



Newsletter

Vol 1, 2018



Audit / Tax / Advisory / Risk / Forensic

Smart decisions. Lasting value.



The Partners and Staff
of Crowe Mak Ghazali
wishes all our clients and well wishers

Eid Mubarak



David Mellor
Chief Executive Officer
Crowe Horwath International

It is simple but impactful: “Crowe drops Horwath from its brand” #WeAreCrowe

Crowe Horwath International, the eighth largest global accounting network, has announced that the network and its member firms will rebrand.

The rebrand will see over 220 member firms globally adopt the name Crowe, reflecting the increasingly integrated and seamless nature of the network as well as its shared values and core purpose. Crowe Horwath International will rename to Crowe Global.

The move will assist in promoting the network’s shared knowledge and global resources in

response to changing client needs, driven by digitalization and the borderless world of modern business. The change of brand happens shortly after another significant development for the network, the appointment of a new Global CEO, David Mellor, who took over leadership as of 1 April, 2018.

Under the new brand and leadership, Crowe reaffirms its determination to drive forward the profession and increase discussion of audit, tax, risk and consultancy issues at board level globally while retaining its emphasis on market-leading local expertise.

David Mellor, Chief Executive Officer of Crowe Howarth International, comments:

“Our members are consistently recognized for their market-leading expertise and I am proud to say 2017 was no exception. Crowe will thrive in a rapidly changing world through our clear strategic vision, new common brand and the commitment of our members.

“We distinguish ourselves by bringing smart decisions that deliver lasting value to clients, talent, and the communities where we live and work. The rebrand provides the perfect platform for our trusted professionals to continue to

share knowledge and resources which are of great benefit to the boardroom and in the countries and markets that we service.

“In future, when you see the Crowe brand name, you can be reassured of the first class quality service that our people deliver on behalf of our clients.”

In line with the rebrand, Crowe will launch a new look website, as well as a handle for social media site Twitter @CroweGlobal.





Dear Friends,

The Year 2018 has brought about lot of glories for our firm. On the professional front, we have executed quite a good number of quality assignments. Implementation of IFRS 9 for one of the local banks, performance evaluation assignments for quite a large number of prominent public listed companies, reporting auditors in the merger and IPO process of one of the insurance companies were few of the significant assignments executed during the year.

As the year progressed, Crowe Global chairman Mr. Yang Jiantao, visited Oman which was a rare occasion. Addressing a gathering of business leaders at an event held by us in his honor, Mr. Jiantao, stressed on the need for caution in cyber security which is the need of the hour in the digitally transformed business environment.

During his stay, Mr. Jiantao inaugurated our office premises located opposite Muscat Grand Mall in Al Ghubra. The foundation of Mak Ghazali, established almost a quarter century ago achieved a rare milestone when it moved to their own premises.

On June 4th 2018, Crowe Horwath International rebranded to Crowe Global with effect from 4th June 2018. The move will promote the network's shared knowledge and global resources in response to changing client needs, driven by digitalization and the borderless world of modern business. It's a new dawn and a new beginning and an inspiration to scale better heights in the quality of our services.

Davis Kallukaran

Founding and Managing Partner

Crowe Mak Ghazali Ilc





Message from Co Chairman

Dear Friends

On behalf of Crowe Global and Ruihua Certified Public Accountants, firstly I would like to extend warmest greetings to you!

Under the invitation of Mr. Davis Kallukaran, the managing partner of Horwath Mak Ghazali, I visited Horwath Mak Ghazali. Davis made elaborate arrangements for my stay in Oman. I participated in the inauguration ceremony of Horwath Mak Ghazali's new office in Oman and a seminar with staff at director's level and above. Davis also arranged the visit to Embassy of the People's Republic of China in the Sultanate of Oman, where I have a amicable conversation with Mr. Fulong Yu, Ambassador of China to the Sultanate of Oman. Afterwards, I attended a seminar on the theme "Complexities of Family Owned Businesses" organised by Horwath Mak Ghazali. During the event, I had a pleasant communication with H.E. Yahya bin Said al Jabri, Chairman of the Special Economic Zone Authority, Duqm, and H.E Abdullah al Salmi, executive

president of the Capital Market Authority and officers from national audit office and stock exchange. Mr. Fulong Yu, Ambassador of China to the Sultanate of Oman, and Mrs. Yu, and many representatives of China enterprises, attended the business conference. The conference was quite fruitful. Also, I was deeply touched by Dr. Khalid Maniar, who made a special trip from Dubai to Oman, and accompanied me during the above activities.

For me, this Oman trip was very impressive. Oman's economy has continued to grow steadily. While accelerating the economic growth in petroleum sector, the government has embarked on a process of economic diversification focused on development of non-oil sectors such as infrastructure, manufacturing, logistics, tourism, and fisheries. Oman began encouraging and supporting private enterprises, especially small and medium-sized enterprises to play a greater role in economic development. In 2011, Oman had established the Duqm Special Economic Zone ("SEZ"), which is currently the largest



special economic zone in the Middle East and North Africa region. In 2016, the China-Oman Dugum Industrial Park was built inside the SEZ to provide a new boost for communication and cooperation between China and Oman. It has attracted a large number of Chinese-funded enterprises to finance project and build factories in Oman.

As economic globalization further develops and deepens, China launched The Belt and Road Initiative which follows the golden rules of extensive consultation, joint contribution and shared benefits. The Chinese government is committed to build a community of shared interests featuring mutual political trust, economic integration and cultural inclusiveness, and works to promote cooperation between Belt and Road countries. It has yielded fruitful result in various fields including infrastructure construction, capacity cooperation, trading activities, foreign investment, and financial sector. As an important Belt and Road country, Oman faces tremendous

opportunities for accelerating economic development.

As a top global accounting network, Crowe Global has greater responsibility and capability to provide high-quality professional support for the increasingly close economic and trade cooperation between countries and regions. As China's No. 1 local accounting firm for five consecutive years, Ruihua shall give full play to professional and human resource advantages, and work together with Crowe Horwath member firms including Horwath Mak Ghazali to explore new opportunities and methodologies to serve the global economy.

We wish Crowe Global a bright future, and we trust Horwath Mak Ghazali will continue to progress and perform this year!

Jiantao Yang

Founder
Crowe Horwath China
Co Chairman Crowe Global



Corruption Perception Index

In the wake of the India's biggest scam of over INR 113 billion, this is an awakening call for the entire financial institution industry. Besides the lack of robust internal technology control; a retired deputy general manager of Punjab National Bank is primary accused for the entire scam.

Transparency International has Published Corruption Perception Index 2017 on 21st February 2018. Corruption Perception Index popularly known as CPI is one of the known barometers to assess corruption country wise.

This year's Corruption Perceptions Index highlights that the majority of countries are making little or no progress in ending corruption. The index, which ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. This year, the index found that more than two-thirds of countries score below 50, with an average score of 43.

Current index shows that there is room for improvement for every country and strict steps shall be taken to reduce corruption by applying recognized Anti-Corruption frameworks and increased awareness efforts.

Source: www.transparency.org

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VAT: Time is of the Essence

The VAT is coming for sure. But when? Initially, the plan was for all GCC countries to introduce VAT at exactly the same time, i.e., 1 January 2018. However, more flexibility was necessary as it became clear that not all countries were fully prepared and, thus, able to do so. The VAT Framework Agreement allows for a one-year window to introduce VAT: between January 2018 and January 2019. That provided each country with the opportunity to start with VAT at an appropriate time given the particular situation in a country.

Introducing a new tax is a complicated matter. This is especially true for a region characterized by limited taxation. Because of this governments, businesses and advisors lack experience with tax which is an additional complicating factor. The government needs to create a completely new department to administer the VAT able not only to perform accounting tasks related to the tax but also able to answer sometimes difficult questions from the public and develop compliance and ruling policies. Businesses already have a functioning accounting department and accounting systems but these need to be able to capture VAT accurately. Key personnel need to be trained in VAT at appropriate knowledge levels, a management structure needs to be designed to ensure that the VAT is managed effectively with clearly defined responsibilities and controls. All business transactions (sales and procurement) must be analyzed to determine the correct VAT treatment. ERP systems need to be modified so they can calculate VAT correctly, produce correct invoices, and provide the correct information required to file a correct VAT return. The transition to VAT will prove to be a complex and time-consuming process.

The IMF has opined that the four remaining GCC countries to introduce VAT may not be ready before the middle or the end of 2019. Understandably, Omani companies are reluctant preparing for VAT as the Oman law has not been released yet and the date of introduction of the tax is uncertain (although the Omani

government has indicated 1 January 2019). Indeed, to thoroughly prepare businesses will need the text of the Law and Regulation. However, this does not mean that it is wise to postpone preparing for VAT until the time the law is published.

Based on our experience in other countries that introduced VAT, such as Malaysia and Australia, businesses will likely need up to 12 months to fully prepare for the new tax.

It is unlikely that so much time will be available after the law has been published, given that KSA and the UAE published their laws 6 months before the start date of the tax. That should give reason to concern. However, the good news is that for most industries the GCC VAT Framework Agreement provides sufficient basis to undertake most of the work prior to the publication of the Oman VAT Law. In particular, tax determination of all transactions (inputs and outputs), the assessment of the administrative organization for the purpose of designing a VAT Control Framework and assessing the current accounting system for its capability to capture VAT can be started now. What is unknown at this moment, can be filled in once the law is published. We recommend that Omani businesses start looking at the potential impact of VAT as soon as possible to prevent running short of time.

Dr. Robert F. van Brederode is of counsel to Horwath Mak Ghazali in Oman. He is a tax lawyer, practitioner and scholar with over 30 years of experience in global VAT. He served Crowe Horwath International as the global indirect tax leader and was the national practice leader of the US member firm. Robert is the author of dozens of academic journal articles and 8 books. He can be reached at Robert.brederode@crowehorwath.om.

Dr. Robert Brederode

Partner – VAT



Will blockchain make the financial system safer?

A blockchain is a decentralised ledger that maintains a record of all transactions that are processed. It is the technology platform that enables existence of cryptocurrencies such as Bitcoin, Ethereum, Litecoin to name a few.

The key element of blockchain is to allow transfer of assets across the internet without the need of a centralised party. The records on a blockchain are secured through cryptography; which is a process of converting ordinary plain text into complex codes.

The beauty of blockchain systems is that your auditors, bankers, the tax department and for that matter anyone connected in your business or transaction can see what is happening on real time basis. This reduces the need of certifications, attestations and approvals.

Entries that are recorded in the ledger cannot be altered as previous transactions are interlinked. This also makes it difficult to hide transactions by deleting or adding fictitious transactions.

A crucial success factor of blockchain will be how a whole industry eco-system is digitised. In most cases, a product or service prior to be executed involves multiple intermediaries and each of those companies must be part of a single blockchain ecosystem.

Many financial institutions have begun exploring on how blockchain can enhance the finance industry. A consortium of seven European banks are teaming with IBM for building a blockchain network.

Unlike the traditional banking system, blockchain technology could help address speed, transparency and costs associated with cross border payments. This would help the banks track, manage and transact internationally in a more effective manner.

Moreover, high level of privacy is maintained ensuring transaction details are shared only amongst the participants involved in the transaction and are encrypted. While to maintain transparency where required, the blockchain systems also include a fully auditable ledger of each transaction.

Adel Maniar

Director – Communications and Branding

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Board evaluation becomes a serious compliance requirement

Across the world, board evaluations have now become a serious compliance requirement. Fundamentally, the evaluation process is based on the virtues of transparency, accountability, fairness and responsibility.

The process of evaluation, puts onerous responsibilities on the directors. The onus of carrying out the evaluation is as much on the investors, as it is on the board. The purpose of evaluation is to improve the performance of the board by identifying its strength and weaknesses.

Till very recently, board evaluations were done on an ad-hoc basis and were not considered a serious exercise. But guidelines from regulators have taken the force of law and corporates have come to terms with the existence and importance of board evaluation.

The code of corporate governance in the Sultanate is the first to be introduced in the Arab world, and aims to provide a binding framework for governance in public stock companies with regards to their direction, organisation and supervision through a series of specific and defined policies, processes and procedures.

The Board's performance appraisal process comprises assessment which includes analysis of how the Board is functioning, the time spent by the Board considering matters and whether

the terms of reference of the Board and its committees have been met; as well as compliance with the Code of Corporate Governance.

Board performance appraisal typically examines the roles, responsibilities, and assesses how effectively they are being fulfilled. Investors consider board's performance appraisal as a significant criterion in governance ratings of companies. Matters, at minimum, that could be considered in performance appraisal include:

- the deliberations through discussion and debate at board's and committees' meetings;
- the value derived from the board's and committees' processes and relationship with management;
- the quality and timeliness of meeting agendas, board and committees' information packs and secretarial support; and
- the composition of board and each committee, focusing on the blend of skills, experience, independence and knowledge.



Arqam Ayubi

Director – Risk Advisory



Aastha Rangan, FCA

Director

VAT Advisory Services

Crowe Mak Ghazali

VAT is round the corner

VAT in Oman - VAT law is expected anytime in Oman as we are heading close to 2019. The GCC Framework agreement has proposed 5% VAT rates with some exemptions to tax. VAT is expected to boost Oman's GDP by 1.2% to 1.6%. It will be beneficial to the economy as it will boost government spending for the development and infrastructure initiatives. VAT is an indirect tax where the businesses play the key role in collecting the tax for the government.

The businesses also need to understand the benefits of VAT and need to start preparing for its implementation. It will bring new compliance requirements

for businesses and government. Businesses, registered or unregistered need to maintain proper accounting records and update their standard operating procedures of finance, purchase and sales functions. Technology will have to be re-defined to adopt the tax implications. That is, to understand and map their supply chain processes and transaction flow while ensuring that necessary changes are incorporated in their internal processes.

VAT is going to be a reality in Oman and we strongly advise businesses to start preparing for the inevitable.



A meeting was organized in honor of the visiting Co Chairman of Crowe Horwath International, Mr. Yang Jiantao under the patronage of His Excellency Yahya Al Jabri, The Chairman of the Special Economic Zone of Duqm. Their Excellencies Abdullah Al Salmi, Executive President of Capital Market Authority Oman and Mr. Fulong Yu, Ambassador of China to the Sultanate were the guests of honor. A talk on the The Complexities of Family owned business was delivered by Mr. Asim Nurani, Managing Partner of RTS Global.

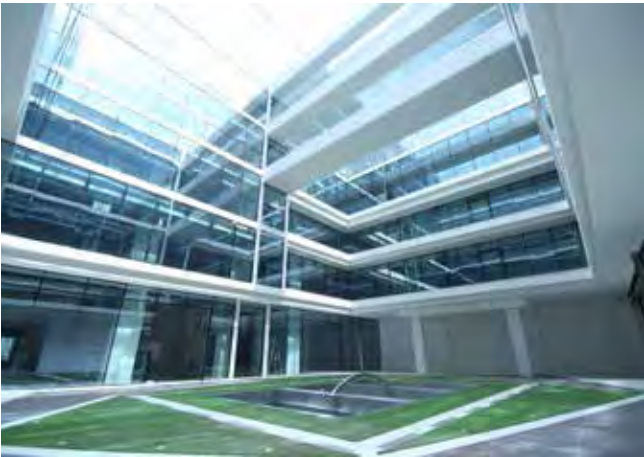






Mr. Yang Jiantao, Co Chairman, Crowe Global visited Oman to formally inaugurate our new office at the Office Building in Al Ghubra opposite Muscat Grand Mall.





About us

Crowe Global is ranked among the top 8 global accounting networks with more than 216 independent accounting and advisory services firms with 764 offices and more than 35,000 professionals and staff in over 129 countries around the world. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily. Each firm is well established as a leader in its national business community and is staffed by nationals, thereby providing a knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Horwath International member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

Our Services

- Audit & Assurance
- Tax Advisory
- Internal Audit
- Forensic Accounting
- Due Diligence
- Business Valuation
- Accounting Services
- Company Incorporation
- ISO Consulting
- Strategy Consulting
- Policies & Procedures
- Market Research
- Feasibility Studies
- HR Consulting
- Corporate Training
- Corporate Advisory



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