KOMPILASI SOALAN DAN JAWAPAN
TRANSFER PRICING & TAX CORPORATE GOVERNANCE SEMINAR 2025
27 MEI 2025

TOPIK 3: *TAX CORPORATE GOVERNANCE, ENSURING COMPLIANCE AND TRANSPARENCY*

NO.	QUESTION	ANSWER
1.	If a company fully complies with tax laws, why is tax governance and transparency still important?	Full compliance is a fundamental requirement, but tax governance and transparency reflect a company's commitment to ethical conduct, sound risk management, and sustainable value creation. In line with ESG principles and evolving stakeholder expectations, companies are increasingly expected to demonstrate integrity in tax practices. Robust tax governance enhances trust with regulators, investors, and the public, while also reducing the risk of disputes and reputational harm. It positions the company as a responsible corporate citizen in a landscape where transparency is no longer optional, but essential. Even if a company fully complies with tax laws, strong tax governance and transparency are essential because they provide certainty and predictability to all stakeholders—investors, regulators, and the public. Compliance ensures you're playing by the rules; governance and transparency show how well you're managing the playbook. While compliance is about meeting obligations, **joining the tax governance is about building trust and gaining assurance**—a strategic move for companies that value stability and long-term planning.
2.	Does a reduction in tax audits mean that audits may still occur during the monitoring phase?	For companies under the Tax Corporate Governance (TCG) programme that comply with its terms and conditions, traditional audits and investigations are generally not carried out. However, during the monitoring phase, the tax authority may conduct certain reviews or verifications. These are not formal audits, but part of a collaborative process to ensure ongoing compliance and that the TCG commitments are being upheld.

NO.	QUESTION	ANSWER
3.	Are there any future plans by the IRB to require companies to publicly disclose their tax governance practices, including their tax strategy and governance framework?	For participants of the TCG programme, the publication of a tax strategy is already a requirement to demonstrate transparency and accountability. While there is currently no plan to mandate such disclosures for all taxpayers, the IRB continues to monitor international trends and stakeholder expectations. Any future expansion of disclosure requirements will be carefully considered, considering alignment with global practices and the readiness of the business community.
4.	What practical evidence would the IRB expect during a review to prove that SOPs for tax processes are actively followed and not just documented?	During a review, the IRB expects practical evidence that tax-related SOPs are actively implemented, not just documented. This includes records of actual processes (e.g. filings, approvals), internal communications, system logs, training records, and evidence of management oversight. These elements demonstrate that the SOPs are consistently applied in practice, in line with the principle of "applied comprehensively" under the Tax Corporate Governance framework.
5.	Are there any potential repercussions if a company decides not to participate in the TCGF?	Participation in the Tax Corporate Governance Framework (TCGF) is voluntary, and there are no penalties for not joining. However, non-participating companies will not benefit from the advantages offered under the programme, such as reduced audit interventions, faster issue resolution, and a collaborative engagement approach with the IRB. Participation also reflects a company's commitment to good tax governance and transparency, which is increasingly valued by regulators and stakeholders.
6.	Can the company be audited during the TCG review?	No, companies under TCG are not subject to audits during the review. However, the IRB may conduct verification or engagement activities to assess compliance with the TCG requirements.
7.	Does the TCG program apply to small and medium enterprises (SMEs) and newly established businesses in Malaysia?"	The TCG programme in Malaysia is currently intended for large companies, particularly those with significant tax exposure or group structures. SMEs and newly established businesses do not fall under the primary target group at this stage. However, the IRB encourages all businesses, regardless of size, to adopt good tax governance practices as part of responsible corporate conduct.

NO.	QUESTION	ANSWER
8.	How frequently must an independent review be conducted? Is it required only once during the application process?	According to the Malaysian TCG Guidelines, the Independent Review Report (IRR) must be prepared in a complete manner during the application stage. After acceptance into the programme, the IRR is required to be updated annually to reflect any changes and to ensure the tax governance framework remains effective and up to date.
9.	What are the benefits of the TCG program? Does it include a reduction in tax rates?	Based on the Malaysian TCG Guidelines, participants of the TCG programme will enjoy the following benefits: i. Reduced scrutinization of compliance activities – Including fewer or no tax audits, higher materiality thresholds, and reduced sample sizes. ii. Expedited tax refunds – Faster processing of tax refunds for compliant participants, subject to no anomalies and management approval. iii. Appointment of a dedicated tax officer – A single point of contact to facilitate communication and resolve technical issues efficiently. iv. Priority consideration – Eligible for priority treatment in certain matters, including relief from penalties for compliant participants.
10.	Can you explain how the global trend of automatic exchange of information (AEOI) affects the role of tax corporate governance?”	The global adoption of Automatic Exchange of Information (AEOI) has significantly increased tax transparency by enabling tax authorities to receive financial information on taxpayers' cross-border activities directly from foreign jurisdictions. This limits opportunities for non-compliance and aggressive tax planning. As a result, tax corporate governance has become more critical than ever. Companies are now expected to have strong internal controls, transparent reporting processes, and clear documentation to ensure that all tax-related disclosures both domestic and international are accurate and timely. A robust tax governance framework helps organisations manage these

NO.	QUESTION	ANSWER
		new compliance obligations, reduce reputational risks, and demonstrate accountability in a landscape where tax affairs are no longer confined within borders.
11.	1)Regarding the RM50,000 tax relief for ESG initiatives, does this apply to SMEs as well?" 2)To participate in the TCG program, will RM100 mil threshold be waived for companies outside the threshold?	1) The RM50,000 tax deduction for the preparation of a Tax Corporate Governance Framework (TCGF) report is only applicable to companies that participate in the TCG programme. Since the programme is designed for large and complex taxpayers, SMEs are generally not eligible for this deduction. 2) The RM100 million turnover is the benchmark for participation in Phase 2. However, companies below this threshold may still be considered for the TCG programme, subject to the IRB's evaluation of their tax governance readiness and framework.
12.	Will there be any cost incurred to participate in the TCG program?	There is no participation or registration fee to join the TCG programme. However, companies should expect to incur costs related to implementing a proper tax governance framework such as preparing the Independent Review Report (IRR), updating internal processes, staff training, and maintaining documentation. These are part of the company's investment in strengthening tax risk management and meeting the programme's requirements.
13.	If a company has internal tax governance but did not participate in the IRB programme, will lower penalties also be considered during a tax audit?	Companies that have internal tax governance but are not part of the TCG programme will still be subject to penalties based on the prevailing tax laws and guidelines. However, the existence of documented and effectively implemented tax governance may be considered as a mitigating factor in the penalty assessment process. Final decisions will be made on a case-by-case basis within the purview of tax laws and at the discretion of the IRB.
14.	Does reliance on external consultants for TCGF design and risk reviews strengthen governance, or does it signal weak internal tax ownership to the IRB?	From the IRB's perspective, engaging external consultants can strengthen governance by providing independent insights, technical expertise, and benchmarking against best practices, especially during the initial design and review stages. However, sustained reliance without internal involvement may indicate weak tax ownership. The IRB encourages a balanced approach: external support is acceptable and often helpful, but companies are expected to

NO.	QUESTION	ANSWER
		build internal capability and demonstrate clear ownership and accountability over their tax governance framework.
15.	What's the IRB's view on using group-wide internal audit findings to support local tax risk assessments under TCGF?	While group-wide internal audit findings can provide useful context, relying solely on them for local tax risk assessments under TCGF is not appropriate. The IRB expects tax governance and risk assessments to be tailored to the specific local entity, considering Malaysia's tax laws, operational environment, and risk profile. Group-level reports may supplement, but cannot replace, localised assessments that reflect the company's actual tax processes and controls in Malaysia
16.	What is the reason for excluding SMEs from participating in the TCG program?	The TCG program is not entirely restricted to SMEs, but priority is given to companies that meet the criteria outlined in the guidelines: i. Large companies with a turnover of RM100 million and above, including PLCs, GLCs, and SOEs, ii. Compliant taxpayers, iii. Companies with an established Tax Control Framework. These criteria ensure that the programme focuses on entities with higher tax impact and complexity. While SMEs typically fall outside these parameters, the IRBM may consider applications on a case-by-case basis if the company can demonstrate strong governance and readiness.
17.	Will there be any consequences or penalties if a company fails to comply with the requirements of the TCG program?	There is no specific penalty under the TCG programme for non-compliance with its terms and conditions. However, the company may lose the benefits offered under the programme, such as reduced audit intervention, expedited refunds, and priority treatment. Continued non-compliance may also lead to removal from the programme and the company being subject to normal audit procedures.