Published date: 04.11.2026

Frequently Asked Questions (FAQs) on Income Tax (Deduction for Expenditure in Relation to Environmental Preservation, Social and Governance) Rules 2025 [P.U.(A) 193/2025] (referred as ESG Rules 2025) relating to expenditures incurred in preparing the Contemporaneous Transfer Pricing Documentation (CTPD).

	QUESTIONS	ANSWERS
1.	**Full or Minimum scope of CTPD** Are expenditures incurred in preparing a full scope or a minimum scope CTPD deductible under ESG Rules 2025?	The Ministry of Finance (MoF) has confirmed that the deduction allowable under the ESG Rules 2025 includes expenses incurred in preparing both the full scope and the minimum scope CTPD. Those expenditures should be incurred within the basis period of the years of assessment (YA) 2024 to 2027 and the CTPD prepared is for YA 2023 and subsequent YAs. The CTPD preparation should meet all relevant requirements stipulated in the Income Tax (Transfer Pricing) Rules 2023 [P.U. (A) 165/2023] (TPR 2023), the Malaysia Transfer Pricing Guidelines (MTPG) 2024 and Malaysia Transfer Pricing Guidelines Controlled Financial Transactions: Intra-Group Loans (MFTIL) 2026.
2.	**The maximum amount to be deductible under the ESG Rules 2025** If I incurred RM60,000 in YA 2024 for preparing CTPD for YA 2024, can I claim the full RM60,000 under the ESG Rules 2025?	Subrule 3(1) of the ESG Rules 2025 indicates the eligible expenditure that can be deductible under the ESG Rules 2025. Those expenditures are: a. Expenditure incurred for the purpose of ESG reporting; b. Expenditure incurred for the purpose of TCG reporting including expenses incurred in appointing an independent reviewer to review the compliance with the TCG Framework; c. Expenditure incurred for preparing CTPD; d. Consultation fees incurred by micro enterprise or small and medium enterprise for the development of customised software for the implementation of e-invoice in a business or for obtaining external service providers for the implementation of e-invoice in a business but does not include any:

Frequently Asked Questions (FAQs) on Income Tax (Deduction for Expenditure in Relation to Environmental Preservation, Social and Governance) Rules 2025 [P.U.(A) 193/2025] (referred as ESG Rules 2025) relating to expenditures incurred in preparing the Contemporaneous Transfer Pricing Documentation (CTPD).

	QUESTIONS	ANSWERS
		• Expenditure incurred at the planning stage or preliminary procedures for the provision of the customised software; and • Consultation fees incurred relating to the issuance of e-invoice through the MyInvois Portal. Subrule 3(3) of the ESG Rules 2025 has stated the total amount of expenditure eligible to be deducted in each YA should limit to RM50,000. Therefore, taxpayers can claim eligible expenditure incurred up to a maximum of RM50,000 for each YA from YA 2024 to YA 2027.
3.	**Deductibility of expenses incurred for preparing CTPD in relation to:** a. Reimbursements for costs incurred in the preparation of a CTPD such as the purchase of financial statements, search fee and CCM charges; b. Reimbursements for out-of-pocket expenses such as ICT charges, telephone and internet fees, travel expenses, meal allowances and accommodation costs; c. Professional fees or fees paid to external service providers.	For a deduction to be allowed under the ESG Rules 2025, the expenditure for preparing the CTPD should meet the following conditions: i. The expenditure is incurred in the qualifying period i.e. YA 2024 to YA 2027; ii. The expenditure is incurred for preparing either the full or minimum scope CTPD that meet all relevant requirements stipulated in the TPR 2023, MTPG 2024 and MFTIL 2026; iii. The CTPD is prepared for YA 2023 and subsequent YAs; and iv. The expenditure does not include incidental expenses, such as reimbursements or out-of-pocket expenses, including ICT charges, telephone and internet fees, travel expenses, meal allowance and accommodation costs, which are considered allowable expenses if the costs are claimed by the service providers themselves.

Frequently Asked Questions (FAQs) on Income Tax (Deduction for Expenditure in Relation to Environmental Preservation, Social and Governance) Rules 2025 [P.U.(A) 193/2025] (referred as ESG Rules 2025) relating to expenditures incurred in preparing the Contemporaneous Transfer Pricing Documentation (CTPD).

	QUESTIONS	ANSWERS
		Therefore: (a) Reimbursements for costs incurred in the preparation of a CTPD such as purchase of financial statements, search fees and CCM charges may qualify for a deduction under the ESG Rules 2025 if those costs meet all the above-mentioned conditions. (b) Reimbursements for out-of-pocket expenses such as ICT charges, telephone and internet fees, travel expenses, meal allowances and accommodation costs are not deductible under the ESG Rules 2025 as these expenditures may be claimed as allowable expenses under subsection 33(1) by the service providers themselves. (c) Professional fees or fees paid to external service providers may be deductible under the ESG Rules 2025 if those fees meet all the above-mentioned conditions.
4.	**CTPD preparation** Can the expenditure incurred in YA 2024 for the preparation of CTPD for YA 2022 and YA 2023 be deductible under the ESG Rules 2025 (as the expenditure incurred in the qualifying period i.e., YA 2024)?	The CTPD referred to in the ESG Rules 2025 is the one prepared in accordance with TPR 2023. Since TPR 2023 takes effect from YA 2023, only costs incurred for the preparation of a full or minimum CTPD from YA 2023 onwards are eligible for deductions under the ESG Rules 2025. Costs incurred for a CTPD prepared for YA prior to YA 2023 do not qualify for deductions under the ESG Rules 2025, even though they were incurred during the qualifying periods

Frequently Asked Questions (FAQs) on Income Tax (Deduction for Expenditure in Relation to Environmental Preservation, Social and Governance) Rules 2025 [P.U.(A) 193/2025] (referred as ESG Rules 2025) relating to expenditures incurred in preparing the Contemporaneous Transfer Pricing Documentation (CTPD).

	QUESTIONS	ANSWERS
5.	**Scope of work in relation to the preparation of the CTPD** Does the deductible expenses under ESG Rules 2025 in relation to the preparation of the CTPD include: a. Fees incurred for the external service providers to review the CTPD prepared by the taxpayers; b. Fees incurred for the external service providers to prepare benchmarking analysis to be incorporated in the CTPD prepared by the taxpayers	Fees incurred for the external service providers to: (a) review the CTPD prepared by the taxpayers; or (b) prepare the benchmarking analysis to be used in the CTPD prepared by the taxpayers; may be deductible under the ESG Rules if the fees meet all the following conditions: i. The fee is incurred in the qualifying period i.e. YA 2024 to YA 2027; ii. The fee is incurred for preparing either the full or minimum scope CTPD that meet all relevant requirements stipulated in the TPR 2023, MTPG 2024 and MFTIL 2026; iii. The CTPD is prepared for YA 2023 and subsequent YAs; and iv. The fee does not include incidental expenses, such as reimbursements or out-of-pocket expenses, including ICT charges, telephone and internet fees, travel expenses, meal allowance and accommodation costs, which are considered allowable expenses if the costs are claimed by the service providers themselves.

Frequently Asked Questions (FAQs) on Income Tax (Deduction for Expenditure in Relation to Environmental Preservation, Social and Governance) Rules 2025 [P.U.(A) 193/2025] (referred as ESG Rules 2025) relating to expenditures incurred in preparing the Contemporaneous Transfer Pricing Documentation (CTPD).

	QUESTIONS	ANSWERS
6.	**Claim made for TPD that is found during the audit as not contemporaneous** What happens to a claim made under the ESG Rules 2025 if during the audit, IRBM finds evidence that the TPD prepared is not contemporaneous?	The CTPD referred to in the ESG Rules 2025 is the one prepared contemporaneously according to the TPR 2023, MTPG 2024 and MFTIL 2026. If there is evidence that the TPD prepared is not contemporaneous, the IRBM may disallow the claim and add back the amount in calculating the adjusted income for that YA. Penalty under subsection 113(2) may be imposed if there is a tax undercharged.