



# Tax Risk Management From The Governance Perspective

**6 October 2022**

# Tax Risk Management From The Governance Perspective

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# Tax Risk Management From The Governance Perspective

## 1. Introduction

- ❖ 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.
- ❖ A **good tax governance** is a subset of **good corporate governance**.

# Tax Risk Management From The Governance Perspective

## 1. Introduction (cont'd)

- ❖ 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.

# Tax Risk Management From The Governance Perspective

## 2. Tax Corporate Governance Framework (TCGF)

### Overview

- ❖ The TCGF intends to provide an overview of the Inland Revenue Board of Malaysia's expectations on the Tax Corporate Governance **process and structure that should exist in an 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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## 2. Tax Corporate Governance Framework (TCGF)

### Overview (cont'd)

- ❖ The Inland Revenue Board of Malaysia (HASiL) has issued the following: -
  - a) *TCGF dated 11 April 2022*
  - b) *Guidelines to TCGF dated 11 April 2022 (updated on 27 July 2022)*
  - c) *Frequently Asked Questions (FAQs) on TCGF and Guidelines dated 27 July 2022*

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## 2. Tax Corporate Governance Framework (TCGF)

### Objective

**TCGF** →

**Sets out the HASiL's expectation on the application of the principles of Tax Corporate Governance within an organisational setting**

**OECD** →

**Identifies 6 principles in developing a good TCGF**

[Organisation for Economic Co-operation and Development]

**Tax Strategy  
Established**

**Applied  
Comprehensively**

**Responsibility  
assigned**

**Governance  
documented**

**Testing  
performed**

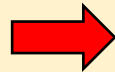
**Assurance  
provided**

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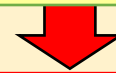
## 2. Tax Corporate Governance Framework (TCGF)

### Objective (cont'd)

**TCGF**



**Aims to help organisations understand the focus areas of HASiL in respect of tax corporate governance to enable businesses to :-**

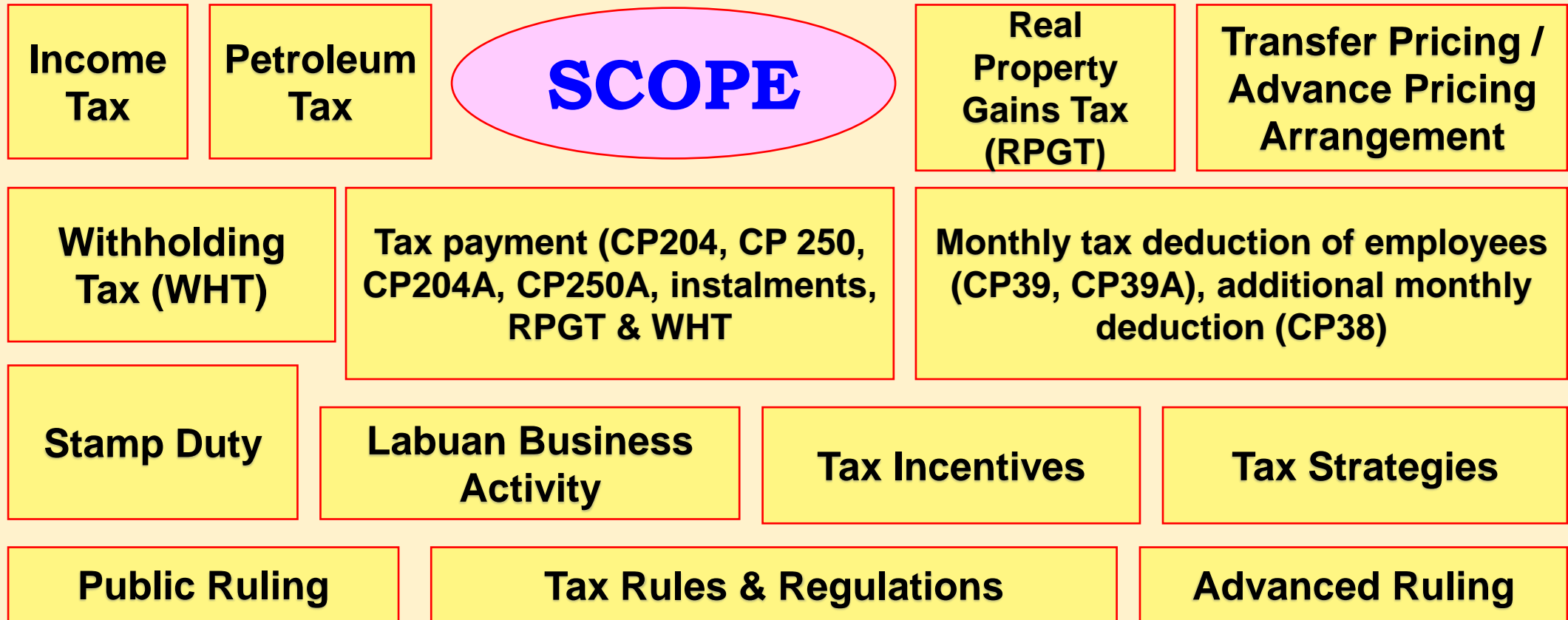


- a) Develop or improve an organisation's tax governance and internal control framework**
- b) Promote tax compliance and reduce tax risks**
- c) Test the robustness of an organisation's framework**
- d) Understand how to demonstrate the operational effectiveness of an organisation's key internal controls to its stakeholders, including the HASiL**
- e) To ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated**



# Tax Risk Management From The Governance Perspective

## 2. Tax Corporate Governance Framework (TCGF)



# Tax Risk Management From The Governance Perspective

## 3. Tax Corporate Governance Programme

An arrangement between HASiL and taxpayer to work together to improve organisation's corporate tax compliance matter in open and honest manner

Large Companies/PLC  
(turnover  $\geq$  RM100mill)

Companies which have won  
the best IRBM Taxpayer Award

GLC/State-Owned  
Enterprise

Compliant taxpayers (return form  
submission and tax payment)

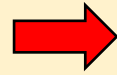
No participation fee

Implementation cost  
- Not tax deductible

# Tax Risk Management From The Governance Perspective

## 3. Tax Corporate Governance Programme

### BENEFITS



Both the Organisation and HASiL in various ways

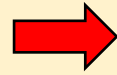
#### A. To the Organisation :

- 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
- i) Greater certainty in relation to tax exposure

# Tax Risk Management From The Governance Perspective

## 3. Tax Corporate Governance Programme

### BENEFITS



Both the Organisation and HASiL in various ways

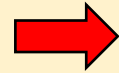
### B. To HASiL :

- a) Better understanding of the organisation's business and its tax governance procedures and tax risk management procedures
- b) Enhance its relationship with the taxpayer
- 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
- f) Receive correct tax returns and payments on time

# Tax Risk Management From The Governance Perspective

## 3. Tax Corporate Governance Programme

### BENEFITS



Offered by HASiL to organisations participating in the TCGF

#### Reduced scrutinization of compliance activities

- No / Lesser tax audits will be conducted
- Higher materiality or reduced sample size

#### Appointment of a dedicated tax officer

- A single point of contact between taxpayer & HASiL
- Expedite any on-going dialogue on technical matters

#### Expedite tax refunds

- Accelerate tax refund process for compliant participants

#### Priority consideration

- Eligible to be granted priority consideration for compliant participants with lower penalty imposed.

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## 3. Tax Corporate Governance Programme

### **Process:**

#### Step 1: Getting Ready

- a) Satisfy pre-requisites
- b) Preliminary self-assessment
- c) Submission of participation form (notice of acceptance within 14 days from submission of participation form)

#### Step 2: Review by Independent Reviewer

- a) Appointment of independent reviewer by participants
- b) Public accounting entity or in-house internal audit team

#### Step 3: Submission and Evaluation by HASiL

#### Step 4: Conclusion of Assessment by HASiL

#### Proposed Timeframe

- a) Step 1 to 4: 8 to 12 months
- b) Validity of the awarded status (3 years)
- c) Renewal process

#### Phase 1: Pilot project (June 2022 to June 2024)

- HASiL will send invitation to selected organisation to join programme

#### Phase 2: Open to everyone

# Tax Risk Management From The Governance Perspective

## 4. Conclusion

**HASiL**

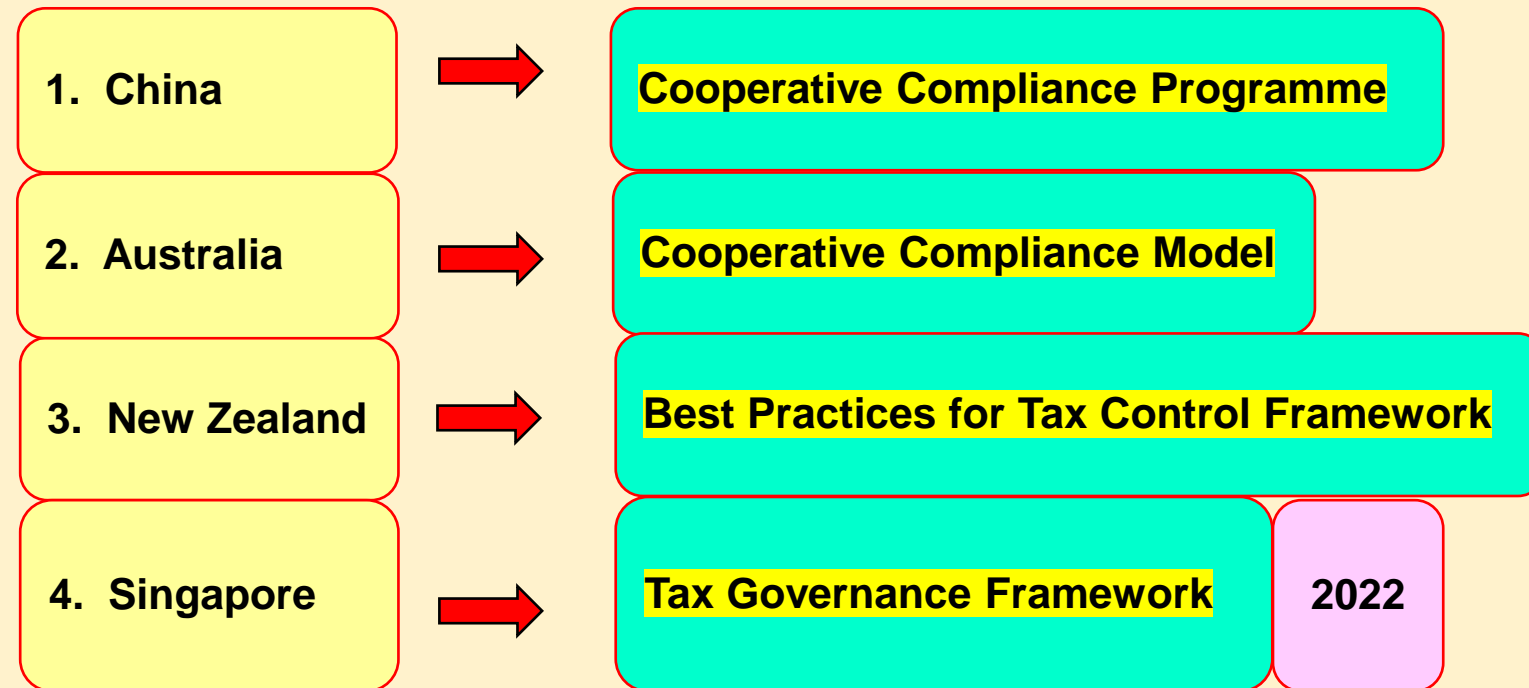
Committed to provide guidance to assist organisations to develop an effective tax governance to meet its obligations

**Organisations**

Strongly encouraged to adopt and implement a robust TCGF

# Tax Risk Management From The Governance Perspective

Examples of Asia Pacific countries with TCGF equivalent: -





**THANK YOU**