

FREQUENTLY ASKED QUESTIONS: TAX CORPORATE GOVERNANCE FRAMEWORK & GUIDELINES

Inland Revenue Board of Malaysia

As at 13 March 2025

Note : This Frequently Asked Questions should be read together with the Tax Corporate Governance Framework & Guidelines issued by the IRBM



FREQUENTLY ASKED QUESTIONS (FAQs)
TAX CORPORATE GOVERNANCE FRAMEWORK AND GUIDELINES

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NO.	QUESTION	ANSWER
1.	What is Tax Corporate Governance Framework (TCGF)?	<p>Tax Corporate Governance Framework (TCGF) issued by the Inland Revenue Board of Malaysia (IRBM) is a framework that—</p> <ul style="list-style-type: none"> i. establishes the techniques and processes within the organisation to identify tax risks, assess risks and sets out the appropriate actions to mitigate the impact of those tax risks; ii. implements a tax control framework (TCF) that includes six (6) principles or essential building blocks as follows: <ul style="list-style-type: none"> a) tax strategy established; b) applied comprehensively; c) responsibility assigned; d) governance documented; e) testing performed; and f) assurance provided.
2.	What is the purpose / aim of TCGF?	<p>TCGF document sets out the IRBM's expectation on the application of the principles of Tax Corporate Governance (TCG) within an organisational setting. Organisation for Economic Co-operation and Development (OECD) through its publication on Co-</p>

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		<p>operative Tax Compliance identifies the following six (6) principles in developing a good TCF which are as follows—</p> <ul style="list-style-type: none"> a) tax strategy established; b) applied comprehensively; c) responsibility assigned; d) governance documented; e) testing performed; and f) assurance provided. <p>TCGF document aims to help organisations understand the focus areas of the IRBM concerning tax corporate governance to enable businesses to—</p> <ul style="list-style-type: none"> a) develop or improve an organisation’s tax governance and internal control framework; b) promote tax compliance and reduce tax risks; c) test the robustness of an organisation’s framework; d) understand how to demonstrate the operational effectiveness of an organisation’s key internal controls to its stakeholders, including the IRBM; and e) to ensure that the financial, regulatory, and reputational risks associated with taxation are fully identified and evaluated.
3.	What is the benefit of having a TCGF?	<p>An effective TCGF can assist an organisation—</p> <ul style="list-style-type: none"> a) articulate its attitude towards tax risks by providing a level of comfort to all stakeholders that tax risks are maintained at an acceptable level as tax strategies, policies and processes are standardised and integrated within the wider organisation;

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		<p>b) achieve greater certainty with respect to its tax affairs, where in the absence of a clear tax compliance control framework, there may result in various parts of the organisation pursuing different and possibly conflicting strategy;</p> <p>c) promote early resolution of tax issues as and when the tax risks are identified via the internal controls established; and</p> <p>d) save time, money and effort in managing tax affairs.</p> <p>The implementation of TCGF can benefit both the organisation and the IRBM in terms of—</p> <p>i. Providing Greater Certainty With the implementation of TCGF, tax-related issues can be identified earlier and mitigation action can be taken properly. A well-functioned TCGF will provide greater certainty to the IRBM in terms of tax risk management and reporting by the business entity. It supports the idea that sufficient action has been taken to ensure tax compliance.</p> <p>ii. Earlier Resolution of Tax Issues With better certainty, the IRBM can make a better judgment and this implies earlier resolution of tax issues.</p> <p>iii. Better Transparency Tax transparency can be achieved primarily through tax returns and information disclosure. Organisations can develop tax transparency as a parameter that need to be taken into account,</p>

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		<p>which requires them to be ready and prepared to be transparent. The need to understand a taxpayer's overall tax situation applies to all taxpayers (natural persons and companies). However, a high degree of transparency is needed in the case of businesses operating in several jurisdictions.</p>
4.	Who can implement Tax Corporate Governance Framework (TCGF)?	TCGF is suitable for all sizes and types of businesses that give priorities and resources to corporate governance matters.
5.	Who can join the TCG Programme?	<p>Organisations that fulfil the following criteria are invited to join the TCG Programme—</p> <ul style="list-style-type: none"> a) large companies / public listed / Government Linked Companies / State Owned Enterprise (with turnover RM100mil and above); b) compliant taxpayers (return form submission and tax payment); and c) companies with established TCF; <p>However, the application excludes—</p> <ul style="list-style-type: none"> a) investment holding companies; and b) dormant companies. <p>Interested organisations may contact the IRBM via tcg@hasil.gov.my to communicate their interest or to obtain further information on the TCG Programme. A qualified organisation will be notified.</p>
6.	Is TCG only suitable for listed companies?	Investors are increasingly looking at how businesses manage and report tax and have increased expectations for clear and transparent tax reporting and strong tax

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		governance. In light of this, qualified Public Listed Companies (PLCs) are strongly encouraged to actively participate in the programme.
7.	When will the TCG Programme be open to eligible organisations?	<p>The TCG Programme is open to all eligible organisations effective 01 July 2024.</p> <p>Interested organisations are advised to adopt and execute the framework as soon as possible in order to be prepared and meet the prerequisite.</p>
8.	For companies under TCG criteria with turnover of RM100 million, should we look at the turnover of RM100 million from the perspective of the individual company or the entire group?	The RM100 million turnover criteria applies to the individual company.
9.	If the organisation already has an internal control framework / tax control framework, will that be sufficient to join the programme?	The organisation shall satisfy the pre-requisite TCGF requirements before entering the programme. The fulfilment of the pre-requisite TCGF requirements will be easier if the organisation has an internal control or tax control system in place.
10.	Would there be any fee imposed on the participants?	There will be no fees imposed on the participants to participate in the programme.
11.	What are the advantages to the participants offered by the IRBM?	<p>Participants will be able to enjoy the following advantages upon their participation in the TCG Programme—</p> <ul style="list-style-type: none"> a) reduced scrutinization of compliance activities; b) expedite tax refunds; c) appointment of a dedicated tax officer; and d) priority consideration.

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12.	If the taxpayers are under investigation by the IRBM, can they participate?	Taxpayers may participate in the programme only after the investigation had been concluded (grace period may apply subject to compliance risk assessment).
13.	Will the participants in the TCG programme be subjected to audit / investigation?	<p>Participants in the programme can benefit from reduced scrutinization of compliance activities such as lesser tax audit.</p> <p>Qualified participants <u>that fulfil the requirement and criteria</u> listed by the IRBM <u>shall not be subjected to audit / investigation.</u></p>
14.	Will organisation be penalised for any voluntary disclosure?	For compliant organisation, priority consideration will be given for lower penalty rates in accordance with the IRBM Tax Audit Framework which is currently in effect.
15.	As mentioned in the framework, one of the benefits of TCG Programme is lesser tax audits. Will the organisation who do not participate in the TCG programme be targeted for an audit?	No. The case selection for tax audit will be based on risk assessment and the current Tax Audit Framework.
16.	Is the programme similar to Cooperative Compliance?	TCG is part and parcel of the Cooperative Compliance initiative. It is an integral component of Cooperative Compliance.
17.	Is the programme similar to the voluntary disclosure programme?	No.
18.	Is a Tax Compliance Certificate (TCC) the same as	No.

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	a Tax Corporate Governance (TCG)?	
19.	Will the taxpayers receive any letter as proof of participation?	A Confirmation Letter of Participation will be issued to taxpayers once the IRBM is satisfied with the organisation's TCGF and TCF after performing the review and assessment process.
20.	What is the validity period of the awarded status?	The validity period of the awarded status is for a period of three (3) consecutive years of assessment as stipulated in the Confirmation Letter of Participation subject to the terms and conditions stated.
21.	What is the timeframe for the IRBM to process TCG Programme's application?	The proposed timeframe from the date of acceptance of the participant by the IRBM to the award of participation status is eight (8) to twelve (12) months, with a potential extension of time application subject to the IRBM's approval.
22.	What are the required documents in order to participate in the programme?	Organisations shall submit the following documents— a) participation form to the IRBM. The participation form is available on the IRBM's website (Forms > Download Forms > Other Forms > 39. Form Tax Corporate Governance (TCG) Program Participation); b) the checklist of the Tax Corporate Governance - TCF Principles can be referred to APPENDIX 1 of the Guidelines on TCGF; and c) the checklist of the Tax Control Framework can be referred to APPENDIX 2 of the Guidelines on TCGF.
23.	Do the foreign multinational subsidiary in Malaysia which adhere to the parent's global tax governance policy and unable to publish its own	If the parent's global tax governance strategy aligns with the TCGF's direction and have a tax governance structure in place that follows the TCGF, the company can apply for TCG Programme. Instead of publicising company's tax governance policy, the company should mention on the website that they

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	local governance policy, still can apply for TCG?	are following the organisation's global policy and state the source. Furthermore, the company should include information about tax governance structure and practices in the application because they may not be reflected in the global tax governance policy.
24.	Can I subsequently withdraw from the TCG programme?	Yes. A request to withdraw from the TCG programme should be made in writing.
25.	<p>In the Guidelines on TCGF, the new criteria for organisation to join the TCG programme is companies with "established Tax Control Framework" (TCF).</p> <p>What are the specific requirements or characteristics that define an "established TCF"?</p>	<p>The TCF is a system for identifying, overcoming, controlling, and reporting tax risks. An "established TCF" must have the following elements—</p> <ul style="list-style-type: none"> a) strategic tax control / risk identification evaluation; b) tax management control / control activities framework; c) tax operation control; d) reporting; and e) continuous monitoring, <p>An "established TCF" typically encompasses comprehensive policies and procedures designed to ensure effective tax management within an organisation. This includes clear documentation of tax processes, segregation of duties, regular risk assessments and adherence to relevant regulatory guidelines.</p> <p>Additionally, it may involve robust internal controls, continuous monitoring and a commitment to transparency in tax reporting. The specific requirements can vary, but a well-defined and structured framework is essential to meet the criteria outlined in the TCG Guidelines.</p>

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26.	How does the IRBM review on organisation's TCG?	<p>The IRBM will conduct reviews by focusing on the adequacy of the organisation's tax governance framework and the effectiveness of its control framework. The review will be carried out on organisation's framework in two (2) phases—</p> <p>a) Adequacy Review</p> <p>The IRBM will evaluate the adequacy of the organisation's application of six (6) tax governance principles.</p> <p>b) Effectiveness Review</p> <p>The IRBM will assess the effectiveness of the organisation's TCF through evidence-based approach.</p> <p>In terms of method, the IRBM may perform inquiries, observations, tests and inspections as well as reassessment.</p> <p>Refer to Chapter 6 of the IRBM Guidelines on TCGF.</p>
27.	Are there any standards for disclosure?	<p>The organisation may refer to any tax governance, internal control frameworks or generally accepted risk management principles which are applicable to tax matters.</p> <p>Tax disclosure involves providing information about an organisation's tax strategy and governance approach. Organisations are required to publish their tax strategy.</p>
28.	Does participant require to publish its tax policy / tax strategy?	<p>Yes, under paragraph 9.3.of Guidelines on TCGF dictates that "The organisation's tax strategy must be published publicly for each financial year and should be made available before the end of the current financial year".</p>

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	Where shall the organisation publish?	The organisation may publish it on its website / annual report / any medium that is publicly accessible.
29.	Will penalty be imposed if the tax policy or strategy is not published?	No. However, this will affect the IRBM's review and assessment of the organisation's TCG.
30.	Does participant have to inform the IRBM of any changes in tax governance policy?	<p>There is no need for participant to inform the IRBM if the tax governance policy continues to adhere to the Tax Corporate Governance – TCF principles. However, the IRBM may request from participant information on the tax governance structure periodically to ensure that it is still adhering to the TCGF.</p> <p>If the participant's tax governance policy / strategy no longer adheres to the Tax Corporate Governance – TCF principles or does not meet the requirements of the TCGF, the participant is required to inform the IRBM in writing.</p>
31.	Who can be the independent reviewer?	<p>Independent reviewer is a practitioner engaged by the organisation to perform review of tax risk management and governance framework.</p> <p>Independent reviewer is either—</p> <p>a) approved tax agent; or Approved tax agent has the same meaning assigned to it in the Income Tax Act 1967 (Section 153(3)) – any professional accountant or person, approved by the Minister.</p> <p>b) Internal auditor with suitable qualification; or Internal auditor with suitable qualification as accredited tax practitioner; or</p>

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		<p>At least five (5) years of taxation experience; and Member of Chartered Tax Institute of Malaysia (CTIM) or other relevant professional bodies.</p> <p>c) Qualified independent person. A Certified Internal Auditor (CIA) with at least five (5) years of experience or qualifications in corporate governance's risk.</p>
32.	Can the independent reviewer be the tax advisor who advises the organisation on its TCGF?	<p>Yes, the independent reviewer can advise the organisation on its TCGF.</p> <p>However, for greater independence, it is better for the organisation to appoint different parties to act as a consultant to advice the organisation in terms of the adequacy and effectiveness of its TCGF.</p>
33.	Will the IRBM provide a standardized report template for the submission of document and evidence revisions concerning the TCGF?	<p>At present, there will be no release of a standardized template due to variations in industry, organisational structure, complexity, and company size. Organisation may refer to TCG Framework and Guidelines for details. For further inquiries, please send an email to tcg@hasil.gov.my.</p>
34.	The implementation of TCG will incur costs to the business. Will these expenses be allowed for relief / deduction?	<p>Effective from YA 2024 to YA 2027, tax deduction up to RM50,000 for each YA will be given for Environmental, Social and Governance (ESG) related expenditure. This includes preparation of reports related to TCGF by companies that participate in the IRBM TCG Programme.</p>
35.	Will participants be monitored during the programme?	<p>Yes. Participants of the programme will be monitored by the IRBM on their tax disclosures and tax outcomes.</p>

NO.	QUESTION	ANSWER
		<p>Annual reviews will consider—</p> <ul style="list-style-type: none"> a) the last TCG report issued; b) financial statements; c) tax return disclosures and accompanying schedules; d) country-by-country reporting (CbCR) statements; and e) any other relevant information for the income year under review. <p>The IRBM will engage the participants (if necessary) to maintain a contemporary understanding of business performance, key transactions and areas of focus. To assist the enquiries, the IRBM may request supporting evidence to be provided.</p>
36.	Will engagement between participants and the IRBM be needed during the programme?	<p>Participants will be required to proactively engage with the IRBM and make disclosures of significant or new transactions, or where there are material changes, before these changes occur. Engagement on real time basis should cover as below—</p> <ul style="list-style-type: none"> a) significant or new transactions; b) material business changes; c) changes in tax treatments or positions that were reviewed before; d) change of reporting of uncertain tax positions, including as reflected in current and deferred tax balances in the financial statements; e) details of any new tax risks flagged to market; f) disclosure issues or errors relating to information reported in the income tax return or accompanying schedules that should be corrected;

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		<p>g) material changes to the design of the income tax governance framework, and</p> <p>h) outcomes of self and independent effectiveness review which include control testing of the tax governance framework are completed.</p>
37.	Who will conduct the monitoring process from the IRBM?	<p>A dedicated officer will be appointed to serve as the main contact person between the participants and the IRBM during the monitoring process in areas as below:</p> <p>a) compliance oversight;</p> <p>b) risk management;</p> <p>c) advisory services;</p> <p>d) policy development;</p> <p>e) collaboration and coordination;</p> <p>f) reporting and documentation; and</p> <p>g) annual risk review meeting.</p>
38.	When will the renewal of TCG's participation is due?	The renewal of TCG's participation can be made through a letter of intent six (6) months before the status due.



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