

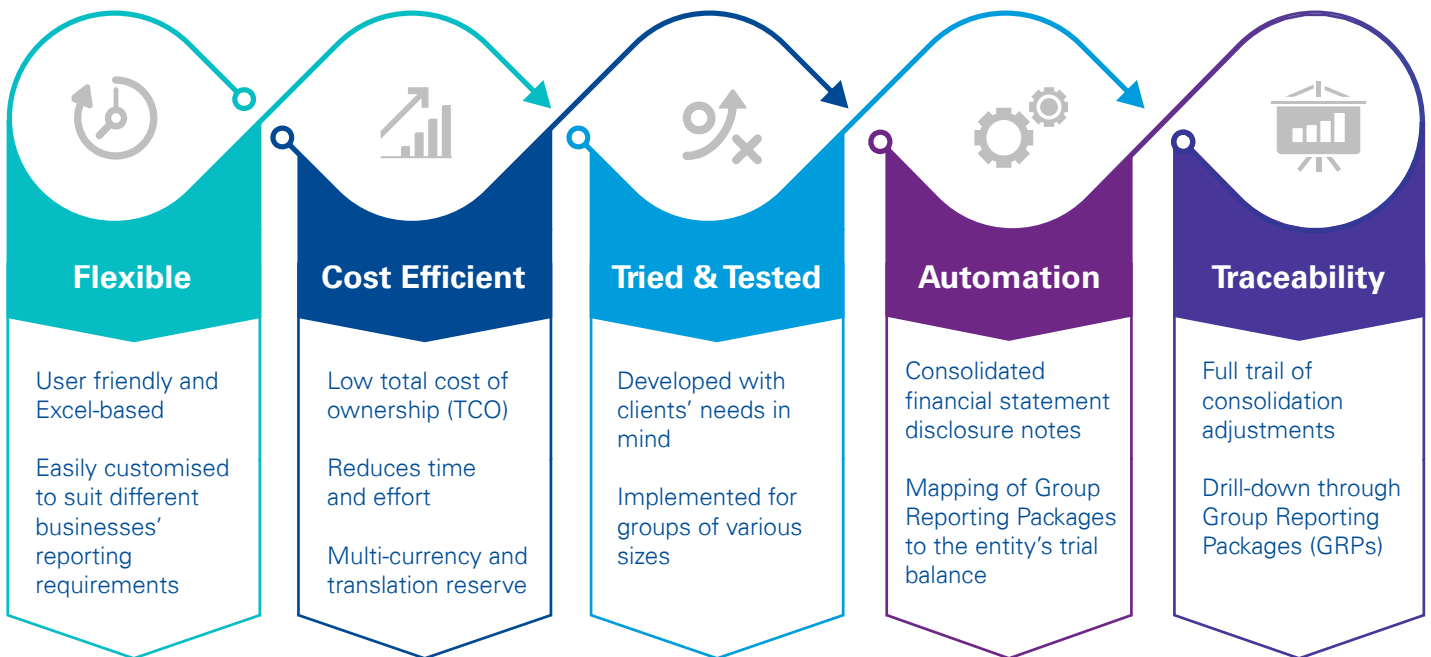
THE ACCOUNTANT





Consolidation made easy

Built by accountants for accountants...



Book your demo today.

Contact us:

Jonathan Dingli
Partner
Accounting Advisory Services
jonathandingli@kpmg.com.mt
+356 2563 1405

Georges Xuereb
Senior Manager
Accounting Advisory Services
georgesxuereb@kpmg.com.mt
+356 2563 1080

www.kpmg.com.mt

THE ACCOUNTANT

ISSUE 2 OF 2021

THE ACCOUNTANT magazine is issued quarterly.

Published by



**THE MALTA
INSTITUTE OF
ACCOUNTANTS**

EDITOR

Maria Cauchi Delia

DESIGN

Petra Mangion Buontempo

ADVERTISING INQUIRIES

theaccountant@miamalta.org

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

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

The Institute does not necessarily concur with the views expressed in the articles published on this journal. Articles are published without responsibility on the part of the publishers or authors for loss occasioned in any person acting or refraining from action as a result of any view expressed therein.

All data provided within this magazine is accurate as at the date of writing.

04	PRESIDENT'S ADDRESS
08	MIA NEWS
12	NEWS ROUNDUP
13	THERE IS MORE TO ACCOUNTING THAN JUST NUMBERS
16	HARNESSING THE POTENTIAL OF GEN Z IN THE WORKPLACE
18	EMBRACING GOOD GOVERNANCE
20	THE IMPLEMENTING PROCEDURES PART II FOR COMPANY SERVICE PROVIDERS
24	AN OVERVIEW OF TRADE-BASED MONEY LAUNDERING
26	ART WITH A HEART
28	FAMILY BUSINESS: TIME TO SHAPE UP
29	UPCOMING CPE EVENTS
32	FISCAL UNITY. HOW TAXING CAN IT BE?
36	CYBER AND THE FINANCE LEADER
38	MEET THE MIA TEAM
40	IT STILL IS AN EXCITING TIME TO JOIN THE ACCOUNTANCY PROFESSION

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

PRESIDENT'S ADDRESS

FABIO AXISA



RECENTLY I HAD A NUMBER OF MEETINGS WITH REPRESENTATIVES OF THE SMALL AND MEDIUM SIZED PRACTITIONERS (SMP) COMMUNITY WITHIN OUR MEMBERSHIP BASE. ALL OUR MEMBERS, BUT PARTICULARLY SMPs, HAVE BEEN SUBJECTED TO AN INCREASED LEVEL OF COMPLIANCE WORK, ENHANCED LEVEL OF INTERACTION WITH REGULATORS AND QUITE A LOT OF BUREAUCRACY WHICH CONTINUES TO BE INTRODUCED.

To be fair, I think this has impacted the entire profession, irrespective of size and other factors. Whilst a part of this additional burden is attributable to changes within our profession, and hence unavoidable, some of the burden has been imposed on our profession in view of national and other market wide issues.

We need to work together, as a profession, to improve the situation and to ensure that our profession is treated fairly and with due respect. We should not be treated as though our market's reputation is solely impacted by events surrounding our profession, as many factors (most of which are unrelated to our profession) have contributed to the status quo.

The Institute will continue leading the profession throughout this period with decisiveness and strength. We will continue to voice our views on all relevant issues and we want every single member to feel his or her agenda and difficulties are being addressed by the Institute. In voicing our views, we start off from a very strong base as our opinion is considered as strong and reliable.

However, I cannot but continue to refer to the fact that times have changed, market and regulatory expectations are completely different, and the market's standing has also changed. As a profession we need to continue to mature and improve. I urge every single member to embrace this necessity to improve notwithstanding the frustration the profession is experiencing and despite the factors mentioned above.

The best centre forward ever in the history of football (he's Dutch), who used to play in the greatest football club, used to predicate that he knew he had to be stronger than everything to become successful – stronger than injuries, competition, jealousy, referees, prejudice, sometimes coaches.... As a profession we have to be stronger than regulation and bureaucracy and rise above difficulties attributable to these matters. This is why we are the best profession around.

Regulatory and compliance fatigue is a matter which the Institute will continue to address in the coming weeks. We have already made several recommendations to the authorities and we will continue to do so incessantly. But we do need the members' support not solely with identification of problems; we need you to help us propose specific workable solutions in a constructive manner. I once again encourage all members to contribute and to participate within the Committee structure of the Institute.

I also encourage members to put their names forward for Council membership to make a difference within our sector. The best way to contribute to the Institute's agenda, encompassing individual or sectorial concerns, from within the Institute is by forming part of the Council and participate in devising strategy and policy. I have found this extremely rewarding as a professional.

SMPs are a very important part of our membership base; but there again every single member is important to me and to the Institute's Council. We have strived tremendously over the years to ensure that the Institute is not considered solely the home of members emanating from larger firms and is not viewed as interested only in defending members hailing from larger firms. In the past eight years that I have been involved with the management of the Institute, we have always considered and given prominence to the viewpoint of all

members in respect of all issues addressed by the Institute. In eight years, there wasn't one policy choice or decision where we favoured one member's interests as opposed to another member's objectives. To us it is truly one membership base of professional accountants.

Some might feel that the Institute is not managing to convince the authorities on certain matters in respect of compliance and bureaucracy. I disagree. And violently so. But I do concede to the fact that there are always ways to enhance our actions in convincing authorities to implement or not implement particular changes. And we are in constant search of manners in which to enhance our approach. However, there is a national reality and market conditions which cannot be ignored and hence the regulatory response to such conditions is not always negotiable – whether we like it or not.

At the time of writing this address, as a country we are still awaiting the FATF verdict. By the time you will read this address, you might be aware of the outcome. Whatever the outcome is, our sector and the marketplace will be subject to continued pressure to enhance and innovate in a sustainable and compliant manner. Our response will no doubt be influenced by the outcome, but the development of the long term strategy for our sector will in any case require significant effort and investment in the coming months in the face of all international challenges and pressure.

Changing tack... We continue to work hard on all fronts to make a difference within our professional community. I would like to focus on two initiatives this time round.

We are embarking on a communications campaign to enhance the attractiveness and appeal of our profession with the underlying objective of attracting a larger number of students to our profession.

>>



We need to work on enhancing the number of students choosing Accountancy throughout secondary school studies and focusing on retention of a sufficient number of students for post secondary tuition. We need to promote the different facets of the profession, the interesting profile of accountancy professionals and the success related to our profession in general. We need to attract the best students whilst simultaneously increasing the number of students within accountancy related fields.

Our profession needs to get to a situation where in a number of years' time, the number of accountants qualifying within a specific year is a multiple of the level currently experienced. However, this also needs to be achieved in conjunction with raising the quality bar of newly qualified accountants, which is a challenge in itself. We need to work closely with accountancy teachers, guidance teachers, parents and above all students in this respect.

We also need to ensure that the needs of the profession over the foreseeable future, in respect of skills set and disciplines, are catered for as our profession continues to evolve fast and the nature of services provided develops. Hence, we need to ensure diverse students with different aptitudes and interests are drawn to the profession, focusing on areas such as fintech, data science and forensic. This will ultimately entail revisions to the curriculum covered within secondary schools and post-secondary levels, including University courses together with material attributable to other qualification routes. Our profession will be strong in the coming years only if we manage to strengthen the number and quality of freshly qualified accountants; if we manage to strengthen the ranks and breadth of our professional community.

We continue to engage with the authorities to enhance Malta's attractiveness to expatriate individuals seeking employment

within the accountancy profession. One of these initiatives focuses on ensuring that the Visa and work permit processes are streamlined as much as possible to ensure that expats that decide to relocate to Malta, particularly within our profession, find it easier to do so. We are also seeking to identify, together with firms and other practitioners, territories and corridors which could be targeted by our profession to attract qualified accountants therefrom, with the objective of recommending and facilitating effective Visa and work permit processes.

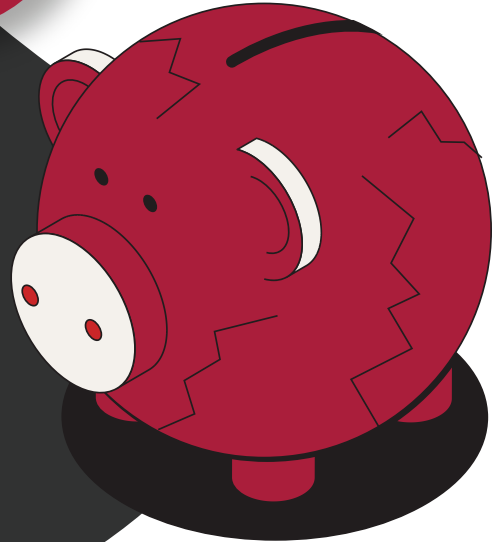
The Institute's activities in the past few weeks have culminated in the Extraordinary General Meeting held with the approval of the proposed revisions to the Statute. Apart from continuing to enhance the levels of governance applied at the Institute, these revisions reflect the impact of lessons learned from our disciplinary proceedings instituted recently. I would like to thank the members who were present at the meeting for approving these changes. I do urge our members to attend and participate at general meetings, to contribute by making suggestions and to demonstrate your rights by voting. Unfortunately, the day after the EGM a member requested some amendments to particular articles within the statute, which articles were the subject matter of the EGM. Participation at general meetings is fundamental to get approval for requested changes within the appropriate forum.

We are heading towards summer and since it has been an intense period for our profession in the last few months, I hope that we will all manage to have well deserved breaks or holidays. If there is one thing that I have learnt over the years, with age, is that holidays are extremely important for professionals like ourselves to recharge our mental and physical batteries. I hope you will enjoy summer and hopefully some of our Institute's activities that are meant to be organised over the coming weeks.

10-HOUR CPE BUNDLE

SAVE
10%

Add credit to your account
& book when you like



*T&C Apply

miamalta.org/events

PREMISES FOR LEASE

The Lower Ground Floor Premises found in 'Tower Business Centre' Swatar are available for Leasing.

The 740 sqm property is available for lease or partial lease on a long or short term basis, together with Carpark spaces at the Basement Level -5.

Prices are negotiable.

Interested parties are to send their request to info@miamalta.org



MIA NEWS

CSP Reform

The new Company Service Providers' (CSPs) regime introduced by the Malta Financial Services Authority (MFSA) has a direct impact on the profession and the Institute held a series of events discussing the changes and their implications for members. MIA President Fabio Axisa led an online event on 24 March to go through the main provisions in further detail. Consequently, on 12 May, the MIA organised a webinar in collaboration with the MFSA where Ms Alison Cortis, Senior Manager at MFSA, presented the new regulations.

The Institute also provided additional information via email and encouraged members to collaborate with the new requirements to ensure a smooth transition.

The MIA had contributed to the review of the regime with a series of recommendations, especially during the Consultation Process. Among other suggestions, the Institute proposed the introduction of an over- and under-threshold concept, which have now been adopted in a redacted form by the MFSA.

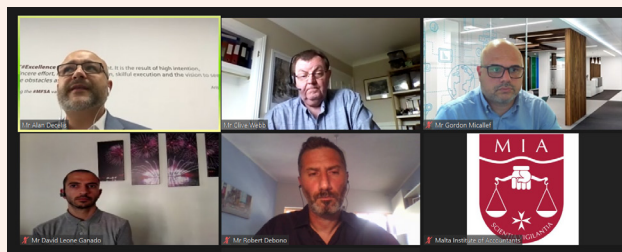
As expected, the change triggered several queries by members and the MIA has been in touch with replies and clarifications. The most common concerns and questions were included in a Q&As document published by the Institute exclusively for members on 12 May.

If you are an MIA member and wish to know more, log in to your MIA profile and refer to the document titled: 'REPLIES TO QUESTIONS RAISED BY MEMBERS IN RELATION TO THE NEW CSP REGIME' on miamalta.org/e-library/other-publications.

Digital Committee event - The Accounting Profession in the Digital World

The accountancy profession has changed significantly in the last few years. An event by the MIA Digital Committee on 6 April explored a range of digital challenges and opportunities ahead, as the profession continues to adapt and develop. The webinar was addressed by experienced guests at the forefront of technological trends who are either accountants themselves or work closely with professionals.

The accountancy profession relies increasingly on digital tools and, as organisations prepare to return to growth in the post-COVID years, digital transformation will play a greater role in the future of work.



PAIB Conference

Warranted professionals working in industry are integral to the Institute and the MIA Professional Accountants in Business (PAIB) Advisory Group held an event on 12 and 13 May focusing on the state of play of PAIBs. Held in collaboration with IFAC, the Conference brought several specialists to share insights on the main theme: What's Next?

In his introduction, MIA President Fabio Axisa said that professionals today perform a multiplicity of roles, revealing different facets of accountancy. Referring to the changes driven by digitalisation, he observed that, although sometimes feared, technology is fast growing into an ally for professionals who can hand over repetitive tasks and flaw-detection processes to machines while they focus on value-added areas such as problem-solving, decision making, strategy setting and leadership.



Start Your Baker Tilly Journey

Baker Tilly is an accountancy, audit, tax and business advisory firm dedicated to providing an environment set up to enable continuous learning as you join highly skilled and motivated teams that engage and commit to our clients in solving their business challenges.

As a member of our team, your contributions will always be valued as you work alongside industry and service specialists on an incredibly diverse client base, all while creating lasting experiences with colleagues and clients as we shape tomorrow. There are no limits as to what you can achieve here.

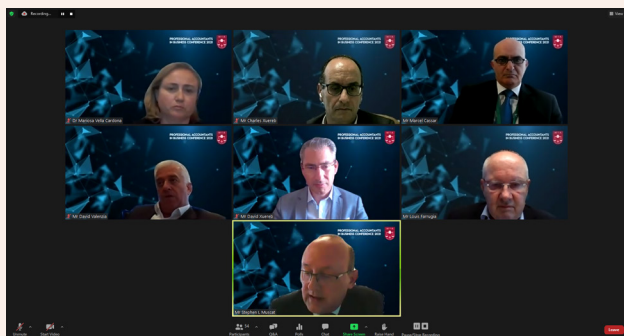
We strive to translate your ambitions to reality whilst our network's international reach ensures that you can extend your reach through ours.

Help us create a bolder tomorrow, together.

If you believe you have what it takes to make a difference in our organisation and would like to work in a vibrant and growing environment with an excellent work-life balance, then look no further.

www.bakertilly.mt

Mr Sanjay Rughani, chair of IFAC PAIB Advisory Group, urged professionals to act like disruptors to stay ahead. Outlining some of the macro-challenges affecting accountancy, he asked participants whether they are managing change or being managed by it. Looking ahead, Mr Rughani said that the way professionals engage stakeholders will soon be based on value creation and value preservation.



The conference was addressed by an elite line-up of experts with a broad background in industry and roles. A panel discussion explored special areas of interest such as automation, climate change, and regulations. MIA members also actively participated in the sessions with questions and comments.

The Launch of MIAngle

On 13 May, the Institute launched the first edition of the MIAngle, an official digital publication of the MIA. This is exclusively designed to bring news and information to MIA members and students.

If you have not yet viewed it, please visit miamalta.org/MIAngle (accessible only to MIA Members and Students - login details required for access)



Extraordinary General Meeting approves statutory changes

The Institute held an Extraordinary General Meeting on 24 May, with members participating and voting virtually. The main item on the agenda was a series of amendments to the Institute's statute after they were first approved by the Council.

MIA CEO Maria Cauchi Delia explained that the proposed changes fell under one of 3 categories: areas related to the governance of the Institute, definitions and consolidation of current statute articles, and updates to the internal operations of the Institute.

The amendments were presented in 8 resolutions and were all overwhelmingly passed by the members.

Participants also approved a provision to increase the number of members of the MIA Disciplinary Appeals Pool from 3 to 10 and endorsed the Council's nominees for the organ's chair person, Mr Anthony Zarb, and Deputy Chair Person, Mr Paul Mercieca. Set up by the 2020 Annual General Meeting, in September, the Appeals Pool has a term until 2023.

In his introduction to the EGM, President Fabio Axisa said that the changes to the Bye-Laws reflect other transformations in the profession as well as events of particular interest to MIA members.

Mr Axisa said that the Institute has robust procedures in place to deal with misconduct, adding that the amendments on this matter were being introduced to further refine the disciplinary process. In the meantime, the President announced that the MIA is engaging with a broad spectrum of stakeholders to strengthen the regulatory infrastructure of the profession.



TEAMING UP ADDS VALUE TO YOUR NEXT CAMPAIGN.

MYC. CONSULTING. CREATIVE. COMMUNICATIONS.

myc.com.mt



NEWS ROUNDUP

APRIL-JUNE

Malta passes Moneyval test

The Council of Europe confirmed that Malta passed the Moneyval test with “significant progress” in the country’s fight against money laundering. The body said that Malta was no longer considered non-compliant or partially compliant with the Financial Action Task Force (FATF) recommendations. Though a final verdict still awaits from the FATF.

In its final report, Moneyval said that Malta achieved full compliance with 12 recommendations from a total of 40 made by the FATF. Only minor imperfections were observed in the remaining recommendations.

Legal Notice 199 of 2021

A Legal Notice issued on 30 April, introduced a range of amendments regarding Prevention of Money Laundering and Funding of Terrorism Regulations. Among other changes, the Legal Notice clarifies the definition of “Trust and Company Service Provider” as well as “Supervisory Authority”.

Other amendments impact the requirements of the Directive (EU) 2015/849 relating to prevention measures, Regulation 11(11) setting out the obligations of subject persons, and Regulation 21(4)(b)(ii) concerning penalties for breaches.

New VAT rules for imports from Third Countries

The new VAT e-commerce rules come into effect on July 1, 2021, subjecting all commercial goods imported from countries outside of the EU to VAT irrespective of their value. The rules replace the provision exempting goods below €22 in value from VAT.

To facilitate compliance with the new obligations, the European Commission has set up an online portal, referred to as the Import One-Stop Shop (IOSS). Buyers will only be charged once at the moment of purchase, simplifying the process for businesses.

MFSA and Police Force enter collaboration

The Malta Financial Services Authority signed a memorandum of understanding (MoU) with the Police Force to collaborate more closely on matters related to financial crime, money laundering and the funding of terrorism.

The MoU envisages further areas of cooperation including information-sharing and other operational arrangements.

Maltese MEPs united against EU-wide tax minimum

The 6 Maltese representatives in the European Parliament voted against their respective parties on a resolution to introduce a minimum 21% tax for digital-based companies in the EU. The move was described by the Maltese MEPs as a step towards establishing a harmonised tax system across members states.

The resolution was, nevertheless, adopted with 549 votes in favour, 70 against, and 75 abstentions.

THERE IS MORE TO ACCOUNTING THAN JUST NUMBERS

Author: Dona Falzon

ACCOUNTANCY IS NOT SIMPLY A CAREER CHOICE; IT IS A WAY OF GOING ABOUT LIFE. IN TODAY'S FINANCIALLY DEMANDING LIFESTYLE, AN UNDERSTANDING OF MONEY MANAGEMENT IS FUNDAMENTAL. VIRTUALLY EVERYONE HAS A BANK ACCOUNT, BUT HOW MANY PEOPLE CAN MANAGE THEIR PAYMENT COMMITMENTS OR WORK OUT THEIR LOAN INTEREST? THE SAME WITH TAXATION – MANY PEOPLE DO NOT KNOW HOW TO CHECK THEIR PAYSIP DEDUCTIONS OR FILL IN AN ANNUAL TAX RETURN.

And this does not apply only to employees or business laymen. I often come across successful entrepreneurs with solid business know-how, but who still confuse profit with cash flow or have a difficult time doing basic budgeting.

For those who go on to study the subject more deeply, accounting presents an exciting and rewarding career path. Market changes in recent years have opened up new opportunities as the jobs market in the field has become quite varied.

Typically, students who study accounts at an early stage in school have accountants in their families or demonstrate a flair for numbers, but at post-secondary level, their decisions to pursue the subject are mainly driven by career prospects.

For several years now, students have had the chance to choose from more than one route to further their studies after sixth form, with work-study arrangements, travel opportunities and a multitude of areas to specialise in.

I feel a sense of pride and joy when I see former students establishing their careers, sometimes

even overseas in countries like Japan, the UK or Luxembourg. Accountancy has an increasingly international dimension and professionals based in Malta also need to liaise with foreign contacts frequently and travel abroad on assignments.

That is not to say that a career in accountancy is not challenging. Students often find the transition from their studies to the professional world to be quite sobering. The demands in the pre-graduation phase are preparation for a career path that involves strict deadlines and is full of reports and meetings. But I strongly believe that “what doesn’t kill you makes you stronger”, and if students manage to work their way up to a master’s level of education, they will have built the stamina and skills needed to be successful in this line of work.

The accountancy curriculum in Malta has been through several changes over the years, reflecting the transformations in the professional and financial climate. Nevertheless, there are still wide gaps in knowledge that are not being sufficiently addressed. Among them, is the inadequate use of digital solutions.

Accounting knowledge is a lifelong advantage, and I believe that everyone should develop a grasp of the basic concepts.



From my personal experience as an accountant, which was before my role in the education sector, accountants are expected to become spreadsheet gurus. Yet, even at A level standard, students still feel intimidated by a screen full of rows and columns. In class, I choose to use the software myself and project my workings to help students understand what a functional and flexible tool it can be.

I feel that it is up to us teachers to show students that what is being done on paper can be translated digitally to prepare them for the real world when they enter the profession. To achieve this, the education sector needs more investment in tools and learning resources.

Accounting is a very practical subject and I find that hands-on learning is always the best method of teaching. One of my ambitions is to, one day, be able to offer work placement opportunities at sixth form level for students to get the real feel of an office and live a genuine experience of a professional.

The pandemic has added pressure to both teachers and students, but online schooling has also opened a toolbox that was not being tapped into before and which I believe will change our ways of working. At the same time, however, as far as learning is concerned, online classes are not a substitute for in-person teaching, particularly with a subject like accounting.

Teaching is about showing your students that they can achieve what they put their mind to – with the right determination and work consistency. Helping the next generation of professionals to realise their aspirations and contribute to the success of others, whether in the private sector or the public sector, is a source of joy for me.

Accountancy is far from the boring profession that it is stereotypically made out to be. While a role in accounting may not always be teeming with activity, there is ample opportunity for professionals to push themselves out of their comfort zone. The accounting environment is constantly evolving and professionals have something to look forward to every day.



Dona Falzon has been teaching at sixth form level for the last ten years. Her background in the accountancy industry makes her teaching style on a practical level stand out.

Keep that cool vibe, even when you're retired!

Benefit from up to
€750 tax credit*
Call us on **8007 2206**



**Jesmond
Mizzi**
FINANCIAL ADVISORS

INVESTMENT ADVICE | WEALTH MANAGEMENT | CORPORATE SERVICES | STOCKBROKING | PENSIONS

Hamrun | Valletta | Birkirkara | Ta' Xbiex

📞 8007 2206

www.jesmondmizzi.com

*Terms & Conditions Apply.

A member of the



This amount of tax credit applies to contributions made from 1st January 2021 onwards. Tax treatment depends on the individual circumstances. Tax legislation and the amount of rebate may change in the future. Jesmond Mizzi Financial Advisors Limited (C30176) is an enrolled Tied Insurance Intermediary under the Insurance Distribution Act, Cap 487 of the Laws of Malta for MAPFRE MSV Life p.l.c. MAPFRE MSV Life p.l.c. is authorised under the Insurance Business Act, Cap 403 of the Laws of Malta. Both entities are regulated by the Malta Financial Services Authority. The Pension Plans distributed by Jesmond Mizzi Financial Advisors Ltd are products of MAPFRE MSV Life p.l.c.

HARNESSING THE POTENTIAL OF GEN Z IN THE WORKPLACE

Author: Gabby Kusz

ACCA / IFAC Research Highlights 10 Recommendations for Employers

As Generation Z (presently, 18-25 years of age) comes of age and joins the working world, ACCA and IFAC undertook research into the key issues facing this generation's emerging professionals. Surveying 9,000 Gen Z respondents in late 2020, individuals were asked about their career aspirations, needs, worries, and perceptions of business and employers. Analysis of findings are presented in the joint ACCA / IFAC Groundbreakers: Gen Z and the Future of Accountancy¹ report. This report offers recommendations for Gen Z as they navigate their careers and provides significant insight for employers seeking to hire, develop and retain this younger generation of talent.

What Do the Results Tell Us?

Regardless of sector, survey findings offer important insights into meeting Gen Z needs and addressing their concerns – both of which are essential for future business success. Survey results identified a number of key findings relevant to attracting, motivating, and engaging Gen Z employees.

It is important to remember that Gen Z grew up during the economic crisis, is presently living through the COVID-19 pandemic, and will face the impacts of climate change. As such, it was not surprising to see job security and well-being rank as top concerns for Gen Z which was closely followed by the 3 Es: (1) global economy, (2) future of education and (3) income inequality. Each of these further aggravated by the pandemic.

The broader concerns around climate change and inclusivity have not fallen entirely out of the chart though, with about a quarter of the respondents identifying them as key concerns.

Although Gen Z is strongly influenced by the desire for job opportunities and security, they are being selective and focusing on job opportunities that build and enhance their capabilities so that they succeed in the workplace of today as well as tomorrow. The good news is that, for the most part, employers are already meeting these expectations.

Personal well-being is very important to Gen Z employees. Over 48% of respondents identified work-life balance as a key attraction factor, yet of those already employed, only 33% are satisfied. While above the median, this suggests employers can still do more to prioritize mental health and well-being in order to attract and retain the best talent.

Remuneration, compensation, and benefits are key to employee retention. Gen Z is looking for fair pay and income equality. Gen Z is also an ambitious generation - with close to 60% expecting their next upward move to be within 2 years. As Gen Z is very comfortable with mobility (i.e., changing employers), despite concerns around job security, this generation will not hesitate to move on if their career expectations cannot be met by their current employer.

Being the most globally aware and most connected generation, it is not surprising that Gen Z desires opportunities for international engagement and exposure.

For accounting firms within networks, and for multi-national corporations, designing a structured exchange or secondment program may be an attractive option for new hires. Smaller and medium businesses may need to be creative in meeting these desires and consider more nuanced ways in which to provide such opportunities.

80% of Gen Z respondents noted that they are very comfortable with technology and are confident with picking up new technology as these become available. 79% are convinced that technology enables finance professionals to move away from the more routine number crunching tasks and towards higher value-adding work. Although this is positive, it is important to note that going forward, as technology continues to advance, Gen Z believe that many entry level roles will be eliminated. More than half of survey respondents were concerned about the impact of technology on their job opportunities in the future.

Gen Z, as a group, are broadly convinced (69% of respondents) that businesses have a positive impact on the wider society. However, the survey also suggests that they see room for improvement in a few areas. Roughly 50% of Gen Z respondents noted that they believe businesses emphasize profit maximisation over taking care of customers and employees. Further, Gen Z are not convinced that business leaders have integrity and do what they say. Even fewer of them believe that businesses are currently pulling their weight in addressing the challenge of our time: climate change. Although alarming, this feedback presents an opportunity for employers to clearly and transparently demonstrate that they are mission-driven and focused on impact. Firms which recognise and make this shift will be better able to attract the Gen Z talent crucial to their business' sustained success.

On a more macro level, as the central purpose of the accountancy profession is to create sustainable value for organisations while acting in the public interest, the accountancy profession is uniquely suited to meet the desire of Gen Z employees to engage in mission-driven work. The key to this will be ensuring that the accountancy profession and accountancy employers are effectively communicating this message and raising awareness amongst students and recent graduates.



Gabby Kusz, Principal for Strategic Initiatives, International Federation of Accountants (IFAC)

1. <https://www.ifac.org/knowledge-gateway/developing-accountancy-profession/publications/groundbreakers-gen-z-and-future-accountancy>

EMBRACING GOOD GOVERNANCE

THE REVISION OF THE INSTITUTE'S STATUTE AND BYE-LAWS

THE MALTA INSTITUTE OF ACCOUNTANTS HAS RECENTLY LAUNCHED A COMPREHENSIVE REVIEW OF ITS GOVERNANCE DOCUMENTS, COMPRISED OF THE STATUTE AND BYE-LAWS, TO BOLSTER THE PARTICIPATION OF MEMBERS IN ALL MATTERS OF GOVERNANCE. FOR THE STATUTE TO BE AMENDED, A TWO-THIRDS MAJORITY VOTE OF THE MEMBERS PRESENT DURING A GENERAL MEETING IS REQUIRED. ON THE OTHER HAND, THE STATUTE GIVES THE POWER TO COUNCIL TO AMEND THE BYE-LAWS. FOR THIS REASON, THE COUNCIL PROPOSED THE ENTRENCHMENT OF ALL GOVERNANCE-RELATED MATTERS TO BE INCORPORATED INTO THE STATUTE.

An internal working group was set up to re-draft all relevant documents, making sure that matters related to the Institute's governance, including those forming part of the Bye-Laws, are incorporated in the Statute to reflect a more transparent *modus operandi* and to respect the rule of law, at all times.

Besides the incorporation of the relevant Bye-Laws into the Statute, the review also introduced further clarifications of articles and suggested the removal of duplicate or redundant parts in the documents.

Most of the amendments pertained to Article 10 in the Statute, which is devoted to the governing body of the Institute, that is, the Council, and included the addition of new measures to ensure good governance and integrity of the Council.

Another set of changes dealt with the disciplinary proceedings introducing updates to strengthen the established processes. A major amendment aligned the composition of the Appeals setup with that of the Disciplinary setup. The main difference between the two setups is that the former is wholly appointed by members at a General Meeting to ensure independence from the functions of the Council.

The proposed amendments to the Statute were presented to members in an Extraordinary General Meeting (EGM) on 24 May, providing members with the

broader context within which the changes were taking place. The members participating in the EGM were then invited to vote on the amendments, which were cited in a series of resolutions. All changes were approved.

The revision of the Statute triggered the revision of the Members' Bye-Law as well as the Students' and Disciplinary Proceedings Bye-Laws. The upgrade now brings the Bye-Laws and the Statute much closer together in terminology and scope, to minimise any potential misinterpretation or ambiguity. Consequently, there is now wider cross-referencing between the documents.

The disciplinary system is core to the work of the Institute and this exercise led to a rethink of the entire process, putting it on a more solid foundation heading into the future. As a result of this, the Disciplinary Bye-Law has been revamped and restructured.

As a members' body, the purpose of the Institute is ultimately to give greater voice to the professionals it represents. The amendments to the Statute and Bye-Laws give members a bigger and more direct role in governance, allowing the Institute to better respond to their needs.

The revised Statute and Bye-Laws along with the detailed amendments can be accessed through the MIA website:
miamalta.org/Statute-and-Bye-Laws



**Avenue
77**

looking for a different
office space?

Avenue 77
a new kind of **workplace**

avenue77.com.mt

Commerce Street, Central Business
District, Birkirkara, CBD 3010, Malta

Call us on.
+356 9900 4016

Email us on.
amanda.balzan@avenue77.com.mt

THE IMPLEMENTING PROCEDURES PART II FOR COMPANY SERVICE PROVIDERS

Author: Paula Galea Farrugia

ON 16 DECEMBER 2020 THE FIAU ISSUED SECTOR SPECIFIC IMPLEMENTING PROCEDURES (IPS) FOR CSPS¹. THIS ARTICLE PROVIDES SECTOR-SPECIFIC GUIDANCE ON THE IMPLEMENTATION OF PARTICULAR ANTI-MONEY LAUNDERING/ COUNTERING FUNDING OF TERRORISM OBLIGATIONS, THAT WARRANT FURTHER ELABORATION AT AN INDUSTRY-SPECIFIC LEVEL.

The Implementing Procedures give detailed information on Money Laundering/Terrorist Financing (ML/FT) risks to assist CSPs in formulating a better understanding of the ML/FT risks they face, ensuring that they are better equipped to detect and report ML/FT suspicions. These sector-specific IPs should be read in conjunction with the IPs Part I².

CDD on Intermediaries and Agents

These IPs guide CSPs in distinguishing between Introducers, Intermediaries and Agents and between Intermediation and Reliance.

An *Introducer* is defined as a **person who typically would have a business relationship with a third party, the Introducer's client, and who introduces that third party to a CSP**. The intention would be for the third party to form a business relationship or conduct a one-off transaction directly with the CSP, thereby becoming a customer of the CSP directly.

When an Introducer introduces a third party to a CSP, and remains actively involved in carrying out the occasional transaction or in the business relationship established with the CSP, they become an Intermediary. Besides carrying out customer due diligence (CDD), the CSP must also carry out further due diligence measures on the Introducer. The IPs provide guidance on the basic checks required for all intermediaries and also as to further checks required for higher risk intermediaries.

An *Agent* is a **person who acts on the customer's behalf and has the authority to bind the customer with his or her actions**. Company directors who are vested with the legal and judicial representation of the Company who, within the context of an occasional transaction

or a business relationship, act on behalf of the Company, are likewise considered to be agents who purport to act on behalf of the respective company. They need to be identified and verified, and the CSP is expected to ensure that they are authorised in writing to act on the customer's behalf.

A CSP can deal with an Agent/ Intermediary without placing reliance on that Agent/ Intermediary. A CSP may also rely on another subject person/ third party in terms of Regulation 12 of the Prevention of Money Laundering and Funding of Terrorism Regulations (PLMFTR) without that other subject person/ third party being an Agent/ Intermediary regarding the CSP. In certain circumstances, an Introducer/Intermediary/Agent could be another subject person/ third party subject to AML/CFT obligations in another jurisdiction, on whom the CSP is permitted to place reliance to carry out some aspects of CDD.

1. https://fiaumalta.org/wp-content/uploads/2020/12/FIAU_IPs-Part2-CSPs-FINAL-Version.pdf
2. https://fiaumalta.org/wp-content/uploads/2021/05/20210520_Revised-Implementing-Procedures.pdf





ARE WE THE MATCHING PAIRS?

At Alter Domus, we like to think we do things differently. Not only are we experts in alternatives, but we also foster an entrepreneurial spirit. From building close relationships with top-tier clients, to working on projects that span the globe, you'll be given the tools you need to grow and achieve your unique aspirations.

Are you ready to be part of a different kind of organisation? Join our rapidly growing Malta team of more than 150 accounting, tax and legal experts and unleash your true potential.

Tap into our expanding network of 3,000 people across more than 35 offices and kick-start your career in finance with us.

Apply today: www.alterDomus.jobs

Alter Domus is a leading provider of integrated solutions for the alternative investment industry serving clients in private equity and infrastructure, real estate, and debt capital markets sectors. Solely dedicated to alternatives, we offer fund administration, corporate services, depositary services, transfer pricing, domiciliation, management company services, loan administration, agency services, trade settlement and CLO manager services.

alterDomus*

<<

Purpose & Intended Nature: Establishing the Customer's Business and Risk Profile

CSPs that solely provide company formation services, without any additional company services, are considered to be carrying out an occasional transaction and not establishing a business relationship, since the CSP's services end with the setting up of the company. Nevertheless, CSPs are still expected to understand and, as appropriate, obtain information on the intended purpose of the company or other legal entity being set up.

CSPs who are requested to provide services, such as a registered office (RO), a correspondence address, directorship or secretarial services to or within companies/partnerships which the CSP itself incorporates or which are already incorporated, would be establishing a business relationship since these services are offered over a span of time and hence denote an element of duration. Accordingly, these CSPs are required to assess, and, as appropriate, obtain information on the purpose and intended nature of the business relationship being established. Relevant information in this context includes the rationale for the setting up of the company/partnership in Malta and/or for the provision of the requested services.

The commercial/trading activity that is to be carried out by the company should be understood. When the company is not set up to carry out commercial/trading activity but to hold assets, it would not suffice to simply determine the purpose of that company. The CSP providing services to that company would be expected to gather information on the commercial/trading activity carried out directly

by the holding company's subsidiary or subsidiaries.

The CSP is expected to assess whether the profile of the shareholders or beneficial owners' tallies with the company's/partnership's activity or purpose. CSPs are expected to obtain information on the value of the share capital or assets, and, depending on any identified ML/FT risks, obtain documentation evidencing the source of funds and/or assets forming the capital of the company/partnership.

Ongoing Monitoring of Business Relationships

CSPs providing directorship services and who would be empowered to legally represent and bind the company, are expected to carry out ongoing monitoring of the transactions that the company undertakes. Transactions should be scrutinised to ensure that they are in line with the CSP's knowledge and understanding of that corporate customer. If transactions are complex, unusually large in amount or conducted in an unusual pattern or have no apparent economic or lawful purpose, CSPs are expected to examine their background and purpose.

CDD data, information and documentation should also be kept up-to-date. The extent of monitoring should be commensurate with the risk profile established by the customer risk assessment.

Timing of CDD Procedures

CSPs are not expected to initiate CDD procedures upon first enquiry by a prospective customer, but when the customer takes active steps to seek the services of the CSP. CDD measures are then to be completed prior to setting up the business relationship or the carrying out of an occasional transaction.

Termination of Business Relationships for the Purposes of AML/CFT Obligations

In certain cases, the relationship with the customer cannot be officially terminated. In the case of the provision of RO services, if the CSP lost contact with the client, has exhausted all possible means to contact the customer and has documented the actions taken to do so, the termination date of the business relationship for the purposes of the PMLFTR would be considered to be the date when the CSP informs the Malta Business Registry that it has lost contact with the customer and is no longer willing to continue providing them RO services.

Sanctions Screening

CSPs are also subject to sanctions screening, freezing of assets and the reporting obligations envisaged under the National Interest (Enabling Powers) Act, Cap 365. All CSPs are expected to subscribe to the sanctions list, which is constantly updated by the Sanctions Monitoring Board (SMB), by sending an email to sanctions.mfea@gov.mt (or any other procedure that may be initiated by the SMB), and to screen their clients against this list on a regular basis or, alternatively, deploy software that autonomously performs that function.



Paula Galea Farrugia holds a Doctorate in Laws and a Masters in Financial Services from the University of Malta. She began her career in 2004 by joining the Company Compliance Unit of the MFSA and is now the Head of Compliance at Alter Domus Malta.

The Mazars logo, consisting of the word "mazars" in a bold, blue, lowercase sans-serif font.

mazars



**Don't wait.
Act.**

You don't join Mazars by coincidence, you choose Mazars: a global school of excellence where you will be challenged to develop and grow. Progression is tied to education, empowering you to match your career to your aspirations both within and outside our firm. We expect your contribution to what Mazars and our clients do next and reward your ingenuity. Come and write the rest of (y)our story with us – you'll make friends along the way too.

Mazars, the smart choice.

Our careers:

Audit & Assurance
Consulting
Financial Advisory
Outsourcing
Tax

mazars.com.mt

AN OVERVIEW OF TRADE-BASED MONEY LAUNDERING

Authors: Alan Craig and Rebekah Barthet

MONEY LAUNDERERS ARE ALWAYS FINDING CREATIVE WAYS TO LAUNDER PROCEEDS OF CRIME WITHOUT BEING EXPOSED. IN DOING SO, THEY GO THROUGH CONSIDERABLE EFFORT (AND CREATIVITY) TO DISGUISE THE PROCEEDS OF THEIR ACTIVITY UNDER THE COVER OF A LEGITIMATE BUSINESS ACTIVITY.

As Malta became an increasingly attractive choice for international investors, the country's financial services sector grew considerably in the past years. Over time, various entities, some with limited substance, were incorporated, raising the risk of Malta being used as a channel to launder the proceeds of crime.

It would be wrong to think that Malta's attractiveness lies only in its tax system. Paradoxically, money launderers may be quite happy to pay tax. Their prime motivation is to distance the funds from their illicit activity (layering process) with the ultimate aim of integrating ill-gotten funds (albeit net of the laundering costs) into the financial system, for them to use freely.

What is trade-based money laundering?

The Financial Action Task Force defines trade-based money laundering (TBML) as "the process of disguising proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illicit origins". The focus is not on the movement of goods, but rather on the movement of funds which requires collusion between parties. These schemes usually involve professional money launderers, such as lawyers or accountants, who provide parties the expertise to disguise the source of funds and avoid detection, in exchange for a fee or commission.

Goodwilled accountants, corporate service providers and lawyers may unwittingly find themselves at the centre of a cross-border TBML scheme. Understanding the purpose of business, along with professional scepticism and an eye for detail, are some of the main weapons practitioners have in their armoury.

Typical red flags for accountants to look out for

The following is a non-comprehensive list of some traits that may indicate the existence of a TBML scheme. One swallow does not necessarily make a summer, yet the existence of some of these traits may require closer analysis.

- Volume of goods being shipped appear to be much larger than the regular business activity;
- Goods are transported from or to a high-risk jurisdiction;
- Payment of goods is made by third parties who do not appear to have any connection with the transaction;
- Goods shipped are considered to be high-risk goods for money laundering, or goods connected to high-risk industries;
- Discrepancies between the description of goods on the bill of lading and those included in the invoice;
- Goods are transported through jurisdictions or entities for no apparent reason;
- The goods purchased are sold immediately, typically to one or a few customers, with a back-to-back type of arrangement;
- Credit terms are provided loosely without the expected levels of commercial guarantees and security in place;

- € Credit terms do not elicit the commensurate commercial reaction expected in an arm's length transaction;
- € The buyer and/or seller does not demonstrate the necessary experience and/or standing to carry out such a transaction;
- € Communications are not carried out directly with the buyer and/or seller, but through an agent.

Case study (*)

A Maltese individual, a management consultant, owns a company registered in Malta. It has no employees and holds a bank account in Romania. The entity was established a month prior to purchasing used specialised construction equipment from a supplier in Germany for €6 million (on credit). No technical and commercial due diligence was undertaken by the Maltese entity prior to the acquisition of the equipment. Only limited correspondence with representatives of the German entity was noted. The equipment was immediately re-sold to a customer located in Turkey for €6.1 million, with the same credit terms. The equipment was shipped directly from Germany to Turkey. The proceeds were channelled to the Maltese entity by the Turkish customer, with a commission withheld, prior to transferring the remaining funds to the German supplier. Delays were encountered in the scheduled payments for both the purchase and re-sale of the equipment without valid due notice, justification and follow-up. Desktop research reveals that the German supplier is an established player in the construction industry. Correspondence reviewed indicates that the supplier shares the same legal advisors and correspondence address with the Turkish customer.

An analysis of this transaction renders it suspicious. Various red flags were noted:

- € The owner of the Maltese entity is a management consultant and holds no previous experience in this trading activity;
- € Upon incorporation, the Maltese entity immediately entered into a significantly large transaction;
- € No technical due diligence on the equipment was carried out prior to the acquisition by the Maltese entity;
- € The lack of correspondence with the supplier and due diligence undertaken may be indicative that the Maltese entity is acting on behalf of someone else;
- € The bank account held by the Maltese entity is with a Romanian bank;
- € The German supplier uses the same correspondence address and legal advisors as the customer located in Turkey. This connection raises concerns that the transaction is not at arm's length;
- € The purchase and sales agreement are drawn up on back-to-back terms. The expected financial safeguards against credit risk are not in place;
- € The late changes to the payment arrangements for both the purchase and sale of the equipment are made without sufficient reason and justification.

The implementation of an effective anti-money laundering compliance programme requires subject persons to understand the intricacies of TBML schemes and their red-flag indicators. Customer due diligence must extend beyond identification and verification. Subject persons are expected to understand their customers' business, which includes building a customer profile. Monitoring actual activity against the customer profile should be carried out throughout the business relationship. The exercise of professional scepticism will render the due diligence and monitoring efforts more meaningful and effective.

(*) The case study is based on a real case in Malta. Changes were made to the products, places and sequence of events to preserve confidentiality.



Alan Craig is the advisory partner at Mazars in Malta, specialising in internal audit, governance, money laundering and regulatory compliance.



Rebekah Barthet is a forensic investigation and compliance senior manager at Mazars in Malta, specialising in investigation assignments and regulatory compliance.

ART WITH A HEART

Author: Prof. Victor Grech

ALMOST TEN BABIES IN EVERY THOUSAND ARE BORN WITH A CONGENITAL HEART DEFECT (CHD). THE CONDITION DEVELOPS WHEN THERE IS AN IRREGULARITY IN THE HEART STRUCTURE OF NEWBORNS THAT, TYPICALLY, ALTERS THE FLOW OF BLOOD OR BLOCKS IT COMPLETELY.

Not all heart defects require treatment, but complex cases of this disease will need immediate intervention through medication or even surgery. Some children will require urgent and multiple surgeries, often overseas.

Science and treatment have come a long way since the times when this condition was virtually a death sentence for children. Today, many people born with CHD can reach adulthood and enjoy a full life, but besides the physical concerns of the illness, there is also the impact on the psychological health of the affected persons and their families.

Beating Hearts Malta (BHM) was founded specifically for this mission: to give patients and their families the comfort and support they need to overcome challenges that people without CHD take for granted. The condition can directly affect the person's overall health, leading to further complications along the way. This, in turn, interferes with other areas of life, such as the availability of health insurance and employability or birth control and pregnancy.

As a non-profit organisation, this year, we are celebrating our tenth anniversary, and throughout the decade we have empowered hundreds of patients and their parents to live with the condition and not allow it to hinder their ambitions. One of the major projects BHM is working on is the advocacy for fairer health cover plans by the insurance sector in Malta. We increase recognition of the difficulties faced by affected individuals and propose dignified ways to cater for their needs.



Since BHM was established, we have run relentless campaigns to raise awareness about CHD and to collect funds that go directly for specialised hospital equipment and further research into this illness. In our ten years, we believe we have made real improvements to the lives of many families.

The MIA has joined us on this journey, and we are extremely grateful for the generosity and kindness showed by members time and again. This year we were delighted to partner with the MIA again to launch an exciting project that will continue to support families of children with CHD.

In the last months, MIA Staff, MIA Young Members Group and their friends and colleagues participated in a drive to collect used wine and spirit cases and boxes that have now been turned into an exclusive collection of art pieces.

When I am not practising paediatric cardiology, in my spare time, I enjoy landscape painting and mobile photography. I have held many exhibitions and published two books with my work. The greatest satisfaction for me is that my pieces are contributing directly to BHM's cause.

The Wines & Spirits collection features 60 original landscapes of Malta and Gozo painted with the use of a palette knife. We launched the initiative in April and managed to find all the 60 pieces by May. From then on, I dedicated my spare time to the project, creating unique pieces in my eclectic style.

I am fascinated by the natural contrasting colours of the Maltese scenery and the way the vivid skies blend into our traditional townscapes and seascapes. My technique using oils and a palette knife tries to capture that mysterious sense of calm in motion giving it my unique interpretation.

The creative process was an embodiment of the strong relationship between the members of the MIA and the children that benefit from BHM's work. These 60 pieces of art represent the common values of responsibility, innovation, and teamwork that bind the two organisations together. Ultimately, professionals in both the financial and healthcare sectors have a mission and indeed, a duty to improve the common good.

I am proud of what MIA and BHM have accomplished together, particularly in this time of uncertainty. Our efforts will help to ease the pressures on new parents who, besides the difficulties posed by the pandemic, have to contend with the risks associated with CHD.

Congenital heart disease is my life's work, and the attention and care to this illness have increased significantly in recent years. The artistic collaboration with MIA is another concrete way how we can build a stronger safety net for families and children affected by this condition.

MIA recently shared more information on how you can support BHM by purchasing one of the 60 featured paintings.

Prof. Victor Grech is a consultant paediatrician specialised in paediatric cardiology and has published extensively on paediatrics. He is also the current President of Beating Hearts Malta. The full artwork portfolio can be viewed on maltaimpressions.com.

Visit the Beating Hearts Malta website
beatingheartsmalta.org.

FAMILY BUSINESS: TIME TO SHAPE UP

Author: Silvan Mifsud

ARE YOU A FAMILY BUSINESS LEADER? YOU MAY WISH TO CONSIDER THE FOLLOWING OBSERVATIONS BASED ON MY DAILY INTERACTIONS WITH FAMILY BUSINESSES.

1. THE NEED TO SURVIVE

Many family businesses are presently fighting for survival amid the drastic negative effects of the pandemic. Often, family businesses feel at a loss about what to focus on to overcome the immediate crisis. Here are some important focus areas:

- Establishing an internal COVID-19 task force;
- Assessing and adjusting the supply chain;
- Managing financial resources, especially cashflow;
- Implementing a process to systematically collect and analyse internal and external information from a wide variety of sources (e.g., public health experts, economists, government);
- Keeping in touch with important stakeholders like key clients, suppliers, employees and financial providers and keeping them informed and up-to-date on the company's crisis management;
- A digital push backed by a redesign of business models.

2. SETTING THE SCENE – WHAT ARE THE POWER CENTRES OF YOUR FAMILY BUSINESS?

What are the underlying reasons for certain family businesses to thrive, continue to exist and grow from one generation to the next, when others do not? **In my opinion, the answer lies in what I call the five “power centres” that the ownership of a family business has to decide upon.** It is crucial

for owners to get these decisions right; failures in family businesses frequently follow breakdowns in these “power centres”, while thought-out choices lead to long-term success. Misunderstanding or misapplying them can destroy what a family has spent generations building. The five “power centres” that the family ownership need to decide upon are:

- Design: What type of ownership do you want?
- Decide: How will you structure governance?
- Value: How will you define success?
- Inform: What will you communicate and what not?
- Transfer: How will you handle the transition to the next generation?

Do current family leaders need to remain longer than planned to steward the family business in these turbulent times? Or do they need to make way for fresh ideas and untapped energy? Who is teaching future generations about the family business' core values and principles? Do younger family members have the skills and experience to lead the business into the future? Do they really want to remain in the family business? Are they committed to the requirements of running a business?

3. STRATEGIC PLANNING AND A STRATEGIC MINDSET FOR FAMILY BUSINESSES

Research constantly shows that family businesses are dominated by the so called “Operator’s



UPCOMING CPE EVENTS

BOOK YOUR CPES FOR THE SUMMER MONTHS BY VISITING [MIAMALTA.ORG/EVENTS](https://miamalta.org/events)

July

- 01 Governance and Risk-Board Practices, Reputation and Resilience in the Age of COVID-19
- 02 Foundations & Associations and the Register Of BOs
- 06 IFRS 16 Leases
- 08 An Overview Of Anti-Money Laundering Regulation Of Crypto-Assets
- 09 FATCA & CRS Compliance - A Practical Perspective
- 12 IFRS 8 Operating Segments
- 13 Mergers & Acquisitions process: The Legal & Financial Perspective - 2 Sessions Package
- 15 The Shape of the COVID-19 Economic Recovery
- 19 Family Businesses: Just Surviving or Thriving?
- 21 The MFSA's Risk Based Approach to Ongoing Supervision of CSPs
- 27 The Civil Code For Accountants

August

- 03 IFRS 11: Joint Arrangement
- 05 Tracking Moving Targets: The Role of the MLRO

September

- 01 GDPR for Businesses: A Practical Approach
- 02 Intellectual Property - Malta Income Tax Considerations
- 03 VAT Treatment of Shipping, Yachting & Aviation Related Transactions
- 14 Tax Transparency: Digital Platforms & Cryptocurrencies- What Is To Come? (DAC7 &
- 15 DAC8) Non Current Assets Under IFRS
- 16 The Influential Leader: Fine-Tuning Your Leadership Style To Make It Work For You
- 17 Tax Credits Under The Microinvest Scheme
- 28 Taxation & Prevention Of Money Laundering
- 29 Protecting The Organisation: Internal Audit's Role in Internal Investigations
- 30 Getting To Grips With a Revolutionary Change To Insurance Accounting

<<

Mindset”. Traditionally, it paid for families to cultivate such a mindset as most industries and business models evolved slowly, making operational excellence central to success. Families and family companies were able to adapt to most changes in their industries at a pace that avoids the ruffling of too many family feathers. Many family businesses worked well within this mindset – focusing on persistent operational improvement, developing loyal stakeholder relationships, building key talent in select individuals, carrying lower debt and building greater financial stability.

However, when dramatic shifts happen, as the world is currently experiencing, family businesses that are not able to think beyond the “Operator’s Mindset” will likely fall behind, thinking they can wriggle themselves out of problems by hanging onto traditional products and practices. In this scenario, a mindset hinders the change needed.

Family companies that have persisted for generations despite changing conditions, strive for operational excellence, but do not rely on it exclusively. They are skilled at migrating to new value-creating activities and at abandoning activities and practices that destroy value. In essence what distinguishes these long-term adapting family businesses is the strong “Strategic Mindset” of the owners, their top boards and the family and non-family top managers. A “Strategic Mindset” recognises the importance of operational excellence, but translates it into business activities that create value according to the key values of the owners. Those with a “Strategic Mindset” find the time to ask: Where are we creating value? Where should we invest our financial and human capital? How do we develop leaders and an organisation with the right culture?

4. THE NEED FOR A PROFESSIONAL SETUP – GOVERNANCE, STRUCTURE, INFORMATION & DECISION MAKING

How can a family business keep the benefits of a family operation while accelerating the professionalisation of their business?

A straight answer would be the following:

- Attract, develop and retain great family and non-family talent;
- Ensure that the organisation can always make well-timed and big decisions, through proper corporate governance, structures and timely and accurate information;
- Strengthen family discipline and commitment towards the business;
- Respect the management hierarchy and empower employees to make decisions;
- Create systems to ensure consistently high performance and fairness;
- Guard core values like a hawk.

The above is just a taste of the MIA webinar that will take place on Monday 19 July, 2021, discussing the theme: “Family Businesses: Just Surviving or Thriving?”. The webinar delves into these in greater detail and introduces other insights. Taking a practical approach, the webinar is useful to professionals dealing with and operating in family businesses.



Silvan Mifsud is presently working as a Director for Advisory Services at EMCS, providing business consultancy to various family businesses.



Walking a tightrope is not an option

Effective risk management and compliance are integral to good governance. For over three decades, we have assisted our clients in balancing risk and business opportunities.

Our Compliance and Risk Management Support Services teams can assist with:

- Outsourcing of KYC measures
- Drafting and/or reviewing of policies and procedures
- Training on financial crime, risk management and regulatory requirements
- Simulated compliance assessments (financial crime, GDPR and regulatory)
- Whistleblowing procedures and ancillary measures
- Compliance and risk management consultancy services

Get in touch with us now to find out how our team can help you balance risk and opportunity.



Grant Thornton Malta



Audit | Tax | Advisory | Outsourcing

FISCAL UNITY. HOW TAXING CAN IT BE?

Author: David Leone Ganado

THERE ARE MANY WAYS HOW A COLLECTIVE INPUT OF HUNDREDS OF HOURS CAN BE SPENT. FOR AN AD-HOC WORKING GROUP SET UP BY THE MIA'S FINANCIAL REPORTING COMMITTEE, THOSE HOURS TRANSLATED INTO AN ANALYSIS OF THE PROPER APPLICATION OF EXISTING ACCOUNTING STANDARDS TO NEW TAX LEGISLATION. MANY DISCUSSIONS LATER, INCLUDING MEETING A MEMBER OF A STANDARD-SETTER ON THE OTHER SIDE OF THE WORLD, THE MIA ISSUED ITS TECH 01/21 GUIDANCE NOTE "FISCAL UNIT CONSOLIDATION GUIDANCE" WHICH IS AVAILABLE IN THE E-LIBRARY ON OUR WEBSITE.

For many years Maltese taxpayer companies forming part of the same group were required to prepare and submit individual tax returns. Subject to satisfying the respective requirements in tax legislation, loss-making companies could surrender losses to profit-making companies within their group, and shareholders could claim a partial refund of tax paid by a subsidiary, provided that the latter had paid its tax due and declared a dividend. Refunds could take a period of time to be processed, with the cash flow implications that this brings with it.

That all changed with effect from tax year of assessment 2020 with the introduction of the Consolidated Group (Income Tax) Rules (the Rules), which make it possible for a group of companies (the "fiscal unit") to prepare a single tax return on the basis of their consolidated results. Subsidiaries must meet certain requirements to be allowed to form part of the fiscal unit.

In practice, this means that loss-making companies

within a fiscal unit will no longer need to surrender their losses. Perhaps more importantly, a fiscal unit's tax liabilities are measured at its blended tax rate, which is a net rate obtained after taking into consideration any refunds that the shareholder would have been entitled to claim had a fiscal unit not been formed and the investee had declared a dividend for the full amount of its profits available for distribution. This means that:

- investors who qualified for a refund of taxes paid by their investees no longer need to fund the investee's tax payment in full, only to subsequently receive a partial refund; and
- investee companies are no longer required to declare dividends in order for investors to maximise tax efficiency.

The most challenging of impacts to us members of the profession relate to recognition and measurement of tax assets and liabilities, with a summary of the key conclusions from TECH 01/21 set out in Figure 1.

>>

Raising the profession with *integrity, honour & passion*

Zampa
Debattista



Experts in VAT & Financial Reporting



Russell Bedford
taking you further

Search our open positions and apply online

zampadebattista.com/careers

- Each member of a fiscal unit must recognise a notional tax expense (or income).
- Subsidiaries must immediately derecognise current tax liabilities and deferred tax assets on tax losses and capital allowances carried forward; the fiscal unit's parent recognises these balances.
- The parent and its subsidiaries are free to elect whether – and how much – the subsidiaries will owe the parent for assuming current tax liabilities, or the parent will owe the subsidiaries for receiving their tax losses and capital allowances; certain arrangements may result in the recognition of capital contributions by the parent, or deemed distributions by the subsidiaries.
- The fiscal unit itself, together with its members individually, must measure tax balances on the basis of how the items giving rise to tax implications will be taxed at the fiscal unit's level; subsidiaries may experience a reduction in the tax rate used to measure their tax balances.
- For the purpose of measuring their notional current tax expense and its deferred tax on tax losses and capital allowances carried forward, subsidiaries have a policy choice on what measure of results before tax to use, and whose future profitability to assess; TECH 01/21 provides guidance on the Stand-Alone Approach and the Fiscal Unit Approach.
- Subsidiaries must continue to recognise deferred tax balances on temporary differences.
- Adjustments will likely be required in the years in which a subsidiary joins or leaves a fiscal unit.

Figure 1: Key accounting implications arising from the Rules

The Rules also require a fiscal unit to prepare consolidated financial information which must be audited. If the fiscal unit already prepared and presented consolidated financial statements, those financial statements could be used to satisfy this requirement, but there may be situations where a fiscal unit is exempt from preparing consolidated financial statements for company law purposes or, as illustrated in Figure 2, a fiscal unit is only a subset of the group of companies which prepares consolidated financial statements for company law purposes. In these situations, the fiscal unit's consolidated financial information must follow the recognition and measurement, as well as the presentation and disclosure requirements of IFRS or GAPSME. However, the guidelines issued by the Commissioner for Revenue include a list of items that may be excluded from the notes, with the result that the consolidated financial information is drawn up under a compliance framework rather than a fair presentation framework.

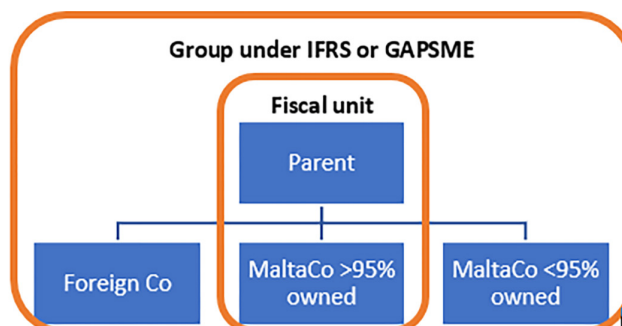


Figure 2: An example of a fiscal unit as a subset of a larger group

TECH 01/21 [Login details required] includes detailed guidance on the accounting and auditing implications of the Rules.



David Leone Ganado specialises in technical accounting and provides advice and training on complex matters under IFRS and GAPSME. He is a member of the MIA's Financial Reporting Committee and is the founder of Accounting Advice by David Leone Ganado



In an unfamiliar
landscape, how will
you reimagine
yourself?

If you want to form part of our
dynamic team and make a serious
impact in your career, please visit:
www.ey.com/en_mt



The better the question. The better the answer.
The better the world works.



EY

Building a better
working world

CYBER AND THE FINANCE LEADER

Author: Clive Webb

WORKING PATTERNS HAVE CHANGED AS A RESULT OF THE PANDEMIC AND ORGANISATIONS HAVE BECOME INCREASINGLY AWARE OF CYBER RISK. CYBER SECURITY IS TAKING GREATER PROMINENCE ON THE LEADERSHIP AGENDA, BUT THE ACTIVITIES THAT WE ALL NEED TO UNDERTAKE NEED NOT BE GROUND-BREAKING. CYBER SECURITY IS A PERSONAL ISSUE FIRST AND FOREMOST: WE ALL NEED TO BE OBSERVANT AND CAUTIOUS.

A survey conducted jointly by ACCA, CA ANZ, Macquarie University and Optus in October 2018 showed that 57% of respondents ranked cyber security among their top five business risks while 52% saw cyber security as a high or very high risk to their organisation.

The level of cyber threat evolves as technology changes and an increase in connectivity transforms the risk profile for organisations. Yet, cyber security is still not managed as a business risk and, too often, left to the information technology professionals alone to handle.

Redefine risk and resilience

This evolving threat means that cyber criminals constantly find new vulnerabilities to exploit, so it is important for businesses to maintain their software and hardware system and protect it from risk, but

this is not enough. Traditionally, hardware is understood as the boundary of our IT system. In the connected world we are moving to managing the cyber risk by verifying the user and the equipment that they use instead. As users we are less tolerant of inflexibility in the infrastructure that we use, and many people bring their own devices to work. This surge in the use of remote access, however, provides further vulnerability that the cyber threat actor can exploit. Both as individuals and organisations, we need to be vigilant.

Cyber threat actors have time on their side. They need not act immediately. An annual IBM global survey published by IBM in early 2021 showed that, on average, it takes 280 days for organisations to identify and contain an attack. The average total cost of a breach was US\$3.86 million.

For organisations, the question about suffering an attack is not “if” but “when”. The results of the ACCA survey found that 26% of respondents were aware of attacks detected by their organisation in the preceding six months. More concerning still was the 54% of respondents who thought that their organisation had never been the subject of a cyber-attack; or were not aware that it had ever been. Cyber-attacks cause both financial and reputational damage and businesses cannot afford to ignore them.

Focus on recovery plans

Preparation for an attack should focus not only on the management of the attack itself, but also on the recovery afterwards. This requires effective planning to manage the technical issues as well as the relationships with regulators, customers and suppliers. Only

37% of participants in the survey noted that there was a remediation plan in place that was regularly updated and tested. The risks associated with cyber-attacks go beyond the loss of personally identifiable data and they may harm the company's operations. It is how we do business in the connected world. Especially during the pandemic, organisations have shifted their focus to online interactions with customers and suppliers. That level of connectivity and inter-dependency creates a higher risk.

Audit your supply chain

As supply chains become ever more complex and integrated, the extent of cyber risks at the boundary of organisations grows. The weakest point may well be a connection to a third party. Providing support to and assessing the vulnerability of these third parties is essential, yet 41% of respondents had no knowledge of any cyber security assessment or audit being conducted on their organisation's supply chain.

Invest in cyber insurance

Leadership needs to regularly review and action cyber threat

measures as part of its broader business risks assessments. This includes the qualification of the potential financial impact of exposure. For the cyber-criminal, the activity can be more profitable than any other illegal activity and paying criminals to unlock attacked data through ransomware will mark the organisation as a vulnerable target on the dark web. Insurance will help manage some of the losses arising from an attack, and 44% of respondents were unsure whether their organisation had a cyber insurance plan, or if the cover is at an appropriate level.

Play your role in the reality of cyber risk

Do not wait for the cyber-attack to take place. Do not wait for the fine or the measurable reputational loss. Finance leaders need to recognise that cyber risk is especially relevant to them. Ensure that you are fully up-to-date on the nature of the risk that the organisation faces on an ongoing basis. The cyber threat actor has time on their side, and it is not time that you can afford to waste.



Clive Webb leads ACCA's research on business and technology related matters from the perspective of chief financial officer. He has a background in information technology assurance as well as being a qualified accountant.

MEET THE MIA TEAM

STEPHANIA BONELLO

MIA FINANCE ASSISTANT STEPHANIA BONELLO TALKS TO THE ACCOUNTANT ABOUT HER DAYS, AT WORK AND AWAY.



For those who don't know you, what three words describe you best?

Diligent, ambitious and ethical.

And those who know you well, what do they call you?

Just Steph.

What is your best memory from your time as a student?

There are so many! I can never forget the wonderful moments with my dear school buddies.

Why did you decide to join the MIA?

MIA is a great place to work, and I love being part of this team. The MIA is truly the voice of the accountants in Malta and we have an important mission to provide professional guidance, technical support and continuing professional education to members.

Describe a typical day at work.

My main responsibilities are the Debtors section within the Finance team, and I do the daily updating of payments received across all channels. I keep track of assigned accounts to identify outstanding debts, locating and contacting debtors. I also perform reconciliations and month-end procedures to assess the financial position.

What are your best qualities at work?

Organisation and time-management skills are my top attributes. I normally plan out my tasks, but there will be times when things don't go to plan so I always factor the need for flexibility in my day.

The office culture is important to you. So, what do you find most challenging about working from home?

Social isolation, sitting at home by yourself. We all need human interaction.

And what do you do to unwind?

I cycle regularly, to keep myself healthy physically and mentally. Besides the benefits of exercise, riding is also a great way to get around.

Are you looking forward to travelling again?

I love travelling and road trips are the best way to explore. The road is an embrace of the unexpected, it renews my faith and broadens my mind. One of my favourite trips was to Switzerland. The Alps, the lakes, the quaint villages, and towering castles are incredibly picturesque. Apart from the scenery, Switzerland is also famous for its chocolate, making it an irresistible destination to a chocoholic like me.

And if you could travel in time, would you go back in history or forward into the future?

Definitely the past. To experience the serenity of a time with fewer people and a simpler life. And it would be awesome to meet some of history's greatest people.

Speaking of great individuals, what fictional character would you like to be?

Sherlock Holmes. I would love to have his high intelligence, impressive observation skills and the keen concentration ability even against extreme distractions.

right size, right people, right answers



Audit | Accounts | Advisory | Tax | Legal



info@pkfmalta.com | +356 2149 3041 | www.pkfmalta.com

“IT STILL IS AN EXCITING TIME TO JOIN THE ACCOUNTANCY PROFESSION”

AS MIA MEMBER CHRISTOPHER CARDONA REACHES AN IMPORTANT JUNCTURE IN HIS CAREER, THE ACCOUNTANT ASKS HIM FOR HIS VIEWS ON THE FUTURE OF THE PROFESSION.



You started the year as a newly appointed Assurance Partner with PwC. How has the experience been so far?

Becoming a Partner is a defining moment in the career of some accountants. I am certainly proud of the achievement; however, I look at the appointment as a major milestone in the professional journey that has many miles left. It is not an end to itself, but an important step to accomplish more.

Apart from my personal journey, I hope that this new role helps to demonstrate that a professional career in Malta can be enriching and inspires young people to pursue accountancy. As a young graduate, over a decade ago, someone told me that it was an exciting time to join the profession. That advice still holds true today.

What are the main challenges in your new role?

As an Assurance Partner, my role involves leading engagements and providing assurance to others. I believe that trust and quality are central to

the profession in general and this demands that accountants and auditors keep raising their game by, for instance, remaining up to date with new requirements, standards and regulations.

In our profession, academic preparation is complemented with on-the-job training that allows you to develop your own skillset. I feel it is my professional responsibility to lead by example thereby impacting the learning and professional growth of the members of my team.

How does it impact your work on the MIA Financial Services Committee?

Through collaboration, teams have the ability to change things and MIA Committees bring different experts together to form a broad perspective on important issues. I have been a member of the Financial Services Committee for many years and I do not see my contribution changing. If anything, as a Partner, I have increased appreciation towards the value of sharing of insights and contributions to the bigger picture.

>>

Advertising made easy with our marketing experts



✉ info@gcsmalta.com

☎ +356 2016 1010

🌐 www.gcsmalta.com



JOIN OUR TEAM

WE'RE
HIRING

At KSi Malta we are always on the lookout for recent graduates and experienced professionals in the audit, accounts, tax and legal sector. Give your career a boost and join our dynamic team.

Send us an email on
careers@ksimalta.com
for more information.



All warrant-holders play a part in the development of the profession and joining one of the several MIA Committees and Groups is an effective way of shaping the future of accountancy in Malta.

What are the priorities of the MIA FS Committee?

Our top priorities are the continued liaison with MFSA, the development of guidance and technical releases, and the organisation of CPE events. We are a very active committee with a wide range of expertise and experience covering multiple sectors.

Financial Services is a dynamic and highly regulated space with direct impacts on many market players, so there are always issues that call the MIA's attention. I am also pleased with the dialogue that the Committee is fostering between accountants, auditors and the regulator, which is central to the profession's success.

And what is the Committee's longer-term vision?

The Committee has an expansive agenda covering Insurance, Banking, and Asset Management. In terms of vision, we want to elevate quality and prepare the profession for a future that holds further changes to financial reporting standards, amendments to current regulations, and an increased focus on emerging trends, such as the impact of ESG reporting on financial services.

How do you see accountancy evolving in the next decade?

There is no shortage of exciting challenges and opportunities ahead. Changes to the landscape are taking place at all levels, from increased regulatory and legislative demands to technological transformations to accounting change, but change is an inherent part of our profession and accountants are not immune to the need to transform.

In my view, some or most of what we consider traditional in the accountancy domain today will likely give way to newer services and ways of working. Nevertheless, quality and integrity will remain fundamental to the profession.

You were awarded the Kevin Mahoney Prize in 2019. How did it feel when it was announced?

It was totally unexpected. I had no idea that I had been nominated, but accepting the award was a humbling experience. In general, we probably tend to associate the profession with numbers, reporting, or taxation, but there is much more to being an accountant. The Kevin Mahoney Award sheds a light on the human side of accountants and on the sense of altruism that often goes unnoticed.

Every time I reflect on this award, it reminds me to be sensitive to what every person may be going through, whether colleague, family, friend, or client.

How do you balance your work life with your other commitments?

Work is only one aspect of life. It is an important part, but besides my career and my involvement in the MIA Committee, I also dedicate some time to lecturing at university and have a young family with two children.

An insightful concept I once came across advocates for work-life choices, as opposed to work-life balance. That makes more sense to me because choices are centred around our personal priorities. Priorities, of course, change with time and circumstances, but we must have the awareness to identify them before we can make the right work-life choices.

What do you do to take your mind off work?

I like to spend time with my family; we love to travel and enjoy the sea.

I am also quite a hands-on type and I do a lot of DIY projects around the house. We recently renovated some rooms, with some help from the children too.

LOCAL APPOINTMENT

With effect from February 2021, Andrew Zarb Cousin was appointed to Audit Partner. Andrew joined BDO in 2017, following several years at one of the local big 4 audit firms. Andrew is responsible for the provision of audit services within the firm and services a varied profile of local and international clients operating in several industries, in particular financial services. He is a certified public accountant and auditor and is a member of the MIA and the Malta Institute of Taxation (MIT).





Start your digital transformation journey

We connect creativity with technology for businesses—bringing empathy, ideas, and experiences into all that we do.

Mobile Web & Commerce

Experience & Design

Digital Marketing Service

Technology

Digital Customer

www.deloittedigital.com.mt



Data: your new superpower

Data is an incredibly vital business asset. It helps you visualise any situation under analysis in a factual and accurate way, which then helps you make faster and better decisions and work more efficiently.

The great news is this data isn't something difficult to obtain or access, it's an asset you already own!

Get in touch with our Data & Analytics team and make the most of your data. We will help you:

- Build your data foundation
- Apply advanced analytics
- Improve business performance
- Explore innovation opportunities



Contact us:

☎ +356 2124 7000 ✉ mt.info@pwc.com

Discover more:



Follow us on:



www.pwc.com/mt/data