Accounting Infrastructure: A Booster to the Belt and Road Initiative
Preface

The Belt & Road Initiative is committed to creating an open and inclusive community of shared future for mankind. With regards to its strategic scale and far-reaching implications, the Initiative raised a sensation at home and abroad. In May 2017, the Belt and Road Forum was held in Beijing, where the Joint Communiqué of the Leaders Roundtable of the Belt and Road Forum for International Cooperation was launched, containing 14 specific measures, including 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 & Road countries, which is the key to benefiting the 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, incomplete and lack of timeliness, and a country’s accounting work, regardless of quantity or quality, may struggle to meet the requirements of social and economic development, thus largely impacting all kinds of economic activities, including the flow of goods and funds. Since the reform 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 & Road route, which differ much in terms of economic development and accounting infrastructure maturity. The differences as well as the closely related issues concerning 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 regarding the Belt & Road Initiative by mobilizing the Shanghai National Accounting Institute (SNAI) students from Belt & Road countries and the ACCA members distributed in multiple economies, hoping that our research can contribute to the roll-out of the Initiative. Allied with – consulting giant that has a strong network of institutions worldwide, we are more determined and prepared to carry out the research.

What we present here is the outcome of our tripartite cooperation through teamwork and network over the past few months by 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 to serve as a reference for both Chinese and foreign businesses to participate in the Belt & Road cooperation.

It is clear that the Belt and Road Initiative is on the road. The result is only the beginning of the tripartite task force for our joint research on the accounting-related issues regarding the Belt & Road Initiative. We will work on to dig deep in the related issues, and friends from all walks of life are welcome to make valuable suggestions and join our research to accomplish the mission with concerted efforts.
China has now become a net capital exporter, hitting record highs in both overseas investment and cross-border 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 to $170.1 billion from $16.1 billion during the same period, and in particular, it moved a further step 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 exceeds $50 billion, and the overseas engineering project contracts entered into between China and these countries had a contract amount of $304.9 billion.

Upon introduction of the Belt and Road Initiative, Deloitte has started to support Chinese companies engaged in the Belt and Road Initiative by offering full professional services through its professional service capabilities and its global network across more than 150 countries and territories. 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 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 10 selected countries, with further and wider insights to come in future reports. We look forward to working with national regulators and policy makers on a roadmap that ensures our profession has the sort of talent needed to take full advantage of this exciting New Silk Route.

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 delivers sustainable growth for all. ACCA’s operations span 52 countries around the world and 21 of these countries sit directly on the Belt & Road footprint including India, Indonesia, Kazakhstan, Pakistan, Russia, Singapore, UAE and Turkey. This makes us and our members ideally placed 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 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 10 selected countries, with further and wider insights to come in future reports. We look forward to working with national regulators and policy makers on a roadmap that ensures our profession has the sort of talent needed to take full advantage of this exciting New Silk Route.
Accounting infrastructure is a grand topic. Given that the Belt & Road countries vary in accounting development, the notion and scope of accounting infrastructure remain to be studied. As the initial research results, the task force first studied the experience and disparity in respect of accounting standards, tax risk and accounting personnel training across representative Belt & Road countries. First of all, accounting occupies a pivotal position in the capital market. By collecting, processing and summarizing data, accounting constructs an effective information system of economic decision-making and management. Therefore, it is essential to understand the accounting standards of the representative countries. Secondly, along with more and more active outbound investment activities, enterprises are increasingly exposed to taxation-related risks, mainly including dual taxation, incomplete execution of tax treaty benefits, transfer pricing and anti-tax avoidance problems, legacy tax problems of target enterprises in overseas M & A and tax discrimination, etc. Enterprises going global 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, we find personnel training for international financial accounting performance a prerequisite. The countries and businesses concerned are keeping a close eye on how to better cultivate accounting professionals with a global vision, whether there are specialized institutions or organizations responsible for accounting personnel training in Belt & Road countries, what capabilities are necessary for the accounting crew, what measures can be taken to enhance the competence of accounting personnel, how different countries vary in the training model, and what experience is worth learning from each other, and so on and so forth. In selecting representative countries, the task force drew on the research results of ACCA, the Shanghai Stock Exchange and the national information center on the Belt & Road Initiative and calculated the scores of OBRO countries ranked by the country cooperation index, where 14 countries were picked up as the first research targets, namely Singapore, Malaysia, the United Arab Emirates, 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 the 14 countries (including local enterprises and the branches of Chinese-funded enterprises in these countries), followed by an analysis.
Crew members:

SNAI: Li Kouqing, Tong Chengsheng, Ge Yuyu and Li Xinning
ACCA: Qian Yuyi
Deloitte: Liu Minghua and Ren Zheng
Coordination and Harmonization of the Accounting Policy between Countries

Coordination of the accounting policy between countries is one of the core mechanisms for information communication across economies. According to the survey, differences in the accounting standards are seen as obstacles to cross-border investment. Therefore, international convergence of the accounting standards will help companies produce high quality, more comparable and more transparent financial reports, alleviate the negative impact of country differences in the comparability and transparency of accounting information. Meanwhile, 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 tells that Chinese capital is accelerating entry into overseas markets. According to the 2015 Statistical Bulletin of China’s Outward Foreign Direct Investment, China’s outbound investment flows ranked second in the world in 2015, with a record high at $145.57 billion, an increase of 18.3% year on year. More than 80% (83.9%) of China’s outbound investment stock was distributed in developing economies, while 14% in developed economies and 2.1% in economies in transition.

According to the MOPCOM report Investment and Cooperation in the Belt & Road Countries 2016, throughout 2016, China directly invested $14.53 billion in 53 Belt & 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 an early harvest, which will become a beacon to its overseas investment.

Overview of the Accounting Standards Adopted by the Belt and Road Countries

The accounting standards adopted by the Belt & Road countries vary. According to the Pocket Guide to IFRS Standards: the Global Financial Reporting Language (Guidance) issued by the IFRS Foundation in March 2017, IFRS is embracing further enhanced quality and increasingly extensive application worldwide. The Guide contains the statistics on the IFRS application in 150 jurisdictions worldwide, including the information on the relevant standards and standard-setting bodies. It indicates that as of the date of release, 126 of the 150 jurisdictions (84%) studied had requested all or the majority of domestic listed companies institutions to prepare financial reports in accordance with the IFRS. Based on the Guide, we tallied the accounting standards of the Belt & Road countries and found the following facts: Among the 65 Belt & Road countries, 54 (83%) have requested all or the majority of domestic listed companies institutions to prepare financial reports in accordance with the IFRS, 3 (Vietnam, Laos and Egypt) are using their own accounting standards, 2 (India and Indonesia) are converging with the IFRS on an ongoing basis, Thailand is directly applying the IFRS, Uzbekistan only requires domestic banks to report in accordance with the IFRS, and the rest 4 (Turkmenistan, Kyrgyzstan, Tajikistan and Lebanon) are not included in the range of the Guide.

Among the 54 Belt & Road countries adopting the IFRS, Iran, Kazakhstan, Kuwait, Montenegro and Qatar began to require all or the majority of the domestic listed companies institutions to prepare financial reports in accordance with the IFRS on an ongoing basis, Thailand is directly applying the IFRS, Uzbekistan only requires domestic banks to report in accordance with the IFRS, and the rest 4 (Turkmenistan, Kyrgyzstan, Tajikistan and Lebanon) are not included in the range of the Guide.

Other Key Factors Decisive to the Quality and Comparability of Reporting

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

- Legal institutions of the State (e.g. rule of law);
- Effectiveness of the enforcement system (e.g. audit);
- Role of the capital market (e.g. 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 the reporting quality. Even if the report application environment is similar, as long as the enforcement differs, the general comparability of corporate reporting is unlikely to occur. This applies to any set of accounting standards, not just the IFRS. The survey gets in-depth into the accounting standards adopted by the Belt & Road countries and the practical application environment, with a mission to get readers informed of the basic facts of the accounting policy in these areas, promote the integration and international convergence of national accounting standards, and improve and enhance cooperation mechanisms in the accounting domain.

**Singapore**

**Professional institution:** Institute of Singapore Chartered Accountants (ISCA) [http://isca.org.sg/](http://isca.org.sg/)
**Standard-setter:** Singapore Accounting Standards Council (ASC) [http://www.asc.gov.sg/](http://www.asc.gov.sg/)

**Financial reporting standards:** The model adopted in Singapore is directly applying 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 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 that is substantially aligned with IFRS Standards for both consolidated and separate financial statements.

According to respondents’ feedback, the SFRS only makes a slight revision to IFRS Standards. Therefore, the SFRS and IFRS Standards are largely the same except for the following differences: in the SFRS, the IFRIC 2 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 apply IFRS Standards if approval for the use of IFRS is granted to such companies 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 the use of IFRS Standards. And 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 completely 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, i.e. the definition of SMEs.

In the respondents’ view, the Singapore accounting standards are robust in practical implementation with all companies being generally 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, i.e. the company has no more than 20 shareholders and all of which shall be individual shareholders, and its revenue in a financial year does not exceed S$5 million. 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 IFAC.

**Malaysia**

**Professional institution:** Malaysian Institute of Accountants (MIA, member of the IFAC) [http://www.mia.org.my/](http://www.mia.org.my/)
**Standard-setter and key responsibilities:** Malaysian Accounting Standards Board (MASB) [http://www.masb.org.my/](http://www.masb.org.my/)

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,
Agencies, such as Bursa Malaysia and the Securities Commission, listed companies are subject to supervision of other government standards. This is mainly due to a strict regulatory environment: all companies being generally able to follow the generally accepted accounting standards are robust in practical implementation with respect to the IFRS.

According to respondents’ feedback, the Malaysian standards, including the MFRSs and the MPERS, are very similar to IFRS Standards except for the requirements for property development activities, plus some terminology changes.

Standard except for the requirements for property development activities using the percentage of completion method.

Revenue and cost arising from property development activities are recognized at cost, and real estate companies are permitted to recognize revenue and cost arising from property development activities using the percentage of completion method.

Biological assets in an agriculture company are recognized at cost, and real estate companies are permitted to recognize revenue and cost arising from property development activities using the percentage of completion method.

In Malaysia, the MASB is responsible for the endorsement of IFRS Standards so as to establish the MFRSs based on IFRS Standards without modification. Malaysian non-private entities (including listed companies institutions) were required to apply IFRS Standards (locally known as the MFRSs) from 2012 for both consolidated and separate financial statements. However, 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.

As compared to IFRS Standards, there are some differences in Malaysia’s accounting standards currently used by Malaysian agriculture and real estate companies, for example, IAS 19, IFRS 15 and IFRIC 15 are not yet included. And under Malaysia’s accounting standards, biological assets in an agriculture company are recognized at cost, and real estate companies are permitted to recognize revenue and cost arising from property development activities using the percentage of completion method.

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

In the respondents’ view, the accounting standards used in Malaysia, including the MFRSs and the MPERS, are very similar to the IFRS. According to respondents’ feedback, the Malaysian accounting standards are robust in practical implementation with all companies being generally able to follow the generally accepted standards. This is mainly due to a strict regulatory environment: Listed companies are subject to supervision of other government agencies, such as Bursa Malaysia and the Securities Commission.

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Audit: The respondents noted that all entities are required to be audited under the UAE Commercial Companies Law except for sole proprietorships and some free zones which do not require an audit for some of their entities. According to respondents’ feedback, 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.
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.

Poland

Professional institution: Accountants Association in Poland (AAP) http://www.skwp.pl/en


The key responsibilities of the KSR are:
- Drafting the accounting law and administrative regulations;
- Supervising and directing the 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 since 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 to require or permit 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: i.e. 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 don’t have to apply IFRSs 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 basically all 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. For example:

   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. While 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 IFRS 3). Under the Polish Accounting Standard, costs incurred in direct relation to the business combination shall increase the acquisition cost rather than being recognized 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 proportionate share of the acquiree’s identifiable net assets, while the IFRS Standard gives the option to measure non-controlling interests either in this way or at fair value. Minority shareholders’ equity transactions not resulting in loss of control are accounted for as acquisition/sale with the effects being included in profit/loss or goodwill of the period under the Polish Accounting Standard. While under the 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 to define the meaning of control, i.e. stressing managing 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 acquiree’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 occurrence of future events resulting 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. While under the IFRS Standard, contingent payments are always included in determining the contingent consideration, and the applicable standards shall be used respectively for subsequent recognition of contingent payments depending on their classification as liabilities or equity.
      b. The Polish Accounting Standard allows goodwill to be amortized over its useful life. Where the useful life may not be
Polish Accounting Standards are robust in practical implementation or the domestic accounting standards. In the respondents' view, the specific accounting matter is regulated under the KSR standards to follow KSR standards, applying IFRS guidance is prohibited when KSR standards or in the Polish Accounting Act, companies have the requirement of statutory revaluation, and measurement of intangible equipment using the fair value model is not allowed, either.

The requirement of statutory revaluation, and measurement of intangible assets using the fair value model is not allowed, unless it is the substantially different from IFRS 15 in practice.

The recognition is unregulated by the Accounting Act, it may be Polish Accounting Standard, but not allowed under the IFRS Standard.

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

Minority interests are presented as a separate liability and equity category under the Polish Accounting Standard, while 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 not resulting in loss of control, changes in the percentage interests in a subsidiary are recognized as financial revenue/expenses. While 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.

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.

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 revaluation, 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 to use guidance from IFRSs. However, if a company decides to follow KSR standards, applying IFRS guidance is prohibited when a specific accounting matter is regulated under the KSR standards or the domestic accounting standards. In the respondents' view, the Polish Accounting Standards are robust in practical implementation with all companies being generally 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

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.

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Czech Republic


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;
• 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:

• The sales value exceeds €5 million.
• The total assets exceed €2.5 million
• Other responsibilities, including national budgeting, tax supervision, international payment settlement, and foreign investment regulation.

2. Other circumstances:

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, 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 permits IFRS Standards as adopted by the EU in the separate financial statements of a company whose securities do not trade in a regulated market under specific conditions, i.e. 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 based on different industries as follows:

1. General differences: Under Czech accounting legislation, 1) there are the mandatory chart of accounts, and the mandatory formats of the balance sheet and the income statement, all of which Czech accounting legislation are unavailable under IFRS Standards; 2) accounting treatments in certain areas are unavailable, e.g. impairment of assets; 3) sometimes the form of a transaction prevails over its substance (e.g. finance leases) versus the substance-over-form principle of IFRS Standards; 4) when it comes to the valuation basis, historical cost prevails and fair value is only used in limited circumstances (it’s 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. Under Czech accounting legislation, there are cases where legal form takes precedence over substance, and the acquirer is defined formally rather than from the point of view of ‘substance’. Therefore, reverse acquisition does not exist.
   b. Transactions under common control are considered business combinations. In certain cases, fair value measurement also exists in transactions under common control.
   c. The increase arising from the fair value revaluation in business combinations are reported in the separate financial statements, and this portion is amortized over subsequent periods, with the transaction costs being capitalized; and
   d. If companies acquire shares in other companies without any business transformation occurring, the acquired company is not revalued. The difference between the acquisition cost and the carrying amount of the acquired shares is the "consolidation difference", which is amortised as part of the consolidated financial statements over 20 years.

4. Consolidated financial statements:
   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 in the definition of a subsidiary or a group under Czech accounting legislation as compared to IFRS Standards. 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 which does not result in loss of control. While this is clearly addressed and recognised as an equity transaction under IFRS Standards;
   d. Non-controlling interests (NCI) are disclosed within liabilities under Czech accounting legislation. While under IFRS Standards, NCI are disclosed in equity instead.

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 regarding accounting of overheads. While under IFRS Standards, borrowing costs can be capitalised for inventories, and overheads are included in inventories. Besides, 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 only used for 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. And unbilled expenses are recognised as works in progress. While under IFRS Standards, the stage of completion method is used and unbilled expenses are reported as a receivable from a customer.

8. Leases: When it comes to leases, form takes precedence over substance under Czech accounting legislation. Therefore, finance leases are accounted for in a manner different from IFRS Standards, i.e. leased assets and liabilities are not reflected on the lessee’s balance sheet but recognized in expenses only 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 Standards. In the case of deferred payment, revenues are not discounted on recognition under Czech accounting legislation, while discounting to the present value is
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.

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.

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 Organization for Islamic Financial Institutions (AAOIFI).

Audit: According to respondents’ feedback, all companies in Qatar are required to be audited by auditors following the International Standards on Auditing. The tax department of Qatar requires all business entities that wholly or partially owned by Qatari citizens or GCC nationals to file income tax returns (accompanied by audited financial statements) if:
• Their share capital is greater than or equal to QAR 2 million; or
• Their gross revenue is greater than or equal to QAR 10 million.

Qatar


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

required for recognition of deferred payments under IFRS Standards. For multi-component transactions, Czech accounting legislation provides no guidance on revenue recognition, while under IFRS Standards, the recognition criteria are applied to the separate 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. However, when it comes to business entities, 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 as equity instruments; 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; 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 being generally 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.

Audit: All public interest entities as defined in the Act on Accounting, and companies meeting the criteria set below (joint stock companies fulfilling 1 of the criteria and other entities fulfilling 2 of the criteria) are required to be audited:
• Total assets exceed CZK 40 million
• Turnover exceeds CZK 80 million
• 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


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

The EU IAS Regulation gives member states the option to require or permit 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:
   On 12 June 2015, the Hungarian Government decided to extend the use of IFRSs to the individual accounts of Hungarian companies as follows:
   a. Voluntary application of IFRSs 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 IFRSs from 1 January 2017 for companies whose securities are traded in the EEA;
   c. Voluntary application of IFRSs from 1 January 2017 for insurance companies and companies with obligatory audit of their financial statements; and
   d. Mandatory application of IFRSs 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 terms of 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:

1. Presentation of financial statements: Under HAR, pre-determined balance sheet and income statement templates are provided in the appendix of the Accounting Law that should be applied. While under IFRS, companies have significant freedom in determining the structure and the format of the primary statements based on their accounting policies.

2. Other comprehensive income (OCI): Under HAR, the concept of 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.

3. 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 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. Besides, the revaluation does not change the basis for depreciation.

4. Investment property: Under IFRS, there is a specific definition of investment property in addition with the models for measurement (i.e. the historical cost model and the fair valuation model). While 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.

5. Intangible assets: Similarly to PPE, under HAR it is also an accounting policy choice to apply the revaluation model for subsequent measurement of intangible assets. The revaluation is accounted for against equity, but the basis of amortization is the initial cost of the asset. However, under IFRS 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 amortization is the revalued amount.

6. Financial assets: Under HAR every company can apply fair valuation, although this rarely happens in practice. Besides, under HAR the legal form of the asset/liability determines the accounting treatment. Financial assets are generally carried at cost, and interest is recognized based on the contractual terms and not based on the effective interest rate. While 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 amortized cost.

7. 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 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. HAR neither provides any guidance on how to account for multiple element arrangements nor takes into account the time value of money for the purpose of revenue recognition.

   All the above is different from IFRS.

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

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

10. 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.

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

   According to respondents’ feedback, in Hungary, the accounting standards are 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 300 million forints on the average of the two preceding financial years, and whose average number of employees for the two preceding financial years is less 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

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. Thai Accounting Standards include several national financial instruments standards that differ from IFRS Standards.
Thai Financial Reporting Standard for SMEs (TFRS for SMEs), with the Thai Financial Reporting Standard for Non-Publicly Accountable Entities (TFRS for NPAEs) - Applicable to non-listed companies; and Thai Financial Reporting Standards (TFRS) - Mandatory application for listed companies in Thailand, and optional application for non-listed companies.

Financial reporting standards: Thailand is in the process of fully adopting IFRS Standards. 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 will 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 Standard’s effective date. For example, IFRS Bound Volume 2016 becomes effective in 2017. Besides, the FAP has committed to adopt IFRS standards relating to financial instruments in 2019, i.e. 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 minimize the differences between various financial instrument standards.

The public interest entities 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.

Vietnam

Professional institution: Vietnam Association of Certified Public Accountants (VACPA, member of the IFAC) http://www.vacpa.org.vn/


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 their intent to move 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 VAS, investments are recognized and measured at historical cost, and a provision shall be made for decline in market value 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 shall not be recognized as income or other comprehensive income (OCI).

2. VAS does not require the statement of changes in owners’ equity to be reported as a separate statement. Besides, VAS has strict requirements for the reporting format and accounts.

3. Under VAS, the goodwill arising from a business combination shall be amortized over a period not exceeding 10 years from the date of acquisition.

4. VAS does not require accounting for share-based payments or fair value measurement;

5. VAS does not provide the definition of or any specific guidance on impairment of assets; and
Russia

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

6. VAS does not provide any specific guidance on amortized 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 to use guidance from IFRSs. According to the respondents, 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.

Audit: In Vietnam, the annual financial statements of certain types of companies 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 organizations;
• 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 the companies with more than 20% of equity 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 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.

Russia

Professional institution:
Audit Chamber of Russia (member of the IFAC) http://www.sroaocr.ru/
Russian Union of Auditors (member of the IFAC) http://org-rsa.ru/

According to respondents’ feedback, its 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, i.e. Russian Accounting Standards (RAS) and IFRS Standards.

1. Circumstances where application of IFRS Standards endorsed by the MoF is required:
According to respondents’ feedback, the following companies are required to use IFRS Standards 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 organizations;
• Federal unitary organizations (per the Russian Government decision);
• Stock companies that have their shares in federal government’s possession (per the Russian Government decision); and
• Other listed organization.

Russia has a formal process for endorsement of new or amended IFRSs. Newly-issued standards go through a technical assessment made by the National Accounting Standards Board (NSFO), an independent organization 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 Russian language.
• Consolidation: Under IFRS an entity that is a parent shall present consolidated financial statements. Generally, this requirement applies to all entities, and only several exceptions exist. While under
RAS an entity that is a parent shall present consolidated financial statements in line with IFRS requirements only if the entity meets the criteria of Federal Law (for example, it is mandatory for insurance companies, banks, listed companies and others).

- Fair value and time value of money: According to IFRS some assets and liabilities should be measured at fair value. While 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 an asset 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 balance sheet and their depreciation is recorded in the lessee’s profit and loss account. While under RAS, assets are recognized 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.

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

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 in respect of 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 RUB 400 million;
- Other entities with total assets as at the preceding 31 December exceeding RUB 60 million;
- 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 organizations;
- Federal unitary organizations (per the Russian Government decision);
- Stock companies that have their shares in federal government’s possession (per the Russian Government decision); and
- Other listed organization.

According to respondents’ feedback, as a result of recent changes in the legislation, starting from 1 January 2017, audits in Russia are to be 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 offenses as well as potential indicators of risks of such offenses. 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 (ICPA, member of the IFAC) http://iap.or.id

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) http://www.iailglobal.or.id/

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 accounting 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 - Financial Accounting Standards consists 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) - Sharia Accounting Standard (SAS) is intended for entities that perform Islamic transactions.
3. Financial Accounting Standards for Non-Public Accountable Entities (SAK ETAP) - Financial Accounting Standards for Non-Public Accountable Entities (SAK ETAP) are intended to be used by an Entity without Public Accountability (ETAP) and to publish general purpose financial statements for external users.
4. Financial Accounting Standards for Micro, Small, and Medium Entities - for Micro, Small, and Medium Entities which 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 IFRSs as much as possible.

It is noted that the DSAK IAI is currently completing the second
phase of the IFRS convergence process, further minimise the gap between SAK and IFRS Standards, from three years to one year. This takes SAK as at 1 January 2015 to be 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 to deepen cooperation as Indonesia develops its plans to achieve full convergence with IFRS Standards.

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

1. Consolidated financial statements: When making decisions on consolidation, PSAK not only considers satisfaction of the definition of “control” but also includes the element of “risks and rewards”. Furthermore, when it comes to the definition of “control”, PSAK’s considerations are more focused on the property of equity, i.e. 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.

2. Accounting for investment in joint ventures: Under PSAK, investors shall recognize their interests in a joint venture using the proportionate consolidation method or, as an alternative, the equity method.

3. 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.” While under IFRS 13, it is emphasized 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 based on the 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 (e.g. bonds) to the public;
- Listed entities;
- Entities with the minimum total assets of Rp 50 billion; 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

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.

Professional institution: Chamber of Auditors of the Republic of Kazakhstan http://www.audit.kz/


Its key responsibilities are:

- Ensuring the formation and implementation of the 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 organizations; and
- Accreditation of professional organizations and certification organizations.

National Bank of Kazakhstan (NBK) http://www.nationalbank.kz/?docid=3321&switch=english

Financial reporting standards: Kazakhstan has adopted full IFRS Standards.

1. Banks

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

2. Other enterprises

Starting 1 January 2006, IFRSs are required for other companies.

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

Small business enterprises, that in accordance to the tax legislation of the Republic of Kazakhstan, are under special tax regimes for peasant or farm enterprises, legal entities - producers of agricultural products, and also on the basis of a simplified declaration, use Kazakhstan National Financial Reporting Standards #1 (KNFRS #1).

According to respondents’ feedback, despite that the implementation of accounting standards in small business enterprises appears to be a bit unsatisfactory, such accounting standards are nevertheless robust in practical implementation by other entities with all companies being able to follow the generally accepted standards.

Audit: According to respondents’ feedback, in Kazakhstan, entities subject to mandatory audits are as mainly:

- Joint-stock companies;
- State enterprises with the supervisory board in the spheres of education and health;
- Insurance (reinsurance) organizations, insurance holdings, and organizations in which the insurance (reinsurance) organization and/or the insurance holding are/is the major participant(s), and insurance brokers;
Indian Accounting Standards (Ind AS) are based on and substantially converged with IFRS Standards as issued by the 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.

- A single accumulative pension fund and investment portfolio managers;
- Banks, bank holdings, and organizations in which the bank and/or the bank holding are/is the major participant(s);
- Civil aviation organizations, with the exception of those airlines performing aviation work on a list determined by the Government of the Republic of Kazakhstan;
- Social insurance fund; and
- Legal entities of the Republic of Kazakhstan that conclude 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 3 million 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) http://www.icai.org/
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 IFRSs in a phased approach beginning in 2011, but transition to Ind AS was postponed to 2015.

In January 2015, the Indian Ministry of Corporate Affairs (MCA) released a revised roadmap that reflects:
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 INR 5,000,000,000 or more.
   - 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:
   - 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 5,000,000,000.
   - Companies other than those above having net worth of INR 2,500,000,000 or more but less than INR 5,000,000,000.
   - Holdings, subsidiaries, joint ventures or associate companies of those above.
4. 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 1) Ind AS will be applied to both standalone financial statements and consolidated financial statements; 2) Overseas subsidiaries, associates, joint ventures and other similar entities of Indian companies may prepare their standalone financial statements in accordance with the requirements of their specific jurisdiction; and 3) Once any Indian company applies Ind AS, then it must follow them consistently for future years.

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 shall 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. While under Ind AS, lease rentals for operating leases shall be recognised in 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 bargain purchase gain arising on business combination to be recognised in profit or loss as income. While under Ind AS, lease rentals for operating leases shall be recognised in 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.
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. Besides, 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,
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. 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 trade in a public market in Pakistan are required to use IFRS Standards as adopted in Pakistan.

 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 Accountants 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 analyze the organization’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 INR 10 million and those working in a profession with gross receipts exceeding INR 5 million must have their accounts audited by an independent Chartered Accountant. It should be noted that the provisions of tax audits are applicable to everyone, be it an individual, a partnership firm, a company, or any other entity.

 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

 Professional institution:
 Institute of Chartered Accountants of Pakistan (ICAP) http://www.icap.org.pk/
 Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan) https://www.icmap.com.pk/

 Standard-setter:
 Institute of Chartered Accountants of Pakistan (ICAP) http://www.icap.org.pk/

 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 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-sized 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, those Standards 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. (Section 233 and 252 of the Companies Ordinance, 1984). The new Companies Act 2017 recently promulgated provides exemption to companies with paid up capital of less than one million rupees from the requirements of audit. In case such 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.
Differences between the Belt and Road Countries in Terms of the Tax System and Tax Rate

The 65 countries along the Belt & 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 have something in common in the tax system, where corporate income tax and personal income tax (not available in a few countries such as the UAE and Qatar) and goods and services tax (mostly value-added tax) take the dominant share, while the difference lies in the tax structure, which varies due to the economic development disparity. The higher the level of economic development, the higher the proportion of income tax gets, and the lower the proportion of goods and services tax goes.

As for the specific tax type and rate, the average tax rate for corporate income tax is 19.3%, with a peak of 55% in the UAE and a nadir of 7.5% in Uzbekistan. The average tax rate for personal 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 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 shall 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 includes five aspects as the business invests offshore: a) dual taxation; b) inadequate accessibility to the treatment of tax treaties; c) any risk arising from transfer pricing and anti-tax avoidance, as 83% of the businesses surveyed deem the transfer pricing issue as the biggest challenge to the action plan for the prevention and control of 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 & 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 to prevent tax risk and protect their own rights and interests.

Recommended Approach in Response to Tax Risk

The correct way to deal with tax risk is a three-pronged approach combining the efforts of the system, businesses and tax administrations. First, the domestic as well as international tax system shall be improved, with a well-planned top-down design. On the one hand, in the face of the practical need of massive businesses to go global under the Belt & Road initiative, China’s tax system concerning foreign parties needs urgent perfection. For example, the current system of overall credit on a per-country basis will lead to an even more prominent dual taxation problem "where high-tax countries pay extra tax while low-tax countries get a balance unadjustable." On the other hand, 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 fulfill the target lies in the initiative of the businesses.

Finally, tax administrations should be given full play, supported by international coordination. In outbound investment, due to the disparity in the interpretation of the system, policy or agreement, or
plagued with tax discrimination, a business will be almost inevitably involved in tax disputes, where the business may find it difficult to safeguard its appropriate rights and interests. In such cases, the power of Chinese tax authorities should be released so as to solve the problem through international tax coordination.

Singapore

1. Tax types, rates and incentives
   a. Tax types and rates
   In Singapore, taxpayers of the corporate income tax are divided into resident and nonresident taxpayers, while the enterprises subject to management and control in Singapore are deemed as Singaporean resident enterprises. The tax rate for corporate income tax is 17% across Singaporean companies. Resident companies as well as nonresident companies with permanent establishments in Singapore are levied on income derived from operations in Singapore and income received within Singapore yet derived from beyond Singapore. Nonresident companies without permanent establishments shall be taxed only on income derived from Singapore (e.g. interests, royalties and technical service fees, etc.) 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 under the prerequisite of approval through the equity compliance testing.

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

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

   In Singapore, taxpayers of Singapore’s personal income tax are divided into resident and nonresident taxpayers, both taxed on income derived from Singapore, regardless of whether an individual is living in Singapore or where the money is obtained. In general cases, they will not be taxed on any income derived from beyond Singapore. Take employment income as an example, the judgment of the place of origin depends on where the employment service occurs, rather than where the employer is paid or whether the employer is a Singaporean resident. Singapore’s personal income tax is taxed at progressive rates of 2% to 20%. Nonresident personal employment income is taxed at either a uniform rate of 15% (including any individual tax exemptions) or the income tax rate for the resident, where the higher of the two shall prevail. All other income from Singapore of nonresident individuals, including director fees and consultancy fees, shall be taxed at a uniform rate of 20%. Nonresident individuals (except company directors) can be exempt from tax payment for short-term employment (i.e. no more than 60 days) in Singapore.

   A Singaporean resident enterprise shall pay the withholding tax on the relevant income paid to nonresidents. 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 can possibly enjoy a lower withholding tax rate regarding 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 securitization, 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 shall be 5% or 10% on dividends, 7% or 10% on interests (15% in case of a non-signatory), and 6% or 10% on royalties (10% in case of a non-signatory). 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 standardized, tax dispute is not a frequent occurrence 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 are relatively low, the transparency, stability, legalization and enforcement standards of the tax system are relatively high, and corporate tax risk is relatively small; tax disputes are less frequent and can be resolved through negotiation or legal means.

Reference for the major tax types and rates in effect in Singapore

<table>
<thead>
<tr>
<th>Tax types</th>
<th>Tax rate (Proportion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>17%</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>2%-20%</td>
</tr>
<tr>
<td>Goods and services tax</td>
<td>7%</td>
</tr>
<tr>
<td>Employer social insurance contributions</td>
<td>17%</td>
</tr>
<tr>
<td>Employee social insurance contributions</td>
<td>20%</td>
</tr>
</tbody>
</table>

Malaysia

1. Tax types, rates and incentives
   a. Tax types and rates
   In Malaysia, taxpayers of the corporate income tax are divided into resident and nonresident taxpayers, while the enterprises subject to management and control in Malaysia are deemed as Malaysian resident enterprises. A company is levied on 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 will be taxed at the rate of 18% on the initially gained MYR 500,000, and the standard tax rate will be applicable to the excess part onwards. Losses can be carried forward indefinitely for subsequent years (except for material changes in the ownership of dormant companies), but shall not be retroactive to previous years.

   A Malaysian resident enterprise shall pay the withholding tax in Malaysia on the relevant income paid to nonresidents. There is no tax on dividends paid to nonresidents, with a withholding tax of 15%, 10% and 10% respectively on the interests, royalties and technical service fees paid to nonresidents. The rental of movable property paid to nonresidents, the charge on installation service provided in Malaysia and certain one-time income shall be 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 regarding 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 amortization, 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 only on 30% of the Company’s operating profits, which will last 5 years from the date of production (the date on which the daily output reaches 30% of the maximum output).
- High-tech companies as well as ICT companies engaged in scientific research and development and located in the Multimedia Super Corridor (MSC) shall be exempt from income tax for 5 years.
- Any institution established for science and technology transfer and training purposes shall be exempted from income tax for 10 years. For foreign enterprises that transfer advanced technology to local Malaysian companies or individuals, the technology transfer fees will be exempted 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 on the priority development list, shall be exempt from corporate income tax for 10 years.
- Any company investing in the environmental protection domain shall benefit from a 70% tax exemption of the operating income for 5 years, while an enterprise engaged in afforestation shall be exempted from income tax for 10 years.
- Any enterprise investing in food production approved by the Ministry of Finance (including kenaf, vegetables, fruits, medicinal plants, spices, aquatic products and breeding of cattle and other livestock) shall be 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, equivalent to 10% of its operating profits.
- Companies investing in halal food production and have already obtained halal certification from 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% means 10% of the increase in export exempt from income tax, and a growth of 50% will bring the corresponding exempt proportion to 15%.
- Only half of the increment in the export of an ICT company shall be levied.
- Companies engaged in luxury yacht maintenance services in Langkawi and luxury yacht rental services in Malaysia shall be exempt from income tax for 5 years.
- Any company that established a regional operating headquarters and a procurement center in Malaysia shall be exempt from income tax for 5 years, with an additional 5 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 5 years, or 10 years upon review and approval if it is a supplier of world-class products in terms of price, quality and technical content; Such enterprises can have their expenses in 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 (with the export volume accounting for over 80% of the production) shall be exempt from import duty. Machinery and equipment that domestic manufacturers fail to produce or only provide under-quality or non-standard products shall be exempt from import duty and sales tax.
- Machinery and equipment that domestic manufacturers can provide with appropriate product quality and standard, such as those used for environmental protection, waste recycling, and the storage and disposal of toxic and hazardous substances, R & D institutions and training, as well as planting, can be exempt from import duty and sales tax upon approval of the 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, 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, liquors, playing cards, mahjong tiles and motor vehicles.).
- Raw materials and spare parts and the corresponding consumables directly used for the services projects approved by the Ministry of Finance shall be exempt from import duty and sales tax if domestic manufacturers fail to produce or only provide under-quality or non-standard counterparts. Locally purchased equipment and machinery shall be exempt from sales tax and excise tax.
- The relevant equipment used by enterprises located in the Multimedia Super Corridor (MSC) shall be exempt from import duty and enjoy a tax relief in infrastructure and industrial construction. Construction and purchase of construction facilities for specific purposes (including approved industries for industrial production, R & D and employee residence, etc.) shall be 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 be exempt from all infrastructure fees and have the related expenses waived.
- Any expenditure on advertising in promoting the Malaysian products and brands can be deducted from the income tax accordingly upon approval of the 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 economic income has not yet been included in the bilateral tax treaties, requiring refinements in the future modification of the tax treaties.

3. Tax risk and dispute handling

When asked about cases involving tax disputes, respondents say there is no obvious tax dispute. 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 demanding on taxpayers to consciously follow the requirements, businesses must sufficiently communicate in advance with the local tax authorities to reduce tax risk.

Reference for the major tax types and rates in effect in Malaysia

<table>
<thead>
<tr>
<th>Tax types</th>
<th>Tax rate (Proportion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>24%</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>0%-28%</td>
</tr>
<tr>
<td>Goods and services tax</td>
<td>0%</td>
</tr>
<tr>
<td>Property profit tax</td>
<td>5%-30%</td>
</tr>
<tr>
<td>Import duty</td>
<td>5%-35%</td>
</tr>
<tr>
<td>Property trading stamp duty</td>
<td>1%-3%</td>
</tr>
<tr>
<td>Stock trading stamp duty</td>
<td>0.3%</td>
</tr>
<tr>
<td>Employer social insurance</td>
<td>12%</td>
</tr>
<tr>
<td>Employee social insurance</td>
<td>8%</td>
</tr>
</tbody>
</table>
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 shall not be taxed on corporate income. Foreign bank branches shall pay tax according to the statutory tax rate of the emirate where they operate, which is unified currently 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 and shareholding tax exemptions, and taxpayers are not subject to any withholding tax. In addition, the UAE does not levy a personal income tax, but may impose a VAT of 5% from January 1, 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, the UAE has tax concessions or exemptions of 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 is still room for improvement in terms of transparency, legalization and standard enforcement; the relevant risk is under control, but businesses must be well-prepared.

   Taxpayers of personal income tax are divided into resident and nonresident taxpayers, where resident taxpayers shall pay taxes in Poland on their global income, while nonresident taxpayers shall pay taxes on their income from Poland. Poland's personal 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 shall pay the withholding tax on the relevant income paid to nonresidents. In general, the withholding tax rate for dividends paid to nonresident 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 respect of tax incentives, in some cases, the expenditure incurred in obtaining intellectual property rights can be offset by taxable income in proportion. Small businesses and startups can also enjoy a one-time depreciation deduction of no more than €50,000. Companies located in the Polish Special Economic Zones can enjoy a certain degree of 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 is no obvious tax dispute given a relatively simple tax system.

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

   Taxpayers of the corporate income tax are divided into resident and nonresident taxpayers. If a company or a limited joint-stock partnership (with some exceptions) is registered or managed in Poland, the company shall constitute a Polish resident taxpayer. Resident taxpayers shall pay taxes on their global income, while nonresident taxpayers shall 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 (e.g. sales and exports within the same entity) enjoy a zero tax rate or tax exemption.

Poland

1. Tax types, rates and incentives
   a. Tax types and rates

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

   Taxpayers of personal income tax are divided into resident and nonresident taxpayers, where resident taxpayers shall pay taxes in Poland on their global income, while nonresident taxpayers shall pay taxes on their income from Poland. Poland's personal 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.

Czech Republic

1. Tax types, rates and incentives
   a. Tax types and rates

   Taxpayers of the corporate income tax are divided into resident and nonresident taxpayers. If a company is registered or de facto managed and controlled in the Czech Republic, the company shall constitute a Czech resident taxpayer. Resident taxpayers shall pay taxes on their global income, while nonresident taxpayers shall 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 5 years, but shall not 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 where the losses occur.

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

Taxpayers of personal income tax are divided into resident and nonresident taxpayers, where resident taxpayers shall pay taxes in the Czech Republic on their global income while nonresident taxpayers on their income derived from the Czech Republic. The statutory rate for personal income tax is 15%. If a salary is paid above 48 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 personal income tax, respectively employment, business, capital operation, property leasing and others. Domestic dividends and interest income are paid or withheld in one-time payment and taxed separately. Capital gains are usually taxed at a rate of 15%. However, capital gains 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 shall pay the withholding tax on the relevant income paid to nonresidents. In general, the withholding tax rate for dividends, interests and royalties shall be 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

In respect of 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 shall be 5% or 10% for dividends, 7.5% for interests and 10% for royalties (15% or 35% in case of a non-signatory in the above three scenarios).

3. Tax risk and dispute handling

When asked about cases involving tax disputes, 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 of the average-level legalization. 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.

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### Qatar

1. Tax types, rates and incentives

   a. Major tax types and corporate tax rates

      • Corporate income tax: Qatar’s corporate income tax is attributable to the territorial principle, where the proceeds from the activities in Qatar shall be 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 there is a 35% tax rate applying to oil and gas operations. Capital gains are included in corporate income in taxation, while foreign companies selling equity of Qatari companies shall pay 10% of its capital gains as income tax.

      • Personal income tax: none. Qatar does not impose any personal income tax on wages and salaries, and individuals are only required to pay corporate income tax on their operating income derived from Qatar. 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 nonresidents, they will be subject to a withholding tax at 5% or 7% of their total income in Qatar.

      • Social insurance contributions: Employers are required to pay social security contributions for 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 joining the pension plan, he / she is required to pay a pension equal to 5% of the basic wage each month.

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

   b. Tax incentives

      • QFC tax incentives: QFC’s proprietary tax laws and regulations shall be applicable to the activities carried out by QFC-licensed entities. For each entity registered with the QFC, taxable income derived or generated from Qatar shall be taxed at 10% as corporate income tax. Enterprises with a Qatari ownership of more than 90% enjoy similar tax incentives in the Qatari tax law. QFC-located companies do not need to pay any withholding tax.

      • 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 license are tax-free, and enjoy exemptions from Qatar’s surtaxes and tariffs on their imported goods and services.

2. Tax treaties

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### Reference for the Major Tax Types and Rates in Effect in Czech Republic

<table>
<thead>
<tr>
<th>Tax types</th>
<th>Tax rate (Proportion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>19%</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>15%, 22%</td>
</tr>
<tr>
<td>VAT</td>
<td>15%, 21%</td>
</tr>
<tr>
<td>Employer social insurance contributions</td>
<td>34%</td>
</tr>
<tr>
<td>Employee social insurance contributions</td>
<td>11%</td>
</tr>
</tbody>
</table>

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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.

<table>
<thead>
<tr>
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<tr>
<td>Tax types</td>
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<td>Corporate income tax</td>
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<td>Employer social insurance contributions</td>
</tr>
<tr>
<td>Employee social insurance contributions</td>
</tr>
<tr>
<td>VAT (levied from 2018 onwards)</td>
</tr>
</tbody>
</table>

Hungary

1. Tax types, rates and incentives

a. Major tax types

The Hungarian tax system in effect is centered on income tax, supplemented by other taxes, including corporate income tax, VAT, personal income tax, 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.

• Corporate income tax: Taxable income shall be the accounting profit in the annual financial statement adjusted according to the tax law. The applicable tax rate is 9%. Surtaxes have been levied on enterprises engaged in energy sources, finance, retail and telecommunications from 2010 onwards. As for the collection and management, consolidated taxpaying is prohibited, while the profits and losses shall not make up for each other between different entities.
• VAT: Hungary imposes VAT on the provision of goods and services and importation 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 VAT prior to the entry into business activities in Hungary, and there is no registration quota (except for remote sales). If not registered in time in accordance with the regulations, they can get the registration done afterwards, but may be subject to a considerable fine. The provision of financial services, insurance services, public postal services, education, property leasing, securities sales, land sales or leasing, human health care, folk arts and some other goods and services shall not be subject to VAT, and shall not be deductible for VAT input tax.
• 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%.
• Social security tax: Any individual working in Hungary under an employment contract, regardless of nationality, shall be required to join the Hungarian social insurance. The social security tax is the portion of social insurance paid by the employer at a rate of 27%, coupled with an additional 1.1% as the training fund contribution.

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, 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 in the total profits) assumed by enterprises in Hungary is 46.5%.

c. Tax incentives

Developmental tax incentives:
• Development tax incentives apply to some investment programs for a term of up to ten 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 HUF 100 million (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, are 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%).

Weighted deduction of the R & D expenses:
• Double deduction: 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: Applicable to the R & D expenses incurred by specific R & D activities jointly carried out by the taxpayer and a Hungarian government-recognized public or private research center, with a deduction ceiling of HUF50 million (about $185,000).

Other incentives:
• Preferential tax rate applicable to specific types of income: Tax base for income from royalties shall be deducted by 50%.
• Tax concessions for specific industries: eligible players in specific industries such as film and television production, sports and culture enjoy the corresponding tax preferential policies.
• Personal 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 favorable 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 upon consultation, the relevant taxpayer may bring a lawsuit to the court, and whether to start the legal procedures is generally related to the amount of tax in controversy. Tax-related cases can be appealed to the Supreme Court.

### 1. Tax types, rates and incentives

**a. Major tax types and rates**

Companies operating in Thailand shall mainly pay VAT and corporate income tax, and employees are required to pay personal income tax. According to the WB survey data (Doing Business 2017), the average tax imposed on Thai enterprises (tax-net profit ratio) is about 32.6%. On the whole, the tax burden on enterprises operating in Thailand is moderate.

- **Corporate income tax:** The corporate income tax rate in Thailand stands at 20% of net profit across general companies and legal person stock companies. In addition to net profit, the tax base varies under different circumstances, which 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.
- **VAT:** The standard rate of VAT is 10%, with a zero tax rate applicable to exports of goods and services. The current law has announced a transitory tax cut to 6.3% from 10%, plus a local administrative tax of 0.7%, making a total tax rate of 7%. A taxpayer shall be required to register any taxable income equivalent to and above 1.8 million throughout a taxable year. Nonresident suppliers of non-transitory operations are also required to register the same.
- **Personal income tax:** A progressive tax rate in excess of specific amount ranging from 5% to 35% is applicable, and the rate is of 7 scales: 5%, 10%, 15%, 20%, 25%, 30% and 35%. Resident and nonresident taxpayers in Thailand are taxed only on income derived from Thailand. A resident taxpayer shall only be taxed on income derived from overseas when such income is remitted to Thailand within the same year upon its acquisition, and any overseas income remitted back in a subsequent year shall be exempt from personal 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 up to 13 years. In addition, the regional operations headquarters and the expatriates can enjoy a concession of 0-10% of net profit tax rate and 15% of fixed personal income tax rate.

### 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. However, 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

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

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**Reference for the major tax types and rates in effect in Thailand**

<table>
<thead>
<tr>
<th>Tax types</th>
<th>Tax rate (Proportion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>20%</td>
</tr>
<tr>
<td>VAT</td>
<td>7%</td>
</tr>
<tr>
<td>SBT</td>
<td>Up to 3.3%</td>
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<tr>
<td>Personal income tax</td>
<td>5% - 6.2%</td>
</tr>
<tr>
<td>Employer social insurance contributions</td>
<td>5%</td>
</tr>
<tr>
<td>Property tax</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

**Reference for the major tax types and rates in effect in Hungary**

<table>
<thead>
<tr>
<th>Tax types</th>
<th>Tax rate (Proportion)</th>
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</thead>
<tbody>
<tr>
<td>Local business tax</td>
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</tr>
<tr>
<td>Corporate income tax</td>
<td>9%</td>
</tr>
<tr>
<td>Social security tax</td>
<td>22%</td>
</tr>
<tr>
<td>VAT</td>
<td>27%</td>
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<tr>
<td>Personal income tax</td>
<td>15%</td>
</tr>
<tr>
<td>Employer social insurance contributions</td>
<td>28.5%</td>
</tr>
</tbody>
</table>

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**Vietnam**

### 1. Tax types, rates and incentives

**a. Major tax types**

The taxes involved in the operation of enterprises in Vietnam mainly include VAT, corporate income tax, personal income tax, tariff, license tax, foreign contract legacy tax and social insurance contributions, etc.

- **VAT:** with a rate of 10%, the VAT of the previous month shall be declared and paid prior to 20th day of each month. Tax payable is equivalent to output VAT minus input VAT, paid according to the difference amount 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.

- **Corporate income tax:** There are usually two ways to declare corporate income tax.

  A legal person company is required to register corporate income tax by 20% of its total profits (25% before 2014, 22% in 2014-2015 and adjusted to 20% in 2016). To take 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 shall be declared and prepaid once on a quarterly basis, and completed before the 30th day of the month following the end of the quarter. The final settlement of corporate income tax shall be made before March 30 of the following year. Profits realized 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: (income - 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 shall be made before March 30 of the following year.

- **Personal income tax:** Both foreign and local employees are required to pay personal income tax, which is withheld by the employers they serve. Personal income tax of the previous month must be declared and paid prior to the 20th day of each month, and the final settlement shall be made before March 30 of the following year. Personal income tax is subject to a progressive tax.
rate in excess of specific amount of 5%, 10%, 15%, 20%, 25%, 30% and 35%. In terms of tax concessions, the current tax deduction is mainly imposed on the lunch subsidy of VND 730,000 (with regular adjustments), and the application for other tax reductions requires the corresponding reference materials (translated, notarized and certified), difficult to handle for foreign employees.

- **Tariff:** Imports of all kinds of material shall be subject to import duties approved by the Vietnamese customs, coupled with a 10% VAT. Tariffs can be included in costs, and VAT can be deducted as input VAT.
- **License tax:** This is a fixed tax and is levied on an annual basis as follows:
  a. VND 2 million / year for companies with a registered capital of over VND 10 billion;
  b. VND 2 million / year for companies with a registered capital below VND 10 billion; and
  c. VND 1 million / year for branches, representative offices and agencies of other nations.
- **Foreign contract legacy tax:** the signers of subcontracts and service contracts with or the remitters to companies or individuals outside the Vietnamese territory shall pay foreign contract legacy tax, where the party taxed shall pay the agreed tax under the contract, which is withheld by the domestic company. The tax base shall be the amount of settlement of the two parties, and the tax is levied at a rate of about 5% (in general cases, varying across different types of business), coupled with a 5% VAT 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.
- **Corporate tax rates**
  - The Vietnamese corporate tax burden is upper moderate. A construction company surveyed reports its actual tax burden in Vietnam is about 5% of its operating income. In addition, the WB survey database (Doing Business 2017) discloses the actual tax burden for Vietnamese enterprises is about 39.4% of their profits on average.
- **Tax incentives**
  - 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, which shall begin from the first year when profits are gained or the fourth year when income is achieved, with four years being duty-free and nine years being half-levied.
  - The two Chinese companies interviewed say they do not enjoy any tax benefits in Vietnam for the time being. One of the two companies has a subordinate in Southeast Asia, which set up the "Vietnam project" in 2003, for the preferential tax policy for industrial areas and applied for the corporate income tax concession (exempt from corporate income tax for the first year while half of corporate income tax for the subsequent two years).
  - **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 of with respect to Taxes on Income was signed on May 17, 1995, took effect on October 18, 1996, and was enforced on January 1, 1997.
    - The Agreement has played a vital role in the avoidance of double taxation and the prevention of fiscal evasion, where a company’s income tax paid in Vietnam and an individual’s personal 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 shall 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 supporting documents concerned 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**
     - 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 2-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 litigation prior to legal action, and the current administrative tax appeal system does not provide alternative dispute resolutions.
     - The Vietnamese tax law provides for tax dissent and appeal system as follows: an appellant shall deliver the letter of appeal to the direct taxation administration within 30 days from the date of receipt of the notice on tax payment or tax discipline issued by a tax officer or the tax authority. During the waiting period, the taxpayer shall 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 shall not exceed 30 days. If a case goes beyond 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 shall have 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. On spotting any tax fraud, tax evasion or wrong taxation, the tax authority shall be responsible for the collection in arrears of the taxes and fines within five years from the date of discovery, or the refunding of the tax levied during the preceding five years. For resources developers (either organizations or individuals) failing to declare or pay the due taxes, the duration for paying the taxes and fines in arrears shall begin from the date of such development.
     - The head of a superior tax authority is obliged to deal with taxpayers’ tax appeals on subordinate tax authorities. The decision of the Minister of Finance on the handling of the tax appeal shall be final.
   - **B. Typical tax risk cases**
     - A Chinese construction enterprise (Enterprise A) entered a contract to build an expressway surface (Bid 10) in Haiphong 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:
       - **Enterprise A** has another roadbed project in Da Nang, Vietnam. In 2015, Bid 10 project division transitorily borrowed VND 60 billion from the Haiphong project without any interest charges since the two projects have been placed in the same enterprise. The Haiphong taxation authority said that the Haiphong project division should collect interest on the bank loan interest rate in the same period in Vietnam and pay the operating income tax as well as an overdue payment and a fine at the rate of 5% (per myriad) per day.
       - The actual asphalt used in the Haiphong project accounted for 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.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Corporate income tax</td>
<td>20%</td>
</tr>
<tr>
<td>VAT</td>
<td>10%</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>5% - 35%</td>
</tr>
<tr>
<td>License tax</td>
<td>VND 1.3 million per year</td>
</tr>
<tr>
<td>Foreign contact legacy tax</td>
<td>5%</td>
</tr>
<tr>
<td>Employer social insurance contributions</td>
<td>21.5%</td>
</tr>
<tr>
<td>Employee social insurance contributions</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Reference for the major tax types and rates in effect in Vietnam

**Russia**

1. **Tax types, rates and incentives**
   a. Major tax types

   Enterprises and individuals concerned in Russia need to pay the following main taxes: VAT, profits tax (corporate income tax), social coordination insurance and personal income tax, etc.
   - VAT: the standard rate is 18%, with the added value of goods and services provided as tax base. 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.
   - Profits tax (corporate income tax): the tax rate is 20%, not higher when compared to that of most countries. The withholding tax rate is 9% for dividends paid to Russian companies or individuals and 15% for that paid to foreign or nonresident individuals, and 20% for interests and royalties paid to nonresident taxpayers.
   - Personal income tax: A single tax rate of 13%, recognized internationally as one of the countries with the lowest average personal income tax rate.
   - 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 shall enjoy the benefits of social coordination insurance policy or be exempt from pension insurance contributions.
   b. Corporate tax rates

   - The overall tax burden for businesses is heavy. According to the feedback of a respondent from the construction sector, operation in Russia is subject to a tax burden of about 30% to 35%. According to the WB report Doing Business 2017, Russia has a corporate tax rate of 47.4% (2016), which was as high as 54% in 2010.
   - In respect of the tax burden structure by category, social coordination insurance and VAT constitute a heavier burden, and the income tax burden is relatively light. The amount of VAT and social coordination insurance paid by a surveyed company throughout 2016 is RUB 51 million (about RMB 5.1 million) and RUB 47 million (about RMB 4.7 million) respectively, which can be offset by profit income given the continuous book loss of the company since its inception, so the company has not yet paid any corporate income tax. As a result of the 13% single rate of personal income tax, high-income employees can save much in personal income tax expenditure.
   - Russia’s tax burden structure has its particularity. As a country of transition, in order to attract investment and expand the income tax base, Russia has established a flat and lower-amount income tax rate system 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, replacing high fees by lower rates. However, given the aging population, the low contribution standards failed to cover the huge social security funding gap, the government was later forced to abolish the trial and raise the contribution standards, putting much more pressure on the businesses.

2. **Tax treaties**
   a. 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. China and Russia have signed a bilateral tax treaty. In addition, in 2000 the two governments signed the Agreement on Temporary Labor Services regarding Chinese in Russia and
Russians in China, agreeing on the tax matters concerned, such as the exemption from pension insurance contributions (at the rate of 22%) for Chinese working in Russia. However, due to the insufficient publicity and lagging execution, Chinese enterprises have failed to timely and fully benefit from the 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 hearing of tax disputes. According to the 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
- "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

<table>
<thead>
<tr>
<th>Tax types</th>
<th>Tax rate (Proportion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>18%</td>
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<tr>
<td>Profits tax (Corporate income tax)</td>
<td>20%</td>
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<tr>
<td>Personal income tax</td>
<td>13%</td>
</tr>
<tr>
<td>Social coordination insurance</td>
<td>30%</td>
</tr>
</tbody>
</table>

### Reference for the major tax types and rates in effect in Indonesia

<table>
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<tr>
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<tbody>
<tr>
<td>Tax types</td>
<td></td>
</tr>
<tr>
<td>Profits tax</td>
<td>20%</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>13%</td>
</tr>
<tr>
<td>Social coordination insurance</td>
<td>30%</td>
</tr>
</tbody>
</table>

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Indonesia

1. Tax types, rates and incentives

a. Major tax types and rates

Taxes related to business operations mainly include VAT, corporate income tax, social security tax, personal income tax and property tax, etc. Respondents deem the overall tax burden on enterprises operating in Indonesia as acceptable. The WB database Doing Business 2017 discloses the tax rate survey results of Indonesia at an average of 30.6% of profit.

- VAT: with the standard tax rate of 10%, levied on taxpayers providing goods and services. Any company whose annual sales of taxable goods or services exceed a certain amount shall enter into VAT registration.
- Corporate income tax: with the standard tax rate of 25%, tax payable calculated against the net profit after deductible taxable income.
- 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 IDR 1 million. As for individuals, an employee in Indonesia shall be 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.
- Personal income tax: a progressive tax rate in excess of specific amount of 5%, 15%, 25% and 30% is applicable. Taxable income shall be declared on a household basis, covering income from business, income from company, capital gains and so on.

b. Tax incentives

In respect of corporate income tax, Enterprises with an annual income of less than IDR 50 billion shall apply a low tax rate. Taxpayers (excluding permanent establishments) with an annual income of not more than IDR 4.8 billion enjoy a 1% discount on total income tax. Resident taxpayers with a total income of IDR 4.8 billion enjoy a 1% discount on total income tax. Non-resident taxpayers with an annual income of not more than IDR 50 billion shall apply a low tax rate.

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 to tax authorities. Tax dispute handling procedures are clearly defined in the Indonesian tax law. Any taxpayer disagreeing to the audit conclusion shall have the right to raise an objection and apply for the tax assessment, but shall be required to prepare sufficient evidence and data in accordance with the relevant provisions.

### Reference for the major tax types and rates in effect in Indonesia

<table>
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<tr>
<td>Tax types</td>
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<tr>
<td>Profits tax</td>
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<td>VAT</td>
<td>10%</td>
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<tr>
<td>Personal income tax</td>
<td>5% - 30%</td>
</tr>
<tr>
<td>Employer social insurance contributions</td>
<td>10%</td>
</tr>
<tr>
<td>Employee social insurance contributions</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Kazakhstan

1. Tax types, rates and incentives

a. Major tax types and rates

Kazakhstan’s major taxes include corporate income tax, VAT, personal income tax, social tax and property tax. According to the WB database Doing Business 2017, the average tax imposed on Kazakhstan’s enterprises (tax-net profit ratio) is about 29.2%. Based on the statutory tax rates and research results, we believe that the tax burden on enterprises operating in Kazakhstan is 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 policy for up to 10 years for specific investment agreement, covering corporate income tax, property tax and land tax, etc.

2. Tax treaties

a. Kazakhstan has entered into 51 bilateral tax treaties.

b. The tax treaties take a superior position 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 the respondents, the past practices reveal “a very low possibility of winning a case against the tax bureau.”

b. Major tax-related controversies
Tax types                                                  Tax rate
Social tax (Social security tax)                          11%
Personal income tax                                     10%
VAT                                                      12%
Corporate income tax for domestic companies   30%
Corporate income tax for foreign companies       40%
Employee social insurance contributions               12.5%
Employer social insurance contributions               12%

India

1. Tax types, rates and incentives
a. Tax types and rates

Indian corporate income taxpayers are divided into resident and nonresident taxpayers, where companies incorporated under the laws of India or whose management and control lies entirely in India shall constitute resident taxpayers. Resident taxpayers shall pay taxes on their global income, while nonresident taxpayers only pay taxes on their income from India. The corporate income tax rate is 30% for domestic companies and 40% for foreign companies. With surtaxes and local taxes taken into account, the effective rate for foreign companies is 30.42%.

Business losses and capital losses can be carried forward for 8 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 shall be carried forward to the subsequent years only after the timely submission of tax returns, excluding non-deductible depreciation (which can be carried back indefinitely). Non-deductible depreciation can be deducted from any income, while business losses can only be deducted from operating income.

For a business whose tax payable amount is below 18.5% of its book profits, alternative minimum tax shall be applicable, and the surplus of alternative minimum tax over the normal income tax payable can be deducted from the tax payable, carried back and deducted from income tax within 10 years.

In India, VAT levied on the sales of goods and the provision of services is limited, including 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. According to the Indian tax bill issued in April 2017, a uniform VAT system will be set up from July 1 onwards.

Taxpayers of individual personal income tax are divided into resident and nonresident taxpayers, where resident taxpayers shall pay taxes in India on their global income while nonresident taxpayers on their income derived from India. The statutory rate for personal income tax is 15%. In the fiscal year 2017-2018, India’s personal income tax rate stands at 5%, 20% and 30%, including a zero bracket amount of IDR 250,000, with an additional 10% for any annual income of more than IDR 5 million and less than IDR 10 million, and 15% for that over IDR 10 million.

An Indian resident enterprise shall pay the withholding tax on the relevant income paid to nonresidents. The withholding income tax rate for dividends paid to nonresident enterprises shall be zero, while companies issuing the dividends shall 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 lower withholding tax rate.

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

b. Tax incentives

India provides many tax incentives. For example, R & D expenditures incurred in specific industries and paid to specific research organizations can be weighed deducted by up to 200%. 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 fertilizers. 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 shall be tax-exempt from export profits. There are also industry- and region-specific tax incentives accordingly.

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 shall be 10% for dividends (0% in case of a non-signatory, but companies issuing the dividends shall pay a dividend distribution tax at a rate of 16.995%), 10% for interests (20% in case of a non-signatory), and 10% for royalties (25% in case of a non-signatory). The taxation agreement enables Chinese enterprises to enjoy lower taxes. However, it should be noted that if a nonresident does not have a permanent account number (PAN), i.e., the tax registration number, the withholding tax shall be paid at rate of the applicable rate agreed or 20%, whichever is higher.

On the whole, India respects the tax treaties and prioritizes tax treaties relative to domestic tax laws.

3. Tax risk and dispute handling

When asked about tax disputes, respondents say the refined Indian tax authorities have a special division to deal with tax disputes, which also suggests the high frequency of tax disputes across India. An important way to resolve tax disputes is the court hearing, which, though, often takes a very long time.

Respondents say that, in general, enterprises investing and operating in the India have a relatively high tax burden; the tax system is relatively transparent and stable, highly legalized but not sufficiently standardized regarding the enforcement, which leads to greater corporate tax risk. Moreover, tax disputes occur frequently, and although India has a systematic way to resolve disputes through legal means, it proves time-consuming and ineffective.

Pakistan

1. Tax types, rates and incentives
a. Tax types and rates

Pakistani corporate income taxpayers are divided into resident and nonresident taxpayers, where companies incorporated under the laws of Pakistan or whose management and control lies entirely...
in India shall constitute resident taxpayers. Resident taxpayers shall pay taxes on their global income, while nonresident taxpayers only pay taxes 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 taxable income of 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 shall not 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 cut by 25%. The tax rate applicable to the disposal of capital gains from the shares of a listing company after tax year 2012 shall be 10% for the shares held for less than 6 months, 8% for that held for more than 6 months but less than 12 months, and 0% for that held for over one year. The turnover amount declared by resident companies and other specific taxpayers shall be taxed for commodity turnover at a rate of 0.5%, where alternative minimum tax shall apply to circumstances where tax derived from a taxpayer’s gains or losses or income is outnumbered by 0.5% of the turnover amount.

Foreign corporate offices in Pakistan shall pay corporate income tax at 7% of the 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 government will impose a sales tax on services incurred within the province at a rate of 13-16%, which varies from province to province.

Taxpayers of individual personal income tax are divided into resident and nonresident taxpayers, where resident taxpayers shall pay taxes in Pakistan on their global income while nonresident taxpayers 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 PKR 400,000 are required to pay personal income tax, though at different rates based on the income level: 5-20% for wage earners, while 10-25% for taxpayers engaged in operations.

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

Overall, Pakistani enterprises have an average corporate tax burden.

b. Tax incentives

Pakistan offers tax incentives for plants, 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 with FDI accounting for more than 50%. 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 shall be 10% for dividends (12.5% or 20% in case of a non-signatory), 5% or 10% for interests (20% in case of a non-signatory), and 12.5% for royalties (15% in case of a non-signatory). 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 nonresident company (representative office) shall be taxed on its operating profits, but the Pakistani income tax law modified in recent years spells out 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 (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 for perfection.

3. Tax risk and dispute handling

When asked about issues involving tax disputes, respondents say 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) shall be entitled to appeal according to law, and the rights of taxpayers can be guaranteed, but it is difficult to get a refund of the tax collected.

As the Pakistani tax system often is highly unstable due to its frequent changes, it imposes greater risk on the investment and 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 consider in the following years, but the super tax was also collected again in 2016 and 2017.

Another case goes as follows: on February 26, 2011, a Chinese business office in Pakistan received a tax bill issued by the tax authority, requiring it to pay the tax of 2008 in arrears (PKR 91,120,371). On March 18, 2011, the business applied for reconsideration based on four arguments: a) the appellant is not given full time and opportunity to justify itself; b) the tax recovery notice is based on subjective assumptions; c) excessive penalties for overdue; and d) ulterior motives. On June 1, 2011, the reconsideration results proved favorable for the Chinese enterprises, with the tax payable significantly reduced to over PKR 4 million. But the tax authority expressed dissatisfaction, and appealed to the tax court on the July 26, 2011, arguing that the administrative reconsideration applicant (office of the Chinese company in Pakistan) failed to meet the relevant procedures during the hearing, since the supplementary evidence submitted to the administrative reconsideration officer was not showed to the respondent (tax authority). On April 14, 2015, the tax court affirmed the original judgment of the administrative reconsideration.

3. Tax risk and dispute handling

According to the respondents, enterprises operating in Pakistan face moderate tax risk in general, and the Pakistani tax system is opaque and highly unstable, it is averagely legalized with substandard enforcement, resulting in greater tax risk. Enterprises need to plan better to prevent against tax risk.

### Reference for the major tax types and rates in effect in Pakistan

<table>
<thead>
<tr>
<th>Tax Types</th>
<th>Tax Rate (Proportion)</th>
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</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>35%; 7% of the contract amount</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>5%-20%</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>17%</td>
</tr>
<tr>
<td>Sales tax</td>
<td>13%-16%, differing across provinces</td>
</tr>
</tbody>
</table>
Cultivation of International Accounting Professionals

As the Belt and Road Initiative evolves, more and more Chinese enterprises are stepping out to the world. At this historic moment, how to cultivate accounting professionals with a global vision has become a major issue for enterprises operating along the routes of Belt and Road countries, related educational institutions, accounting industry regulators and accounting industry organizations.

High-caliber talents are essential for the success of the Belt and Road Initiative, who will act as bridges and ties between China and other countries along the routes of Belt and Road. Therefore, it is vital to train talents for this purpose. However, there are numerous uncertainties regarding how excellent accounting professionals should be trained for promoting the development of the Belt and Road Initiative. For example, what are current requirements regarding the competency or skills of accounting staffs asked by enterprises operating along the routes of Belt and Road countries? Which approaches are adopted by enterprises to promote their accounting staffs’ competency and skills? What are the differences between enterprises in different countries in the training models? What experience is worth drawing on from each other?

Understanding the Competence of Accounting Professionals in Countries along the Routes of Belt and Road Initiative

Through the study of relevant systems in countries along the routes of Belt and Road Initiative, we find that these countries pay more attention to professional skills (often referred to as hard skills) of accountants in their career, and there is lacking in the relevant research to accountants’ competence. Therefore, we have conducted an in-depth investigation to study 12 major competencies of accounting professionals, which include the knowledge and approaches to financial accounting (e.g. financial reporting, financial management, etc.), the knowledge and approaches to management accounting (e.g. cost management, budget management, performance management, etc.), the knowledge of taxation, capabilities of data analysis, understanding in application of emerging technologies and related software, the knowledge and approaches to risk management, the knowledge and approaches to corporate governance, the knowledge and approaches to audit and assurance, the understanding of organizations’ business models, the capability of grasping the macroeconomic impact to organizations, and the ability of keeping abreast of the industry frontier, through one questionnaire.

Exploring the New Training Model for International Talents

There is only limited literature in China regarding how to enhance the competence of the accounting professionals. We will evaluate the importance, effectiveness and popularity of training methods that we recommended include 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, outbound communication and studying, cross-departmental discussion, shuffling to business departments for in-depth understanding, etc.

With the rapid development of knowledge and technologies and the drastic economic restructuring, each accounting professional
should maintain an attitude and ability of lifelong learning considering that accounting professionals must to experience the change and evolution in industry and professional knowledge and skills on an ongoing basis. Do the accounting professionals in countries along the routes of Belt and Road Initiative have such motives and awareness? Do the accounting regulators have Continuing Professional Development requirement? Do there have any diversified channels and approaches to support the self-improvement of accounting professionals? What educational resources are available? All aforementioned issues are worth paying more attention here.

**Accounting Professionals: New Impetus to Promote Value Creation**

According to one ACCA survey in 2016, it points out that the crucial issue to driving the successful innovation and growth of organization is effective collaboration and integration between financial executives, financial crews and internal and external business partners. However, it is far from enough to only realize its necessity and willingness to collaborate. It usually requires organization to change its culture, mindset, organization structure and business behaviors for realizing the integration of business and finance while bringing the better implementation of corporate strategy, optimization of resources, performance appraisal, and even investment decision making, tax planning and M&A support, etc. Through the survey mentioned above, we aim at finding out that whether an enterprise has clear talents objectives, development plans and performance management in place, whether these mechanisms are effective, and whether accounting professionals can substantially improve the performance of the company and realize the value creation. This tripartite joint research will answer all aforementioned questions. We hope to provide suggestions regarding the cultivation of accounting professionals along the routes of Belt and Road Initiative, share the cultivation experience of international talents in enterprises along the routes, build a think tank of accounting professionals, and strive to promote the new training model of international talents under the Belt and Road Initiative.

**Singapore**

**Professional Institutions:**
There are a variety of professional accounting institutions to attract and develop accountants, including the national accounting institution (ISCAS Institute of Singapore Chartered Accountants) as well as the Association of Chartered Certified Accountants (ACCA) and other international accounting institutions.

**Research on the Competence of Accounting Professionals:**
SAC (Singapore Accountancy Commission), as the main government agency, is engaged in guiding the development of accounting sectors and relevant talents. The related research reports include:

- **Accountancy Sector Survey 2013 (ACCA Project for Management Research)**
- **Accounting Entities (AE) Survey 2016**
- **AE Regionalisation Survey 2016 (ACCA as research partner)**

**Competence Standards / Training Plans for Accounting Professionals in Organizations:**
SAC collaborates with professional accounting institutions (e.g. ACCA, etc.) and certain government agencies (e.g. WSG, SSG, etc.) to set a standard framework for accountants’ skills and aims at providing detailed requirements of competence and skills to accounting professionals at all levels.

**Approaches of Competence Training to Accounting Professionals in Enterprises with Relevant Comments:**

The portfolio of aforementioned training approaches would be adopted by a variety of companies. Although there are significant differences between different companies’ portfolios, almost all training approaches would be adopted by a lot of large companies.

Additionally, the government has also introduced the Skills Future Programs.

**Comments:** The most popular training approaches are education improvement and internal and external training.

- **Annual Performance Appraisal to Accounting Professionals in Enterprises:**
  Yes, the majority of Singaporean companies conduct annual performance appraisal for their accounting employees.

- **Duration of Training to Accounting Professionals in Enterprises:**
  There have requirements for the training duration that the length of training duration would depend on different categories of membership.

- **The Importance of Accounting Professionals to Corporate Performance:**
  The respondents considered that the accounting professionals as “important” (4 points) to a company’s performance improvement.

**The Importance of Competencies of Accounting Professionals (importance up to 5 points)**

<table>
<thead>
<tr>
<th>Capabilities / Skills</th>
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<tbody>
<tr>
<td>Knowledge and Approaches to Financial Accounting</td>
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<tr>
<td>Capabilities of Data Analysis</td>
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<td>Capability of Grasping the Macroeconomic Impact to Organizations</td>
<td>5</td>
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<tr>
<td>Ability of Keeping Abreast of The Industry Frontier</td>
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</tbody>
</table>

**Malaysia**

**Professional Institutions:**
- Malaysian Institute of Accountants (MIA, member of the IFAC) http://www.mia.org.my/
- Malaysian Institute of Certified Public Accountants (MICPA, member of the IFAC) http://www.micpa.com.my/
- ACCA (member of the IFAC and CAPA) http://www.accaglobal.com/my/en.html

**Research on the Competence of Accounting Professionals:**
There is no relevant research report on the competence of accounting professionals in Malaysia.

**Training Plans for Accounting Professionals in Organizations:**
The audited financial statements of a listed company must be signed by admitted members of MIA.

In general, large Malaysian companies have skill requirements for accountants, but different companies have different specific requirements. These skills should be mastered by all accounting professionals who might obtain professional qualifications and/or admit as one member of professional accounting institutions already. These enterprises may implement training plans, which are generally updated periodically or on demand, to accounting professionals in HR department.

**Approaches of Competence Training to Accounting Professionals in Malaysia have been demonstrated as below:**

1. On-the-job Education Upgrading
2. Professional Qualification Training
3. Participation in External Trainings and Forums
4. Internal Training
5. On-the-job Guidance by Supervisor
6. Outbound Communication and Studying
7. Cross-departmental discussion
8. Shuffling to Business Departments for In-depth Understanding
The respondents considered that aforementioned approaches are effective.

**Performance Appraisal to Accounting Professionals:**
There is annual performance appraisal to accounting professionals in Malaysia.

**Duration of Training to Accounting Professionals:**
In general, companies registered in Malaysia do not require annual CPD hours to accountants mandatorily. However, accounting professionals, as admitted members of MIA, MICPA, ACCA and other professional accounting institutions, are required to complete a minimum hours of CPD annually. Additionally, professional accounting agencies (e.g. Deloitte, etc.) also have the requirements of CPD hours to accounting professionals per year.

**The Importance of Accounting Professionals to Corporate Performance:**
The respondents considered that the accounting professionals as “important” (4 points) to a company’s performance improvement.

**The Importance of Competencies of Accounting Professionals (importance up to 5 points):**

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**UAE**

**Professional Institutions:**
- Institute of Chartered Accountants of India (ICAI) [https://www.icaiauh.org/](https://www.icaiauh.org/)

**Research on the Competence of Accounting Professionals:**
There is no relevant study and research report on the competence of accounting professionals in UAE.

**Compliance Standards / Training Plans for Accounting Professionals in Organizations:**
Requirements of competence to accounting professionals are generally centered on the knowledge of IFRS, financial planning and reporting, VAT and risk management, etc. Most of companies do not have a department that takes charge of training of accounting professionals. Companies in UAE generally enhance accounting professionals’ skills rely on the training offered by professional accounting agencies (e.g. Big Four, etc.) or attending IFRS seminars.

**Approaches of Competence Training to Accounting Professionals in Enterprises with Relevant Comments:**
Comments: Highly effective. The respondent comes from one of Big Four, so that the training provided by the firm has far outperformed other accounting trainings provided by other companies.

**Performance Appraisal to Accounting Professionals in Enterprises:**
The annual performance appraisal to accounting professionals varies with different companies that depend on the sizes of companies.

**Duration of Training to Accounting Professionals in Enterprises:**
There is no requirement for training duration with limited certification authorities. However, some regulators (e.g. DFSA, etc.) still have requirements for CPD hours.

**The Importance of Accounting Professionals to Corporate Performance:**
The respondents considered that the accounting professionals as “important” (4 points) to a company’s performance improvement.

**The Importance of Competencies of Accounting Professionals (importance up to 5 points):**

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**Poland**

**Professional Institutions:**
None. There is no training institution to accounting professionals, but professional accounting organizations (such as the Polish Ministry of Finance [http://www.mf.gov.pl/en/news](http://www.mf.gov.pl/en/news)).

**Research on the Competence of Accounting Professionals:**
The majority of economic universities are studying domestic accounting professionals based on their own teaching and training programs, but no report has been officially published.

**Compliance Standards / Training Plans for Accounting Professionals in Organizations:**
There is no uniform competence standard what totally depend on the actual demand of enterprises.

**Approaches of Competence Training to Accounting Professionals in Enterprises with Relevant Comments:**
Comments: 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.

**Performance Appraisal to Accounting Professionals in Enterprises:**
Organizations impose performance appraisal to accounting employees on an annual basis.

**Duration of Training to Accounting Professionals in Enterprises:**
Enterprises do not impose accounting employees to take training sessions, and the Accountants Association in Poland also does not arise any requirement regarding CPD hours to its admitted members.

**The Importance of Accounting Professionals to Corporate Performance:**
The respondents considered that the accounting professionals as between “important” (4 points) and “very important” (5 points) to a company’s performance improvement.
Czech Republic

Professional Institutions:
National Accounting Committee – an independent expert's body provides support to accounting professionals, accountant professional ethics and accounting methods. The members include:
- The Chamber of Tax Advisers of the Czech Republic https://www.kdpcr.cz/
- University of Economics, Prague http://ffu.vse.cz/english/

Research on the Competence of Accounting Professionals:
There is no specific requirement of training duration in Qatar. None.

Training Plans for Accounting Professionals in Enterprises:
There is no any competence standard or training plan to accounting professionals.

Approaches of Competence Training to Accounting Professionals in Enterprises with Relevant Comments:
The approaches of cultivation include 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, outbound communication and studying, cross-departmental discussion, shuffling to business departments for in-depth understanding, etc.

Comments: effective and popular.

Performance Appraisal to Accounting Professionals in Enterprises:
None.

Duration of Training to Accounting Professionals in Enterprises:
The training duration, what totally depends on the enterprise itself, is usually between 10 and 20 hours per year to general accounting employees, while more than 20 hours for auditors specifically.

The Importance of Accounting Professionals to Corporate Performance:
The respondents considered that the accounting professionals as "very important" (5 points) to a company's performance improvement.

Qatar

Professional Institutions:
There is no specialized agency or organization for training to accounting professionals in Qatar.

Research on the Competence of Accounting Professionals:
There is no relevant research report on the competence of accounting professionals in Qatar.

Training Plans for Accounting Professionals in Organizations:
The skills are clearly required to accounting professionals in Qatar include:
1. A minimum education of a bachelor degree in accounting
2. International certification or qualification of CPA / ACCA / CA

Performance Appraisal to Accounting Professionals:
Accounting professionals shall be subject to annual performance appraisal in Qatar.

Duration of Training to Accounting Professionals:
There is no specific requirement of training duration in Qatar. But Deloitte requires minimal 20 hours of CPE per year, and accumulate to 120 hours at least after three years.

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

The Importance of Accounting Professionals to Corporate Performance:
The respondents considered that the accounting professionals as "very important" (5 points) to a company's performance improvement.
Hungary

Professional Institutions:
Chamber of Hungarian Auditors (CHA)
Research on the Competence of Accounting Professionals:
There is no relevant research report on the competence of accounting professionals in Hungary.
Training Plans for Accounting Professionals in Organizations:
There is no relevant training plan to accounting professionals in Hungary.
The respondents considered that these approaches are very effective to development.
Performance Appraisal to Accounting Professionals:
There is no annual performance appraisal to accounting professionals in Hungary.
Duration of Training to Accounting Professionals:
There are specific training requirements to both auditors and accountants. Generally, it requires approximately 10 to 20 hours, what depends on the nature of profession, as the training duration.
The Importance of Accounting Professionals to Corporate Performance:
The respondents considered that the accounting professionals as "very important" (5 points) to a company's performance improvement.

The Importance of Competencies of Accounting Professionals
(importance up to 5 points)

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Thailand

Professional Institutions:
Federation of Accounting Professions ("FAP") http://en.fap.or.th/
Research on the Competence of Accounting Professionals:
There is no relevant research report on the competence of accounting professionals in Thailand.
Training Plans for Accounting Professionals in Organizations:
There is no specific skill requirement arose by companies in Thailand to accounting professionals. However, CPA holder must complete 20 hours of formal training and 20 hours of informal training annually as the completion of CPD requirement per year after CPA certificate has been obtained.
It is mandatory for all employees to comply with talent development policies arose by companies in Thailand. The respondents considered that such development plans are effective, and will be enable to result better skills to employees as the company grows.
Performance Appraisal to Accounting Professionals:
There is annual performance appraisal to accounting professionals in Thailand. A Thai respondent from Deloitte said that the company would conduct Mid-Year Performance Appraisal and Year Performance Appraisal.
Duration of Training to Accounting Professionals:
FAP requires that all CPA holders must complete 20 hours of formal training and 20 hours of informal training annually as the completion of CPD requirement per year.

The Importance of Accounting Professionals to Corporate Performance:
The respondents considered that the accounting professionals as "very important" (5 points) to a company's performance improvement.

The Importance of Competencies of Accounting Professionals
(importance up to 5 points)

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Vietnam

Professional Institutions:
Vietnam Association of Certified Public Accountants (VACPA)
The relevant information regarding the Vietnamese Professionals Training Program is temporarily unavailable to us, but VACPA has provided a large number of accounting professionals to Vietnam.
Research on the Competence of Accounting Professionals:
The relevant answers are not provided.
Training Plans for Accounting Professionals in Organizations:
The relevant requirements are clearly specified in Vietnamese accounting regulations, with the following exceptions referred from Accounting Law 2003:
Article 50 Standards, rights and responsibilities of accountants
Accountants must satisfy standards as below:
1. Have professional ethics, be honest and incorruptible, and comply with the laws;
2. Have professional accounting certificates
3. Accountants shall be entitled to be independent during the process of professional accounting work.
4. Accountants should comply with laws to carry out bookkeeping work and other assigned works, and should be responsible for all their professional works. When the accountant resigns, all accounting works and files must be handed over to successor, and the former accountant also needs to be responsible for all accounting works during the period of designation.
The respondents considered that aforementioned training approaches are very appropriate and effective to accounting professionals, so that aforementioned approaches are widely used in most of accounting agencies.
Performance Appraisal to Accounting Professionals:
The financial and accounting personnel in the majority of Vietnamese companies shall be subject to annual performance appraisal.
Annual performance appraisal to accounting professionals is implemented by most of companies in Vietnam.
Duration of Training to Accounting Professionals:
Vietnam has stipulated specific annual training duration to accounting professionals what is minimal 40 hours per year generally.
The Importance of Accounting Professionals to Corporate Performance:
The respondents considered that the accounting professionals as “important” (4 points) to a company’s performance improvement.

### The Importance of Competencies of Accounting Professionals

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### Russia

**Professional Institutions:**

There is no specific organization to take charge of the development of accounting professionals. However, talents still can obtain the qualified certificates through passing the professional examinations organized by professional accountant institutions, including:


**Research on the Competence of Accounting Professionals:**

There is no relevant study and research report on the competence of accounting professionals in Russia.

**Competence Standards / Training Plans for Accounting Professionals in Organizations:**

The government started to introduce the accountant under professional standards since 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 statements, knowledge of the legislation, technical applications, etc.).

There is no specific training program or division dedicated to cultivation of talents in Russian companies.

**Approaches of Competence Training to Accounting Professionals in Enterprises with Relevant Comments:**

Comments: All of aforementioned approaches are appropriate to Russia. Their effectiveness and popularity depend on the business scale and the sector of organization.

**Annual Performance Appraisal to Accounting Professionals in Enterprises:**

None.

**Duration of Training to Accounting Professionals in Enterprises:**

There is no mandatory requirement regarding training duration at government level.

**The Importance of Accounting Professionals to Corporate Performance:**

The respondents considered that the accounting professionals as “important” (4 points) to a company’s performance improvement.

### Indonesia

**Professional Institutions:**

Universities are responsible for the development of accounting talents, mainly represented by University of Indonesia.

Website: [http://www.feb.ui.ac.id/akuntansi/](http://www.feb.ui.ac.id/akuntansi/)

**Research on the Competence of Accounting Professionals:**

Please visit the FEB UI for relevant researches.

Website: [http://www.feb.ui.ac.id/akuntansi/](http://www.feb.ui.ac.id/akuntansi/)

**Approaches of Competence Training to Accounting Professionals in Enterprises with Relevant Comments:**

Comments: Highly effective.

**Annual Performance Appraisal to Accounting Professionals in Enterprises:**

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

**Duration of Training to Accounting Professionals in Enterprises:**

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

**The Importance of Accounting Professionals to Corporate Performance:**

The respondents considered that the accounting professionals as “very important” (5 points) to a company’s performance improvement.

### The Importance of Accounting Professionals to Corporate Performance

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Kazakhstan

**Professional Institutions:**
There is no specific organization to take charge of the development of accounting professionals in Kazakhstan. However, professional accounting institutions in Kazakhstan provide accountant education services. Additionally, qualified certificates also can be obtained through passing the professional examinations, include ACCA, Certified Accounting Practitioners ("CIPA"), Certified International Professional Accountant ("CIPA"), Professional Accountant, etc.

**Research on the Competence of Accounting Professionals:**
There is no relevant research report on the competence of accounting professionals in Kazakhstan.

**Training Plans for Accounting Professionals in Organizations:**
According to the regulation of the Republic of Kazakhstan on Accounting Reporting, professional accountants can be appointed as chief accountants of the public interest organizations (Article 9) since 1st January 2012. A professional accountant refers to an individual who has the certificate of professional accountant based upon the requirements presented in No.435 promulgated by the Minister of Finance of The Republic of Kazakhstan on 13th December, 2007.

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

**Approaches of Competence Training to Accounting Professionals in Enterprises:**
The respondents considered that all of aforementioned approaches are appropriate to Kazakhstan. Their effectiveness and popularity depend on the business scale and the sector of organization.

**Performance Appraisal to Accounting Professionals:**
There is no annual performance appraisal to accounting professionals in Kazakhstan.

**Duration of Training to Accounting Professionals:**
There is no mandatory CPD requirement at government level in Kazakhstan.

**The Importance of Accounting Professionals to Corporate Performance:**
The respondents considered that the accounting professionals as “important” (4 points) to a company’s performance improvement.

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Indonesia

**Professional Institutions:**
There is no specific institution or organization responsible for the development of the accounting personnel.

**Research on financial and accounting talent capability:**
Respondents are unaware of whether there is such research in India.

**Competence standards / Training plans for corporate financial and accounting staff:**
There is no specific competence standard.

**Annual performance appraisal for the corporate financial and accounting personnel:**
The accounting personnel in the assessment process shall be subject to annual performance appraisal. However, it may not be applicable to all companies.

**Duration of training for the corporate financial and accounting personnel:**
The stipulations in http://www.cpei.org/?page_id=134 are as follows: CPE hour’s requirements for the block period of 3 years (1-January-2017 to 31-December,2019) to be complied with by different categories of members:

1. All the members (aged less than 60 years) who are holding Certificate of Practice (except all those members who are residing abroad) 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 and in each calendar year.
   c. Balance 60 CPE credit hours (minimum 20 CPE credit hours in each calendar year) can be completed either through Structured or Unstructured learning (as per Member’s choice).
2. All the members (aged less than 60 years) who are not holding Certificate of Practice; and all the members who are residing abroad (whether holding Certificate of Practice or not) are required to:
   a. Complete at least 60 CPE credit hours either structured or unstructured learning (as per Member’s choice) in rolling period of three years.
   b. Complete minimum 15 CPE credit hours of either structured or unstructured learning (as per member’s choice) in each calendar year.
3. All the members (aged 60 years & above) who are holding Certificate of Practice shall be subject to other specific requirements.

**Importance of the financial and accounting personnel to corporate performance:**
Respondents deem the financial and accounting personnel as “highly important” (5 points) for a company’s performance improvement.

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India

**The Importance of Competencies of Accounting Professionals (importance up to 5 points)**

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Pakistan

Professional Institutions:
- Local professional bodies involved in the development of accounting professionals, include:
  - The Institute of Chartered Accountants of Pakistan (ICAP) http://www.icap.org.pk/
  - Pakistan Institute of Public Finance Accountants (PIPFA) http://pipfa.org.pk/
  - Institute of Cost and Management Accountants of Pakistan (ICMAP) https://www.icmap.com.pk/
- International professional bodies involved in the development of accounting professionals, include:
  - ACCA http://www.accaglobal.com/pk/en.html, etc.
- The most famous universities, which offer training programs for accounting professionals, include:
  - Lahore University of Management Sciences (LUMS) https://lums.edu.pk/
  - Institute of Business Administration (IBA) https://www.iba.edu.pk/
  - University of Karachi (UoK) http://uok.edu.pk/

Accounting Education Providers:
Registered Accounting Education Tutors (“RAETs”) approved by ICAP are authorized to conduct tutorial classes for ICAP and MFC students. These RAETs are treated as important elements for the development of local accounting professionals. Go to https://goo.gl/WaMcu5 for the list of RAETs.

Training Institutions:
ICAP requires that students should be trained from approved training organizations outside practice (“TOOP”). These organizations also make contribution to the development of accounting professionals in Pakistan. The list of approved institutions can be found in the link of https://goo.gl/xxqgNR.

Research on the Competence of Accounting Professionals:
Respondents are unaware of whether there is such research in Pakistan.

Training Plans for Accounting Professionals in Organizations:
There is no overall guideline to organizations or enterprises in Pakistan, but different competencies or skills are defined according to different job descriptions.
In some special cases, there would have specific guidelines provided by the relevant authorities. For examples, the listing regulation of Pakistan Stock Exchange provides instructions regarding the appointment of internal audit directors and chief financial officers for listed companies. According to aforementioned instructions, a candidate should be a member of chartered professional bodies.
An organization usually has a learning and development department dedicated to the training programs for accounting professionals. For example, our organization’s learning department takes charge of revising training contents, conducting promotional training, conducting software upgrade training, etc., regularly.

Approaches of Competence Training to Accounting Professionals in Pakistan have been demonstrated as below:
- The respondents considered that the selected development path to be highly effective, since you can learn from other professionals and get trained from your organization to get better feedback and learning applications. Using the trainer model and pass on what you have learned to the public will trigger a trickle-down effect.
- For internal training, an external professional trainer may be employed so that the trainees can be benefited from specific professional training.

Performance Appraisal to Accounting Professionals:
The performance appraisal would be imposed to accounting practice or professionals in Pakistan according to the organization’s policies.

Duration of Training to Accounting Professionals:
Enterprises in Pakistani generally do not have specific requirements for CPD hours, but there have other requirements based upon the different HR policies that vary with different enterprises.

Members of professional bodies must comply with the CPD requirements arose by professional bodies. For example, ICAP provides CPD guidance in accordance with its Directive 8.01, which is available at https://goo.gl/A7DzJa

The Importance of Accounting Professionals to Corporate Performance:
The respondents considered that the accounting professionals as “important” (4 points) to a company’s performance improvement.

The Importance of Competencies of Accounting Professionals (importance up to 5 points)

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Introduction

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.

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 198,000 members and 486,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 101 offices and centres and more than 7,291 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA’s core values are aligned to the needs of employers in all sectors and it ensures that through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

More information is here: www.accaglobal.com
Introduction

About Deloitte Global

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients.

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

About Deloitte China

The Deloitte brand first came to China in 1917 when a Deloitte office was opened in Shanghai. Now the Deloitte China network of firms, backed by the global Deloitte network, deliver a full range of audit & assurance, consulting, financial advisory, risk advisory and tax services to local, multinational and growth enterprise clients in China. We have considerable experience in China and have been a significant contributor to the development of China’s accounting standards, taxation system and local professional accountants. To learn more about how Deloitte makes an impact that matters in the China marketplace, please connect with our Deloitte China social media platforms via www2.deloitte.com/cn/en/social-media.

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
The compilation of this report is mainly done by the working group of SNAI, ACCA and DTT.

The content of this report is prepared on the basis of information available prior to June 30, 2017. In case of any errors or policy changes, please refer to the latest documents issued by the competent authorities. The content of this report is for informational purpose only and are not intended to form the basis of any decision making. Any changes that occur over time may affect the content hereof. Readers shall not make any decision solely based on this report before seeking appropriate professional advice on their own realities. SNAT, ACCA and DTT shall not assume any duty of care or any other obligation or liability (including yet not limited to negligence) to any of the readers.

The information on the Belt and Road countries in this report comes from the official websites and the country-specific questionnaires, with Chinese translation involved. Since we are not professional translators, the relevant content is for reference only. In any case, if there is any discrepancy between the translated version and the English original, the English original shall prevail, and we shall not be liable for the accuracy of the translation.

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