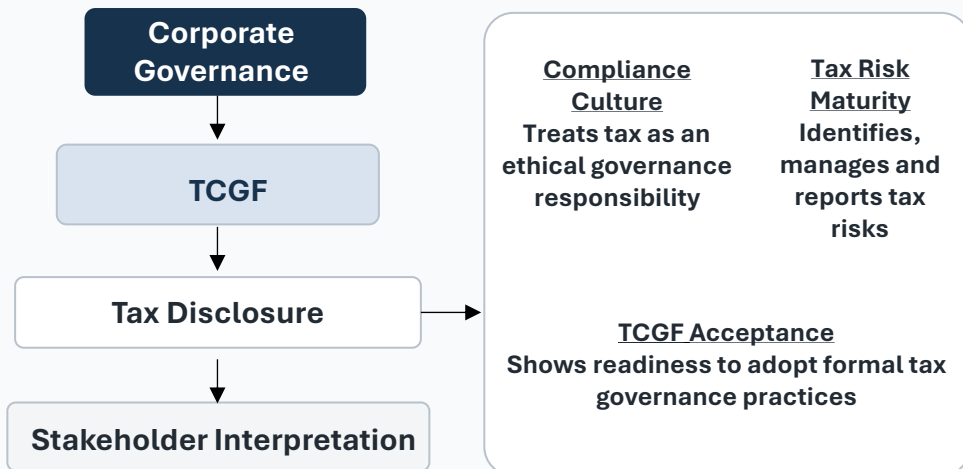


## ◆ Abstract

Corporate governance supports the “comply-or-explain” principle by promoting transparency, accountability and oversight (Orihara & Eshraghi, 2022). In Malaysia, IRBM’s introduction of the Tax Corporate Governance Framework (TCGF) on 11 April 2022 positions tax compliance as a benchmark of sound corporate administration. Tax disclosure functions as a governance signal because it enables stakeholders and tax authorities to assess tax compliance culture, tax risk maturity and acceptance of TCGF principles. However, empirical evidence on tax governance adoption in Malaysia remains limited. Therefore, this study applies quantitative content analysis to the annual and sustainability reports of the top 30 Malaysian public-listed companies and classifies their tax transparency into high, moderate, and low levels based on TCGF-aligned elements. The assessment of tax transparency under the TCGF involves three categories: high, medium, and low levels of tax transparency.



## ◆ Research Questions and Objectives

### Research Questions

RQ1: What is the correlation between corporate governance and the level of tax disclosure?  
 RQ2: Is there a correlation between tax disclosure items in financial reports and the Tax Corporate Governance Framework?

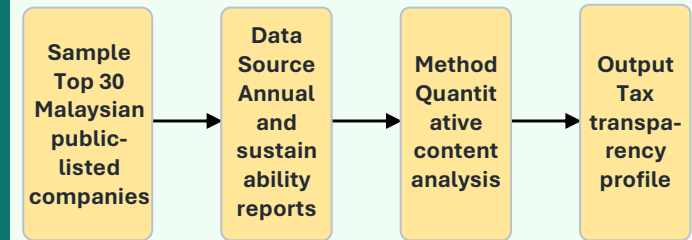
### Research Objectives

RO1: To examine the relationship between companies' corporate governance conduct and their level of tax disclosure.  
 RO2: To assess whether stronger corporate governance is reflected in higher tax disclosure, indicating greater tax compliance orientation and readiness to accept TCGF principles.

## ◆ Problem Statement

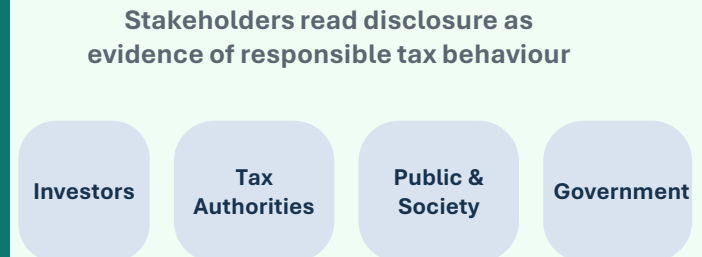
Although the TCGF has formally expanded corporate governance expectations in Malaysia by encouraging companies to strengthen tax risk management, transparency and compliance structures, it remains unclear whether public-listed companies demonstrate meaningful acceptance of these expectations in their annual and sustainability reporting. Existing disclosures are uneven, often general and difficult to interpret as evidence of genuine tax governance maturity. Therefore, stakeholders and tax authorities lack a reliable basis to assess whether tax disclosure reflects actual tax compliance culture, tax risk awareness and alignment with TCGF principles.

## ◆ Framework



Analytical procedure: Identify tax-related content using keywords such as tax, taxation and fiscal; measure disclosure by page count; evaluate disclosure substance using responsible taxation criteria; classify companies into high, medium and low tax transparency levels.

Theoretical lens: Signalling theory explains how tax disclosure communicates corporate responsibility, governance quality and risk management posture to stakeholders.



## ◆ Tax Disclosure Measurement Criteria

Based on Branco et al., (2023), the Responsible Taxation Reporting Criteria as follows:

1. Does the report mentioned the tax issues to the stakeholders?
2. Does the materiality analysis include tax issues, either explicit or as part of, for example, economic and financial performance or business integrity
3. Does the report include a description of tax policy (or similar, such as tax management or tax strategy)?
4. Does the tax policy mention tax heavens?
5. Does the tax policy mention transfer pricing?
6. Are tax issues mentioned in connection with risks?
7. Does the report mention regarding on the tax practices or reporting?

## ◆ Findings

The correlation between corporate governance and tax disclosure level among top listed companies is relatively low and inconsistent.

While a correlation between tax disclosure items in financial reports and TCGF are shown as transparency level as follows :

Transparency Level	Companies and Evidence
High	Axiata, MISC, Maybank and RHB disclosed clearer tax strategy, governance, risk oversight, tax authority engagement, or tax control framework elements. <b>Clear tax strategy, formal tax risk management, detailed compliance disclosure and visible TCGF alignment</b>
Medium	MR D.I.Y. disclosed tax compliance and a position against offshore tax havens, but with limited articulation of tax control framework elements. <b>Some tax governance disclosure, but limited explanation of strategy, oversight or implementation</b>
Low	Westports and Telekom Malaysia provided limited tax disclosure beyond payments and compliance, with insufficient detail on tax risks, BOD/AC oversight or internal controls. <b>Minimal, general or symbolic disclosure with limited evidence of tax governance adoption</b>

## ◆ Conclusion

The study concludes that tax disclosure provides meaningful evidence of corporate governance quality and TCGF acceptance readiness. Companies with clear tax policies, board-level oversight, tax risk monitoring and transparent stakeholder communication appear better aligned with responsible tax practices. However, the generally low level of tax disclosure among large Malaysian listed companies indicates that tax transparency remains underdeveloped in sustainability and governance reporting.

## ◆ Implications

For tax authorities: Disclosure patterns can guide targeted engagement with companies more likely to adopt TCGF and inform refinements to the framework.

For listed companies: Stronger tax disclosure can enhance reputation, stakeholder confidence and alignment with sustainability-oriented governance.  
For policy development: Consistent responsible taxation reporting may support informed discussions on tax fairness, transparency and corporate accountability.

## ◆ Research Gap and Future Direction

Limited Malaysian research has directly connected corporate governance, tax disclosure and TCGF acceptance. Existing evidence depends heavily on annual and sustainability reports, which may not fully capture internal tax governance practices. There is also no standardised industry-specific tax transparency benchmark for Malaysian listed companies.

Future Research Direction: Future studies should triangulate report-based content analysis with interviews involving boards, audit committees, tax managers and regulators. Further research should integrate corporate websites, social reports and industry-specific tax disclosure standards, and examine whether greater tax transparency reduces audit exposure, tax risk and aggressive tax planning.