Issue 2 of 2023

THE ACCOUNTANT

SCAN CODE FOR
DIGITAL MAGAZINE

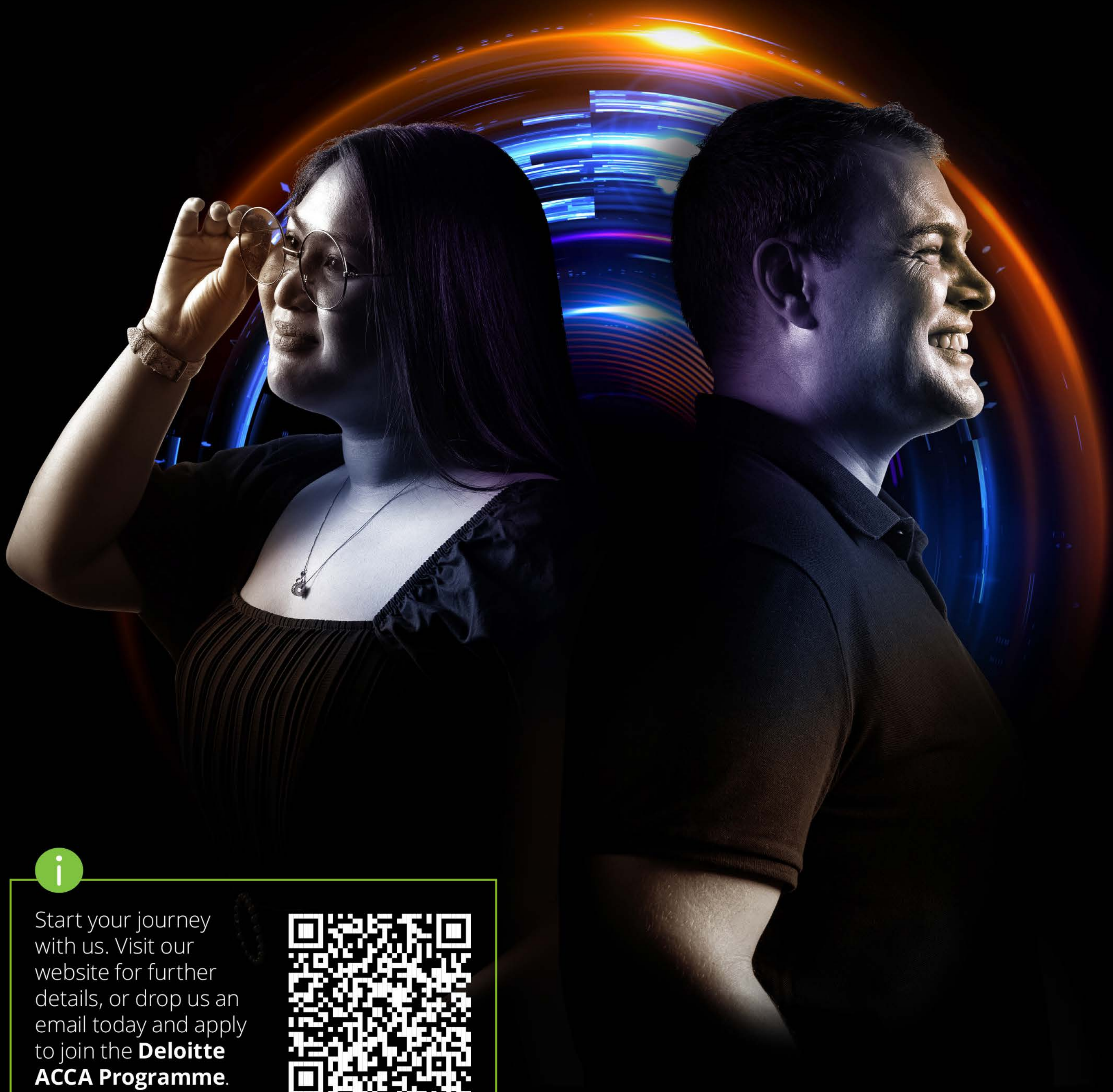
miamalta.org

MIA
SCIENTIA VIGILANTIA

Your future begins here

Put your knowledge into practice and discover a career that works for you

THE DELOITTE ACCA PROGRAMME 2023



Start your journey with us. Visit our website for further details, or drop us an email today and apply to join the **Deloitte ACCA Programme**.

MAKING AN IMPACT THAT MATTERS since 1845

THE ACCOUNTANT
ISSUE 2 | 2023

THE ACCOUNTANT magazine
is issued quarterly.

Published by

THE MALTA INSTITUTE OF ACCOUNTANTS

EDITOR
Maria Cauchi Delia

DESIGNER
Daniela Cutajar

ADVERTISING INQUIRIES
theaccountant@miamalta.org

All correspondence, articles for publication and enquiries are to be addressed to:

The Editor
MIA Professional Limited
Level 1, Tower Business Centre
Tower Street, Swatar
BKR 4013, Malta.

The Institute does not necessarily concur with the views expressed by the authors in the articles published in this journal. The publishers and authors do not assume any responsibility for loss or damages incurred by any person acting or refraining from action as a result of any view expressed in this journal.

If you would like to be featured in this publication, please visit www.bit.ly/GetRecognised for more information.

The Accountant can also be found online at
www.miamalta.org/the-accountant

President's Address

David Delicata

As the longer sunshine announces the advent of Summer, we are delighted to present the second edition of The Accountant for this year. Having reached the turning point of the calendar year, this edition captures a snapshot of the Institute's endeavours and achievements thus far, while preparing ourselves for the months ahead.

Describing the first six months of the year of activity as intensive, at all levels, would surely be an understatement. This year's Biennial Conference, held in collaboration with the Malta Financial Services Advisory Council (MFSAC), was an outstanding success. This event, inspired by the Strategy for the Financial Services Industry in Malta launched earlier this Spring, was certainly the culmination of months of hard work driven by our team at the MIA and the input of the leaders of a number of workstreams forming part of the Strategy, together with the Chairperson of the MFSAC himself, Mr Joseph Zammit Tabona. Evidently, seeing a packed hall for this special event is truly encouraging. But the relevance of the Institute goes far beyond that. I am indeed proud of our ability to serve as a strong player at a national level which is able to bring together a wide array of stakeholders, from both the public and private sector, to debate and dissect issues which are fundamental for the survival, growth and further success, not only of the financial services industry, but also for the wider economy.

This trust and relevance is further highlighted by the role the Institute is playing in developing and contributing to the implementation of the said Strategy. It is gratifying to acknowledge that alongside our significant contribution to developing this document, our partner stakeholders have entrusted the Institute with overseeing the implementation of initiatives regarding two key issues identified within it, namely human resources and education. Furthermore, the MIA actively engages in, and often assumes a leading role, in addressing other elements of the strategy such as taxation and sustainable finance.

I also take great pride in emphasising the significant contribution of our members in shaping the final document through their invaluable proposals and recommendations. These transformative suggestions have emanated from a diverse range of platforms, including conferences, events, working groups, internal deliberations as well as individual members who have reached out to us. Such collaborative endeavours bear witness to the relevance of our Institute, not only as a stakeholder but as a conduit through which innovative ideas for the advancement of our profession find their way onto the national agenda and ultimately materialise into tangible realities.

By actively engaging in discussions, sharing expertise, and offering visionary insights, our members have demonstrated their unwavering commitment to the continuous improvement and evolution of our profession. As the MIA serves as the catalyst for channelling these ideas and proposals, we solidify our position as a force for positive transformation, acting as a bridge between the aspirations of our members and the broader national agenda.

In essence, the MIA's inclusive and collaborative approach fosters an environment where innovation thrives, ideas flourish and professional growth is nurtured. Together, we forge a path towards a future where our collective vision becomes a reality, empowering our profession to reach new heights of excellence and relevance in an ever-evolving landscape.

The months ahead will not be easy ones. True, concerns of a continent-wide recession have not materialised, thankfully. However, the relevance of economic reforms as well as initiatives intended to improve the regulatory space and reducing bureaucracy are vital to ensure that the economy continues on its growth trajectory despite the persistent headwinds out there. Various economic forecasts by reputable international institutions indicate that while the Maltese economy is expected to outperform many of its peers this year and the next, real GDP growth is expected to almost drop by half in 2023, as high inflation limits private consumption and the positive impact from tourism, following the post-pandemic re-opening, subsides.

This makes achieving the objectives that were highlighted throughout the Strategy even more indispensable. In parallel, we need to continue enhancing Malta's reputation in terms of governance and the rule of law, for otherwise all efforts would have been in vain unless we manage to reverse the negative connotations that the Maltese financial services industry has been tagged with. Clearly, this message applies to us professionals too, as it is our duty to ensure that we remain vigilant and focus our business efforts on attracting quality investment that enhances the reputation of our jurisdiction.

Our contribution to the Strategy reflects just the tip of the iceberg of all that has been going on at the Institute. Significant effort is taken to properly consult and offer valid feedback to the continuous stream of legislative and regulatory reform reaching us from Brussels, Strasbourg and Malta. Throughout the Summer months, we will also be busy engaging with our committees to compile a strong package of proposals to present to the Minister for Finance in the run-up to Budget 2024. Simultaneously, we have also sought to guide our members in navigating these regulatory developments through different means. We also use our own events to educate and inform: surely a great example of this was the truly engaging Young Members event which brought to the fore the impact of latest tech developments, including blockchain, the metaverse and non-fungible tokens (NFTs).

With the MIA Social Event still fresh on our minds - a truly special evening that will surely be one of this season's highlights - preparations are in full swing for a very exciting calendar of events for the second half of 2023. It is our pleasure to meet so many of you during all our events. As always, your feedback on our events and other activities of the Institute is welcome and very much appreciated.

In conclusion, I take this opportunity to wish you all a good summer and more quality time with your family and friends.

DON'T PLAY CATCH-UP

Excel with the

UNLIMITED BUNDLE!

Applicable on all **Virtual CPEs**. T&Cs apply.

M I A

Message from MIA CEO

Maria Cauchi Delia

Welcome to another edition of our publication. Once again it offers a wealth of insightful content that provides you with a comprehensive overview of the noteworthy events and initiatives that have unfolded in recent months.

The months ahead will be very much relevant to our line of work, with important developments expected at different levels. Among these, Budget 2024 should serve as the stage for the announcement of a new corporate tax system after years of pressure from international institutions. In this context, the Institute continues with its engagement with the Ministry for Finance and Employment on fiscal developments, not solely from a corporate perspective but also on the wider reforms initiated by the Commissioner for Revenue ('CfR'). We do welcome the reforms set out by the CfR aiming to streamline operations and enhance efficiency through the integration of the Income Tax, Value Added Tax and Customs Departments. Clearly, the integration and consolidation of fiscal data and administration remains a key priority for the Institute, and we will continue providing the necessary support to the relevant authorities in the implementation of these commitments.

This is not the only area of government activity in which we have been advocating and supporting for better harmonisation. The importance of regulators aligning their objectives and working together cannot be overstated. Occasionally, there seems to be a disconnect and lack of coordination when it comes to establishing policy direction. To address this issue, it is crucial for the different regulatory entities to better integrate their efforts. In fact, as an Institute we ensure that concerns raised and issues being encountered by our members, together with related recommendations, are brought to the attention of the relevant authorities. By doing so, we are contributing to effective and efficient solutions that enhance regulatory processes and promote the necessary changes.

Another persistent issue relates to human resources, as the economy continues to struggle with recruitment and retaining of personnel. This was confirmed in recent research by the Central Bank of Malta, which states that the country is facing challenges in attracting foreign workers as competitors offer more enticing opportunities. The Bank highlighted that the business environment is rebounding swiftly after the pandemic, leading to increased demand for employees. However, the survey found that the current labour market tightness is even more severe compared to the pre-pandemic period. In 2022, 43% of the interviewed companies expressed great difficulty in recruiting new workers. This percentage escalated to 56% during the first quarter of 2023. Retaining staff also poses a significant challenge for the industry, representing the final piece of the puzzle. The struggle to retain top-performing and talented individuals is exacerbated by intensified competition for talent, global prospects for high-potential employees and the rise of remote work opportunities.

These numbers are of significant concern to us. Addressing skills gaps is crucial for growth in many organisations, and the MIA is committed to tackling this challenge, particularly through our leadership of the relevant workstream within the Malta Financial Services Advisory Council.

We also believe in the continuous upskilling of our members in line with the evolving demands on the profession. We have invested heavily in training, ensuring that our Continuous Profession Education (CPE) offering keeps being reviewed and updated on a regular basis in consideration of major developments. These sessions are led by industry leaders with the appropriate knowledge and experience to deliver these sessions in the belief that investment in education is a fundamental element of enhancing the quality of our profession.

In parallel we are successfully approaching the tail end of the second edition of our #AccountsForYou campaign through which we have reached thousands of students at educational institutions, seminars, career conventions and online.

Besides these most pressing issues, we have been very active addressing other major dossiers concerning the profession. I am going to list a few of the initiatives undertaken by the Institute since our last publication:

- A physical event on blockchain, metaverse and non-fungible tokens (NFTs) was organised by our Young Members' Group. The discussion was followed by a networking event;
- Our Indirect Taxation Committee organised a CPE event on the complexities of the Central Electronic System of Payment information (CESOP) compliance impacting financial institutions. A speaker from the Office of the Commissioner for Revenue was involved during this event;
- The Audit and Assurance Committee provided feedback to the International Auditing and Assurance Standards Board (IAASB) on the:
  - Proposed International Standard on Auditing 500 (Revised), Audit Evidence, and Proposed Conforming and Consequential Amendments to Other ISAs; and
  - Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) and Proposed Conforming Amendments by IAASB.
- We are also having regular talks and providing feedback to the Malta Enterprise on the Malta Business Portal, which is currently being developed.
- Through a joint Working Group involving representatives from the Direct Taxation and Ethics Committees, we provided feedback to the International Ethics Standards Board for Accountants (IESBA) on the proposed revisions to the Ethical Code addressing tax planning and related services.
- The Financial Reporting and Financial Services Committees are working on multiple projects with the Malta Financial Services Authority (MFSA), the Accountancy Board and other relevant stakeholders.
- We provided feedback and have ongoing discussions on consultations issued by the Malta Gaming Authority (MGA) with the input of our Gaming Committee.
- We have various ongoing projects with the Office of the CfR.
- We have been asked to form part and will be actively participating in the Companies Act Reform being led by the Malta Business Registry (MBR) as part of the implementation of the MFSAC Financial Services Strategy.
- We provided input to the Financial Intelligence Advisory Unit (FIAU) during a periodic Joint Committee meeting in which our members' concerns were raised and possible solutions discussed.
- We are actively involved in the transposition of the Corporate Sustainability Reporting Directive (CSRD). In this regard, we are liaising with various relevant stakeholders and authorities as well as international bodies such as Accountancy Europe.
- We once again organised a very successful Biennial Conference. It was attended by almost 400 participants. It involved key local and international leaders within the Financial Services sector together with Government and Regulator representatives.

To conclude, as an Institute, we are committed to continue to give our input and follow-up on matters of interest to the profession and our economy. We believe that more can be achieved with the joint effort of all relevant stakeholders. By working together, in a forward-looking proactive approach, we will ensure the success of our wider economy.

Finally, I express my heartfelt gratitude to our dedicated team of writers, contributors, and editorial staff who have worked tirelessly to deliver this publication. We are committed to fostering a sense of community and promoting the exchange of knowledge and ideas, that will assist you in thriving in the dynamic world of accountancy.

NEWS ROUNDUP

Commissioner for Revenue Launches New Strategy for Malta's Tax and Customs Administration

The Commissioner for Revenue (CfR) launched the new strategy for Malta's tax and customs administration '*Delivering Transformation Strategy 2023-2025 Malta Tax and Customs Administration'* on 9 May 2023. Representatives of the Malta Institute of Accountants were invited for this official launch.

The Strategy document sets out the strategic vision and implementation plan for the CfR to transform itself, primarily led by technology, in the years to come and to support the Maltese economy by delivering on its mission and vision. The full strategy document may be accessed **here**.

Regulators Announce Major Appointments

The Board of Governors of the Malta Financial Services Authority (MFSA) has appointed former Financial Intelligence Analysis Unit (FIAU) Director Mr Kenneth Farrugia as Chief Executive Officer, in accordance with Article 2 of the MFSA Act. The appointment of Mr Farrugia took effect from 12 April 2023. Following this, the FIAU's Board of Governors has appointed Deputy Director Mr Alfred Zammit as the Unit's Acting Director. The Institute would like to congratulate Mr Kenneth Farrugia and Mr Alfred Zammit on their new appointments and wish them the best of luck!

Fitch Confirms A+ Credit Rating

International credit rating agency Fitch Ratings has **affirmed Malta's long-term rating at 'A+' with a Stable Outlook**. Malta's rating is based on high per-capita income and the economy's performance of strong growth and sizeable debt reduction. These strengths are balanced against its large banking sector and a recent deterioration in public finances with large fiscal deficits, which have led to a sharp increase in the moderate public debt burden. The latest assessment notes that concerns over Malta's anti-money-laundering framework have somewhat abated, following the Financial Action Task Force's (FATF) decision in June 2022 to remove Malta from its grey-list.

Financial Services Contribute 85% to FDI in Q1-2 2022

Foreign Direct Investment (FDI) flows were estimated to be €2 billion during the first two quarters of 2022, **data by the NSO shows**. Financial and insurance activities contributed to the lion's share of FDI flows. In June 2022, the stock position of FDI in Malta amounted to €208.6 billion.

Financial Support for Digitalisation of Firms

Firms employing up to ten employees will have the opportunity to secure EU funding to digitalise their operations, and hence improve their resilience, efficiency, productivity and customer experience by addressing new digital capabilities and digitalised processes such as product and process design and engineering, end-to-end procurement, supply chain/distribution and after sales. These funds are being made available through a scheme launched by the Measures and Support Division within the Ministry for the Economy, European Funds and Lands. This incentive is specifically designed to assist Micro Enterprises through non-repayable grants to part-finance investment in hardware, software and other digital solutions. Further details are available **here**.


Building a better working world
Could the skills you build here unlock the doors anywhere?
The mindset and skillset to navigate what's next. It's yours to build
The better the question. The better the answer. The better the world works.

SUSTAINABILITY CORNER

FOREIGN - EU

EC Asks EFRAG to Prioritise Among ESRS Work

The European Commission (EC) has asked the European Financial Reporting Advisory Group (EFRAG) to prioritise its efforts on the first set of horizontal standards over preparatory work for the sector specific standards. In view of the fact that the EC will soon publish the final version of the first set of horizontal standards for a period of public comment, Commissioner McGuinness explained that this "will avoid overlapping consultations and ease the burden on all stakeholders wanting to contribute to this busy agenda". The full transcript of Commissioner McGuiness' speech may be accessed **here**.

EFRAG Publishes ESRS Educational Videos

EFRAG has published a series of educational videos on the first set of Draft European Sustainability Reporting Standards (ESRS), providing an introduction to these draft standards in two different formats: a brief overview and a more technical, detailed explanation. The videos are available **here**.

EP and Council Reach Political Agreement on the EU Green Bond Standard

On 28 February 2023, the European Parliament (EP) and the European Council (Council) reached a political agreement on the European Commission's proposal for a European Green Bond Regulation, which will see the creation of the first standard for the issuing of green bonds, the European Green Bonds Standard (EUGBS).

Further information on the process and some of the main requirements coming out of the EUGBS may be accessed from the **Council's** and **EP's** releases.

EFRAG Progresses on the LSME ESRS Exposure Draft

Work on the ESRS for listed SMEs (LSME) has been ongoing by both the EFRAG Sustainability Reporting Board (EFRAG SRB) and EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG), with the latest update in this regard being in relation to discussions on the draft LSME working paper. This has been announced in the 'April 2023 EFRAG Update' document, available **here**.

EP JURI Committee Reaches Agreement on CSDDD

On 25 April 2023, the European Parliament Legal Affairs (JURI) Committee reached an agreement in relation to the **European Commission's proposal for a Corporate Sustainability Due Diligence Directive (CSDDD)**. This agreement will see more companies than originally proposed by the EC being obliged to identify, and where necessary prevent, end or mitigate the negative impact of their activities, including that of their value chain (upstream and downstream). More details on what to expect from this Directive, may be found **here**.

KSi Malta

OUR DYNAMIC TEAM IS GROWING!

Talented auditors, tax professionals and accountants wanted

Apply today: *careers@ksimalta.com*

6, Villa Gauci, Mdina Road, Balzan BZN 9031, Malta
T: +356 2122 6176 | **F:** +356 2122 6019 | **www.ksimalta.com**

Independent member
Morison Global

FOREIGN – INTERNATIONAL

ISSB Prioritises Climate-related Disclosures

On 4 April 2023, the International Sustainability Standards Board (ISSB) decided to prioritise climate-related disclosures by providing reporting companies with a transitional relief from any further disclosures required under standards S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate-related Disclosures*. This means that such companies will be able to dedicate their first year of reporting to putting in place reporting practices and structures necessary to provide high-quality information useful for decision-making about climate-related risks and opportunities, and only providing full reporting from the second year. Read more **here**.

IAASB Advances Timeline for Consultation on ISSA 5000

The International Auditing and Assurance Standards Board (IAASB) has announced that the public consultation on its new proposed sustainability assurance standard, International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements*, is set to begin towards July 2023. This standard will act as a stand-alone, overarching standard suitable for both limited and reasonable assurance of sustainability information. More information on the consultation and the standard itself can be found **here**.

ACCA Issues Report on Sustainability Assurance

ACCA issued a report highlighting the role of accountancy professionals when it comes to sustainability assurance. The report explores the:

- current landscape for sustainability assurance,
- relevant requirements of standards and guidance issued by the IAASB,
- key challenges currently faced by practitioners in practice, and
- relevant skills and competences needed for undertaking sustainability assurance engagements.

In concluding, one of the report's key messages is that "Assurance skills obtained through audit experience remain of vital importance in performing sustainability assurance engagements". More information on the report, together with the report itself, may be found **here**.

LOCAL

Status Update on Malta's CSRD Transposition

Each EU Member State now has until July 2024 to transpose the Corporate Sustainability Reporting Directive (CSRD) into national law. The CSRD requires companies to report on the impact of corporate activities on the environment and society, through the ESRS and audit such reported information. The Malta Institute of Accountants is in discussions with other stakeholders to drive the country forward in this regard.

MFSA Calls for Increased Transparency in Sustainability Disclosures

In its latest publication, "The Nature and Art of Supervision", the Malta Financial Services Authority (MFSA) has highlighted the increasing importance of environmental, social and governance disclosures in financial market activities in order for investors to be in a position to make better informed decisions. Particularly, it refers to its supervisory analysis which was carried out to assess compliance with the requirements laid out by the European Union (EU)'s Sustainable Finance Disclosure Regulation (SFDR). The analysis found significant room for improvement in the quality and depth of disclosures, as well as in their ease of accessibility on the websites of licensed entities. The aforementioned publication is available **here**.

MIA, Citadel Insurance plc sign corporate sponsorship agreement

The Malta Institute of Accountants has announced the signing of a corporate sponsorship deal with Citadel Insurance plc.

Citadel Insurance is a major player in the Maltese financial services industry and a leading insurance provider. This agreement is further testament to the reputation and trust enjoyed by the MIA among the industry stakeholders. Such corporate agreements go a long way in supporting the Institute in boosting the visibility of the role and the value of the accountancy profession to the Maltese public, the business community, authorities and other relevant stakeholders.

The MIA is pleased to collaborate with a partner with high ESG credentials, having been at the forefront of driving green initiatives and eco related insurance products which incentivise insurance customers to shift to cleaner and greener energy solutions.

www.gcsmalta.com +356 2712 0558 info@gcsmalta.com

Your Corporate Service Provider

GCS MALTA

Accounting Advisory Audit Corporate Recruitment

MIA diary

Education

#AccountsForYou Campaign
Through the Second Edition of the #AccountsForYou campaign, the Institute has continued to visit secondary and post-secondary schools across the island to deliver information sessions reaching thousands of students. Furthermore, the Institute was also present at the MCAST Institute of Business Management and Commerce (IBMC) Business Career Expo and at a Careers Day hosted by De La Salle College. The MIA staff met hundreds of students, answering their questions about the path to becoming an accountant and sharing the benefits of learning accounts for one's professional life and beyond.

Once again, the Institute would like to express its gratitude for the support provided by its Young Members Focus Group, its Professional Accountants in Business Group, its Small and Medium Practices Group, the Accounts Department within the Ministry for Education's Directorate for Learning and Assessment Programmes (DLAP), and the campaign's sponsors, namely, Deloitte, EY, Grant Thornton, KPMG, PwC and RSM.

Contemporary Issues Discussed with MCAST Advanced Diploma in Accounting Students
26.04.2023
During a visit at the MCAST's IBMC, MIA representatives had the opportunity to share insights on a number of contemporary issues in accounting, more specifically sustainability, digital transformation, family businesses and soft skills, with first year Advanced Diploma in Accounting students.

Encouraging youths to consider the accountancy profession
25.05.2023
As Joint Examination Scheme Partners with ACCA and representatives of the local profession in Malta, the MIA was invited by Deloitte to participate in a panel discussion during an event aimed at informing youths of the benefits of pursuing a professional career in accounting.

As part of the Institute's #AccountsForYou initiative, the Institute's representative lauded the vast opportunities which are obtainable by those interested in venturing on the accountancy path and beyond.


PKF Malta: Audit | Accounts | Advisory | Tax | Legal
PKF
Standing out in the crowd
Are you driven by the prospect of making a meaningful difference in the world of Audit?
A great opportunity awaits you!
Send your Cover Letter & CV to: recruitment@pkfmalta.com & let's grow your career together with us at PKF Malta.
info@pkfmalta.com I +356 2149 3041 I www.pkfmalta.com

From the Committees

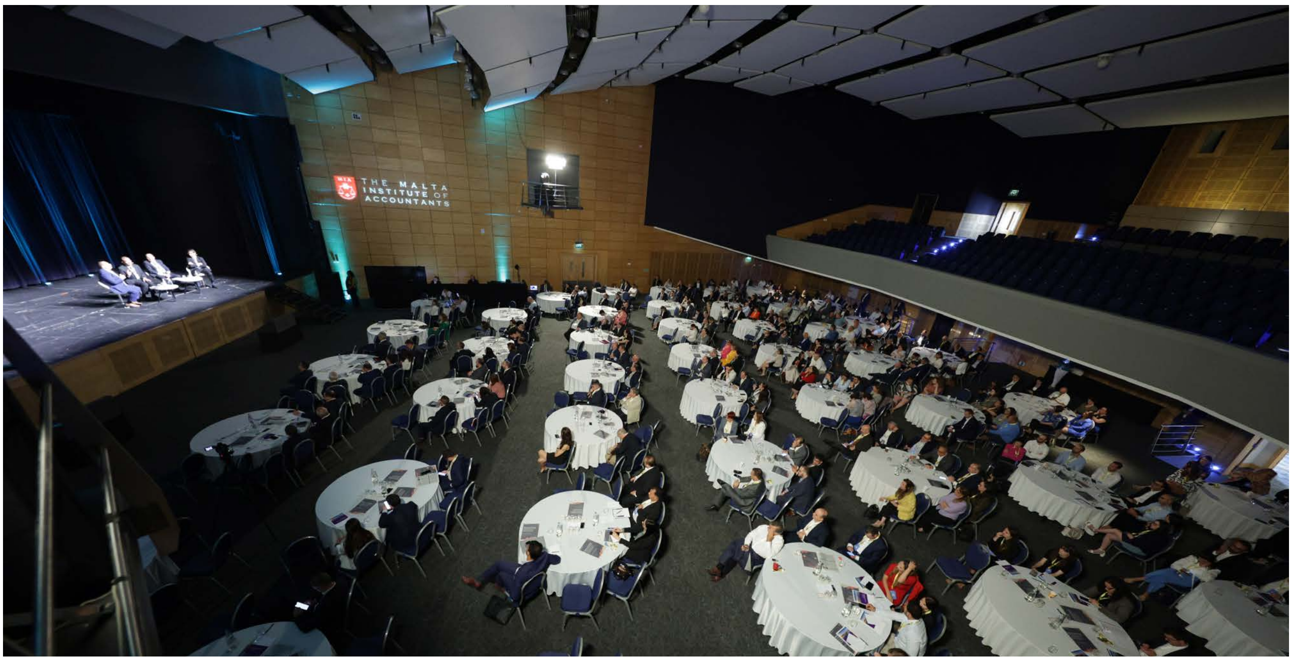
Young Members Event 2023
11.05.2023
This year's Young Members Event brought to the fore some of the latest developments in technology, with an engaging discussion on the impact of blockchain, the metaverse and non-fungible tokens (NFTs) on the accounting industry and beyond. The subject matter was tackled through three panels of knowledgeable speakers covering Investment & IT, Legal & Regulatory and Accounting & Taxation perspectives respectively. This well-attended event then finished off with a networking element helping to bring together the vibrant community of professionals present for the event.

Staff Event

Egg Hunt Team-building
06.04.2023
All work and no play makes Jack a dull boy, an old proverb says. The Social Committee at the MIA makes sure to keep the fun element at the Institute a constant, and once again, the Easter event did not disappoint. The MIA team headed to Ta' Qali for an Egg Hunt which provided hours of fun and smiles and some physical exercise too – but which ultimately also served as a great team-building opportunity.

Conferences

Biennial Conference
31.05.2023
Upgrading the financial services industry was the theme across-the-board at the MIA Biennial Conference 2023. In fact, during the event, high-profile speakers from the public and private sector, including the Chairperson of the Malta Financial Services Advisory Council (MFSAC), the Commissioner for Revenue and Fintech Supervision Head at the Malta Financial Services Authority (MFSA), addressed various elements of the recently-launched MFSAC Financial Services Strategy, with the final panel bringing together representatives of the Financial Intelligence Analysis Unit, the Malta Business Registry, and MFSA. The event was also addressed by the Minister for Finance and Employment Clyde Caruana and Shadow Minister for Finance Jerome Caruana Cilia, and featured a number of international speakers, including the President of Accountancy Europe. The Institute would like to show its appreciation to BNF Bank and Shireburn for sponsoring the event.



How SME Leaders can Lead the People within their Organisations into the Future

The technological change that will take place during the next ten years will be equivalent to that of the last hundred. The digital age is giving way to transhuman era, where Artificial Intelligence (AI) will blur the distinction between machines and humans, and this will have a massive impact on our working and personal lives.

SMEs may have an advantage over larger organisations because their size allows them the flexibility to adapt quickly to change as strategies, decisions and goals need to go through fewer layers of bureaucracy. Here are three tips to help leaders navigate this new reality.

1. **Invest in Social Capital:** Employees working for smaller businesses have the advantage to develop frequent interaction with one another and get to know everyone within the organisation. The power of the social aspect of work has often been underestimated. It creates a sense of community and belonging that is a basic human need. It is also a significant source of knowledge sharing, social support and collaboration.

2. **Prioritise Human Factors:** The need for human connection will prevail even in an AI environment. Human connection and open communication are critical during times of change and can mitigate the negative impact caused by uncertainty and insecurity. Leaders need to listen, understand and empathise with their people as they go through various stages of adaptation to change. They need to bear in mind that in the absence of communication, imagination takes over and this can result in unnecessary worry and anxiety.

3. **Build an Adaptable Organisational Culture:** Adaptability is an essential quality in enabling people to negotiate change. Leaders need to encourage their employees to develop critical adaptability skills like mental flexibility, grit, growth mindset, resilience and unlearning. They need to foster working environments that encourage their people to be more adaptable by ensuring that employees feel emotionally supported in their teams and in the company. They prioritise the mental wellbeing of the staff and monitor and moderate levels of work-related stress.

With the right skills and attitudes, leaders of SMEs can thrive in a context of radical and rapid change, and can embrace this reality with hope and courage.

Author
Patrick Psaila, a warranted psychologist, training consultant and coach with 24 years of experience, specialises in personal and professional development for managers and leaders in organisations. In 2015 he founded his company PsyPotential with a mission to humanize the workplace and build leaders that will shape a better future for organisations.

MDB

BANK MALTI GĦALL-IŻVILUPP

MALTA DEVELOPMENT BANK

BRIDGING THE INVESTMENT GAP

Guaranteed Co-Lending Scheme (GCLS)

Available portfolio: **€100m**

- Financing of new investment
- Risk-sharing facility involving co-lending between the MDB and accredited commercial banks on a 50:50 basis
- Loan up to €10 million, subject to state aid considerations
- MDB to guarantee 60% of the commercial bank's part of the co-lending
- Better access to finance and lower interest rate
- Longer repayment period

SME Guarantee Scheme (SGS)

Available portoflio: **€80m**

- Financing of new investment and business transfers
- The scheme is being intermediated by accredited commercial banks and aimed at enhancing enterprises access to bank credit for new investment and business transfers
- Loan up to €750,000
- This scheme offers an 80% uncapped MDB guarantee
- Better access to finance

The Role of the **IFAC SMP Advisory Group**

The International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Advisory Group is a vital part of the accounting profession. Its main objective is to provide support to small and medium-sized accounting practices throughout the world by setting up guidelines, sharing best practices and fostering a culture of continuous professional development. This article will discuss the role of the IFAC SMP Advisory Group.

The IFAC SMP Advisory Group seeks to address the challenges faced by SMPs worldwide. These challenges include a lack of resources, regulatory burdens, inadequate training and technology-related constraints. The Advisory Group's aim is to enable SMPs to deliver high-quality services to their clients, maintain a competitive edge in the industry and strive for growth and innovation.

The current Advisory Group, chaired by Monica Forester from Brazil, is made up of eighteen members, including a member from each of Malta, Italy, UK, Germany, USA, Finland, Romania, Colombia, Korea, South Africa, Pakistan, Barbados, Japan, Hong Kong, Kenya, New Zealand and Canada. Several members also have a technical advisor to help them with their role. Members are chosen by IFAC's Nominating Committee following interviews held with each candidate.

One of the significant roles of the IFAC SMP Advisory Group is to assist SMPs in managing their day-to-day operations and becoming future-ready professionals. It develops practical guidance, tools and resources with a focus on the implementation of international standards, practice management and business advisory services. The resources are thoroughly researched and developed by experts in the field. These resources are available on the Knowledge Gateway - at **https://www.ifac.org/knowledge-gateway**.

Furthermore, the IFAC SMP Advisory Group, through the active promotion of the use of technology, also encourages SMPs to embrace and adopt new IT tools and processes to stay up to date with modern accounting practices. Technology can be an incredibly powerful tool for SMPs, allowing them to reduce errors, boost productivity and provide more value to their clients, by helping them become more efficient, profitable and sustainable.

Another way that the IFAC SMP Advisory Group helps SMPs is by raising awareness of the impact of regulatory changes on the profession. The Advisory Group works with regulators, policymakers and standard-setters, providing regular and timely input to the international standard-setting process ensuring stability, relevance and proportionality of international standards to Small and Medium Enterprises (SMEs)/SMPs. This ensures that the interests of SMPs, who often face heavy regulatory burdens, are represented in the development of new regulations and standards by providing them with a platform to voice their concerns and opinions on emerging issues.

The IFAC SMP Advisory Group also recognizes that SMEs often do not have access to the same level of training and development opportunities as larger firms. Therefore, it assists SMPs by providing them with access to high-quality, cost-effective training programs and certifications enabling professionals to learn new skills, gain knowledge in their areas of expertise, stay competitive and enhance their career.

Moreover, the IFAC SMP Advisory Group works to promote the interests of SMPs on a global scale. The Advisory Group regularly liaises with international organisations, other specialist bodies and regulatory authorities, and helps to establish standard-setters and global processors. It acts as an advocate for SMPs, representing their interests and advocating best practices on a wide range of issues, including financial reporting, assurance and auditing standards. The Advisory Group also manages the IFAC SMP survey, which is a biennial survey of SMP practices that provides data on the state of the accounting profession worldwide.

One of the essential roles of the IFAC SMP Advisory Group is to facilitate learning and the sharing of best practices among SMPs worldwide. The practice of accounting can be quite complex, and the best way to understand it is to learn from other exponents of the craft who have come before. The Advisory Group creates forums where SMP professionals can connect, network and exchange ideas for learning and overcoming professional challenges. Through these forums, SMPs can share experiences, offer helpful tips and learn from each other. They can also receive feedback on their practices, clarify nuances specific to their niche and get to listen to some of the best accountants and financial and business advisors worldwide. These exchanges provide opportunities to learn and enhance understanding of the reporting aspects, coverage analysis and many other trending accounting practices.

In conclusion, the IFAC SMP Advisory Group has undoubtedly been instrumental in supporting SMPs across the world. The Group's work is essential in running any successful business and has helped SME accounting firms make significant advances in their service delivery. The IFAC SMP Advisory Group provides a vital support system that enables SMPs to face their challenges head-on, stay up-to-date with industry trends, honour their obligations and meet the expectations of the different stakeholders, including regulators and clients.

Author
William Spiteri Bailey, a Certified Public Accountant and registered auditor, is a partner within RSM Malta. William is a council member and an ex-President of the Institute. He is also Vice President, and a council member, of The Malta Chamber of Commerce, Enterprise and Industry and a member of the IFAC (International Federation of Accountants) Small and Medium Practices (SMP) Advisory Group.

Local Appointments

RSM Malta started its year by welcoming Ms. Roberta West Falzon as principal of the firm. Roberta has a long history with RSM Malta starting off as an Audit Manager in 2016 and later, in 2021, promoted as Director and Audit Principal. As from the beginning of this year, Roberta was appointed as an Audit and Assurance Partner.

The Growing Impact of ESG on Global Supply Chains and SMEs

ESG, an acronym for "Environmental", "Social" and "Governance", is a framework that helps stakeholders understand how a business is managing risks and opportunities related to sustainability and its three pillars (economic, environmental and social) through ESG criteria.

The concept of ESG is based on the view that sustainability extends beyond environmental issues and is considered to be a positive step forward as it encourages businesses to adopt a more holistic approach. Consumers, shareholders, employees, regulators and other key stakeholders are demanding that businesses also take into account key ESG factors throughout their business, including both an upstream and downstream look at their supply chain. Businesses are expected to be leaders in the fight to preserve the environment, the society and the economy in which they operate.

The reporting requirements brought about by the introduction of ESG regulations, such as the Non-Financial Reporting Directive (NFRD) and the Corporate Sustainability Reporting Directive (CSRD), pose a significant new challenge, or risk, to businesses and their supply chains.

Over the last few years, businesses have already struggled to overcome severe interruptions to their supply chains, caused mainly by the pandemic, the Russian-Ukrainian conflict, and the resulting soaring inflation. While the potential business risk expected to arise as a result of the introduction of ESG regulations may not be as critical, failure to identify and manage this effectively may result in significant reputational damage, as well as operational and economic losses among other repercussions.

However, at the same time, businesses may be able to take the opportunity and leverage these same regulations to increase brand value and grow their business by thinking creatively both internally and within their supply chains.

The introduction of ESG reporting regulations is expected to give rise to significant challenges for all businesses, including SMEs. These challenges include, but are not limited to:

- Setting up of complex data systems to measure environmental performance such as water and electricity consumption.
- Additional resources required to measure social and governance metrics, such as employee turnover rate, board and employee diversity, training hours etc.
- Financial burden to engage professional advisors to devise an ESG strategy and ensure that ESG reporting is in line with applicable regulations.
- Additional resources required to obtain ESG data from suppliers and then report to customers ("supply chain reporting").

Supply Chain Reporting – what are the challenges and how does this impact SMEs?
The CSRD, through the European Sustainability Reporting Standards (ESRS), requires that the following businesses report carbon emissions, among other key ESG data, in their annual report:

- All companies listed on the EU regulated market (including listed SMEs)
- All large companies that exceed two of the following three criteria:
  - 250 employees during the financial year,
  - Balance sheet total of €20 million, and
  - Net turnover of €40 million.
- Non-EU companies generating a net turnover of EUR 150 million and having at least one subsidiary or branch in the EU that follow the criteria applicable to EU companies.

Distinguishing between "Scope 1", "Scope 2" and "Scope 3" emissions
While Scope 1 and Scope 2 emissions refer to direct emissions from owned or controlled sources and indirect emissions from the generation of purchased electricity respectively,

We are **RSM**

RSM

RSM MALTA PROMISES TO BE MORE THAN JUST A WORKPLACE.

RSM Malta does not simply offer a place of work for its esteemed team members. Believing in the importance of Company Culture, the firm ensures that team members feel valued, cared for, and encouraged to bring forward their ideas.

How? By providing flexible, reduced, and remote working, training opportunities, career growth, a welcoming space for everyone and events and initiatives that bring the team together.

Membership in Professional Bodies

Health and Life Insurance

Training Opportunities

Summer Hours

Social Events

Open Door Policy

Hybrid Working

Flexibility

Exposure to Different Industries

RSM offered immediate hands-on experience whilst still at an intern level, allowing an opportunity for growth from the start. That experience allowed me to kickstart my full-time career at RSM leading me to a Senior role within the firm.

Rachel Calleja,
Assistant Manager

Managing a full-time job, caring for a youngster and taking care of your household is no easy job. However, RSM has understood my needs and have offered the required flexible work options in order to accommodate my work and life balance.

Sarah Mercieca,
Audit Manager

The team's expertise in finance, coupled with RSM's commitment to investing in the latest technology, has allowed me to stay ahead of the curve in the constantly evolving finance industry.

Owen Briguglio,
Lead Consultant

Scope 3 emissions refer to all those indirect emissions that occur within the supply chain of the reporting business.

Emissions along a business' supply chain often have a more significant impact on a product sold by such business to the consumer. For example, in 2021 Apple reported that 99% of its emissions resulted from Scope 3[1].

ESG regulation is therefore demanding that businesses collect ESG data on components acquired from suppliers, among other sources along the supply chain. As a result, SMEs that may not be directly captured within the criteria of the CSRD may still be required to provide certain ESG data to larger businesses that need to report. This implies that even though an SME may not have a regulatory obligation to report ESG data in its annual report, it may still be required to measure ESG data and make information available within its supply chain and report to other relevant stakeholders, including shareholders - failure to do so could lead to loss of business.

For larger businesses, in many cases, obtaining ESG data from the supply chain can be challenging due to various reasons, such as:

- SMEs may not have the technology available to provide them with high-quality data,
- the manpower needed to focus efforts on ESG might not be available within SMEs, which may result in low-quality data, and
- identifying the relevant stakeholders within the supply chain may sometimes be challenging in extremely complex supply chains.

Transitioning to net zero supply chains

In late 2021, HSBC and Boston Consulting Group (BCG) issued a joint report[2] ("the Report") claiming that while there are a substantial number of large corporations that are making emission commitments, delivering on Scope 3 emissions reductions remains a significant challenge.

The Report, which is based on a study of the vehicle manufacturing and textiles industries, but which can easily be adapted in most industries, identifies a number of key steps that can be taken by businesses to transition to a net zero supply chain.

In brief, the Report encourages businesses to:

- Rethink their product design by being open to making wholesale changes should such changes result in a substantial reduction in emissions.
- Embrace collaboration, especially between larger businesses and SMEs. This is because the former are typically in a better position to have access to the best talent as well as to technology and innovation.
- Invest in climate technology as this may shorten the path to achieving net zero emissions.

Way Forward

The concept of Scope 3 emissions, together with other key reportable ESG data, should be a vital consideration for various businesses. This is necessary in order to achieve the net zero targets and to gauge the potential impact of the regulation on their operations. If both large and small companies decide to work together and co-invest within the supply chain, there is hope that the common goal can be achieved without a significant adverse impact on business operations, including those of many Maltese SMEs.

Author

Mark Wirth, an accountant and auditor, is a Partner at Zampa Debattista, leading both the Client Accounting Department and the ESG Department. After 7 years within the Tax and Audit service lines at a Big 4 firm in Malta, Mark co-founded Mint Finance, which eventually merged with Zampa Debattista.

1 https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2021.pdf

2 https://www.hsbc.com/insight/topics/seven-steps-to-tackle-a-usd50-trillion-challenge

equis

Realise your potential
with our expertise

equis.com.mt

The Accountant's Digital Skillset

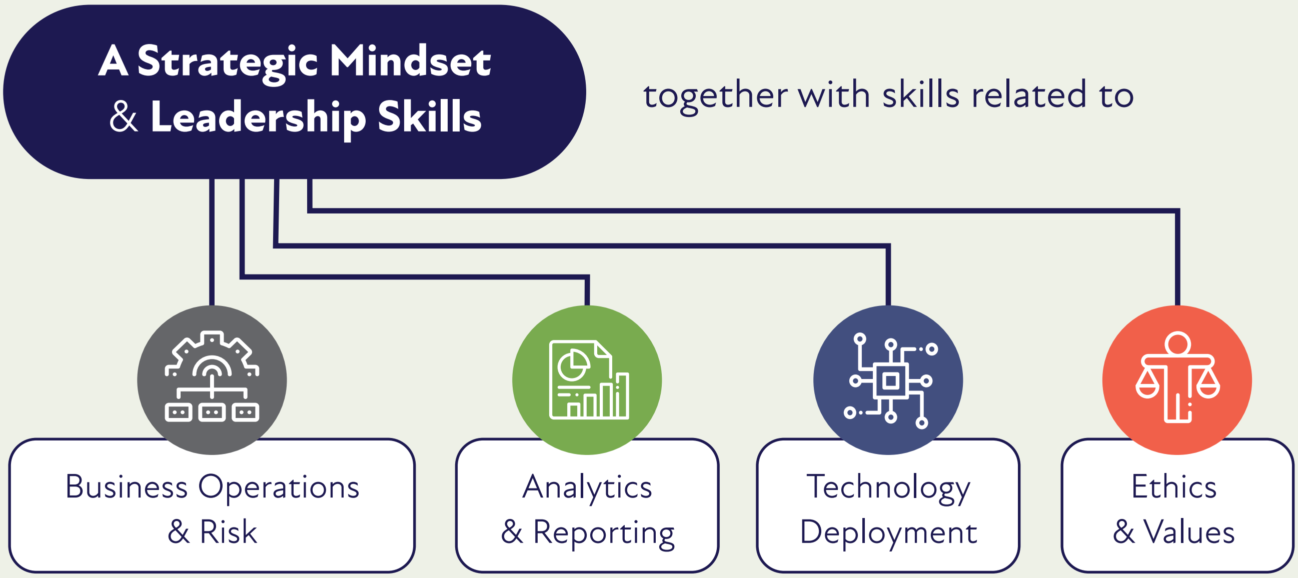


Figure 1: Digital Competency Framework developed by the MIA Digital Committee

In today's digital age, accountants need to possess a diverse set of competencies to remain competitive and bring value to their organisations and clients. The six pillars identified above emphasise the essential areas that accountants, irrespective of the size of their organisation, need to focus on to stay ahead of the curve.

The first pillar, *Business Operations and Risk*, stresses the need for accountants to possess a broad range of competencies, including project management, change management, legal and regulatory requirements, and enterprise and cyber risk management. **Being knowledgeable in these areas can help accountants guide their organisations to achieve their digital transformation goals while ensuring compliance with regulations.**

The second pillar, *Analytics and Reporting*, highlights the importance of accountants having a solid understanding of data governance, analytics, visualisation, and structured versus unstructured data. **By being proficient in these areas, accountants can assist their organisations in measuring and reporting on their performance, making data-driven decisions and understanding their strengths and weaknesses.**

The third pillar, *Technology Deployment*, emphasises the need for accountants to select and deploy technology-based solutions that can enhance their organisations' success. This requires a deep understanding of cloud accounting, robotic process automation and digital culture. **Being proficient in these areas can help accountants guide their organisations to stay competitive and agile in the face of technological change.**

The fourth pillar, *Ethics and Values*, underscores the importance of ethical behaviour, legal compliance and algorithm fairness in a digital market. It is crucial that accountants understand the implications of their actions and decisions as organisations collect and analyse increasing amounts of data. **By being knowledgeable in these areas, accountants can help their organisations and clients build sustainable business models that are ethical and compliant.**

The fifth pillar, a *Strategic Mindset*, highlights the need for accountants to imagine a digital future and direct the strategic planning process accordingly. This requires a deep understanding of decision analysis, strategic cost management, capital investments and risk management. **By being proficient in these**

areas, accountants can assist their organisations in making data-driven decisions that drive growth and innovation.

The sixth pillar, *Leadership Skills*, emphasises the importance of communication, motivation, collaboration and relationship management in a digital world. Accountants need strong leadership skills to inspire and motivate their teams, especially as organisations rely more heavily on remote working. **By being proficient in these areas, accountants can help their organisations build strong, resilient teams capable of driving growth and innovation in a digital world.**

In conclusion, the six pillars above are crucial for accountants to thrive in today's fast-paced digital era. By continuously developing and refining these competencies, accountants can remain competitive and add value to their organisations and clients, making them an indispensable asset in today's digital world. With these skills and knowledge, accountants play a critical role for organisations to achieve digital transformation goals, make informed data-driven decisions and mitigate risks. Accountants are also adequately placed to drive strategic planning processes, not only for their organisations but also for their clients, who often consider the accountant to be their trusted business advisor.

Author
Gordon Micallef, Chairperson of the MIA Digital Committee, is a partner at RSM Malta responsible for business and technology consulting services, with twenty years plus of experience. He was among the ISACA Malta Chapter founders, its President between 2007 and 2009, and served on several ISACA International committees and task forces. Gordon is a Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified in Enterprise Governance of IT (CGEIT), and Certified in Risk and Information Systems Control (CRISC), and Prince2 Practitioner.

MIA, FinXp sign corporate sponsorship agreement

The Malta Institute of Accountants has announced the signing of a corporate sponsorship deal with market-leading payment solutions provider FinXp for the upcoming twelve months.

These sponsorship agreements support the Institute's efforts in making its voice heard on developments which impact not solely the accountancy profession but also the wider financial services industry and the competitiveness of the Maltese economy.

MeDirect makes investing easily accessible to even the busiest professional

Many professionals, including accountants and auditors, struggle to find time for all the things they want to do. Work and family schedules mean that while financial planning is something most think about, the opportunity to sit down and implement a proper personal investing strategy is a tough ask, even for those whose job is in finance. The result is that few professionals genuinely optimise their finances, missing out on potential gains that could provide greater security for them and their loved ones.

It is to help professionals tackle this issue that MeDirect, in partnership with BlackRock, the world's largest fund manager, launched MeManaged. This is the first Discretionary Portfolio Management service in Malta which is available entirely online and is easily accessible with a minimum investment of just €100.

For those who may be unfamiliar with a Discretionary Portfolio Management service, this is a service which is normally reserved for high-net-worth individuals and only accessible through a personal relationship with a portfolio manager. In simple terms, the service allows investors to create an actively managed portfolio where day-to-day decisions are handed over to their portfolio manager. Once the investor has established clear financial goals and an investment strategy, the portfolio manager does all the work. As a result, the investor is free to go back to focusing on what they do best.

MeDirect's MeManaged product has transformed this service to make it easily accessible to everyone through its online banking and mobile application platforms. This ease of access complements MeDirect's client onboarding process which can also be completed entirely online. The initial strategy is established through a questionnaire which takes a few minutes to complete and establishes the investor's financial goals and risk appetite. Investors are then assigned an investment strategy which is actively pursued by MeDirect's team of experts, in partnership with BlackRock. Investors receive a monthly report on the progress of their investment and can revise their strategy, should circumstances or goals change, by retaking the questionnaire.

MeManaged also provides flexibility when it comes to additional investments. Investors can add lump sums to their portfolio whenever they want to without incurring additional fees. On the other hand, investors who wish to contribute towards their MeManaged account on a regular basis can do so with a minimum of €100 per month. Consequently, customers can continue to build their portfolio and benefit from cost-averaging meaning that they are buying assets at regular intervals, and at different prices, thus providing some protection from market volatility.

Investors are also free to make withdrawals from their account, providing the minimum balance of just €100 is maintained. Withdrawals do not attract any fees, giving investors more flexibility in managing their money.

MeManaged is an ideal solution for professionals who want to invest their hard-earned money efficiently but have neither the time nor the expertise to do so themselves or through a complicated process. With just €100, you can now have your own actively managed investment portfolio, accessible entirely online. For more visit **https://www.medirect.com.mt/invest/discretionary-portfolio-management/.**

MeDirect is the Island's first Digital Bank and offers its clients access to market-leading financial products. One can become a client of MeDirect and open a MeManaged account by visiting **https://onboarding.medirect.com.mt/start**. For further information clients may contact MeDirect Bank on 25574400 or visit **www.medirect.com.mt**

MeDirect Bank (Malta) plc is licensed to undertake the business of banking in terms of the Banking Act (Cap.371) and investment services under the Investment Services Act (Cap.370).

This article is a paid advertorial from MeDirect Bank (Malta) plc.

me direct
discretionary portfolio
management

MeDirect Bank (Malta) plc, company registration number C34125, is licensed to undertake the business of banking in terms of the Banking Act (Cap. 371) and investment services under the Investment Services Act (Cap. 370). MeDirect Bank (Malta) plc is regulated by the Malta Financial Services Authority as a Credit Institution under the Banking Act 1994.

Malta's National Business Portal

Malta is striving hard to enhance the operational environment for businesses in order to enhance their competitiveness on the global market. The Government is committed to do its utmost to ensure that the administrative environment within which businesses operate would be as efficient and cost-effective as possible, improving or eliminating bureaucracy along the way.

One of any Government's most central tools in reducing bureaucracy is the use of technology. Malta has consistently ranked first or second for e-Government initiatives across the EU. However, in the past, IT systems were many a time designed in accordance to the relevant Department's requirements with limited attempts at integrating business-related procedures across the board.

During the last few years, we have seen positive developments with the Government shifting to the use of e-forms and other responsive tools. Although access for IT services and other Government application forms have improved drastically, we were still missing a high-level, interactive and intelligent business portal which ties all Government business-related services into one solid platform.

For the past few years, Malta Enterprise has been working on addressing the issues mentioned above by developing such Business Portal ("the Portal") which is being implemented together with MITA and in collaboration with other major Government stakeholders.

Single point of contact
The Portal will change the way that businesses interact with the Government as there will be a paradigm shift from the traditional approach, where multiple services are accessed separately, to one where multiple submissions are made from a single point – a one-stop-shop.

Once the Business Portal comes to life, entrepreneurs and/or their representatives will be able to interact with the Government through a single system that would automatically and seamlessly forward service requests to the various Government departments and/or entities in a manner which enables the latter to increase efficiency.

The Portal will allow businesses and/or their representatives to open/close a business, avail of Government services, pay taxes, manage licences and apply for incentives from **38 different Government entities** in a seamless manner.

Once-only, needs-only principles
The Portal will leverage on the data already held by the individual departments as it is being built around the concept of sharing of data thereby enforcing the **once-only** principle. This means that businesses will no longer need to fill in lengthy forms asking them for information which the Government already holds in one or more of its departments and entities.

Additionally, information which the Government does not already have on businesses will be supplied only once to the public administration and will thereon, as long as it is not time bound, be shared, according to legal provisions, across different entities on a **needs-only basis**. As a result, this should drastically decrease the administrative burden on the business community.

mazars

25th anniversary Malta 1998 - 2023

Growth is great but the extra HR workload can be a headache.

Let our experts take the strain. We combine our wealth of national and international experience with the latest technology to handle payroll for workforces of all sizes – we're flexible, scalable and meticulous.

Most importantly, we deliver accurately and on time.

Move forward with Mazars.

Find out more at mazars.com.mt

It will also guide businesses in the myriad of Government services and incentives available, enhancing business compliance with rules and regulations. Furthermore, it will remind businesses when licences/permits are up for renewal or payments to Government are due. It will also notify them of new rules and regulations, incentives, and any other information relevant to their line of work.

The Portal will not only result in increased efficiencies and better-quality services for businesses but will also enhance the operations of the public administration. It will be implemented in phases, and Malta Enterprise together with Business 1st are currently working with the relevant parties to conclude the first phase of this important project. It is planned that the first live events- starting and closing a business - will be launched later on this year. More information will be shared as we get closer to showcasing this milestone project aimed at facilitating everyday business operations.

Business 1st is Malta Enterprise's one-stop-shop for businesses which is run as a joint venture with the Chamber of SMEs.

Author
Marika Tonna is the CEO of Business 1st. She was previously the Chief Operating Officer of Malta Enterprise and a Consultant in the Office of the Prime Minister, working on a number of major projects in different Ministries. She has a management degree and an MBA from the University of Malta.

MIA, Thomson Reuters sign corporate sponsorship agreement

The Malta Institute of Accountants has announced the signing of a 12-month corporate sponsorship deal with Thomson Reuters.

Thomson Reuters is a world-renowned corporate firm that provides information services to businesses. Thomson Reuters is an active promoter of strong ESG credentials, being at the frontline in pushing for gender equality, diversity and inclusion at the workplace.

The agreement takes the form of a partnership with Confirmation, part of Thomson Reuters, which is the world's leading provider of online audit confirmations trusted by over 16,000 audit firms worldwide.

CONFIRMATION
Part of Thomson Reuters

Grant Thornton

We believe in the right balance and encourage our teams to follow their own passions.

Cycling has always been something that I have enjoyed in one form or another, be it as a mode of transportation when growing up, a way of keeping fit whilst practicing other sports, or enabling me to explore new places that I wouldn’t normally visit.

Gordon Howe - Professional Cyclist
Information Technology Manager

I would recommend the Camino to anyone up for a challenge and who is genuinely in search for purpose in life.

Jessica Borg – Traveller
Corporate and Regulatory Associate Director

I picked up Rugby at the age of 13 and have practised a plethora of sports throughout my life.

Virain Hariramani - Rugby Player
Transaction Advisory Services Executive

From my perspective, dancing is an outlet to express one's feelings. It is a foundation to explore and culturally engage in the traditions that have influenced different dancing styles.

Marelaine Mercieca - Flamenco Dancer
Audit Team Lead Associate

Grant Thornton Malta
Audit | Tax | Advisory | Outsourcing

Hot topics in the area of employment

Key issues to consider

The world is changing at a fast pace and so is the way people and businesses work.

The pandemic has accelerated this shift and apparent flexibility. Employees' opportunities, which may even go far beyond our shores, are on the rise, and so are employees' demands (financial and/or non-financial).

Employers are therefore constantly facing challenges and pressures to attract and retain key talent. If businesses are to remain competitive, decisions need to be made quickly and efficiently and, in doing so, employers may give in to these demands.

There is a clear mismatch between the pace in which the ways of working have changed (and are changing) and the way the law has adjusted to these changes. In an attempt to solve issues in the short term, this is many times creating problems further down the line.

Considerations which may have not been as significant in the past are now becoming increasingly relevant. A seemingly immaterial change/decision may bring about a multitude of consequences which, at times, organisations are not properly equipped to deal with – not just from a technical perspective, but also from a technological one in terms of an organisation's internal systems.

Employers are finding it increasingly difficult to keep up with these changes so now, more than ever, awareness and preparation are key – failure to do so may trigger undesirable consequences which may not always be easily solvable.

So, what does this mean to organisations and what are some of the key issues that are worth considering?

1. Physical presence in Malta for a short period of time

From time to time, business needs may require employees to physically travel to Malta for a short period of time to carry out their employment duties. These employees may have no intention to establish any ties or to become tax residents in Malta, albeit this is not always clear to the employer, which has attendant withholding and reporting obligations.

In principle such individuals should be subject to income tax in Malta on the portion of income that is considered to arise from the physical performance of employment activities in Malta, regardless as to whether such income is also subject to tax outside Malta. A double tax treaty between Malta and the individual's country of residence (if one indeed exists) may not completely solve this issue.

In the absence of a treaty or treaty coverage, such individuals may be considered to be non-Maltese tax residents and, on occasion, subject to income tax in Malta at the non-resident tax rates, where a rate of 35% on income exceeding €7,800 is reached. Comparing this to the more beneficial resident tax rates, the non-resident tax rates may lead to a substantially higher Maltese income tax charge (and possibly double taxation, at least for a period of time).

2. Dual-tax residence

Conversely to the above, business needs may require employees to physically perform their activities outside of Malta which may also bring about its own issues.

An individual who is tax resident in Malta may be considered tax resident in one (or more) other jurisdictions, according to the domestic tax rules of the jurisdiction(s) concerned.

In the context of a double tax treaty, this issue is potentially solved by reference to the tie-breaker rules which may give rise to a situation whereby the individual is considered resident outside Malta. Although normally, in such instances, Malta's taxing rights are restricted, this may still give rise to a higher global income tax charge for the employee, especially in cases where the other jurisdiction's tax rates are higher than Malta's – and the pay package does not always reflect this.

This would in turn often require the employer to increase the employee's remuneration such that the net take home income is effectively the same, or even higher. Payment of tax on the employee's behalf can be considered a form of fringe benefit, which may also be subject to additional tax.

3. Social security and pensions considerations

The importance of considering issues in connection with the payments of social security contributions is at times underrated, especially in the context of cross-border employees.

What happens to the state pension (and other state benefits) of an individual who is paying social security contributions in one jurisdiction but resides in another? Or to an individual who has stopped paying contributions in his/her home country altogether such that during the individual's working life, the amount of contributions paid are not enough to cover the state pension and/or other state benefits?

Rightly so, employees may need to safeguard their future, and this is where private pension schemes have become an increasingly popular way to do so, albeit these may be tricky to introduce and run.

4. Permanent Establishment (PE) and Fixed Establishment (FE) considerations for employers

The technological investment and the change in mindset, brought about by the pandemic, accelerated the shift from the traditional office towards remote working, enabling certain individuals to perform their employment activities from anywhere in the world, with the employer not always necessarily aware of this.

The employee's duties in Malta could inadvertently give rise to a taxable presence (i.e. a permanent or fixed establishment) for the non-Maltese employer in Malta. This may bring about additional complexities including withholding tax obligations on unaware payors making payments to the non-Maltese employer, income tax charges and possible VAT considerations.

Entering into a service agreement may not be a solution as this may still result in several considerations for both the service provider and the business (including whether the contractor is a deemed employee), and this strips the employer and employee of the attendant statutory security of an employment relationship.

Similar considerations outside of Malta may also apply for a Maltese employer whose employees work remotely outside Malta. In such cases, the relevant implications, even from a non-Maltese perspective, should be considered.

5. Registrations, withholding and reporting obligations for the employer in and outside Malta

Besides triggering tax implications, the considerations outlined above may also give rise to inadvertent registrations, tax withholding and reporting obligations for both non-Maltese employers whose employees work remotely from Malta and also Maltese employers whose employees work remotely outside of Malta.

Non-compliance may result in undesirable financial (penalties) and non-financial (reputational) consequences. Compliance on the other hand may trigger a level of complexity and uncertainty that is potentially unbearable.

6. Immigration considerations

Immigration considerations are equally important especially in the context of third country (non-EU/

EEA/Swiss nationals) who require a work/single permit to work and reside in Malta.

The relevant permits should be obtained before the individual commences employment in Malta and non-compliance with the relevant immigration rules (among other obligations) may lead to severe consequences for both the employer and the employee.

7. Employment law considerations
From an employment law perspective, rights and obligations differ across borders.

Issues may arise as to which applicable law should regulate the employment relationship in question, bearing in mind issues including, among others, the possibility that regardless of the law chosen, such a choice may give rise to Maltese employment implications regarding employment conditions which cannot be derogated from. Another consideration may be the inclusion of certain conditions and/or provisions in contracts of employment which may potentially bring about or heighten PE/FE risks.

8. Remuneration packages
In an attempt to attract and retain talent, employers have recognised the need to offer attractive remuneration packages to employees, which go beyond strict monetary compensation. These may take different forms such as:

- ***Share options/Share Awards***
  Offering employees the opportunity to purchase shares or to be awarded shares in a company (or associated company/companies) is becoming an increasingly popular way of incentivising employees to work towards the success of the business. Issues may arise, especially in the context of cross-border employees, whereby different jurisdictions may apply different rules in connection to the tax treatment of share options. This largely depends on the income tax rules of the relevant jurisdictions concerned, which may be numerous in the case of an employee with a global footprint, giving rise to additional complications, even from a compliance perspective.

  This may also result in cash flow issues for the employee especially in situations where part or all of the tax liability on the benefit (that is deemed to be provided by way of share options) is to be paid in more than one jurisdiction at any one point in time, and where a refund of part of the tax paid cannot be applied for until a later date.

- ***Golden handshake/Golden parachute***
  Upon onboarding or upon termination of an employee's contract of employment, employees may be offered an amount of money. In certain instances, upon termination of a contract of employment, employees may be offered a (new) contract of employment which may contain strict non-competition clauses and also provisions containing obligations (sometimes minimal) to report for work.

  Questions may arise as to the classification of the nature of the payment/s and how this should be treated from a tax perspective. Circumstances vary from one case to another and as such there is no 'one size fits all' approach. Each case should be analysed on a case-by-case basis in line with the merits of each case.

- ***Payments/receipts in cryptocurrencies***
  Given the novelty of the asset class, the tax treatment of transactions in cryptocurrencies may not always be as straightforward and as clear cut and therefore certain complexities may arise. Whilst this is recognised, complexity and lack of guidance do not justify non-compliance and adverse consequences may still apply.

Change is key but what is even more important is basing change on informed decisions. If organisations want to avoid further issues in the long run, it is vital that decisions are taken only after ensuring that these are in line with the applicable statutory framework.

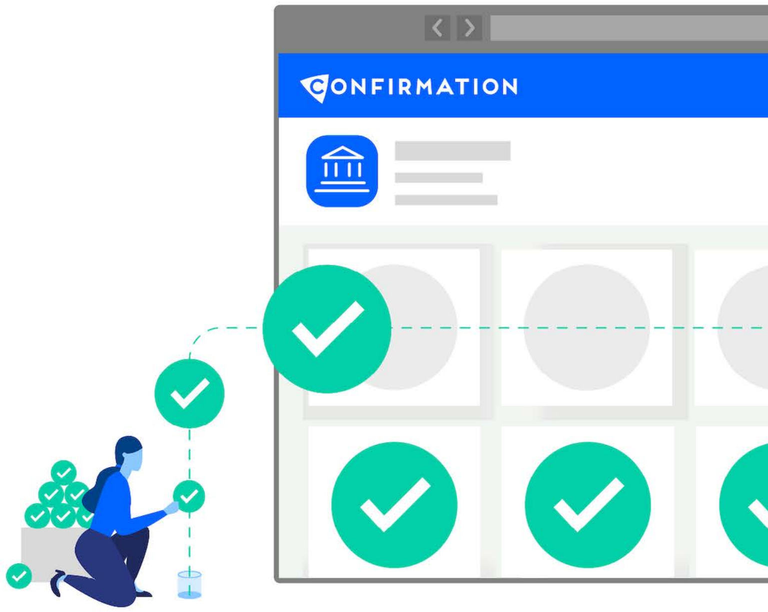
Author
Wendy Farrugia is a manager within PwC Malta's Tax and Legal line of service. She is involved in a wide variety of projects for a number of local and international clients, and as part of her role within PwC Malta's Private Clients team, her special focus is the taxation of individuals. She also participates in various in-house seminars and lectures and contributes to the firm's local and global publications.

CONFIRMATION
Part of Thomson Reuters

Easy, fast confirmations. Every time.

Confirmation is the leading digital platform and global network for confirming financial data.

We help auditors, bankers, lawyers and businesses around the world work more efficiently, find truth in financial data, and detect fraud.



1.5M+
users

16K+
audit firms

4k+
banks and departments, 580+ that exclusively use Confirmation

Company facts

- We invented electronic confirmations
- 20+ years in business and acquired by Thomson Reuters in June 2019
- We process 2.6+ million confirmations annually in 170 countries
- Dedicated account managers located in our 20 offices globally with local training available
- 8 personnel language capabilities within the platform: English, Spanish, German, French, Portuguese, Chinese Traditional, Chinese Simplified and Japanese

Contact us now: **Confirmation.com**
hello@confirmation.com
+44 (0) 2037705450

SCAN ME
to see
all CPEs

Upcoming CPEs 2023

25 Jul	M23059	Internal Controls within an organisation: The different roles and responsibilities	AUDIT
4 Jul	M23050	Ethical Dilemmas for Accountants and Auditors	ETHICS
20 Jul	M23065	Accounting for Revenue	FINANCIAL REPORTING
5 Jul	M23066	Complying with the CSP Rulebook	LEGAL
27 Jul	M23060	Employment Law Basics, a Practical Approach	
6 Jul	M23061	Human factors in Managing Organisational Change	MANAGEMENT & FINANCE
12 Jul	M23051	An Introduction to Local Capital Markets	
18 Jul	M23064	Strategic Planning - why it is always a must and what to consider	
25 Jul	M23059	Internal Controls within an organisation: The different roles and responsibilities	
28 Jul	M23056	The Role of the Accountant in an Organisation's Decision-Making Process	
5 Jul	M23066	Complying with the CSP Rulebook	REGULATORY
6 Jul	M23061	Human factors in Managing Organisational Change	PERSONAL SKILLS
28 Jul	M23056	The Role of the Accountant in an Organisation's Decision-Making Process	
19 Jul	M23063	The Budget Measures Implementation Act, 2023 and the manuals on taxation of Rental income and Part-Time Work	TAXATION

CONFERENCES

4 Oct	The MIA Tax Conference

bakertilly

Join the Baker Tilly life

Here at Baker Tilly, we believe in the power of **now, for tomorrow**. This means that we are always looking for ways to innovate and stay ahead of the curve in our industry and provide our clients with the highest level of service and expertise. We are searching for like-minded people who share our passion for excellence to join the team.

Our people are our greatest asset, and we are strong believers that when our team thrives, our firm and our clients thrive. If you are interested in taking on a rewarding career with us, you can expect to have excellent opportunities for professional growth in a collaborative work environment based on family values, all while maintaining a healthy work-life balance.

If you think you have what it takes to join the Baker Tilly life, we want to hear from you! Contact us to learn more about our current job openings and how you can become a part of our dynamic team.

Get in touch

www.bakertilly.mt

+356 20109500

apply@bakertilly.mt

Passion

Passion fuels our drive to exceed expectations and deliver exceptional results for our clients

Collaboration

Collaboration is key to unlocking our collective potential and achieving greater success as a team. We are at our best when we work together

Stewardship

We invest for the future with the intention of creating a better tomorrow

MEET THE MEMBER

Jean Paul Debono

Doing well while doing good – An entrepreneurial journey

The Accountant meets Jean Paul Debono, Chairperson of the MIA SMP Group and Partner at Quazar

Despite his relatively young age of 32, Jean Paul Debono has clear sights on what he wants to achieve through his entrepreneurial career. He strongly embraces the concept of doing well while doing good, where succeeding in his personal business ventures can also contribute to the personal and entrepreneurial growth of the community around him.

This ideal pretty much resumes his activity both as one of four partners of Quazar, an accountancy, audit and consultancy firm, as well as the Chairperson of the Malta Institute of Accountants' Small and Medium Practices (MIA SMP) Group.

"I was raised up in a family that was traditionally associated with business, and naturally I inherited this instinct. However, I have always been enthusiastic about sharing this success with my wider community. Seeing my clients grow and prosper financially is a source of motivation and pride", he tells The Accountant.

Jean Paul reckons that the accountancy profession has changed rapidly in recent times. Professional accountants and auditors are considered among the most trusted members of the community, but this has brought with it increased responsibilities. "If you look at stakeholders in business, whether banks, investors or foreign clients, their point of reference is the auditor", he argues, explaining, by way of an example, how a bank feels more comfortable when a document is endorsed by a member of this profession. "As such, this brings more responsibilities on accountancy professionals but at the same time allows us to offer better value added to clients", he adds.

Debono acknowledges that even business clients nowadays acknowledge the potential of this profession, recalling that while traditionally entrepreneurs and business leaders felt that working with an accountant was solely an unavoidable regulatory requirement, today they seek accountants` input for business plans, economic assessments and/or projections.

We ask Jean Paul to take us through the earlier days of his career, where for almost a decade he plied his trade for a smaller firm. At one point, he recalls how he felt he could venture in the world of private business and open his firm, Debono and Associates, which had a relatively successful five years. It was precisely during this term that the accountancy world changed rather abruptly and significantly. Regulatory requirements coming from a stream of new legislation and regulation emanating from various quarters, including the Organisation for Economic Co-operation and Development

(OECD) and the European Union, added the workload on Jean Paul and his partner at the firm. “Together, we handled audit, accounts, anti-money laundering (AML), taxation – that is a lot”. And that is where joining forces became an option. Asked point blank to recall the moment where he decided to take the plunge, he admits: “that was when I realised that I was becoming busier rather than more productive”.

Jean Paul also shares an anecdote of how he met his new partners, formerly Ascertic, recalling how it was a casual conversation at a conference – reflecting the importance of networking – where he and an old-time friend became aware of the significant synergies between the two firms. Today, the two have merged together and four partners complement each other through different areas of expertise. At the same time, cost efficiencies were gained on in-house training, compliance, software and office facilities.

Debono expresses his full respect for sole practitioners who chart their own way ahead and are a significant pillar in our profession but feels that the industry has become so much varied that it is quite impossible to be an expert in all fields. As such, he urges accountants to consider a form of collaboration, including other relationships, through which the respective abilities and areas of expertise are better put to use.

Jean Paul is also the Chairperson of the MIA SMP Group, a position he carries with utmost pride and responsibility. What encourages him to dedicate time and energy to this post is the sense of collegiality he has witnessed in this group since becoming a member. “There is no element of competition between us and we are genuinely happy for each other’s successes: we discuss opportunities, weaknesses and come up with proposals which can be taken up at MIA level in the interest of small and medium-sized practitioners”.

The Group has been very active in recent years, providing its contributions in areas such as the Company Service Provider (CSP) reform and Malta’s exit from the grey list. Questioned about what he considers as the next big challenge for the firms he represents, Debono quickly points to the upcoming corporate tax reform. At the same time, the members of the group constantly bounce off ideas of how Malta can improve its competitiveness and how business can be lured to our shores without focusing solely on the fiscal proposition.

He notes how the MIA SMP Group has worked hard in recent years to come up with well-researched positions, an approach which has been appreciated by the authorities so much so that more often than not, today the same authorities or regulators themselves come forward to seek the position of the MIA and the SMP Group. “I can safely say that we have positioned ourselves as a very strategic partner”, he adds. At the same time, firms and accountancy professionals are visibly seeing the benefits of their participation or association with the Institute and the Group.

This motivates him to push forward with the Group’s activity: “We are witnessing a shift of younger accountants that seek to set up their firms, and we will strengthen our efforts to bring them over so that we truly continue to serve as the bridge between the profession and authorities”.

In this context, and in concluding our interview, Jean Paul calls on all SMPs to block their diaries for the SMP Conference, happening on Thursday, 23rd November 2023, which will focus on the topics that are currently high on the list of concerns for similar-sized firms.

Meet *the Team*

MICHAEL DEBONO

You are responsible for projecting the efforts of the MIA out there. What's the best thing about your job?
There are many things I like about my job, but my favourite would have to be the human interaction element irrespective of whether during a large event or just discussing something with different colleagues as per my day to day.

Three words you think your colleagues would use to describe you.
Loud, definitely loud. Optimistic and calm.

Is this career far off from what you dreamt of as a child?
Only a few champions league medals away, maybe a premier league medal too. Football aside, not too far. I was always into numbers and statistics and at the Institute I can play around with data.

How's your relationship with technology?
We have an open relationship. Jokes aside, I am not anyone's first point of call when something breaks but I am keeping up with the times and can sort myself out.

Summer is here. Cannonball into the pool or dip a toe in first?
Stay under the umbrella. Is it soon Winter?

What is not a big deal to most people but is torture to you?
Lack of basic manners like knocking before entering a room, checking availability before sending meeting invites... you know the small annoying things.

Who would you want to have a drink with dead or alive?
George Best – Just imagine the stories.

What is your favourite food?
As an individual ingredient, it would have to be smoked salmon. If I had to choose a dish, definitely tortellini with cream and mushrooms.

How do you spend your spare time?
With two young kids "spare time" is rare as there is always ballet, acro or football practice but the ideal is good food, good drink and good company, ideally with some good football in the background.

What object do you misplace or lose the most?
I do not lose things besides my patience.


KPMG
Let's uncover a world of opportunity together
We are seeking to recruit talented and motivated individuals to join our growing team of leading professionals.
Scan QR code to learn more about our career opportunities.
www.kpmg.com.mt
© 2023 KPMG, a Maltese civil partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

PwC Digital Services

Technological innovations that lead to intelligent and quick outcomes

As the world becomes increasingly digital-driven, the future of business is being reshaped along with it. PwC Malta's Digital Services is at the forefront of the latest technological innovations and our mission is to help our clients by providing comprehensive expertise to achieve sustained business outcomes.

Digital Strategy & Transformation
Business Solutions
Cyber Security & Privacy
IT Managed Services, Cloud & Infrastructure

Follow us on

© 2023 PricewaterhouseCoopers. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

pwc.com/mt/**digital**