

Paragraph 1.5 of MTPG 2024: What You Need to Know

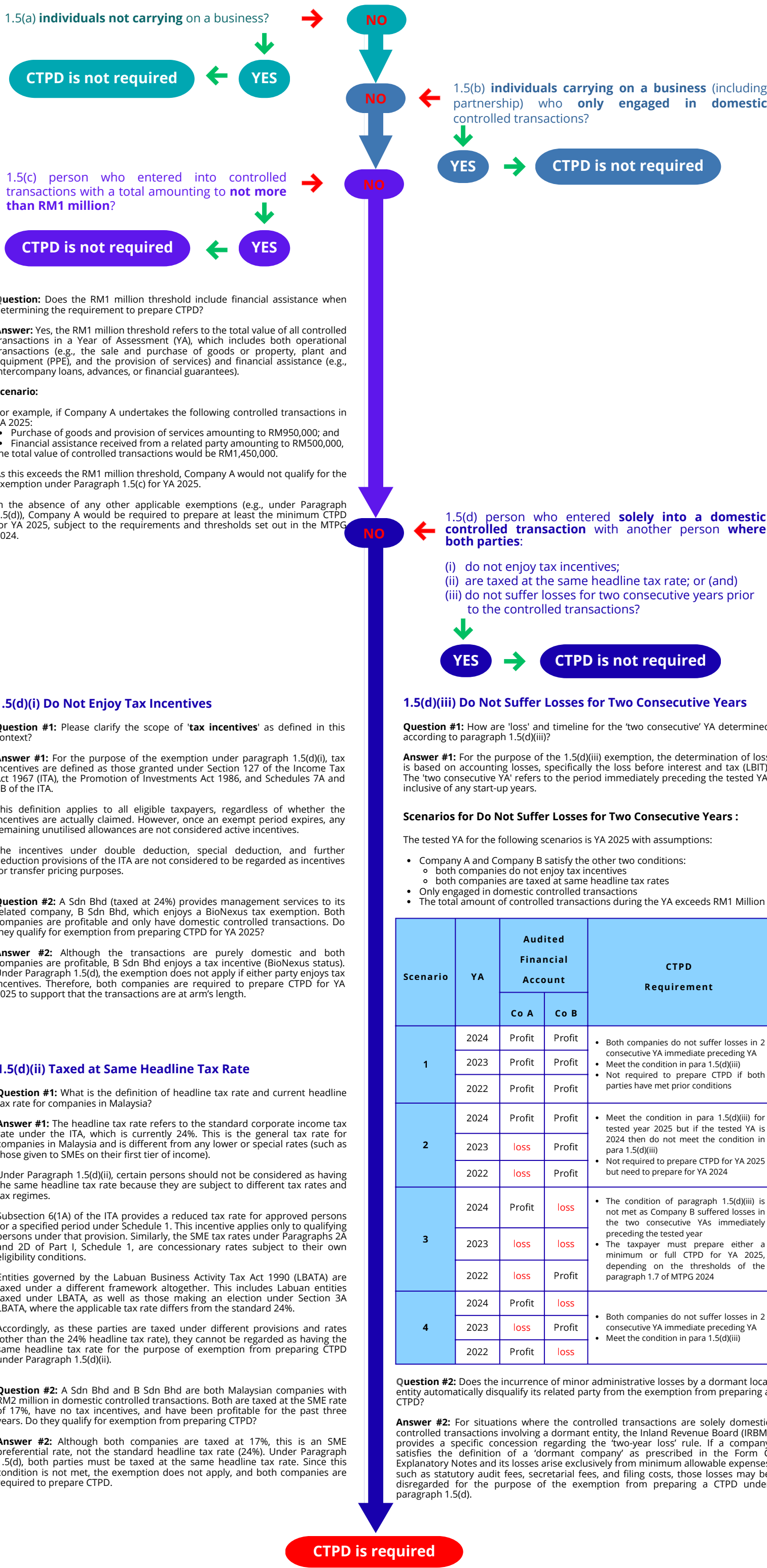
How should Paragraph 1.5(a) to 1.5(d) of the Malaysia Transfer Pricing Guidelines (MTPG) 2024 be applied to determine eligibility for the exemption from preparing a Contemporaneous Transfer Pricing Documentation (CTPD)?

To determine whether a taxpayer is exempted from preparing a CTPD under Paragraph 1.5, each condition under paragraph 1.5 **must be reviewed sequentially**. That is, the taxpayer must assess the conditions from item (a) through (d), in order. If a condition is not met, the taxpayer must proceed to evaluate the next item.

For example, if none of the conditions under paragraphs 1.5(a) to (c) are met, the taxpayer must assess whether the exemption under paragraph 1.5(d) applies. Please take note that under paragraph 1.5(d), the **exemption will not apply** if:

- (i) one of the parties enjoys tax incentives;
- (ii) both parties are taxed at different headline tax rates; or
- (iii) one of the parties has suffered losses for two consecutive years prior to the controlled transactions

If **any of the above conditions under paragraph 1.5(d) apply**, the controlled transaction is **not exempt from TPD requirements**.



Note:

Even if CTPD is not required, taxpayers who enter into controlled transactions must still be able to demonstrate the arm’s length compliance on those transactions.