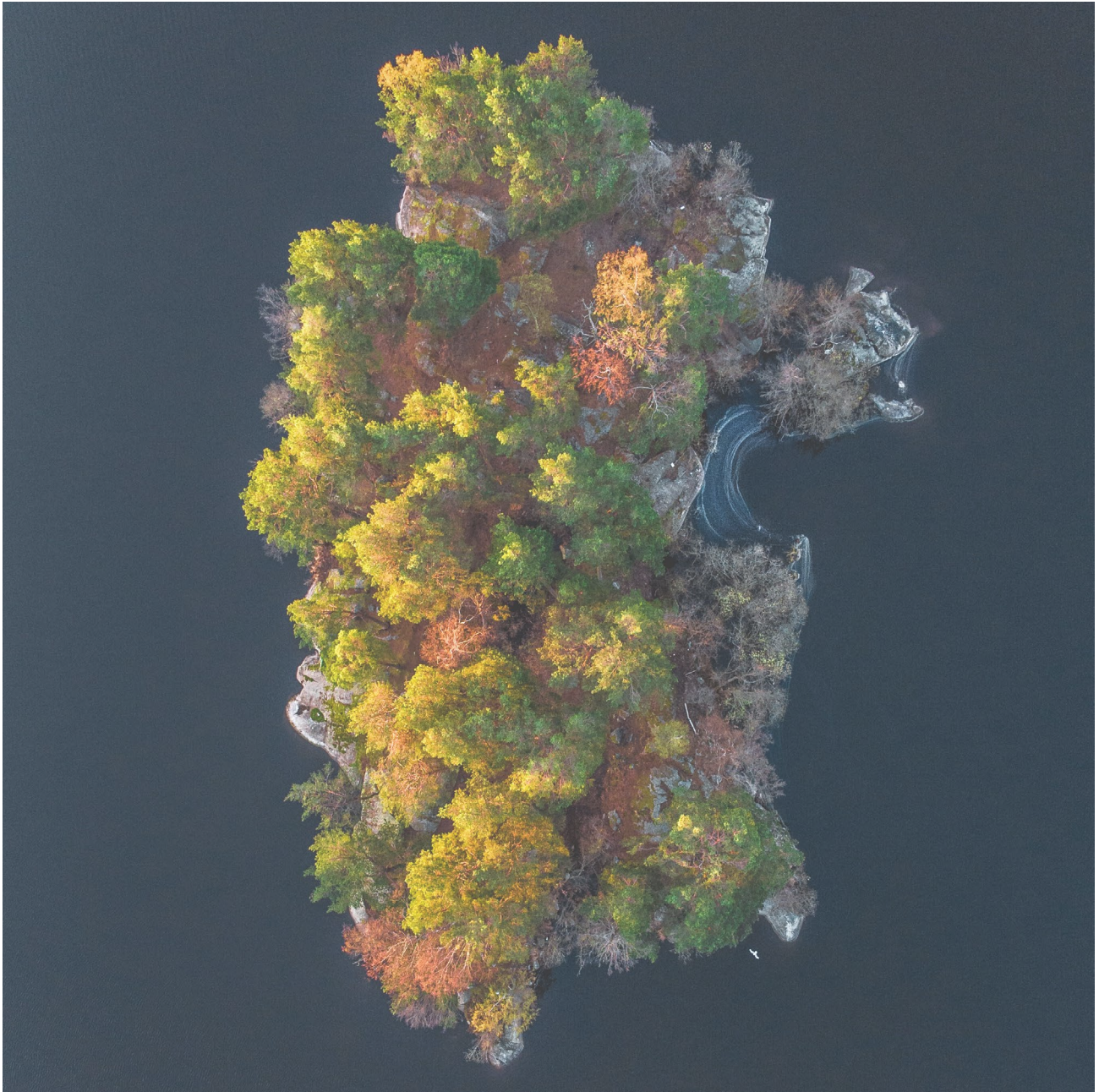


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Technical Updates

RT brings to you the latest Technical Updates on Audit and Assurance, Financial Reporting, Business Regulation and Ethics in Singapore and other global regulatory bodies and their implications thereof.

Prepared & Written By: Andrew Chua



1. REGULATORY AND BUSINESS (Singapore)

1.1 Section 121 of the Singapore Companies (Amendment) Act 2014 relating to the issuance of revised financial statements in effect from 20 April 2018

Singapore's Accounting and Corporate Regulatory Authority (ACRA) has announced that Section 121 of the Companies (Amendment) Act 2014 which introduces new sections 202A and 202B of the Companies Act (the "Act") took effect on 20 April 2018. Concurrently, the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations") has been issued to operationalise sections 202A and 202B. The Regulations took effect on 20 April 2018.

Section 202A allows directors to voluntarily revise financial statements for those areas that do not comply with the requirements of the Act (including compliance with the Accounting Standards), and any consequential revisions. Section 202A is introduced to allow directors to revise the defective financial statements on their own accord. Directors may voluntarily revise financial statements in respect of any financial year of the company. Before section 202A was introduced, directors had to obtain a court order before they could file revised financial statements under section 12B, which could be time-consuming and costly.

Section 202B provides for the Registrar to apply to the Court for a declaration that the financial statements do not comply with the requirements of the Act (including compliance with the Accounting Standards), and for an order requiring the directors to revise the financial statements. The Court will then decide whether the financial statements comply with the requirements of the Act (including compliance with the Accounting Standards), and the Court may then give directions on the manner of revision. Section 202B provides for a complementary enforcement action to allow the Registrar to apply to court to require a company to revise its defective financial statements where such defects had been detected.

Some of the key requirements of sections 202A and 202B of the Companies Act are as follows:

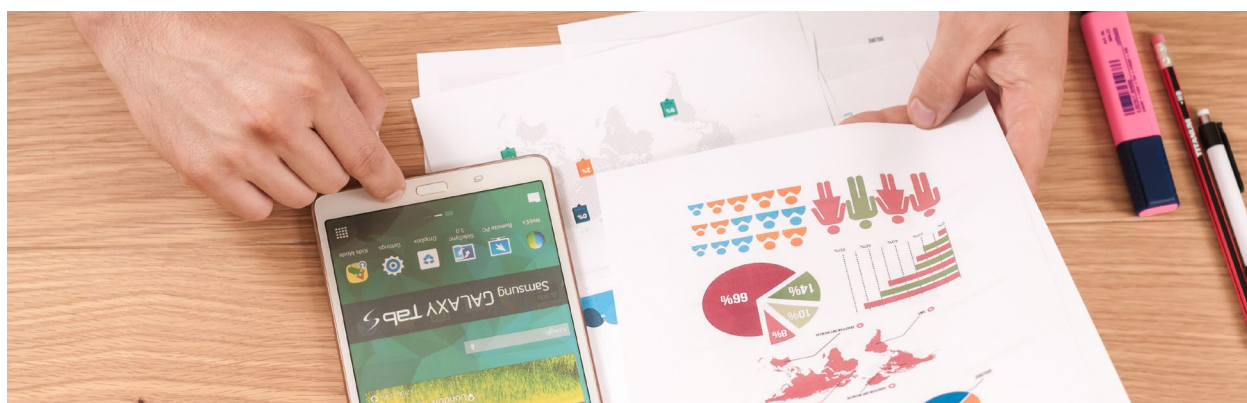
- The revision is confined to those aspects in which the financial statements did not comply with the requirements of the Act (including compliance with Accounting Standards) and any necessary consequential revisions.
- The revised financial statements are taken as having been prepared on the date of the original financial statements and accordingly, do not deal with events occurring after the date of the original financial statements.
- The requirements of the Accounting Standards that were applied in the original financial statements will continue to be applied in the revised financial statements.
- A new directors' statement and amended auditor's report must be attached to the revised financial statements.
- Relief from requirements granted by the Registrar on the original financial statements do not automatically apply to the revised financial statements and new directors' statement. New applications must be made.

- Directors shall take reasonable steps to ensure that the revised financial statements, together with the new directors' statement and the amended auditor's report, are sent within 30 days after the date of revision, to:
 - all persons who had received the original financial statements; and
 - all persons entitled to receive the notice of general meeting as at the date of revision.
- The revised financial statements must be filed with the Registrar within 30 days after the date of revision.
- The revised financial statements must be laid at the next general meeting held after the date of revision.

For further information and help resources from ACRA, please go to the following URL:

<https://bit.ly/2GbF81L>

2. AUDITING AND ASSURANCE (Singapore)



2.1 ISCA issues FAQs on auditor's report on financial statements prepared in accordance with SFRS(I)s

The Institute of Singapore Chartered Accountants (ISCA)'s Auditing and Assurance Standards Committee has developed a frequently asked questions (FAQ) publication to address some of the common questions relating to the auditor's report on financial statements prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)s).

The Singapore Accounting Standards Council issued SFRS(I)s on 29 December 2017. SFRS(I)s are Singapore's equivalent of the International Financial Reporting Standards issued by the International Accounting Standards Board.

Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore shall apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

SFRS(I)s are also available to other Singapore-incorporated companies as an alternative framework to the Financial Reporting Standards in Singapore as well as the Singapore Financial Reporting Standard for Small Entities.

Please go to the following URL to access the FAQ publication: <https://bit.ly/2rEzReM>

3. ETHICS (INTERNATIONAL)

3.1 IESBA consults on 2019-2023 strategy and work plan



On 16 April 2018, the International Ethics Standards Board for Accountants (IESBA) released a consultation paper on its *Proposed Strategy and Work Plan, 2019-2023*.

Leveraging on the completely rewritten and significantly strengthened *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("Code"), the proposed Strategy and Work Plan projects the IESBA's vision for the Code in the global economy.

The IESBA's future priorities and actions will be guided by three strategic themes:

- Advancing the Code's relevance by keeping it fit-for-purpose for a rapidly changing world, and further strengthening ethical conduct and independence standards;
- Deepening and expanding the Code's impact and influence through increased global adoption and implementation; and
- Enriching the IESBA's perspectives and capacities through proactive stakeholder dialogue and co-operation.

The consultation paper was developed following extensive, wide-ranging engagement with stakeholders, including regulators, national standard setters and professional accounting organizations.

The deadline for submitting comments on the consultation paper is 16 July 2018.

To access the consultation paper, please go to the following URL: <https://bit.ly/2KjXRKZ>

4. FINANCIAL REPORTING (INTERNATIONAL)

4.1 IFRS Foundation issues new supporting materials for the IFRS for SMEs Standard

The IFRS Foundation has released the first three of 35 stand-alone modules designed to provide support to anyone learning about, applying or reading financial statements prepared using the International Financial Reporting Standard for small and medium-sized entities (IFRS for SMEs) Standard.

Each module covers one of the 35 sections in the amended IFRS for SMEs Standard issued in 2015, and includes:

- requirements—the full text of the section of the IFRS for SMEs Standard reproduced with added notes and examples. The notes and examples are designed to explain and illustrate the requirements;
- significant estimates and other judgements—a discussion of the significant estimates and other judgements likely to be made in accounting for transactions and events when applying the section of the IFRS for SMEs Standard;
- comparison with full IFRS Standards—a summary of the main differences between the section of the IFRS for SMEs Standard and the corresponding full IFRS Standard;
- test your knowledge—multiple-choice questions, with answers, designed to test the learner's knowledge of the requirements of the section of the IFRS for SMEs Standard; and
- apply your knowledge—case studies, with solutions, designed to develop the skills needed to account for transactions and events in accordance with the IFRS for SMEs Standard.

To access the first three modules and for further information, please go to the following URL: <https://bit.ly/2rFuQT8>

Viewpoint from RT ASEAN

Our experts from across RT ASEAN are proud to bring you the latest talk and buzz in the Financial, Digital & Legal industry.

VIETNAM: NEW GUIDANCE ON TRANSFER PRICING



Written By: Khuat Lien Huong

On 24 February 2017 the Government issued Decree No. 20/2017/ND-CP (Decree 20) regulating tax administration with respect to enterprises having transactions with related parties which take effect from 1 May 2017. Decree 20 creates a new legal framework for related-party transactions

in Vietnam and provides certain changes to the current transfer pricing rules which are governed under Circular No. 66/2010/TT-BTC of the Ministry of Finance (Circular 66). Decree 20 provides detailed guidance on the determination of arm's length pricing of related party transactions,



- The ownership threshold to be considered as related parties is increased to 25% from 20%.
- Two entities with mutual transactions more than 50% of sales/purchases are no longer treated as related parties.
- Transfer pricing ("TP") documentation is more complicated and includes a master dossier on global group information, a local dossier and country-by-country profit report. The documentation must be submitted by the annual tax return deadline (within 90 days after the fiscal year-end).
- Dossier of identifying related-party transaction prices should be prepared by the deadline of the annual Corporate Income Tax (CIT) finalisation, and provided to the tax office within 15 working days from the date of the tax request.
- More detailed guidance on benchmarks such as use of data sources, TP method selection, minimum numbers of comparable companies and other adjustment factors is provided.

- The following entities are exempted from TP documentation:
 - Entities with revenue below VND50Billion and total value of related-party transaction below VND30Billion in a tax period
 - Entities concluding an Advanced Pricing Agreement (APA) and submitting annual APA reports
 - Entities with sales revenue below VND200Billion and achieving at least 5% for distribution, 10% for manufacturing and 15% for processing for ratios of earnings before interest and tax to revenue.
- Tax payers that only have transactions with domestic related parties, the same tax rate and no entity entitled to tax incentives can be exempt from reporting information about these transactions.
- Loan interest applicable to both related-party and third-party loans are capped at 20% earnings before interest, tax, depreciation and amortisation (EBITDA).
- For services between related parties, the tax payer must prove the economic benefit and provide sufficient evidence (supporting documents such as a contract, invoice etc) on calculation method, proportion method and price policy of the group for services provided. The mark-up portion of third-party expenses recharged to Vietnam entities are not deductible for CIT purposes. Decree 20 mainly affects companies with various related party transactions. Interest loans with related parties or with third parties are also under the administration of this decree, when capped at 20% of EBITDA.



Key considerations for investors and companies

Decree 20 emphasizes that the transfer pricing method applied must ensure that there is no loss of tax revenue to the state budget. This implies an asymmetry that may be inconsistent with the arm's length principle. In addition, there is no guidance on how adjustments should be done and the potential impact for other taxes (i.e Value added tax or foreign contractor tax).

Below are the analysis for the compliance risk and the profitability for tax purpose resulting in TP risk for each enterprise and needs investors/ companies' consideration:

Level of Compliance	Not in compliance	Medium Risk	High Risk	High Risk
	Some compliance	Low Risk	Medium Risk	High Risk
	Full compliance	Low Risk	Low Risk	Medium Risk
		Above the median	Within range	Below range/ Losses
Profitability				

Expected TP Audit program for 2017

In order to enforce the TP audits, Tax Authority will manually select enterprises with below criteria: 1) Key industry players; 2) Enterprises which have persistent losses and are still expanding; 3) Enterprises which have not been audited for a long period; 4) Enterprises with high tax incentives; 5) Enterprises which have had several tax issues or high adjustments during previous audits; 6) Enterprises which have significant related party transactions; and 7) Others.

Therefore, companies in Vietnam shall have its own assessment on above criteria to see how possible they will be fall in the audit list by Tax Authority.

What Should Companies Do?

1. Run a comprehensive risk assessment and readiness analysis for the regulatory change: Master File, Local File, Country by Country report
2. Ensure the proper TP filling and documentation for FY2017 and prior years
3. Consider an APA as an alternative to transfer pricing reporting compliance requirements under the new Decree
4. Undertake a review of the corporate structure and potential risks, specially when conducting transactions with preferential tax regimes and reduce the risk of double taxation
5. Intercompany agreements will be reviewed in the event of a tax audit and form part of the suite of transfer pricing documentation. Companies should ensure that absent or insufficient intercompany agreements do not adversely impact intended tax position



Takeaway points

Decree 20 represents the most important development with respect to Vietnam's transfer pricing regime in the last 10 years. However, it is a challenge for enterprises to comply and tax payers should take immediate action to assess the impact not only on local tax compliance, but also on the business, considering that Decree 20 has potential implications beyond transfer pricing.



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For more information about IFAC Forum of Firms, you may visit their website here: <http://www.ifac.org/>

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ASTC VIETNAM

Written By: Khuat Lien Huong



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