

# ESG THROUGH THE LENS OF THE AUTHORITIES

KPMG Tax and

Business Summit 2024

Panel Speaker:

JEMA'AH BINTI SEDEK

DIRECTOR

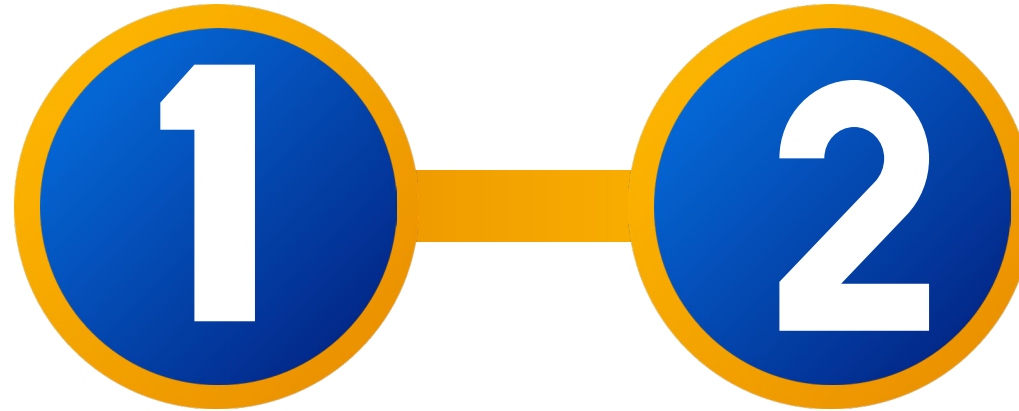
TAX AUDIT SUPERVISORY & POLICY DIVISION

TAX COMPLIANCE DEPARTMENT



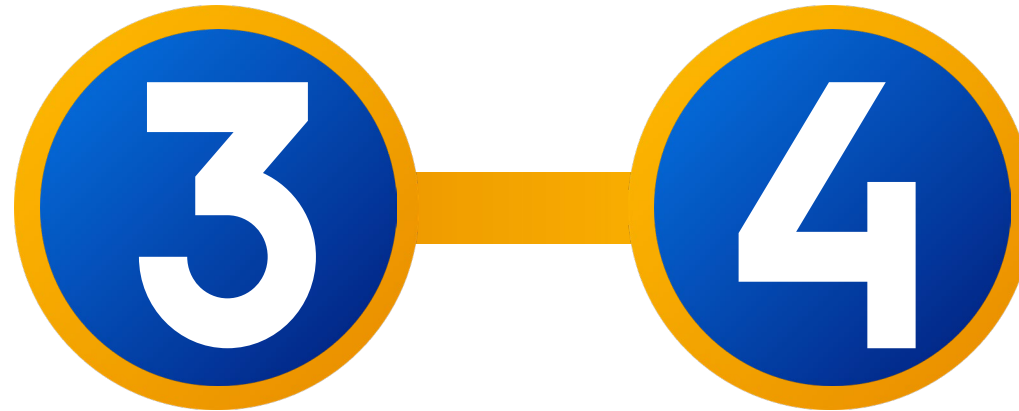
# Agenda

"G" in ESG



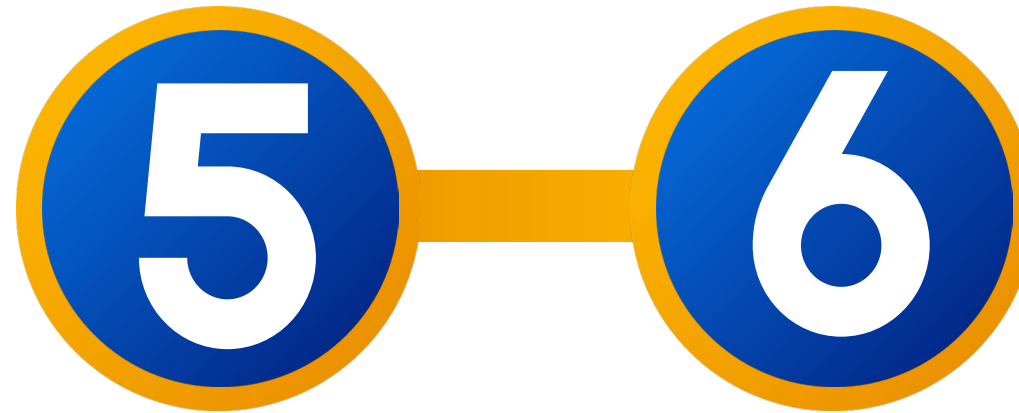
Incentives /  
Deductions

Tax Corporate  
Governance  
Framework



Tax Corporate  
Governance  
Programme

Application  
Process



Insights from  
Pilot Project

# OECD Cooperative Compliance Framework



The screenshot shows the OECD website interface. At the top left is the OECD logo with the tagline 'BETTER POLICIES FOR BETTER LIVES'. To the right is a search bar labeled 'Google Custom search' with a magnifying glass icon. Below the logo is a navigation menu with items: 'OECD Home', 'About', 'Countries', 'Topics', 'COVID-19', 'Ukraine', and '> Français'. The 'Ukraine' item is highlighted in yellow. Below the navigation menu is a breadcrumb trail 'OECD Home'. The main content area features a large banner for the report 'Co-operative Compliance: A Framework' with the subtitle 'From Enhanced Relationship to Co-operative Compliance'. The banner includes a thumbnail image of the report cover. To the right of the thumbnail is the report title and subtitle. Below the title is a paragraph of text: 'This report examines the relationship between large business taxpayers and revenue bodies, five years on from the publication of the FTA's Study into the Role of Tax Intermediaries. The study recommended that revenue bodies develop a relationship based on trust and co-operation. The report is based on a detailed examination of the practical experiences of countries that have established this type of relationship. The report finds that the pillars of an improved relationship highlighted in the Study remain valid. However, it identifies some additional features that are equally important: the part plays. More'. Below the text is the publication date 'Published on July 29, 2013' and the text 'Also available in: Spanish'. At the bottom of the banner is a row of four icons with corresponding text: 'Read online', 'Download PDF', 'Buy this book', and 'Get citation details'.

# Sustainability Reporting Standards



## Disclosure 207-1 Approach to tax

A description of the approach to tax, including:

- i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available;
- ii. the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review;
- iii. the approach to regulatory compliance;
- iv. how the approach to tax is linked to the business and sustainable development strategies of the organization.

## Disclosure 207-2 Tax governance, control, and risk management

a. A description of the tax governance and control framework, including:

- i. the governance body or executive-level position within the organization accountable for compliance with the tax strategy;
  - ii. how the approach to tax is embedded within the organization;
  - iii. the approach to tax risks, including how risks are identified, managed, and monitored;
  - iv. how compliance with the tax governance and control framework is evaluated.
- b. A description of the mechanisms to raise concerns about the organization's business conduct and the organization's integrity in relation to tax.
- c. A description of the assurance process for disclosures on tax including, if applicable, a link or reference to the external assurance report(s) or assurance statement(s).

## Disclosure 207-3 Stakeholder engagement and management of concerns related to tax

A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax, including:

- i. the approach to engagement with tax authorities;
- ii. the approach to public policy advocacy on tax;
- iii. the processes for collecting and considering the views and concerns of stakeholders, including external stakeholders.

## Disclosure 207-4 Country-by-country reporting

The reporting organization shall report the following information:

- a. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes.
- b. For each tax jurisdiction reported in Disclosure 207-4-a.
- c. The time period covered by the information reported in Disclosure 207-4.

# ESG: Malaysia Landscape



FTSE Russell’s ESG ratings are consistent with international frameworks:

Environment		Social		Governance	
Climate Change	CDP, EU Emission Standards SEC Rules for Reserves Reporting	Health and Safety	Global Business Coalition for Health/ IAEA, BSI	Anti-corruption	Transparency International World Bank, UNGC 10
Water Security	CDP – Water Program CEO Water Mandate	Labour Standards	UN Global Compact ILO Core Conventions	Tax Transparency	Action Aid Tax Guide for Investors Fair Tax Mark
Biodiversity	TEEB – The Economics of Ecosystems & Biodiversity	Human Rights and Community	Corporate Human Rights Benchmark; UN Guiding Principles on Business and Human Rights	Risk Management	Salz Review Institute for Risk Management
Pollution and Resources	ISO14001 EMAS	Customer Responsibility	Access to Medicine/ Nutrition CFA Lending Code	Corporate Governance	OECD Principles of Corporate Governance, ICGN, FRC
Supply Chain Environment	GRESB, BREEAM, SEDEX, RSPO	Supply Chain Social	PRI, PSI, Equator Principles GRESB, SEDEX, ETI		

Source: Bursa Malaysia

# Incentives / Deductions

## Tax incentives/ deductions to support ESG:

ENVIRONMENTAL- SOCIAL	GOVERNANCE							
<p><b>1. Green Investment Tax Allowance (GITA) Assets</b> Applicable for companies that acquire qualifying green technology assets and listed under the MyHIJAU Directory.</p> <p><b>2. Green Investment Tax Allowance (GITA) Projects</b> Applicable for companies that undertake qualifying green technology projects for business or own consumption.</p> <p><b>3. Green Income Tax Exemption (GITE) Services</b> Applicable for qualifying green technology service provider companies that are listed under the MyHIJAU Directory</p>	<p>Tax deduction of RM50,000 for each year of assessment (Y/A) for the following ESG related expenses effective from Y/A 2024 until Y/A 2027.</p> <table border="1" data-bbox="1312 761 2988 1553"> <thead> <tr> <th data-bbox="1312 761 2988 883">ESG RELATED EXPENSES</th> </tr> </thead> <tbody> <tr> <td data-bbox="1312 883 2988 983">Enhance Sustainability Reporting Framework</td> </tr> <tr> <td data-bbox="1312 983 2988 1082">Climate Risk Management and Scenario Analysis</td> </tr> <tr> <td data-bbox="1312 1082 2988 1256">Tax Corporate Governance Framework (TCGF) of Inland Revenue Board of Malaysia (IRBM)</td> </tr> <tr> <td data-bbox="1312 1256 2988 1356">Transfer Pricing Documentation</td> </tr> <tr> <td data-bbox="1312 1356 2988 1455">E-Invoicing implementation</td> </tr> <tr> <td data-bbox="1312 1455 2988 1553">Any reporting requirement related to ESG</td> </tr> </tbody> </table>	ESG RELATED EXPENSES	Enhance Sustainability Reporting Framework	Climate Risk Management and Scenario Analysis	Tax Corporate Governance Framework (TCGF) of Inland Revenue Board of Malaysia (IRBM)	Transfer Pricing Documentation	E-Invoicing implementation	Any reporting requirement related to ESG
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# Tax Governance: Malaysia Landscape

			
<p><b>The Malaysian Code of Corporate Governance (MCCG) : Year 2000</b></p>	<p><b>Tax Governance Guide : Year 2021</b></p>	<p><b>Tax Corporate Governance Framework (TCGF) : Year 2022</b></p>	<p><b>Tax Corporate Governance Guidelines (TCGG) : Year 2022 - Updated 2024</b></p>
<p><b>Securities Commission Malaysia</b></p>	<p><b>Malaysian Institute of Accountants / The Malaysian Institute of Certified Public Accountants</b></p>	<p><b>Inland Revenue Board of Malaysia</b></p>	<p><b>Inland Revenue Board of Malaysia</b></p>

# Objectives of TCGF

TCGF sets out the IRBM's expectation on the application of the principles of Tax Corporate Governance within an organisational setting.

This document aims to help organisations understand the focus areas of the IRBM concerning tax corporate governance to enable businesses to :



01

Develop

Develop or improve an organisation's tax governance and internal control framework

02

Promote

Promote tax compliance and reduce tax risks

03

Test

Test the robustness of an organisation's framework

04

Demonstrate

Able to demonstrate the operational effectiveness of an organisation's key internal controls to its stakeholders

05

Identify

To ensure that the financial, regulatory, and reputational risks associated with taxation are fully identified and evaluate



# TCGF: In A Nutshell

A framework of **formally documented policies and operational procedures** that:



**Identify Tax Risk**

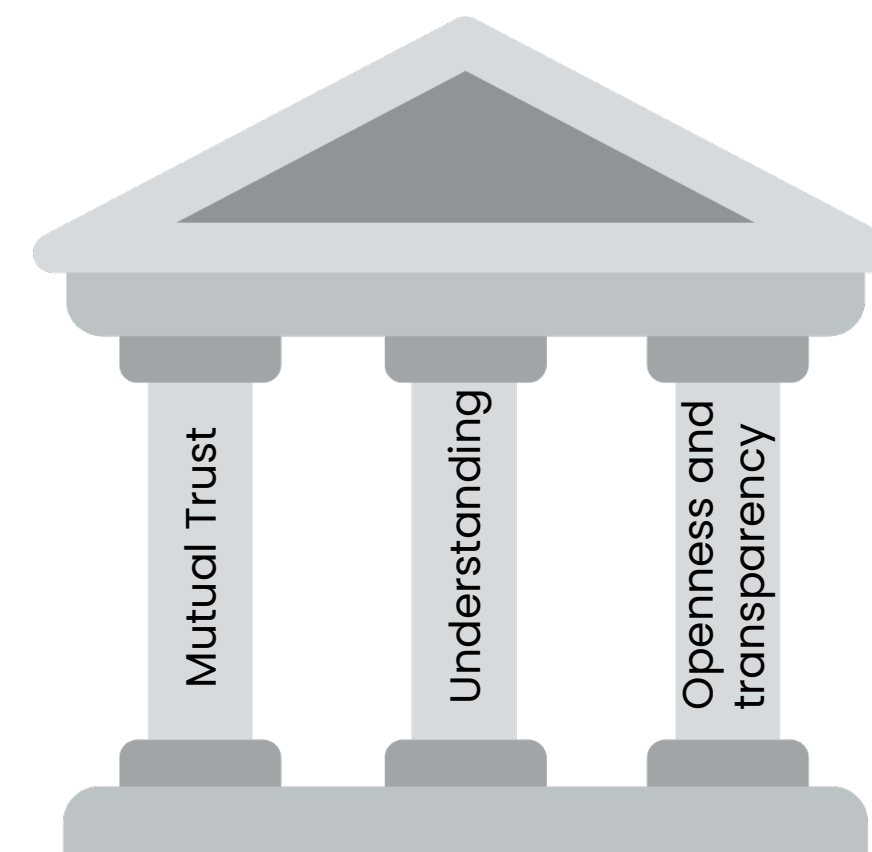


**Escalate Tax Risk**



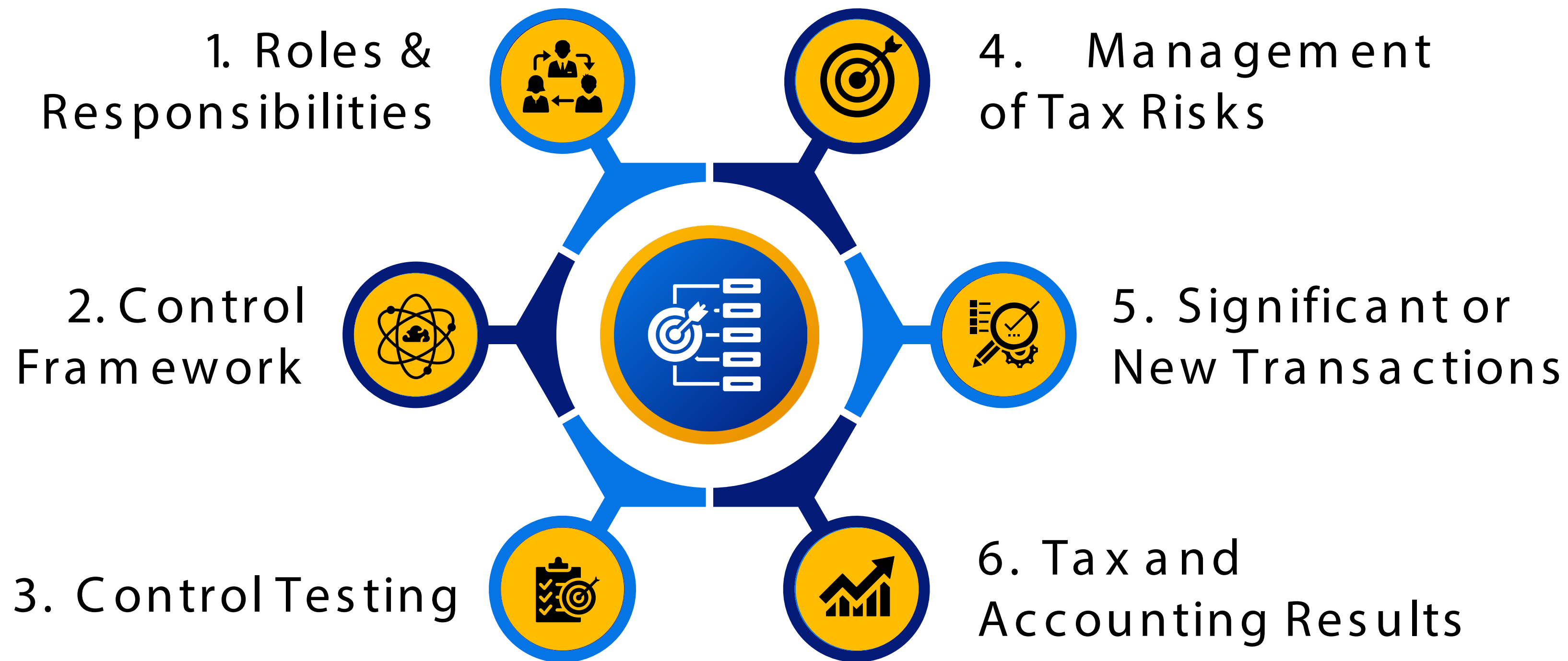
**Mitigate Tax Risk**

aims to move away from traditionally confrontational interactions to foster a **mutually beneficial relationship** and build an environment of **trust and transparency**.



based on three main pillars  
 (i) mutual trust  
 (ii) understanding  
 (iii) openness and transparency

# Key Focus Areas For Consideration



## Who Does It Impact?

1

**Large Companies / Public listed / Government Linked Companies / State owned Enterprise (with turnover RM100mil and above),**

2

**Compliant taxpayers (return form submission and tax payment), and**

3

**Companies with established Tax Control Framework.**



# Why Participate?

Reduce Scrutinization of Compliance Activities

{less}



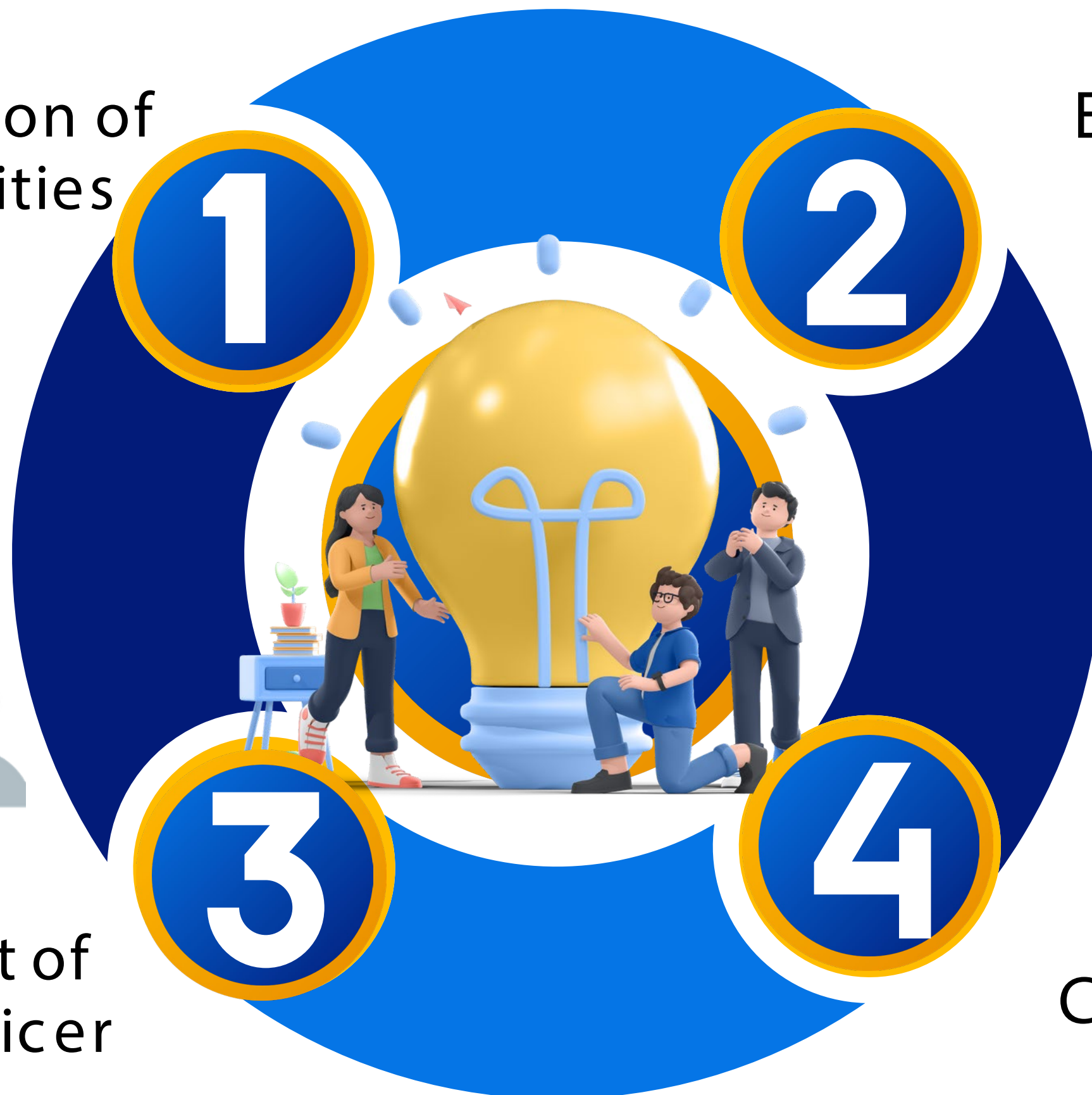
Appointment of Dedicated Officer

1

2

3

4



Expedite Tax Refunds



**PRIORITY**

Priority Consideration

**GET READY!**

01

**Getting Ready**

- a. Satisfy pre-requisites
- b. Preliminary self-assessment
- c. Submission of participation form

Please refer to the next slide

02

**Review by Independent Reviewer**

03

**Submission of TCG documentation to IRBM**

- a. self-review assessment report
- b. report findings prepared by independent reviewer / TCG Review Report
- c. supplementary documents.

**Review by IRBM**

Qualified?

If No, Improvement

If Yes, Accepted

04

**Conclusion of assessment by IRBM**

Review Status of the TCG Programme

05

FINISH

# Flowchart of TCG Programme Process

\*Reference :

Appendix 2 of Guidelines : Tax Corporate Governance Framework published by IRBM (as at 23 February 2024)



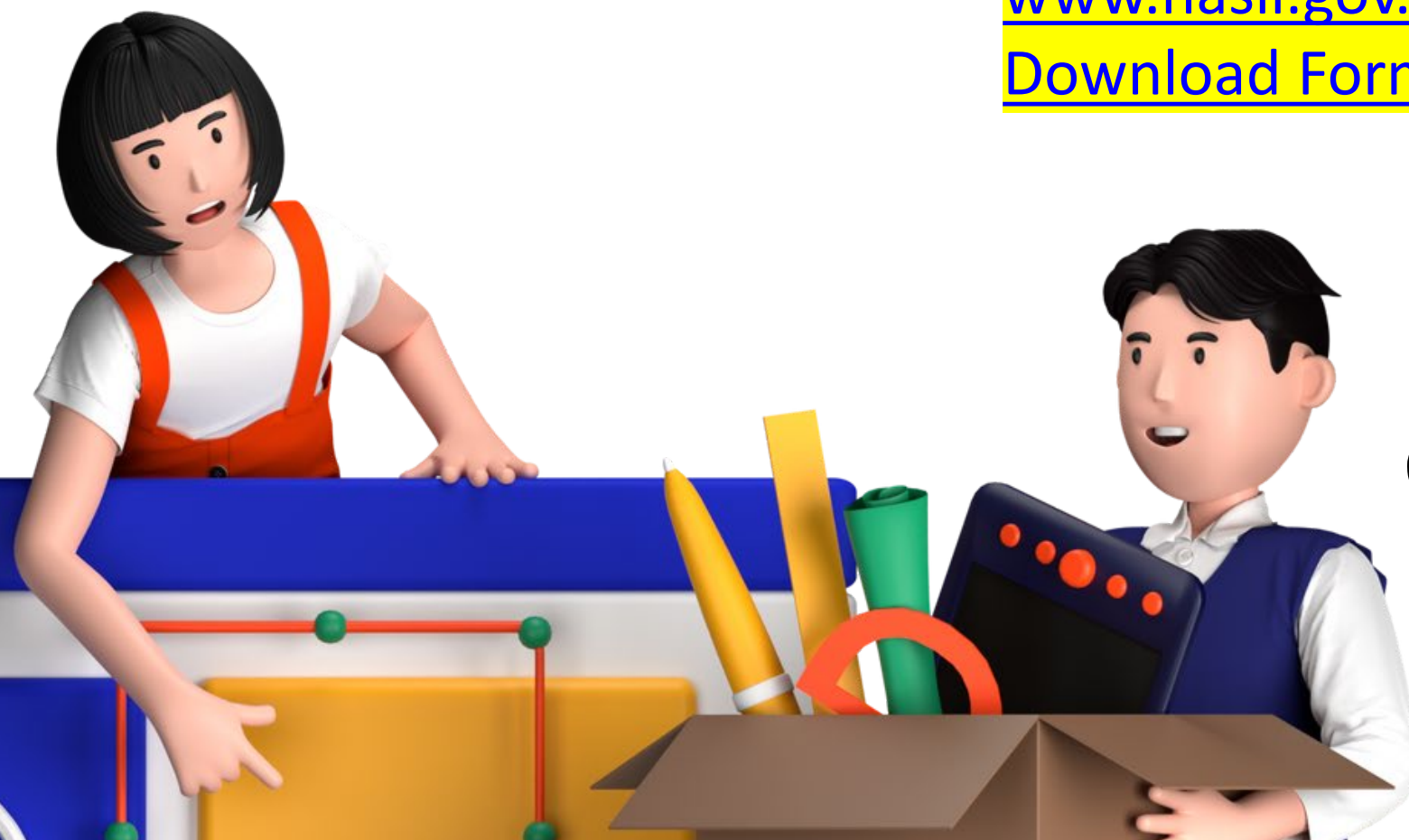
Timeframe: From Step 1 to Step 5 is 8 to 12 months (Potential extension of time application, subject to the IRBM's approval)

5

# STEP 1

## DOWNLOAD PARTICIPATION FORM

[www.hasil.gov.my](http://www.hasil.gov.my) > Forms > Download Forms > Download Form – Other Forms > No 39. Form TCG Program Participation



# STEP 2

## FILL UP THE FORM

Category: 39. FORM TAX CORPORATE GOVERNANCE (TCG) PROGRAM PARTICIPATION ▾  
Year: Semua | All ▾ Search

# STEP 3

## SUBMIT THE FORM

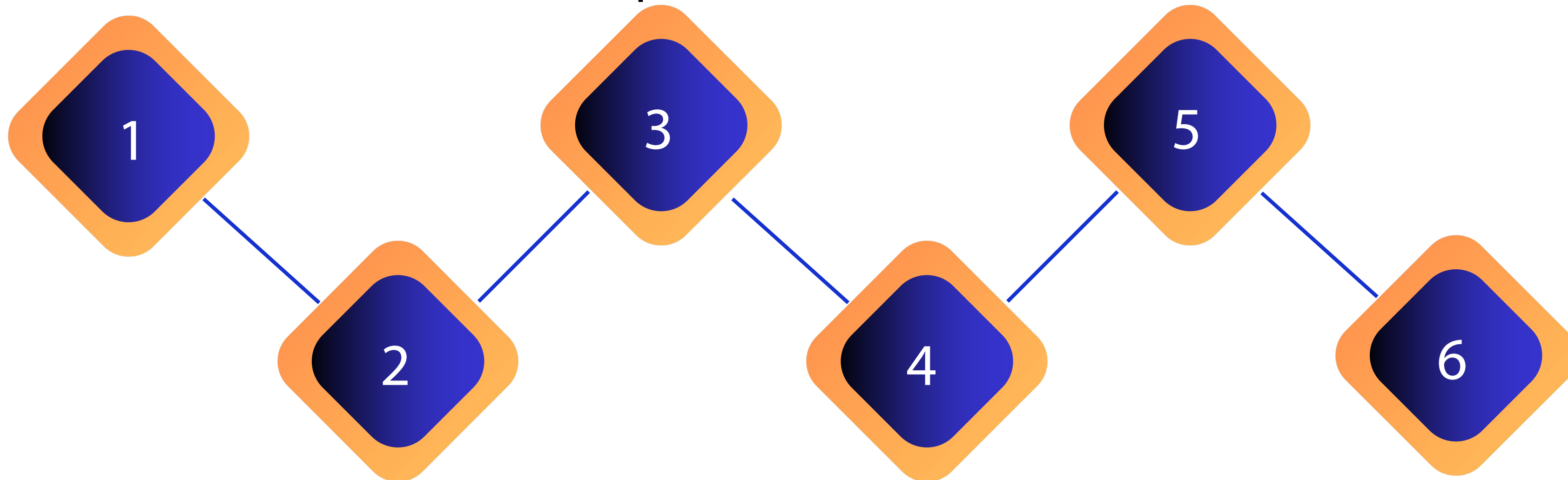
[tcg@hasil.gov.my](mailto:tcg@hasil.gov.my)

# How To Participate in TCG Programme?

Each organisation is unique with different readiness level

Independent reviewer roles and responsibilities

Cost of Compliance



Organisation within the same group may have different maturity level in tax governance

Reporting and Disclosure

Transparency

# Connect With Us.



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