

# Accounting Infrastructure: A booster to the Belt and Road Initiative



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The English report is translated from the Chinese report released on 13 July 2017. Where any discrepancy arises between the English translation and the original Chinese version, the Chinese version shall prevail.

## About SNAI

The Shanghai National Accounting Institute (SNAI) is a public service institution affiliated to the Ministry of Finance of China (MOF). Under the direct leadership of MOF, SNAI has sought to find pedagogy proper for senior financial and accounting professionals, cultivate high-end talent for the accounting industry and provide advanced continuing education for macroeconomic regulators, large-and-medium-sized SOEs, financial institutions and intermediaries. Today, SNAI has created its own unique teaching philosophy and methods underpinned by the three pillars of degree education, executive development program and distance education.

Over the years, SNAI has gradually established its reputation and become a spiritual home for accounting practitioners. In 2011, SNAI is approved by the Academic Degrees Committee of the State Council as the unit for granting Master's Degree in Professional Accounting and Auditing. In 2014, SNAI was approved by the Academic Degrees Committee of the State Council to offer another degree program-Master of Taxation. As a state-level continuing education base, SNAI also assumes its social responsibility and provides distance education for accounting practitioners at the grassroots level and economic managerial talents in central and western China through the low-cost, wide-spread network.



SNAI

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## About Deloitte Global Chinese Services Group

Established in 2003, Deloitte's Global Chinese Services Group (GCSG) aims to advise Chinese companies expanding global presence, and multinational companies operating in China. With 90 active teams around the globe providing services covering 136 countries spanning across Americas, Asia Pacific, Europe, Middle East and Africa, this network deployed in various countries and geographic regions with professionals possessing Chinese-speaking capabilities and knowledge about China and Chinese companies to provide professional advice and comprehensive solutions to Chinese companies investing overseas.

We are committed to expanding our footprints as our clients expand theirs. To stay ahead of the curve in putting the needs of clients as our priority, the GCSG continues its efforts in evolving and adapting to the changing dynamics of the marketplaces, and provides advice and solutions to clients to address their complex business challenges.

Following the launch of Belt and Road Initiative in 2013, we provide thought leadership support for SASAC, facilitating the strategic planning and risk control for state owned enterprises seeking to benefit from the Belt and Road Initiative. In 2016, we helped more than half of the Fortune Global 500® Chinese companies with their overseas operations, mergers and acquisitions activities, and greenfield projects.



Deloitte

# Preface



**Prof. Li Kouqing**  
President of Shanghai National  
Accounting Institute

The Belt and Road Initiative is committed to creating an open and inclusive community of shared future for mankind. With its strategic scale and far-reaching implications, the Initiative has raised a sensation at home and abroad. In May 2017, the Belt and Road Forum was held in Beijing, where the Joint Community of the Leaders Roundtable of the Belt and Road Forum for International Cooperation was launched. This contained 14 specific measures, including the intention of pursuing dialogue and consultation in order to build synergies in development strategies among participating countries, deepening economic and trade cooperation, and jointly working on a long-term, stable and sustainable financing system. While phasing in connectivity by enhancing infrastructure, we should pursue the integration of goods and capital as well as closer trade and cultural exchanges among Belt and Road countries, which is the key to benefiting people worldwide through the Initiative.

Accounting information is the prerequisite for judging the operating conditions of economic entities and determining the transaction arrangements between them. A well-established accounting system, including the accounting standards system, the accounting talent system and the accounting regulatory system, is an important basis for orderly accounting

work in a community, which we define as the accounting infrastructure. Without the support of a strong accounting infrastructure, accounting information can be distorted and incomplete, and lack timeliness, and the work of a country's accountancy, regardless of quantity or quality, may struggle to meet the requirements of social and economic development, thus greatly damaging all kinds of economic activities, including the flow of goods and funds. Since reforming and opening up, China has made arduous yet fruitful efforts to develop its accounting system. As a result, the accounting infrastructure of China has been unprecedentedly enhanced, laying a solid foundation for the socialist market economy. The Belt and Road Initiative is a vital cross-border, cross-regional initiative, covering over 60 jurisdictions alongside the Belt and Road route, which differ greatly in economic development and accounting infrastructure maturity. The differences as well as the closely related issues of taxation and capital integration can be a major obstacle to economic and trade cooperation between these countries. When meeting with ACCA's chief executive, Helen Brand, at the ACCA headquarters in November 2017, I communicated this to her, and we reached a consensus on research into the accounting-related issues affecting the Belt and Road Initiative by mobilising the Shanghai National Accounting Institute (SNAI) students from Belt and Road

countries and ACCA members working in multiple economies, hoping that our research can contribute to the roll-out of the Initiative. Allied with Deloitte – an institution that has a strong worldwide network we are even more determined and prepared to carry out the research.

What we present here is the outcome of our tripartite cooperation through teamwork and networking over the past few months, drawing on our respective resources. I would like to extend my heartfelt gratitude to the constituents who have undertaken this collaborative research mission and have made great efforts to collect and collate the relevant information in a limited period of time. I would also like to thank Ms Brand, Mr Patrick Tsang and Ms Liu Minghua for their support. Although the findings are preliminary, they contain a wealth of information that will serve as a reference for both Chinese and foreign businesses participating in the Belt and Road cooperation.

It is clear that the Belt and Road Initiative is moving forwards. The result is only the beginning of the tripartite task force for our joint research on the accounting-related issues affecting the Belt and Road Initiative. We will work on to dig deep into related issues, and friends from all walks of life are welcome to make valuable suggestions and join our concerted research efforts to accomplish this mission.



**Helen Brand**  
CE, ACCA

ACCA has a long and proud history of connecting our profession through the promotion of common high international standards. Today, we have an unrivalled network of 198,000 members and 486,000 students across 52 countries, supported by 101 ACCA offices and centres. Our commitment to global development and a collaborative accountancy profession is without equal, anywhere in the world. ACCA was the first international professional accountancy body to establish operations in China, nearly 30 years ago, and we're immensely proud of the role our members have played in its astonishing economic development.

As the Belt and Road Initiative takes off, we look forward to continuing our global contribution to international trade and understanding that creates sustainable growth for all. ACCA's operations span 52 countries around the world and 21 of these countries, including India, Indonesia, Kazakhstan, Pakistan, Russia, Singapore, UAE and Turkey, sit directly on the Belt and Road footprint. This ideally places us and our members to support this significant new area of economic cooperation.

Following our initial report in partnership with the Shanghai Stock Exchange, this latest publication shares our views on how the internationalisation of accounting policies, the harmonisation of international tax policies and the cultivation of an international accounting workforce will benefit both business collaboration and global trade. We're delighted to partner with Shanghai National Accounting Institute and Deloitte on this important research, which we hope will help organisations develop the talent that the Belt and Road will most need as it progresses. To do this, we've taken a practical approach that captures the insights of accounting and tax experts working in firms across more than 20 countries on the Belt and Road route. This report presents our initial findings from 14 selected countries, with further and wider insights to come in future reports. We look forward to working with national regulators and policymakers on a roadmap that ensures that our profession has the sort of talent needed to take full advantage of this exciting New Silk Route.



**Patrick Tsang**  
CEO, Deloitte China  
Chief Partner, Deloitte Touche Tohmatsu  
Certified Public Accountants LLP  
Member of the Deloitte Global  
Executive Committee

China has now become a net capital exporter, hitting record highs in both overseas investment and cross-border merger and acquisition (M&A) transactions for several years in succession. For Chinese enterprises, transition from domestic to overseas markets is the key to growth. From 2006 to 2016, the number of Chinese companies on the Fortune Global 500 list increased from 23 to 110. China's outbound investment also surged from \$16.1bn to \$170.1bn during the same period and, in particular, it moved further after the introduction of the Belt and Road Initiative: from 2014 to 2016, Chinese enterprises' direct outbound investment in countries along the Belt and Road routes exceeded \$50bn, and the overseas engineering project contracts entered into between China and these countries had a total contract value of \$304.9bn.

Upon introduction of the Belt and Road Initiative, Deloitte started to support Chinese companies engaged in the project by offering full professional services through its professional service capabilities and its global network across more than 150 countries and territories. Over the past three years, we have provided financial advisory, tax consultation, management consulting and other professional services for their Belt and Road projects to over 100 large-sized state-owned enterprises (SOEs) controlled by the central and local governments.

This time, Deloitte was honoured to work with SNAI and ACCA on surveying more than 20 countries along the Belt and Road routes about a number of accounting-related issues. The primary findings from our surveys in 14 countries have been collected and analysed as a result of the concerted efforts of the tripartite cooperation team. Now we want to show you this joint survey's outcome – Accounting Infrastructure: A Booster to the Belt and Road Initiative – to help you understand the accounting systems, tax risks and how talent is developed in those major countries along the Belt and Road routes. Deloitte is ready to give its full support continuously to all these enterprises so as to write a new chapter for the Belt and Road Initiative.



# Executive summary

## **Accounting, as an international business language, has become a basis for planning, decision making, control and evaluation in international economic exchanges, etc.**

During his visit to Central and Southeast Asian countries in 2013, President Xi Jinping proposed a major initiative: that of building the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which was enthusiastically received at home and abroad. The Initiative not only opens up a vast space, in which China and the Belt and Road countries can reach a mutually beneficial win-win scenario through complementary advantages, but also provides a historical opportunity to the leap forward of China's economy and engage deeply in global economic governance. Nearly four years have passed since the launch, and the Initiative has proved fruitful for policy coordination, facilities connectivity, unimpeded trade, financial integration and creating people-to-people bonds. How is accountancy, as an international business language, playing its infrastructural role during the process of

development of this Initiative? To find the answer, experts from SNAI, ACCA and Deloitte China worked together in the task force on the accounting infrastructure to study how that infrastructure can boost the Belt and Road Initiative.

'Infrastructure' generally refers to the engineering facilities that provide public services for social production and residential life. It is a public service system used to enable the normal social and economic activities of a jurisdiction, providing the general material conditions that support the survival and development of the community. The infrastructure includes the utilities and public service facilities, such as transport, post and telecommunications, water and power supply, commercial services, scientific research and technical services, landscaping, environmental protection, culture and education, public health, and so on. These constitute the foundation of the national economy. In defining the accounting infrastructure in international economic exchanges, we must recognise the role of accounting as an international business language, serving as a basis for planning, decision making, control and evaluation in financial cooperation,

cross-border investment and financing, economic and trade exchanges and other activities. Given the collected data on the accounting statements, the government can take effective macro-control and determine the allocation of resources and interests to ensure healthy and orderly development of the national economy, while investors can understand the financial situation of the state and its enterprises and ascertain whether they can obtain their desired return on investment. In modern society, the more developed an economy is, the higher the requirements it will set for the accounting infrastructure. A well-established accounting infrastructure plays a vital role in accelerating social and economic activities and facilitating economic and trade exchanges between countries.

'Accounting infrastructure' is a massive area. Given that the Belt and Road countries vary in accounting development, the notion and scope of accounting infrastructure from county to country remain to be studied. Initially, the task force involved in the research reported here studied the disparities between accounting standards, tax risk and accounting personnel training across representative Belt and Road countries.



Accounting occupies a pivotal position in the capital markets. By collecting, processing and summarising data, accounting constructs an effective information system for economic decision making and management. Firstly, therefore, understanding the accounting standards of the representative countries is essential. Secondly, along with more and more active outbound investment activities, enterprises are increasingly exposed to taxation-related risks, especially dual taxation, incomplete execution of tax treaty benefits, transfer pricing and anti-tax avoidance challenges, legacy tax problems of target enterprises in overseas M&As and tax discrimination, etc. Enterprises expanding globally have to learn how to avoid and deal with these tax risks. Finally, in the pursuit of a more coordinated, better-established system of accounting standards and in response to tax risk, the research shows that training personnel is a prerequisite for international-level financial accounting performance. The countries and businesses concerned are keeping a close eye on how to cultivate accountancy professionals with a global vision, whether

there are specialised institutions or organisations responsible for accounting personnel training in Belt and Road countries, what capabilities are necessary for the accounting team, what measures can be taken to enhance the competence of accounting personnel, how different countries vary in their training models, and what experience is worth learning from each other, and so on.

In selecting representative countries, the task force drew on the research results of ACCA, the Shanghai Stock Exchange<sup>1</sup> and the national information centre on the Belt and Road Initiative and calculated the scores of 'One Belt One Road' (OBOR) countries ranked by the country cooperation index, where 14 countries were picked as the first research targets, namely Singapore, Malaysia, the United Arab Emirates (UAE), Poland, Czechoslovakia, Qatar, Hungary, Thailand, Vietnam, Russia, Indonesia, Kazakhstan, India and Pakistan. From April to June 2017, the task force conducted a questionnaire survey on corporate executives from these 14 countries (including local enterprises and the

branches of Chinese-funded enterprises in these countries), followed by an analysis. The analysis on those selected countries was mainly based on the interviews with Deloitte partners and senior directors, ACCA members and SNAI alumni who have profound knowledge and working experience in the respective country ('Respondents').

#### Research Partners:

SNAI: Li Kouqing, Tong Chengsheng, Ge Yuyu and Li Xinning

ACCA: Qian Yuyi

Deloitte: Liu Minghua and Ren Zheng

#### Download the full report:



<sup>1</sup> The Association of Chartered Certified Accountants (ACCA) and Shanghai Stock Exchange, (2017) *The Belt and Road initiative: reshaping the global value chain*. [Online] Available at: <<http://cn.accaglobal.com/ueditor/php/upload/file/20170731/93.EN-pi-belt-and-road-initiative.pdf>>

# Coordination and harmonisation of accounting policy between countries



## Coordination of the accounting policy between countries is one of the core mechanisms enabling information communication across economies.

According to the ACCA survey of 14 One Belt One Road (OBOR) countries, differences in accounting standards are seen as obstacles to cross-border investment in the region. Therefore, international convergence of accounting standards will help companies produce high-quality, more comparable and more transparent financial reports and to alleviate the negative impact of differences between countries in the comparability and transparency of accounting information. At the same time, it will facilitate cross-border investment and capital market integration, improving market liquidity.

Moreover, it can expand the scope of business investors, reducing international transaction costs through risk sharing, for better capital allocation.

The development trend shows that Chinese capital is accelerating its entry into overseas markets. According to the 2015 Statistical Bulletin of China's Outward Foreign Direct Investment<sup>2</sup>, China's outbound investment flows ranked second in the world in 2015, with a record high at \$145.57bn, an increase of 18.3% year on year. More than 80% (83.9%) of China's outbound investment stock was distributed in developing economies, with 14% in developed economies and 2.1% in economies in transition.

According to a report by the Ministry of Commerce, People's Republic of China (MOFCOM)<sup>3</sup>, Investment and Cooperation in the Belt and Road Countries 2016, throughout 2016,

China directly invested \$14.53bn in Belt and Road countries, with Singapore, Indonesia, India, Thailand and Malaysia being the major destinations. Led by engineering contracts and supported by financial services, China is constructing a number of cooperative parks and free trade areas alongside the route, striving for a sustainable return on investment, which will become a beacon for its overseas investment.

## OVERVIEW OF THE ACCOUNTING STANDARDS ADOPTED BY THE BELT AND ROAD COUNTRIES

The accounting standards adopted by the Belt and Road countries vary. According to the Pocket Guide to IFRS Standards: The Global Financial Reporting Language<sup>4</sup> (Guidance) issued by the IFRS Foundation in March 2017, the International Financial Reporting Standards (IFRS) are embracing further enhanced quality and increasingly

<sup>2</sup> Ministry of Commerce of People's Republic of China, Statistical Bulletin of China's Outward Foreign Direct Investment, 2015. [Online] Available at: <<https://www.purpleculture.net/statistical-bulletin-of-chin>>

<sup>3</sup> Ministry of Commerce of the People's Republic of China, (2017), Investment and Cooperation in the Belt and Road Countries 2016. [Online] Available at: <<http://www.mofcom.gov.cn/article/tongjiziliao/dgz/201701/20170102504429.shtml>>

<sup>4</sup> Paul Pacter, Pocket Guide to IFRS Standards: The Global Financial Reporting Language, IFRS Foundation, 2017. [Online] Available at: <<http://www.ifrs.org/-/media/feature/around-the-world/documents/pocket-guide-2017.pdf>>, accessed 12 November 2017. <<http://www.mofcom.gov.cn/article/tongjiziliao/dgz/201701/20170102504429.shtml>>, accessed 12 November 2017.



extensive application worldwide. The Guide contains the statistics on IFRS application in 150 jurisdictions worldwide, including information on the relevant standards and standard-setting bodies. It indicates that as of the date of its release, 126 (84%) of the 150 jurisdictions studied had requested all, or the majority of, domestic listed companies and institutions to prepare financial reports in accordance with the IFRS.

Using the Guide, ACCA tallied the accounting standards of the Belt and Road countries and found the following facts, Among the 65 Belt and Road countries, 54 (83%) have requested all or the majority of domestic listed companies and institutions to prepare financial reports in accordance with the IFRS, three (Vietnam, Laos and Egypt) are using their own accounting standards, two (India and Indonesia) are converging with the IFRS on a continuing basis, Thailand is directly applying the IFRS, Uzbekistan requires only domestic banks to report in accordance with the IFRS, and the other four (Turkmenistan, Kyrgyzstan, Tajikistan and Lebanon) are not included in the range of the Guide.

ACCA's research shows that among the 54 Belt and Road countries adopting the IFRS, Iran, Kazakhstan, Kuwait, Montenegro and Qatar began to require all or the majority of their domestic listed companies and institutions to prepare financial statements in accordance with the IFRS in 2016. In addition, Saudi Arabia decided to require all publicly traded companies and all other public entities to report in accordance with the IFRS from 2017 and 2018 respectively.

#### **OTHER DECISIVE KEY FACTORS FOR THE QUALITY AND COMPARABILITY OF REPORTING**

In fact, accounting standards are only one of the important institutional factors that affect the implementation of an enterprise's financial reporting, and have a limited impact on the quality and comparability of corporate reporting. Academic research shows that the application environment for corporate reporting and the enforcement of accounting standards are as important as the accounting standards used in the preparation of financial statements, and they also determine the quality and comparability of reporting, to some extent. In general, the reporting application environment of an enterprise is affected by many factors, including:

- legal institutions of the State (eg rule of law)
- effectiveness of the enforcement system (eg audit)
- role of the capital market (eg the demand for external capital)
- ownership, governance and operational characteristics of an enterprise
- product market competition.

At the same time, the enforcement of accounting standards across businesses constrains reporting quality. Even if the reporting application environments are similar, as long as the degree of enforcement differs between countries, the general comparability of corporate reporting is unlikely to be achieved. This applies to any set of accounting standards, not just the IFRS. The survey carried out for this report looked in depth at the accounting standards adopted by the Belt and Road countries and the practical application environment, with a mission of informing readers of this report about the basic facts of accounting policy in these areas, promoting the integration and international convergence of national accounting standards, and improving and enhancing cooperation mechanisms in the accounting domain.



## Singapore

Listed companies in Singapore are required to use Singapore Financial Reporting Standards (SFRS), which are substantially converged with IFRS Standards. All foreign companies listed on the Singapore Exchange are permitted to apply IFRS Standards under the Listing Rules.



## Malaysia

Public companies are required to use the Malaysian Financial Reporting Standards (MFRS) Framework, which is substantively equivalent to IFRS Standards. IFRS Standards are permitted for listings by foreign companies.

### SINGAPORE

#### Professional institution:

Institute of Singapore Chartered Accountants (ISCA)<sup>5</sup>

**Standard-setter:** Singapore Accounting Standards Council (ASC)<sup>6</sup>

#### Financial reporting standards:

The model adopted in Singapore is direct application of IFRS Standards.

Singapore has three sets of approved accounting standards now, namely:

- Singapore Financial Reporting Standards (SFRS) – for all companies other than SMEs that apply the SFRS for Small Entities
- IFRS-identical Financial Reporting Standards – for Singapore-incorporated companies listed on the Singapore Exchange (SGX), which will be effective for annual periods beginning on or after 1 January 2018, and
- SFRS for Small Entities – for SMEs.

Singapore-incorporated companies (both listed and non-listed) are required to use the SFRS, which are substantially aligned with IFRS Standards for both consolidated and separate financial statements.

According to survey respondents' feedback, the SFRS make only a slight revision to IFRS Standards. Therefore, the SFRS and IFRS Standards are largely the same except that, in the SFRS, IFRIC 2 (The International Financial Reporting Interpretations Committee's regulation on Members' Shares in Co-operative Entities and Similar Instruments) has not yet been adopted, several modifications have been made to certain exemptions; transition provisions or effective dates of a few IFRS Standards and some additional guidance has been provided for certain IFRS Standards.

Singapore-incorporated companies are permitted to use IFRS Standards if approval for their use is granted by the Accounting and Corporate Regulatory Authority of Singapore (ACRA). A Singapore-incorporated company that is listed on both a securities exchange in Singapore and a securities exchange outside Singapore is permitted to use IFRS Standards if the securities exchange outside Singapore on which the company is listed requires this. In addition, all foreign companies listed on SGX are permitted to apply IFRS Standards.

On 29 May 2014, the ASC announced that Singapore incorporated companies listed on SGX will apply a new financial reporting framework, identical to IFRS Standards for annual periods beginning on or after 1 January 2018. Non-listed Singapore-incorporated companies may also voluntarily apply the new framework at the same time.

All Singapore SMEs are required to use the SFRS for Small Entities, which are based on the IFRS for SMEs Standard, except for some differences in the description of the scope and applicability of the SFRS for Small Entities, eg the definition of SMEs.

In the respondents' view, the Singapore accounting standards are robust in practical implementation, with all companies usually being able to follow the generally accepted standards.

**Audit:** According to respondents' feedback, a Singapore-incorporated company is required to conduct annual audits, unless it meets the audit exemption criteria prescribed in section 205B or 205C of the Companies Act, ie the company has no more than 20 shareholders, all of whom are individual shareholders, and its

revenue in a financial year does not exceed S\$5m. Also, according to respondents' feedback, the Singapore Standards on Auditing are identical to the International Standards on Auditing, a set of standards issued by the International Federation of Accountants (IFAC).

### MALAYSIA

#### Professional institution:

Malaysian Institute of Accountants (MIA, member of the IFAC)<sup>7</sup>  
Malaysian Institute of Certified Public Accountants (MICPA, member of the IFAC)<sup>8</sup>

#### Standard-setter and key responsibilities:

Malaysian Accounting Standards Board (MASB)<sup>9</sup>

The key responsibilities of the MASB are:

- issuance of any new accounting standards as approved accounting standards
- review, revision or adoption of any approved or existing accounting standards
- amendment, replacement, suspension, deferral, withdrawal or cancellation of any approved accounting standards, in whole or in part
- issuance, approval, review, amendment, replacement, suspension, deferral, withdrawal or cancellation of any published Announcement on Issues, or Technical Bulletin and any other documents relating to financial reporting, in whole or in part
- sponsoring or undertaking development of accounting standards
- collaborating with other national and international accounting standard setters and continuously monitoring

5 <http://isca.org.sg/>

6 <http://www.asc.gov.sg/>

7 <http://www.mia.org.my/>

8 <http://www.micpa.com.my/>

9 <http://www.masb.org.my>



Compliance with IFRS Standards is required for companies listed on NASDAQ Dubai, Dubai Financial Services Authority (DFSA), and Abu Dhabi Securities Exchange. Compliance with IFRS Standards is permitted for companies listed on Dubai Financial Market PJSC. Compliance with IFRS Standards is required for listings by foreign companies.

development of other national and international accounting standards

- participating in and contributing to the development of a single set of accounting standards for international use, and
- monitoring the operation of approved accounting standards to assess their continuing relevance and effectiveness.

#### Financial reporting standards:

The model adopted in Malaysia is direct application of IFRS Standards.

Malaysia has three sets of approved accounting standards now, namely:

- Malaysian Financial Reporting Standards (MFRSs) – for entities other than private entities
- Private Entity Reporting Standards (PERs) – for private entities, to be withdrawn with effect from 1 January 2016; and
- Malaysian Private Entities Reporting Standard (MPERS) – for private entities, effective for annual reporting periods beginning on or after 1 January 2016.

In Malaysia, the MASB is responsible for the endorsement of IFRS Standards so as to establish MFRSs, which aims to be identical to IFRS Standards without modification. Malaysian non-private entities (including listed companies and institutions) have been required to apply IFRS Standards (locally known as the MFRSs) since 2012 for both consolidated and separate financial statements. In practice, some Transitioning Entities (TEs), primarily agriculture and real estate companies, may elect to defer the adoption of the MFRSs to 2018. Until then, these companies are still permitted to use Malaysia's national accounting standards.

There are some differences between Malaysia's accounting standards as currently used by Malaysian agriculture and real estate companies, and IFRS. For example, IAS 41, IFRS 15 and IFRIC 15 are not yet included. And under Malaysia's accounting standards, biological assets in an agriculture company are recognised at cost, and real estate companies are permitted to recognise revenue and cost arising from property development activities using the percentage of completion method.

Malaysian private entities were required to apply the MPERS for annual periods beginning on or after 1 January 2016. Until then, the PERs were used. The MPERS is word-for-word the IFRS for SMEs standard, except for the requirements for property development activities and some terminology changes.

In the respondents' view, the accounting standards used in Malaysia, including the MFRSs and the MPERS, are very much the same to the IFRS. According to respondents' feedback, the Malaysian accounting standards are robust in practical implementation, with all companies usually being able to follow the generally accepted standards. This is mainly because of a strict regulatory environment: listed companies are subject to the supervision of other government agencies, such as Bursa Malaysia and the Securities Commission Malaysia, in addition to the routine regulators. Financial institutions and insurance companies are also subject to the supervision of Central Bank of Malaysia. Listed companies are also required by Bursa Malaysia and the Securities Commission Malaysia to disclose their corporate governance information.

**Audit:** All companies that are incorporated under the Companies Act

2016 are required to be audited.

Nonetheless, that Act does give the Registrar the power to exempt a company incorporated under the Act from the requirement of having an audit. According to respondents' feedback, the Standards on Auditing used in Malaysia are identical to the International Standards on Auditing, a set of standards issued by the IFAC.

#### UAE

##### Professional institution:

Accountants & Auditors Association<sup>10</sup>

**Standard-setter:** The UAE has no financial reporting standard setter or national financial reporting standards, and IFRS Standards, which were set and issued by the International Accounting Standards Board (IASB), are directly used in the UAE.

##### Financial reporting standards:

The model adopted in the UAE is direct application of IFRS Standards. The UAE Commercial Companies Law No 2 of 2015, which came into force on 1 July 2015, requires all companies to apply IFRS Standards when preparing their financial statements (for SMEs, the IFRS for SMEs Standards apply).

There are exceptions to the adoption of IFRS Standards: in some rare cases, the central bank imposes additional loan loss provision requirements. In addition, in practice, IAS 19 Employee Benefits is not applied to certain end-of-service benefits because of the costs and lack of actuarial data. The law also requires directors' fees to be recognised in equity. While these two practices are not consistent with IAS 19, the treatment is accepted in practice because the effect is not material.

According to respondents' feedback, IFRS Standards are robust in practical

<sup>10</sup> <http://www.aaa4uae.com/>

## Poland



All domestic companies whose securities trade in a regulated market are required to use IFRS Standards, as adopted by the EU, in their consolidated financial statements. IFRS Standards, as adopted by the EU, are required in their consolidated financial statements except that a foreign company whose home jurisdiction's standards are deemed by the EU to be equivalent to IFRS Standards may use its home standards.

implementation by the UAE's companies, which are usually being able to follow the generally accepted standards.

**Audit:** The respondents noted that the UAE Commercial Companies Law requires all entities to be audited, except for sole proprietorships and some free zones, which do not require an audit for some of their entities. Also, in the respondents' view, the Standards on Auditing used in the UAE are very similar to the International Standards on Auditing, a set of standards issued by the IFAC.

### POLAND

#### Professional institution:

Accountants Association in Poland (AAP)<sup>11</sup>

#### Standard-setter:

Polish Accounting Standards Committee (KSR)<sup>12</sup>

The key responsibilities of the KSR are:

- management of the national accounting work
- drafting the accounting law and administrative regulations
- doing research and proposing policies for accounting reforms and developments
- drafting and organising the implementation of a consistent national accounting standards system, management accounting standards, internal control regulations, and accounting informatisation<sup>13</sup> standards, etc.
- drafting the government accounting standards and the accounting systems for administrative and public institutions, and

- supervising and directing the certified public accountancy (CPA) profession according to law, and developing rules and regulations, policies and measures for the CPA profession.

#### Financial reporting standards:

##### 1. Circumstances where application of IFRS Standards as adopted by the EU is required:

In June 2002, the European Union adopted an IAS Regulation requiring all companies listed in an EU capital market to prepare their consolidated financial statements in accordance with IFRS Standards, as adopted by the EU, from 2005. Poland is an EU member state. Consequently, Polish companies listed in an EU/ EEA (the European Economic Area) securities market are required to follow IFRS Standards, as adopted by the EU. The EU IAS Regulation gives member states the option of requiring or permitting application of IFRS Standards, as adopted by the EU, in separate company financial statements or in the financial statements of companies whose securities do not trade on a regulated securities market.

**2. Other circumstances:** For the above-mentioned option, Poland permits IFRS Standards, as adopted by the EU, in the separate financial statements of a company whose securities trade in a regulated market, requires IFRS Standards, as adopted by the EU, for the consolidated financial statements of all banks; and permits IFRS Standards, as adopted by the EU, for both the consolidated and separate financial statements of the following categories of companies whose securities do not trade in a regulated market: ie a subsidiary of a company that prepares consolidated

financial statements in conformity with IFRS Standards, as adopted by the EU, or a company that has filed for admission for public trading. Apart from the above, a company is required to use the Polish national accounting standards. The Polish Accounting Standards Committee (KSR) within the Polish Ministry of Finance sets domestic accounting standards. Companies that do not have to apply IFRS Standards in drawing up their financial statements can voluntarily apply the standards issued by the KSR.

According to respondents' feedback, the Polish national accounting standards are somewhat similar to IFRS Standards with certain differences in most of the standards. Major differences are in Business Combinations, Consolidated Financial Statements, Goodwill, Revenue, and Measurement and Classification of Financial Instruments, as well as in the application of fair value. Some examples are set out below.

##### 1. Business combinations:

a. Under the Polish Accounting Standard, the pooling of interests method is allowed for business combinations where the existing shareholders do not lose control over the entities. By contrast, under the IFRS Standard, only the purchase method is allowed in such cases (a business combination involving enterprises under common control is not covered by IFRS3). Under the Polish Accounting Standard, costs incurred in direct relation to the business combination increase the acquisition cost rather than being recognised in profit or loss when incurred as required under the IFRS Standard.

b. Measurement of non-controlling interests: the Polish Accounting Standard requires measuring at the interest's

<sup>11</sup> <http://www.skwp.pl/en>

<sup>12</sup> [www.mf.gov.pl/](http://www.mf.gov.pl/)

<sup>13</sup> 'Informatisation' is the extent to which a society/economy is based on information



proportionate share of the acquired entity's identifiable net assets, while the relevant IFRS standard gives the option of measuring non-controlling interests either in this way or at fair value. Under the Polish Accounting Standard, minority shareholders' equity transactions not resulting in loss of control are accounted for as acquisitions/sales, with the effects being included in profit/loss or goodwill of the period. By contrast, under IFRS Standard, these transactions are accounted for as equity transactions without including the effects in profit/loss or goodwill of the period.

c. The definition of control: the description of 'control' under the previous IFRS standard was carried forward to the Polish Accounting Standard, ie 'control' here stresses managing the financial and operational policies of the investee in order to derive benefits from its business activity.

## 2. Goodwill:

a. Under the Polish Accounting Standard, goodwill is the difference between the acquisition price and the net fair value of the acquired assets, while under the IFRS Standard goodwill is the difference between the consideration and the fair value of the acquired entity's identifiable net assets. Besides, there are also differences in accounting for the contingent consideration: under the Polish Accounting Standard, contingent payments are included in the acquisition consideration only if the occurrence of future events that would result in contingent payments is probable and the payment amount can be reliably determined. If the actual payment amount differs from the estimate, appropriate adjustment of the acquisition cost and goodwill (negative goodwill) is necessary. By contrast, under the IFRS Standard, contingent payments are always included in determining the contingent consideration, and the

applicable standards must be used for subsequent recognition of contingent payments, depending on whether they are classified as liabilities or equity.

b. The Polish Accounting Standard allows goodwill to be amortised over its useful life. Where the useful life may not be determined reliably, goodwill may not be amortised over more than five years. Amortisation is applied using the straight-line method and charged to other operating expenses.

## 3. Financial instruments:

a. The classification of financial instruments under the Polish Accounting Standard is very similar as that under the existing IAS 39 except that for entities other than banks, only the financial assets or liabilities held for trading can be measured at fair value and changes in fair value must be included in profit or loss (disallowed financial assets or liabilities to be designated as measured at fair value through profit or loss on initial recognition). In addition, an entity other than a bank can choose to recognise changes in the fair value of financial assets available for sale in the financial revenue or the expenses of the period or in the revaluation reserve.

b. The Polish Accounting Standard does not provide detailed principles for financial asset impairment measurement.

The corresponding changes in IFRS 9 have not yet been introduced into the Polish Accounting Standard.

## 4. Preparation of consolidated financial statements:

a. Under the Polish Accounting Standard, relief from the obligation to prepare consolidated financial statements is allowed for non-public entities under specific conditions. But the exemption from consolidation for investment entities under the IFRS Standard is not allowed under the Polish Accounting Standard.

b. Under the Polish Accounting Standard, a subsidiary may be excluded from consolidation when it is acquired solely for resale, but there is no such exemption under the IFRS Standard.

c. Minority interests are presented as a separate liability and equity category under the Polish Accounting Standard, but as a portion of the group equity under the IFRS Standard.

d. Under the Polish Accounting Standard, in the event of increases or decreases in the parent's interest that do not result in loss of control, changes in the percentage interests in a subsidiary are recognised as financial revenue/expenses. By contrast, under the IFRS Standard, such changes are treated as equity transactions.

e. The proportional consolidation method is allowed under the Polish Accounting Standard, but not allowed under the IFRS Standard.

## 5. Revenue recognition

Since the Polish Accounting Standard in relation to revenue recognition is unregulated by the Accounting Act, it may be substantially different from IFRS 15 in practice.

## 6. The application of fair value

Under the Polish Accounting Standard, the application of fair value is limited. For example, measurement of property, plant and equipment using the fair value model is not allowed, unless it is the requirement of statutory regulation, and measurement of intangible assets using the fair value model is not allowed either.

In addition, if a specific accounting matter is not regulated in the KSR standards or in the Polish Accounting Act, companies have the option of using guidance from IFRS. If a company decides to follow KSR standards, however, applying IFRS guidance is prohibited when a specific accounting matter is regulated under the KSR standards or the domestic

## Czech Republic



All domestic companies whose securities trade in a regulated market are required to use IFRS Standards, as adopted by the EU, in their consolidated financial statements. IFRS Standards, as adopted by the EU, are required in their consolidated financial statements, except that a foreign company whose home jurisdiction's standards are deemed by the EU to be equivalent to IFRS Standards may use its home standards.

accounting standards. In the respondents' view, the Polish Accounting Standards are robust in practical implementation, with all companies usually being able to follow the generally accepted standards. In general, the larger a company is, the more thoroughly it will follow the Accounting Standards. According to respondents' feedback, reports on corporate governance are rarely prepared by Polish companies.

**Audit:** The respondents noted that in Poland, all banks and insurance companies, funds, listed companies, and entities meeting two or more of the following conditions are required to be audited:

- the number of employees is greater than 50
- the total assets exceed €2.5 million
- the sales value exceeds €5 million.

The respondents considered that the Standards on Auditing used in Poland are generally consistent with the International Standards on Auditing, a set of standards issued by the IFAC.

### CZECH REPUBLIC

#### Professional institution:

Union of Accountants of the Czech Republic<sup>14</sup>

**Standard-setter:** Ministry of Finance of the Czech Republic<sup>15</sup>

Its key responsibilities are:

- management of the national accounting work
- drafting the accounting law and administrative regulations
- drafting the government accounting

standards and the accounting systems for administrative and public institutions, and

- other responsibilities, including national budgeting, tax supervision, international payment settlement, and foreign investment regulation.

#### Financial reporting standards:

**1. Circumstances where application of IFRS Standards as adopted by the EU is required:** In June 2002, the European Union adopted an IAS Regulation requiring application of IFRS Standards, as adopted by the EU, for the consolidated financial statements of all companies whose securities trade in an EU capital market, starting in 2005. Czech Republic is an EU member state. Consequently, Czech companies listed in an EU/EEA securities market are required to follow IFRS Standards, as adopted by the EU.

The EU IAS Regulation gives member states the option of requiring or permitting IFRS Standards, as adopted by the EU, in separate company financial statements or in the financial statements of companies whose securities do not trade on a regulated securities market.

**2. Other circumstances in which application of the IFRS, as adopted by the EU, is required or permitted are as follows.** For the above-mentioned option, the Czech Republic requires IFRS Standards, as adopted by the EU, in both the consolidated financial statements and separate financial statements of all companies whose securities trade in a public market. Czech Republic permits IFRS Standards, as adopted by the EU, in the consolidated financial statements of

companies whose securities do not trade in a regulated market, and in the separate financial statements of a company whose securities do not trade in a regulated market, under specific conditions, ie if it is a subsidiary of a parent company that uses IFRS Standards, as adopted by the EU, for preparation of its consolidated financial statements. Apart from the above, a company is required to use the Czech accounting standards.

According to respondents' feedback, the Czech accounting standards are applied to different industries according to specific Announcements, as follows:

- for enterprises (Announcement No. 500/2002)
- for banks (Announcement No. 501/2002)
- for insurance companies (Announcement No. 502/2002 and 503/2002)
- for non-profit organisations (Announcement No. 504/2002)
- for municipal governments and government agencies (Announcement No. 410/2009)

For taxation purposes, all companies are required to calculate their taxable profit in accordance with the Czech accounting standards. According to respondents' feedback, the Czech accounting standards are somewhat similar to IFRS but with certain differences in a number of standards, such as revenue recognition (the Czech Republic does not apply the Incoterms<sup>16</sup> used by its international peers), leases, and financial instruments. Some examples are set out below.

<sup>14</sup> <https://www.svaz-ucetnich.cz/>

<sup>15</sup> <http://www.mfcr.cz/>

<sup>16</sup> 'Incoterms' are a set of international commercial terms of trade formulated by the International Chamber of Commerce (ICC).



**1. General differences:** Under Czech accounting legislation, a) there are the mandatory chart of accounts, and the mandatory formats of the balance sheet and the income statement, all of which are unavailable under IFRS; b) accounting treatments in certain areas are unavailable, eg impairment of assets; c) sometimes, the form of a transaction prevails over its substance (eg finance leases) whereas under IFRS the substance-over-form principle applies; d) for the valuation basis, historical cost prevails and fair value is used in only limited circumstances (it is applicable to securities or business combinations).

**2. Share-based payment:** Czech accounting legislation does not provide any guidance in this area.

**3. Business combinations:**

a. In the Czech Republic, the consolidation requirement may be exempted if certain criteria are met (total assets/net sales/headcount), but the relief from the consolidation requirement does not apply to banks, insurance companies and securities issuers.

b. There is a difference between the definition of a subsidiary or a group under Czech accounting legislation and that in IFRS. The non-existence of guidance on such terms may lead to different conclusions for the purposes of IFRS and Czech accounting legislation when assessing the existence of control.

c. No explicit accounting guidance is provided under Czech accounting legislation for the decrease in an investment in a subsidiary that does not result in loss of control. In contrast, this is clearly addressed and recognised as an equity transaction under IFRS.

d. Non-controlling interests (NCI) are disclosed within liabilities under Czech accounting legislation but, under IFRS, NCI are instead disclosed in equity.

**5. Inventories:** Under Czech accounting legislation, borrowing cost is never capitalised in the cost of inventories, and inventories with different production cycles are subject to different requirements for the accounting of overheads. By contrast, under IFRS, borrowing costs can be capitalised for inventories, and overheads are included in inventories. In addition, there is no precise guideline on calculation of inventory impairment under Czech accounting legislation.

**6. Fair value measurement:** Such rules are not available under Czech accounting legislation. Apart from business combinations, fair value is used only for the valuation of some financial instruments.

**7. Construction contracts:** Czech accounting legislation provides no separate guidance for construction contracts. Accounting follows the formal contract arrangement. Suppliers account for revenue and expenses in the period to which they relate, in compliance with law. The stage of completion method is not included in Czech accounting legislation. Profit from a contract cannot be recognised gradually in the course of the contract, it is only recognised as and when billed. Unbilled expenses are recognised as works in progress. By contrast, under IFRS, the stage of completion method is used and unbilled expenses are reported as a receivable from a customer.

**8. Leases:** With leases, form takes precedence over substance under Czech accounting legislation. Therefore, finance leases are accounted for differently from under IFRS, ie leased assets and liabilities are not reflected on the lessee's balance sheet but recognised only in expenses, over the lease term, on a straight-line basis, the same as operating leases.

**9. Revenue recognition:** No specific guidance on revenue recognition exists under Czech accounting legislation. Usually, revenue is recognised as of the date on which the ownership title to the asset is passed or a service is provided,

which is different from the provisions under IFRS. In the case of deferred payment, revenues are not discounted on recognition under Czech accounting legislation, while discounting to the present value is required for recognition of deferred payments under IFRS. For multi-component transactions, Czech accounting legislation provides no guidance on revenue recognition, while under IFRS Standards the recognition criteria are applied to the individual components separately.

**10. Financial instruments:** In this respect, Czech accounting legislation is similar to IFRS Standards but is less detailed and some areas are not addressed. For financial institutions, the rules for recognition and measurement of financial instruments are very close to IFRS Standards. For business entities, however, Czech accounting legislation is very different from IFRS Standards. For example, businesses are not required to account for embedded derivatives; there is no clear definition of liabilities or equity instruments, and their accounting policies depend on the legal form; redeemable priority shares are considered to be equity instruments; there is no obligation to distinguish between the debt and equity components of compound instruments; financial assets are initially measured at cost; long-term receivables and payables are not discounted; there is no specification of 'loans and receivables'; the measurement category of 'carried at amortised cost' is not specified; the use of an effective interest rate is not required; and there is no guidance for accounting for group hedging.

The respondents also noted that the Czech accounting standards are robust in practical implementation with all companies usually being able to follow the generally accepted standards.

In addition, according to respondents' feedback, only a limited number of Czech companies prepare business operation and corporate governance reports.

## Qatar



IFRS Standards are required for domestic public companies. Foreign companies are not listed on the Qatar Exchange.

## Hungary



All domestic companies whose securities trade in a regulated market are required to use IFRS Standards, as adopted by the EU, in their consolidated financial statements. IFRS Standards, as adopted by the EU, are required in their consolidated financial statements, except that a foreign company whose home jurisdiction's standards are deemed by the EU to be equivalent to IFRS Standards may use its home standards.

**Audit:** All public interest entities as defined in the Act on Accounting, and companies meeting the criteria set out below (ie joint stock companies fulfilling one of the criteria and other entities fulfilling two of the criteria) are required to be audited:

- total assets exceed CZK40m
- turnover exceeds CZK80m
- average number of employees is greater than 50.

According to the respondents, the Standards on Auditing used in the Czech Republic are identical to the International Standards on Auditing, a set of standards issued by the IFAC.

### QATAR

#### Professional institution:

Qatar Financial Markets Authority (QFMA)<sup>17</sup> The Law No. (8) of 2012 Qatar Financial Markets Authority gives the QFMA the authority to supervise and regulate listed companies in Qatar. Auditors of public companies are required to be registered with the QFMA as auditors. Qatar Central Bank oversees all the banks and insurance companies in Qatar.

**Standard-setter:** Qatar has no dedicated standard-setter and has directly adopted IFRS Standards.

#### Financial reporting standards:

According to Qatar's Commercial Law No. 5 of 2002, all Qatari companies are required to prepare consolidated and separate company financial statements in accordance with IFRS Standards.

There are exceptions to the adoption of IFRS Standards: the Qatar Exchange has permitted some Islamic financial

institutions to use accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

**Audit:** According to respondents' feedback, all companies in Qatar are required to be audited on an annual basis by auditors, following the International Standards on Auditing.

The Tax department of Qatar requires all business entities that are wholly or partially foreign owned (ie owners are based in non-Gulf Cooperation Council (GCC) countries) to submit audited financial statements signed by a locally registered auditor together with their tax declaration. Further, Circular No. 4/2011 dated 7 August 2011 requires that companies and permanent establishments wholly owned by Qatari or GCC nationals are required to file corporate income tax returns (accompanied by audited financial statements) if:

- their share capital is greater than or equal to QAR2m; or
- their gross revenue is greater than or equal to QAR10m.

### HUNGARY

#### Professional institution:

Chamber of Hungarian Auditors (member of the IFAC)<sup>18</sup>

**Standard-setter:** Ministry for National Economy<sup>19</sup> is the standard setter – its key responsibilities are:

- management of the national accounting work
- drafting the accounting law and administrative regulations

- doing research and proposing policies for accounting reforms and developments
- drafting and organising the implementation of a consistent national accounting standards system, management accounting standards, internal control regulations, and accounting informatisation standards, etc. and
- drafting the government accounting standards and the accounting systems for administrative and public institutions.

#### Financial reporting standards:

**1. Circumstances where application of IFRS Standards as adopted by the EU is required:** In June 2002, the EU adopted an IAS Regulation requiring all companies listed in an EU capital market to prepare their consolidated financial statements in accordance with IFRS, as adopted by the EU, starting in 2005. Hungary is an EU member state. Consequently, Hungarian companies listed in an EU/EEA securities market are required to follow IFRS, as adopted by the EU.

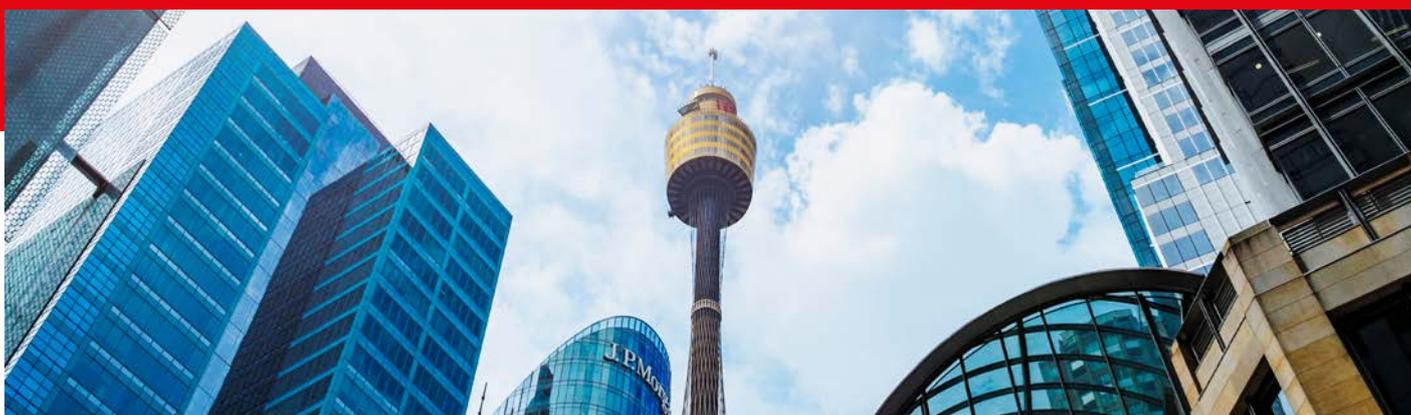
The EU IAS Regulation gives member states the option of requiring or permitting use of IFRS, as adopted by the EU, in separate company financial statements or in the financial statements of companies whose securities do not trade on a regulated securities market.

**2. Other circumstances in which application of the IFRS, as adopted by the EU, is required or permitted are as follows:** On 12 June 2015, the Hungarian government decided to extend the use of IFRS Standards to the individual accounts of Hungarian companies, as follows:

<sup>17</sup> <http://www.qfma.org.qa/English/Home.aspx>

<sup>18</sup> <http://www.mkvk.hu/>

<sup>19</sup> <http://www.kormany.hu/en/ministry-for-national-economy>



- a. voluntary application of IFRS from 1 January 2016 for companies whose securities are traded in the European Economic Area (EEA) or whose parent company prepares its consolidated financial statements under IFRS and requires its subsidiaries to prepare IFRS financial statements
- b. mandatory application of IFRS from 1 January 2017 for companies whose securities are traded in the EEA
- c. voluntary application of IFRS from 1 January 2017 for insurance companies and companies with obligatory audit of their financial statements
- d. mandatory application of IFRS Standards from 1 January 2018 for the remaining financial institutions.

The remaining companies prepare their financial statements in accordance with the Hungarian Accounting Law.

According to respondents' feedback, the Hungarian Accounting Regulation (HAR) is very different from IFRS Standards in recognition of intangibles, recognition of revenue and expenses, general disclosure in the financial statements, and the format of financial statements. The main differences are as follows.

- i. Presentation of financial statements: under HAR, pre-determined balance sheet and income statement templates are provided in the appendix of the Accounting Law, which should be applied. By contrast, under IFRS, companies have significant freedom in determining the structure and the format of the primary statements, depending on their accounting policies.
- ii. Other comprehensive income (OCI): under HAR, the concept of the other comprehensive income statement does not exist. Transactions that are recorded in the OCI under IFRS are recorded in the income statement or directly in equity under HAR.
- iii. Property, plant and equipment (PPE): Under IFRS it is an accounting policy

choice to apply the revaluation model for subsequent measurement of property, plant and equipment. When applied, the revaluation of the asset is accounted for in the OCI. The revalued amount becomes the basis of accounting for depreciation. Under HAR a similar accounting policy can also be applied, but there are several differences in the details. For instance, the increase in the value recorded against equity is disclosed only in the notes because there is no primary statement of comprehensive income. In addition, the revaluation does not change the basis for depreciation.

iv. Investment property: under IFRS, there is a specific definition of investment property in addition to the models for measurement (ie the historical cost model and the fair valuation model). Under HAR, there is no specific definition of investment property. Real estate companies usually carry their investment properties at cost, although companies may decide to apply the fair valuation model for PPE.

v. Intangible assets: similarly to PPE, under HAR applying the revaluation model for subsequent measurement of intangible assets is also an accounting policy choice. The revaluation is accounted for against equity, but the basis of amortisation is the initial cost of the asset. Under IFRS, however, intangible assets can be measured with the revaluation model only if there is an active market for the intangible assets. If the revaluation model is applied, the basis of amortisation is the revalued amount.

vi. Financial assets: under HAR every company can apply fair valuation, although this rarely happens in practice. Also, under HAR the legal form of the asset/liability determines the accounting treatment. Financial assets are generally carried at cost, and interest is recognised according to the contractual terms and not based on the effective interest rate. By contrast, under IFRS, the legal form does not drive classification of debt instruments; rather, the nature of the instrument is considered.

Additional differences involve financial assets that are carried at amortised cost.

vii. Revenue recognition: HAR generally follows the legal form of the transaction when accounting for revenue.

Extraordinary activities of the company could also form part of the revenue. There is no specific guidance on agent/principal consideration that enables the companies to decide whether the transaction should be recorded on a gross or net basis. Construction contracts and provision of services are generally accounted for in accordance with the completed contract/milestone method. Under HAR, the form of sales discount determines the treatment and it might affect revenue, other expense, financial expense or extraordinary expense. For the purpose of revenue recognition, HAR neither provides any guidance on how to account for multiple element arrangements nor takes into account the time value of money. All above items are different from IFRS.

viii. Employee benefits: under HAR there is no specific guidance on accounting for defined benefit plans.

ix. Share-based payments: HAR does not contain specific guidance on share-based payment transactions.

x. Income taxes – deferred taxes: HAR does not have the concept of deferred taxation in the separate financial statements. In the consolidated financial statements limited types of temporary differences give rise to 'corporate tax difference due to consolidation'. This is a significant difference from IFRS.

xi. Business combinations: under HAR entities have an accounting policy choice as to whether to account for the acquisition at cost or at the fair value of the assets acquired. The acquirer is determined on the basis of the legal form of the transaction. All the above is different from IFRS.

According to respondents' feedback, in Hungary, the accounting standards are

## Thailand



Thai Accounting Standards are required for domestic public companies. Thai Accounting Standards are substantially converged with IFRS Standards, though the financial instruments standards that are part of IFRS Standards have not yet been adopted. In addition, Thai Accounting Standards include several national financial instruments standards that differ from IFRS Standards.

robust in practical implementation with all companies being able to follow the generally accepted standards.

**Audit:** All Hungarian companies are required to be audited except for those companies whose annual net sales is less than 300m Forints (Ft) on the average of the two preceding financial years, and whose average number of employees for the two preceding financial years is fewer than 50 and in line with certain other conditions. According to the respondents, the Standards on Auditing used in Hungary are very similar to the International Standards on Auditing, a set of standards issued by the IFAC.

### THAILAND

#### Standard-setter & professional institution:

Federation of Accounting Professions (FAP, member of the IFAC)<sup>20</sup>  
The FAP's key responsibilities are:

- management of the national accounting work
- drafting the accounting law and administrative regulations
- doing research and proposing policies for accounting reforms and developments
- drafting and organising the implementation of a consistent national accounting standards system, management accounting standards, internal control regulations, and accounting informatisation standards, etc.
- drafting the government accounting standards and the accounting systems for administrative and public institutions

- national accounting talents development and
- supervising and directing the certified public accountancy (CPA) profession according to law, and developing rules and regulations, policies and measures for the CPA profession.

#### Financial reporting standards:

Thailand is in the process of fully adopting IFRS.

Thailand has two sets of approved accounting standards and one set of would-be-effective accounting standards, namely:

- Thai Financial Reporting Standards (TFRS) – mandatory application for listed companies in Thailand, and optional application for non-listed companies
- Thai Financial Reporting Standards for Non-Publicly Accountable Entities (TFRS for NPAEs) – applicable to non-listed companies and due to be replaced by the Thai Financial Reporting Standard for Small and Medium Enterprises (TFRS for SMEs), and
- Thai Financial Reporting Standard for Small and Medium Enterprises (TFRS for SMEs) – applicable to small and medium-sized enterprises, currently under preparation and expected to be effective on 1 January 2018.

The TFRSs are substantially converged with IFRS Standards, with a one-year delay from the equivalent IFRS Standards' effective date. For example, IFRS Bound Volume 2016 became effective in 2017. Also, the FAP has committed to adopting IFRS Standards relating to financial instruments in 2019, ie IFRS 9, IAS 32 and IFRS 7. Between now and 2019, the FAP plans to issue Thai equivalents of IFRS 9,

IAS 32 and IFRS 7 in 2017, and to encourage early adoption so as to minimise the differences between various financial instrument standards.

Thai public interest entities and institutions are required to prepare both consolidated and separate financial statements in conformity with TFRSs. But listed companies are also permitted to apply 'Thai Accounting Standards Plus IFRS Standards' in their financial statements – that is, to use those IFRS Standards that have not yet been adopted as Thai Accounting Standards in addition to those that have been adopted.

Currently, SMEs in Thailand can use either Thai Financial Reporting Standards (TFRS) or the Thai Accounting Standard for Non-Publicly Accountable Entities (NPAEs). The FAP states that Thai GAAP for NPAEs is 'short and simple and uses a historical cost measurement basis'. Thailand is in the process of adopting the IFRS for SMEs Standard in full without modification, to be known as the Thai Financial Reporting Standard for SMEs (TFRS for SMEs), with an expected effective date of 1 January 2018. A study is currently in progress as to which type of entity will be required to adopt the TFRS for SMEs.

According to respondents' feedback, in Thailand, the accounting standards are robust in practical implementation with all companies being able to follow the generally accepted standards.

**Audit:** The respondents noted that all companies legally registered in Thailand must be audited, and the Standards on Auditing used in Thailand are very similar to the International Standards on Auditing, a set of standards issued by the IFAC.

20 <http://www.fap.or.th/>

# Vietnam



Vietnam has not adopted IFRS Standards. National standards are required.

## VIETNAM

### Professional institution:

Vietnam Association of Certified Public Accountants (VACPA, member of the IFAC)<sup>21</sup>

**Standard-setter:** Ministry of Finance<sup>22</sup>

### Financial reporting standards:

Vietnam has neither adopted nor converged with IFRS Standards.

All Vietnamese companies are required to use the Vietnamese Accounting Standards (VASs) issued by the Vietnamese Ministry of Finance to prepare their consolidated and separate financial statements. The Ministry of Finance takes IFRS Standards into account in developing VAS, though some modifications were made to reflect local accounting regulations and environment. To date, the Ministry of Finance has issued 26 VASs (these were issued from 2001 to 2005), plus additional mandatory implementation guidance known as 'circulars'.

In 2015, the Vietnamese Ministry of Finance expressed its intention of moving towards IFRS Standards, but no specific timetable or convergence roadmap is available for the time being.

In the respondents' view, VASs are partially similar to IFRS Standards, and the major differences between them are as follows.

1. Under VASs, investments are recognised and measured at historical cost, and a provision must be made for decline in value of the net assets of the investment item or for decline in market value of the investment of equity securities that are treated as held-for-trading or available-for-sale financial assets. But the increase in market value of the investment item must not be recognised as income or as other comprehensive income (OCI).

2. VASs do not require changes in owners' equity to be reported as a separate statement. In addition, VASs have strict requirements for the reporting format and accounts.

3. Under VASs, the goodwill arising from a business combination is amortised over a period not exceeding 10 years from the date of acquisition.

4. VASs do not require accounting for share-based payments or fair value measurement;

5. VASs do not provide the definition of, or any specific guidance on, impairment of assets.

6. Also, VAS does not provide any specific guidance on amortised cost, hedge accounting, exploration for and evaluation of mineral resources, agriculture, or employee benefits.

According to the respondents, if a specific accounting matter is not regulated under VAS, a company has the option of using guidance from IFRS Standards. In the respondents' experience, VAS is robust in practical implementation, with all companies being able to follow the generally accepted standards. Vietnam has no requirements for disclosure of corporate governance arrangements.

**Audit:** In Vietnam, the annual financial statements of certain types of company are audited, namely:

- the annual financial statements of foreign-invested enterprises
- the annual financial statements of credit institutions established and operating under the Law on Credit Institutions, including the annual financial statements of any branches of a foreign bank in Vietnam

- the annual financial statements of financial institutions, insurance companies, reinsurance companies, insurance brokers, and branches of non-life insurance companies
- the annual financial statements of listed companies, and securities issuers and organisations
- the annual financial statements of state-owned enterprises (SOEs), except for those subject to the state's confidentiality provisions
- the final reports on the completion of major national projects and government-funded Grade-A projects, except for those subject to the state's confidentiality provisions
- the annual financial statements of companies where more than 20% of equity is owned by the state
- the annual financial statements of companies where more than 20% of equity is held by listed companies, issuers, and securities institutions by the end of a financial year;
- the annual financial statements of audit firms and any branches of a foreign audit firm in Vietnam, and
- the annual financial reports of ODA-funded projects and preferential loan projects that must be audited by a government auditor or by an independent auditor upon agreement with investors.

In the respondents' view, the Standards on Auditing used in Vietnam are similar to the International Standards on Auditing, a set of standards issued by the IFAC.

<sup>21</sup> <http://www.vacpa.org.vn/>

<sup>22</sup> <http://www.mof.gov.vn>

# Russia



IFRS Standards are required for listed companies, financial institutions and some government-owned companies. IFRS Standards are required for listings by foreign companies.

## RUSSIA

### Professional institution:

Audit Chamber of Russia (member of the IFAC)<sup>23</sup>

Russian Union of Auditors (member of the IFAC)<sup>24</sup>

**Standard-setter:** Ministry of Finance of the Russian Federation (MoF)<sup>25</sup>

According to respondents' feedback, the Ministry's key responsibilities are:

- control and development of the budgetary, tax and customs policies
- control of the bookkeeping, accounting and reporting functions and audit activities
- control of state debt and bonds issuance
- control and establishment of the National Reserve Fund and the National Welfare Fund
- handling international financial relationships and international cooperation
- initiating reforms
- regulating financial market activities
- regulating insurance and banking activities, credit cooperation, and micro-finance activities
- control of lottery agents, and
- creation and development of the 'Electronic Budgeting System'.

### Financial reporting standards:

Currently, Russia has two sets of applicable accounting standards, ie Russian Accounting Standards (RAS) and IFRS.

### 1. Companies required to use IFRS

According to respondents' feedback, the following companies are required to use IFRS Standards, endorsed by the MOF, for consolidated financial statements:

- credit institutions
- insurance companies (excluding medical insurance companies that are committed to compulsory medical insurance services)
- non-government pension funds
- companies managing investment funds, mutual funds and non-government pension funds
- clearing organisations
- federal unitary organisations (as decided by the Russian government)
- stock companies whose shares are in the federal government's possession (as decided by the Russian government), and
- other listed organisations.

Russia has a formal process for endorsement of new or amended IFRS Standards. Newly issued standards go through a technical assessment by the National Accounting Standards Board (NSFO), an independent organisation designated by the Ministry of Finance.

### 2. Circumstances where application of RAS is required

Each legal entity registered in Russia must prepare standalone statutory (RAS) financial statements for each fiscal (calendar) year ending 31 December. RAS financial statements must be filed with

the tax authorities and the state statistical register within three months after the end of the calendar year.

According to respondents' feedback, RAS is somewhat similar to IFRS Standards, with the major differences as follows.

- For RAS reporting, the requirements are strictly established: RUB currency, calendar year adopted as reporting year (no option for shifting), and reporting in the Russian language.
- Consolidation: under IFRS an entity that is a parent must present consolidated financial statements. Generally, this requirement applies to almost all entities, with only a few exceptions. By contrast, under RAS, an entity that is a parent must present consolidated financial statements in line with IFRS requirements only if the entity meets the criteria given in Federal Law (for example, it is mandatory for insurance companies, banks, listed companies and others).
- Fair value and the time value of money: according to IFRS, some assets and liabilities should be measured at fair value but no such requirements exist in RAS, where assets and liabilities are usually measured at their historical cost.
- Impairment of fixed assets: according to IFRS, fixed assets should be tested on impairment if there is any indication that they may be impaired, while RAS has no such impairment requirements.
- Finance leases: under IFRS, fixed assets received under a finance lease are accounted for in the lessee's

<sup>23</sup> <http://www.sroapr.ru/>

<sup>24</sup> <http://org-rsa.ru/>

<sup>25</sup> <http://minfin.ru/ru/>



Indonesia has not adopted IFRS Standards for reporting by domestic companies. Indonesia has moved towards converging its national standards with IFRS Standards, but without a plan for full adoption. All foreign companies whose securities trade in a public market are required to use Indonesian national accounting standards.

balance sheet and their depreciation is recorded in the lessee's profit and loss account. By contrast, under RAS, assets are recognised in the balance sheet in accordance with the terms of the lease agreement. Fixed assets received under a finance lease may be accounted for either in the lessee's balance sheet or in the lessor's balance sheet depending on the terms of the lease agreement, and their depreciation is included in the profit and loss account of the lessee or the lessor accordingly.

In addition, certain IFRS topics such as Hedging, Share-Based Payments, and Pension Plans, etc. are not covered in RAS. In the absence of RAS guidance, entities may choose to apply relevant IFRS Standards.

As for the actual performance of the accounting standards, respondents noted that RAS is robust in practical implementation, with all companies being able to follow the generally accepted standards. In addition, according to respondents' feedback, Russia does not require non-financial reporting disclosures about corporate governance.

**Audit:** In Russia, an annual audit of financial statements is mandatory for:

- joint stock companies
- entities with securities listed on stock exchanges
- banks and other lending agencies, insurance companies, credit bureaus, pension and investment funds, securities market participants and stock exchanges
- other entities with annual revenue for the preceding financial year exceeding RUB400m

- other entities with total assets as at the preceding 31 December exceeding RUB60m
- credit institutions
- insurance companies (excluding those with activities limited to obligatory medical insurance)
- non-government pension funds
- management companies of investment funds, investment unit trusts and non-state pension funds
- clearing organisations
- federal unitary organisations (as decided by the Russian government)
- stock companies whose shares are in the federal government's possession (as decided by the Russian government), and
- other listed organisations.

According to respondents' feedback, as a result of recent changes in the legislation, since 1 January 2017, audits in Russia are performed in accordance with the International Standards on Auditing as adopted by the International Federation of Accountants (IFAC) and officially adopted in Russia. Furthermore, the legislation stipulates an obligation for auditors to inform the owners and management of an audit client about any revealed instances of corruption and other legal offences as well as potential indicators of risks of such offences. If the representatives of the audit client do not take any appropriate actions for such instances within 90 days, the auditor is to inform the relevant state authorities.

## INDONESIA

### Professional institution:

Indonesian Institute of Certified Public Accountants (IICPA, member of the IFAC)<sup>26</sup>

**Standard-setter:** Indonesian Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan – DSAK IAI, as part of the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia – IAI)<sup>27</sup>

IAI's key responsibilities are:

- holding professional accountant certification exams (Chartered Accountant–CA Indonesia exams)
- maintaining competence through continuous professional education
- developing and establishing ethical codes, professional standards and accounting standards
- enforcing member discipline, and
- developing the accountancy profession in Indonesia.

### Financial reporting standards:

Indonesia has adopted the IFRS Standards convergence model. There are four sets of accounting standards in Indonesia:

1. Financial Accounting Standards – these consist of Statements of Financial Accounting Standards (PSAK) and Interpretations of Financial Accounting Standards (ISAK) issued by the DSAK IAI. This set of standards is a conversion of IFRS.
2. Sharia Accounting Standard (SAS) – intended for entities that perform Islamic transactions.
3. Financial Accounting Standards for Non-Public Accountable Entities (SAK ETAP) – intended to be used by an Entity without Public Accountability (ETAP) and

<sup>26</sup> <http://iapi.or.id>

<sup>27</sup> <http://www.iaiglobal.or.id/>



IFRS Standards are required for all listed companies, financial institutions and large unlisted companies. IFRS Standards are permitted for listings by foreign companies. Alternatively, foreign companies may use US GAAP.

for publishing general-purpose financial statements for external users.

4. Financial Accounting Standards for Micro, Small, and Medium Entities – for micro, small, and medium-sized entities that are not or have not been able to meet the accounting requirements set forth in SAK ETAP.

Indonesia's approach to IFRS adoption is to maintain its national GAAP (PSAK) and converge it gradually with IFRS Standards as far as possible.

It is noted that the DSAK IAI has completed the second phase of the IFRS convergence process, further minimising the gap between SAK and IFRS Standards, from three years to one year. SAK as at 1 January 2015 was substantially in line with IFRS Standards as at 1 January 2014, again with some exceptions. In May 2016, the Trustees of the IFRS Foundation, the Indonesia Financial Services Authority (OJK) and the Institute of Indonesia Chartered Accountants (IAI) announced their intention of deepening cooperation as Indonesia develops its plans to achieve full convergence with IFRS Standards.

The significant differences between PSAK and IFRS Standards are as follows.

#### i. Consolidated financial statements

When making decisions on consolidation, PSAK not only considers the satisfaction of the definition of 'control' but also includes the element of 'risks and rewards'. Furthermore, in defining 'control', PSAK's considerations focus primarily on the property of equity, ie control is presumed to exist when the parent owns more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

#### ii. Accounting for investment in joint ventures

Under PSAK, investors must recognise their interests in a joint venture using the proportionate consolidation method or, as an alternative, the equity method.

#### iii. Fair value

The definition of fair value under PSAK topics on investment property, intangible assets, leases, revenue, and assets is different from IFRS Standards. That is, under PSAK, fair value is defined as 'the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.' By contrast, under IFRS 13, it is emphasised that fair value is an 'exit price'.

According to respondents' feedback, in Indonesia, accounting standards are robust in practical implementation with all companies being able to follow the generally accepted standards. Indonesia does not require non-financial reporting disclosures in respect of corporate governance.

**Audit:** The respondents noted that, given Indonesia's regulation for limited companies, the criteria for entities whose financial statements should be audited are as follows:

- entities that collect and/or manage public funds (banking, and insurance, etc.)
- entities that issue debt certificates (eg bonds) to the public
- listed entities
- entities with the minimum total assets of Rp50bn, and
- foreign-invested entities.

According to respondents' feedback, the Standards on Auditing used in Indonesia are identical to the International Standards on Auditing, a set of standards issued by the IFAC.

## KAZAKHSTAN

### Professional institution:

Chamber of Auditors of the Republic of Kazakhstan<sup>28</sup>

**Standard-setter:** Ministry of Finance of the Republic of Kazakhstan<sup>29</sup>

The Ministry's key responsibilities are:

- ensuring the formation and implementation of state policy in the field of accounting reporting
- determining the order of accounting
- adopting the normative legal acts of the Republic of Kazakhstan on accounting reporting
- developing and approving national standards and guidelines for them
- developing and approving a standard chart of accounts
- Interacting on accounting reporting with other state bodies and professional organisations, and
- accreditation of professional organisations and certification organisations.

National Bank of Kazakhstan (NBK)<sup>30</sup>

### Financial reporting standards:

Kazakhstan has adopted full IFRS.

#### 1. Banks

Banks in Kazakhstan that participate in deposit insurance funds are required to prepare financial statements using IFRS Standards. Starting in 2004, all banks are required to participate in the deposit insurance programme. Therefore, all Kazakh banks began preparing IFRS-compliant financial statements for 2004.

#### 2. Other enterprises

Since 1 January 2006, IFRS Standards have been required for other companies.

<sup>28</sup> <http://www.audit.kz/>

<sup>29</sup> <http://www.minfin.gov.kz/irj/portal/anonymous>

<sup>30</sup> <http://www.nationalbank.kz/?docid=3321&switch=english>



## India

Indian Accounting Standards (Ind AS) are based on and substantially converged with IFRS Standards as issued by the IFRS Foundation board. India has not adopted IFRS Standards for reporting by domestic companies and has not yet formally committed to adopting IFRS Standards. IFRS Standards are permitted for listings by foreign companies.

Small and medium-sized entities (SMEs) are required to use Kazakhstan National Financial Reporting Standards #2 (KNFRS #2), which are based on the IFRS for SMEs Standard.

Small business enterprises, as defined under the tax legislation of the Republic of Kazakhstan, are under special tax regimes for peasant or farm enterprises; legal entities of producing agricultural products, and on the basis of a simplified declaration, use Kazakhstan National Financial Reporting Standards #1 (KNFRS #1).

According to respondents' feedback, even though the implementation of accounting standards in small business enterprises appears to be somewhat unsatisfactory, such accounting standards are nevertheless robust in practical implementation by other entities, which being able to follow the generally accepted standards.

**Audit:** According to respondents' feedback, in Kazakhstan, entities subject to mandatory audits are mainly:

- joint-stock companies
- state enterprises with the supervisory board in the spheres of education and health
- insurance (reinsurance) organisations, insurance holdings, and organisations in which the insurance (reinsurance) organisation and/or the insurance holding are/is the major participant(s), and insurance brokers
- single accumulative pension funds and investment portfolio managers
- banks, bank holdings, and organisations in which the bank and/or the bank holding is (are) the major participant(s)

- civil aviation organisations, with the exception of those airlines performing aviation work designated on a list determined by the government of the Republic of Kazakhstan
- social insurance funds, and
- legal entities of the Republic of Kazakhstan that enter into a contract for investment, in which investment preferences are provided.

Also, in accordance with the Law on Auditing effective from 11 March 2017, limited liability partnerships in Kazakhstan are subject to obligatory annual audits, provided that two criteria are met simultaneously:

1. they are owned by at least two shareholders, and one shareholder owns less than 10% of shares in the charter capital, and
2. their annual average number of employees exceeds 250 and/ or their annual average income exceeds KZT 3m, based on monthly computation indexes.

Voluntary audits are always an option for all KZ entities. According to respondents' feedback, the Standards on Auditing used in Kazakhstan are consistent with the International Standards on Auditing, a set of standards issued by the IFAC.

### INDIA

#### Professional institution:

Institute of Chartered Accountants of India (ICAI)<sup>31</sup>

**Standard-setter:** National Advisory Committee on Accounting Standards (NACAS)

#### Financial reporting standards:

India has adopted the IFRS Standards convergence model.

India has adopted Indian Accounting Standards (Ind AS) that are based on and substantially converged with IFRS Standards as issued by the IASB. India originally intended to converge with IFRS Standards in a phased approach beginning in 2011, but the transition to Ind AS was postponed to 2015.

In January 2015, the Indian Ministry of Corporate Affairs (MCA) released a revised roadmap, setting out the following schedule.

1. All companies, including those whose securities do not trade in a public market and those whose securities trade on the SME Exchange, are permitted to use Ind AS for accounting periods beginning on or after 1 April 2015.
2. The following companies are required to use Ind AS starting with accounting periods beginning on or after 1 April 2016:
  - companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India (other than the SME Exchange) or outside India and having net worth of INR5,000m
  - companies, other than those above, having net worth of INR 5,000m or more, and
  - holdings, subsidiaries, joint ventures or associate companies of those above.
3. The following companies are required to use Ind AS starting with accounting periods beginning on or after 1 April 2017:

31 <http://www.icai.org/>



- companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India (other than the SME Exchange) or outside India and having net worth of less than INR 5,000m
- companies other than those above having net worth of INR 2,500m or more but less than INR 5,000m and
- holdings, subsidiaries, joint ventures or associate companies of those above.

4. For banking companies, insurance companies, and non-banking finance companies, on 18 January 2016, the government of India announced that commercial banks, insurance companies, and non-bank finance companies will be required to prepare their financial statements using Indian Accounting Standards (Ind AS) starting on 1 April 2018, with comparative financial statements for the prior year.

The respondents noted that a) Ind AS will be applied to both standalone financial statements and consolidated financial statements; b) overseas subsidiaries, associates, joint ventures and other similar entities of Indian companies may prepare their standalone financials statements in accordance with the requirements of their specific jurisdiction; and c) once any Indian company applies Ind AS, then it must follow them consistently for future years.

#### Differences between IFRS and Ind AS:

According to respondents' feedback, Ind AS has not fully converged with, but is somewhat similar to, IFRS Standards. Some significant differences between them are as follows.

#### 1. Leases

Under IFRS, lease payments under an operating lease must be recognised as an expense on a straight-line basis over the lease term, unless another systematic

basis is more representative of the time pattern of the user's benefit. By contrast, under Ind AS, lease rentals for operating leases must be recognised in the income statement as agreed in the lease agreement, unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

#### 2. Business combinations

IFRS 3 requires a bargain purchase gain arising on a business combination to be recognised in profit or loss as income, while Ind AS requires the bargain purchase gain to be recognised in equity as a capital reserve. Also, Ind AS includes business combinations of entities under common control within its scope, while IFRS gives no guidance on this.

#### 3. Property, plant and equipment

IFRS permits an entity to account for property, plant and equity using the revaluation model, whereas under Ind AS, the revaluation model is not permitted. In addition, IFRS permits the option of reducing the carrying amount of an item of property, plant and equipment by the amount of government grant received in respect of such an item, whereas this is not permitted under Ind AS.

#### 4. Investment property

IFRS permits both the cost model and the fair value model for measurement of investment properties, whereas Ind AS permits only the cost model.

According to respondents' feedback, Ind AS is robust in practical implementation, with all companies being able to follow the generally accepted standards.

**Audit:** Audits of company accounts have been compulsory in India since the passing of the first Companies Act in 1913. Since then, the Institute of Chartered Accountants of India (ICAI) has regulated the profession of chartered

accountancy in India and ensured the maintenance of India's accounting standards. All chartered accountants are members of the ICAI, and must comply with the standards stipulated by the ICAI and the Audit and Assurance Standards Board (AASB).

The respondents noted that audits in India are generally classified into the following types: statutory audit, internal audit and tax audit.

Statutory audits are conducted to report the current state of a company's finances and accounts to the Indian government and shareholders. Such audits are performed by qualified auditors working as external and independent parties. The audit report of a statutory audit is made in the form prescribed by the government agency. Internal audits are conducted at the behest of internal management in order to check the health of a company's finances, and to analyse the organisation's operational efficiency.

Internal audits may be performed by an independent party or by the company's own internal staff.

Tax audits are required under Section 44AB of India's Income Tax Act 1961. This section mandates that those whose business turnover exceeds INR10m and those working in a profession with gross receipts exceeding INR5m must have their accounts audited by an independent Chartered Accountant. It should be noted that the provisions of tax audits are applicable to everyone, whether individuals, partnerships, companies, or any other entities.

Audits in India are performed in accordance with India's standards on auditing, which in the respondents' view are quite similar to the International Standards on Auditing, a set of standards issued by the IFAC.

# Pakistan



Domestic companies whose securities trade in a public market, financial institutions, public utilities, and large-sized companies are required to use IFRS Standards as adopted in Pakistan. Nonetheless, some important Standards have not been adopted for companies asserting compliance with IFRS Standards as adopted in Pakistan. And Pakistan has not applied IFRS 1 First-time Adoption of IFRS. Foreign companies whose securities traded in a public market in Pakistan are required to use IFRS Standards as adopted in Pakistan.

## PAKISTAN

### Professional institution:

Institute of Chartered Accountants of Pakistan (ICAP)<sup>32</sup>

Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan)<sup>33</sup>

**Standard-setter:** Institute of Chartered Accountants of Pakistan (ICAP)

The ICAP is the body responsible for reviewing and adopting accounting standards. It is also the standard-setting body for Islamic Financial Accounting Standards.

ICAP's key responsibilities also include: providing accounting opinions on contentious matters and publishing technical releases related to accounting and auditing; preparation of draft proposals for Finance Bill and Corporate Laws; and responses to the queries of ICAP members and other agencies.

### Financial reporting standards:

Pakistan has adopted International Financial Reporting Standards (IFRSs) for mandatory application by listed companies, banks and other financial institutions and Economically Significant Entities (ESE).

Medium-sized entities are required to use the IFRS for SMEs Standard.

Small entities are required to use the Accounting Reporting Standards for Small-sized Entities (AFRS for SSEs), as issued by the ICAP.

It should be noted that Pakistan has adopted most, but not all, IFRS Standards. According to the respondents, some differences are worth noting.

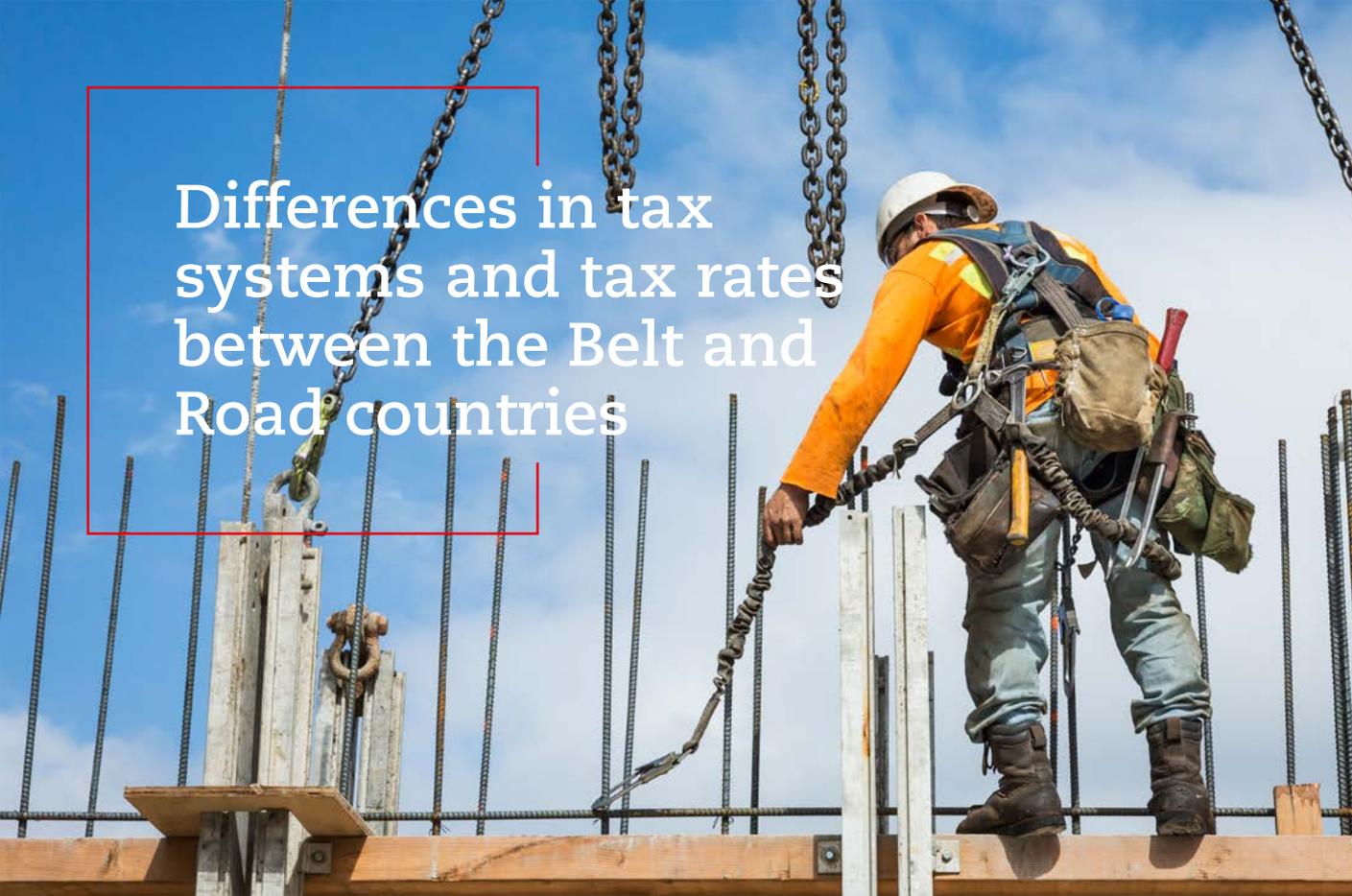
- IFRS 1 First-time Adoption of IFRS has not been adopted in Pakistan. IFRIC 4 Determining Whether an Arrangement Contains a Lease, and IFRIC 12 Service Concession Arrangements have not been adopted in Pakistan, either.
- Adoption of IFRS 9 Financial Instruments is currently under consideration by Pakistan.
- IFRS 14 Regulatory Deferral Accounts, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases have not yet been adopted.
- In addition, IAS 39, IAS 40 and IFRS 7 have not been adopted for banks and other financial institutions regulated by the State Bank of Pakistan (SBP). The SBP has prescribed its own criteria for recognition and measurement of financial instruments for such financial entities. However, Standards IAS 39, IAS 40 and IFRS 7 do apply to other companies not regulated by the SBP.

According to respondents' feedback, Pakistan's accounting standards are robust in practical implementation, with all companies being able to follow the generally accepted standards. The Securities and Exchange Commission of Pakistan (SECP) provides guidelines on non-financial disclosure, which are part of the listing regulations of the Stock Exchange. The SECP has provided guidelines on corporate governance following best international practices for listed entities, public sector companies, non-listed entities and insurance companies, which detail the mandatory disclosures that are required to be made.

**Audit:** All companies registered with SECP under the companies' ordinance 1984 are required to appoint auditors at each annual general meeting (sections 233 and 252 of the Companies Ordinance, 1984). The Companies Act 2017 exempts companies with paid up capital of less than one million rupees from the requirements of audit. If such an exemption is used, the company is still required to submit the duly authenticated financial statements to the registrar of companies in the SECP. In addition, the respondents noted that Pakistan has adopted and always followed the International Standards on Auditing, a set of standards issued by the IFAC.

<sup>32</sup> <http://www.icap.org.pk/>

<sup>33</sup> <https://www.icmap.com.pk/>



## Differences in tax systems and tax rates between the Belt and Road countries

**The 65 countries along the Belt and Road route differ in economic development, with high-income countries represented by Singapore and upper-middle-income countries by Romania, as well as lower-middle-income countries represented by India and low-income countries by Cambodia.**

Different countries may have common features in their tax systems, with corporate income tax and individual income tax (not available in a few countries, such as the UAE and Qatar) and goods and services tax (mostly value-added tax) taking the dominant share. Differences often lie in the tax structures, which vary owing to the disparities in economic development: the higher the level of economic development, the higher the proportion of the tax take that is derived from income tax, and the lower the proportion derived from goods and services taxes.

Across the 65 countries, the average tax rate for corporate income tax is 19.3%, with a peak of 55% in the UAE and a low of 7.5% in Uzbekistan. The average tax rate for individual income tax is 23.4%, with a high of 50% in Israel and Slovenia

and a low of 9% in Montenegro. The average tax rate for goods and services is 16.7%, ranging from 5% in Yemen to 27% in Hungary. The social security tax (or contribution) is also an important burden for businesses, with an average tax and fee rate of 18.5% for the employer, with a maximum of 47.5% in Russia (accumulated marginal tax rate) and a minimum of 3% in Myanmar. The average social security tax rate for the employee is 11.2%, with Bosnia and Herzegovina at the top by 31% and Belarus at the bottom by 1%.

### **TAX RISK FOR ENTERPRISES GOING GLOBAL AND MEASURES TO PREVENT AND CONTROL SUCH RISK**

In the pursuit of global operation, a business must not only pay attention to the host country's tax types, rates and incentives, but also keep a close eye on the tax risk, which mainly comprises five aspects when the business invests offshore; a) dual taxation; b) inadequate accessibility of concessions granted by tax treaties; c) any risk arising from transfer pricing and anti-tax avoidance, as 83% of the businesses surveyed deem the transfer pricing issue to be the biggest challenge to the action plan for the prevention and control of (tax) base erosion and profit shifting (BEPS); d) legacy taxation problems of target enterprises in overseas M&A; and e) tax discrimination.

China has signed bilateral tax treaties with 54 Belt and Road countries. Most of the treaties not only carry preferential withholding income tax rate for the Chinese global players on interests, dividends and royalties, but also provide a vital guarantee for these enterprises in preventing tax risk and protecting their own rights and interests.

### **RECOMMENDED APPROACH IN RESPONSE TO TAX RISK**

The correct approach to tax risk is a three-pronged method combining the efforts of the system, businesses and tax administrations. First, the domestic as well as international tax system should be improved, with a well-planned top-down design. On the one hand, in the face of the practical needs of massive businesses that are becoming multinational under the Belt and Road initiative, the way that China's tax system treats foreign parties needs urgent improvement. For example, the current system of giving overall credit on a per-country basis will lead to an even more pronounced dual taxation problem that cannot coordinate the tax credit between high tax rate countries and low tax rate countries. In addition, obsolete and outdated tax treaties need to be revised as soon as possible.

Next, businesses should actively respond to avoid and control tax risk. Under the top-down design, the key to meeting the target lies in the initiative taken by the businesses.

Finally, tax administrations should contribute all powers to participate into international coordination. In outbound investment, where there is disparity in the interpretation of the system, policy or agreement, or where it suffers tax discrimination, a business will almost inevitably become involved in tax disputes. In such cases, the business may find it difficult to safeguard its appropriate rights and interests. The Chinese tax authorities should be given the power to solve the problem through international tax coordination.

## SINGAPORE

### 1. Tax types, rates and incentives

#### a. Tax types and rates

In Singapore, corporate income taxpayers are divided into resident and non-resident taxpayers, while the enterprises subject to management and control in Singapore are deemed to be Singaporean-resident enterprises. The tax rate for corporate income tax is 17% across Singaporean companies. Resident companies and non-resident companies with permanent establishments in Singapore pay tax levied on income derived from operations in Singapore and income received within Singapore yet derived from beyond Singapore. Non-resident companies without permanent establishments are taxed only on income derived from Singapore (eg interests, royalties and technical service fees). Dividend income (including stock dividend income) is generally tax-free. Income gains related to income derived can be deducted when calculating the taxable income. Other deductible expenses include the capital discount, tax losses and so on carried forward in the previous year. Losses can be carried forward indefinitely for subsequent years, while losses and non-deductible capital discount can be carried forward for one year (with the maximum amount of S\$100,000), both depending on the prerequisite of approval through equity compliance testing.

Singapore does not impose capital gains tax and other surtaxes, and does not have relevant regulations on shareholding tax exemptions and special provisions for holding companies.

Singapore levies goods and services tax on the provision of taxable goods and services and imported goods at a standard rate of 7%, compared with a zero rate for international services and export trade. This goods and services tax is similar to China's VAT.

Singapore's individual income taxpayers are divided into resident and non-resident taxpayers, but both are taxed on income derived from Singapore, regardless of whether an individual is living in Singapore or where the money is obtained. Generally, they will not be taxed on any income derived from outside of Singapore. Take employment income as an example: the judgement as to what constitutes the place of origin depends on where the employment service occurs, rather than where the money is physically paid or whether the employer/employee is a Singaporean resident. Singapore's individual income tax has progressive rates of 2% to 20%. Non-resident personal employment income is taxed at either a uniform rate of 15% (including any individual tax exemptions) or at the same income tax rate as for a resident, whichever is the higher of the two. All other Singapore-derived income of non-resident individuals, including director's fees and consultancy fees, is taxed at a uniform rate of 20%. Non-resident individuals (except company directors) can be exempt from tax payments for short-term employment (ie no more than 60 days).

A Singaporean-resident enterprise pays the withholding tax on the relevant income paid to non-residents. In general, the withholding tax rate for interest and rental income is 15% and that for royalties is 10%. The residents of countries that have entered into bilateral tax treaties with Singapore may pay a lower withholding tax rate on their income from Singapore.

Overall, Singapore has a simple tax system and a relatively low corporate tax burden.

#### b. Tax incentives

Singapore offers a variety of tax incentives for emerging industries, activities at corporate headquarters, finance, asset securitisation, fund managers, international maritime activities, international trade and R&D, etc.

### 2. Tax treaties

Singapore has entered into bilateral tax treaties with a number of countries, including China. According to the Taxation Agreement between China and Singapore, the withholding tax rate is 5% or 10% on dividends, 7% or 10% on interest (15% in the case of a non-signatory which has not signed the bilateral tax treaty with Singapore), and 6% or 10% on royalties (10% in the case of a non-signatory which has not signed the bilateral tax treaty with Singapore). The taxation agreement enables Chinese enterprises to enjoy lower taxes.

### 3. Tax risk and dispute handling

Since the Singaporean tax system is simple and the enforcement is standardised, tax disputes are infrequent in Singapore. Tax disputes can be negotiated on the basis of tax treaties or resolved through legal means.

Respondents say that, in general, the tax burden on enterprises investing and operating in Singapore is relatively low, while the transparency, stability, the completeness of legalisation and enforcement standards of the tax system are relatively high, and corporate tax risk is relatively small; tax disputes are infrequent and can be resolved through negotiation or legal means.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN SINGAPORE

Tax types	Tax rate (Proportion)
Corporate income tax	17%
Individual income tax	2%-20%
Goods and services tax	7%
Employer social insurance contributions	17%
Employee social insurance contributions	20%

## MALAYSIA

### 1. Tax types, rates and incentives

#### a. Tax types and rates

In Malaysia, corporate income tax payers are divided into resident and non-resident taxpayers, while enterprises subject to management and control in Malaysia are deemed to be Malaysian-resident enterprises. Tax is levied on corporate income from Malaysia, while any income from a foreign source is not taxable unless the company is engaged in banking, insurance, air freight or shipping. The standard tax rate for corporate income tax is 24%. Small and medium-sized resident enterprises are taxed at the rate of 18% on the first MYR500,000 of their profits, and the standard tax rate applies above that. Losses can be carried forward indefinitely for subsequent years (except for material changes in the ownership of dormant companies), but cannot be subject to retroactive adjustment to years before the loss was incurred.

A Malaysian-resident enterprise must pay the withholding tax in Malaysia on the relevant income paid to non-residents. There is no tax on dividends paid to non-residents, but there is a withholding tax of 15%, 10% and 10% charged respectively on interest, royalties and technical service fees paid to non-residents. A tax on the rental of movable property paid to non-residents, the charge on installation service provided in Malaysia and on certain one-time income is levied, with a withholding tax of 10%. The residents of countries that have entered into bilateral tax treaties with Malaysia can possibly enjoy a lower withholding tax rate on their income from Malaysia.

Overall, Malaysia has moderate corporate tax rates.

#### b. Tax incentives

Malaysia has many tax incentives for specific industries such as manufacturing, information technology services, biotechnology, Islamic finance, energy conservation and environmental protection, including a 10-year tax holiday for industry-leading companies, a tax deduction of 60% to 100% for capital investment for up to 10 years, and tax policies for accelerated depreciation and amortisation, weighted deduction and tax-free reinvestment, etc. Specifically, the following aspects are covered.

- For foreign-invested enterprises that are eligible for 'emerging industrial status', income tax is levied on only 30% of the company's operating profits, a provision that lasts for five years from the date of production (ie the date on which the daily output reaches 30% of the maximum output).
- High-tech companies as well as information and communications technology (ICT) companies engaged in scientific research and development and located in the Multimedia Super Corridor (MSC) are exempt from income tax for five years.
- Any institution established for science and technology transfer and training purposes is exempted from income tax for 10 years. For foreign enterprises that transfer advanced technology to local Malaysian companies or individuals, the technology transfer fees are exempt from income tax. The enterprises involved in significant interests of the State and strategic projects that have a significant impact on the country's economic development, as well as the manufacturers of machinery and equipment and their spare parts that are included on the priority development list, are exempt from corporate income tax for 10 years.
- Any company investing in environmental protection benefits from a 70% tax exemption on its operating income for five years, while an enterprise engaged in afforestation is exempted from income tax for 10 years.
- Any enterprise investing in food production approved by the Ministry of Finance (including kenaf (a fibre similar to jute), vegetables, fruits, medicinal plants, spices, aquatic products and breeding of cattle and other livestock) is exempted from corporate income tax for 10 years. An exporter of fresh and dried fruit, fresh and dried flowers or ornamental plants and fishes can be partially exempted from income tax, to an amount equivalent to 10% of its operating profits.
- Companies investing in halal food production that have already obtained halal certification from the Department of Islamic Development Malaysia (JAKIM) are eligible for the Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure incurred.
- For export-oriented enterprises, an export growth of 30% will exempt 10% of the increase in export amount from income tax, and a growth of 50% will bring the corresponding exempt proportion to 15%.
- Tax is levied on only half of the increase in the export amount made by an ICT company.
- Companies engaged in luxury yacht maintenance services in Langkawi and luxury yacht rental services in Malaysia are exempt from income tax for five years.
- Any company that establishes a regional operating headquarters and a procurement centre in Malaysia is exempt from income tax for five years, with an additional five years, upon approval, at the expiration of the first five-year period.
- Any foreign-invested enterprise participating in the Malaysian Industrial Development Program shall be exempt from income tax for five years, or 10 years upon review and approval if it is a supplier of 'world-class' products, as determined by price, quality and technical content. Such enterprises can have their expenses for employee training, product development and testing and public domain audit deducted from income tax.
- Imports of raw materials and spare parts required for export products (where the export volume accounts for over 80% of the production) are exempt from import duty. Where machinery and equipment are imported because domestic manufacturers do not produce them or only provide lower-quality or non-standard products, the imports are exempt from import duty and sales tax.
- Machinery and equipment that domestic manufacturers can produce to the appropriate product quality and standard, such as those used for environmental protection, waste recycling, and the storage and

disposal of toxic and hazardous substances, or used by R&D institutions and for training purposes, as well as plantation, can be exempt from import duty and sales tax upon approval of the relevant application. Hotel and tourism projects qualify for exemption of import duty and sales tax on identified imported materials.

- Approved foreign-invested education and training equipment (laboratory facilities, workshop, photography room and language laboratory equipment, etc.) can be exempt from import duty, sales tax and excise tax. (Note: excise tax is levied on selected products manufactured in Malaysia, namely cigarettes, alcoholic drinks, playing cards, mah-jong tiles and motor vehicles.)
- Raw materials and spare parts and the corresponding consumables directly used for service projects approved by the Ministry of Finance are exempt from import duty and sales tax if domestic manufacturers fail to produce them or provide only low-quality or non-standard versions. Locally purchased equipment and machinery is exempt from sales tax and excise tax.
- The relevant equipment used by enterprises located in the Multimedia Super Corridor (MSC) is exempt from import duty. Additionally, tax relief also can be applied when aforementioned equipment is used for infrastructure and industrial construction. Construction and purchase of construction facilities for specific purposes (including approved industries for industrial production, R&D and employee residences, etc.) are exempt from 10% of industrial construction tax for the first year and 3% for each subsequent year, with the maximum duration of 30 years. Companies investing in East Malaysia and the Eastern Corridor can in certain circumstances be exempt from all infrastructure fees and have the related expenses waived.
- Any expenditure on advertising in promoting Malaysian products and brands can be deducted from the income tax accordingly upon approval of the relevant application.

## 2. Tax treaties

Malaysia has entered into bilateral tax treaties with 72 countries, including China, and the treaties have played an important role in avoiding dual taxation and reducing corporate tax burdens. Of course, with ever-growing economic activities, some new sources of income have not yet been included in bilateral tax treaties, requiring refinements in the future modification of these treaties.

## 3. Tax risk and dispute handling

When asked about cases involving tax disputes, respondents say there are no obvious tax dispute cases. If a tax dispute does occur, it should be resolved through consultation or through legal means if the consultation fails to reach a consensus.

Respondents say that, in general, tax risk is controllable across enterprises investing in Malaysia. Meanwhile, as the Malaysian tax authorities become increasingly insistent that taxpayers follow the requirements strictly, businesses must communicate with the local tax authorities in a timely fashion to reduce tax risk.

### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN MALAYSIA

Tax types	Tax rate (Proportion)
Corporate income tax	24%
Individual income tax	0%-28%
Goods and services tax	6%
Property profit tax	5%-30%
Import duty	5%-35%
Property trading stamp duty	1%-3%
Stock trading stamp duty	0.3%
Employer social insurance contributions	12%
Employee social insurance contributions	8%

## UAE

### 1. Tax types, rates and incentives

#### a. Tax types and rates

The main tax type in the UAE is corporate income tax, which is applicable only to oil and gas explorers and producers, foreign bank branches and certain petrochemical companies under specific government

licensing agreements. Other companies are not taxed on corporate income. Foreign bank branches pay tax according to the statutory tax rate of the emirate in which they operate, currently unified at 20%. Oil and gas explorers and producers are subject to a uniform tax rate of 50% in Dubai and 55% in Abu Dhabi.

The UAE does not have surtaxes or relevant regulations on dividend tax, capital gains tax, alternative minimum tax (AMT), foreign tax credit or shareholding tax exemptions, and taxpayers are not subject to any withholding tax. In addition, the UAE does not levy an individual income tax, but may impose a VAT of 5% from 1 January 2018 onwards.

Overall, the tax burden for enterprises investing and operating in the UAE is relatively low.

#### b. Tax incentives

In its free trade area (FTA), the UAE has tax concessions or exemptions for 50 years (deferrable) for goods imported into the FTA.

## 2. Tax treaties

The UAE has entered into bilateral tax treaties with over 70 countries, including China, and the treaties have played an important role in avoiding dual taxation and reducing corporate tax burdens.

## 3. Tax risk and dispute handling

Respondents say that, in general, enterprises investing and operating in the UAE have a relatively low tax burden, though there remains room for improvement in transparency, the completeness of legalisation and standards enforcement; the relevant risk is under control, but businesses must be well prepared.

### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN UAE

Tax types	Tax rate (Proportion)
Uniform tax rate for branches of foreign banks	20%
Oil and gas explorers and producers (Dubai)	50%
Oil and gas explorers and producers (Abu Dhabi)	50%

## POLAND

### 1. Tax types, rates and incentives

#### a. Tax types and rates

Corporate income taxpayers are divided into resident and non-resident taxpayers. If a company or a limited joint-stock partnership (with some exceptions) is registered or managed in Poland, the company constitutes a Polish resident taxpayer. Resident taxpayers pay taxes on their global income, while non-resident taxpayers pay taxes only on their income from Poland. The standard tax rate for Polish corporate income tax is 19%.

The standard VAT rate in Poland is 23%, applicable to the sales of goods, the provision of services, the import and export of goods and the purchases and sales of goods between different branches of the same entity. Some goods and services enjoy a preferential VAT rate of 5% or 8%, and some other goods and services (eg. sales and exports within the same entity) enjoy a zero tax rate or tax exemption.

Personal income taxpayers are divided into resident and non-resident taxpayers, where resident taxpayers pay taxes in Poland on their global income, while non-resident taxpayers pay taxes only on their income from Poland. Poland's individual income tax is subject to a progressive tax rate of 18% to 32%. Individuals engaged in business activities may also choose to apply special provisions, normally a tax rate of 19% without any relief or exemption.

A Polish-resident enterprise pays the withholding tax on the relevant income paid to non-residents. In general, the withholding tax rate for dividends paid to non-resident taxpayers is 19%, while that for interest income and royalties is 20%. The residents of countries that have entered into bilateral tax treaties with Poland often enjoy a lower withholding tax rate.

Overall, Polish enterprises have an average corporate tax burden.

#### b. Tax incentives

In some cases, the expenditure incurred in obtaining intellectual property rights can be offset by taxable income, in proportion. Small businesses and start-ups can also enjoy a one-time depreciation deduction of no more than €50,000. Companies located in the Polish Special Economic Zones can enjoy certain tax benefits.

### 2. Tax treaties

Poland has entered into bilateral tax treaties with multiple countries, including China, and the treaties have played an important role in avoiding dual taxation and reducing corporate tax burdens. Under the tax treaty signed between China and Poland, the withholding tax rate is 10% for dividends and interests, and 7% or 10% for royalties.

### 3. Tax risk and dispute handling

When asked about cases involving tax disputes, respondents say there are no obvious tax disputes owing to the relatively simple tax system.

Respondents say that, in general, enterprises investing and operating in Poland have a moderate tax burden. Nonetheless, given the relatively low level of transparency, stability, the completeness of legalisation and the average level of enforcement of standards, there may be considerable tax risk.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN POLAND

Tax types	Tax rate (Proportion)
Corporate income tax	19%
Individual income tax	18%-32%
VAT	5%, 8%, 23%
Employer social insurance contributions	20.61%

## CZECH REPUBLIC

### 1. Tax types, rates and incentives

#### a. Tax types and rates

Corporate income taxpayers are divided into resident and non-resident taxpayers. If a company is registered or de facto managed and controlled in the Czech Republic, the company constitutes a Czech resident taxpayer. Resident taxpayers pay taxes on their global income, while non-resident taxpayers pay taxes only on their income from the Czech Republic. The standard tax rate for Czech corporate income tax is 19%. Losses can be carried forward for five years, but cannot be subject to retroactive adjustment. Some anti-abuse legal provisions curtail the use of tax losses, where tax losses cannot be deducted upon a material change in the

composition of the company's shareholders or controllers, unless 80% of the income is generated by the same conduct that caused the losses.

The Czech Republic levies VAT on the sales of goods and the provision of services. Imported and domestic goods are subject to the same VAT rate, with the goods exported to non-EU countries being exempt from VAT. The standard tax rate is 21%, coupled with a preferential tax rate of 15%.

Taxpayers of individual income tax are divided into resident and non-resident taxpayers, where resident taxpayers pay taxes in the Czech Republic on their global income while non-resident taxpayers pay taxes only on their income derived from the Czech Republic. The statutory rate for individual income tax is 15%. If a salary is paid 4 above 8 times the average base salary within a calendar year, the tax rate will increase by 7%. Each Individual should make an independent tax declaration, and joint declaration is prohibited. There are five basic sources of taxable income for individual income tax: employment, business, capital operation, property leasing and 'others'. Each domestic dividend and/or interest income is required to one-off withholding tax payment with separate individual income tax payment. Capital gains are usually taxed at a rate of 15% but can be tax-exempt if certain conditions are met. Mortgage interest, life and supplementary pension insurance and donations can be deducted pre-tax. Taxpayers can enjoy the statutory deductions for themselves, spouses and children, while a taxpayer choosing a one-time deduction or pension withdrawal will be subject to limited deduction and concession.

A Czech-resident enterprise pays the withholding tax on the relevant income paid to non-residents. In general, the withholding tax rate for dividends, interests and royalties is 15% or 35%. The residents of countries that have entered into bilateral tax treaties with the Czech Republic may enjoy a much lower withholding tax rate.

Overall, Czech enterprises have an average corporate tax burden.

### b. Tax incentives

There are incentives for investment, including a 10-year tax concession, job creation allowance, employee retraining subsidy, and real-estate-related incentives. Enterprises engaged in R&D activities can enjoy preferential policies for weighted deduction of the R&D expenses.

### 2. Tax treaties

The Czech Republic has entered into bilateral tax treaties with over 70 countries, including China, and the treaties have played an important role in avoiding dual taxation and reducing corporate tax burdens. Under the tax treaty signed between China and the Czech Republic, the withholding tax rate is 5% or 10% for dividends, 7.5% for interest and 10% for royalties (the rates, in the above three scenarios, would be 15% or 35% in cases where there is no tax treaty).

### 3. Tax risk and dispute handling

When asked about cases involving tax disputes, respondents say there are standard processes for tax dispute settlement in the Czech Republic.

Respondents say that in general enterprises investing and operating in the Czech Republic have a moderate tax burden, and the transparency and stability of the tax system, with relatively standard enforcement, ensures controllable tax risk despite there only have an average-level of completeness of legalisation. Meanwhile, it is also necessary to pay attention to the principle of 'substance over form' as well as to guard against the risk of abuse of legal provisions.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN CZECH REP.

Tax types	Tax rate (Proportion)
Corporate income tax	19%
Individual income tax	15%, 22%
VAT	15%, 21%
Employer social insurance contributions	34%
Employee social insurance contributions	11%

## QATAR

### 1. Tax types, rates and incentives

#### a. Major tax types and corporate tax rates

i. **Corporate income tax:** Qatar's corporate income tax is based on the territorial principle according to Qatari's laws, where the proceeds from the activities in Qatar are subject to corporate income tax. Entities wholly owned by Qatari or GCC nationals are exempt from corporate income tax; the tax liability of a joint venture depends on the share of the foreign investor in the joint venture profit, with a base rate of 10%, and a 35% tax rate applies to oil and gas operations. Capital gains are included in corporate income taxation, while foreign companies selling the equity of Qatari companies pay 10% of their capital gains as income tax.

ii. **Individual income tax:** none. Qatar does not impose any individual income tax on wages and salaries. Individuals are only required to pay corporate income tax on their operating income derived from Qatar if they operate business. Qatari citizens and GCC nationals living in Qatar are exempt from income tax in Qatar. Other individuals engaged in business activities in Qatar will be taxed in accordance with the relevant corporate income tax laws and, if considered non-residents, they will be subject to a withholding tax at 5% or 7% of their total income in Qatar.

iii. **Social insurance contributions:** employers are required to pay social security contributions for Qatari employees at a rate of 10%, but are not obliged to pay that for employees of other nationalities. On the other hand, if a Qatari citizen is an employee and joins the pension plan, he / she is required to pay a pension contribution equal to 5% of the basic wage each month.

iv. **VAT:** Qatar has not yet levied a value-added tax or business tax, although at the Arab Financial Forum (AFF) held in February 2016, the Gulf countries agreed on a VAT rate of about 5% from 2018 onwards.

#### b. Tax incentives

i. **Qatar Financial Centre (QFC) offers tax incentives:** QFC's proprietary tax laws and regulations apply to the activities carried out by QFC-licensed entities. For

each entity registered with the QFC, taxable income derived or generated from Qatar is taxed at 10% as corporate income tax. Enterprises with a Qatari ownership of more than 90% enjoy similar tax incentives in the Qatar tax law. QFC-located companies do not need to pay any withholding tax.

ii. **Qatar Science and Technology Park (QSTP) tax incentives:** the QSTP is the only tax-free zone in Qatar. Companies registered in the QSTP can be wholly owned by foreign investors and are allowed to engage in direct trade in Qatar without the presence of local intermediaries. QSTP enterprises holding a standard licence are tax-free, and enjoy exemptions from Qatar's surtaxes and tariffs on their imported goods and services.

### 2. Tax treaties

Qatar had 58 tax treaties in effect as of the end of 2015. The Agreement between the government of the People's Republic of China and the government of the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income was signed in 2001, took effect on 21 October 2008, and came into force on 1 January 2009. The Agreement defines the taxation principles for cross-border income in 17 categories.

### 3. Tax risk and dispute handling

Qatar has a 'Tax Appeal Committee' dedicated to tax dispute handling. A third-party tax service may act as a proxy for the client and file a complaint with the Committee. Once a tax-related dispute emerges, it can be resolved through legal procedures by a commissioned professional body.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN QATAR

Tax types	Tax rate (Proportion)
Corporate income tax	10%, 35%
Employer social insurance contributions	10%
Employee social insurance contributions	5%
VAT (levied from 2018 onwards)	5%

## HUNGARY

### 1. Tax types, rates and incentives

#### a. Major tax types

The Hungarian tax system centres on income tax, including corporate income tax and individual income tax supplemented by other taxes, such as VAT, social security tax, local business tax and so on. In addition, Hungary also levies consumption tax, health tax, green product tax, energy tax, and so on for special industries and products.

**i. Corporate income tax:** the accounting profit in the annual financial statement, adjusted according to the tax law, is taxable income. The applicable tax rate is 9%. Surtaxes have been levied on enterprises engaged in energy sources, finance, retail and telecommunications since 2010. As regards the collection and management, consolidated taxpaying is prohibited, while profits and losses cannot be shared for each other between different entities.

**ii. VAT:** Hungary imposes VAT on the provision of goods and services and imports at a standard rate of 27%, coupled with preferential tax rates of 18% and 5%. It should be noted that enterprises or individuals are required to register for VAT before starting business activities in Hungary, and there is no registration ceiling amount (except for remote sales). If not registered in time in accordance with the regulations, a firm can be registered afterwards, but may be subject to a considerable fine. The output VAT regarding specific services provision, i.e. financial services, insurance services, public postal services, education, property leasing, securities sales, land sales or leasing, human health care, folk arts, etc., is exempted, and related input VAT cannot be deductible.

**iii. Local business tax:** Business tax is a local tax in Hungary, where the local government council is entitled to establish, abolish or adjust the tax within its jurisdiction. The tax base is corporate income or pre-tax profits, with a rate of 2%.

**iv. Social security tax:** any individual working in Hungary under an employment contract, regardless of nationality, is required to join the Hungarian social insurance scheme. The social security tax is the portion of social insurance paid by the employer at a rate of 27%, coupled with an additional 1.5% as the training fund contribution.

**v. Individual income tax:** Hungary imposes a single (rather than progressive) tax rate of 15% on personal income, while capital gains are also usually levied at the same rate.

#### b. Corporate tax rates

The social security tax constitutes a major part of the corporate tax burden in Hungary. According to the World Bank survey *Doing Business 2017: Equal Opportunity for All*<sup>34</sup>, social security tax expenditure accounts for about 30.46% of corporate profits, followed by local business tax at 5.89% and corporate income tax at 4%. The average tax rate (percentage of taxes on the total profits) assumed by enterprises in Hungary is 46.5%.

#### c. Tax incentives

##### i. Developmental tax incentives

- Development tax incentives apply to some investment programmes for a term of up to 10 years.
- To enjoy development tax incentives, a business must meet the specific requirements for the investment amount, location and industry, the number of jobs created, the size of wage expenditure and the investment content. For example, a company investing HUF100m (about \$370,000) in the Free Entrepreneurship Zone or in sectors such as food hygiene, environmental protection and film and television production, or an SME investing in any region, is eligible to apply for development tax incentives.
- This concession takes a tax credit approach, with a reduction of up to 80% of the company's taxable income, bringing the effective tax rate down to 2% (with an applicable tax rate of 10%) or 3.8% (with an applicable tax rate of 19%).

##### ii. Weighted deduction of the R&D expenses

- Double deduction is applicable to the direct costs of basic research, applied research and development within the company's scope of business, where the R&D activities are not necessarily located in Hungary, and the R&D expenses incurred by affiliated enterprises or non-affiliated foreign companies are included.
- Triple deduction is applicable to the R&D expenses incurred by specific R&D activities jointly carried out by the taxpayer and a Hungarian government-recognised public or private research centre, with a deduction ceiling of HUF50m (about \$185,000).

##### iii. Other incentives are available

- Preferential tax rate applicable to specific types of income: the tax base for income from royalties is reduced to 50%.
- Tax concessions for specific industries: eligible players in specific industries such as film and television production, sports and culture enjoy the corresponding preferential tax policies.
- Individual income tax enjoys household support deductions and business deductions (approximately a deduction of 10%).

### 2. Tax treaties

Hungary has signed tax treaties with a wide range of countries (more than 80 as of May 2017).

Respondents acknowledge the role of the tax treaties in promoting the operation of foreign companies in Hungary and believe that broad-based bilateral tax treaties and favourable domestic corporate income tax incentives enable Hungary to attract many foreign institutions to invest and build factories in its territory.

### 3. Tax risk and dispute handling

Respondents indicate that tax dispute cases can be resolved first through the specific procedures of the tax authorities, which consist of two rounds of negotiations. If a dispute remains pending

34 World Bank, *Doing Business 2017: Equal Opportunity for All*, <<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>>, accessed 7th November 2017.

after this consultation, the relevant taxpayer may bring a lawsuit to the court, and the decision about starting legal proceedings is generally related to the amount of tax in dispute. Tax-related cases can be appealed to the Supreme Court.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN HUNGARY

Tax types	Tax rate (Proportion)
Local business tax	2%
Corporate income tax	9%
Social security tax	22%
VAT	27%
Personal income tax	15%
Employer social insurance contributions	28.5%

## THAILAND

### 1. Tax types, rates and incentives

#### a. Major tax types and rates

Companies operating in Thailand usually pay VAT and corporate income tax, and employees are required to pay individual income tax. According to World Bank survey data<sup>35</sup>, the average tax imposed on Thai enterprises (tax to net profit ratio) is about 32.6%. On the whole, the tax burden on enterprises operating in Thailand is moderate.

i. **Corporate income tax:** the corporate income tax rate in Thailand stands at 20% of net profit across general companies and legal person stock companies). The way net profit is calculated, before levying tax, varies according to circumstances: it can be income before expenses, income gained in or derived from Thailand, or outward remittances of profits. Foreign companies engaged in particular operations with an office in Thailand are taxed at 3% of their total income.

ii. **VAT:** the standard rate of VAT is 10%, with a zero tax rate applicable to exports of goods and services. The current law has introduced a temporary tax cut to 6.3% from 10%, plus a local administrative tax of 0.7%, making a total tax rate of 7%. A taxpayer is required to register any taxable income equivalent to and above

THB1.8m throughout a taxable year. Non-resident permanent operators are also required to register these.

iii. **Individual income tax:** a progressive tax rate applies for incomes in excess of a specific amount, ranging through seven levels from 5% to 35%, ie 5%, 10%, 15%, 20%, 25%, 30% and 35%. Resident and non-resident taxpayers in Thailand are taxed only on income derived from Thailand. A resident taxpayer is taxed only on income derived from overseas when such income is remitted to Thailand within the same year as its acquisition; any overseas income remitted back in a subsequent year is exempt from individual income tax. Anyone staying in Thailand for more than 180 days in a calendar tax year will become a resident taxpayer.

#### b. Tax incentives

According to the respondents, Thailand has many tax incentives for manufacturing, services, international trade and other industries, as well as for special regions or groups. For example, business activities encouraged by the Thailand Board of Investment (BIO) enjoy an income tax exemption period of up to 13 years. In addition, regional operations headquarters and expatriates can enjoy a concession of a 0–10% tax rate on net profits and a fixed 15% tax rate for personal income.

#### 2. Tax treaties

Thailand has signed 58 tax treaties. Respondents think that the Thai taxation authorities attach importance to and respect the effectiveness of the tax treaties. Nonetheless, like tax authorities in many other countries, they also tend to interpret the relevant provisions of the tax treaties for their own benefit.

#### 3. Tax risk and dispute handling

Where a tax dispute arises, the tax authorities and taxpayers usually reach a consensus through consultation. If a taxpayer still disagrees about the assessment results of the tax authorities after the consultation, the dispute can be resolved through legal procedures. In practice, respondents say that in recent years the Thai Supreme Court has often favoured the tax authorities when dealing with cases involving tax disputes.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN THAILAND

Tax types	Tax rate (Proportion)
Corporate income tax	20%
VAT	7%
Specific Business Tax (SBT – an alternative to VAT for certain businesses)	Up to 3.3%
Individual income tax	5%-35%
Employer social insurance contributions	5.2%-6.2%
Employee social insurance contributions	5%
Property tax	12.5%

## VIETNAM

### 1. Tax types, rates and incentives

#### a. Major tax types

The taxes involved in the operation of enterprises in Vietnam are mainly VAT, corporate income tax, individual income tax, tariff, licence tax, foreign contract legacy tax and social insurance contributions.

i. **VAT:** the rate is 10%, and the VAT of the previous month must be declared and paid before the 20th day of each month. Tax payable is equivalent to output VAT minus input VAT, paid according to the difference when the output is greater than the input, or offset cumulatively in the coming month when the input is greater than the output. Paid input VAT on tax-exempt items stipulated by the Vietnamese government can be subject to tax rebates on a regular basis.

ii. **Corporate income tax** is usually declared in one of two ways. A legal person company is required to declare corporate income tax by 20% of its total profits (25% before 2014, 22% in 2014/15 and adjusted to 20% in 2016). To use this declaration method, a taxpayer must establish accounts and conduct accounting in line with the Vietnamese accounting system, and the various costs are subject to stringent review by the tax bureau. Corporate income tax declared in this way is declared and prepaid once on a quarterly basis, and completed before

35 World Bank, *Doing Business 2017: Equal Opportunity for All*, <<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>> accessed 8 November 2017.

the 30th day of the month following the end of the quarter. The final settlement of corporate income tax must be made before March 30 of the following year. Profits realised in the current year can make up for the losses of the previous years (with a maximum of five years) before the calculation of tax payable for the current year.

For a taxpayer registering corporate income tax under the tax package system, the tax base and calculation method shall be:  $(\text{income} - \text{costs}) * 2\%$ . The advantage of this declaration method lies in the simple calculation and the limited attention paid to costs by the tax bureau. For any corporate income tax declared in this way, that of the previous month must be declared and paid prior to the 20th day of each month, and the final settlement must be made before March 30 of the following year.

**iii. Individual income tax:** both foreign and local employees are required to pay individual income tax, which is withheld by the employers they serve. Individual income tax of the previous month must be declared and paid prior to the 20th day of each month, and the final settlement must be made before March 30 of the following year. Individual income tax is subject to a progressive tax rate on income in excess of specific amounts, at levels of 5%, 10%, 15%, 20%, 25%, 30% and 35%. There are tax concessions: the lunch subsidy of VND 730,000 per month can be deducted from individual income tax currently (adjusted regularly); other tax reductions must be applied for by submitting the corresponding reference materials (translated, notarised and certified); this is difficult to handle for foreign employees.

**iv. Tariffs:** imports of all kinds of material are subject to import duties approved by the Vietnamese customs, coupled with a 10% VAT charge. Tariffs can be included in costs, and VAT can be deducted as input VAT.

**v. Licence tax:** This is a fixed tax and is levied on an annual basis as follows:

- VND3m / year for companies with a registered capital of over VND10bn;

- VND2m / year for companies with a registered capital below VND10bn; and
- VND1m / year for branches, representative offices and agencies of other kinds.

**vi. Foreign contract legacy tax:** the signers of subcontracts and service contracts with, or the remitters to, companies or individuals outside Vietnamese territory pay foreign contract legacy tax, where the party taxed pays the agreed tax under the contract, which is withheld by the domestic company. The tax base is the amount of settlement of the two parties, and the tax is levied at a rate of about 5% (generally varying across different types of business), coupled with a 5% VAT charge based on the amount of settlement plus the amount of foreign contract legacy tax. Foreign contract legacy tax can be included in corporate costs, and the 5% VAT can be deducted as input VAT.

#### **b. Corporate tax rates**

The Vietnamese corporate tax burden is upper moderate. A construction company surveyed reports that its actual tax burden in Vietnam is about 5% of its operating income. In addition, the World Bank 2017 survey database shows that the actual tax burden for Vietnamese enterprises is about 39.4% of their profits, on average<sup>36</sup>.

#### **c. Tax incentives**

**i.** The government of Vietnam stipulates a preferential tax concession of 10% (duration: 15 years) for taxpayers engaged in encouraged investment projects and 20% (duration: 10 years) for taxpayers investing in socially and economically underdeveloped regions, beginning from the first year that profits are gained or the fourth year that income is achieved, with four years being duty-free and nine years being half-levied.

**ii.** The two Chinese companies interviewed say they do not enjoy any tax benefits in Vietnam at present. One of the two companies has a subsidiary in Southeast Asia, which set up the \*\* prefabricated plant in a Vietnamese province in 2007. This is eligible for the preferential tax policy for industrial areas and applied for the corporate income tax

concession (exemption from corporate income tax for the first year and from half its corporate income tax for the subsequent two years).

## **2. Tax treaties**

The Agreement between the government of the People's Republic of China and the government of the socialist republic of Vietnam for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income was signed on 17 May 1995, took effect on 18 October 1996, and came into force on 1 January 1997.

The Agreement has played a vital role in the avoidance of double taxation and the prevention of fiscal evasion; a company's income tax paid in Vietnam and an individual's individual income tax paid in Vietnam can be deducted in China under the Agreement. In practice, for any income of a company in Vietnam obtained from abroad, if the corresponding offshore tax obligation has not yet been fulfilled, the company must pay the tax in arrears according to the provisions of the Vietnamese tax law; where the offshore tax obligation has been fulfilled, the company needs to provide the relevant supporting documents and pay the balance in arrears if the actual tax paid is lower than the amount stipulated in the Vietnamese tax law.

## **3. Tax risk and dispute handling**

### **a. Tax dispute handling**

**i.** In practice, Vietnam's tax disputes are generally resolved through the administrative tax system. Court proceedings are feasible, though unpopular, while the administrative tax declaration system stipulates a two-grade appeal process, one at the local or provincial level and the other at a higher level. In fact, however, a dispute can be subject to further appeal on a case-by-case basis if the victim has a good reason. A taxpayer may withdraw from the administrative court proceedings at any time during the administrative appeal process. Although there is no clear provision, once a taxpayer has filed a court action, his or her administrative appeal may no longer be accepted by the tax authorities. Therefore, a general taxpayer tends to make the most of administrative

36 World Bank, *Doing Business 2017: Equal Opportunity for All*, <<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>> accessed 8 November 2017

litigation before resorting to legal action, and the current administrative tax appeal system does not provide alternative dispute resolution methods.

ii. The Vietnamese tax law provides for a tax dissent and appeal system as follows: an appellant must deliver the letter of appeal to the direct taxation administration within 30 days from the date of receipt of the notice of tax due or tax discipline issued by a tax officer or the tax authority. During the waiting period, the taxpayer must pay taxes in accordance with the notice or decision of the tax authority.

The tax authority must examine and deal with the letter of appeal within 15 days from the date of receipt. The treatment period can be extended for complex cases, but must not exceed 30 days. If a case exceeds the jurisdiction of the tax authority, the files or reports concerned should be transferred to the relevant authority, with the appellant notified within 10 days of receipt of the letter.

The competent tax authority has the right to request the appellant to provide the relevant files and materials, as well as to refuse to hear the case if the request is rejected by the appellant.

The tax authority must refund the paid tax and fine to the taxpayer within 15 days from the receipt of the decision of the superior tax authority or the statutory authority, if the decision favours the taxpayer.

On spotting any tax fraud, tax evasion or, conversely, inappropriate taxation, the tax authority is responsible for the collection in arrears of the taxes and fines within five years from the date of discovery, or the refunding of the incorrect tax levied during the preceding five years. For resources developers (either organisations or individuals) failing to declare or pay the due taxes, the time allowed for paying the taxes and fines in arrears begins from the date of such development.

The head of a superior tax authority is obliged to deal with taxpayers' tax appeals against subordinate tax authorities. The decision of the Minister of Finance on the handling of the tax appeal is final.

### b. Typical tax risk cases

A Chinese construction enterprise (Enterprise A) entered a contract to build an expressway surface (Bid 10) in Haiphong, Vietnam in 2014, and set up a project division dedicated to Bid 10. The project was completed in December 2016. When auditing Enterprise A in April 2017, the Haiphong taxation authority raised the following questions,

i. Enterprise A has another roadbed project in Da Nang, Vietnam. In 2015, Bid 10 project division temporarily borrowed VND60bn from the Haiphong project without paying any interest, since the two projects belonged to the same enterprise. The Haiphong taxation authority said that the Haiphong project division should collect interest at the Vietnam bank loan interest rate in the same period and pay the operating income tax as well as making an overdue payment and paying a fine at the rate of 0.05% per day.

ii. The actual asphalt used in the Haiphong project amounted to 13,000 tons, exceeding the quota in the Vietnamese construction provisions of 11,000 tons. The Haiphong taxation authority requires the project division to provide objective reasons and evidence for the excessive consumption of 2,000 tons, which, if proved to be a management failure, should not be deducted from the taxable income, with Enterprise A required to pay the operating income tax in arrears as well as a fine and a penalty interest.

### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN VIETNAM

Tax types	Tax rate (Proportion)
Corporate income tax	20%
VAT	10%
Individual income tax	5%-35%
License tax	VND 1-3 million per year
Foreign contact legacy tax	5%
Employer social insurance contributions	21.5%
Employee social insurance contributions	10.5%

## RUSSIA

### 1. Tax types, rates and incentives

#### a. Major tax types

Enterprises and individuals in Russia need to pay the following main taxes: VAT, profits tax (corporate income tax), social coordination insurance and individual income tax, etc.

i. **VAT:** the standard rate is 18% with the incremental value of goods and services being the basis of the charge. Take construction enterprises as an example: VAT is generally levied in the form of pre-payment or calculated on the workload completed, without double counting.

ii. **Profits tax (corporate income tax):** the tax rate is 20%, no higher than that of most countries. The withholding tax rate is 9% for dividends paid to Russian companies or individuals and 15% for those paid to foreign or non-resident individuals, and 20% for interest and royalties paid to non-resident taxpayers.

iii. **Individual income tax:** there is a single tax rate of 13%, which is recognised internationally as one of the lowest average individual income tax rates.

iv. **Social coordination insurance:** Russian companies bear a considerable social security burden, all paid by the employer. After several adjustments, the current comprehensive tax rate is 30% for social coordination insurance, including pension insurance, medical insurance and other components, among which pension insurance represents the highest rate. Under certain circumstances, a foreign employee can have the benefits of social coordination insurance policy or be exempt from pension insurance contributions.

#### b. Corporate tax rates

i. The overall tax burden for businesses is heavy. According to the feedback of a respondent from the construction sector, their operation in Russia is subject to a tax burden of about 30% to 35%. According to the World Bank report Doing Business 2017, Russia had a corporate tax rate of 47.4% in 2016, but it was as high as 54% in 2010<sup>37</sup>.

37 World Bank, *Doing Business 2017: Equal Opportunity for All*, <<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>>, accessed 8 November 2017.

ii. Social coordination insurance and VAT constitute the heaviest tax burden, while the income tax burden is relatively light. The amount of VAT and social coordination insurance paid by a surveyed company throughout 2016 was RUB51m (about RMB5.1m) and RUB47m (about RMB4.7m) respectively, which can be offset by continuous book loss arose by the company since its inception, and the company has not yet paid any corporate income tax. As a result of the 13% single rate of individual income tax, high-income employees are taxed far less than in other jurisdictions.

iii. Russia's tax burden structure has its idiosyncrasies. As a country of transition, in order to attract investment and expand the income tax base, Russia has established a flat and relatively low income tax rate, after repeated radical reforms. In general, Russia has reduced the income tax burden on enterprises and individuals. In fact, Russia once made a 'tax-for-fee' trial in social security contributions, one could pay a fee to reduce one's tax rate. Owing to the ageing population, the low contribution levels failed to cover the huge social security funding gap, so the government was later forced to abolish the trial and raise the contribution levels, putting much more pressure on businesses.

#### c. Tax incentives

In recent years, the Russian government has expanded the scale of tax incentives to attract foreign businesses. The main incentives are listed below.

**1. Local tax incentives:** as a government of fiscally decentralised federation, the Russian federal authorities are entitled to make substantial adjustments to the local tax system. The federal counterparts often develop a series of tax incentives based on their own regional development goals. For example, the corporate profit taxes are split into federal and regional shares, with a standard rate of 20%, of which 2% goes to the federal government, and 18% goes to the regional governments. Since the latter have the right to cut the allocated profits tax rate to 13.5%, a business operating in Russia may enjoy a profit tax rate as low as 15.5%. In addition, some federal subjects provide a

property tax rate of 2.2% for specific fixed assets, or loans to subsidise enterprises.

**2. Special Economic Zones (SEZs) tax incentives:** the legal framework for SEZs provides massive privileges in taxation and other respects. Russia's 25 SEZs are divided into four categories: manufacturing; technology innovation; tourism and entertainment; and port logistics. SEZs enjoy a variety of tax incentives, such as a reduction in the profits tax rate to 2% or even 0%, a 10-year exemption from property tax, customs tariff exemption, R&D expenses super deduction, VAT exemption, etc.

**3. Tax incentives for regional investment projects:** a federal law has been implemented in Russia since 1 January 2014, giving the Far Eastern Federal District and the Siberian Federal District the right to establish a regional profit tax rate. The bill provides that the profit tax rate must not exceed 10% in the first five years after a profit is generated, but must not be less than 10% in the following five years. Of the current 15 eligible federal entities, 13 have reduced their profit tax rates.

**4. Tax incentives for advanced development territories (ADTs):** ADTs were introduced in 2015 as a strategic plan deployed by the Russian government to boost the economy of the area of Far East and restructure the area's economy. Nine ADTs have been set up, with at least five additional ones being set up in 2017. Each of them can expect an unchanged policy environment for 70 years while enjoying VAT refunds, low profits tax and low mineral extraction tax rates, low social coordination insurance contributions and many other tax incentives.

Nonetheless, the Chinese companies surveyed say they do not currently benefit from Russian tax incentives, which may be owing to the sectors in which they operate, but may also have something to do with their lack of awareness of the Russian tax incentives. The respondents have said that they are benefiting from the preferential policies under the relevant agreements between China and Russia.

## 2. Tax treaties

**a. Bilateral tax treaties.** The Russian Federation has signed bilateral tax treaties with many countries. In 2017, it signed a series of bilateral tax treaties and amendments with Hong Kong, Singapore, China, Cyprus, Kazakhstan and other countries, which have already been or will be implemented.

**b. Other agreements with China.** Before the recent tax treaty between Russia and China, in 2000 the two governments signed the 'Agreement on Temporary Labor Services regarding Chinese in Russia and Russians in China', in which they agreed on tax matters such as the exemption from pension insurance contributions (at the rate of 22%) for Chinese nationals working in Russia. Owing to insufficient publicity and delays in execution, however, Chinese enterprises have failed to benefit fully from these preferential policies.

## 3. Tax risk and dispute handling

Through years of practice, a reasonable mechanism has been established in Russia for pre-trial and case hearings in tax disputes. According to recent feedback from respondents, 75% of the tax disputes can be resolved with the assistance of the tax authorities. The most controversial issues include:

- definition of the de facto beneficiary
- thin capitalisation
- 'bad faith' suppliers.

Respondents say they have won cases involving tax disputes, and all contacts with the Russian tax authorities are made in compliance with the law.

### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN RUSSIA

Tax types	Tax rate (Proportion)
VAT	18%
Profits tax (Corporate income tax)	20%
Individual income tax	13%
Social coordination insurance (paid by employers only)	30%

## INDONESIA

### 1. Tax types, rates and incentives

#### a. Major tax types and rates

Taxes related to business operations are mainly VAT, corporate income tax, social security tax, individual income tax and property tax. Respondents deem the overall tax burden on enterprises operating in Indonesia to be acceptable. The World Bank publication *Doing Business 2017* shows that the corporate tax rate for Indonesia averages 30.6% of profits<sup>38</sup>.

i. **VAT:** the standard tax rate is 10%, levied on taxpayers providing goods and services. Any company whose annual sales of taxable goods or services exceed a certain amount must register for VAT.

ii. **Corporate income tax:** the standard tax rate is 25%, with tax payable being calculated against the net profit after deductible taxable income.

iii. **Social security tax:** levied on both businesses and individuals. In the case of an enterprise, an employer is required to contribute to the Indonesian Social Insurance Fund if it has 10 or more employees or pays a monthly wage of more than IDR1m. An employee in Indonesia is subject to social security tax, with an old-age insurance tax and a health insurance tax equivalent to 2% and 0.1% respectively of the employee's monthly salary.

iv. **Individual income tax:** a progressive tax rate is charged on incomes in excess of specific amounts, at 5%, 15%, 25% and 30%. Taxable income must be declared on a household basis, covering income from business, income from company, capital gains and so on.

#### b. Tax incentives

Enterprises with an annual income of less than IDR50bn pay a low corporate tax rate. Taxpayers (excluding permanent establishments) with an annual income of not more than IDR4.8bn enjoy a 1% discount on total income tax. Resident

taxpayers with a total income of between IDR4.8bn and 50bn enjoy a halved corporate income tax rate for part of their taxable income (the portion below IDR4.8bn). Nonetheless, any PE ("Permanent Establishment") is still subject to a rate of 20%.

### 2. Tax treaties

Indonesia has entered into more than 60 tax treaties. Respondents think that the status and role of the tax treaties have been clarified in the legal framework, while the local Indonesian tax authorities fully respect the contents of the tax treaties, and collect tax and settle tax disputes in strict accordance with the agreed standards. There is no misuse or abuse of the treaties. Indonesia has signed a bilateral tax agreement with China, where Chinese enterprises as beneficiaries can pay corporate income tax at a preferential rate of 10%.

### 3. Tax risk and dispute handling

In Indonesia, it is very common for taxpayers to raise objections with the tax authorities. Tax dispute handling procedures are clearly defined in Indonesian tax law. Any taxpayer disagreeing with the conclusion of tax audit from tax authorities has the right to raise an objection and apply for a tax reassessment, but will be required to prepare sufficient evidence and data in accordance with the relevant legal provisions.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN INDONESIA

Tax types	Tax rate (Proportion)
Profits tax (Corporate income tax)	25%
VAT	10%
Individual income tax	5%-30%
Employer social insurance contributions	10%
Employee social insurance contributions	2.5%

## KAZAKHSTAN

### 1. Tax types, rates and incentives

#### a. Major tax types and rates

Kazakhstan's major taxes include corporate income tax, VAT, individual income tax, social tax and property tax. According to the World Bank publication, *Doing Business 2017*, the average tax imposed on Kazakhstan's enterprises (tax: net profit ratio) is about 29.2%<sup>39</sup>. Given the statutory tax rates and research results, the tax burden on enterprises operating in Kazakhstan is arguably at a moderate level.

#### b. Tax incentives

The government of Kazakhstan offers a wide range of tax incentives, such as:

- simple collection measures for SMEs
- special economic zones subject to multiple tax concessions, covering corporate tax, property tax, land tax and other taxes
- tax incentives for capital expenditures (accelerated depreciation)
- VAT payment incentives, and
- tax exemption for up to 10 years for specific investment agreements, covering corporate income tax, property tax and land tax, etc.

### 2. Tax treaties

a. **Bilateral treaties:** Kazakhstan has entered into 51 bilateral tax treaties.

b. **Value of tax treaties:** The tax treaties take precedence over domestic regulations and are often used by enterprises in cross-border transactions.

### 3. Tax risk and dispute handling

a. **Disputed case handling:** tax-related disputes can be handled through a pre-court procedure. If not resolved, the disputed case can be brought to court. According to respondents, the past practices reveal 'a very low possibility of winning a case against the tax bureau'.

38 World Bank, *Doing Business 2017: Equal Opportunity for All*, <<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>>, accessed 8 November 2017.

39 World Bank, *Doing Business 2017: Equal Opportunity for All* <<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>>, accessed 8 November 2017.

**b. Major tax-related controversies:** these have involved:

- transfer pricing issues.
- pre-tax deduction of corporate income tax
- tax affairs involving the use of underground resources, and
- tariff classification regarding import goods, etc.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN KAZAKHSTAN

Tax types	Tax rate (Proportion)
Corporate income tax	20%
VAT	12%
Individual income tax	10%
Employer social security contributions	11%
Property tax	Up to 1.5%

## INDIA

### 1. Tax types, rates and incentives

#### a. Tax types and rates

Indian corporate income taxpayers are divided into resident and non-resident taxpayers, where companies incorporated under the laws of India or whose management and control lies entirely in India constitute 'resident taxpayers'. Resident taxpayers pay taxes on their global income, while non-resident taxpayers pay taxes only on their income from India. The corporate income tax rate is 30% for domestic companies and 40% for foreign companies. When surtaxes and local taxes are taken into account, the effective rates for domestic and foreign companies are 33.99% and 43.26% respectively. In the fiscal year 2017/18, the corporate income tax rate is 25% for companies with a turnover of less than IDR500m, which benefits 95% of domestic companies.

Business losses and capital losses can be carried forward for eight subsequent years. Short-term losses can offset the capital gains of long- and short-term capital gains, while long-term losses can only offset long-term capital gains. Losses can be carried forward to subsequent

years only after the timely submission of tax returns, although non-deductible depreciation can be carried back indefinitely. Available deductible depreciation can be deducted from any income, while business losses can be deducted only from operating income.

For a business whose tax payable amount is below 18.5% of its book profits, an alternative minimum tax applies, and the surplus of this alternative minimum tax over and above the normal income tax payable can be deducted from the calculated tax payable, and carried back and deducted from income tax paid in following 10 years.

In India, VAT, levied on the sale of goods and the provision of services, includes 17 different forms of goods and services tax, such as central consumption tax, sales tax and state sales tax, and there are multiple tax rates applicable, including 0%, 5%, 18%, 28% and so on. The Indian tax bill issued in April 2017 provided for a uniform VAT system to be set up from 1 July onwards.

Taxpayers of individual income tax are divided into resident and non-resident taxpayers, whereby resident taxpayers pay taxes in India on their global income while non-resident taxpayers pay it only on their income derived from India. The statutory rate for individual income tax is 15%. In the fiscal year 2017/18, India's individual income tax rates stand at 5%, 20% and 30%, including a zero bracket amount of IDR250,000, with an additional 10% for any annual income of more than IDR5m and less than IDR10m, and 15% for income over IDR10m.

An Indian resident enterprise pays the withholding tax on the relevant income paid to non-residents. The withholding income tax rate for dividends paid to non-resident enterprises is zero, while companies issuing dividends pay a dividend distribution tax at a rate of 16.995%. The residents of countries that have entered into bilateral tax treaties with India may enjoy a preferential withholding tax rate.

Overall, the current Indian tax system is complicated, and enterprises and foreign companies in particular, have a relatively high corporate tax burden.

#### b. Tax incentives

India provides many tax incentives. For example, up to 200% of R&D expenditure incurred in specific industries and paid to specific research organisations is tax deductible. Tax concessions also apply to investment in the following industries/projects: low-temperature transport systems, agricultural warehousing facilities, natural gas, crude oil or oil pipeline network, the development of affordable housing and production of fertilisers. There are similar deduction policies for the costs incurred in the establishment and operation of inland container transit stations, container freight stations and other designated facilities. Enterprises located in the special economic zones are tax-exempt from export profits. There are also industry- and region-specific tax incentives.

#### 2. Tax treaties

India has entered into bilateral tax treaties with a number of countries, including China. According to the Taxation Agreement between China and India, the withholding tax rate is 10% for dividends (0% in the case of a non-signatory which has not signed the bilateral tax treaty with India), but companies issuing the dividends pay a dividend distribution tax at a rate of 16.995%, 10% for interest (20% in the case of a non-signatory which has not signed the bilateral tax treaty with India), and 10% for royalties (25% in the case of a non-signatory which has not signed the bilateral tax treaty with India). The taxation agreement enables Chinese enterprises to enjoy lower taxes. Even so, it should be noted that if a non-resident does not have a permanent account number (PAN), ie a tax registration number, the withholding tax must be paid at the applicable rate agreed or 20%, whichever is higher.

On the whole, India respects the tax treaties and they take precedence over domestic tax laws.

#### 3. Tax risk and dispute handling

When asked about tax disputes, respondents say the specific Indian tax authorities have a special division dealing with tax disputes, a fact that suggests a high frequency of tax disputes across India. An important way of resolving tax disputes is the court hearing, which, however, often takes a very long time.

Respondents say that, in general, enterprises investing and operating in the India have a relatively high tax burden although the tax system is relatively transparent and stable, high completeness of legalization but not sufficiently standardised in its enforcement, which increases corporate tax risk. Moreover, tax disputes occur frequently, and although India has a systematic way of resolving disputes through legal means, this proves time-consuming and usually ineffective.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN INDIA

Tax types	Tax rate (Proportion)
Corporate income tax for domestic companies	30%
Corporate income tax for foreign companies	40%
Individual income tax	5%-30%
VAT	0%, 5%, 12%, 18% and 28%
Employer social insurance contributions	12.5%
Employee social insurance contributions	12%

## PAKISTAN

### 1. Tax types, rates and incentives

#### a. Tax types and rates

Pakistani corporate income taxpayers are divided into resident and non-resident taxpayers, whereby companies incorporated under the laws of Pakistan or whose management and control lies entirely in Pakistan constitute resident taxpayers. Resident taxpayers pay taxes on their global income, while non-resident taxpayers pay taxes only on their income from Pakistan. The corporate income tax rate is 35% for domestic companies, and residents are taxed on their dividends at a rate of 10%. Operating losses (excluding speculative business losses) can be deducted from the taxable income in any category for the same tax year, and losses exceeding taxable income can be carried forward from the subsequent year for up to six years. Speculative business losses and capital losses can be carried forward to the following tax year to offset the year's

speculative business income and capital gains. Losses from the disposal of specific securities (including shares and securities of listed companies) can be deducted from the relevant gains of the same tax year, but cannot be carried forward. Operating losses cannot be deducted from taxable operating business income under the final taxation mechanism.

Income from the sales of capital assets held for more than one year can be taxed on a basis of 75%. The tax rate applicable to the disposal of capital gains from the shares of a listed company after tax year 2012 is 10% for shares held for less than six months, 8% for that held for more than six months but less than one year, and 0% for those held for over one year.

The commodity turnover amount declared by resident companies and other specific taxpayers is taxed at a rate of 0.5%. Unless, an alternative minimum tax can be applied to circumstances where the tax, derived from a taxpayer's gains or losses, is less than 0.5% of the turnover amount.

Foreign corporate offices in Pakistan pay corporate income tax at 7% of their contract revenue.

Pakistan's VAT is divided into consumption tax and sales tax. The federal government usually levies a consumption tax on merchandise sales at a standard rate of 17%. The provincial governments impose a sales tax on services incurred within the province at a rate of 13–16%, varying from province to province.

Taxpayers of individual income tax are divided into resident and non-resident taxpayers, whereby resident taxpayers pay taxes in Pakistan on their global income while non-resident taxpayers pay income tax only on their income derived from Pakistan. Each Individual is required to make an independent tax declaration, and joint declaration is prohibited by the government. Wage earners and non-wage-earners with a taxable income of more than PKR400,000 are required to pay individual income tax, though at different rates depending on their income level: 5–20% for wage earners as employees, while 10–25% for taxpayers who are engaged in business operations.

A Pakistani resident enterprise must pay the withholding tax on the relevant income paid to non-residents. The residents of countries that have entered into bilateral tax treaties with Pakistan may enjoy a reduced withholding tax rate.

Overall, Pakistani enterprises have an average corporate tax burden.

#### b. Tax incentives

Pakistan offers tax incentives for plant, machinery and equipment, electricity production projects established in Pakistan, industrial enterprises established in rural and underdeveloped areas, and companies listed on the Pakistan Stock Exchange.

Pakistan has reduced corporate income tax to 20% for enterprises in which foreign direct investment (FDI) accounts for more than 50% of their share capital. Certain industries and projects will enjoy special tax incentives, including road construction in Sindh shall be exempt from service sales tax, and the concessions for import tariffs on 'Greenfield' projects from July 2015.

### 2. Tax treaties

Pakistan has entered into bilateral tax treaties with a number of countries, including China. According to the Taxation Agreement between China and Pakistan signed in 1989, the withholding tax rate is 10% for dividends (12.5% or 20% in case of a non-signatory which has not signed the bilateral tax treaty with Pakistan), 5% or 10% for interest (20% in case of a non-signatory which has not signed the bilateral tax treaty with Pakistan), and 12.5% for royalties (15% in case of a non-signatory which has not signed the bilateral tax treaty with Pakistan). The taxation agreement enables Chinese enterprises to enjoy lower taxes on paper, while in practice the effect is not ideal. For example, the Agreement stipulates that a non-resident company (representative office) will be taxed on its operating profits, but the Pakistani income tax law, as modified in recent years, gives two calculation methods (with a newly added accounting profit calculation for the current year), with the higher rate of the two prevailing, which is detrimental to taxpayers (who are sometimes taxed on accumulated losses)



by violating the provisions of the Agreement. To some extent, the Agreement has become partially obsolete and needs further revision.

### 3. Tax risk and dispute handling

When asked about issues involving tax disputes, respondents reported that there are many tax disputes in Pakistan each year, with many tax notices received, which may trigger frequent tax lawsuits. Enterprises will go to court with the tax bureau each year, and a case hearing can go all the way to the Supreme Court. Both parties (tax collectors and taxpayers) are entitled to appeal according to law, and the rights of taxpayers should be guaranteed, but it is difficult to get a refund of the tax collected.

As the Pakistani tax system is often highly unstable owing to frequent changes, it imposes significant risk on investment in, and the operation of, businesses. For example, in the first quarter of 2015, Pakistan levied a 'super tax', which most companies regarded as a one-time tax and did not expect in the following years, but the super tax was also collected again in 2016 and 2017.

Another case arose on 26 February 2011, when a Chinese business office in Pakistan received a tax bill issued by the tax authority, requiring it to pay tax arrears from 2008 (PKR91,120,371). On 18 March 2011, the business applied for a reconsideration on the basis of four arguments:

- the appellant was not given enough time and the opportunity to justify itself
- the tax recovery notice was based on subjective assumptions
- the penalties for being overdue were excessive, and
- the tax authority had ulterior motives.

On 1 June 2011, the reconsideration results proved favourable for the Chinese enterprise, with the tax payable significantly reduced to just over PKR4m. But the tax authority expressed dissatisfaction, and appealed to the tax court on 26 July 2011, arguing that the 'administrative reconsideration applicant' (the office of the Chinese company in Pakistan) had failed to meet the relevant procedures during the hearing, since the supplementary evidence submitted to the

administrative reconsideration officer was not shown to the respondent (the tax authority). On 14 April 2015, however, the tax court affirmed the original judgment of the administrative reconsideration.

#### REFERENCE FOR THE MAJOR TAX TYPES AND RATES IN EFFECT IN PAKISTAN

Tax types	Tax rate (Proportion)
Corporate income tax	35%; 7% of the contract amount
Individual income tax	5%-20%
Consumption tax	17%
Sales tax	13%-16%, differing across provinces



# The Development of International Accountancy professionals

## As the Belt and Road Initiative evolves, more and more Chinese enterprises are starting to operate outside China.

At this crucial time, developing accountancy professionals with a global vision has become a major issue for enterprises operating in the Belt and Road countries, and for related educational institutions, accountancy industry regulators and accountancy industry organisations.

High-calibre talent is essential for the success of the Belt and Road Initiative: professionals who will act as bridges and ties between China and other countries along the routes of the Belt and Road. Therefore, it is vital to train talented personnel. Nonetheless, there are numerous uncertainties in training excellent accountancy professionals for promoting the development of the Belt and Road Initiative. For example, what are current requirements for the competence or skills of accountancy staff needed by enterprises operating in Belt and Road countries? What approaches are adopted by enterprises to promote their accountancy staffs' competence and skills? What are the differences between the training models of enterprises in different countries? What experience is worth drawing on from each other?

### **UNDERSTANDING THE COMPETENCE OF ACCOUNTANCY PROFESSIONALS IN COUNTRIES ALONG THE ROUTES OF THE BELT AND ROAD INITIATIVE**

The study of relevant systems in countries along the routes of Belt and Road Initiative shows that these countries pay most attention to the professional skills (often referred to as 'hard skills') of accountants, and there is a lack of relevant research into accountants' competence. Therefore, ACCA, SNAI and Deloitte China conducted an in-depth investigation to study, through one questionnaire, 12 major competences of accountancy professionals, which include their:

- knowledge of and approach to financial accounting (financial reporting, financial management, etc.)
- knowledge of and approach to management accounting (cost management, budget management, performance management, etc.)
- knowledge of taxation
- data analysis capabilities
- understanding of the application of emerging technologies and related software
- knowledge of and approach to risk management,

- knowledge of and approach to corporate governance,
- knowledge of and approach to audit and assurance
- understanding of organisations' business models
- ability to evaluate different strategic options
- ability to grasp the impact of macroeconomics on organisations, and
- ability to keep abreast of the latest developments in accountancy.

### **EXPLORING THE NEW TRAINING MODEL FOR INTERNATIONAL TALENT**

There is only limited literature in China on how to enhance the competence of the accountancy professionals. This section evaluates the importance, effectiveness and popularity of training methods that We has recommended, including on-the-job educational upgrading, professional qualification training, participation in external training and forums, internal training, job rotation, on-the-job self-exploration, on-the-job guidance by supervisor, external communication and studying, cross-departmental discussion, and moving between business departments for in-depth understanding.

Given the rapid development of knowledge and technologies and China's extensive economic restructuring, each accountancy professional should maintain an attitude of openness to, and ability to engage in, lifelong learning. Accountancy professionals will experience continuous change and evolution in the industry and must maintain relevant professional knowledge and skills. Do the accountancy professionals in countries participating in the Belt and Road Initiative have such motives and awareness? Do their accountancy regulators impose a continuing professional development (CPD) requirement? Are there any diversified channels and approaches to support the self-improvement of accountancy professionals? What educational resources are available? All these issues require more attention.

### ACCOUNTANCY PROFESSIONALS: NEW IMPETUS FOR PROMOTING VALUE CREATION

According to one ACCA survey, carried out in 2016, the crucial issue driving the successful innovation and growth of an organisation is effective collaboration and integration between finance executives, finance teams and internal and external business partners. Yet it is far from enough only to realise that collaboration is necessary and be willing to do it. The organisation must change its culture, mindset, organisational structure and business behaviours so as to realise the integration of business and finance while improving implementation of corporate strategy, optimisation of resources, performance appraisal, and even, for example, investment decision making, tax planning and M&A support. Through the survey mentioned above, We always aim to find out whether enterprises have in place clear talent development objectives, development plans and performance management, whether these mechanisms are effective, and whether accountancy professionals can substantially improve the performance of their company and create value.

This tripartite joint research by ACCA, SNAI and Deloitte China set out to answer all the above questions. It is intended to provide suggestions for the development of accountancy professionals throughout the Belt and

Road Initiative, sharing the experience of developing international talent in enterprises in the countries involved, building a 'think tank' of accountancy professionals, and striving to promote a new training model for international talent under the Belt and Road Initiative.

### SINGAPORE

#### Professional institutions

There are a variety of professional accountancy institutions working to attract and develop accountants, including the national accountancy institution ISCA (Institute of Singapore Chartered Accountants) and ACCA, as well as other international accountancy institutions.

#### Research on the competence of accountancy professionals

SAC (Singapore Accountancy Commission), as the main government agency, is engaged in guiding the development of accountancy sectors and relevant talent. The related research reports include:

- Accountancy Sector Survey 2013 (ACCA Project for Management Research)
- Accounting Entities (AE) Survey 2016
- AE Regionalisation Survey 2016 (for which ACCA was a research partner)

#### Competence standards/training plans for accountancy professionals in organisations

SAC collaborates with professional accountancy institutions (eg ACCA) and certain government agencies (eg Workforce Singapore (WSG), SkillsFuture Singapore (SSG)) to set a standard framework for accountants' skills. It aims to provide detailed requirements of competence and skills for accountancy professionals at all levels.

#### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in Singapore are:

- on-the-job educational upgrading
- professional qualification training
- participation in external training and forums
- internal training
- job rotation

- on-the-job self-exploration
- on-the-job guidance by supervisor
- external communication and studying
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

The variety of training approaches advocated by ACCA could be adopted by a range of companies. Although there are significant differences between different companies' portfolios, almost all these training approaches could be adopted by many large companies. Additionally, the government has also introduced the Skills Future Programs.

The survey indicates that the most popular training approaches are education improvement and internal and external training.

#### Annual performance appraisal of accountancy professionals in enterprises

The majority of Singaporean companies conduct annual performance appraisals of their accountancy employees.

#### CPD of accountancy professionals in enterprises

Accountancy bodies have various requirements for the CPD for different categories of membership.

#### The importance of accountancy professionals for corporate performance

The respondents considered that accountancy professionals are 'important' (scoring four points out of five) for a company's performance improvement.

#### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	4
Knowledge of and approaches to management accounting	4
Knowledge of taxation	4
Data analysis capabilities	5
Understanding in application of emerging technologies and related software	5

### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Knowledge and approaches to risk management	4
Knowledge and approaches to corporate governance	4
Knowledge and approaches to audit and assurance	4
Understanding of organizations' business models	5
Ability to evaluate different strategic options	5
Ability to grasp the impact of macroeconomic on organisations	5
Ability to keep abreast of the latest developments in accountancy	5

## MALAYSIA

### Professional institutions

- Malaysian Institute of Accountants (MIA, member of the IFAC)<sup>40</sup>
- Malaysian Institute of Certified Public Accountants (MICPA, member of the IFAC)<sup>41</sup>
- ACCA (member of the IFAC and CAPA)<sup>42</sup>

### Research on the competence of accountancy professionals

There are no relevant research reports on the competence of accountancy professionals in Malaysia.

### Training plans for accountancy professionals in organisations

The audited financial statements of a listed company must be signed by admitted members of MIA.

In general, large Malaysian companies have their own specific skills requirements for their accountancy employees. A standardised set of skills should be mastered by all those who wish to obtain professional accountancy qualifications and/or have already been admitted as members of professional accountancy

institutions. Large enterprises may implement training plans for accountancy professionals, which are generally updated periodically or on demand by the HR department.

### Approaches to competence training for accountancy professionals in Malaysia

The main approaches to training used in Malaysia are:

- on-the-job educational upgrading
- professional qualification training
- participation in external training and forums
- internal training
- on-the-job guidance by supervisor
- external communication and studying
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

The respondents considered that the above approaches are effective.

### Annual performance appraisal of accountancy professionals

There are annual performance appraisals of accountancy professionals in Malaysia.

### CPD of accountancy professionals

In general, companies registered in Malaysia do not mandate annual CPD hours for the accountants they employ. However, accountancy professionals, as admitted members of MIA, MICPA, ACCA and other professional accountancy institutions, are required to complete a minimum number of hours of CPD annually.

Additionally, professional accountancy agencies (eg Deloitte, etc.) also have the requirements for the number of CPD hours their accountancy professionals must undertake each year.

### The importance of accountancy professionals for corporate performance

The respondents considered accountancy professionals to be 'important' (four points out of five) for a company's performance improvement.

### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	4
Knowledge of and approaches to management accounting	4
Knowledge of taxation	3
Data analysis capabilities	4
Understanding in application of emerging technologies and related software	5
Knowledge and approaches to risk management	3
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	3
Understanding of organizations' business models	3
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	4
Ability to keep abreast of the latest developments in accountancy	3

## UAE

### Professional institutions

Accountants and Auditors Association<sup>43</sup>

### Research on the competence of accountancy professionals

There are no relevant studies or research reports on the competence of accountancy professionals in UAE.

### Competence standards/training plans for accountancy professionals in organisations

Requirements for the competence of accountancy professionals generally centre on their knowledge of IFRS, financial planning and reporting, VAT and risk management, etc.

<sup>40</sup> <http://www.mia.org.my/>

<sup>41</sup> <http://www.micpa.com.my/>

<sup>42</sup> <http://www.accaglobal.com/my/en.html>

<sup>43</sup> <http://www.aaa4uae.com>

Most companies do not have a department responsible for training accountancy professionals. Companies in UAE generally enhance accountancy professionals' skills by relying on the training offered by professional accountancy agencies (eg Big Four) or by sending their accountancy employees to IFRS seminars.

### Approaches to competence training for accountancy professionals in UAE

The main approaches to training used in UAE are:

- professional qualification training
- internal training
- on-the-job self-exploration
- on-the-job guidance by supervisor
- external communication and studying
- moving between business departments to acquire in-depth understanding.

According to one correspondent, training is highly effective. The respondent comes from one of Big Four, however, where training provided by the firm has far outperformed that by other companies.

### Annual performance appraisal of accountancy professionals in enterprises

The annual performance appraisal of accountancy professionals varies between different companies, depend on each organisation's size.

### CPD of accountancy professionals in enterprises

There have limited certificated administrative authorities with limited requirement for CPD. On the other hand, some regulators (eg Dubai Financial Services Authority (DFSA)) do have CPD requirements,

### The importance of accountancy professionals for corporate performance

The respondents considered that accountancy professionals are 'important' (scoring four out of five points) for a company's performance improvement.

### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	3
Knowledge of taxation	1
Data analysis capabilities	3
Understanding in application of emerging technologies and related software	4
Knowledge and approaches to risk management	3
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	2
Understanding of organizations' business models	3
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	2
Ability to keep abreast of the latest developments in accountancy	3

### POLAND

#### Professional institutions

None. There is no training institution for accountancy professionals, but there are professional accountancy organisations (such as the Polish Ministry of Finance<sup>44</sup>).

#### Research on the competence of accountancy professionals:

Most of university economics departments start relevant researches regarding domestic accountancy professionals that are based on their own teaching and training programmes separately, but no report has been officially published until now.

#### Competence standards/training plans for accountancy professionals in organisations

There is no uniform competence standard; skills requirements are totally dependent on the actual demands of enterprises.

### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in Poland are:

- professional qualification training
- internal training
- on-the-job self-exploration
- moving between business departments to acquire in-depth understanding.

Respondents commented that these training approaches promote the self-confidence to employees. All employees must be trained, and short-term secondment is very popular among high-level employees.

### Annual performance appraisal of accountancy professionals in enterprises

Organisations impose annual performance appraisals on accountancy employees.

### CPD of accountancy professionals in enterprises

Enterprises do not impose a requirement on accountancy employees to take training sessions, and the Accountants Association in Poland does not enforce any requirement for CPD hours on its admitted members.

### The importance of accountancy professionals for corporate performance

The respondents considered that accountancy professionals ranked between 'important' (four points out of five) and 'very important' (five points) for a company's performance improvement.

### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	4
Knowledge of and approaches to management accounting	4
Knowledge of taxation	3
Data analysis capabilities	5
Understanding in application of emerging technologies and related software	4

44 <http://www.mf.gov.pl/en/news>

**THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)**

Knowledge and approaches to risk management	4
Knowledge and approaches to corporate governance	4
Knowledge and approaches to audit and assurance	4
Understanding of organizations' business models	3
Ability to evaluate different strategic options	4
Ability to grasp the impact of macroeconomic on organisations	4
Ability to keep abreast of the latest developments in accountancy	3

**CZECH REPUBLIC****Professional institutions**

National Accounting Committee – a body of independent experts that provides support to accountancy professionals, accountants' professional ethics and accounting methods. The members include:

- Chamber of Auditors of the Czech Republic<sup>45</sup>
- The Chamber of Tax Advisers of the Czech Republic<sup>46</sup>
- Union of Accountants of the Czech Republic<sup>47</sup>
- University of Economics, Prague<sup>48</sup>
- ACCA<sup>49</sup>

**Research on the competence of accountancy professionals**

There is no relevant study and research report on the competence of accountancy professionals in Czech Republic.

**Competence standards/training plans for accountancy professionals in organisations**

There is no mandatory competence standard or training plan for accountancy professionals.

**Approaches to competence training of accountancy professionals in enterprises**

The approaches to accountants' development include on-the-job educational upgrading, professional qualification training, participation in external training and forums, internal training, job rotation, on-the-job self-exploration, on-the-job guidance by supervisor, outbound communication and studying, cross-departmental discussion, moving between business departments for in-depth understanding.

According to respondents, these methods are effective and popular.

**Annual performance appraisal of accountancy professionals in enterprises**

There is none.

**CPD of accountancy professionals in enterprises**

The CPD depends completely on the individual enterprise but is usually between 10 and 20 hours per year for general accounting employees, but more than 20 hours for auditors.

**The importance of accountancy professionals for corporate performance**

The respondents considered accountancy professionals to be 'averagely important' (three out of five points) for a company's performance improvement.

**THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)**

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	4
Knowledge of taxation	4
Data analysis capabilities	4
Understanding in application of emerging technologies and related software	4
Knowledge and approaches to risk management	3
Knowledge and approaches to corporate governance	2
Knowledge and approaches to audit and assurance	3

**THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)**

Understanding of organizations' business models	3
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	2
Ability to keep abreast of the latest developments in accountancy	3

**QATAR****Professional institutions**

There is no specialised agency or organisation for training of accountancy professionals in Qatar.

**Research on the competence of accountancy professionals**

There is no relevant research report on the competence of accountancy professionals in Qatar.

**Competence standards/training plans for accountancy professionals in organisations**

The skills clearly required by accountancy professionals in Qatar include:

1. a minimum educational level of a bachelor's degree in accounting
2. the international certification or qualification of CPA / ACCA / CA.

**Approaches to competence training of accountancy professionals in enterprises**

The main approaches to training used in Qatar are:

- on-the-job education upgrading
- professional qualification training
- participation in external training and forums
- internal training
- job rotation
- on-the-job self-exploration
- on-the-job guidance by supervisor
- external communication and studying
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

45 <http://www.kacr.cz/en/>

46 <https://www.kdpcr.cz/>

47 <http://www.svazucetnich.eu>

48 <http://ffu.vse.cz/english/>

49 <http://www.accaglobal.com/crsh/en.html>

### Annual performance appraisal of accountancy professionals

Accountancy professionals are subject to annual performance appraisal in Qatar.

### CPE of accountancy professionals in enterprises

There is no specific requirement for the CPE in Qatar. Deloitte requires a minimum of 20 hours of CPE per year, with a cumulative total of at least 120 hours after three years.

Qatar's Institute of Certified Public Accountants has no requirement for CPD for its admitted members.

### The importance of accountancy professionals for corporate performance

The respondents considered that accountancy professionals to be 'very important' (maximum five points) to a company's performance improvement.

#### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	5
Knowledge of taxation	4
Data analysis capabilities	4
Understanding in application of emerging technologies and related software	4
Knowledge and approaches to risk management	3
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	3
Understanding of organizations' business models	5
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	3
Ability to keep abreast of the latest developments in accountancy	5

## HUNGARY

### Professional institution

Chamber of Hungarian Auditors (CHA)

### Research on the competence of accountancy professionals

There is no relevant research report on the competence of accountancy professionals in Hungary.

### Competence standards/training plans for accountancy professionals in organisations

There is no relevant mandatory training plan for accountancy professionals in Hungary.

### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in Hungary are:

- on-the-job education upgrading
- professional qualification training
- participation in external training and forums
- internal training
- on-the-job guidance by supervisor
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

The respondents considered that these approaches are very effective for development.

### Annual performance appraisal of accountancy professionals

There is no mandatory annual performance appraisal for accountancy professionals in Hungary.

### CPD for accountancy professionals in organisations

There are specific training requirements for both auditors and accountants. Generally approximately 10 to 20 hours CPD are required annually, depending on the nature of their work.

### The importance of accountancy professionals for corporate performance

The respondents considered accountancy professionals to be 'very important' (maximum five points) for a company's performance improvement.

#### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	4
Knowledge of taxation	3
Data analysis capabilities	4
Understanding in application of emerging technologies and related software	4
Knowledge and approaches to risk management	5
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	5
Understanding of organizations' business models	3
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	3
Ability to keep abreast of the latest developments in accountancy	3

## THAILAND

### Professional institution

Federation of Accountancy professions (FAP)<sup>50</sup>

### Research on the competence of accountancy professionals

There is no relevant research report on the competence of accountancy professionals in Thailand.

### Competence standards/training plans for accountancy professionals in organisations

There is no specific skill requirement arose by companies in Thailand for accountancy professionals. However, a Certified Public Accountant (CPA) must complete 20 hours of formal training and 20 hours of informal training annually to fulfil the CPD requirement, each year after CPA certification has been obtained.

50 <http://en.fap.or.th/>

### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in Thailand are:

- on-the-job education upgrading
- professional qualification training
- participation in external training and forums
- internal training
- on-the-job self-exploration
- on-the-job guidance by supervisor
- external communication and studying
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

It is mandatory for all employees to comply with talent development policies arranged by companies in Thailand. The respondents considered that such development plans are effective, and will be result in more highly skilled employees as a company grows.

### Annual performance appraisal of accountancy professionals in organisations

There is annual performance appraisal of accountancy professionals in Thailand. A Thai respondent from Deloitte said that the company would conduct both a mid-year performance appraisal and a year-end performance appraisal.

### CPD of accountancy professionals in organisations

FAP requires that all CPA holders must complete 20 hours of formal training and 20 hours of informal training annually to fulfil their CPD requirement.

### The importance of accountancy professionals for corporate performance

The respondents considered that the accountancy professionals as 'very important' (maximum five points) for a company's performance improvement.

### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	4
Knowledge of taxation	5
Data analysis capabilities	5
Understanding in application of emerging technologies and related software	5
Knowledge and approaches to risk management	5
Knowledge and approaches to corporate governance	5
Knowledge and approaches to audit and assurance	4
Understanding of organizations' business models	5
Ability to evaluate different strategic options	4
Ability to grasp the impact of macroeconomic on organisations	4
Ability to keep abreast of the latest developments in accountancy	5

### VIETNAM

#### Professional institution

Vietnam Association of Certified Public Accountants (VACPA)

The relevant information on the Vietnamese Professionals Training Program was unavailable at the time of writing, but VACPA has trained a large number of accountancy professionals in Vietnam.

#### Research on the competence of accountancy professionals

There was no information at time of writing.

#### Competence standards/training plans for accountancy professionals in organisations

The relevant requirements are clearly specified in Vietnamese accounting regulations, with the following exceptions set out in Accounting Law 2003: Article 50 Standards, rights and responsibilities of accountants.

Accountants must satisfy the standards shown below.

- Accountants must adhere to professional ethical standards, be honest and incorruptible, and comply with the law.
- Accountants must have professional accounting certification.
- Accountants are entitled to be independent during the process of professional accounting work.
- Accountants must comply with the law when carrying out bookkeeping work and other assigned work, and must be responsible for all their professional work. When the accountant resigns, all accounting works and files must be handed over to his or her successor, and the departing accountant must remain responsible for all accounting works during the hand-over period.

### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in Vietnam are:

- on-the-job education upgrading
- professional qualification training
- participation in external training and forums
- internal training
- job rotation
- on-the-job self-exploration
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

The respondents considered that aforementioned training approaches are very appropriate and effective for accountancy professionals, so that the aforementioned approaches are widely used in most of accountancy agencies.

### Annual performance appraisal of accountancy professionals in organisations

The financial and accounting personnel in the majority of Vietnamese companies are subject to annual performance appraisal.

Annual performance appraisal of accountancy professionals is implemented by most of companies in Vietnam.

### CPD of accountancy professionals in enterprises

Vietnam has stipulated a specific amount of annual training for accountancy professionals: in most cases the minimum is 40 hours per year.

### The importance of accountancy professionals for corporate performance

The respondents considered that accountancy professionals are 'important' (four points out of five) for a company's performance improvement.

THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)	
Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	2
Knowledge of taxation	3
Data analysis capabilities	4
Understanding in application of emerging technologies and related software	2
Knowledge and approaches to risk management	4
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	5
Understanding of organizations' business models	3
Ability to evaluate different strategic options	2
Ability to grasp the impact of macroeconomic on organisations	4
Ability to keep abreast of the latest developments in accountancy	4

## RUSSIA

### Professional institutions

There is no specific organisation in charge of the development of accountancy professionals. The necessary qualifications can be obtained by passing the professional examinations organised by professional accountancy bodies, including:

- ACCA<sup>51</sup>
- CPA<sup>52</sup>

### Research on the competence of accountancy professionals

There is no relevant study or research reports on the competence of accountancy professionals in Russia.

### Competence standards/training plans for accountancy professionals in organisations

The government started to introduce professional accounting standards in 2016. According to these professional standards, employees engaged in accounting functions should have a range of knowledge and skills (such as the preparation of major documents and statements, and knowledge of the relevant legislation, technical applications, etc.).

There is no specific training programme or department dedicated to developing talent in Russian companies.

### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in Russia are:

- on-the-job education upgrading
- professional qualification training
- participation in external training and forums
- internal training
- job rotation
- on-the-job self-exploration
- on-the-job guidance by supervisor
- external communication and studying
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

The respondents commented that all the aforementioned approaches are appropriate to Russia. Their effectiveness and popularity depend on the business scale and the sector of organisation.

### Annual performance appraisal of accountancy professionals in enterprises

None.

### CPD of accountancy professionals in enterprises

There is no mandatory requirement for CPD at government level.

The importance of accountancy professionals for corporate performance

The respondents considered accountancy professionals to be 'important' (four points out of five) for a company's performance improvement.

THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)	
Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	5
Knowledge of taxation	5
Data analysis capabilities	5
Understanding in application of emerging technologies and related software	5
Knowledge and approaches to risk management	3
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	3
Understanding of organizations' business models	4
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	4
Ability to keep abreast of the latest developments in accountancy	5

51 <http://www.accaglobal.com/gb/en.html>

52 <http://www.cpa.org.ru/about/en/about-EICPA>

## INDONESIA

### Professional institutions

Universities, mainly represented by University of Indonesia, are responsible for the development of accounting talent.<sup>53</sup>

### Research on the competence of accountancy professionals

Please visit the FEB UI website for relevant research.<sup>54</sup>

### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in Indonesia are:

- professional qualification training
- participation in external training and forums
- internal training

Respondents commented that the methods used are highly effective.

### Annual performance appraisal of accountancy professionals in enterprises

The respondents considered that there is annual performance appraisal in Indonesia.

### CPD of accountancy professionals in enterprises

The respondents reported that 40 hours of CPD must be satisfied as the minimum level in Indonesia, and this requirement is also applicable to certified accountancy members.

### The importance of accountancy professionals for corporate performance

The respondents considered that accountancy professionals are 'very important' (5 points) to a company's performance improvement.

#### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	3
Knowledge of taxation	5
Data analysis capabilities	5

#### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Understanding in application of emerging technologies and related software	5
Knowledge and approaches to risk management	4
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	5
Understanding of organizations' business models	4
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	3
Ability to keep abreast of the latest developments in accountancy	4

## KAZAKHSTAN

### Professional institutions

There is no specific organisation in charge of the development of accountancy professionals in Kazakhstan but professional accountancy institutions in Kazakhstan provide accountancy education services. Additionally, certification also can be obtained by passing professional examinations, including those of ACCA, Certified Accounting Practitioners (CIP), Certified International Professional Accountants (CIPA), Professional Accountant, and others.

### Research on the competence of accountancy professionals

There are no relevant research reports on the competence of accountancy professionals in Kazakhstan.

### Competence standards/training plans for accountancy professionals in organisations

According to the regulation of the Republic of Kazakhstan on Accounting Reporting, professional accountants can be appointed as chief accountants of public interest organisations (Article 9, effective 1 January 2012). A 'professional accountant' is defined as an individual

who has a professional accountancy certificate that meets the requirements of Regulation No.455 promulgated by the Minister of Finance of the Republic of Kazakhstan on 13 December 2007.

There is no requirement for companies in Kazakhstan to set up a training programme or a special department to take charge of the development of accountancy professionals.

### Approaches to the competence training of accountancy professionals in enterprises

The main approaches to training used in Kazakhstan are:

- on-the-job education upgrading
- professional qualification training
- participation in external training and forums
- internal training
- job rotation
- on-the-job self-exploration
- on-the-job guidance by supervisor
- external communication and studying
- cross-departmental discussion
- moving between business departments to acquire in-depth understanding.

The respondents considered that all the aforementioned approaches are appropriate in Kazakhstan. The effectiveness and choice of method depend on the business's scale and the sector of organisation.

### Annual performance appraisal of accountancy professionals

There is no annual performance appraisal of accountancy professionals in Kazakhstan.

### CPD of accountancy professionals in enterprises

There is no mandatory CPD requirement at government level in Kazakhstan.

### The importance of accountancy professionals for corporate performance

The respondents considered accountancy professionals to be 'important' (four points out of five) for a company's performance improvement.

53 <http://www.feb.ui.ac.id/akuntansi/>

54 <http://www.feb.ui.ac.id/akuntansi/>

### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	5
Knowledge of taxation	5
Data analysis capabilities	5
Understanding in application of emerging technologies and related software	5
Knowledge and approaches to risk management	3
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	3
Understanding of organizations' business models	4
Ability to evaluate different strategic options	3
Ability to grasp the impact of macroeconomic on organisations	4
Ability to keep abreast of the latest developments in accountancy	5

## INDIA

### Professional institution

There is no specific institution or organisation responsible for the development of the accounting personnel.

### Research on the competence of accountancy professionals

Respondents are unaware of whether there is such research in India.

### Competence standards/training plans for accountancy professionals in organisations

There is no specific competence standard.

### Approaches to competence training of accountancy professionals in enterprises

The main approaches to training used in India are:

- professional qualification training
- participation in external training and forums
- internal training
- job rotation
- on-the-job self-exploration
- on-the-job guidance by supervisor
- moving between business departments to acquire in-depth understanding.

### Annual performance appraisal of accountancy professionals in enterprises

In most companies, accountancy personnel are subject to annual appraisals.

### CPE of accountancy professionals in enterprises

The stipulations<sup>55</sup> are as follows.

For the three years from 1 January 2017 to 31 December 2019, different categories of accountancy membership require specific amounts of CPE.

1. All the members (aged less than 60 years and except those members residing abroad) who hold a Certificate of Practice are required to:
  - a. complete at least 120 CPE credit hours in a rolling period of three years
  - b. complete minimum 20 CPE credit hours of structured learning in each calendar year
  - c. 60 CPE credit hours (minimum 20 CPE credit hours in each calendar year) can be completed through either structured or unstructured learning (at the member's choice).
2. All members (aged less than 60 years) who do not hold a Certificate of Practice, and all members residing abroad (whether holding Certificate of Practice or not) are required to:
  - a. complete at least 60 CPE credit hours of either structured or unstructured learning (at the member's choice) in a rolling three-year period, and

- b. complete a minimum of 15 CPE credit hours of either structured or unstructured learning (at the member's choice) in each calendar year.

3. All members (aged 60 years and above) who hold a Certificate of Practice are subject to other specific requirements.

### The importance of accountancy professionals for corporate performance

Respondents deem the financial and accounting personnel to be 'highly important' (five points out of five) for a company's performance improvement.

### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	5
Knowledge of taxation	4
Data analysis capabilities	5
Understanding in application of emerging technologies and related software	3
Knowledge and approaches to risk management	3
Knowledge and approaches to corporate governance	3
Knowledge and approaches to audit and assurance	4
Understanding of organizations' business models	4
Ability to evaluate different strategic options	2
Ability to grasp the impact of macroeconomic on organisations	1
Ability to keep abreast of the latest developments in accountancy	1

55 Set out at [http://www.cpeicai.org/?page\\_id=134](http://www.cpeicai.org/?page_id=134)

## PAKISTAN

### Professional institutions

Professional bodies involved in the development of accountancy professionals, include the following.

- The Institute of Chartered Accountants of Pakistan (ICAP)<sup>56</sup>
- Pakistan Institute of Public Finance Accountants (PIPFA)<sup>57</sup>
- Institute of Cost and Management Accountants of Pakistan (ICMAP)<sup>58</sup>

International professional bodies involved in the development of accountancy professionals, include ACCA<sup>59</sup>

The most important universities, which offer training programs for accountancy professionals, include:

- Lahore University of Management Sciences (LUMS)<sup>60</sup>
- Institute of Business Administration (IBA)<sup>61</sup>
- University of Karachi (UoK)<sup>62</sup>

Accounting education providers: Registered Accounting Education Tutors (RAETs) approved by ICAP are authorised to conduct tutorial classes for ICAP and MFC students. These RAETs are treated as important elements in the development of local accountancy professionals. The list of RAETs is available on the internet.<sup>63</sup>

Training institutions: ICAP requires that students should be trained by approved 'training organisations outside practice' (TOOPs). These organisations also contribute to the development of accountancy professionals in Pakistan. The list of approved institutions is published on the internet.<sup>64</sup>

### Research on the competence of accountancy professionals

Respondents are unaware of any relevant research in Pakistan.

### Competence standards/training plans for accountancy professionals in enterprises

There are no overall guidelines for organisations or enterprises in Pakistan, but the competences or skills required for a position will depend on the job description.

In some special cases, the relevant authorities provide specific guidelines. For examples, the listing regulation of Pakistan Stock Exchange provides requirements for the appointment of internal audit directors and chief financial officers for listed companies. These stipulate that a candidate should be a member of one of the chartered professional bodies.

Large organisations usually have a learning and development department dedicated to training programmes for accountancy professionals. For example, one organisation's learning department takes charge of regularly revising training content, conducting promotional training, conducting software upgrade training, etc.

### Approaches to the competence training of accountancy professionals in enterprises:

The main approaches to training used in Pakistan are:

- professional qualification training
- internal training
- on-the-job self-exploration
- moving between business departments to acquire in-depth understanding.

The respondents considered that the selected development path is highly effective, since the individual can learn from other professionals and be trained within the organisation, obtaining better feedback and learning applications. They considered that using the trainer model and passing on what the accountant had learned to the public would trigger a 'trickledown' effect.

For internal training, an external professional trainer may be employed so that the trainees can be benefited from specific professional training.

### Annual performance appraisal of accountancy professionals in enterprises

Performance appraisals are imposed on accountancy professionals in Pakistani according to their organisation's policies.

### CPD of accountancy professionals in enterprises

Enterprises in Pakistani generally do not have specific requirements for CPD hours, but have other requirements based upon their HR policies, which vary from one enterprise to another.

Members of professional bodies must comply with the CPD requirements imposed by their professional bodies. For example, ICAP provides CPD guidance in accordance with its Directive 8.01<sup>65</sup>.

### The importance of accountancy professionals for corporate performance

The respondents consider that accountancy professionals are 'important' (four points out of five) for a company's performance improvement.

#### THE IMPORTANCE OF COMPETENCIES OF ACCOUNTANCY PROFESSIONALS (importance up to 5 points)

Capabilities / Skills	Importance (1-5 points)
Knowledge of and approaches to financial accounting	5
Knowledge of and approaches to management accounting	5
Knowledge of taxation	4
Data analysis capabilities	5
Understanding in application of emerging technologies and related software	5
Knowledge and approaches to risk management	4
Knowledge and approaches to corporate governance	5
Knowledge and approaches to audit and assurance	4
Understanding of organizations' business models	4
Ability to evaluate different strategic options	4
Ability to grasp the impact of macroeconomic on organisations	4
Ability to keep abreast of the latest developments in accountancy	4

56 <http://www.icap.org.pk/>

57 <http://pipfa.org.pk/>

58 <https://www.icmap.com.pk/>

59 <http://www.accaglobal.com/pk/en.html>

60 <https://lums.edu.pk/>

61 <https://www.iba.edu.pk/>

62 <http://uok.edu.pk/>

63 <https://goo.gl/WaMcu5>

64 <https://goo.gl/xxqgNR>

65 Available at <https://goo.gl/A7DzJa>

