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January 2016



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1. Regulatory & Business

1.1 Commencement of Phase 2 of the Companies (Amendment) Act 2014

The second phase of the Companies (Amendment) Act 2014 has become effective on 3 January 2016 with the exception of sections 94(e) and 121 of the Companies (Amendment) Act 2014.

 Section 94(e) of the Companies (Amendment) Act 2014 (which introduces new section 178(1B) of the Companies Act) was intended as a transitional provision consequential to the amendment made to s178(1)(c) of the Companies Act. S178(1)(c) was amended to allow companies to require members to send the instrument appointing their proxies to the company not less than 72 hours before the time of a meeting, to give the company more time to process such instruments.

S178(1B) is not being brought into force as there is inaccuracy in the drafting of that section. Existing companies, whose constitution indicates a 48-hour cut-off time for the submission of proxy instruments, will therefore not have a transitional provision which would allow them to automatically rely on the longer period of 72 hours. Such companies will have to amend their constitutions accordingly to extend the cut-off time for submission of proxy instruments should the need arise.

 Section 121 of the Companies (Amendment) Act 2014 (which introduces new section 202A and 202B of the Companies Act) relate to the revision of financial statements where these documents do not comply with the requirements of the Act. The Accounting and Corporate Regulatory Authority (ACRA) intends to bring this section into force, together with the necessary subsidiary legislation, by end of January 2016.

The supporting subsidiary legislation for the second phase of legislative amendments can be accessed at the following URL: <http://ow.ly/WGvrX>

The Companies (Amendment) Act 2014 (Commencement)(No.2) Notification 2015 can be accessed at the following URL: <http://ow.ly/WGvx3>

The key amendments in Phase 2 can be accessed at the following URL: <http://ow.ly/WGvyp>

1.2 ACRA Issues Practice Direction No. 6 of 2015

On 30 December 2015, the Accounting and Corporate Regulatory Authority (ACRA) released Practice Direction No. 6 of 2015: *Effect of Companies (Amendment) Act 2014 on sections relating to Financial Reporting in the Companies Act* to inform companies of the legislative amendments to sections 23(2), 29(1), 29(2), 29(4), 200(3), 201(12), 202, 373(12) and 373(13) of the Companies Act, as well as the introduction of a new section 29A, pursuant to the implementation of the Companies (Amendment) Act 2014.

Practice Direction 6 of 2015 can be accessed at the following URL: <http://ow.ly/WGvGW>

2. Auditing & Assurance

2.1 ACRA Issues Audit Practice Bulletin No 1 of 2015

On 15 December 2015, the Accounting and Corporate Regulatory Authority (ACRA) issued Audit Practice Bulletin No 1 of 2015 which seeks to provide guidance and clarity on the audit procedures necessary prior to placing reliance on the work performed by component auditors, and to reiterate the need to increase the level of rigour and professional scepticism expected of the public accountant when acting as the group engagement auditor, together with illustrative examples.

Please visit the following URL for more information: <http://ow.ly/WGE3E>

2.2 IAASB seeks feedback on standard-setting activities to enhance audit quality

On 21 December 2015, the International Auditing and Assurance Standards Board released its *Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits* ("ITC"). This ITC highlights the Board's discussions in these three topic areas and indicates potential standard-setting activities that could enhance audit quality.

The IAASB also released a companion document, *Overview of the ITC*, which summarizes the key areas the IAASB is exploring and the direction it may take.

The IAASB's *Framework for Audit Quality*, issued in 2014, explains the important role of auditors and their firms—as well as other stakeholders—in audit quality, and the contextual factors that affect it. It is an important reference document for this consultation.

For more information and to access the abovementioned documents, please visit the following URL:
<http://ow.ly/WGEtP>

3. Ethics

3.1 ISCA Issues EP 100 Implementation Guidance covering provision of non-assurance services to an audit or assurance client

In November 2015, the Institute of Singapore Chartered Accountants (ISCA) had issued Ethics Pronouncement (EP) 100, *Code of Professional Conduct and Ethics*.

On 21 December 2015, with the objective of supporting the accountancy profession to implement the requirements in EP 100, in particular the acknowledgement of management responsibility for non-assurance services by client management when public accountants provide non-assurance services to audit or assurance clients, ISCA has developed EP 100 Implementation Guidance (IG) 1 – *Pro-Forma Paragraphs for Client Management to Acknowledge Its Responsibility for Non-Assurance Services*.

The pro-forma paragraphs in EP 100 IG 1 may be included in the audit engagement letter or in the separate stand-alone engagement letter for non-assurance services.

Please visit the following URL to access EP 100 IG 1: <http://ow.ly/WGEC5>

3.2 IESBA issues exposure drafts on restructuring the Code of Ethics for Professional Accountants and enhanced provisions relating to safeguards

On 21 December 2015, the International Ethics Standards Board for Accountants released two Exposure Drafts (EDs) proposing key enhancements to fundamental aspects of the *Code of Ethics for Professional Accountants* ("Code").

The first ED, *Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1* (Structure ED) represents the first application of proposed new structure and drafting conventions for the Code, covering both a number of the provisions of the Code dealing with its general application and selected sections addressing professional accountants in public practice. In addition to the use of clearer language, key features in the Structure ED include:

-  Requirements clearly distinguished from application material;
-  Increased clarity of responsibility for compliance with the Code's requirements;
-  A reorganization of the content of the Code; and
-  A new Guide to the Code.

The second ED, *Proposed Revisions Pertaining to Safeguards in the Code—Phase 1* (Safeguards ED) includes enhanced requirements and application material pertaining to the application of the Code’s conceptual framework, including safeguards.

Key enhancements proposed in the Safeguards ED, which is presented in accordance with the new structure and drafting conventions, include:

-  More robust and prominent requirements related to the application of the conceptual framework, including a required overall assessment of the judgments made and conclusions reached;
-  A clearer and more robust description of the concept of safeguards, and clarified and streamlined examples of safeguards; and
-  New guidance regarding the application of the concept of a “reasonable and informed third party” that is essential to properly applying the conceptual framework.

For more information and to access the EDs, please visit the following URL:
<http://ow.ly/WGOZ4>

4. *Financial Reporting*

4.1 IASB postpones accounting changes for associates and joint ventures until completion of broader review

On 17 December 2015, the International Accounting Standards Board (IASB) announced that it has postponed the date when entities must change some aspects of how they account for transactions between investors and associates or joint ventures.

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The announcement removes the requirement to make these particular changes by 2016.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Please visit the following URL for more information: <http://ow.ly/WGG1I>

4.2 Singapore ASC issues amendments to effective date of amendments to FRS 110 and FRS 28

Following on from the announcement on 17 December 2015 by the IASB that it has postponed the date when entities must change some aspects of how they account for transactions between investors and associates or joint ventures, on 23 December 2015, the Singapore Accounting Standards Council (ASC) has accordingly issued *Amendments to Effective Date of Amendments to FRS 110 and FRS 28* to defer the effective date of *Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

Please visit the following URL for more information: <http://ow.ly/WGGfj>

5. Taxation

5.1 Updated Transfer Pricing Guidelines

The Inland Revenue Authority of Singapore or IRAS has updated its e-Tax Guide on Transfer Pricing Guidelines in January 2016. Briefly, the updates and amendments provide enhanced guidance on matters of Transfer Pricing (TP) documentation, aspects of comparability analysis, resolving TP disputes, IRAS' position on TP adjustments and attribution of profit to a permanent establishment and enhancements to the the MAP and APA processes.

Transfer Pricing Requirements

IRAS requires the preparation and retention of contemporaneous transfer pricing documentation or records kept by taxpayers to proof that their related party transactions are conducted at arm's length. These need not be filed with IRAS but need to be available at IRAS' request.

Transfer Pricing and the Main Rule

Transfer Pricing is the setting of prices of goods, services and assets between related parties. A related party includes an entity like a subsidiary, parent company, branch or a head office. The IRAS requires the arm's length principle to be applied to transactions between related parties. This is deemed to be a fair rule as the arm's length basis is an established principle used internationally. The arm's length price is the price that is charged to third parties.

Setting a lower or higher price for transactions between entities that reside in different jurisdictions with different income tax rates or entities that are in the same jurisdiction but with a different circumstance, say, a large carry-forward tax loss that can offset current or future taxes allows such entities to game the system, i.e., act in such a way so as to reduce the overall tax impact to themselves.

This reduction of tax impact is conversely detrimental to the tax authority as it represents a leakage of tax revenue to the government. The guidelines therefore clarify the authority's position on the matter.

How we can help you

We can assist you to comply with IRAS' requirements on transfer pricing and to reduce your tax risk in this area. The preparation and maintenance of transfer pricing documentation facilitates tax reviews, resolves transfer pricing issues that may arise and enables the resolution of possible enforcement actions by the tax authorities and double taxation. The documentation must be current and should be updated at generally 3-yearly intervals. As with tax records, these should be retained for 5 years.

5.2 Wage Credit Scheme Payouts for 2016

IRAS has issued a reminder to employers to make CPF contributions for employees by 14 January 2016 in order to receive the third tranche of payouts under the Wage Credit Scheme.

Employers do not need to apply to receive the WCS payouts. Eligible employers will receive letters from the Inland Revenue Authority of Singapore by March 2016 informing them of the amount of WCS payout they will be given. The payouts will be credited directly into the employers' bank accounts or issued as cheques to employers.



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Events



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From left to right

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