



TechWatch 77

The latest standards and technical developments

► Spotlight

Financial reporting and auditing alerts

The Institute's standards and quality division is introducing a series of alerts to draw members' attention to topical financial reporting and auditing issues.

In view of the global financial crisis, the first issue deals with financial statements disclosures for financial instruments. The focus of the alerts will change according to the prevailing circumstances. This is an important channel for the Institute's regulatory and member support functions.

► Taxation

Institute responds to Hong Kong government's 2009-10 budget

The Institute welcomes the principles

on which the government's HK\$301.6 billion budget for 2009-10 was based, namely job creation, international competitiveness and sustainable development.

However, in terms of specific proposals, the budget did not go far enough to boost confidence and soften the impact of the financial crisis and economic downturn.

The Institute supports the initiatives to reinforce Hong Kong's status as an international financial and business centre, including expanding the exchange of information to enable it to sign more double taxation agreements and developing the market for Islamic products.

In order to improve its competitive position given the economic challenges, Hong Kong should seriously consider the introduction of group relief

and loss carry-back, which are concessions provided in many overseas jurisdictions. In addition to making Hong Kong more attractive for investment, these measures, which the Institute has been advocating for a long time, can help companies with their cash flow problems during these difficult times.

The limited tax rebates and rates concessions in the budget also fell short of the Institute's proposals in several regards:

- The budget proposed rebates of salaries tax and tax under personal assessment of up to 50 percent, with a ceiling of HK\$6,000, compared with the Institute's proposal of a 75 percent tax rebate with a ceiling of HK\$25,000, also including profits tax and property tax.

- Under the budget, rates will be waived for the first two quarters of 2009-10, subject to a ceiling of HK\$1,500 per quarter per rateable tenement, whereas the Institute suggested a full-year waiver, subject to a ceiling of HK\$5,000 per quarter.
- The Institute also proposed changes to the progressive rates under salaries tax, which would have benefited middle- and lower-income taxpayers, as well as increases in the allowances for dependants.
- Other measures proposed by the Institute would have helped the unemployed, including:
 - Allowing deductions for monies spent on self-education, up to the annual limit of HK\$60,000, to be carried forward for one year where they cannot be used in the year in question.
 - Doubling the current statutory limits for redundancy and severance payments that are automatically treated as non-taxable.

In regards to the economic and fiscal performance for 2008, the financial secretary announced GDP growth of 2.5 percent in real terms, and a small estimated deficit of HK\$4.9 billion in the consolidated account for 2008-09. Fiscal reserves are expected to be HK\$488 billion at the end of March 2009 (equivalent to 19 months of government expenditure). In 2009, GDP growth is forecast to fall to between 2 percent and 3 percent, and a budget deficit of HK\$39.9 billion is projected. For the period 2010-13, the financial secretary estimated an annual average real growth rate of 3.5 percent.

▶ Audit & assurance

Institute comments on IAASB consultation paper

The Institute made a submission to the consultation paper, “Matters to Consider in a Revision of International Standards on Review Engagements 2400, *Engagements to Review Financial Statements*.”

The Institute’s stance is that if the existing ISRE is revised to respond to and meet the objective of being an alternative to an audit of financial statements, the review engagement standards need to be complete.

As the level of assurance given in a review engagement is different from an audit, the Institute says there should be clear and distinct standards providing guidance on how such engagements should be performed.

▶ Professional accountants in business

Accountants promote sustainability

IFAC’s Professional Accountants in Business Committee has recently launched a web-based sustainability tool.

The IFAC sustainability framework helps PAIBs support their organizations in integrating sustainable development into the business model. It also recognizes three dimensions of sustainability for organizations: economic viability, social responsibility and environmental responsibility.

In addition, the framework addresses four different perspectives in bringing together all the critical areas required to successfully manage a sustainable organization, including business strategy, internal management, financial investors and other stakeholders.

Other updates in TechWatch 77:

- SMP and SME Resource Centre is now available on the Institute’s website. This provides members in the SMP and SME sector with easy access to technical publications and knowledge.
- Update to members’ handbook: Interpretation 18 *Transfers of Assets from Customers*.
- Comments on IASB discussion paper on *Preliminary Views on Revenue Recognition in Contracts with Customers* are due no later than 22 May.
- The IFAC PAIB committee will meet in Hong Kong from 22 to 24 April. The committee serves IFAC member bodies and more than one million professional accountants worldwide in commerce, industry, public sector, education and not-for-profit sectors.
- The International Ethics Standards Board for Accountants will meet this month.
- The Narcotics Division, the Hong Kong government and the Institute jointly organized seminars on combating money laundering and terrorist financing for Institute members in February. The seminars explained the role of accountants in preventing money laundering and terrorist financing, including international regulatory standards and legal obligations in relation to reporting suspicious transactions.

🔗 Quick link

Please refer to the full version of **TechWatch 77**, available as a PDF on the Institute’s website: www.hkicpa.org.hk/professionaltechnical/techwatch