

# GUIDELINES ON TAX CORPORATE GOVERNANCE FRAMEWORK

Inland Revenue Board of Malaysia

As at 13 March 2025

**Note : This guideline should be read together with the  
Tax Corporate Governance Framework issued by IRBM**

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# GUIDELINES ON TAX CORPORATE GOVERNANCE FRAMEWORK

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## TABLE OF CONTENTS

1. INTRODUCTION .....	1
2. TERMS FOR APPLICATION OF TCG PROGRAMME .....	3
3. THE PARTICIPATION PROCESS .....	7
4. SELF-REVIEW REPORT .....	12
5. INDEPENDENT REVIEW REPORT .....	15
6. IRBM REVIEW .....	17
7. MONITORING PHASE .....	24
8. TCG PROGRAMME RENEWAL MECHANISM .....	29
9. DISCLOSURE GUIDE .....	30
10. CONCLUSION .....	32
11. CONTACT INFORMATION .....	33
12. ANNEXES .....	34

## **LIST OF ABBREVIATION**

CC	Cooperative Compliance
COSO	Committee of Sponsoring Organisation
ERM	Enterprise Risk Management
GRI	Global Reporting Initiative
ICF	Internal Control Framework
IRBM	Inland Revenue Board of Malaysia
ITA	Income Tax Act 1967
ITRF	Income Tax Return Form
LSE	Large and Special Enterprises
OECD	Organisation for Economic Co-operation and Development
SME	Small and Medium Enterprises
TCF	Tax Control Framework
TCG	Tax Corporate Governance
TCGF	Tax Corporate Governance Framework

# GUIDELINES ON TAX CORPORATE GOVERNANCE FRAMEWORK

## 01

# INTRODUCTION

Organisation for Economic Co-operation and Development (OECD) publications emphasize the importance of cooperative compliance as a regulatory approach. Therefore, the Tax Corporate Governance Framework (TCGF) should be based on three main pillars – (i) mutual trust, (ii) understanding, (iii) openness and transparency and are rooted in the overall compliance strategy of the tax authority. However, they differ in terms of, for instance, threshold / eligibility criteria, their legal basis and taxpayers' interactions to ensure that high levels of compliance are achieved and maintained. In this regard, the guidelines may be reviewed from time to time.

These guidelines should be read together with the TCGF issued by the IRBM. The objective of the guidelines is to guide the organisations participating in Tax Corporate Governance (TCG) programme. It is intended to support the framework issued by the IRBM through a more in-depth explanation of the items and processes in TCG practices.

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13/03/2025

An effective TCG should cover both the strategic and operational levels.

Strategic Level	Operational Level
<ul style="list-style-type: none"> <li>• Board and Management informed and involved in Tax and Tax Risk Management.</li> <li>• Developed, documented, and approved Tax Control Framework (policies, procedures, systems, and controls).</li> <li>• Set clear process to evaluate and manage tax risks arising on material transactions.</li> <li>• Known and understood tax risk appetite, approved by the Board.</li> <li>• Embedded into the broader governance framework and business culture.</li> <li>• Adequate provisioning for potential tax liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Clearly defined and understood roles and responsibilities around Tax Governance.</li> <li>• Process to identify, report and manage tax risks.</li> <li>• Accurate and reliable tax reporting.</li> <li>• Adequately resourced tax function.</li> <li>• Monitoring and implementation of changes in tax law and practices.</li> <li>• Timely compliance with all reporting and compliance obligations.</li> </ul>

### 1.1. An Overview of Tax Corporate Governance Framework

TCGF shall comprise a clear guide and disclosure on organisation code of practice, overall roles and responsibilities, tax reporting, significant and material transactions, tax compliance, and supplementary documentation.

### 1.2. Disclaimer

These guidelines are provided only as a guide to assist in the dissemination and awareness of TCG. It is a supplement to the organisation's corporate compliance reference materials. Each organisation must determine how a specific requirement applied to its particular circumstances and any other areas that need to be addressed. Kindly note that the guidelines are not intended to capture all regulatory governance on an exhaustive basis.

# 02

# TERMS FOR APPLICATION OF TCG PROGRAMME

TCGF is suitable for all sizes and types of businesses that give priorities and resources to corporate governance matters. However, it is recommended for large corporations to have their tax strategy published and Tax Control Framework (TCF) within the organisation, as well as Board and / or top management endorsement of the above-mentioned tax documents.

The TCG Programme is open to all eligible organisations effective 01 July 2024.

## 2.1. Our Criteria

The IRBM is looking for companies that meet the following criteria for TCG application:

- 2.1.1 large Companies / public listed / Government Linked Companies / State Owned Enterprise (with turnover RM100mil and above)<sup>1</sup>;
- 2.1.2 compliant taxpayers (return form submission and tax payment); and
- 2.1.3 companies with established TCF;

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<sup>1</sup> The threshold is applied at the entity level.

However, the application excludes:

- a) investment holding companies; and
- b) dormant companies.

**“company”** means a body corporate and includes any body of persons established with a separate legal identity by or under the laws of a territory outside Malaysia and a business trust; [Section 2, Income Tax Act 1967 (ITA 1967)];

**“large company”** means a company with paid up capital more than RM2.5 million at the beginning of the basis period for a year of assessment; [Schedule 1, ITA 1967];

**“public listed company (PLC)”** means a public company which are listed in Bursa Malaysia where public company means other than private company; [Companies Act, 2016];

**“Government-Linked Companies (GLCs)”** are companies that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake;

Controlling stake refers to the Government’s ability (not just percentage ownership) to appoint Board members, senior management, and/or make major decisions (e.g. contract awards, strategy, restructuring and financing, acquisitions and divestments etc.) for GLCs, either directly or through Government-Linked Investment Companies (GLIC);

**“compliant taxpayer”** means taxpayer who comply with tax compliance criteria for the preceding three (3) consecutive years of assessment prior to the taxpayer’s application date.

- a) Submission of Return Form

Taxpayer must ensure that the return form is submitted every year according to the return form submission period set under the acts administered by the Inland Revenue Board.

b) Income Tax Payment

Taxpayer must not have tax arrears and/or comply with the instalment schedule in force.

c) In compliance under any written law.

**“established tax control framework”** must have the elements of—

- a) strategic tax control / risk identification evaluation;
- b) tax management control / control activities framework;
- c) tax operation control;
- d) reporting; and
- e) continuous monitoring.

## 2.2. Application of Tax Corporate Governance Programme

The application of the TCG Programme is based voluntarily.

Taxpayers who are interested and satisfy the pre-requisites criteria can submit the participation form to the IRBM to officially participate in the programme.

## 2.3. TCG Programme Timeframe

The **proposed** time frame 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.

A Confirmation Letter of Participation will be given to participants once the IRBM is satisfied with the internal control after performing the preliminary review and assessment process.

The validity of the IRBM's Confirmation Letter of Participation is subjected to the above process.

**Other consideration:**

Since the TCGF are subjected to steady and consistent reporting, a **renewal of participation** status process is necessary from time to time to ensure that the organisation's TCGF continues to meet the standards for the programme. The organisation must inform the IRBM of its intention to renew the participation **six (6) months** before the status expires, using a letter of intent.

**2.4. TCG Programme Status**

Validity 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 therein.

# 03

# THE PARTICIPATION PROCESS

## 3.1. The Need for a TCG Programme

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13/03/2025

The TCG Programme is an arrangement between the IRBM and the participant to work together to improve an organisation's corporate tax compliance matters in an open and honest manner.

The IRBM would encourage organisations to participate in this TCG Programme with the aim to establish a transparent relationship in approaching tax matters moving forward. Both parties will commit to cultivate and grow mutual trust.

This programme also establishes a platform to encourage on-going discussions on tax risk management matters between the IRBM and the participant. Both parties can learn and gather more insights on managing tax risks and implementing controls for the overall business operations. At the same time, this allows the IRBM to understand the commercial reasons on business decisions being made by organisations.

## 3.2. Participation in the TCG Programme

Presently, participation encouraged for organisations that—

- a) have medium to complex structures and business models;
- b) engage in voluminous transactions;
- c) place emphasis on tax risk management as part of their corporate governance;

- d) rely on extensive in-built controls in their systems and processes to generate timely and accurate data for financial and tax reporting; and
- e) Cultivate transparency and openness in engaging with the IRBM.

### 3.3. Processes for TCG Programme

Tax governance will require more structured, well-documented policies and procedures and an independent control testing programme.

To be effective, a TCGF should provide a real, practical tool for managing risk. The process characteristics can differ from one organisation to another.

An approach to implementing tax governance procedures is described in the following process:

#### **STEP 1: GETTING READY**

a) **Satisfy pre-requisites**

The organisation has to assess whether it meets the eligibility criteria set by the IRBM (refer paragraph 2.1). Organisations who do not meet the criteria will not be accepted in the programme.

b) **Preliminary self-assessment**

The organisation has to perform preliminary self-assessment to establish or strengthen tax governance and tax risk management framework and policies to manage tax risks.

For TCG Programme, the organisation is expected to fulfil the basic TCF principles as outlined in the framework and have an effective TCF in place.

The checklist of the Tax Corporate Governance – TCF Principles can be referred to **APPENDIX 1**.

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13/03/2025**

The checklist of the Elements of Tax Control Framework can be referred to **APPENDIX 2**.

## **STEP 2: SUBMISSION OF PARTICIPATION DOCUMENTS TO IRBM**

Interested organisations need to submit the Participation Form, Tax Corporate Governance - TCF Principles Checklist and Elements of Tax Control Framework Checklist.

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13/03/2025

Organisations who do not meet the requirements for eligibility will be advised to proceed with improvement (based on checklist provided) or be informed of the ineligibility status within 14 days from the date of receipt of participation form by the IRBM.

## **STEP 3: REVIEW BY INDEPENDENT REVIEWER**

Upon receiving the confirmation on the eligibility to participate, participant will need to—

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13/03/2025

- a) complete the TCGF and prepare Self Review Report (SRR);
- b) appoint an independent reviewer to perform a review assessment on the TCGF;
- c) the independent reviewer is the management and internal audit (for large corporates), or professional firms engaged by entities to perform agreed-upon procedures review of tax risk management and governance framework. (Refer paragraph 5.3 for further explanation); and
- d) submission of independent reviewer report to the IRBM together with completed TCGF and SRR (within **six (6) months** from approval of participation).

## **STEP 4: REVIEW BY IRBM**

Upon receiving the completed documents, the IRBM will—

- a) review documents submitted including the supplementary documents;
- b) conducts meetings with participant and independent reviewer to get the understanding on the documentations provided; and
- c) conduct assessments based on the information received (within **six (6) months** from the date of submission).

The review will be carried out in two phases:

- i. adequacy review; and
- ii. effectiveness review.

Organisations who do not meet the requirements will be advised to improve their reporting in the area highlighted by the IRBM. The improvisation process, if necessary, may involve engagement and consultation with the IRBM and the improvisation should be completed within **twelve (12) months** from the notification letter given by the IRBM.

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13/03/2025

#### **STEP 5: CONCLUSION OF ASSESSMENT BY IRBM**

Award of participation status of the TCG Programme and issuance of the Confirmation Letter of Participation.

The flowchart for TCG Programme can be referred to **APPENDIX 3**.

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13/03/2025

#### **3.4. Benefits of the TCG Programme**

Participants will be able to enjoy the following benefits upon its participation in the TCG Programme include:

- a) **Reduced scrutinization of compliance activities**
  - No/lesser tax audits will be conducted.
  - Higher materiality or reduced sample size.
  
- b) **Expedite tax refunds' process**
  - Accelerate tax refunds' process for compliant participants, provided no anomalies are noted and subject to management approval with best endeavour will be given to expedite refunds.

**c) Appointment of a dedicated tax officer**

- A single point of contact between participants and the IRBM.
- Expedite any on-going dialogue on technical matters.

**d) Priority consideration**

- Eligible to be granted priority consideration for compliant participants with no penalty imposed.

# 04

# SELF-REVIEW REPORT

The organisation should perform a self-review assessment on the effectiveness of their internal control framework. Through self-review assessment, the organisation can identify, manage, mitigate and report the risk. The organisation should be able to demonstrate that the assurance processes are sufficient to evaluate the effectiveness of tax-related key controls.

## 4.1 Responsible Person

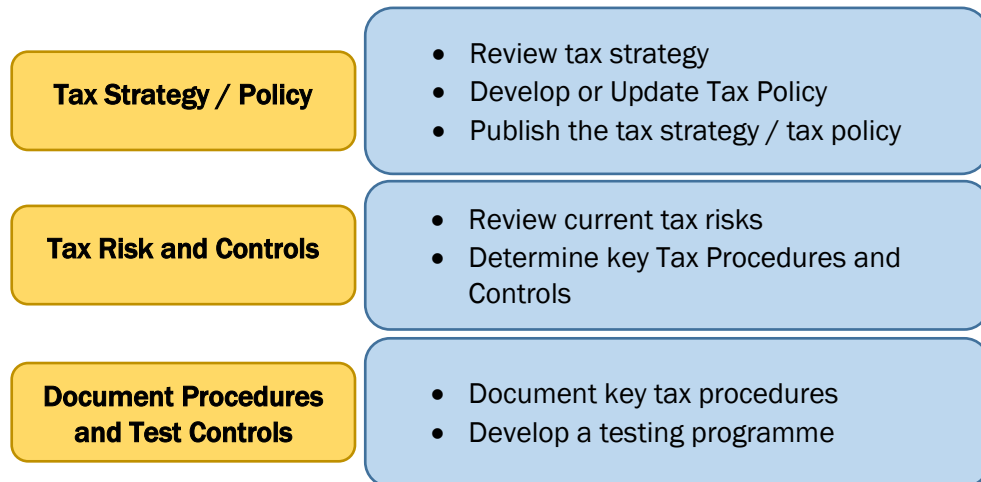
The responsible person for overseeing this task is the finance or tax team of the organisation, which is in charge of ensuring compliance with tax regulations and handling tax-related matters efficiently to meet legal obligations and optimize financial performance.

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13/03/2025

## 4.2 Content of Self-Review Report

Self-Review Report (SRR) must be prepared based on six principles of TCF and the submission of SRR should be supplemented together with the relevant supporting document.

A guide for preparing SRR can be referred to **APPENDIX 4** (checklist). The checklist is intended to be a risk-assessing tool for organisations and covers the following matters:



Examples of Items to be included in the SRR are as follows:

i. Tax Strategy

The IRBM expects that the organisation to have adopted a clear policy on—

- a. the formulated objective;
- b. the allocation of duties and responsibilities;
- c. tax risk management;
- d. the risk appetite;
- e. the method of communication;
- f. transparency toward stakeholders; and
- g. monitoring with accountability toward internal and external stakeholders.

ii. Tax Risk Management Controls

- a. control environment;
- b. systems and controls;
- c. tax risk management;
- d. change management;
- e. information and communication;
- f. review assessment;
- g. control testing; and
- h. assurance.

- iii. Transactions:
  - a. tax classification of transactions;
  - b. provision movement;
  - c. capital allowances;
  - d. payment to non-residents;
  - e. transfer pricing; and
  - f. record keeping.
  
- iv. Tax Reporting:
  - a. information extraction;
  - b. checks and approvals; and
  - c. submission of returns.
  
- v. Monitoring:
  - a. tax compliance;
  - b. risk management; and.
  - c. disclosure and reporting.

Organisations are expected to periodically evaluate the effectiveness of their basic principles and to share their findings report with their key stakeholders.

# 05

# INDEPENDENT REVIEW REPORT

- 5.1. Organisation must engage an independent reviewer to perform an **independent review** on the organisation's TCF.
- 5.2. The independent reviewer is the management and internal audit of the organisation itself or professional firms engaged by the organisation to perform agreed-upon procedures review of tax risk management and governance framework.
- 5.3. The independent review shall be carried out by—
- a) approved tax agent;
  - b) internal auditor with suitable qualification; or
  - c) qualified independent person.

“**independent reviewer**” is a practitioner engaged by the organisation to perform review of tax risk management and governance framework;

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“**approved tax agent**” has the same meaning assigned to it in the ITA 1967 (Section 153(3)) – any professional accountant or person, approved by the Minister;

“**internal auditor with suitable qualification**” refers to—

- i. internal auditor with suitable qualification as accredited tax practitioner; or
- ii. at least five (5) years of taxation experience and member of Chartered Tax Institute of Malaysia (CTIM) or other relevant professional bodies;

**“professional bodies”** means an organisation of people with particular professional accountant or tax qualifications;

**“qualified independent person”** refers to a Certified Internal Auditor (CIA) with at least five (5) years of experience or qualifications in corporate governance’s risk.

5.4. The independent review shall be performed on a regular basis.

#### 5.5. Independent Review Report

5.5.1. The Independent Review Report (IRR) shall be prepared in a complete manner during the application stage and need to be updated annually.

5.5.2. Validity of the IRR is **twelve (12) months** from the date prepared.

5.5.3. The IRR should consist of—

- a) analysis of the review’s observations and supporting documents;
- b) recommendation for each issue identified;
- c) summary of compliance and effectiveness ratings;
- d) independence reviewer’s statement on organisation TCG; and.
- e) independence reviewer’s signature and the date of review

5.5.4 During monitoring phase, participants should prepare the report at least **six (6) months** after their financial year ends and shall be made available to the IRBM.

# 06

# IRBM REVIEW

The IRBM will conduct a TCG review for the organisations that participated in the programme.

The internally reviewed reports on tax matters should be made available when the organisation is approached for a review by the IRBM. The report is contemporaneously recorded to show the commitment of the organisation on tax matters. The IRBM can use this document to review their tax position and consider no penalty to be imposed on any tax issue arise.

In the implementation of the cooperative compliance, the tax administrator will set meetings/discussions with taxpayers to discuss the submission of return forms of income tax, risks identified through TCF, the risks identified by tax administrators and other related matters.

## 6.1. ADEQUACY REVIEW

6.1.1. The IRBM will perform an **adequacy review** on the documents submitted to the IRBM.

6.1.2. Participating organisations in the TCG Programme must adhere to the tax governance principles. Therefore, in conducting an adequacy review, the IRBM will evaluate the adequacy of the organisation's TCG based on the application of the following tax governance principles—

- i. tax strategy established;
- ii. applied comprehensively;
- iii. responsibility assigned;
- iv. governance documented;
- v. testing performed; and
- vi. assurance provided.

6.1.3. The organisation's TCGF adequacy will be assessed based on maturity level guided by OECD's model<sup>2</sup> as below:

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13/03/2025

Level of maturity	Description
Level 1: Nascent	No data governance in place.
Level 2: Emerging	Need for governance is realised.
Level 3: Adoption	Administration adopts a governance plan. A steering committee that oversees data established. Administration is starting to implement data quality management and control.
Level 4: Advanced	Robust governance policy provides stewardship of data management across the administration.
Level 5: Best Practice	Governance of data management is well established and understood at all levels of the organisation.

6.1.4. The IRBM will consider the organisation's TCGF adequacy if it achieves at least maturity level 3. If the organisation does not meet this level, the IRBM will provide guidance on areas that need improvement.

## 6.2. EFFECTIVENESS REVIEW

The IRBM intends to apply an evidence-based approach in assessing the effectiveness of the organisation's TCF. TCF shall clearly state the organisation's

<sup>2</sup> OECD (2016), Technologies for Better Tax Administration: A Practical Guide for Revenue Bodies, OECD Publishing, Paris.

responsibilities at the board and management level as well as provide access to the internal audit team to test TCF compliance and record the results of control tests.

6.2.1. The focus of the control test includes the following:

**a) Board of directors' controls—**

- i. formalized TCF (tax strategy document and policies endorsed by the board of directors);
- ii. formalized company director roles/responsibilities for tax risks management;
- iii. formal evidence of tax risk review and familiarity with tax risks matters; and
- iv. periodic internal control testing, including senior management's attestation/formal board review of the testing results.

**b) Managerial-level responsibilities—**

- i. must have clearly defined and documented tax compliance and risk management roles/responsibilities;
- ii. senior management's active role and governance with objective criteria to demonstrate best practices;
- iii. identification of significant transactions via a policy, process, risk rating;
- iv. ensuring data controls are in place;
- v. record-keeping policies, including a formal tax record-retention policy;
- vi. documented internal control framework;
- vii. documented procedures explaining significant differences between accounting disclosures, financial statements, and tax return;
- viii. complete and accurate tax disclosures, including a compliance risk review and tax return review; and
- ix. tax governance policies addressing legal and administrative changes.

6.2.2. In reviewing and evaluating the effectiveness of TCF, the IRBM’s review and evaluation will be classified into three (3) important areas, namely—

- i. review of the existence of the TCF;
- ii. review and evaluate the Effectiveness of the TCF Design; and
- iii. examine and assess whether TCF is functional and practical.

6.2.3. The organisation’s TCGF effectiveness will be assessed based on maturity level guided by OECD’s model<sup>3</sup> as below: Updated  
13/03/2025

Level of maturity	Description
Level 1: Emerging	Enterprise Risk Management (“ERM”) is not well understood or practiced throughout the administration, although pockets of knowledge and good practice may exist depending on the background and experience of individual staff. While there is acknowledgement that risk assessment and management is important for particular high-profile projects and that at the enterprise level it would bring value to the organisation, it is often not delivered consistently or adequately in practice. More generally ERM is undertaken in a reactive and ad hoc manner, often after risks have materialised.
Level 2: Progressing	Some ERM capabilities and practices are in place and there is a general understanding in most business areas of the role of risk assessment and risk management at a high level. There is some effort to systematically identify, analyse and treat major risks both at an enterprise level and within large projects, but the extent to which this information informs decision making and resource allocation across the administration is highly variable.

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<sup>3</sup> OECD (2021), Enterprise Risk Management Maturity Model, OECD Tax Administration Maturity Model Series, OECD, Paris.

Level 3: Established	ERM capabilities and practices are generally well established in the culture and formal processes of the administration. ERM and business unit risk management are standardised, coordinated and promoted consistently. Risk information is increasingly taken into account in decision making and resource allocation, particularly for higher risk areas, and reflected in performance management processes.
Level 4: Leading	ERM capabilities and practices are well integrated into strategic planning and performance management activities and risk appetites are clearly articulated. A strong culture of effective ERM exists across the administration with a clear understanding of roles and responsibilities. Risk information and outcomes are continuously used to reinforce risk culture, to improve performance and inform decision-making.
Level 5: Aspirational	ERM capabilities and practices are fully integrated with strategy and performance management and reinforced through the organisational culture at all levels. Increasing use is made of advanced technology tools, including artificial intelligence, in the identification, monitoring and treatment of risk and risk management processes, including in a dynamic way.

6.2.4. The IRBM will consider the organisation's TCGF effectiveness if it achieves at least maturity level 4. If the organisation does not meet this level, the IRBM will provide guidance on areas that need improvement.

### 6.3. SUPPLEMENTARY DOCUMENTS

6.3.1. Supplementary document means a document, information memorandum, policy statement, circular, questionnaire and instruments mentioned herein amending and/or supplementing and/or novating and/or substituting the

terms and conditions of the agreement, either mentioned in the agreement (e.g. Client Categorization, General Risk Disclosure, Investor Compensation Fund, Order Execution Policy, Conflict of Interest Policy, Contract Specifications, relevant fees, and costs), or otherwise indicated as such by the organisation.

6.3.2. Example of supplementary documents—

- a) memorandum, policy statement, circular;
- b) tax compliance manual – explains the flow of accounting information, preparation procedures and workflow, analytical reviews and tax disclosure processes;
- c) tax accounting manual;
- d) transfer pricing documents;
- e) related party transaction;
- f) tax incentive:
  - i. application documents;
  - ii. approval/rejection letter;
  - iii. appeal for revision;
- g) significant / material or subsequent event.

**6.4. SIGNIFICANT AND MATERIAL TRANSACTION APPROVAL PROCESS**

For organisations that need an (unqualified) opinion on the financial statements (annual accounts), the materiality observed by the IRBM will generally be lower than the materiality observed by an external account when auditing the annual accounts. A lower degree of materiality means that more substantive procedures must be performed. Depending on the findings on the quality of the internal control and checking systems and the quality of the audit work already carried out, one determines whether such work focusing on actual data should be done.

6.4.1. Escalation threshold (i.e. summary of an acceptable level of tax risk for day-to-day and what requires escalation)—

- a) materiality (RM);
- b) approval limits;

- c) objective level of tax risk; and
- d) key sensitive area – Offshore expansion/setup, related party transactions, legal/accounting/tax differentials and financial products.

#### 6.4.2. Internal approval process

- a) roles and responsibilities;
- b) timing;
- c) review by Tax Function – approval guidelines;
- d) decision points;
- e) chain of reporting; and
- f) requirement for external advice.

#### 6.4.3. Qualitative materiality

Refers to the significance of an identified misstatement and, in particular, the nature of misstatement to lead to an adjustment of a tax return, even when the financial consequences are relatively small.

#### 6.4.4. Legislative change impact

The report shall cover any legislative changes that may have an impact on the accuracy and reliability of the organisation's tax reporting.

# 07

# MONITORING PHASE

7.1. Within the TCG programme, participants are subject to monitoring that has the same goals as the onboarding process which is to verify tax compliance and the adequacy and effectiveness of the TCF. The IRBM can enter into various arrangements with participants such as arrangements concerning tax law interpretation, transfer pricing, application of tax rules, the amount of the estimated tax liability for the following year, or any other arrangement that is essential for the programme continuation.

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13/03/2025

7.2. Under the monitoring and maintenance approach, the IRBM will monitor the participant's disclosures and tax outcomes over the three (3) years following TCG certification.

The annual review will consider—

- 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.

7.3. The IRBM may request documentation such as financial statements (if not publicly available), supporting working papers and evidence supporting the tax treatment of significant or new transactions and material changes.

7.4. 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.

7.5. A written confirmation may be requested as to whether there has been any change to the design of the participant's tax governance framework since the last TCG review.

#### **7.6. Participants' responsibilities**

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. The IRBM expects the following to be disclosed on a real time basis or as part of the annual review (as relevant):

- 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;
- g) material changes to the design of the income tax governance framework, and
- h) outcomes of self and independent effectiveness review which include control testing of the tax governance framework are completed.

In cases where the participant discloses information or notifies the IRBM to any of the above scenarios, or when the IRBM's evaluation identifies a material change or possible tax risk, the IRBM will request further details from the participant for assessment (if necessary).

## **7.7. IRBM responsibilities**

A dedicated officer will be appointed to serve as the main contact person between the participant and the IRBM.

### **7.7.1. Compliance Oversight**

The dedicated officer is responsible for monitoring corporate tax compliance to ensure adherence to tax laws and regulations. This involves reviewing tax returns and filings for accuracy and completeness. Regular reviews are conducted to identify any discrepancies and potential non-compliance issues, ensuring that participants maintain consistent and accurate tax reporting.

### **7.7.2. Risk Management**

Building on the insights gained from compliance oversight, the officer identifies, assesses, and prioritizes tax risks associated with corporate entities. This risk management process involves developing and implementing mitigation strategies and controls to address identified risks. By maintaining a risk register, the officer tracks and manages these risks, integrating this information into ongoing compliance reviews to preemptively address potential issues.

### **7.7.3. Advisory Services**

To support participants in maintaining compliance and managing risks, the officer provides guidance on complex tax issues and updates on changes in tax legislation. This advisory role includes assisting in the interpretation and application of tax laws, which helps organisations adapt their practices to stay compliant and mitigate risks effectively. The insights from compliance oversight and risk management inform the tailored advice provided to organisations.

#### **7.7.4. Policy Development**

The officer's involvement in compliance and risk management enables them to contribute effectively to the formulation and revision of tax policies and guidelines. By participating in consultations with stakeholders, the officer gathers input and feedback to ensure that policies are practical and effective. This ensures that the guidelines developed are grounded in real-world compliance and risk scenarios. The officer then communicates these policies to organisations and stakeholders, ensuring a clear understanding and consistent application.

#### **7.7.5. Collaboration and Coordination**

Effective tax governance requires collaboration with various departments within the IRBM, such as audit, enforcement, and legal. The officer coordinates these efforts, leveraging internal resources to address compliance and risk issues comprehensively. Additionally, the officer liaises with external stakeholders, including corporate tax departments, tax advisors, and industry associations, to foster a cooperative approach to tax governance. Coordination with international tax authorities on cross-border matters is essential to address global compliance challenges.

#### **7.7.6. Reporting and Documentation**

The officer consolidates information from compliance oversight, risk management and advisory activities into regular reports on corporate tax compliance, risk assessments and audit findings. Detailed records of all interactions and communications with corporate entities are maintained to ensure transparency and accountability. This comprehensive documentation supports ongoing reviews and audits, providing a clear trail of actions and decisions and facilitating continuous improvement in tax governance practices.

#### **7.7.7. Annual Risk Review Meeting**

An engagement is arranged between the participant and the dedicated officer from the IRBM. The purpose of this meeting is to ensure that the participant is fulfilling its obligations and commitments under the TCG Programme.

Participant representatives, as decided by the participant are required to attend the meeting. The IRBM will provide the agreed-upon agenda at least four (4) weeks prior to the meeting date.

The frequency of these meetings may be adjusted accordingly depending on the complexity of the tax affairs. The Annual Risk Review Meeting will maintain a risk-based focus, prioritizing areas of potential concern.

# 08

# TCG PROGRAMME RENEWAL MECHANISM



The TCGF are subjected to steady and consistent reporting, a **renewal of participation** status process is necessary from time to time to ensure that the organisation's TCGF continues to meet the standards for the programme. The organisation must inform the IRBM of its intention to renew the participation **six (6) months** before the status expires, using a letter of intent.

Updated  
13/03/2025

Letter of intent should be submitted together with the SRR checklist as per **APPENDIX 4**. Should there be any significant changes for any item on the SRR, those items must be explained in detail and submitted together with the relevant supporting documents.

The IRBM will review the renew application and perform risk assessments within six (6) months from the submission date. The review process may involve consultation and advisory between organisation and the IRBM.

# 09

# DISCLOSURE GUIDE

9.1. When reporting how compliance with the tax governance and control framework is evaluated, the organisation can describe the process through which the tax governance and control framework is monitored, tested, and maintained. The organisation may refer to any tax governance, internal control frameworks, or generally accepted risk management principles that are applied to tax.

## 9.2. Tax Disclosure Policy

Tax disclosure involves providing information about an organisation's tax strategy and governance approach. Organisations are required to publish their tax strategy, which may include the following tailored information based on their operations and tax strategy:

Updated  
13/03/2025

### 9.2.1. Board-Approved Tax Strategy

The tax strategy should outline the organisation's standards, accountabilities and key principles for managing tax obligations, ensuring compliance with laws and regulations. This strategy must be approved by a board-level representative.

### 9.2.2. Tax Governance

Disclosure of tax governance includes clear policies and procedures, the governance body accountable for tax strategy compliance, clearly defined roles and responsibilities, tax risk management and control, the organisation's approach to tax and engagement with stakeholders.

9.2.3. Organisation's Attitude to Tax Planning

This should detail the organisation's approach to tax planning and compliance with tax laws, including codes of conduct for tax planning, factors influencing tax planning decisions and the approach to structuring the tax planning process.

9.2.4. Organisation's Approach to Managing Tax Risks

A description of the organisation's tax risk appetite and tolerance.

9.2.5. Relationships with Tax Administrator (IRBM)

The approach to engagement with the IRBM to meet tax law requirements, including transparency on current, future and past tax risks to achieve cooperative compliance.

9.3. 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.

# 10

# CONCLUSION


The implementation of the TCG Programme is an addition to the existing tax compliance strategy. It enables the IRBM to implement a more effective and efficient tax compliance strategy towards increasing tax compliance among taxpayers under the Large and Special Enterprise (LSE) segment. Organisations are encouraged to adopt the TCGF for better risk management.


# 11

# CONTACT INFORMATION

Any enquiries regarding these guidelines can be directed to—

Tax Compliance Department  
Headquarters Inland Revenue Board of Malaysia  
HASiL Tower, Level 14  
Persiaran Rimba Permai  
63000 Cyberjaya, Selangor

 : 03-8911 1000

 : [tcg@hasil.gov.my](mailto:tcg@hasil.gov.my)

# 12

## ANNEXES

APPENDIX 1	Tax Corporate Governance – TCF Principles Checklist
APPENDIX 2	Elements of Tax Control Framework Checklist
APPENDIX 3	Tax Corporate Governance Process Flowchart
APPENDIX 4	Self-Review Report Checklist
APPENDIX 5	Form for “Participation in Tax Corporate Governance Programme” The form can be downloaded from <a href="https://www.hasil.gov.my/">https://www.hasil.gov.my/</a> (Home > Forms > Download Forms > Other Forms > 39. Form Tax Corporate Governance (TCG) Program Participation)

Updated  
13/03/2025

**TAX CORPORATE GOVERNANCE – TCF PRINCIPLES CHECKLIST**New  
13/03/2025

NO	ITEMS	YES	NO	REMARK
<b>1.</b>	<b>Tax Strategy Established</b>			
	1.1. The tax strategies are clearly documented and owned by the Board of Directors (BOD) / senior management.			
<b>2.</b>	<b>Applied Comprehensively</b>			
	2.1. The tax control framework governs all range of the organisation's activities.			
	2.2. The tax control framework is embedded in day to day management of business operations.			
	2.3. Transactions that give a significant impact on the organisation are clearly stated in the tax governance report.			
<b>3.</b>	<b>Responsibility Assigned</b>			
	3.1. The board is accountable for the design, implementation and effectiveness of the tax control framework of the organisation.			
	3.2. The role of the tax department and its responsibility for the implementation of the tax control framework is clearly recognised and properly resourced.			
	3.3. The tax control framework also involves whole entity in the organisation's tax ecosystem. The responsibility in each process is properly assigned.			
<b>4.</b>	<b>Governance Documented</b>			
	4.1. Exists a system of rules and reporting that ensures transactions and events are compared with the expected norms and potential risks of non-compliance identified and managed.			
	The governance process is explicitly documented and sufficient resources deployed to implement the tax control framework and review its effectiveness periodically.			
<b>5.</b>	<b>Testing Performed</b>			
	5.1. The compliance of policies and processes embodied in the tax control			

NO	ITEMS	YES	NO	REMARK
	framework are subject to regular monitoring, testing and maintenance.			
	5.2. The testing procedures are performed by an independent person (the organisation internal audit or professional bodies appointed by the organisation).			
	5.3. The testing results are reported properly.			
<b>6.</b>	<b>Assurance Provided</b>			
	6.1. The tax control framework capable of providing assurance to stakeholders, including external stakeholders such as a tax administration, that tax risks are subject to proper control and that outputs such as tax returns can be relied upon.			
	6.2. The organisation's "risk appetite" is established.			
	6.3. The Risk Management Framework is capable of identifying departures from the organisation's "risk appetite" with mechanisms for mitigating / eliminating the additional risk.			

**NOTE: This checklist template only serves as a guide and is non-exhaustive.**

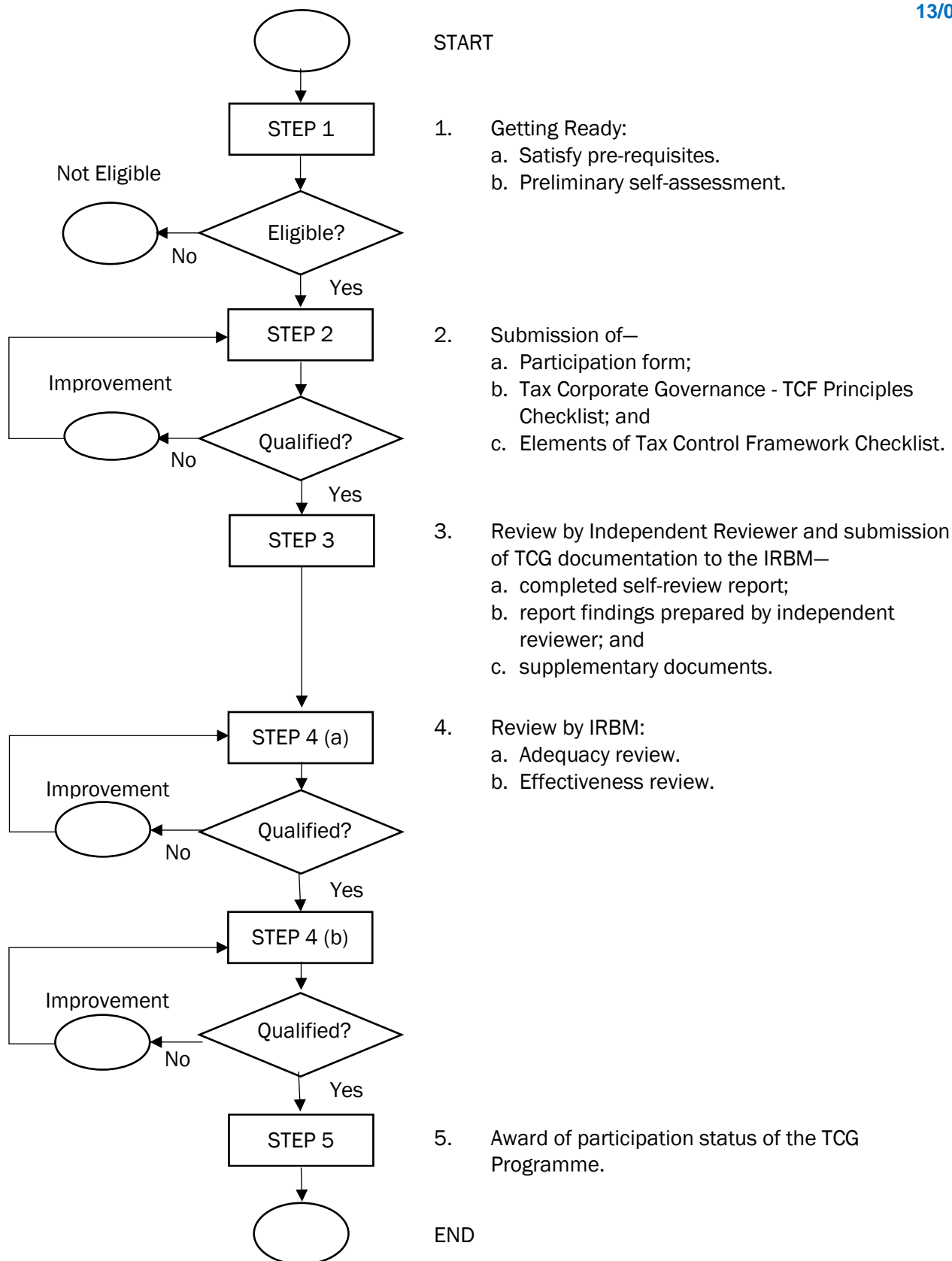
**ELEMENTS OF TAX CONTROL FRAMEWORK CHECKLIST**

NO	ITEMS	YES	NO	REMARK
<b>1.</b>	<b>Strategic Tax Control / Risk Identification Evaluation</b>			
	1.1. Tax strategy			
	1.2. Tax risk appetite			
	1.3. Principles of governance			
	1.4. Responsibility structure			
<b>2.</b>	<b>Tax Management Control / Control Activities Framework</b>			
	2.1. Business planning cycle			
	2.2. Control processes including monitoring			
	2.3. Tax management information			
<b>3.</b>	<b>Tax Operation Control</b>			
	3.1. Taxation and control processes			
	3.2. Information technology (IT) processes related to taxation and control			
<b>4.</b>	<b>Reporting</b>			
	4.1. Reporting standard			
	4.2. Periodical / regular reporting to the Board and other stakeholders (depending on the significance of the tax risks)			
<b>5.</b>	<b>Continuous Monitoring</b>			
	5.1. Control and monitoring plan			

New  
13/03/2025

**NOTE: This checklist template only serves as a guide and is non-exhaustive.**

**TAX CORPORATE GOVERNANCE PROCESS FLOWCHART**



**TAX CONTROL FRAMEWORK  
SELF-REVIEW REPORT CHECKLIST**

NO	ITEMS	YES	NO	N/A	REMARK
<b>A</b>	<b>TAX STRATEGY</b>	a) Clearly documented and published b) Policy preparation and approval process			
1.	Strategy #1				
2.	Tax Policy				
3.	Approach to tax				
<b>B</b>	<b>TAX GOVERNANCE, CONTROL AND RISK MANAGEMENT</b>	a) Establishment of committee b) Risk management model c) Clearly documented d) Integration between business units for risk management			
1.	Control environment				
2.	Systems and controls				
3.	Tax risk management				
4.	Change management				
5.	Information and communication				
6.	Review and assessment				
7.	Control testing and report				
8.	Assurance				
<b>C</b>	<b>TRANSACTIONS</b>	a) Integration between business units b) Regular monitoring, testing and maintenance c) Segregation of duties			
1.	Tax classification of transactions				
2.	Provision movement				
3.	Capital allowances				
4.	Payment to non-residents				
5.	Transfer pricing				
6.	Record keeping				

Updated  
13/03/2025

NO	ITEMS	YES	NO	N/A	REMARK
<b>D</b>	<b>TAX REPORTING</b>	a) Generation of reports b) Authorization process			
1.	Information extraction				
2.	Checks and approvals				
3.	Submission of returns				
<b>E</b>	<b>MONITORING</b>	a) Assurance on tax risk management b) Authorization process c) Line of defence			
1.	Tax Compliance:				
	1.1. Tax Registration				
	1.2. Tax Filling				
	1.3. Tax Reporting				
	1.4. Tax Payment				
2.	Risk management				
3.	Disclosure and reporting				

**NOTE: This checklist template only serves as a guide and is non-exhaustive.**



LEMBAGA HASIL DALAM NEGERI MALAYSIA

SAMPLE

**BORANG PENYERTAAN  
PROGRAM TADBIR URUS PERCUKAIAN KORPORAT (TAX CORPORATE GOVERNANCE [TCG])**

- A. Borang ini hendaklah diisi oleh organisasi yang memenuhi prasyarat Program TCG dan berminat untuk menyertai program ini.
- B. Organisasi yang berminat untuk menyertai program ini adalah tertakluk kepada semua peraturan dalam *IRBM Tax Corporate Governance Framework Guidelines* dan *IRBM Tax Corporate Governance Framework* yang telah dikeluarkan.
- C. Jika permohonan yang dibuat bagi pihak syarikat atau beberapa syarikat lain dalam kumpulan yang sama, pastikan semua syarikat yang terlibat melaksanakan TCG.
- D. Semua ruangan hendaklah dilengkapkan dan ditandakan (✓) jika berkaitan dan sebaliknya tandakan "T/B" jika tidak berkaitan.
- E. Pautan laman web Laporan TCG syarikat atau salinan Laporan Tahunan TCG (TCG Annual Report) hendaklah disertakan bersama borang penyertaan ini.

**BAHAGIAN A: MAKLUMAT PEMOHON****1. Maklumat Pemohon**

(a) Nama Syarikat :

(b) No. Pengenalan Cukai (TIN) :

(c) No. Pendaftaran Syarikat :

(d) Jenis Permohonan :

Syarikat

Kumpulan Syarikat

**2. Maklumat Syarikat Dalam Kumpulan (Group of Companies) Yang Turut Menyertai Program TCG**

No. Cukai Pendapatan	Nama Syarikat	No. Pendaftaran Syarikat	Hubungan Syarikat

\*Sila gunakan lampiran jika ruangan tidak mencukupi

# SAMPLE

## BAHAGIAN B: SYARAT KELAYAKAN UNTUK PENYERTAAN PROGRAM TCG

Kami mengesahkan bahawa kami telah memenuhi semua syarat kelayakan untuk menyertai Program TCG.

SYARAT KELAYAKAN	Sila tandakan kotak jika anda memenuhi syarat yang disenaraikan
<p>1. Pihak kami merupakan:</p> <p>Syarikat Besar / Senarai Awam / Syarikat Berkaitan Kerajaan / Perniagaan Milik Negeri (dengan perolehan RM100 juta dan ke atas) <b>Large Companies/ Public Listed/ Government Linked Companies/ State Owned Enterprise (with turnover RM100mil and above)</b></p> <p>Syarat tambahan: Syarikat pemegang pelaburan (investment holding company) dan syarikat dormant tidak layak menyertai bagi maksud Program TCG.</p>	<input type="checkbox"/>
<p>2. Pihak kami mempunyai rekod pematuhan pengemukaan borang nyata bagi Cukai Pendapatan, Cukai Petroleum, Cukai Keuntungan Harta Tanah, Cukai Penganan dan / atau Cukai ke atas Aktiviti Perniagaan Labuan.</p>	<input type="checkbox"/>
<p>3. Pihak kami mempunyai rekod bayaran cukai yang baik.</p>	<input type="checkbox"/>
<p>4. Pihak kami bersedia untuk menyertai TCG dan sistem kawalan cukai syarikat telah mempunyai semua elemen utama seperti di bawah:</p> <p>(i) Kawalan cukai strategik / penilaian pengenalpastian risiko; <b>Strategic tax control / risk identification assessment;</b></p> <p>(ii) Rangka kerja kawalan / kawalan pengurusan cukai; <b>Tax management control / control activities framework;</b></p> <p>(iii) Kawalan operasi cukai; dan <b>Tax operation control; and</b></p> <p>(iv) Pelaporan dan pemantauan berterusan. <b>Reporting and continuous monitoring.</b></p>	<input type="checkbox"/>
<p>5. Penyata kewangan terkini kami telah diaudit dan mempunyai laporan audit tanpa syarat oleh juruaudit.</p>	<input type="checkbox"/>
<p>6. Kami berjanji untuk melantik penyemak bebas (independent reviewer) untuk menjalankan semakan ke atas TCG syarikat kami.</p>	<input type="checkbox"/>

## BAHAGIAN C: PRINSIP PEMATUHAN TCG OLEH ORGANISASI

Sila sahkan prinsip pelaksanaan TCG organisasi selari dengan *IRBM Tax Corporate Governance Framework Guideline*.

### 1. Strategi Percukaian Ditetapkan (Tax Strategy Established)

(a) Ya  Tidak

(b) Nyatakan perenggan yang berkaitan dalam laporan TCG syarikat yang merujuk kepada prinsip di atas. Jika tidak, nyatakan asas pematuhan syarikat terhadap *IRBM TCGF Guidelines*.

### 2. Penetapan Tanggungjawab (Responsibility Assigned)

(a) Ya  Tidak

(b) Nyatakan perenggan yang berkaitan dalam laporan TCG syarikat yang merujuk kepada prinsip di atas. Jika tidak, nyatakan asas pematuhan syarikat terhadap *IRBM TCGF Guidelines*.

### 3. Dilaksanakan Secara Komprehensif (Applied Comprehensively)

(a) Ya  Tidak

(b) Nyatakan perenggan yang berkaitan dalam laporan TCG syarikat yang merujuk kepada prinsip di atas. Jika tidak, nyatakan asas pematuhan syarikat terhadap *IRBM TCGF Guidelines*.

### 4. Tadbir Urus Didokumenkan (Governance Documented)

(a) Ya  Tidak

(b) Nyatakan perenggan yang berkaitan dalam laporan TCG syarikat yang merujuk kepada prinsip di atas. Jika tidak, nyatakan asas pematuhan syarikat terhadap *IRBM TCGF Guidelines*.

### 5. Melakukan Ujian (Testing Performed)

(a) Ya  Tidak

(b) Nyatakan perenggan yang berkaitan dalam laporan TCG syarikat yang merujuk kepada prinsip di atas. Jika tidak, nyatakan asas pematuhan syarikat terhadap *IRBM TCGF Guidelines*.

### 6. Memberi Jaminan (Assurance Provided)

(a) Ya  Tidak

(b) Nyatakan perenggan yang berkaitan dalam laporan TCG syarikat yang merujuk kepada prinsip di atas. Jika tidak, nyatakan asas pematuhan syarikat terhadap *IRBM TCGF Guidelines*.

**SAMPLE**

**BAHAGIAN D: DOKUMEN SOKONGAN**

**1. Laporan / Penyata TCG Oleh Organisasi**

- (a) Pautan laman web organisasi ;

**ATAU** lampirkan salinan Laporan Tahunan TCG bersama borang ini.

- (b) Sila kemukakan dokumen berikut bersama-sama dengan borang ini.

- (i) Salinan penyata kewangan terkini syarikat yang telah diaudit, dan  
(ii) Salinan surat lantikan *independent reviewer*.

- (c) Pihak organisasi adalah dikehendaki mengemukakan dokumen sokongan lain yang dimohon oleh pihak LHDNM dari semasa ke semasa (jika perlu).

**AKUAN**

Saya

No. Kad Pengenalan / Pasport \*

\* Potong yang tidak berkenaan

dengan kuasa di bawah subseksyen 75(1)(a) Akta Cukai Pendapatan 1967, dengan ini mengakui bahawa borang ini mengandungi maklumat yang benar, lengkap dan betul sepertimana yang dikehendaki di bawah Akta Cukai Pendapatan 1967 dan syarikat / syarikat dalam kumpulan mematuhi *IRBM Tax Corporate Governance Framework Guidelines*. Pihak LHDNM berhak menarik balik status TCG sekiranya maklumat yang dikemukakan adalah palsu.

**Tarikh**

**Jawatan**

**Tandatangan**



**Inland Revenue Board of Malaysia**

*Lembaga Hasil Dalam Negeri Malaysia*

Persiaran Rimba Permai, Cyber 8,  
63000 Cyberjaya, Selangor, Malaysia

Tel : +603-8911 1000

<https://www.hasil.gov.my/>