

MS News

Taxation of Singapore-based Cost Centres

Singapore Exchange (SGX) amends voluntary delisting rules to protect minority shareholders

Singapore Budget Seminar 2019

MOORE STEPHENS LLP- SINGAPORE SHIPPING FORUM 2019

Current Shipping Developments
and Green Shipping



ECONOMIC NEWS

1. The deadline for Brexit is pushed back to October 2019 after the UK Parliament rejected the withdrawal agreement reached between the EU and UK for the third time. UK Prime Minister Theresa May's repeated failure to deliver Brexit forced her to announce her resignation in May 2019. In July 2019, former London mayor Boris Johnson won the race to become Britain's next prime minister. In his first speech as prime minister, Johnson promised to lead the UK out of the EU in October 2019 and warned that if the bloc refused to negotiate then there would be a no-deal Brexit.
2. The US-China trade war saga continues with both countries slapping billions worth of tariffs on each other's exports. In May 2019, US President Donald Trump raised tariffs to 25% on US\$200 billion of Chinese goods and took steps to levy duties on an additional US\$300 billion in Chinese imports. China's retaliatory tariffs on US\$60 billion worth of American goods took effect from June 2019.
3. In June 2019, Raytheon Co and United Technologies agreed to a US \$120 billion merger. The deal will create an aerospace and defense giant to be called Raytheon Technologies Corporation, the second largest aero-defense company by sales behind Boeing Co. The merger is expected to close in the first half of 2020.
4. In May 2019, the Monetary Authority of Singapore (MAS) and the Association of Banks in Singapore (ABS) created the Culture and Conduct Steering Group (CCSG) to promote sound culture and raise conduct standards among banks in Singapore. The CCSG comprises members from 13 banks, MAS and ABS, and is chaired by DBS Bank Singapore country head Shee Tse Koon. The formation of the group is part of MAS' efforts to work with banks to strengthen ethical business practices that safeguard customers' interests.
5. In May 2019, IMD World Competitiveness Rankings revealed that Singapore remains

the world's most competitive economy, due to advanced technological infrastructure, skilled labour, favourable immigration laws and efficient ways to set up new businesses.

6. Mergers and acquisitions (M&A) in Singapore for the first half of 2019 amounted to US\$59.4b, up 64.3% from a year ago, according to data company Refinitiv. The main contributor is Blackstone Group's US\$18.7b pending acquisition of the US logistics assets of Singapore-based GLP group announced in June 2019, the biggest-ever private real estate transaction globally. Another major contributor is the acquisition of Ascendas-Singbridge by Singapore-based property investor CapitalLand for US\$7.9b, completed in June 2019, resulting in the largest domestic deal on record in Singapore.
7. Singapore's capital markets in the first six months of 2019 saw nine initial public offerings (IPOs) totalling S\$1.55b and a market cap of S\$2.24b, climbing 182% compared to the same period last year. Significant contributors included the listing of two new US-based Real Estate Investment Trusts (REITs), ARA US Hospitality Trust and Eagle Hospitality REIT, which raised S\$1.49b in IPO proceeds.
8. In July 2019, inventor of the bagless vacuum cleaner James Dyson bought the most expensive penthouse in the tallest building in Singapore for US\$54.2m. The British billionaire was later reported to have initiated the purchase of a luxurious bungalow facing the UNESCO-listed Botanic Gardens for US\$32.8m. These purchases follow the earlier announcement by his appliance company, Dyson, with reported 2018 revenues of £ 4.4 billion, to transfer both its corporate head office and tax registration to Singapore from Britain. The company also announced that it is considering Singapore as one of the locations for its first university outside of UK.

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SHIPPING NEWS

1. In April 2019, Nautilus Labs, a New York startup that builds artificial intelligence for fuel efficiency on ships, has secured US \$11m in Series A funding led by Microsoft Corp's venture arm, M12. Nautilus says their technological platform delivers real-time analytics and alerts to ship crews that could help save more than 10 percent on emissions in a single voyage, and savings of up to 30% with wider deployment.
2. Key capital market activities in the shipping sector during 2nd quarter of 2019:
 - In March 2019, Kawasaki Kisen Kaisha Ltd ("K" Line) announced it has arranged a US\$407m financing through a subordinated loan that matures over 35 years.
 - In April 2019, Norddeutsche Landesbank (Nord/LB) completed the sale of a €2.6 billion shipping loan portfolio to an affiliate of Cerberus Capital Management, L.P., a global alternative investment manager. The German lender is fully withdrawing from ship financing after posting significant losses for 2018 and will focus on will focus on energy, infrastructure, property and aircraft going forward.
 - In April 2019, Golar LNG secured a US\$700m underwritten financing commitment for the conversion of the floating liquefied natural gas (FLNG) vessel Gimi. FLNG Gimi will service the 20-year Tortue contract with BP due to commence in 2022.
 - In April 2019, BW Group increased its stake in Epic Gas Ltd to 82.58% with the completion of its unconditional tender offer to acquire all outstanding shares in Epic Gas. Together with the 38.54 million shares BW Group already owned, it now owns and holds the rights to a total of 58.19 million shares, representing 82.58% of the outstanding shares in Epic Gas.
 - In April 2019, Teekay Offshore Partners obtained a US\$414m long term debt facility, funded and guaranteed by Canadian and Norwegian export credit agencies and commercial banks, to finance its four LNG-fuelled suezmax shuttle tankers. The company also secured a new US\$450m funding for sixteen shuttle tankers, the funds to come from a revolving credit facility funded by commercial banks. Subsequently, in May 2019, Teekay Offshore Partners announced that it has received an unsolicited non-binding proposal from Brookfield Business Partners to purchase the publicly traded units of Teekay Offshore Partners that Brookfield does not already own for US\$1.05 per unit.
 - In May 2019, Ship Finance International issued NOK 700m NIBOR + 4.60% senior unsecured bonds due June 2024.
 - In May 2019, Teekay Corp issued US \$250m of 9.25% senior secured notes due 2022.
 - In May 2019, Hunter Group ASA raised NOK 695.2m with a private placement of 190.45 million shares.
 - In May 2019, containership operator Seaspan Corporation completed a new US\$1bn portfolio financing program, which could be increased to \$2bn through additional commitments under a revolving credit facility and term loan facility. Net proceeds from the funding exercise are intended to be used to repay 12 secured credit facilities, for general corporate purposes, and possibly to finance the acquisition of vessels.
 - In May 2019, VLGC owner Avance Gas received commitments for a US\$515m credit facility that will be used to refinance the company's debt.
 - In May 2019, Sovcomflot group signed a US\$297m financing facility with three international banks to finance its two next-generation LNG carriers which will operate under long-term charters to Shell.
- In July 2019, Eagle Bulk Shipping Inc. issued US\$100 million of 5.00% Convertible Senior Notes due 2024 ("Notes") in a private placement to qualified institutional investors pursuant to Rule 144A and Regulation S.
- In July 2019, Triton International Limited issued 5 million shares of its 8.0% Series B Cumulative Redeemable Perpetual Preference Shares, for total proceeds of US\$143.75 million based upon an offering price of US\$25 per share.
- In July 2019, DP World acquired a 100% interest in Topaz Energy and Marine Oman's Renaissance Services in a US\$1.08b deal. Topaz operates a fleet of 117 vessels, predominantly in the Caspian Sea, MENA, and West Africa regions.
3. In May 2019, major container carriers CMA CGM and MSC announced that they have joined TradeLens, the blockchain-based global shipping platform developed by Maersk and IBM. With the top three container lines now on the trading platform, combined with other lines, nearly half the world's container cargo will be available on TradeLens. Then in June, Maersk announced that it has signed a memorandum of understanding with the Russian transport ministry to launch TradeLens in Russia.
4. In June 2019, eleven banks with a collective shipping portfolio worth more than US\$100bn launched the "Poseidon Principles" – the first global sector-specific and self-governing climate alignment agreement among financial institutions. Signatory banks will include efforts to cut carbon dioxide emissions in their lending decisions to incentivise shipping's decarbonisation. Founding signatories include Citi, DNB, Société Générale, ABN Amro, Crédit Agricole CIB, Danish Ship Finance, Danske Bank, DVB, ING and Nordea.
5. In July 2019, Kawasaki Kisen Kaisha, Ltd. ("K" Line), Taiwan Power Company (Taipower), U-Ming Marine Transport Corporation (U-Ming), and Kuang Ming Shipping Corporation (Kuang Ming) jointly signed a Memorandum of Understanding (MOU) to establish a new joint venture shipping company. The NT\$1b (US\$32.2m) new

joint venture, scheduled to start business in October 2020, will own both coal and LNG carriers for transporting raw materials to Taipower.

6. In July 2019, tensions in the Strait of Hormuz have risen sharply after a series of

incidents, the latest being the interception of a British-flagged oil tanker Stena Impero by Iran's Islamic Revolutionary Guard Corps after allegedly violating international maritime laws. However, Iranian officials have also suggested that the tanker was seized in response to UK's role in impounding an

Iranian supertanker two weeks earlier off the coast of Gibraltar. Earlier, Iran shot down a US spy drone, US military cyber-forces reportedly hit Iranian missile and rocket launcher computer systems, and six oil tankers were sabotaged near the strait.

TAXATION OF SINGAPORE-BASED COST CENTRES

By Law Pei Serh, Associate Director of Taxation at Complete Corporate Services



'Service companies that no longer qualify for the CM basis should prepare to revert to the NTC basis, latest by YA 2020 (i.e. financial year ended/ending in 2019).'

Blessed with a strategic geographic location, highly-talented labour, and excellent infrastructure, Singapore provides an ideal destination for multi-national corporations seeking to set up processing centres to support operations regionally or globally. These centres may be remunerated on a cost or cost-plus basis by related parties.

Hitherto, the Inland Revenue Authority of Singapore ("IRAS") has, as an administrative practice, allowed companies that operate such processing centres to be taxed on a simplified "cost plus mark-up basis" ("CM basis"). Compared to the "normal trading company" basis of assessment ("NTC basis"), to which such companies will be otherwise subject, the CM basis can help reduce tax compliance costs and enhance certainty on quantum of taxable income.

Going forward, IRAS has tightened rules over the type of companies that can qualify for the CM basis. In this article, we discuss the revised rules and how processing centre companies in Singapore that currently apply the CM basis are affected.

WHICH COMPANIES ARE AFFECTED?

The revision of rules is mainly applicable to "service companies", i.e. those that render services only to related parties and not third parties.

CHANGES IN REQUIREMENTS TO QUALIFY FOR CM BASIS

After the changes in tax rules, the CM basis would be strictly meant for service companies that:

- only provide routine support services; and
- adopt a 5% mark-up on costs as the arm's length charge for such services.

"Routine support services" are further defined in the Transfer Pricing Guidelines (TPG), with a detailed list of such services being provided. The qualifying services are those that relate to accounting and auditing, accounts receivable and accounts payable, budgeting, computer support, database administration, employee benefits administration, general administration, legal services, payroll, corporate communications, staffing and recruiting, tax, as well as training and employee development.

IRAS has clarified the CM basis will not be applicable for the following companies:

- investment holding companies that also provide routine support services;
- companies that provide non-routine support services; and
- service companies that use a % cost mark-up other than 5%.

Under the CM basis, the chargeable income is computed based on 5% mark-up on the total cost incurred by the service company (before offsetting any revenue grants received). Service companies applying the CM basis will not be able to claim for deductions such as double or further tax deductions, capital allowances and losses, donations, and foreign tax credits.

NEXT STEPS

Service companies that no longer qualify for the CM basis should prepare to revert to the NTC basis, latest by YA 2020 (i.e. financial year ended/ending in 2019). Under the NTC basis, a company needs to prepare its tax computation in the usual manner, subjecting the net profits before tax to the usual tax adjustments such as the deduction of non-taxable income, adding back of disallowed expenses, and the deduction of capital allowances, losses and tax-exempt donations to arrive at the assessable income. As with all Singapore companies, ser-

vice companies are expected to charge arm's length fees; accordingly, the NTC basis is also subject to transfer pricing adjustments where the remuneration or mark-up these companies receive from related parties is deemed to be not at arm's length.

Service companies that continue to qualify for the CM basis should consider if it will be more advantageous to apply those tax adjustments and claims that have been excluded from the CM basis. If so, they should also consider transiting to the NTC basis.

Finally, companies that are transiting to the NTC basis should be aware that certain transitional adjustments can be applied in the transition year of assessment. For more details on transitional adjustments, or other matters related to the changes in the CM basis, please feel free to contact your usual tax services engagement team or contact us via www.complete-corp.com/contact or the author via the email below.

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MOORE STEPHENS LLP - SINGAPORE SHIPPING FORUM 2019: Current Shipping Developments & Green Shipping

By Chris Johnson, Senior Partner and Head of Shipping and International at Moore Stephens LLP, Singapore

The Singapore Shipping Forum 2019 was successfully concluded at The Westin Singapore on 11 April 2019 with an attendance of some 250 international delegates. This event, organised by Moore Stephens in conjunction with co-sponsor BNP Paribas, was conducted in conjunction with the Singapore Maritime Week 2019, an event supported by both the Singapore Shipping Association (SSA) and the Maritime and Port Authority of Singapore.

“Mr. Poulsson spoke on the future of the industry and opined that the pace of changes and technological transformation will only pick up in the years ahead.”

The event was kicked off by Guest of Honour Mr. Esben Poulsson, who is President of the SSA, Chairman of the International Chamber of Shipping, Executive Chairman of Enesel, and also serves on the Board of many companies and organisations. Mr. Poulsson spoke on the future of the industry and opined that the pace of changes and technological transformation will only pick up in the years ahead. Mr. Mick Aw, Senior Partner of Moore Stephens LLP, agreed, but also highlighted other watchpoints for the industry including the Vale crisis in South America, tightening sources of financing, and geopolitical/economic developments especially the US-China trade war and the Belt-Road Initiative.

These geopolitical/economic developments include megatrends that are affecting the global economy and consumer confidence, with follow-on consequences for general consumer demand and shipping, according to Ms. Tamara Henderson, ASEAN, Australia & New Zealand Economist at Bloomberg Economics. These megatrends include an aging global population, slower global population growth, increased job insecurity arising from robotic automation, and increasingly challeng-

ing economic headwinds that growth, production and export indicators from around the globe are pointing towards.

Despite these economic challenges, global economic growth is only one factor affecting shipping profitability, and should be balanced against other factors such as seaborne trade growth, shipping supply, and shipping sentiment, in the view of Mr. John D'Ancona, Senior Analyst and Divisional Director – Dry Cargo at Clarksons Platou Asia. Mr. D'Ancona pointed out that Clarksons expects seaborne trade growth for all commodities to remain positive in 2019. Shipping supply is also expected to tighten due to declines in fleet growth and shipyard output across all sectors except LNG carriers, which bodes well for the industry. Shipping sentiment, however, is less positive, being affected by uncertainty over IMO2020 among other factors.

Acknowledging the cost challenges presented for the industry by IMO2020 which are expected to exceed \$50 billion per year, Mr. Guy Platten, Secretary-General of the International Chamber of Shipping, nevertheless, hailed it as a regulatory game changer that will enable the industry to play its part to preserve the environment. Mr. Platten expects more environmental regulations to follow, starting with IMO's commitment to reduce greenhouse gas (GHG) emissions by at least 50% in 2050. Mr. Platten opined that the GHG reduction initiatives will stimulate massive research and development to achieve the 4th propulsion revolution, as the GHG targets are unlikely to be achieved using current carbon propulsion systems.

To finance these huge costs from environmental regulations, the industry can consider tapping on green finance. Mr. Nicolas Parrot, Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific, BNP Paribas Singapore, and Ms. Marisa Dupuis, Vice President, Shipping & Offshore Finance, Investment Banking Asia Pacific, BNP Paribas Singapore, shared insights on a broad variety of sustainability financing products for the industry including green bonds, green



From left to right, Nicolas Parrot, (Managing Director and Head of Transportation Sector, Investment Banking Asia Pacific, BNP Paribas, Singapore), Rahul Kapoor (Senior Analyst, Asia Transportation, Bloomberg Intelligence), Thomas Hansen, (Commercial Director, Eastern Pacific Shipping), Guy Platten (Secretary-General, International Chamber of Shipping), Alan Hatton (Managing Director, Foreguard Shipping) and John D'Ancona (Senior Analyst, Divisional Director-Dry Cargo, Clarksons Platou Asia)

loans, and sustainability-linked loans (SLL). Green bonds and green loans can only be utilised for eligible capital expenditure that support the environment, such as scrubbers, ballast water treatment, LNG bunkering vessels, etc. SLL, however, can be deployed for working capital and general corporate purposes. All products require borrowers to be subject to annual independent certification on the extent of achievement against relevant sustainability frameworks.

In the face of myriad uncertainties, LNG may present the best solution, according to Mr. Thomas Hansen, Commercial Director of Eastern Pacific Shipping (EPS). Sharing his views on why EPS elected dual-fuel LNG on its 15,000-TEU newbuilds, Mr. Hansen opined that LNG is a clean, competitive, and future-proof fuel. Other than marked reductions in emissions compared to other fuel types, LNG is also supported with good infrastructure and availability, and offers competitive fuel consumption.



Esben Poulsson, Guest of Honour delivering his opening address

Mr. Alan Hatton, Managing Director of Foreguard Shipping, next took the stage to provide the shipowners' perspectives on the shipping landscape presented by previous speakers. Mr. Hatton noted that shipowners face a dilemma because they need to act but at the same time lack clarity on the future variables e.g. clean fuel prices. Mr. Hatton considered that one way to manage this is an actively-managed capital structure that provides optionality through the transition period which is likely to see significant volatility in rates and asset values. Mr. Hatton also observed that shipowners that use low-sulphur fuel face additional challenges from operational issues, including compatibility of various fuel blends, fuel testing issues, legal and contracting issues, crew training challenges, etc.

The seminar ended with a panel discussion, moderated by Mr. Chris Johnson, Partner and Head of Shipping, Moore Stephens LLP Singapore, and Mr. Andrew Gallagher, Partner, Moore Stephens LLP Monaco. Topics discussed focused on a wide variety of subjects including the shipping outlook, finance, technology, and commercial aspects of dealing with green regulations. Panellists discussed certain technologies such as 3D printing that may impact the longer-term demand for shipping.

The event ended at 1.00pm, followed by a lively post-event networking lunch session.

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Chris Johnson (Senior Partner and Head of Shipping and International at Moore Stephens LLP Singapore) and Gautam Sham Chellaram (CEO, Chellsea)

SINGAPORE EXCHANGE (SGX) AMENDS VOLUNTARY DELISTING RULES TO PROTECT MINORITY SHAREHOLDERS

By Bernard Juay, Director, Corporate Finance and Corporate Restructuring at MS Corporate Finance and Lee Mun Keat, Senior Manager, Corporate Finance and Corporate Restructuring at MS Corporate Finance

On 11 July 2019, the regulatory arm of SGX amended voluntary delisting rules with immediate effect after relevant public consultations. These amendments followed minority investors have expressed dissatisfaction at certain listed companies being allowed to delist based on exit offers that were considered not "fair".

Voluntary delisting is a form of privatisation where the issuer applies to SGX to be delisted for various reasons, such as corporate restructuring, or where the issuer no longer requires financing from capital markets. Other privatisation mechanisms include schemes of arrangement under the Companies Act (Chapter 50 of Singapore), or a General Offer under the Singapore Code on Take-overs and Mergers.

SGX amended two aspects of the voluntary delisting rules, pertaining to the voluntary delisting resolution and the exit offer, to strengthen protection for minority shareholders. SGX also made amendments to clarify the applicability of the Mainboard Listing Rules and Catalyst Listing Rules (together, "Listing Rules") to delistings pursuant to voluntary liquidations, schemes of arrangement and General Offers.

VOLUNTARY DELISTING

Prior to the amendments, an issuer may seek a voluntary delisting subject to:

- (a) convening a general meeting to obtain shareholders' approval for the voluntary delisting;
- (b) approval of the delisting resolution by at least 75% of shareholders, based on the total number of issued shares (excluding treasury shares and subsidiary holdings) held by shareholders present and voting, for which the issuers' directors and controlling shareholders need not abstain; and
- (c) the voluntary delisting resolution not been voted against by 10% or more of the total number of issued shares (excluding treasury shares and subsidiary holdings) held by shareholders present and voting ("10% Block Provision")
(collectively, "Shareholders' Approval Requirements").

In addition, SGX required that an exit offer ("Exit Offer") should be made to the holders of ordinary shares as well as other classes of securities to be delisted. The Exit Offer must be reasonable and should normally be in cash. The issuer should also appoint an independent financial adviser ("IFA") to advise on the Exit Offer (together, the "Exit Offer Requirements").

Under the amended Listing Rules, only shareholders and directors who

"Under the amended Listing Rules, only shareholders and directors who are not the party making the offer ("Offeror") and who are not acting in concert with the Offeror ("Concert Party"), can vote."

are not the party making the offer ("Offeror") and who are not acting in concert with the Offeror ("Concert Party"), can vote on the delisting resolution, in line with general listing principles that interested persons to a transaction should abstain from voting on it. The approval threshold remains at 75% but the 10% Block Provision is removed (together, the "Revised Shareholders' Approval Requirements").

Under the amended Listing Rules, the Exit Offer must also be both fair and reasonable as opined by the appointed IFA, and must include a cash alternative as the default alternative (together, the "Revised Exit Offer Requirements").

DELISTING PURSUANT TO A VOLUNTARY LIQUIDATION

Prior to the amendments, SGX did not require delistings pursuant to voluntary liquidations to satisfy the Shareholders' Approval Requirements. In practice, SGX also did not normally require the Exit Offer Requirements to be met. Under the amended Listing Rules, such delistings remain exempt from both the Revised Shareholders' Approval Requirements and Revised Exit Offer Requirements.

DELISTING PURSUANT TO A SCHEME OF ARRANGEMENT

Prior to the amendments, delistings following a scheme of arrangement were subject to the Exit Offer Requirements. Under the amended Listing Rules, such delistings remain subject to the Revised Exit Offer Requirements. However, the Revised Shareholders' Approval Requirements do not apply to such delistings.

DELISTING PURSUANT TO A GENERAL OFFER

Prior to the amendments, for delistings pursuant to General Offers where the Offeror is exercising its right of compulsory acquisition, SGX, in practice, did not require such delistings to satisfy the Shareholders' Approval Requirements and the Exit Offer Requirements.

Under the amended Listing Rules, delistings pursuant to a General Offer where the Offeror is exercising its right of compulsory acquisition,

remain exempt from both the Revised Shareholders' Approval Requirements and Revised Exit Offer Requirements.

In other post-General Offer delisting situations, however, SGX may have to be consulted on the applicability of the Listing Rules.

CONCLUSION

The above revisions are aimed to protect minority investors and, in the

authors' views, improve the overall fairness of the Singapore trading bourse for investors in general. However, they may also lead to potential pitfalls for unwary issuers that are seeking to delist. For more information on the changes and how they impact you, please reach out to your Moore Stephens contact, or the authors of this article at

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SINGAPORE BUDGET SEMINAR 2019

By Yong Jiahao, Director, Taxation at Complete Corporate Services

The Singapore Budget Seminar 2019, jointly organised by Moore Stephens LLP and Complete Corporate Services ("CCS"), was successfully concluded at the Suntec City Convention Centre on 26 February 2019, attended by almost 200 delegates. Prominent guest speakers at the seminar included Mr James Cheo, Chief Market Strategist, Southeast Asia at HSBC Private Banking, and Mr Song Seng Wun, Director and Economist at CIMB Private Banking.

Mr. Cheo kicked off the seminar with an overview of key global economic developments to provide a backdrop for the budget. On the positive side, the US economy is enjoying a strong labour market, falling unemployment and a reviving manufacturing sector. The Federal Reserve has also become less aggressive with its interest rate hikes which have been a source of volatility. Outside the US, the Chinese economy is also benefitting from stabilising domestic consumption, increased bank lending, and a national focus on global innovation and technological advancement. According to Mr. Cheo, China has surpassed US in terms of investment in Research and Development particularly in Deep Learning and Artificial Intelligence patents. However, these positive factors are balanced by slower general economic world growth, and myriad geopolitical uncertainties including a possible no-deal Brexit, an unpredictable Trump administration, the tit-for-tat trade war between US and China, as well as upcoming elections in numerous ASEAN nations.

Sharing Mr. Cheo's views on a positive US economy, Mr Song also forecasted relatively high growth for ASEAN nations ranging from 2-7%. However, he was less optimistic on the Eurozone which started 2019 with the slowest growth in more than 5 years. According to Mr. Song, the economic growth outlook for trade-dependent Singapore will be stable for the coming years albeit at a relatively low rate, consistent with a slower global economic growth forecast.

On this note, Budget 2019 aims to promote growth through improving support for business globalisation and enhancing technological innovation. At the same time, it seeks to achieve inclusive growth and social mobility. Specific measures to attain these objectives were shared by Mr Yong Jiahao, Director of Taxation at CCS and Ms Law Pei Serh, Associate Director of Taxation at CCS. Participants were offered insights into details of various taxation changes arising from the Budget im-

plementing corporate tax, personal tax and goods and services tax, as well as enhancements to grants schemes and other enablers to help firms scale-up, automate and globalize.

According to Ms. Law and Mr. Yong, one major change was the extension of the Automation Support Package to 31 March 2021, which will allow more firms to receive grants, claim investment allowance and have improved access to financing for large-scale automation. Other schemes available include the Innovation Agents Programme, SME Co-Investment Fund III and a Digital Services Lab. On the personal front, the Budget encouraged businesses to re-skill and upgrade workers to stay relevant in the new landscape.

According to Mr Lim Peng Huat, Director of Taxation at CCS, and Mr Chintan Shah, Senior Manager, Transfer Pricing, at CCS, companies should not underestimate the impact of the mandatory TP documentation requirements, associated non-compliance penalties, and regulatory surcharges for TP adjustments.

Besides the Budget, another key taxation development in Singapore is the Transfer Pricing ("TP") requirements. According to Mr Lim Peng Huat, Director of Taxation at CCS, and Mr Chintan Shah, Senior Manager, Transfer Pricing, at CCS, companies should not underestimate the impact of the mandatory TP documentation requirements, associated non-compliance penalties, and regulatory surcharges for TP adjustments. Yet a further development for companies to note, are the taxation implications that will arise when the new financial reporting requirements for leases take effect in 2019, which was shared by Mr. Yong thereafter.

The Seminar concluded with a panel discussion moderated by Mr Mick Aw, Senior Partner of Moore Stephens LLP. Topics discussed included the extent of support for local small and medium enterprises, and thoughts on additional support that could be sought in future Budgets.

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DIRECTION AND TRENDS IN SUSTAINABILITY REPORTING

By Alvin Soh, Senior Manager at MS Risk Management



Sustainability reporting has since progressed from the traditional corporate social responsibility (CSR) model to integrate environmental, social and governance (“ESG”) practices in business operations and strategy. This progression matches the rising demands from customers and shareholders that financial returns are achieved with integrity, supported with environmental and social considerations.

WHY SUSTAINABILITY REPORTING IS GROWING MORE IMPORTANT FOR COMPANIES TODAY?

Sustainability has evolved to become a critical success factor for companies. Studies have shown that companies that successfully manage sustainability risks and opportunities tend to have stronger cash flows, lower borrowing costs and higher valuations over time.

There are now new financial products emerging in response to a growing demand for sustainability lending which links loan pricing to corporate ESG performance. Discounts are offered when a company outperforms its sustainable goals or even a premium when they under perform.

These loans have the potential to enhance not only environmental and social sustainability, but also financial success for both investors and businesses. ESG-linked loans rewards business that are committed to building a more sustainable future.

There are other tangible benefits companies are realising from communicating their sustainability efforts:

- Consumers are more likely to buy products or express support for brands perceived as operating in a manner that benefits society.
- Companies that make a commitment to sustainable business operations enjoy lower borrowing costs, better employee performance and an ability for the corporate reputation to better withstand a crisis.

WHAT ARE THE BEST PRACTICES IN SUSTAINABILITY REPORTING?

The following are some of the best practices in improving sustainability reporting:

1. Use of data analytics for effective sustainability reporting

To promote effective sustainability reporting, companies can utilise

analytics in their sustainability report to communicate their sustainability initiatives in a way that is clearly understood and builds trust with their stakeholders.

2. Engage your stakeholders in their preferred channels and format

To further enhance the reach and engagement of stakeholders, sustainability reporting communications need to be disseminated through the right channels and formats ranging from video to social media platforms to traditional news reports.

3. Share frequent updates on your sustainability initiatives

According to research, the most credible format for a company to communicate sustainability initiatives is through regular updates on official corporate websites. It is also one of the most effective channels for damage control necessitated by publicity crises.

Sustainability reporting is a recognised best practice that generates tangible benefits to the bottom line and reputation of a company only when it's done effectively and transparently. Only those that do it well will have a competitive advantage over those that do not.

WHAT ARE THE SUSTAINABILITY TRENDS OF 2019 AND BEYOND THAT MAY SEE INCREASED FOCUS ON REPORTING?

In 2019, we expect to see increased focus in reporting of efforts in mitigating against global warming by reducing greenhouse gas emissions and increasing the resilience of infrastructure. Companies are also expected to address issues such as single use plastics and gender equity to retain customer loyalties by showing that they are delivering social and environmental value to society. Companies will need to reassess the environment and social impact of their core product and services and change their business models toward generating long term value for society. As global awareness about plastic pollution and its impact on our ecosystems continues to grow, there will continue to be increased focus in reporting the initiatives and efforts by companies in reducing plastic waste.

For enquires on how to more effectively report and leverage off sustainability reporting, please reach out to your Moore Stephens representative, or contact the author at the email address below.

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