COMPILATION OF QUESTIONS AND ANSWERS
TRANSFER PRICING & TAX CORPORATE GOVERNANCE SEMINAR 2026
22 JULY 2026

TOPIC 2: MANAGING TRANSFER PRICING AUDIT RISKS

NO	QUESTION	ANSWER
1.	What are the most common documentation mistakes that lead to transfer pricing adjustments or penalties, and how can companies prepare better?	One of the most common documentation deficiencies leading to transfer pricing adjustments or penalties is the taxpayer's inability to provide sufficient contemporaneous evidence demonstrating that the pricing and transaction structure are consistent with the arm's length principle. Here is some advice according to Transfer Pricing Tax Audit Framework 2025 (wef 31 July 2025):- • Ensure compliance with the arm's length principle in a controlled transaction; • Ensure compliance with Malaysian tax laws as well as other regulations issued by IRBM; and • Ensure voluntary compliance with the tax laws and regulations and tax compliance can be achieved under the Self-assessment system (SAS).

NO	QUESTION	ANSWER
2.	Hi, For transfer pricing purposes, what is the appropriate profit margin or markup percentage to apply for intercompany transactions between Company A (manufacturing entity) and Companies B and C (trading entities), considering the potential transfer pricing audit risks?	There is no prescribed profit margin or mark-up percentage under the Malaysia Transfer Pricing Guidelines (MTPGL) 2024 that is considered appropriate for all intercompany transactions. The arm's length remuneration depends on the specific facts and circumstances of each case. Pursuant to the MTPGL 2024, the arm's length outcome should be determined based on a functional analysis (functions performed, assets employed and risks assumed), the nature of the controlled transaction, and a comparability analysis using the most appropriate transfer pricing method. Accordingly, the profit margin or mark-up for a manufacturing entity may differ significantly from that of a trading or distribution entity depending on their respective functional and risk profiles. Accordingly, the IRBM is not able to recommend or endorse a specific profit margin or mark-up percentage solely for the purpose of mitigating transfer pricing audit risks. Taxpayers are expected to ensure that their transfer pricing policies comply with the arm's length principle as provided under Section 140A of the Income Tax Act 1967, the Income Tax (Transfer Pricing) Rules 2023 [P.U.(A) 165/2023], and the Malaysia Transfer Pricing Guidelines 2024.

NO	QUESTION	ANSWER
3.	As an SME, we understand the need to comply with the Arm's Length Principle. However, commercial benchmarking databases are expensive, and there is limited practical guidance on how SMEs should identify and select appropriate comparable companies using publicly available information.	The Inland Revenue Board of Malaysia (IRBM) recognises that access to commercial benchmarking databases may be more challenging for Small and Medium-sized Enterprises (SMEs). However, the Malaysia Transfer Pricing Guidelines (MTPGL) 2024 do not prescribe the use of any specific commercial database for transfer pricing purposes. Taxpayers may use any reliable and verifiable source of information to identify potential comparable companies, provided that the selected comparables satisfy the relevant comparability factors and support a reliable application of the arm's length principle. For example, taxpayers may initially identify potential comparable companies using publicly available industry sources, such as: • industry associations or directories (e.g. Malaysian Automotive Association (MAA) for the automotive industry or Malaysia Oil, Gas & Energy Services Council (MOGSC/OGSE Directory) for the oil and gas services industry); • publicly available industry directories; • Bursa Malaysia disclosures; • regulatory or government publications; and • other publicly available industry-specific sources.

NO	QUESTION	ANSWER
4.	Hi all, for a TP audit, how many times can the tax agent request for EOT? In this situation, assuming the taxpayer is unable to provide a complete set of information requested by the IRBM. However, the taxpayer is furnishing the IRBM with some information on a piece meal basis every week but is unable to provide all the information.	The Inland Revenue Board of Malaysia (IRBM) recognises that taxpayers may encounter difficulties in obtaining certain information, particularly from overseas associated enterprises or third parties. Where the requested information is not readily available, the IRBM may consider a reasonable request for an Extension of Time (EOT), provided the taxpayer demonstrates genuine efforts to obtain the information. Generally, a first EOT and, where justified, a second EOT may be considered. Repeated requests for further extensions require strong justification, failing which the IRBM may proceed with the audit based on the information available. However, taxpayers are expected to provide readily available documents, such as the Contemporaneous Transfer Pricing Documentation (CTPD), financial statements, accounting records and intercompany agreements, within the stipulated timeline. Under section 82 of the Income Tax Act 1967, taxpayers are required to maintain sufficient records for seven (7) years.

NO	QUESTION	ANSWER
5.	If the tax audit for YA2022 is already completed in 2023 and no tax audit findings. Can other IRB officer reopen the tax audit for YA2022 in 2026?	Yes. The completion of a tax audit for a particular year of assessment does not, by itself, prevent the Inland Revenue Board of Malaysia (IRBM) from conducting a subsequent review or audit of the same year of assessment. Under the Transfer Pricing Audit Framework 2025, a taxpayer may be selected for audit at any time, and the selection of cases is based on various factors, including risk assessment, group restructuring or information received from third parties. Accordingly, even if the audit for YA2022 was completed in 2023 with no audit findings, the IRBM may conduct a further review or audit in 2026 where new information, additional evidence or other relevant facts become available that may affect the taxpayer's tax position. Any assessment or additional assessment will be made in accordance with the provisions of the Income Tax Act 1967.
6.	Taxpayers are having difficulties in finding comparable sets within Malaysia, can IRB accept comparable companies within Southeast Asia?	The use of local comparable is preferred since they reflect the market and economic geographical condition of the tested party environment. However, if taxpayer have unique market condition and specialised industry, then they may use the appropriate foreign comparable that sufficient and verifiable information. At the same time, taxpayers need to give the reasonable justification, whereas in the event they fail to do so, the usage of these foreign comparable may be unacceptable. Reasonable justification on the use of the foreign comparables should be included in the Contemporaneous Transfer Pricing Documentation (CTPD) to ensure compliance with Malaysia transfer pricing regulations.

NO	QUESTION	ANSWER
7.	For an LHDNM audit visit, does the officer expect the taxpayer's appointed tax agent to sit in on the interview, or is the taxpayer sufficient on their own?	There is no requirement under the Income Tax Act 1967 or the Transfer Pricing Audit Framework 2025 for a taxpayer's appointed tax agent to be present during an IRBM audit interview or audit visit. The presence of a tax agent is optional and is at the discretion of the taxpayer. A taxpayer may choose to attend the interview on their own or be accompanied by their appointed tax agent or other authorised representative.
8.	Referring to the 4 quadrants of TP Audit Risks, how does IRB challenge or view "Characterisation" as a TP risk? Appreciate some examples to clarify.	FAR remains the foundation of every TP assessment because it tells us who does what, who owns what, and who bears which risks. For example, taxpayer may characterise itself as a LRD or a CM. such entities would generally be expected to earn relatively stable routine returns, since they assume limited commercial risks. However, if actual buss operations (or in substance) show that the company is making key strategic decisions, managing customers independently, developing valuable intangibles, or assuming significant market or inventory risks, then the actual conduct may not support the stated characterisation. Likewise, a company may call itself a FF entrepreneur, but the evidence may show otherwise.

NO	QUESTION	ANSWER
9.	Does all type of business company need to comply with TP? or only certain like manufacturing?	Pursuant to the Malaysia Transfer Pricing Guidelines (MTPGL) 2024, the transfer pricing rules apply to all controlled transactions involving the acquisition or supply of property or services between associated persons, where at least one of the persons is assessable or chargeable to tax in Malaysia. For the avoidance of doubt, the acquisition or supply of property or services includes financial assistance and other financial transactions. Accordingly, the applicability of the transfer pricing rules is not determined by the industry or type of business (e.g. manufacturing, trading, services, or distribution). Instead, it is determined by whether a person enters a controlled transaction that falls within the scope of the MTPGL 2024.
10.	During an audit, both sales and purchase have high amounts of controlled transactions, what PLi can be used for benchmarking or what method can be used as?	There is no prescribed Profit Level Indicator (PLI) or transfer pricing method that applies simply because both the sales and purchases with associated persons are significant. Pursuant to para 3.5 of the Malaysia Transfer Pricing Guidelines (MTPGL) 2024, the selection of the most appropriate transfer pricing method should be based on: • The nature of the controlled transaction, determined through particular a functional analysis. • Availability of reliable information on uncontrolled comparables needed to apply the selected method; and • The degree of comparability between controlled and uncontrolled transactions, including the reliability of comparability adjustments that may be needed to eliminate material differences between them.

<table>
<tr><th>NO</th><th>QUESTION</th><th>ANSWER</th></tr>
<tr><td>11.</td><td>Based on the sample given earlier, the TPD only prepared by Co B or both Co A & Co B need to prepare as well?</td><td>The obligation to prepare Contemporaneous Transfer Pricing Documentation (CTPD) is not determined by which party was used as the tested party in the transfer pricing analysis. Instead, the requirement is determined separately for each taxpayer based on the provisions of the Malaysia Transfer Pricing Guidelines (MTPGL) 2024.

Under paragraphs 1.5, 1.7 and 1.8 of the MTPGL 2024, each person that enters controlled transactions must assess whether it is:
exempted from preparing CTPD;
required to prepare a Full CTPD; or
eligible to prepare a Minimum CTPD, depending on the applicable thresholds and conditions.
Accordingly, if both Company A and Company B independently meet the requirements under the MTPGL 2024, each company is required to prepare its own CTPD. The fact that one company is selected as the tested party for benchmarking purposes does not relieve the other company of its documentation obligations.
Where only one company satisfies the applicable documentation requirements, then only that company is required to prepare the relevant CTPD, while the other company should comply with its own obligations under the MTPGL 2024 based on its respective circumstances.</td></tr>
</table>

NO	QUESTION	ANSWER
12.	How frequently should companies update their comparable company searches and financial benchmarking?	Taxpayers are allowed to conduct comparable company searches for the benchmarking analysis once in every three (3) years, as long as the operational condition remain unchanged. However, the financial information and suitability of the chosen comparables should be reviewed on an annual basis.
13.	Can one benchmarking analysis be used for transactions with different functional profiles, such as construction services, procurement support and administrative services?	Generally, no standard benchmarking analysis should be applied for different categories of controlled transactions where the transactions involve different functional profiles, assets employed and risks assumed (FAR analysis). Pursuant to the Malaysia Transfer Pricing Guidelines (MTPGL) 2024, the selection of comparable companies must satisfy the economically relevant characteristics (ERC) of the controlled transaction.

NO	QUESTION	ANSWER
14.	If we are preparing TPD for YA2026 (FYE 31 Mar 2026). As FY2026 most of the comparable companies' financial data are not yet available, please clarify: (1) how many prior years' data may be used for benchmarking; (2) whether FY ended 31 Dec 2024 or 31 Mar 2025 comparables are acceptable; and (3) whether the benchmarking must be updated when FY2026 data becomes available? Thank you.	1. According to TPR 2023, Rule (5), The Director General may allow the application of data from the year under examination and prior years if complete and accurate data are available to prove the effect of the life cycles or the business cycles of the property or services in the industry of the person in the controlled transaction where such data can increase the reliability of the comparability analysis; and 2. Comparable companies with FYE 6 months prior to or 6 months after the tested party FYE may be used to determine the arm’s length price if there was no material changes occurred during those periods that may impact significantly on the market condition or the economic environment. A longer overlapping period may be allowed if it can be proven that it better reflects the market condition or the economic environment. 3. For YA2026 (FYE 31 March 2026), where FY2026 financial data of the comparable companies are not available at the time the CTPD is prepared, the benchmarking analysis may be updated once the FY2026 comparable financial data become available to determine whether any transfer pricing adjustment is required. Such update does not affect the contemporaneous status of the original CTPD.
15.	TPD is to be prepared by seller, lender and service provider, not buyer, borrower and service recipient, right? This is because the later cannot know the pricing policies of the former.	Under Malaysian transfer pricing rules, the obligation to maintain Transfer Pricing Documentation (TPD) is not limited to the seller, lender, or service provider. Rather, it applies to a taxpayer that enters controlled transactions with associated persons, regardless of whether it is acting as the seller, buyer, lender, borrower, service provider, or service recipient.

NO	QUESTION	ANSWER
16.	As per mentioned by Puan Suhani earlier that TP needs to be applied to avoid cross border related entities to take advantage of tax heaven in other countries and jeopardize local country revenue. Would like to enquire if this the case, why can't TP rule only applies to cross border transactions and exclude domestic transaction to be align with business strategies to work together as related companies	The arm's length principle (ALP) serves as a fundamental framework for addressing profit shifting between related entities. Therefore, it does not apply only to cross border transactions but also applies to local transactions.

NO	QUESTION	ANSWER
17.	For transfer pricing (TP) for YA 2022, should we apply the Malaysian Transfer Pricing Guidelines 2012 or the Malaysian Transfer Pricing Guidelines 2024? What are the differences between the 2012 and 2024 Guidelines?	The applicable transfer pricing guidance depends on the relevant Year of Assessment (YA). For YA 2022, taxpayers should apply the Malaysian Transfer Pricing Guidelines 2012 (Updated 2017) together with the Income Tax (Transfer Pricing) Rules 2012, as these were the applicable transfer pricing guidelines and rules for that year of assessment. The Malaysia Transfer Pricing Guidelines (MTPGL) 2024 are effective from YA 2023 onwards and are intended to align with the Income Tax (Transfer Pricing) Rules 2023 and the legislative amendments introduced under the Income Tax Act 1967. Accordingly, the MTPGL 2024 should not be applied retrospectively to YA 2022. The MTPGL 2024 is not merely an update of the 2012 Guidelines. It introduces significant changes to align with the Transfer Pricing Rules 2023, including: • the introduction of Contemporaneous Transfer Pricing Documentation (CTPD), including Full CTPD and Minimum CTPD; • revised documentation thresholds and exemptions; • updated guidance on comparability analysis, including comparable period, multiple-year data and year-end mapping; • expanded guidance on business restructuring, financial transactions, intangibles, low value-adding intra-group services, and commodity transactions; • guidance on transfer pricing adjustments, arm's length range, surcharge, and the updated administrative requirements for transfer pricing documentation.

NO	QUESTION	ANSWER
18.	How does IRBM calculate the surcharge when an adjustment is made, even if the taxpayer is in a loss-making position?	The general rate to be applied when imposing the surcharge is 5% on the TP adjustment made under Section 140A of the ITA 1967. There will be no scale available as a reference since the final surcharge rate will vary depending on the merit of each case. However, a lower surcharge rate will be offered for voluntary disclosure cases. Taxpayers may refer to the details in the Transfer Pricing Audit Framework 2025. The surcharge rate is imposed on the amount of the TP adjustment. If there is any adjustment to be made under the MAP, the amount of the surcharge for that case will also be adjusted. A surcharge of not more than 5% will be imposed on TP adjustments that arise in any basis period commencing on or after 1 January 2021 regardless of which IRBM branch is conducting the tax audit. Processes and procedures as outlined in the Malaysia Transfer Pricing (MTPGL) 2024 and Transfer Pricing Tax Audit Framework 2025 should be followed by all IRBM branches.
19.	Recent tax audit, comparable companies with losses are rejected by IRBM. Clients practice, yr1 profit, yr2 profit and yr3 loss (3-year analysis) so selected yr 3 as comparable companies. IRBM rejected loss making comparable companies. Please comment. Tq	Loss-making companies are not automatically rejected as comparables. Their acceptability depends on the comparability factors, particularly the functions performed, assets employed and risks assumed (FAR). However, companies with persistent losses or losses arising from abnormal circumstances may not be reliable comparables and should be carefully evaluated based on the facts and circumstances of the case.

NO	QUESTION	ANSWER
20.	Since IRBM has the list of documents required when TP audit, why that documents didn't being use as guideline for the documentation TP for the public at the first place?	The MTPGL 2024 sets out the requirements for preparing Contemporaneous Transfer Pricing Documentation (CTPD), including the minimum information and documentation required to demonstrate compliance with the arm's length principle as per Schedule I, II and III. However, the document request issued during an audit is not limited to transfer pricing documentation. It is intended to facilitate a comprehensive tax audit, which may cover both transfer pricing and non-transfer pricing issues. Therefore, the IRBM may request additional documents that are not specifically listed in the CTPD requirements where they are relevant to verifying the taxpayer's overall tax position, the accuracy of the transfer pricing analysis, or other tax matters identified during the audit.
21.	My boss open 2 different companies to control/monitor profit. Most of time, we transfer same price as we buy. (Example: HQ company win a tender (project) and give to sub company for do it. If we buy rm100 k. We transfer to sub company on same price. No mark-up. Any wrong?	The transfer pricing outcome should not be determined solely by whether a mark-up is charged. Instead, taxpayers should demonstrate that the pricing reflects the arm's length principle based on a proper delineation of the transaction, a functional analysis (FAR), and a reliable comparability analysis. Each case will be evaluated based on its own facts and circumstance.

NO	QUESTION	ANSWER
22.	How to search for comparable companies for TP when most of the financial details are confidential and businesses operate in different ways? How can taxpayers have affirmation the comparable companies are acceptable? Isn't it time consuming and result in businesses incurring additional cost (manpower) for this compliance.	The MTPGL 2024 does not require taxpayers to identify perfect comparables, but the most reliable comparables based on the best information reasonably available. Taxpayers may use reliable publicly available sources, while the acceptability of comparables depends on the comparability analysis and the facts and circumstances of each case. The IRBM recognises that benchmarking requires time and resources. Therefore, where there are no material changes, taxpayers are not required to perform a new comparable search every year. The comparable search may generally be refreshed every three (3) years, with only the financial data updated annually.

NO	QUESTION	ANSWER
23.	Assalam TS Shukor, taxpayers often face challenges when LHDN views any margin below the median as potential under-reporting, even when it falls within the arm's length range due to commercial realities. What is LHDN's stance on accepting lower-percentile results where the underlying business substance is genuinely proved?	Under Rule 13(1) of the Income Tax (Transfer Pricing) Rules 2023, where the Director General has reason to believe that the price or interest in a controlled transaction is not at arm's length, the Director General may make an adjustment by substituting or imputing the arm's length price or interest rate. Under Rule 13(2)(a), where the taxpayer's result falls within the arm's length range, it may generally be regarded as arm's length. However, Rule 13(3) provides that the Director General may adjust the result to the median or any other point above the median within the arm's length range where the uncontrolled transactions have a lesser degree of comparability, or where the comparability defects cannot be quantified, identified or adjusted. Where the taxpayer's result falls outside the arm's length range, Rule 13(2)(b) provides that the arm's length price shall be taken to be the median. Accordingly, the taxpayer's position within the arm's length range is one consideration, but the reliability of the comparability analysis remains fundamental in determining the arm's length outcome. The acceptance of a lower-percentile result is considered on a case-by-case basis depend on merit case.
24.	We are scrap company, we don't know how TP effects our business, because daily price change and most of time we bought on lump sum. How to control? We also under TP? We also sold to our related company and 3rd party.	Thank you for your questions. We have taken note of the matters raised. For further details and clarification on your enquiries, kindly contact our Customer Care Officer through email at asmahan.a@hasil.gov.my. Our team will be pleased to assist and provide further clarification.

NO	QUESTION	ANSWER
25.	We appointed a firm to prepared full TP and minimum TP documentation report for YA2023. Do we need to continue to prepare TP report for every year? Or we have the intercompany agreement is well enough?	A CTPD should be prepared for each year of assessment in which a controlled transaction is entered. However, to reduce the cost burden of preparing the CTPD, taxpayers are allowed to conduct comparable searches in databases supporting the CTPD every three (3) years, as long as the operational conditions remain unchanged. Nevertheless, it is necessary to review and update the financial data and suitability of the existing comparable every year to apply the arm’s length principle reliably. Agreement is an important supporting document because it evidences the contractual terms of the related-party transaction, but the agreement alone is not sufficient. In addition, the transfer pricing analysis must continue to be supported by sufficient and verifiable documentation to demonstrate compliance with the arm's length principle.

NO	QUESTION	ANSWER
26.	Based on LHDN's recent transfer pricing audits, what are the top five reasons companies are selected for audit, and what practical steps should businesses take to reduce those risks before an audit begins?	1. As outlined in the Transfer Pricing Tax Audit Framework 2025, the selection of TP audit cases is based on several key factors, including: a. selection through risk assessment criteria for controlled transactions. b. restructuring of the company group; and c. information received from third parties including foreign tax authorities. **TRANSFER PRICING TAX AUDIT FRAMEWORK Effective Date: 31 July 2025.** A. Ensure compliance with the arm's length principle in a controlled transaction. B. Ensure compliance with Malaysian tax laws as well as other regulations issued by IRBM; and C. Ensure voluntary compliance with the tax laws and regulations and tax compliance can be achieved under the Self-Assessment System (SAS), **TRANSFER PRICING TAX AUDIT FRAMEWORK Effective Date: 31 July 2025.**
27.	Is TP applicable on business income only? Or also non business income?	TP applicable for business and non-business income.
28.	Would IRBM focus more on companies required to prepare Full TPD rather than Min TPD, considering risks are higher for Full TPD companies?	As outlined in the Transfer Pricing Tax Audit Framework 2025, the selection of TP audit cases is based on several key factors, including: a. selection through risk assessment criteria for controlled transactions; b. restructuring of the company group; and c. information received from third parties including foreign tax authorities. Among these, related party transactions are indeed a primary trigger, particularly when they present significant risk indicators under the IRBM's risk assessment criteria.

NO	QUESTION	ANSWER
29.	How to control for scrap company? We buy bulk item.	Thank you for your questions. We have taken note of the matters raised. For further details and clarification on your enquiries, kindly contact our Customer Care Officer through email at asmahan.a@hasil.gov.my. Our team will be pleased to assist and provide further clarification
30.	If a taxpayer is required to prepare full CTPD in 2023, can the 2023 data still be used for TP purposes in 2024 and 2025? Alternatively, if that is the only data available, can the company defer preparing TP documentation until new data becomes available? For context, the company operates in a unique industry where comparable data within Malaysia is very limited.	The company may continue to rely on the 2023 benchmarking analysis for TP purposes in YA 2024 and YA 2025, provided there are no material changes to its business operations, functions, risks, or market conditions, and the comparables remain relevant and reliable. The analysis should nevertheless be reviewed and updated annually using the latest financial information available.
31.	During a TP audit, the taxpayer managed to submit the TPD within the 14 days to IRBM. however, the TPD was previously not completed by the tax return deadline. is IRBM okay with the report not having a date at all on the report or it is okay to put the actual completion date (although it is too late from the deadline), as long as taxpayer can submit the report on time.	A transfer pricing documentation is deemed "contemporaneous" if: (a) the document is prepared before the due date for furnishing a tax return for the year of assessment in which a controlled transaction is entered into, and (b) the document contains all requirements in subrule 4(2) of the Rules.
32.	Currently we hire external party to do TP which so costly. Is it possible to do ourselves? What the things/document that we need to have?	The company may prepare its Contemporaneous Transfer Pricing Documentation ("CTPD") on its own, in accordance with the Rules, the Guidelines, and the Transfer Pricing Tax Audit Framework. i) Income Tax (Transfer Pricing) Rules 2012 (P.U.(A) 132/2012) which is applicable until the year of assessment 2022. ii) Income Tax (Transfer Pricing) Rules 2023 (P.U.(A) 165/2023) which is applicable from the year of assessment 2023 and subsequent years of assessment. iii) Malaysia Transfer Pricing Guidelines (MTPGL) 2012 /2024 iv) Transfer Pricing Tax Audit Framework 2025

NO	QUESTION	ANSWER
33.	If taxpayer being audited, we will of course check the TPD first before submitting it to IRB. If there are changes/ updates to be made on the TPD, is the TPD still can be considered as contemporaneous?	Yes. A CTPD remains contemporaneous if it was originally completed before the tax return due date and contained all the requirements under Rule 4(2). During an audit, the benchmarking analysis may be updated using the latest comparable financial information without affecting the contemporaneous status of the original CTPD. However, if the original CTPD was incomplete and the requirements under Rule 4(2) were only completed after the tax return due date, it would not meet the definition of contemporaneous CTPD under paragraph 11.2 of the MTPGL 2024.
34.	Normally how long IRB will allow for the company to prepare and provide the relevant documents to IRB, before the audit visit.	The company is required to furnish the requested documents and information within fourteen (14) days from the date of the letter requesting the submission of documents and information *(Surat Mohon Dokumen dan Maklumat)*.
35.	As transfer pricing audits become more sophisticated, what should companies be doing now to stay ahead of tax authority expectations?	Here is some advice according to Transfer Pricing Tax Audit Framework 2025:- • Ensure compliance with the arm's length principle in a controlled transaction; • Ensure compliance with Malaysian tax laws as well as other regulations issued by IRBM; and • Ensure voluntary compliance with the tax laws and regulations and tax compliance can be achieved under the Self-assessment system (SAS).
36.	We would appreciate clarification on whether the following are standard practices across all IRBM branches: (i) contacting taxpayers by telephone without first providing a written analysis or issues under review; and (ii) issuing tax audit findings before submission of the contemporaneous TPD. We have observed varying practices, and it seems like some did not practice according to TP Audit Framework.	Transfer Pricing Tax Audit Framework (TPTAF) 2025 identifies the rights and responsibilities of IRBM, taxpayers and approved tax agents. A full or minimum CTPD (if any) is required to be part of the audit documentation for transfer pricing issues. An internal guidance will be issued to ensure a consistent approach applies across branches in this matter.

NO	QUESTION	ANSWER
37.	If the tax audit for YA 2022 was already completed in 2023, no findings back then. Can another IRBM officer reopen the cases now? after 3 years later for the same year (YA2022).	Under the Transfer Pricing Audit Framework 2025, a taxpayer may be selected for audit at any time, and the selection of cases is based on various factors, including risk assessment, group restructuring or information received from third parties. The completion of a tax audit for a particular year of assessment does not, by itself, prevent the IRBM from conducting a subsequent review or audit of the same year of assessment.
38.	Pls clarify if IRBM would concur the principles as per article 9 and chapter X of OECD TP guidelines in delineation the nature of financial assistance of equity vs debts, as now there is lacking domestic TP guidelines on financial transactions. In real audit, the Officer does not accept explanations and supporting doc that equity capital funding even through clearly documented in CTPD submitted,	The IRBM has recently issued Malaysia Transfer Pricing Guidelines Controlled Financial Transactions: Intra-Group Loans (MFTIL) 2026 on 30 July 2026, which provides the requirements on the debt vs equity analysis and the accurate delineation of intra-group loan between related parties. Taxpayer should be able to justify the characteristic of the financial transactions and maintain adequate supporting documents as IRBM may still challenge the characterisation if it considers that the objective facts indicate otherwise. If, at the lender point of view, the financial transaction is considered equity, no interest should be charged on that financial transaction. Therefore, the borrower should not be allowed a deduction on that interest
39.	If holding company payment on behalf of subsidiary, and the subsidiary don't have ability to pay back within 1 year as subsidiary do not carry out any business activity, will IRB treat this payment on behalf as Finance assistance and will force the holding company to impose interest on the amount of payment on behalf?	The transaction should be characterised as either debt or equity. Accurate delineation may identify the true nature of the transaction. From this delineation, if the transaction is a financial assistance, arm’s length interest rate (ALIR) should be imposed accordingly.

NO	QUESTION	ANSWER
40.	Interest free loan provided by foreign parent company, considered high risk? In view of no loss to MIRB as no interest outflows from Malaysia and no tax deduction claimed by Malaysia entity.	An interest-free loan provided by a foreign parent would generally be considered low risk from a Malaysian tax perspective and would not result in any adverse Malaysian tax impact on the borrowing entity, as there is no interest outflow from Malaysia, no corresponding interest expense or tax deduction claimed by the Malaysian entity, and consequently, no apparent erosion of the Malaysian tax base arising from such arrangement.
41.	For the disclosure in Form-C, is it should exclude the balances amount for Trade transaction between intercompany?	The disclosure in Form C, part B: Controlled Transaction refers to the current amount for each transaction with related entities during a financial year and not the balances amount.
42.	How would IRB assess a transfer pricing case where sister companies within the same group compete by offering different prices, causing the Malaysian entity to lose orders or incur losses? Would this be regarded as a normal arm's length commercial outcome or a transfer pricing issue?	The losses incurred by a Malaysian entity due to price competition within the same group should be regarded as normal arm's length commercial outcome if the pricing reflects genuine market competition and the functions, assets and risks for each parties involved. However, the transfer pricing issues may exist if the arrangement results in the Malaysian entity being not compensated fairly.
43.	Slide 8: Is intragroup financial support provided without collateral, security, or interest considered a high-risk transfer pricing (TP) transaction, does it require TP documentation, how is it determined whether the support is a capital contribution rather than a loan, and how should the company document it for TP compliance?	Financial support provided by the related companies is a controlled financial transaction and may subject for the scrutiny under Section 140A ITA 1967. Particularly where the arrangement differs from what independent parties would agree under comparable circumstances.
44.	We noticed that TP audits conducted by cawangan PCB, in many cases IRB's finding letters do not include comprehensive justifications for the issues raised by the IRB against taxpayer. In this case, how are taxpayers expected to have a meaningful discussion with the IRB. Can considerations be given to retain TP audits under multinational branch, as it takes a lot of time and costs to go through TP audit?	The taxpayer's file is handled by CCM under certain criteria. Therefore, TP audits are not restricted to CCM. To strengthen TP audit practices for other branches, an internal guidance will be issued to ensure consistent approach applies across branches (except for CCM) for TP audit practices. We wish to inform that these TP audit practices will not be as complex as those conducted by CCM.

NO	QUESTION	ANSWER
45.	During general compliance audit, the IRB would like to disallow interest expense payment by taxpayer to related party. Under what circumstances, penalty will be made under Section 113(2) or surcharge under Section 140A(3C)?	It depends on the basis of the adjustment. Where the interest expense is disallowed under the general provisions of the Income Tax Act 1967, the applicable penalty may be imposed under subsection 113(2). However, where the adjustment arises from a controlled financial transaction that is not at arm's length under section 140A, a surcharge of up to 5% under subsection 140A(3C) may apply for a basis period commencing on or after 1 January 2021 (YA 2021 onwards, where applicable). Therefore, the treatment depends on the nature and legal basis of the adjustment, not merely because the interest is paid to a related party.
46.	How to know if we are in compliance with country-by-country reporting which one of the causes TP audits are increasing?	Compliance with CbCR is subject to Income Tax (Country-by-Country Reporting) Rules 2016 [P.U.(A) 357/2016]. An analysis of risk assessment of CbCR data may be used as part of selection criteria for TP tax audit cases.
47.	If a minority shareholder (Malaysian company) suspects the majority shareholder (foreign company) abuse the transfer pricing to transfer the profit out of Malaysia, can the minority shareholder request for TP audit to be done for the company?	A minority shareholder may lodge a complaint or provide information to IRBM where there is a genuine concern that related-party transactions are being used to shift profits out of Malaysia. However, the shareholder cannot require or direct IRBM to conduct a transfer pricing audit. Any decision to commence a TP audit remains with IRBM and is generally subject to its risk assessment, available information and the facts and circumstances of the case. Any information or supporting evidence provided may be considered as part of that assessment

NO	QUESTION	ANSWER
48.	With widespread of intragroup transactions and real time e-invoicing, taxpayers often face administrative duplication when it comes to TP audit n Tax audit. Is IRBM considering integrated or streamline these two audits into one to improve audit efficiency and reduce compliance issues by the taxpayers?	Currently, those audits are conducted separately. Acknowledging the taxpayers' concerns, the integration of those audits may be considered.
49.	If the TP Doc is prepared on a contemporaneous basis but completed after tax return filing deadline, would this trigger any penalty during audit? Is there any buffer period allowed for completing the TP Doc?	Section 113B of Income Tax Act 1967 is an offence for not furnishing the CTPD within 14 days. A CTPD will be non-contemporaneous is 2 situations – when prepared after the due date (this will relate to the completion date) and not complete (all information needed in subrule 4(2) are not provided including indexing or N/A indication). Therefore, even if you submit a CTPD within 14 days of the written notice served, taxpayers are still exposed to offence of section 113B if CTPD is not contemporaneous. The penalty will be based on the period until the CTPD is contemporaneous.
50.	For a manufacturing company normally the PLI is cost based e.g. net cost plus. Profit based PLI like net margin is not suitable. In this case, the related party cost formed more than 50% (say 60%) of total cost. What PLI should company use? If use net cost plus and if there are adjustments, can the adjustments be adjusted to the 60% of related party transactions?	Under the TNMM, the most appropriate PLI should be selected based on the nature of the controlled transaction, functional analysis, availability of reliable comparable information and degree of comparability. Only items that are directly or indirectly related to the controlled transaction and are operational in nature should be included in determining the net profit indicator. However, if a TP adjustment is required, the adjustment is generally made to bring the overall tested transactions or profitability to an arm's length level. There is no automatic rule that the adjustment should be restricted to only 60% of the adjustment merely because RPT costs account for 60% of total costs unless the taxpayer can reliably demonstrate through segmentation that the adjustment relates only to the controlled transactions.

NO	QUESTION	ANSWER
51.	We would appreciate your clarification on whether the standard protocols consistently adopted across all IRBM branches. It seems like some branches did not practice according to TP Audit Framework.	We acknowledge taxpayers' concern on the inconsistency of the standard protocol applied across branches. To strengthen the TP audit protocols, an internal guidance will be issued to ensure consistent approach applies across branches, except for CCM. We wish to inform that these TP audit practices will not be as complex as the ones conducted by CCM.
52.	Slide 8: Is intragroup financial support provided without collateral, security, or interest considered a high-risk transfer pricing (TP) transaction, does it require TP documentation, how is it determined whether the support is a capital contribution rather than a loan, and how should the company document it for TP compliance?	For CTPD requirements, the applicable thresholds prescribed under the Malaysia Transfer Pricing Guidelines (MTPGL) 2024 should be observed. With respect to intragroup financial transactions, the IRBM has recently issued the Malaysia Transfer Pricing Guidelines – Controlled Financial Transactions: Intra-Group Loans (MFTIL) 2026 on 30 July 2026, which provides specific guidance on the accurate delineation of intra-group loans between related parties.
53.	How about loan transfer funds?	Loan transfer funds in a controlled financial transaction may attract scrutiny under Section 140A of the ITA 1967. For detailed guidance, IRBM have issued Malaysia Transfer Pricing Guideline Controlled Financial Transactions: Intra-Group Loans on 30 July 2026.
54.	How to prove that is the reasonable markup percentage?	A reasonable markup should first be supported by the company's pricing policy, actual transactions and FAR analysis (functions performed, assets employed and risks assumed). Where the same or consistent pricing/markup is applied to comparable transactions with independent third parties and related parties with comparable FAR, this may support the arm's length nature of the markup. Where no reliable internal comparable is available, an appropriate benchmarking analysis should be performed to demonstrate that the markup is consistent with what independent parties would earn under comparable circumstances.

NO	QUESTION	ANSWER
55.	If we can prove that the selling price we set for inter-company is the same pricing policy with what we set for third-party. Is it we still need to get the market price for the comparison?	It is dependent on whether the related party and third-party transactions are truly comparable where both transactions must be conducted within similar terms and circumstances. Where a reliable internal CUP is available, it would generally provide direct evidence of the arm's length price, and a separate external market-price search may not necessarily be required. However, if the internal third-party transactions are not sufficiently comparable, external CUPs or another appropriate transfer pricing method may need to be considered.
56.	How about TPD between Com A and Com B. Directors same and both company is trader. The transaction is only for loan / funds transfer. Need charge TPD?	The transactions are within the scope of transfer pricing as it is a controlled financial transaction between related companies. Whether full TPD or minimum TPD is required depends on the applicable thresholds as set out in MTPGL 2024 under Scope and application, para 1.5 to 1.8 Taxpayer should maintain documentation to support the nature of loan / fund transfer and the requirement of arm's length principle.

NO	QUESTION	ANSWER
57.	If there is trading between unrelated companies say in A industry, the practices are selling/transfer stocks in costs-to-costs basis. Will these transactions subject to TP document preparation and is subjected to high financial risk / high risk transaction in TP Audit risk?	The first consideration is whether control exists under sections 139 and 140A(5A) of the ITA 1967. If the companies are genuinely independent and no control is established, the transactions would generally not constitute controlled transactions, and the CTPD requirement would not arise. Where control is established, the taxpayer should refer to paragraph 1.11 of the MTPGL 2024, which summarises the scope and application of CTPD requirements, to determine whether the taxpayer is required to prepare full CTPD, minimum CTPD, or is exempted from CTPD preparation, based on the applicable thresholds and conditions. For cost-to-cost stock transfers, such pricing does not automatically indicate a high-risk TP transaction or that the pricing is not at arm's length. The taxpayer should be able to substantiate the pricing based on the arm's length principle, taking into account the FAR, commercial circumstances and, where available, comparable transactions between independent parties.

NO	QUESTION	ANSWER
58.	Referring to 1.5d TPGL2025, if taxpayer have CT with 10 different companies. So, the criteria of 1.5d need to apply for each of the 10 companies. If only 1 of the 10 companies failed the criteria for 1.5(d)(i), (ii) and (iii), is CTPD requires for all the controlled transactions or CTPD is only required for the controlled transaction with the one company that does not fulfilled criteria 1.5.	Paragraph 1.5(a) to (d) should first be assessed sequentially to determine whether the taxpayer qualifies for exemption from preparing CTPD. For Paragraph 1.5(d), the conditions are assessed based on the parties to the particular controlled transaction. Therefore, where the taxpayer has controlled transactions with 10 related companies, the conditions under Paragraph 1.5(d)(i), (ii) and (iii) should be assessed separately for each related party. If only one related company fails to satisfy any of the conditions under Paragraph 1.5(d), only the controlled transaction(s) with that company would not qualify for the exemption. Transactions with the other related companies may continue to qualify for the exemption, provided all the conditions under Paragraph 1.5(d) are satisfied. For the non-exempt controlled transaction(s), the taxpayer should then determine whether minimum or full CTPD is required based on the applicable thresholds under Paragraph 1.7 of the MTPGL 2024. However, every taxpayer should evaluate the significance of their transactions in reference to their own business and the additional administrative costs of preparing such documentation (Para 11.9 MPTGL 2024).

NO	QUESTION	ANSWER
59.	For intercompany. TP only cover sales & purchase or cover everything? For example: During renovation Company B, contractor invoice to Company A & paid by Company A. Then Company A reissue invoice to Company B. This situation includes for TP?	Transfer pricing is not limited to sales and purchases. It applies to controlled transactions involving the acquisition or supply of property or services between associated persons. For reimbursement or recharge of expenses between related parties, the taxpayer should determine the actual nature of the arrangement. Where the expenses represent pass-through costs, i.e. third-party expenses incurred on behalf of another group member while acting merely as an intermediary, with no value-added functions performed and no risks assumed, the recharge may generally be made without a mark-up. However, where the arrangement involves the provision of intra-group services, a mark-up would generally be appropriate to reflect the functions performed, assets used and risks assumed, consistent with the arm's length principle. Therefore, the TP treatment should be determined based on the substance of the transaction and FAR, rather than merely how the expense is invoiced or recharged.

NO	QUESTION	ANSWER
60.	If the manufacturer (Company A) in Malaysia which enjoys tax incentives such as MIDA automation capital allowance / MGTC Green Investment Allowance already prepares a full TP documentation. Does Malaysia distributor (Company B) need to prepare its own TP document? Company A and Company B are subsidiary of a Malaysia Holding Company (Company C) 100% shareholding. The full TP documentation prepared.	The CTPD requirement should be assessed separately for each taxpayer. The preparation of a full CTPD by one related company does not automatically cover or exempt another related company from its own CTPD requirement. Each taxpayer should first assess the exemptions under Paragraph 1.5 of the MTPGL 2024 sequentially. For domestic controlled transactions, where either party falls within the circumstances under Paragraph 1.5(d), including where either party enjoys the specified tax incentives, the relevant controlled transaction would not qualify for the exemption. The taxpayer should then determine its CTPD requirement under Paragraph 1.7. If the applicable thresholds are met, full CTPD is required; otherwise, where CTPD is required, minimum CTPD would generally apply. Therefore, each taxpayer must determine its own CTPD obligation based on its respective facts, controlled transactions and applicable thresholds, regardless of whether another related company has already prepared a full CTPD.
61.	How many years is considered as contemporaneous?	Based on Malaysia Transfer Pricing Guidelines 2024 (MTPGL), there is no prescribed number of years that qualifies as "contemporaneous". Refer to para 11.2 MTPGL 2024: 11.2 A transfer pricing documentation is deemed “contemporaneous” if: (a) the document is prepared before the due date for furnishing a tax return for the year of assessment in which a controlled transaction is entered into, and (b) the document contains all requirements in subrule 4(2) of the Rules.

NO	QUESTION	ANSWER
62.	What if all the companies are paying the same tax rate and all are making profit despite different methodology adopted on the management fees charged due to different operation involved?	If all companies are taxed at the same rate and are profitable, the TP risk is generally lower due to the limited risk of profit shifting. However, the management fee must still satisfy the arm's length principle. Different charging methods or markups may be acceptable if they are supported by the Functions performed, Assets employed, and Risks assumed (FAR), the benefits received, and appropriate documentation. Profitability alone does not prove that the management fees are arm's length.
63.	If the company has only individual Director owing to or from company, do the company still need to prepare TP documents? The director has no personal businesses.	The transfer pricing rules under Section 140A of the Income Tax Act 1967 primarily apply to controlled transactions between associated persons, and the Malaysian TP Guidelines provide exemptions for individuals not carrying on a business. A director acting solely in a personal capacity and not through a business would generally fall outside the scope of transfer pricing documentation requirements.

NO	QUESTION	ANSWER
64.	For a MNC group, one company from SG is charging all companies under same group for Management Fees for ongoing functional support and management support. For us a company in MY, how to proof the reasonability of the management fees charged? It's a fixed rate for all which is 30% from each company's last year's net profit. Is an agreement with rate and scope of services provided sufficient?	The company should be able to demonstrate that the management fees were incurred wholly and exclusively in the production of gross income, as required under Section 33(1) of the Income Tax Act 1967. Under Section 140A of the Income Tax Act 1967 and the Malaysian Transfer Pricing Guidelines, related-party charges should be supported by the arm's length principle and adequate documentation. As the management fee is determined based on 30% of the prior year's net profit, the Group should maintain additional supporting documentation to substantiate the basis of the pricing policy. This may include benchmarking studies, cost allocation analyses, and evidence demonstrating the services performed and the benefits derived by the recipient entity. In this regard, please refer to Rule 9 of the Income Tax (Transfer Pricing) Rules 2023 and Chapter 6 (Intra-Group Services) of the Malaysian Transfer Pricing Guidelines 2024, which provide guidance on the evidence required to support intra-group service charges and compliance with the arm's length principle.

NO	QUESTION	ANSWER
65.	How detailed is the documentation required when the invoice billed from related company for the services performed by their employees does not have many details. Maybe because it involves sensitive data such as staff cost or complex computations.	The general test on the deductibility of expenditure under subsection 33(1) of the ITA 1967 requires all outgoings and expenses to be "wholly and exclusively incurred during that period… in the production of gross income from that source." Accordingly, supporting documents may include service agreements, descriptions of services performed, employee timesheets or effort allocation summaries, cost allocation schedules, management reports, correspondence, and explanations of the charging methodology. These documents are necessary to substantiate that the services were actually rendered and the related expenses were actually incurred during the relevant basis period, wholly and exclusively in the production of gross income, and that the expenditure is not prohibited from deduction under subsection 39(1) of the ITA 1967.
66.	1. Scenario: Your Malaysian subsidiary buys raw materials from a related party in Vietnam and sells finished goods to a related party in Singapore. How would you structure the pricing to meet the arm's length standard?	The transfer pricing should be determined based on the Functions performed, Assets employed, and Risks assumed (FAR) by the entity involved in the supply chain or business model. An appropriate TP method should be applied to ensure that the entity earns an arm's length return consistent with comparable independent parties performing similar functions and assuming similar risks, in line with Section 140A of the Income Tax Act 1967 and the arm's length principle. Reference: MTPGL 2024 – Chapter 2 (Arm's Length Principle), Chapter 3 (Transfer Pricing Methodologies) and Chapter 4 (Comparability Analysis).

NO	QUESTION	ANSWER
67.	For interest-free loans between related companies, what supporting evidence would LHDN expect to justify that no arm's length interest should be charged?	The IRBM has recently issued specific guidance on intra-group loans and controlled financial transactions (Malaysia Transfer Pricing Guidelines Controlled Financial Transactions: Intra-Group Loans (MFTIL)) (Published July 2026), which provides further clarification on the debt-versus-equity analysis and the accurate delineation of financial arrangements between related parties. Taxpayer should maintain adequate supporting documents as IRBM may still challenge the characterisation if it considers that the objective facts indicate otherwise.
68.	If company policy on pricing does not differentiate between related or unrelated party, do company still need to prepare TPD?	Yes. Even if the company applies the same pricing policy to related and unrelated parties, the requirement to prepare CTPD is still determined based on the scope, exemption and CTPD thresholds under MTPGL 2024. The same pricing policy may, however, provide supporting evidence for the arm's length pricing, particularly where reliable internal comparables exist. Reference: MTPGL 2024 – Chapter 1 (Scope and Application), Chapter 3 (TP Methodologies) and Chapter 4 (Comparability Analysis).

NO	QUESTION	ANSWER
69.	If a service is provided to a related company in Singapore, and there is a blanket contract of 5% to 10% mark-up is it sufficient for TP report. If not what else needed?	A blanket contract providing a 5% to10% mark-up alone is not sufficient to demonstrate that the service charge is at arm's length. Refer to paragraph 6.10 of MTPGL 2024, the determination of an arm's length charge for intra-group services should consider the nature of the services, benefits to the recipient, costs incurred, functions performed, amount an independent recipient would be willing to pay, and other realistically available options. Accordingly, the mark-up should be supported by the company's pricing policy, actual transactions and FAR analysis. Where a comparable mark-up is applied to independent third parties under comparable circumstances, this may support the arm's length nature of the charge. Where no reliable internal comparable is available, an appropriate benchmarking analysis should be performed. Reference: MTPGL 2024 – Chapter 6 (Intra-Group Services), particularly paragraph 6.10.
70.	Does the management fee charged by the holding company to its subsidiaries need to be based on a reasonable allocation? For example, should staff costs be allocated according to the actual services provided to each subsidiary? What if the holding company charges a fixed management fee without any supporting justification or cost breakdown? Is that acceptable?	Management fees should be based on a reasonable allocation that reflects the actual services provided and benefits received by each subsidiary. A fixed management fee without supporting justification, cost breakdown, allocation basis or evidence of services rendered would generally not be sufficient to demonstrate an arm's length charge. Reference: MTPGL 2024 – Chapter 6 (Intra-Group Services), particularly paragraph 6.10.

NO	QUESTION	ANSWER
71.	Hi, what is the main difference or distinct differences between a full CTPD as compared to minimum	The main difference between Full CTPD and Minimum CTPD is the extent of documentation required. Full CTPD requires comprehensive information and documentation as prescribed under the Income Tax (Transfer Pricing) Rules 2023, whereas Minimum CTPD provides reduced documentation requirements for eligible taxpayers. However, the arm's length principle applies to both, and taxpayers must maintain sufficient documentation to substantiate that their controlled transactions are at arm's length. References: • Income Tax (Transfer Pricing) Rules 2023 [P.U.(A) 165/2023]. • Malaysia Transfer Pricing Guidelines 2024 – Chapter 1 (Scope and Application) and Chapter 11 (Documentation).
72.	If the company get the extension of time and all information is the date of extension information, it would still be accepted, right?	Yes, all information submitted within the approved extension of time (EOT) period will be accepted. A company may request an extension of time (EOT) to submit its documentation and any requested information from the IRBM. Approval for EOT is at the discretion of the relevant IRBM State Office or Special Branch.