being "imported" is yet to be known.

Compliance mechanism

The service tax on imported services is due at:



Where the customer is service tax registered, the service tax on imported services is to be accounted in the bimonthly service tax return.

Where the customer is not service tax registered, the service tax on imported services is to be accounted for in a declaration which is required to be submitted by the end of the month which follows the month in which the service tax is due.

Here's an example to illustrate the mechanism.

XYZ Sdn Bhd, a company with a 31 December year-end, acquires consultancy services from a foreign company. On 10 March 2019, XYZ Sdn Bhd receives an invoice from the foreign company for RM100,000 in respect of the services rendered in February 2019. The invoice would be paid in full in July 2019.

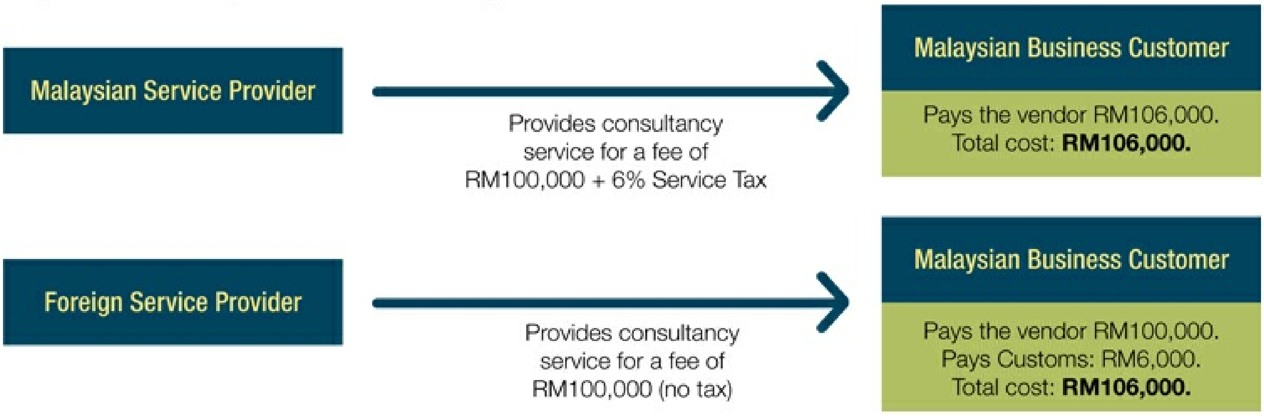
The service tax of RM6,000 (being 6% of RM100,000) is due on 10 March 2019 (being the earlier of date of payment and receipt of invoice).

If XYZ Sdn Bhd is service tax registered, the service tax of RM6,000 must be included in the service tax return for the taxable period March to April 2019, which is due by 31 May 2019. Service tax must be paid to Customs by 31 May 2019 as well.

If XYZ Sdn Bhd is not service tax registered, a special declaration must be submitted by 30 April 2019 (being the end of the month that follows 10 March). Service tax must be paid to Customs by 30 April 2019 as well.

From a broader perspective, it is important to note that the imported service tax requirement avoids the bias towards foreign service providers which was prevalent prior to 1 January 2019, as illustrated in **Diagram 1** above. The present neutral position is illustrated in **Diagram 2** below.

Diagram 2: The neutral position effective 1 January 2019



Exemption for services within a group of companies

It is common for companies to acquire services from their parent company or other companies within the group. The Service Tax Regulation 2018 (as amended) provides for intragroup exemption for services acquired domestically, but not imported services.

Fortunately, Customs has expressed that the Minister provides intra-group exemption for imported services. This exemption would not be published in gazette but is pursuant to the Minister's power to make exemptions in particular cases. It is anticipated that a blanket approval letter for the exemption would be published in the public domain soon. Readers are advised to watch out for this letter, and to observe any conditions attached thereto.

At this juncture, Customs makes reference to paragraphs 4 to 8 of the First Schedule of the Service Tax Regulations 2018 for the definition of control and group which, in loose terms, requires:

- more than 50% shareholding; or
- shareholding between 20% to 50% with exercisable power to appoint or remove all or majority of the board of directors.

In any case, it is important to note the intragroup exemption applies only to the following services:

1. Advocate / solicitor
2. Syarie lawyer
3. Public accountant
4. Licensed / registered surveyors
5. Professional engineer
6. Architect
7. Any person providing consultancy services
8. Any person who provides information technology services
9. Any person who provides management services.

This list is notably shorter than the list of taxable services in the Appendix. Hence, it is important to ensure that intragroup exemption is not unintendedly applied on procurement of taxable services other than those listed above.

So, what about withholding tax?

The new imported service tax effective 1 January 2019 is a separate and distinct requirement from the decades-old withholding tax requirement.

As such, it is possible that services etc. procured from a foreign entity may:

- Be subject to imported service tax but not withholding tax (for example, consultancy services performed and rendered entirely outside Malaysia);
- Be subject to withholding tax but not imported service tax (for example, royalty payments or services performed in Malaysia by a company within the same group); or
- Be subject to both imported services and withholding tax (for example, services performed in Malaysia by a third-party foreign service provider).

Combination 3 above does not tantamount to double taxation as withholding tax is, in principle, a tax imposed on the income of the non-resident provider while service tax is a tax on consumption by the Malaysian customer.

The practical dilemma for the IT industry etc.

Following an exemption given effective September 2017, payments to foreign entities for services are subject to withholding tax only if services are performed in Malaysia. Payment of royalty (as defined in the Income Tax Act 1967 (as amended), however, is subject to withholding tax regardless of any physical location.

On the other hand, the imported service tax should, as the name imply, apply only to services.

Hence, conceptually one arrives at the position that, where the foreign entity does not perform any work in Malaysia, the payment is for either of the following:

Royalty	- Subject to withholding tax - Not subject to imported services tax (given that there's no "service")
Services provide from outside Malaysia	- Subject to imported service tax - Not subject to withholding tax (due to exemption for services performed and rendered outside Malaysia)

While this position appears to be conceptually appropriate, it may not be always true given that there's no formal confirmation from the tax authorities confirming that a particular payment can be only either royalty or service fee. Instead, the two tax administrators have their own interpretation. As an example, the Income Tax Act 1967 (as amended) defines royalty to include payments for the use of software while Customs regards provision of software as an IT service.

Hence, it appears that both the tax authorities in Malaysia do not take the position that they are bound by each other's interpretation of technical matters, as well as interpretation of facts. Hence, the dilemma of the same transaction being regarded as royalty for the purposes of Income Tax Act 1967 and as service fee for the purposes of Service Tax Act 2018 may arise in practice. While such issues may be more prevalent in the IT industry, these may also apply well beyond the IT industry.

Concluding remarks: what should businesses do immediately?

Businesses (including those that are not service tax registered) should ensure that their systems, including standard operating procedures (SOPs), are updated to ensure:

- The 6% service tax on imported services is taken into account as part of the budget as well as the procurement procedures.
- The compliance mechanism is put in place (Note: unlike withholding tax, service tax is due at the earlier of the date of receipt of invoice and date of payment. Given that in most practical scenarios the invoice date will be earlier, imported service tax requires a separate compliance mechanism in addition to withholding tax, which is based on the date of payment).

The imported service tax applies only on taxable services, and not all services. Hence, it is important for businesses to appoint tax professionals to review the common transactions and advise on the applicability of the imported service tax.

It is important to ensure that contracts and business documents accurately reflect the commercial nature of transactions. Such convergence helps to prevent disputes over the classification of transactions for both imported service tax as well as withholding tax purposes.

Thenesh Kannaa is a partner at TraTax, a firm of independent tax advisors rated within the Top 10 in Malaysia for Transactional Taxation. He is also the author of several books on Malaysian taxation and a frequent speaker at seminars organised by MIA. He can be contacted at thenesh@tratax.my. Views expressed are his own.

Appendix: List of prescribed taxable services:

- *Operating accommodation (e.g. hotel, inns, lodging house, service apartment, homestay etc.)*
- *F&B – Restaurant, bar, canteen etc., catering & food court.*
- *Night club etc., health or wellness centre, massage parlour etc.*

- *Private Club*
- *Golf club and golf driving range*
- *Betting & gaming*
- *Professionals:*
  *– Advocate / solicitor**
  *– Syarie lawyer**
  *– Public accountant**
  *– Licensed / registered surveyors**
  *– Professional engineer**
  *– Architect**
  *– Any person providing consultancy services (including training & coaching)**
  *– Any person who provides information technology services**
  *– Any person who provides management services**
  – Any person who provides employment services (excluding secondment)
  – Private agency (security services).
- *Credit card and charge card (fixed service tax of RM25 per annum or part thereof)*
- *Other service providers:*
  – Insurance (excluding life and medical insurance to individual consumers)
  – Telecommunication services and paid television broadcasting services
  – Customs agent (only on goods clearing services)
  – Parking operators
  – Motor vehicle service or repair centre
  – Courier services.
  – Hire-and-drive passenger motor vehicle
  – Any person who provides advertising services
  – Any person who provides transmission or distribution of electricity
  – Airline operator (domestic flights only)
  – Amusement park
  – Services in relation to brokerage or underwriting
  – Cleaning services

*Items marked with * qualify for intragroup exemption.*

Important Note: This list is merely an extract and has been deliberately simplified due to space constraints. Kindly refer to the Service Tax Regulations 2018 (as amended) for full details and kindly seek case-specific consultation for actual cases.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Professionalising Waqf in Malaysia – Issues and Challenges

at-mia.my/2019/02/15/professionalising-waqf-in-malaysia-issues-and-challenges

February 15, 2019

By Zharif Agil

Governance is a key aspect for the development of Waqf in Malaysia. It provides for public trust in Waqf institutions and therein can be a platform for greater participation from society on Waqf initiatives. However, there are several key issues in the governance of Waqf institutions and these key issues can be summarised into the following areas.

1. ***Lack of independence between the trustee and the manager of the Waqf assets.*** Currently, a department within the state religious council called Majlis Agama Islam manages all aspects of Waqf. This structure creates a conflict of interest given that the Majlis Agama Islam is both the sole trustee as well as the manager to the Waqf assets. Independence is a critical aspect of the governance of the Waqf as it provides a check and balance on the management of the Waqf.
2. ***Lack of accountability by the trustee.*** The role of the Majlis Agama Islam as the sole trustee of Waqf is prescribed in the Waqf enactment of each state. This enactment provides descriptions on the powers and responsibilities of the Majlis Agama Islam. However, it does not provide for the liability of the trustee on any mismanagement. Liability of the trustee is important in driving the behaviour and manner of management of the Waqf.
3. ***Lack of competency of the Waqf managers.*** The management of Waqf requires specific competencies in asset management, real estate and finance. However, given that Waqf is managed within the Majlis Agama Islam, the backgrounds of the Waqf managers are in religious studies. This lack of competency may result in under performance of the economic returns of the Waqf assets.

4. ***Lack of transparency and disclosure by the Waqf institutions.*** The financial statements and reports on the performance of the Waqf assets are not reported to the contributors. Contributors will not be able to ascertain if the Waqf assets are being utilised appropriately. Transparency on the management of the Waqf assets would provide confidence and trust to the public on its utilisation.

Recommendations for Action

These issues may be resolved by creating a separate entity dedicated to Waqf management. This separate entity should have a Board of Directors that comprises both independent and non-independent directors. The management of the separate entity that looks after the day-to-day operations of the Waqf must comprise individuals with the right competency and background.

Perhaps, Malaysia might consider modelling our Waqf management based on the Singapore model. Similar to Malaysia, the Majlis Ugama Islam Singapura handles all aspects of Waqf. However, a subsidiary called Warees Investments Pte Ltd (Warees Investments) was established with the task of managing and investing in Waqf properties. The employees of Warees Investments comprise individuals with backgrounds in architecture, project management and construction, and includes both independent and non-independent directors in the Board of Directors.

This new structure will professionalise the management of Waqf to maximise the social and economic benefits of Waqf to Malaysia.

This is the executive summary of a case study written by Zharif Agil, as a requirement for the MIA Islamic Finance Mini Pupillage Programme.

You might also be interested in these articles on Waqf: Reviving Takaful-Waqf Product in Malaysia: Issues and Challenges by Nurul Hidayah Zailani and Waqaf Saham Larkin Sentral: Pioneering Initial Public Offering of Waqf Shares by Rasmimi Ramli and Mohd Lukman Mahmud.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Reforming the Malaysian Tax Legislation

at-mia.my/2019/02/15/reforming-the-malaysian-tax-legislation

February 15, 2019

(L to R) SM Thanneermalai, Amarjeet Singh, Dato' Chua Tia Guan and Pragalathen Krishnan

By Majella Gomes

The Malaysian Tax Reform Committee (TRC) was set up in September 2018, tasked with undertaking a comprehensive study on the Malaysian taxation system and to make recommendations on how it can be more efficient, neutral and progressive, in support of future economic growth and nation-building, explained SM Thanneermalai, Managing Director of Thannees Tax Consulting Services Sdn Bhd and Chairman of the Board of Trustees of the Malaysia Tax Research Foundation, Moderating and Panel Session at the recent MIA Budget 2019 seminar.

According to Tax Reform Committee member Dato' Chua Tia Guan, the work of the Committee is primarily to find ways of reducing the tax gap, diversify sources of revenue, formulate taxation policies for the changing economic environments – particularly with the advent of the digital economy – and review the effectiveness of current tax incentives.

Tax Revenue Diversification. Sustainable tax revenues are imperative to reduce the current government deficit but closing the tax gap (compounded by the switch from GST to SST resulting in lower tax revenues) will not be easy.

Broadening the taxpayer base will be challenging. Currently, the tax base is narrow. Roughly 4.1 million families are still receiving BRIM payments, on which the government spends RM5 billion annually; this means that about eight million – out of a total population of about 30 million citizens – still need help. For social wellbeing, taxes have to be based on the ability to pay.

Strengthening Tax Compliance and Governance. Stripping away oil dividends of RM30 billion contributed by PETRONAS, the RM37 billion from the now-defunct GST and income tax refunds, what is left is the "real" Budget, said Chua.

To augment tax revenues, the Committee will be looking at all angles, especially stricter enforcement and compliance which alone could bring in as much as RM1 billion. "Under-declaration of taxes is bad for honest taxpayers," he said, confirming that the TRC was now looking at a much wider field. The ongoing Special Taxation Voluntary Disclosure programme offering tax amnesty for errant taxpayers is one of the current measures to improve compliance and broaden the tax base.

Assessing Incentive Effectiveness. The Committee is also charged with analysing and formulating incentives and taxation to ensure Malaysia's global competitiveness, and to optimise government spending on incentives.

Currently, Malaysia ranks 15th in the global list of places easiest to do business in, and offers 130 tax incentives through 34 coordinating agencies. However, Chua recommended doing a cost-benefit analysis to ensure that incentives are laser-focused to achieve our economic agenda, and to winnow out superfluous incentives and agencies. The TRC's study so far shows that four out of five companies say they would have invested in Malaysia even if no incentives had been given so there is an argument for scaling back on these.

It is also important to constantly update incentives and policies to keep up with rivals in the internecine war for business and investment. For example, China has already started a programme of special incentives for companies that may be affected by its trade war with the US, noted Pragalathen Krishnan, Country Controller & Director, NXP Semiconductors Malaysia.

Trimming Corporate Tax Rates to Spur Business. The TRC is also looking at ways to bring down corporate tax rates to stimulate economic growth and competitiveness. Already, Malaysia is taking the cue from other markets by trimming public sector headcounts and government spending, which can support reduced corporate tax rates.

Amarjeet Singh, Malaysia Tax Leader & Business Tax Services Leader, EY, said the UK example of cuts of 25%-30% in public spending and a civil service pay freeze in 2009/2010 enabled the government to bring down tax rates from 28%. Today, the UK corporation tax rate stands at 19%, and this might be further slashed to 15%.

While other factors in addition to attractive tax rates were also at play, between 2010 and 2015, the UK raked in higher FDIs than other countries like Germany, Spain and France, and recorded the highest GDP growth rate in Western Europe in 2015.

Leveraging Tax Policies to Draw FDI. While global FDI has declined by 18% overall, ASEAN FDI bucked the trend with Indonesia, Thailand, Vietnam, Laos, and Cambodia all recording steady growth in FDI. Globally, governments are experimenting with tax policies to entice FDI, and competition is internecine. “We need to do something to get a piece of that pie!” stressed Amarjeet, pointing out that even Malaysian companies were moving to Thailand because the cost of doing business domestically was escalating.

Besides looking at costs and ease of doing business, he suggested targeting three categories of investors to bring in FDI:

- Efficiency-seeking investors looking to manufacture more efficiently and cost-effectively;
- Market-seeking investors wanting to sell to Malaysia and other countries in the region; and
- Resource-seeking investors wanting to buy resources like electricity to increase their capacity.

Amarjeet concluded that efforts should be made to attract all investors, not just foreign investors, and recommended incentives particularly to lure efficiency-seeking investors.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Restructuring Under the Companies Act 2016

at-mia.my/2019/02/15/restructuring-under-the-companies-act-2016

February 15, 2019

(L – R) Saheran Suhendran, Aaron Lok, Bernard Tan and Rabindra S. Nathan

By Majella Gomes

It is important that insolvency professionals understand the three different modes of restructuring – Schemes of Arrangement (SoA), Judicial Management (JM) and Company Voluntary Arrangement (CVA) and their implications under the Companies Act 2016 (CA 2016) – to determine which of these would be most suited to an insolvent organisation's restructuring requirements.

Several parties within the business ecosystem can apply for restructuring of an insolvent organisation e.g. companies, directors acting on behalf of the companies, liquidators and creditors. The timeframe within which the initial proposal for any of these actions must be made is usually quite short but extensions may be requested from the Courts.

Restraining Orders under Schemes of Arrangement

Provisions in the new law, such as a restraining order, will also take effect, to the benefit of creditors – although a restraining order requires the support of at least 50% of the company's creditors. Section 366 of the Companies Act 2016 is expected to make things a little easier for creditors to recover their funds if a company undergoes restructuring. When this is the route decided upon, the firm's EBITDA will be assessed; cash flow, different projects, debt levels etc. will be scrutinised to ascertain sustainability, noted Aaron Lok, Executive Director, KPMG Advisory at the MIA Insolvency Conference 2018. Restraining orders used to be made to last as long as possible but now the maximum period was a year, he said, adding that this tended to give investors more comfort.

Judicial Management

Bernard Tan, Executive Director, BDO Malaysia, noted that as JM requires the handing over of control of a company's operations to the Judicial Manager, there is a question as to how many business owners (especially family owned ones) would be willing to do so. From the creditors' perspective, there is a fear that JM could be used as a means to frustrate lenders as, upon submitting an application to the Court for a JM order, lenders are unable to continue enforcement of their security, commence/continue legal proceedings, etc. except with leave of Court.

However, despite what many businesses see as strained financial circumstances, there have not been many cases of companies opting to restructure via JM, he said. Up to November 2018 and although the CVA and JM sections of the Companies Act 2016 had come into force on 1 March 2018, there appears to have been only one CVA and three JM cases. Tan shared his view that JM provides an additional option for companies and under the right circumstances (e.g. borrower with a viable business and genuine intention to restructure its debts), JM is a viable restructuring option. However, based on his experience involving a particular group of companies which made JM applications, Tan cautioned that there are still possibilities for the JM provisions to be abused.

Other Highlights

With the advent of data, it is now also permitted to sell information of the restructuring company's customers as part of the company's assets as long as proper protocols are observed.

Conflict of interest could be an issue as well under the CA 2016; for example, the auditor cannot be the liquidator as well.

Generally, Malaysia follows Singapore's methods; Singapore's Insolvency Act addresses companies filing for insolvency according to the amounts that they owe.

In conclusion, even with new regulations under the CA 2016, the traditional, formal methods of insolvency do not differ greatly from most corporate rescue mechanisms.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Reviving Takaful-Waqf Products in Malaysia: Issues and Challenges

at-mia.my/2019/02/15/reviving-takaful-waqf-products-in-malaysia-issues-and-challenges

February 15, 2019

By Nurul Hidayah Zailani

Despite its legacy as an economic stimulus, Waqf today is under-utilised in modern Islamic economies. Might reintroducing the Waqf concept into takaful products be able to drive the takaful industry in Malaysia to a higher level?

Waqf Takaful in Malaysia: Where Are We Today?

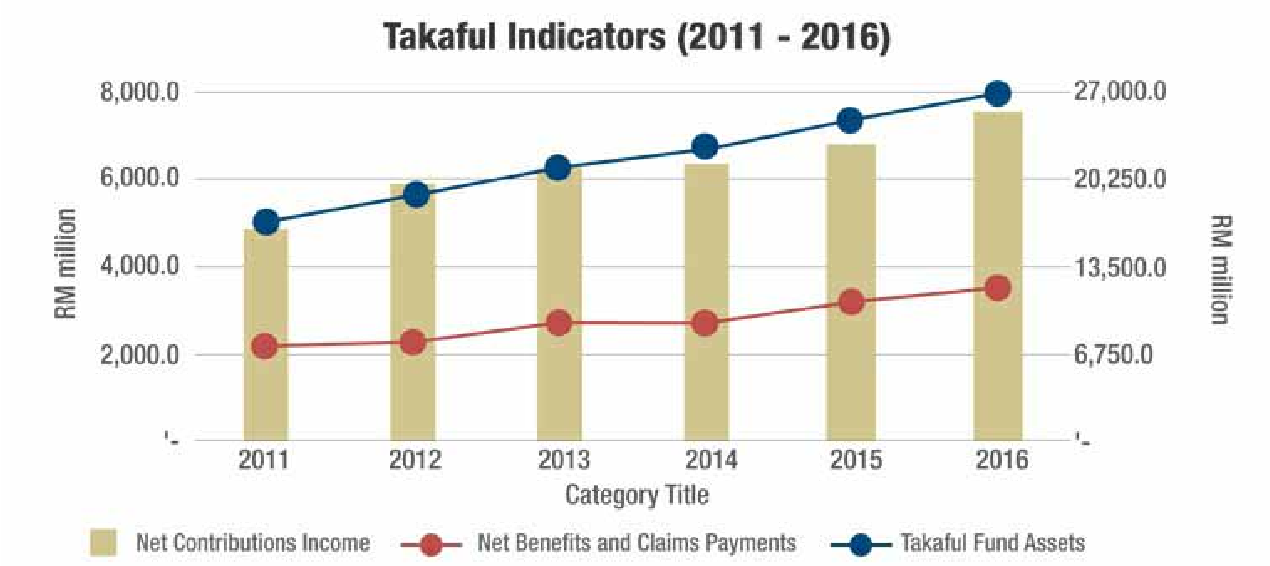


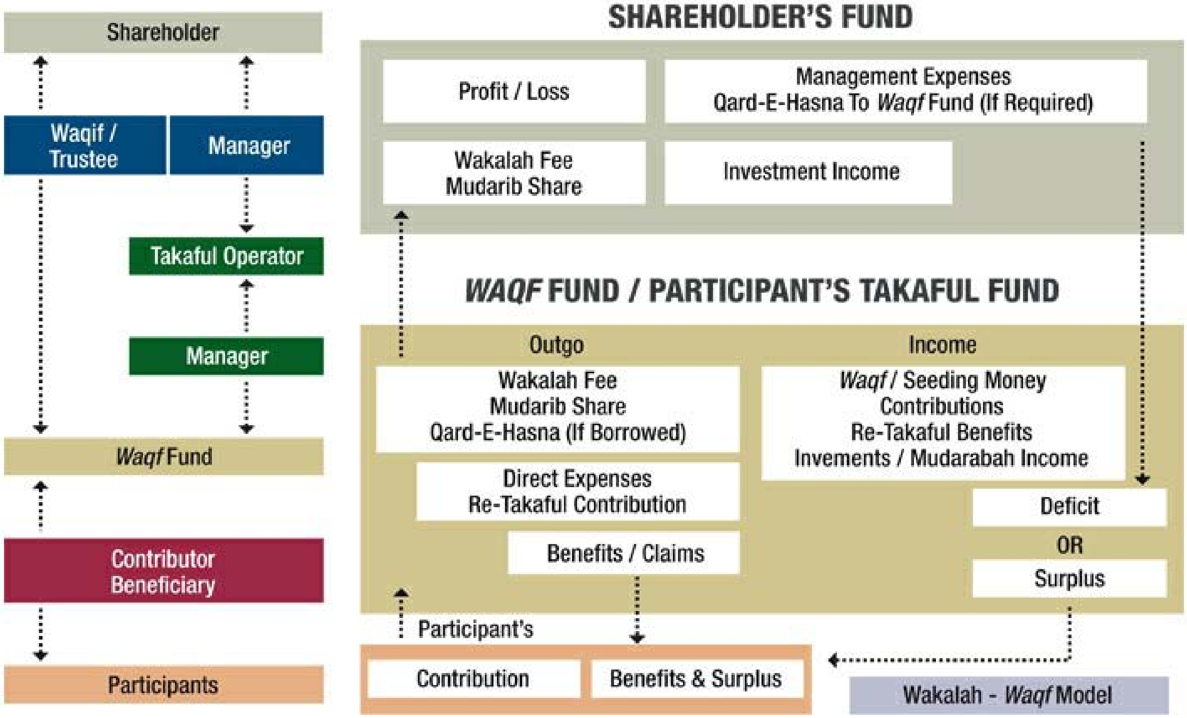
Chart 1: Takaful indicators from 2011 to 2016

Earlier on, Malaysia had been introduced to Waqf takaful through Syarikat Takaful Malaysia's Takaful Waqf Plan under the Mudarabah-Waqf model. In existence from 2002 until 2009, the plan received strong support throughout that period, attracting approximately 5,000 participants from 2002 to 2004 with a total contribution of RM7.5 million. The plan allowed people from all walks of life to participate and optimise their contribution to charity while managing their other financial commitments.

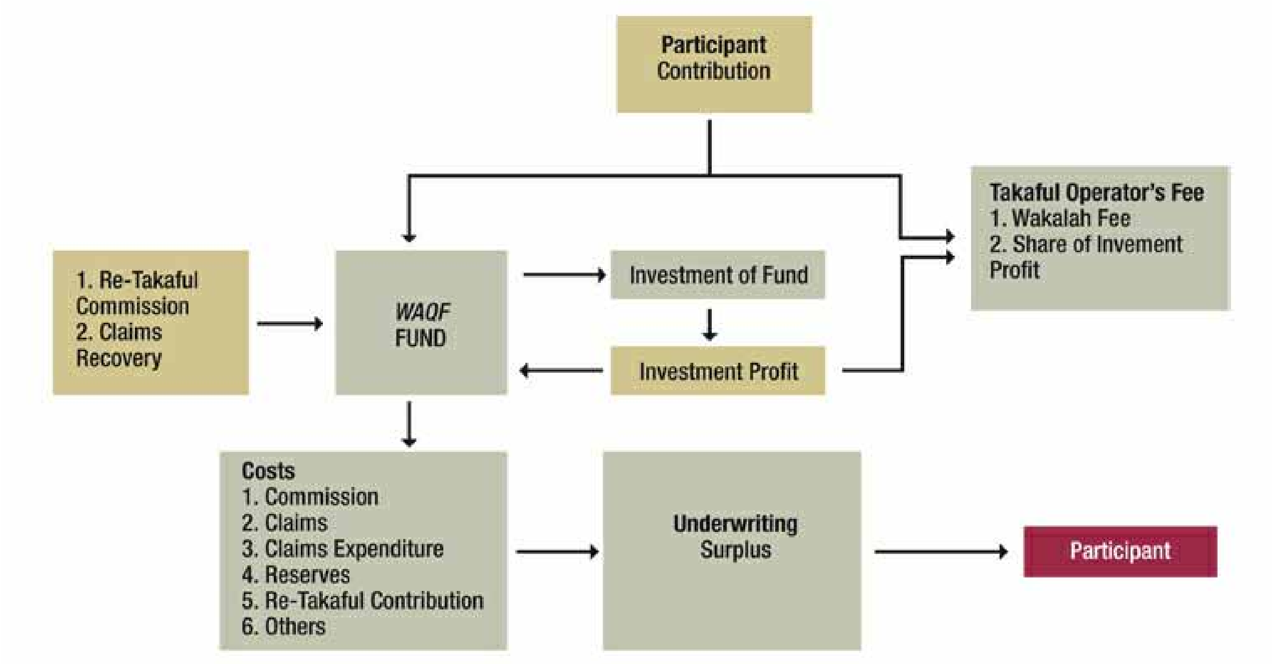
Waqf Takaful: Practices in Other Jurisdictions

Waqf takaful products are commonly used in Pakistan and South Africa, whereby the Waqf takaful products offered in these jurisdictions are mainly based on Wakalah-Waqf model. Under this model, takaful operators (being the shareholders) will first create the Waqf fund through a Waqf donation. Participants who participate in this Waqf takaful policy would then contribute to the Waqf fund based on a tabarru' concept. The Waqf fund is then used to help and assist participants who are in need whereby all claims are paid through the Waqf fund. Takaful operators play two roles in the Wakalah-Waqf model which are (i) takaful operators are appointed as wakil or agent to manage and operate the Waqf fund and receive a Wakalah fee which will be paid from the Waqf fund itself; and (ii) takaful operators receive a Wakalah fee upfront for the investment service of the Waqf fund. Any investment profit from the Waqf fund would normally be kept or channelled back to the Waqf fund to cover future losses and deficits, distributed among the participants or donated to charitable organisations.

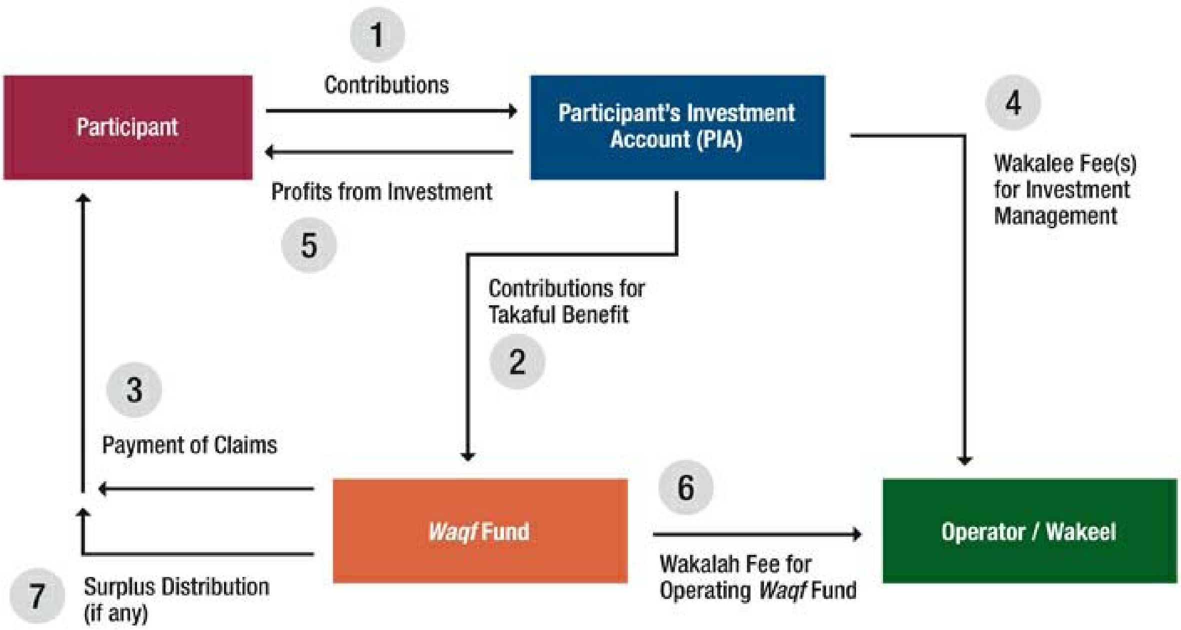
Example 1: Wakalah-*Waqf* Model by Takaful Pakistan Limited



Example 2: Wakalah-*Waqf* Model by Dawood Family Takaful



Example 3: Wakalah-*Waqf* Model by Pak-Qatar Family Takaful Limited

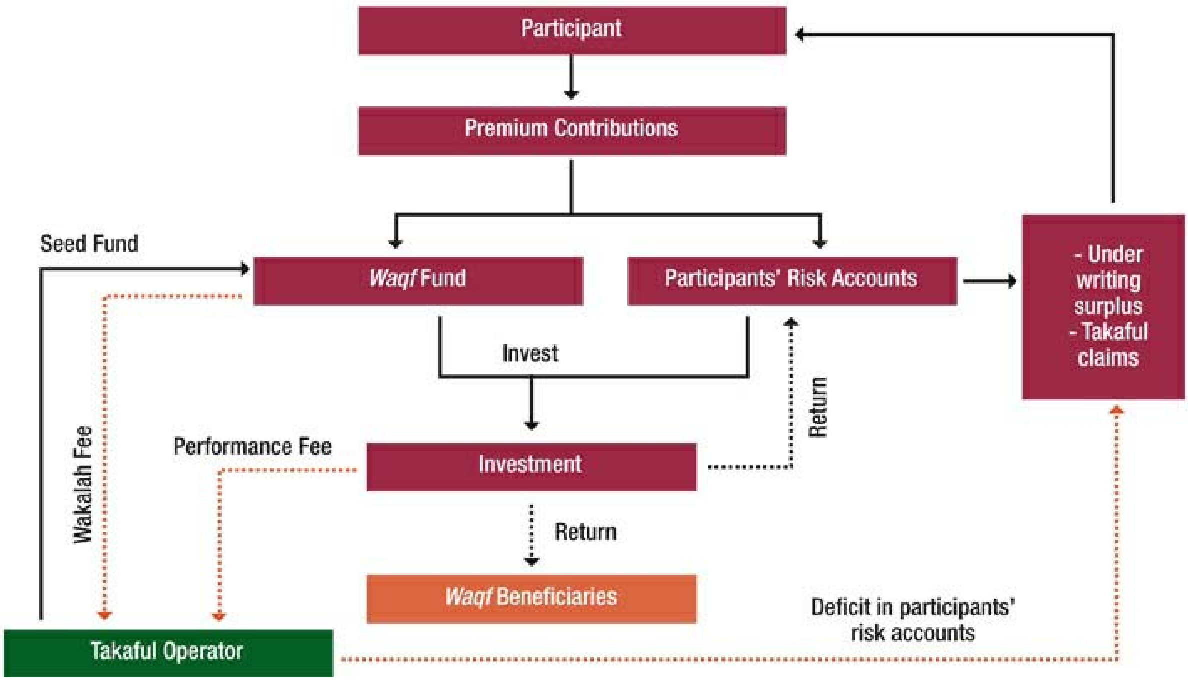


The main challenge of the Wakalah-Waqf fund adopted by other jurisdictions mainly arises from the risk of ensuring sufficient Waqf funds to cover takaful claims from participants. As the fundamental set up of a Wakalah-Waqf in other jurisdiction is to help and assist participants who are in need, huge takaful claims may jeopardise the Waqf fund from continuing in perpetuity.

Waqf Takaful: What's Next for Malaysia?

Going forward, the Wakalah-Waqf model could potentially be applied by takaful operators in Malaysia for their products with some improvements as follows:

Diagram 2: Proposed Wakalah-*Waqf* product



Under this proposed Wakalah-Waqf product,

- Takaful operator donates a seed fund to establish a Waqf fund for the product/policy.
- On a monthly basis, premium contributions made by participants are split into two portions – a portion for tabarru' contribution to Waqf fund and a portion to participants' risk account. The appropriation (based on percentage of premium contributed) shall be decided and agreed upfront between the takaful operator and participants.
- Any takaful claims will only be paid/deducted from the participants' risk account while any surpluses will be credited back into the same account.
- Both Waqf fund and participants' risk account will be invested in Shariah compliant instruments to generate returns where the return from the participants' risk accounts will be credited back to the account. Returns from the waqf fund however, will be channelled to the waqf beneficiaries as approved by the takaful operator's Shariah Committee.
- In the event of death, the deceased's beneficiaries will be compensated with the takaful benefit from the participants' risk account. No further amount is paid on behalf of the deceased to the Waqf fund (hence, the contribution to waqf fund is limited to the amount contributed while the participant is alive).

Of course, the proposed Wakalah-Waqf model above does come with some practical challenges including:

• Taking into consideration the current laws and legislation in Malaysia, Waqf is still under the purview of the state religious councils (SRCs) – be it for public Waqf, family Waqf or a combination of the two as provided by the Ninth Schedule of the Malaysian

Federal Constitution. SRCs however, are allowed to appoint any organisation as their mutawalli/nazir to manage and administer the Waqf asset/fund as well as to execute what is intended by the donor (waqif).

The creation of Waqf is rather straightforward, whereby it is created by way of sighah between two witnesses according to Hukum Syarak and such Waqf to be registered as soon as practicable with the SRCs. However, takaful operators in Malaysia would need to address whether the SRCs would allow takaful operators to be their mutawwali to manage and administer the Waqf fund embedded in the takaful product, particularly in the absence of specific laws and regulations to govern the rights and duties of mutawalli in Waqf matters.

This could probably be one of the concerns to appointing mutawalli as there are some irresponsible parties who misuse Waqf fund/properties, ignoring the ultimate intention of donors. Unless such permission is given/granted by SRCs, takaful operators may not be able to maximise the concept of Waqf in their takaful products.

• In Malaysia, takaful products are normally distributed through direct or indirect channels. Direct distribution channels refer to distribution of takaful products through either their head office and branch premises or an online platform while indirect distribution channels refer to other types of distribution channels including agency distribution and bancassurance. Takaful operators need to consider the pricing structure of the Wakalah-Waqf product to balance the cost of takaful risk and takaful premium pricing, in order to ensure an acceptable profit margin that protects shareholders in the long run.

• Takaful operators need to analyse the selection of participants for such products e.g. participants with low risk and within certain age groups. Takaful operators may also need to consider whether the premium contribution of such products should be increased to cater to the takaful risk and ensure the perpetuity of the programme in the long run.

• Note that the Waqf fund itself does not belong to neither the participants nor the takaful operator. The waqf fund should be carefully managed by the takaful operator as the agent appointed by participants and shareholders. The takaful operator as the agent shall demonstrate full transparency and adhere to a high governance standard to ensure that the Waqf fund is properly managed and utilised as intended.

This is the executive summary of a case study written by Nurul Hidayah Zailani, as a requirement for the MIA Islamic Finance Mini Pupillage Programme.

You might also be interested in these articles on Waqf: Waqaf Saham Larkin Sentral: Pioneering Initial Public Offering of Waqf Shares by Rasmimi Ramli and Mohd Lukman Mahmud and Professionalising Waqf in Malaysia – Issues and Challenges by Zharif Agil.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

SST Updates & Insights

at-mia.my/2019/02/15/sst-updates-insights

February 15, 2019

By Majella Gomes

The Service Tax, which takes effect on 1 January 2019 is expected to further improve the efficiency and effectiveness of the SST. With this tax, the government is setting in place mechanisms to protect the competitiveness of local industry and prevent increases in the cost of doing business due to compounded taxation. However, professional services under group G will be exempt.

Imported services. These are taxable effective 1 January 2019 to ensure equal treatment for services supplied by both local and foreign service providers. From 1 January 2020, foreign service providers that offer downloadable services such as software, music, video or digital advertising will also be subject to tax, in order to neutralise the cost disadvantage faced by physical retailers against the virtual storefront.

Almirulita Mohd Yusoff

Grey Areas. The regulators are updating their systems to manage the changes and amendments and to address grey areas, e.g. purchases of small bespoke components made by non-registered manufacturers. From 1 January 2019, registered manufacturers who purchase taxable goods on which sales tax has been paid by non-registered traders, can apply for deduction of sales tax, subject to conditions. Registered manufacturers may also acquire goods from non-registered suppliers and claim the deduction.

Sugar Tax. Under the imposition of the “Sugar Tax”, sugar-sweetened beverages will be subject to excise duty to address the issues of rising diabetes and obesity. Effective 1 April 2019, RM0.40 in tax will be applied per litre to manufactured beverages (including carbonated beverages, vegetable and fruit juices) with sugar content exceeding 5gm per 100ml.

Sin Taxes. Amendments to the Customs Bill 2018 and the Excise Bill 2018 now allow increased punishment – specifically mandatory whipping – for smuggling of illicit cigarettes and illicit intoxicating liquor. This measure will improve revenues, as the government hoped to recover at least RM1 billion in tax losses by clamping down on smuggling and fraudulent activities.

Amirulita stressed the importance of maintaining accurate records, and that new measures were being put in place to circumvent or address the former misuse or abuse of the system e.g. manipulation of records leading to large losses in government taxation revenue.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Take Advantage of the Special Voluntary Disclosure Programme

at-mia.my/2019/02/15/take-advantage-of-the-special-voluntary-disclosure-programme

February 15, 2019

By Nithea Nadarajah

The Special Voluntary Disclosure Programme (SVDP) announced during the tabling of the Budget 2019 is the third of its kind within the past five years, observed Renganathan Kannan, Partner, TraTax and moderator for MIA's recent SVDP programme.

This SVDP which runs for eight months beginning from 3 November 2018 up to 30 June 2019, relates to the Year of Assessment (YA) 2017 and its preceding YAs. All taxpayers, including non-residents, are encouraged to voluntarily disclose any income previously omitted and falling within the following categories:

- Income not previously declared/under-declared, expenses over-claimed/not allowed, reliefs/deductions/rebates over-claimed; and/or
- Gains on disposal of assets (real property and/or shares in a real property company); and/or
- Stamping of instruments not previously stamped.

Disclosures in Good Faith

A significant element of this initiative (unlike previous voluntary disclosure programmes), is that any declarations made under this SVDP will be treated as bona fide by the Inland Revenue Board Malaysia (IRBM). "Any income disclosed under this SVDP will be accepted in good faith and not scrutinised further," assured Arief Putera Mohd Sharipudin, Director, Quality and Innovation Management Division, Corporate Service Department, IRBM.

Sudharsanan Thillainathan, Senior Partner, Steven, Thiru & Sudhar said that based on his observations, the IRBM has indeed gone 'all out' to make public statements assuring taxpayers that the information reported will be accepted in good faith and that audit action will not be taken on the YA where the voluntary disclosure has been made. “This form of public assurance in itself, is a legally enforceable obligation on the part of the IRBM,” he opined.

Reduced Penalties

The other salient aspect of this SVDP most beneficial to taxpayers is the reduced penalty charge on the understatement of taxes amounting to 10% (applicable until 31 March 2019) and 15% (applicable between 1 April 2019 to 30 June 2019). This is a far cry from the prevailing tax laws where the penalties start with a minimum of 80% to a whopping 300%. Naturally, once this SVDP comes to an end, the IRBM will revert to the current legislative procedures and severe penalties.

(L – R) Renganathan Kannan, Sudharsanan Thillainathan, Chow Chee Yen and Arief Putera Mohd Sharipudin

Pay Up Promptly

Chow Chee Yen, Tax Consultant, advised that the voluntary disclosures made under this SVDP are deemed inadequate without the payment of taxes attributable to it. Although the IRBM has given the assurance that the relevant Notices of Assessment or Additional Assessment, will be immediately raised upon receipt of written declarations, unforeseen delays cannot be ruled out.

Exceptions to the SVDP

The SVDP also includes taxpayers currently under tax audit or investigation exercise but explicitly excludes cases under the Special Commissioners of Income Tax (SCIT) and criminal tax investigation. Although the IRBM will readily accept voluntary declarations made by taxpayers undergoing audit, the information received may not be treated as bona fide since the audit exercise has yet to be concluded. It is also possible that the IRBM’s findings during the audit exercise may differ from the voluntary disclosures made. If the taxpayer disagrees with the outcome of the audit findings, an appeal can always be made directly to the SCIT vide the submission of the Form Q.

Arief Putra also noted that once an audit or investigation exercise has concluded with both parties reaching an agreement, then a voluntary disclosure under the SVDP is futile. “Why open it again?” he asked.

Nowhere to Hide

As Malaysia is now party to the OECD’s Common Reporting Standard (CRS) to facilitate the Automatic Exchange of Information (AEOI) between participating countries, the government is privy to cross-border financial information such as offshore banking accounts held by Malaysians overseas. With technologies such as big data and tax data analytics facilitating tax transparency and traceability, the IRBM now has access to an astronomical amount of information, be it local or international, enabling it to discern if taxes are being paid accordingly. Therefore, it is recommended to leverage on the SVDP, because once it ends, the IRBM is expected to come down strongly on errant taxpayers.

Accountants are also urged to ‘play their part’ by providing timely advice to their clients regarding the attractive terms offered under this initiative and to also appropriately liaise with the IRBM on their behalf.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Tan Liong Tong – Lion of Accounting

at-mia.my/2019/02/15/tan-liong-tong-lion-of-accounting

February 15, 2019

By Nithea Nadarajah

Tan Liong Tong is no stranger to Malaysian accountants, with his technical accountancy books flying off the shelves.

The accounting guru and prolific author is renowned for his significant contributions to the corpus of Malaysian accounting literature. His works include, amongst others, his books on Consolidated Financial Statements, Financial Accounting and Reporting in Malaysia, Deferred Taxation and the Illustrative MPERS Financial Statements, editions one and two. The Illustrative MPERS Financial Statements were a joint effort with the MIA's technical team, aimed to help MIA members on the application of the MPERS Reporting Framework for private entities in Malaysia. A retired university lecturer since 2006, Tan is still actively authoring books and online publications, teaching part-time, providing consultancy services as well as getting involved in technical development projects.

Academic and Author

Tan's journey began ordinarily enough in 1977 when he was gainfully employed as a tutor and in 1979 as university lecturer of agribusiness. But by a quirk of fate, he was seconded to an established accounting firm to undertake his professional accounting exams. Three years later, in 1986, he completed his articleship with the accounting firm and returned to the university to resume teaching, but as an accounting lecturer.

Once an academic, always an academic. "I love teaching," enthused Tan. So intense was his enthusiasm for teaching combined with his passion for the accountancy profession that early on in his career he became actively involved with the Malaysian Institute of Certified Public Accountants (MICPA) and MIA technical committees, during the time when local standards were being developed. "It's not just about teaching, we've got to keep ourselves up-to-date with the changes and developments," said Tan.

A prerequisite for any academician is to teach, to research and to extend his professional development, which includes the publication of written articles. Naturally, publishing a book became one of Tan's dearest ambitions and he fulfilled this dream when he released his first book on financial management.

Tan Liong Tong

His second book, however, had a greater purpose. Owing to the lack of reference books for MICPA students sitting for their final exams, Tan compiled his lecture notes into his second book, Consolidated Financial Statements. This book, released in the early 1990s, proved to be a game changer. Although initially authored for final year accounting students, it became increasingly popular amongst accounting practitioners and preparers.

This unexpected endorsement spurred him on and motivated him to persevere as an author. In 2018 alone, he produced three books, the latest of which is A Comprehensive Guide to IFRS 15 and 16. Two more books are scheduled for release sometime this year, with another publication due in the year 2020. "Satisfaction is seeing your book in the bookshop. Monetary reward is secondary," explained Tan.

How to Write a Book

Asked about the end to end process of writing a book, Tan explained that prior to the commencement of writing, it is imperative to identify the target audience to ensure appropriateness of content. Next, undertake proper planning of the subject matter from A to Z. "Always start-off writing the article in a logical manner and state the rationale and principle involved in a particular area," said Tan. If it's an accounting-related publication, examples and illustrations are imperative to ensure that readers can better grasp the information. Set a reasonable timeline for completion; Tan advised potential writers to never halt writing midway or risk losing momentum.

During the event, Tan also shared his views on current developments in the profession.

Judicious Disclosure

Tan advised companies to practice discretion with regards to full disclosure. With the advent of accounting standards issued since the 1970s along with the many companies taken public, stringent reporting requirements have become the norm. Naturally, the quantum of information disclosed in the financial reports grew steadily in tandem. "Previously, there was an abridged version of the profit and loss account but now, it is full disclosure," observed Tan.

While investors and potential investors would most certainly benefit from increased transparency, providing too much information would be overwhelming. His advice would be to fall back on the basic principles of materiality and to apply sound judgement during the preparation of financial reports.

Public Sector Reporting

Historically, the Malaysian public sector practised modified cash accounting (with non-capitalisation of assets and non-reporting of liabilities). However, with effect from 1 January 2018, under the Malaysian Public Sector Accounting Standard (MPSAS) framework, the federal and state governments have commenced their transition to accrual accounting.

Nonetheless, Tan said that it may prove to be inappropriate and quite arduous to endorse full accrual accounting for certain government agencies. One barrier is fair value. For example, when public universities receive land donations from the state governments for use as capital or plantations, "the main concern would be on how to fair value the land received." Fair value accounting is an area which Tan feels still warrants extensive research.

Tan concluded his comments by advising accountants to fearlessly embrace and adapt to technological changes and to always uphold their integrity and professional code of ethics.

Watch the video on the session.

Watch Video At: https://youtu.be/RrhgC7fhbaY

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Tech-ing Accountancy Education to the Next Level

at-mia.my/2019/02/15/tech-ing-accountancy-education-to-the-next-level

February 15, 2019

(L – R) Leong Mun Foong, Prof. Dr. Noor Azizi Ismail, Associate Prof. Dr. Sagaya Amalathas and Prof. Dr. Siva Muthaly

By Majella Gomes

As technology becomes more pervasive, how can it be harnessed to improve accountancy education and nurture future accountants? With the theme of Nurturing Future Accountants, the National Accounting Educators' Convention (NAEC) 2018 produced the following insights:

Crystal ball gazing. Technology changes so fast that accountancy educators don't just need to keep up; they need to be prescient in assessing technologies and their impacts on the profession. They have to ask themselves what tech will be like five years in the future, and what skills the profession will require. In short, they need foresight as well as the ability to crunch the big picture. "We take a few years to produce talent but the business environment changes so fast," commented Dr.Nurmazilah Dato' Mahzan, CEO, MIA. "In education, you cannot work with hindsight. (To ensure content is relevant), you need to be targeted and forward looking."

Future Skills. What skills will accounting professionals of the future need? With a nod to technology, future accountants will need basic IT and software skills to enhance their productivity and decision-making, layered over a solid foundation of accounting knowledge. Imperative too is the cultivation of critical thinking, analytical skills, and the ability to strategise and solve problems, rising above the machines carrying out routine mind-numbing tasks. It is also essential to communicate and articulate clearly and concisely; an above-average command of English is vital to spur them to the next level, regionally and globally.

For this to happen, a mindset change has to develop in parallel with the upgrading of skills, among both students and educators. Accountancy and tech skills will have to converge for the profession to move forward, with academicians and IT coaches working hand-in-hand to develop the best accountancy learning systems. Ethics, the foundation of the profession, should be built into the systems from the outset. Lessons can be learnt from the universities that are already retraining their lecturers in digital skills while adapting software for greater efficiency.

Broaden Your Perspectives. Institutions may want to seriously consider inviting practitioners into classrooms to get different perspectives on the key changes happening in the profession and business. It is widely acknowledged that schools usually have to play catch-up. "The external environment has changed, so what you put into your programme won't work anymore," stated Associate Professor Dr. Sagaya Amalathas, Programme Director, Taylor's University. "If you cannot catch up, what you are teaching now will no longer be relevant." For example, employers today want professionals who can understand and audit unstructured data like video feeds and mobile data; students will need to learn how to recognise and analyse different kinds of data.

Dr Nurmazilah Dato' Mahzan

Renaissance Minds. The classroom may soon become a platform where teachers teach less but learn more – from students as well as "tech" people. Subjects are beginning to converge, and students will find themselves doing many things that seem unrelated to accounting. Knowledge bases therefore have to include areas which hitherto have not fallen within the purview of traditional accounting practices such as analytics, interpretation of inferential statistics and some aspects coding from a programming perspective. This is necessary, said Professor Dr. Siva Muthaly, Dean, Faculty of Business & Management, Asia Pacific University of Technology & Innovation, because "if you don't go into areas which are not accounting-related, you would be rather myopic in embracing technology ("Tech-Accounting")".

Independent Learning. Students will have to get used to finding information for themselves, as self-learning and blended learning gain traction, and traditional spoonfeeding methods die out. Education itself will have to become more flexible, and methods of delivery refashioned. "People don't go to the library now," said Professor Dr. Noor Azizi Ismail, the immediate past Deputy Director General of Higher Education

(Public Universities). “They study on their phones.”

With the myriad distractions online and offline, lecturers are constantly looking for ways of engaging students more effectively, although they agree that generally, students the world over do respond to one method: being fed information in small amounts. University systems, too, need to be properly integrated with technology to be able to offer students the kind of learning at the levels they require. As the humans at the heart of the educational system, accounting educators should leverage on the technologies available, optimise and blend them into their current methods to achieve the best outcomes for their students.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.

Waqaf Saham Larkin Sentral

at-mia.my/2019/02/15/waqaf-saham-larkin-sentral

February 15, 2019

By Rasmimi Ramli and Mohd Lukman Mahmud

Does the offering of waqf shares present an appropriate mechanism of collecting funds for waqf projects such as Larkin Sentral in Johor? In hindsight, this pioneering waqf share exercise fell short of hitting its targeted proceeds. Alternatively, a simple mechanism such as donation may have attracted more people to contribute their cash to the development of Larkin Sentral.

About Waqaf Saham Larkin Sentral (WSLS)

In June 2017, Larkin Sentral Property Berhad (LSPB), a wholly owned-subsidiary of Waqaf An-Nur Corporation Berhad (WANCorp) made an offering of waqf shares of up to 850 million ordinary shares to institutions and individuals at RM0.10 per share which will be subsequently endowed (via waqf) to WANCorp. This is the first public offering of waqf shares in the world which has been approved as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia.

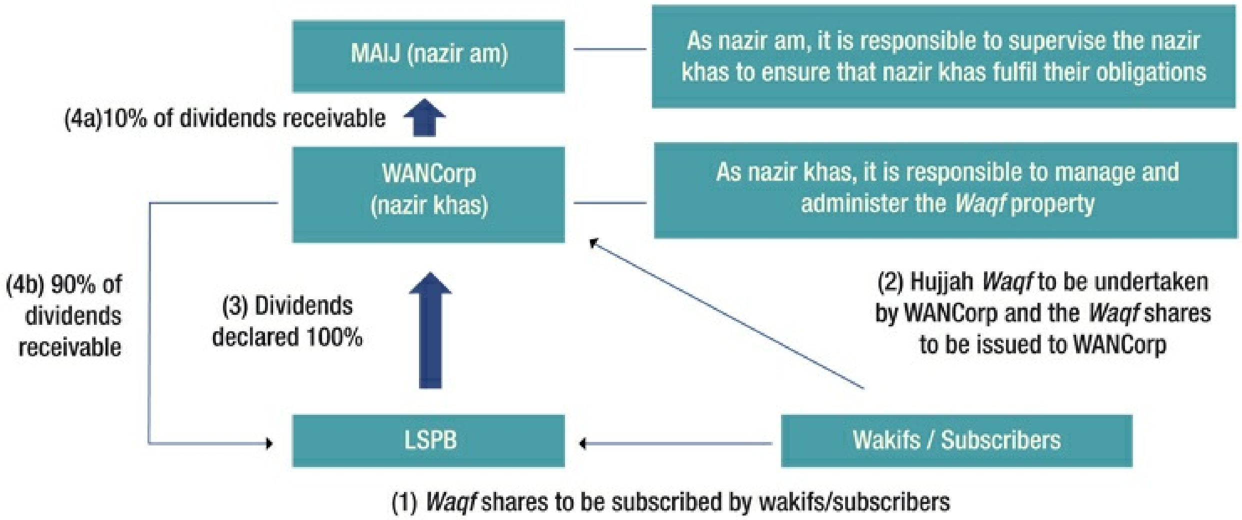
The offering aims to:

- Create awareness on the concept of waqf among the public;
- Raise proceeds primarily for the upgrading and refurbishment of Larkin Sentral and the acquisition and development of the surrounding land for the benefit of the public.
- Provide an opportunity to the public regardless of race or religion to participate in the noble effort to contribute to society.

This offering is considered as a public waqf. Both Muslims and non-Muslims can participate in the offering of WSLS and can benefit from the proceeds raised from the offering, which is primarily to fund the upgrading and refurbishment of Larkin Sentral as well as to fund the acquisition of land for the proposed development of a seven-storey car park. Individual and institutional subscribers will enjoy tax deductions of up to 7% and 10% of aggregate income respectively.

In addition, WANCorp has been appointed by Majlis Agama Islam Johor as nazir khas to manage and fulfil the objectives of the waqf for religious and charitable purposes in accordance with Shariah as instructed by the wakifs.

The arrangement of the waqf is illustrated below.



Source: Prospectus on Waqaf Saham Larkin Sentral

The dividends receivable by WANCorp from the issuance of the ordinary shares will be used as follows:

A. 90% of the dividends receivable will be used to:

- provide reasonable rental rates (i.e. lower rental rates compared to normal market rental rates) for selected tenants of Larkin Sentral; and
- charge minimal rental rates for small shop lots created in Larkin Sentral for single mothers and lower income group (i.e. approximately half of the market rate per square foot).

B. the remaining 10% of the dividends receivable will be channelled to MAIJ where;

- 5% will be retained by MAIJ as its entitlement, being the sole trustee of waqf in the State of Johor; and
- remaining 5% will be distributed for charitable purposes involving education, entrepreneurship and healthcare sectors (Prospectus, 2017).

Less than Successful?

The amount of proceeds raised as at July 2018 was less than the targeted proceeds of RM85 million since its offering in June 2017 and the offering has been extended to May 2019.

In addition to the extension of the subscription period, the Supplementary Prospectus dated 17 May 2018 includes the following:

- inclusion of non-Malaysian citizens, foreign companies and institutions to participate in the offering;
- addition of debit cards as a payment method; and
- additional subscription method which is directly through WSLS's website.

As the offering is still ongoing until May 2019, the offerors could take certain extra initiatives to increase the subscription by addressing the possible issues, such as lack of awareness and difficulty of subscription.

Some of the recommendations to enhance the success of the WSLS include:

- increasing awareness on waqf and WSLS such as utilising social media platforms to create and develop a good content on waqf shares to disseminate information to the masses;
- collaborating with mosques in Johor to collect donations; the mosques could then recommend that the donors of "tabung waqf" subscribe to the WSLS waqf shares;
- leveraging on digital technology.

This is the executive summary of a case study written by Rasmimi Ramli and Mohd Lukman Mahmud, as a requirement for the MIA Islamic Finance Mini Pupillage Programme.

You might also be interested in these articles on Waqf: Reviving Takaful-Waqf Product In Malaysia: Issues and Challenges by Nurul Hidayah Zailani and Professionalising Waqf in Malaysia – Issues and Challenges by Zharif Agil.

Copyrights 1967-2020 (C) Malaysian Institute of Accountants. All Rights Reserved.