



Tax Whiz

Tax highlights from your advisers

**Tax Corporate Governance
Framework and Guidelines**

KPMG in Malaysia

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Tax Corporate Governance Framework and Guidelines



Introduction to the Tax Corporate Governance Framework and Guidelines

With increasing complexity in the current business environment, there has been considerable amount of scrutiny by the public and tax authorities on whether businesses are paying their “fair share” of taxes. Hence, it has become pertinent for organisations to incorporate tax corporate governance as part of their corporate governance structure to provide assurance on their business integrity and tax risk management.

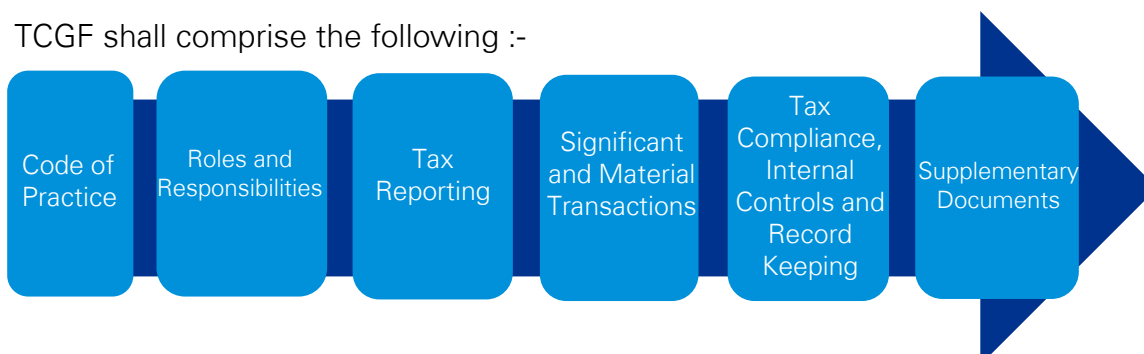
The Malaysian Inland Revenue Board (“MIRB”) has now issued the tax corporate governance framework (“TCGF”) and guidelines to assist organisations in designing and operating their TCGF and to encourage voluntary participation in the TCGF Programme.

The TCGF covers direct taxes but the principles governing the design of the framework can also be applied to indirect taxes. Taxpayers who complete the TCGF Programme will be awarded with an Authentication Letter which is valid for 3 years (subject to certain conditions). The proposed timeframe from acceptance for participation to the award of the Authentication Letter is 8 to 12 months.

Targeted taxpayers for the TCGF Programme:

- Large / public listed companies
- “Best Taxpayer Award” companies
- Government linked companies / state owned enterprises
- Compliant taxpayers

TCGF shall comprise the following :-



Key focus areas of TCGF

01

Roles and Responsibilities

Having clear roles and reporting lines of authorisation to promote decision making that is transparent and adequately addresses tax risks.

02

Control Framework

To have systems and controls in place to ensure reporting and transparency of decision making. The TCGF should cover:-

Risk identification
and evaluation

Implementing control
activities / functions /
processes

Reporting and
continuous
monitoring

03

Control Testing

Periodic testing is conducted to maintain the effectiveness of the organisation's internal controls and rules. Business risks are reported to the board.

04

Management of Tax Risks

Tax risks are managed with an understanding of Malaysian tax law and regulations along with the MIRB's views on tax treatments and published rulings.

05

Significant or New Transactions

Significant or new transactions are identified, well documented and subject to a review and sign-off for tax risk evaluation purposes.

06

Tax and Accounting Results

Tax outcomes either reflect economic performance or, variances are understood and can be explained.

What's in it for the participants?



Benefits of having a TCGF

- 1 Greater certainty in tax compliance**
Provides greater certainty on the potential tax exposure
- 2 Better tax risk management**
Better tax risk management through proactive risk identification and earlier resolution of tax issues
- 3 Better transparency**
Better transparency through accurate tax reporting and reinforcing the business integrity
- 4 Cost savings**
Reduced compliance costs through enhanced operational efficiency

Benefits of participating in the TCGF Programme



Expedite tax refunds

With a better picture of the entity's compliance status, approval process can be accelerated.



Reduced scrutiny of compliance activities

No or fewer tax audits, higher materiality or reduced sample size in the event of a tax audit.



Appointment of a dedicated MIRB officer

Having a point of contact which can expedite on-going dialogue on technical matters.



Priority consideration

Given priority consideration for compliant participants with no penalty imposed.

The Way Forward

1 Assessment

Assess your eligibility for the TCGF Programme and the benefits thereunder as well as the need to have a TCGF.

2 Engage professionals

Seek advice or engage with tax professionals to assist in designing a TCGF or in reviewing the effectiveness of the existing systems and/or processes.

3 Health check

Review the tax compliance status of your organisation, identify areas of potential non-compliance and establish risk mitigation strategies.

4 People and responsibilities

Identify appropriate persons, setting out clear role and responsibility in developing a good TCGF.



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