



MABIL



TAX CORPORATE GOVERNANCE FRAMEWORK

**INLAND REVENUE BOARD OF MALAYSIA
(As at 13 March 2025)**

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INLAND REVENUE BOARD OF MALAYSIA

Published on 11 APRIL 2022

Updated on 13 MARCH 2025

Abstract

This Tax Corporate Governance Framework (TCGF) intends to provide an overview of the IRBM's expectations on the Tax Corporate Governance (TCG) process and structure that should exist in organisational settings. It provides a set of guidance on the application of tax risk management principles and the management of tax risks such as the identification and treatment of tax compliance risks, in meeting an organisation's tax obligations.

Besides promoting good governance practices, these initiatives are also relevant in enabling both the organisation and the IRBM to implement the TCG Programme in Malaysia.

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01

INTRODUCTION

1.1. Overview

Corporate governance encompasses the rules, relationships, systems and processes under which decisions are made and authority is exercised and controlled within an organisation. It comprises the mechanisms by which businesses, office holders and those in control are held to account.

In Malaysia, there is a growing expectation for organisations to have a level of governance that ensures accountability, transparency and integrity of the tax system.

Depending on the size and nature of the business, the organisation may already have governance arrangements in place to meet the expectations of various stakeholders and the Inland Revenue Board of Malaysia (IRBM).

1.2. Tax governance framework

Good tax governance is a subset of good corporate governance.

A strong tax governance framework 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. An effective tax governance framework can cultivate a level of confidence that the organisation is reporting and paying the right amount of tax, enabling organisations to achieve greater certainty in

relation to its tax affairs.

The introduction of the Tax Corporate Governance Frameworks (TCGF) is part of the IRBM's initiative towards adopting a cooperative tax compliance process that is both fair and effective in Malaysia.

An effective TCGF can assist an organisation to—

- (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;
- (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;
- (c) promote early resolution of tax issues as and when the tax risks are identified via the internal controls established; and
- (d) save time, money and effort in managing tax affairs.

02

OBJECTIVE OF TCG FRAMEWORK

2.1. Purpose

This framework 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-operative Tax Compliance identifies the following six principles in developing a good Tax Control Framework (TCF) which are as follows—

- (a) tax strategy established;
- (b) applied comprehensively;
- (c) responsibility assigned;
- (d) governance documented;
- (e) testing performed; and
- (f) assurance provided.

The IRBM recognises that different organisations may adopt different governance practices based on a range of factors, including their size, complexity, history and corporate culture. While the IRBM expects that all organisations will have a level of TCG, the IRBM also recognises a need for flexibility in application of the principles of TCG. For these reasons, the components outlined should be regarded as an indication of the IRBM's views of good practices in relation to the TCGF as opposed to a rigid set of rules.

The components of the TCGF that can be applied by an organisation in developing its TCGF may include—

- (a) articulating tolerance for tax risk;
- (b) defining the tax risks to be covered;
- (c) segregation of duties and identification of who is responsible for tax related tasks;
- (d) the process of managing tax risks; and
- (e) intended outcome - *Eventual desired outcome of improved image and reputation, increased tax authority confidence, better management of tax affairs, reduced enquiries and tax audits, reduction in costs and resource needs.*

The IRBM recommends organisations to consider adopting a TCGF appropriate to their circumstances and the requirements of the relevant local corporate rules and legislation when assessing the robustness of their TCGF.

2.2. Aim

This document aims to help organisations understand the focus areas of the IRBM with respect to TCG to enable organisations to—

- (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) ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated.

03

THE SCOPE OF TCGF

The IRBM encourages organisations to develop their TCGF accordingly pertaining to—

- (a) income tax;
- (b) petroleum tax;
- (c) Real Property Gains Tax (RPGT);
- (d) transfer pricing/Advanced Pricing Arrangement (APA);
- (e) withholding tax;
- (f) tax payment (CP204, CP 250, CP204A, CP250A, instalments, RPGT and withholding tax);
- (g) monthly tax deduction of employees (CP39, CP39A), additional monthly deduction (CP38);
- (h) stamp duty;
- (i) taxation on Labuan business activities;
- (j) tax incentives;
- (k) tax strategies;
- (l) public ruling compliance;
- (m) tax rules and regulations; and
- (n) advanced ruling.

If reasons arise that certain items be excluded from the TCGF, the IRBM will discuss any issues with the organisation to determine the extent to which such items can be covered in the TCGF as practical. For example, where a particular tax is not relevant or has a remote / low level of materiality to the organisation and the IRBM, then such item may be considered to be excluded from the TCGF.

For organisations with an existing TCGF which covers limited items, the organisation may consider to include further items, thereby allowing organisations to achieve a complete TCGF.

04

BENEFITS OF HAVING A FRAMEWORK

In general, implementation of the TCGF will bring benefits to both the organisation and the IRBM in various ways.

For organisation, these benefits may include—

- (a) better tax risk management;
- (b) promotion of operational efficiency for businesses;
- (c) creation a platform for managing tax risks;
- (d) encouragement of proactive risk identification procedures to be performed;
- (e) enhancement of business confidence in managing tax;
- (f) protection of the reputation of the organisation's management team and stakeholders;
- (g) ensuring accurate tax reporting and reinforcing the integrity of business records;
- (h) potential reduction of compliance costs; and
- (i) greater certainty in relation to tax exposure.

In turn, an organisation's TCGF will assist the IRBM to—

- (a) acquire a better understanding of the organisation's business and its tax governance procedures and tax risk management procedures;
- (b) enhance its relationship with the organisation;
- (c) drive co-operative compliance which is business-friendly and in line with International standard and Government initiative;
- (d) increase efficiency and effective use of resources;

- (e) provide the ability to focus on audits and enforcement for high-risk cases; and
- (f) receive correct tax returns and payments on time.

The implementation of TCGF can benefit both the organisation and the IRBM in terms of:

Updated
13/03/2025

4.1. Provide Greater Certainty

The 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.

4.2. Earlier Resolution of Tax Issues

With better certainty, the IRBM can make a better judgement and this implies earlier resolution of tax issues.

4.3. Better Transparency

Transparency can be achieved primarily through tax returns and information disclosure. Organisations can develop tax transparency as a parameter they need to consider, which requires them to adapt to be ready and prepared to be transparent. The need to understand an organisation's overall tax situation applies to all organisations (natural persons and companies). However, more transparency is needed in the case of businesses operating in several jurisdictions.

Owners or managers should be able to form the view that the financial records of the business, including tax reporting, reflect a true and fair view of that business. In the end, effective tax governance is demonstrated by meeting obligations including lodgement and payment obligations in full and on time.

05

FUNDAMENTAL ELEMENTS OF TCGF

5.1. The Six (6) Principles of Tax Control Framework

Updated
13/03/2025

The IRBM's expectation on the application of TCF principles within an organisational setting is in line with the OECD guidelines. The OECD's six (6) principles of the TCF¹ are as follows:

(a) Tax Strategy Established

The tax strategy should be documented and owned by the Board of Directors (BOD) / senior management of the organisation.

The IRBM do not set the reporting format on how the strategy needs to be documented. However, the establishment of the tax strategy needs to be formalized through approval by the BOD / senior management of the organisation.

¹ OECD (2016), Co-operative Tax Compliance: Building Better Tax Control Frameworks, OECD Publishing, Paris.

(b) Applied Comprehensively

All transactions entered into by an organisation are capable of affecting its position in one way or another, which means that the TCGF needs to be able to govern the full range of the organisation's activities and ideally should be embedded in the day-to-day management of business operations.

This indicates how the activities are being reported by the organisations. If the transaction gives a significant impact on the organisation, it should be clearly stated in the organisation's report.

(c) Responsibility Assigned

The board of an organisation is accountable for the design, implementation, and effectiveness of the TCF of that organisation. The role of the organisation's tax department and its responsibility for the implementation of the TCGF should be recognized and properly resourced.

The TCF not only involves the organisation's tax departments but the whole entity in the organisation's tax ecosystem. Therefore, the responsibility in each process must be properly assigned.

NOTE (1): Refer further details on rules and responsibilities in paragraph 5.2.1 of this TCGF.

(d) Governance Documented

There needs to be 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. This governance process should be explicitly documented and sufficient resources deployed to implement the TCGF and review its effectiveness periodically.

(e) Testing Performed

Compliance with the policies and processes embodied in the TCGF should be the subject of regular monitoring, testing, and maintenance.

The testing procedures can be performed by an independent person such as an organisation's internal audit or professional bodies appointed by the organisation from time to time (at least once a year). For documentation purposes, it is advised that the testing result should be reported properly and made available upon request by the IRBM.

(f) Assurance Provided

The TCGF should be 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. This is accomplished by establishing the entity's "risk appetite" and then by ensuring that their Risk Management Framework is capable of identifying departures from that with mechanisms for mitigating / eliminating the additional risk.

NOTE (2): The IRBM recommends that organisations consider adopting a TCGF that is suited to their circumstances and the needs of the relevant local corporate rules and legislation.

5.2. Key Focus Areas of TCGF

In order to fulfil the six (6) principles of TCF, the organisation need to prepare complete TCG documentation and present evidence to show that their TCG is in place and effective. The types of evidence provided will be in the context of the respective businesses. Below are the key focus areas and some examples of the types of evidence required by the IRBM:

5.2.1. Roles and responsibilities

The IRBM focuses on the accountability of decision makers. Clear roles and reporting lines of authorization promote decision making that is transparent and adequately addresses tax risks.

In assigning the roles and responsibilities of each of the stakeholders with respect to tax risk management in an organisation, the BOD or senior management would need to be adequately informed to make decisions.

The table below provides an overview and guidance on the assignment of the roles and responsibilities of each stakeholder in managing tax risks:

No.	Stakeholders	Roles and responsibilities
1.	Board of Directors (BOD)	(a) sets the tone from the top; (b) tax risk awareness; (c) advisory role and judgement; (d) consideration of the organisation's tax risk appetite; and (e) possess general understanding of internal controls in carrying out their roles and responsibilities.
2.	Tax Risk Committee / Audit Committee (Head of Department)	(a) defines tax risk framework, policies and controls; (b) defines the roles and responsibilities; (c) oversight of internal controls environments; (d) risk oversight; and (e) systematic review and proper documentation of internal controls and procedures for quality assurance purposes, on a periodic basis.
3.	Group Finance Department (CFO /	(a) review of tax risks; (b) assessment of tax issues;

No.	Stakeholders	Roles and responsibilities
	Head of Finance), or Group Tax Department (Head of Tax / Regional Head of Tax)	(c) identify and/or drafting of tax policies, standards and guidelines; (d) responsible for review of tax reports to be submitted; (e) authority to seek external advice when required; and (f) responsible for engaging with the IRBM.
4.	Tax managers/ Finance Manager/ Accountant	(a) implement tax risk controls; (b) perform tax risk monitoring; (c) highlight possible tax issues; (d) conduct assurance and testing; and (e) maintain documentation to support tax positions taken and filings with the IRBM.
5.	Business / Departmental functions	(a) establish and maintain Standard Operating Procedures (SOP) which document business/departmental functions' area of processes where tax implications are concern, including proper recording of transactions into the ledger for data extraction i.e. covers: (i) process; (ii) posting; and (iii) invoicing; (b) ensures to the best knowledge that there are no significant deficiencies or material weaknesses in the design or operation of the internal controls in respect of the above; (c) prepare documentation of end-to-end process; (d) maintain documentation to support tax positions taken and filings with the IRBM; (e) staff training; and

No.	Stakeholders	Roles and responsibilities
		(f) staff reviews, KPIs and performance agreements that incorporate TCG and risk management elements.

Examples of evidence that the IRBM may look for—

- (a) roles and responsibilities are clearly documented;
- (b) clear lines of authorisation and sign-off for tax decisions and administration;
- (c) business owners, board of directors, senior management and tax functions understand their respective tax obligations, including registrations, lodgement, reporting, payment and record keeping; and
- (d) BOD induction pack for directors to incorporate briefings on key accounting and tax issues.

For example:

Where a BOD is present, the roles of the Board may include—

- (a) an outline of the roles and responsibilities of the company directors and any associated delegation (e.g. to the audit committee);
- (b) develop a Board level skills matrix –this outlines the financial / tax literacy and tax knowledge at the Board level;
- (c) formal endorsement of the TCGF (including the development of a Tax Strategy and the Code of Practice); and
- (d) perform an annual review of the organisation’s tax risk areas, internal control systems and any on-going significant tax issues being monitored, together with any additional information that may be necessary.

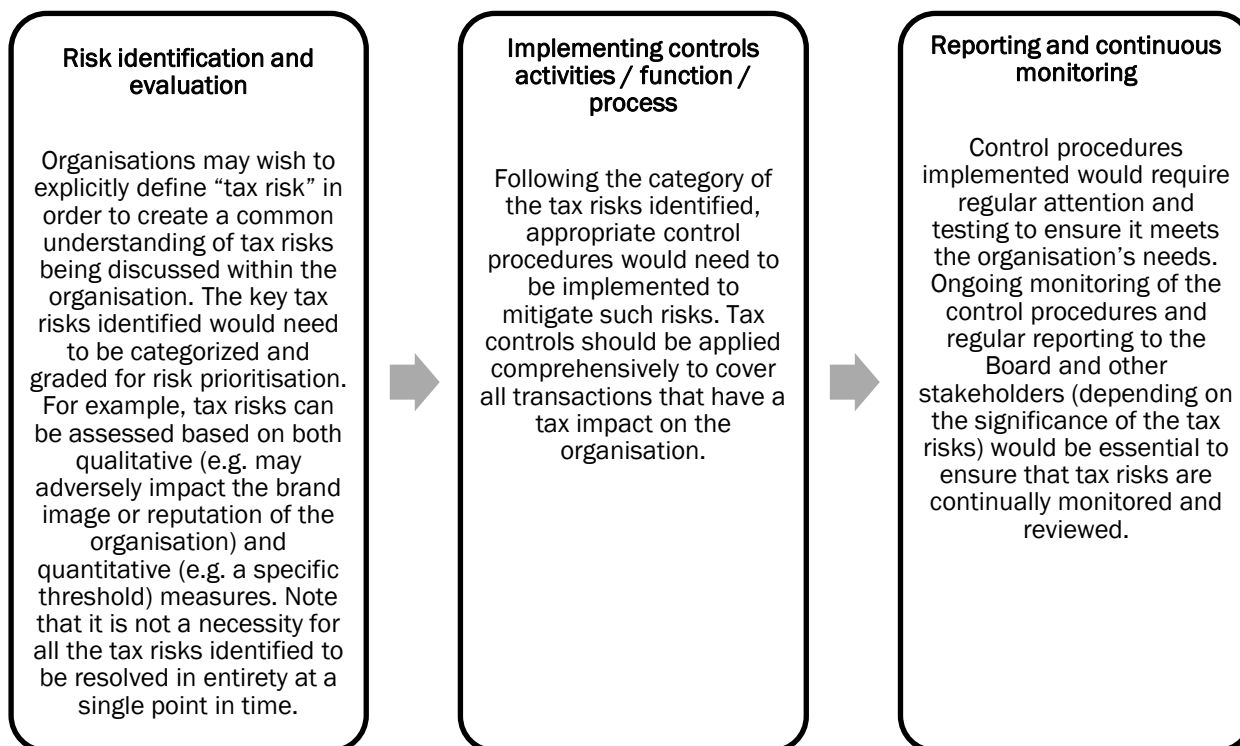
The roles of the senior management may include—

- (a) management to set responsibility for managing compliance with all types of tax which the organisation is liable for;
- (b) management should ensure sufficient capacity and capability in the tax function and other responsible areas to enable effective management of all taxes and tax risk;
- (c) assurance of TCGF and internal controls in identifying, assessing and managing tax risks;
- (d) sign off of significant and material transactions;
- (e) review and consideration of tax reporting and tax risk issues escalated;
and
- (f) management to provide ongoing support and briefings for directors regarding tax risk management strategies.

“Senior management” refers to the personnel of an organisation who are members of its core management team (other than the BOD) who are involved in the day-to-day operations of managing the organisation. This would typically include all members of the management one level below the executive directors, including all the functional heads.

5.2.2. Control framework

Systems and controls are in place to ensure accurate reporting and transparency of decision making. An illustration of a control framework is depicted in the diagram below:



Examples of evidence that the IRBM may look for—

- (a) formalise the organisation’s tax strategy by the Board, encompassing the “Tone at the Top” approach. Generally, the tax strategy document would comprise the following key topics: Code of practice, how the organisation manages tax risks, the organisation’s attitude to tax planning, the level of risk the organisation can tolerate with respect to tax risks, the organisation’s relationship with the IRBM, etc.);
- (b) document controls and processes that identify, assess and mitigate tax risks;
- (c) develop controls to identify and manage tax risks integrated into IT systems and processes;
- (d) ascertain decision points and communication processes to escalate tax risks;
- (e) develop a control list of tax documents for record keeping;
- (f) maintain a tax sensitive event trigger list to track potential tax issues with respect to the organisation’s activities;
- (g) maintain a tax risk register, as well as remediation plan to document mitigation steps in resolving the tax risks identified;
- (h) introduce standards with respect to the development of the tax

technical knowledge and capabilities of the personnel of the tax functions (e.g. qualification and experiences of the tax functions, training requirements, etc.); and

- (i) review and update the TCGF annually.

In addition, various control tools such as flowcharts and controls walkthrough templates can be developed as part of an organisation's internal controls.

NOTE (3): Refer to Appendix 1 for an example of an organisation's corporate income tax preparation and submission flowchart.

NOTE (4): Refer to paragraph 5.3 of this TCGF for further details on TCF.

5.2.3. Control testing

Processes exist to regularly test the effectiveness of the organisation's internal controls and rules to manage and report on business risks.

Examples of evidence that the IRBM may look for—

- (a) develop plans for testing systems and controls relating to tax functions;
- (b) document process for retaining working papers, reconciliation processes and error exception processes;
- (c) set audit committee reviews of the effectiveness of controls and procedures in place; and
- (d) documented evidence of the operationalization of the TCGF.

5.2.4. Management of tax risks

Tax risks are managed with an understanding of the Malaysian tax law and regulations along with the IRBM's view on tax treatments and published rulings. A reasoned approach would need to be adopted when assessing tax risks and when making decisions, including considerations with respect to the risk of dispute.

Examples of evidence that the IRBM may look for—

- (a) document a detailed review process to consider the IRBM's published view and identify potential difference in law or factual interpretation that may give rise to a dispute;
- (b) for early identification of potential risk of dispute that may potentially have significant tax implications, to document communication protocols to management and formulate steps taken to manage the risk identified, (e.g. by engaging external advisors or discuss with the IRBM);
- (c) identify gaps between "as-is" and the desired ideal state for consolidating and highlighting tax risks, follow-ups, validation, assessment and on-going improvements to tax management process; and
- (d) develop templates with key details of identified tax risks to be reported to the Board for decision making.

5.2.5. Significant or new transactions

Significant or new transactions are identified, well documented and subject to a review and sign-off for tax risk purposes.

Examples of evidence that the IRBM may look for—

- (a) document process to identify and map major categories of transactions to relevant tax classifications (e.g. how capital and disallowable items are identified in the ledger);
- (b) assess the potential impact due to the change of tax landscape (e.g. from the announcement of annual budget in Malaysia, etc.);
- (c) determine parameters of a significant or material tax risk (e.g. materiality, approval limits, level of tax risks, etc.);
- (d) ascertain impact of the tax risks to the business;
- (e) plans to manage commercial and tax risks, limiting the impact on your business; and
- (f) internal guidance on when significant or new transactions should be escalated within the organisation and/or external advice sought.

5.2.6. Tax and accounting results

Tax and accounting results are subject to review processes. Tax outcomes either reflect economic performance or variances, are understood and can be explained.

Examples of evidence that the IRBM may look for—

- (a) reconciliations of tax computation to financial statement and explanations for any variances which may have tax impact; and
- (b) audit reports.

5.3. The Tax Control Framework

5.3.1. In reference to paragraph 5.2.2, the TCF is a system for identifying, overcoming, controlling and reporting tax risks. This framework forms part of a business control framework that is different for each organisation. The objective of this framework is to form tax functions within an effective, efficient and transparent organisation.

5.3.2. The effectiveness of the TCF has several aspects, as mentioned in the OECD [New 13/03/2025](#) publication on Co-operative Compliance², such as—

- (a) detection of tax related risks and opportunities;
- (b) disclosure of tax related risks and opportunities;
- (c) preventing tax related errors;
- (d) detection and correction of errors; and
- (e) the learning cycle, errors need to be followed by actions to improve the TCF.

² OECD (2013), Co-operative Compliance: A Framework: From Enhanced Relationship to Co-operative Compliance, OECD Publishing.

5.3.3. Elements of Tax Control Framework

(a) Strategic tax control / risk identification evaluation—

(i) tax strategy

(The tax strategy should be endorsed by the Board or top management of the organisation and published on an annual basis, by reference to the period covered by the business's annual report or accounts);

(ii) tax risk appetite;

(iii) principles of governance; and

(iv) responsibility structure.

(b) Tax management control / control activities framework—

(i) business planning cycle and control processes including monitoring; and

(ii) tax management information.

(c) Tax operation control—

(i) taxation and control processes; and

(ii) information technology (IT) processes related to taxation and control.

(d) Reporting.

(e) Continuous monitoring.

5.3.4. Key Components of TCF

In developing the TCF, there are no specific formats to follow because each business has different levels of need. However, it is proposed that the formed TCF should have the key component for better effectiveness.

TCF should cover—

(a) Tax Organisation

Organisations are required to understand the taxation process in each subsidiary organisation, business, and division besides knowing the duties and responsibilities of the employees involved.

(b) Tax Planning

Control over the effects of taxation for each business activity. Tax planning should be in accordance with the organisation's risk appetite. Organisations are advised to obtain consultancy services from suitably qualified professionals and where necessary seek an advance ruling from the IRBM.

(c) Tax Risk Management

Identify the risks of each situation / activity that may have a tax effect. Assess risks and make comparisons with the organisation's risk appetite then implement controls.

(d) Communication

Communicate taxation strategies to all related personnel.

(e) Information Strategy

Automates control in the organisation's system.

(f) Monitoring

Ensure that the control plan is implemented best. This includes monitoring in terms of tax file registration, submission of Income Tax Return Forms (ITRF), tax reporting, tax payments and other applicable reporting.

According to COSO (2013) Internal Control – Integrated Framework, the objective of monitoring is to provide continuous assurance. Continuous monitoring to assess the adequacy and effectiveness of internal control is important. The Institute of Internal Auditors (IIA) summarizes the following principles of continuous monitoring;

No	Principle	Explanation
1.	Purpose	Consider the business objective and critical success factors.
2.	Risk	Determine the likely obstacles that would inhibit the organisation's success.
3.	Response	Align diverse sources of data to discover and corroborate emerging risks such as configurable

		conditions, changes, event logging, financial transactions, and unstructured data.
4.	Timing	Detect control issues in real time.
5.	Action	Track deficiencies for corrective action.

(g) Tax Accounting

The tax component must be identified in the financial statements (income statement, balance sheet, cash flow statement).

Example:

- (i) Deferred income tax liabilities can be included in the long-term liabilities section of the balance sheet.
- (ii) Sales tax is usually listed on the balance sheet as current liabilities.

(h) Tax Compliance

Tax compliance shall cover four areas of compliance which are tax registration, tax filing, tax reporting and tax payment.

5.3.5. Control Testing

- (a) Organisation must ensure processes exist to regularly test the effectiveness of the organisation's internal controls and rules to manage as well as to report on business risks.

What are the evidences the IRBM may look for—

- (i) develop audit plans for testing systems and controls relating to tax functions;
 - (ii) document process for retaining working papers, reconciliation processes, and error exception processes; and
 - (iii) set audit committee reviews of the effectiveness of controls and procedures in place.
- (b) Testing of TCF should combine the monitoring process with the maintenance of the framework. The monitoring component should contain feedback tools and solutions to detect and correct errors and

improve the TCF so that any errors are not repeated.

- (c) Monitoring the TCF is the responsibility of the organisation however, the IRBM shall conduct real-time testing to assure itself that the TCF is functioning and producing the expected outcome.
- (d) Maintenance should take place regularly and follow any fundamental changes to the business, such as changes in business strategy, in the board, in the tax department, in tax legislation, in the business structure or model, in the supply chain and following major acquisition or disposal.

(e) Reporting Control Testing

Depending on the type of testing, the size and complexity of the organisation and the maturity of the internal control process, the results of control testing may be presented to management verbally or in writing. As suggested by COSO (2013), the reporting format and contents may vary, but it typically includes the following elements—

- (i) description of the process and controls to be tested, including a description of the risks to be mitigated by the identified controls;
- (ii) listing of personnel involved in the testing, including control performers, process owners and testers;
- (iii) description of tests performed, results, and determination of control deficiencies;
- (iv) rating of control deficiencies in order to assist in prioritizing remediation actions and plans; and
- (v) summary of management remediation plans, personnel responsible for remediation, and deadlines.

NOTE (5): In determining the extent of documentation to be prepared and retained, the organisation may consider what is necessary to provide an understanding of the work performed.

06

REPORTING TAX GOVERNANCE, CONTROL AND RISK MANAGEMENT

In reporting tax governance, control and risk management, the format and content of the report may differ. The IRBM did not set any specific requirements for reporting tax governance, control and risk management. However, the IRBM encourages the organisation to follow some of the best practices as a guide.

Example:

The Global Reporting Initiative (GRI) organisation has launched a global reporting standard - GRI 207: Tax 2019. In reporting tax governance, control and risk management, the standard requires the reporting organisation to report the following information:

6.1. A description of the tax governance and control framework, including—

- a) the governance body or executive-level position within the organisation accountable for compliance with the tax strategy;
- b) how the approach to tax is embedded within the organisation;
- c) the approach to tax risks, including how risks are identified, managed, and monitored; and
- d) how compliance with the tax governance and control framework is evaluated.

- 6.2. A description of the mechanisms for reporting concerns about unethical or unlawful behaviour and the organisation's integrity in relation to tax.
- 6.3. A description of the assurance process for disclosures on tax, and if applicable, a reference to the assurance report, statement, or opinion.

07

CONCLUSION

This framework is to be read together with the IRBM guidelines on TCGF (or any other accompanying guidelines / rules) for the implementation of the TCGF in Malaysia.

The IRBM is committed to provide guidance to assist organisations to develop an effective tax governance to meet the organisation's obligations. Therefore, organisations are strongly encouraged to adopt and implement a robust TCGF within the organisation.

08

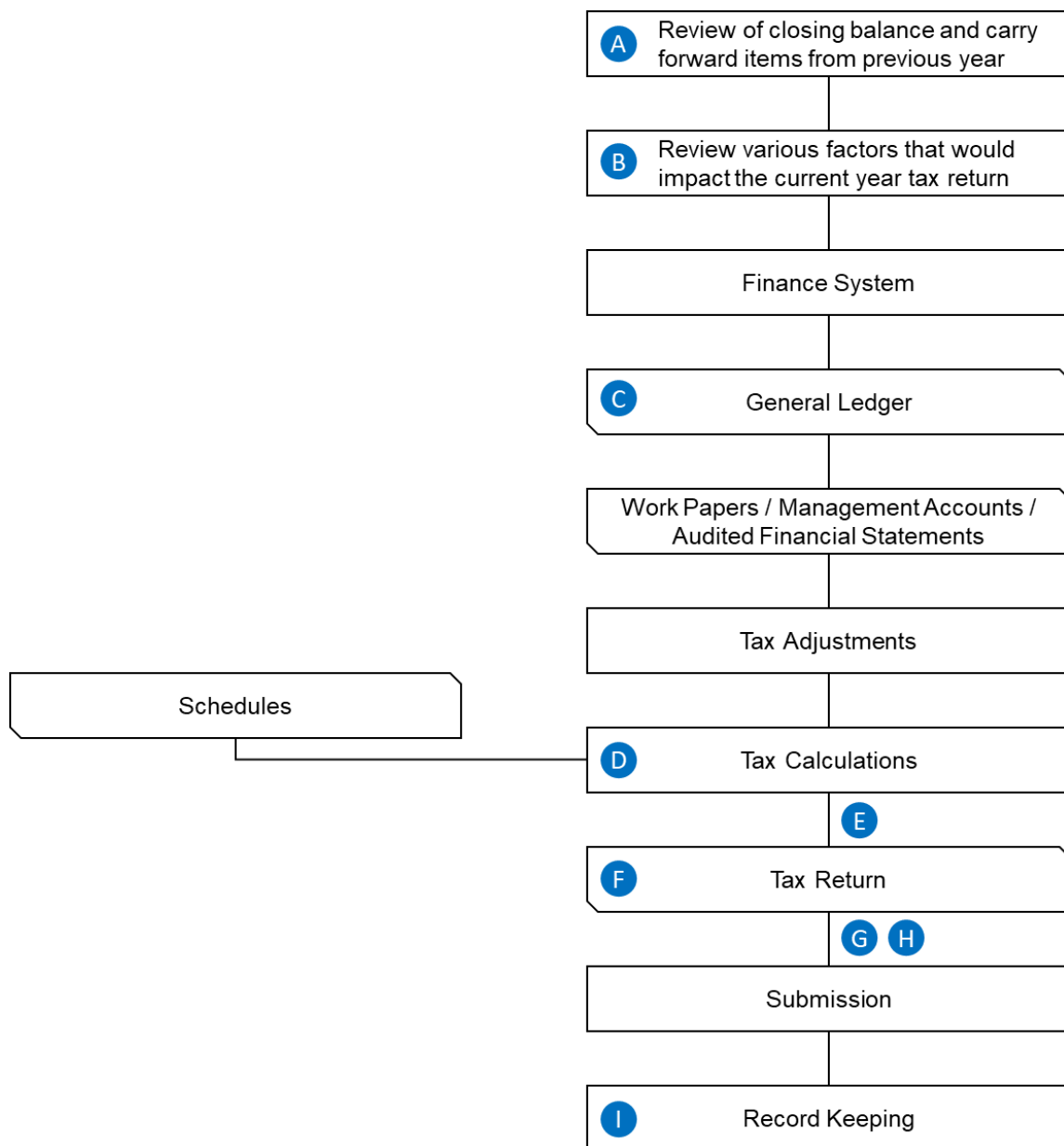
ANNEXES



APPENDIX 1	Example of an organisation's corporate income tax preparation and submission flowchart.
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Appendix 1: Example of an organisation’s corporate income tax preparation and submission flowchart

The flowchart and table below outline an example of how an organisation may document its income tax preparation and submission process to provide a clear view of the organisation’s key control points. For organisations which automate or outsource its income tax compliance preparation work, the IRBM acknowledges that the preparation and controls may be different.



Appendix 1: Example of an organisation's corporate income tax preparation and submission flowchart (*cont'd*)

Tax return preparation process flow description	Key Control(s)	Manual / automated controls	Frequency of control	Control evidence
Review closing balance and carry forward items from previous year's tax return.	Control A	Manual	Annual	Sign-off of year end checklist by tax team member and reviewed by tax team manager.
Export to Excel Spreadsheet or other systems, as relevant.	Not a key control	N/A	N/A	N/A
Review various factors that would impact the current year tax return (including new tax laws, changes in accounting standards, internal accounting system upgrades, etc.).	Control B	Manual	Annual	Discussion memorandum or year-end checklist prepared by tax/finance team member and reviewed by tax/finance team manager.
Extract general ledgers from finance system for the relevant period (12 months ending, e.g. 31 December) by team member.	Not a key control	N/A	N/A	N/A

Tax return preparation process flow description	Key Control(s)	Manual / automated controls	Frequency of control	Control evidence
Check the extractions of general ledgers.	Control C	Manual	Monthly	Sign-off of month end checklist by team member and reviewed by team manager.
Working papers are prepared for all manual adjustments.	Not a key control	N/A	N/A	N/A
Adjustments are input into the tax calculation.	Not a key control	N/A	N/A	N/A
Information inserted are reviewed by a second tax / finance staff member.	Control D	Manual	Yearly (Income tax)	Sign-off of year end checklist by tax / finance team member and reviewed by tax / finance team manager.
Reconciliation of accounting profit/loss to taxable income/loss to ensure completeness, accuracy and incorporate explanatory for all differences.	Control E	Manual	Annual	Sign-off of year end checklist by tax / finance team member and reviewed by tax / finance team manager.
Working papers are prepared for supporting schedules.	Not a key control	N/A	N/A	N/A

Tax return preparation process flow description	Key Control(s)	Manual / automated controls	Frequency of control	Control evidence
Tax return and schedules are reviewed and signed off by tax / finance review team.	Control F	Manual	Annual	Sign-off of year end checklist by tax / finance team member and reviewed by tax / finance team manager.
Executive memorandum is prepared and tabled to a governing committee summarising the analysis and findings as per tax return.	Control G	Manual	Annual	Tax / finance manager to submit to Head of Tax / Finance.
Final review and lodgement of tax return by company's Head of Tax / Head of Finance / Company Director.	Control H	Manual / Automated	Annual	Head of Tax / Head of Finance / Company Directors' signed off on tax returns.
Copy of the tax return, schedules and associated paperwork is stored and filed centrally.	Control I	Manual	Annual	Copies of tax return, schedules and associated paperwork is retrieved.



Inland Revenue Board of Malaysia
Lembaga Dalam Hasil Negeri Malaysia

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