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Malaysia

Malaysia Plans OECD Country-by-Country Tax Reports for 2017



By Lien Hoang

May 17 — Malaysia's Inland Revenue Board is "developing the appropriate infrastructure" to require multinational corporations to file country-by-country reports from 2017, the state tax agency told Bloomberg BNA.

The reports, recommended under Action 13 of the OECD's global project targeting tax base erosion and profit shifting, and other BEPS items are "definitely in the pipeline" the tax authority said May 17 via e-mail.

"We do hope that the updated transfer pricing requirements will increase [compliance] among the relevant taxpayers," Malaysia's revenue board said in response to questions, adding that country-by-country reports "would be helpful for high-level transfer pricing risks assessment."

Action 13 recommends that countries require multinational corporations to detail their taxes paid, profits, sales, employees, assets, and transfer pricing activities in each country where they do business. Multinationals in Malaysia should expect to begin filing country-by-country reports from Jan. 1, 2017, although that date is not certain.

Legislation by August

Malaysia is consulting with the private sector as it draws up legislation to impose country-by-country reporting.

Aurobindo Ponniah, PwC tax executive director of taxation services in Kuala Lumpur, said he expects to see draft legislation by August. The revenue board didn't confirm this, but based on his discussions with officials, Ponniah told Bloomberg BNA that it may further tighten regulations beyond BEPS recommendations in the future. He noted that the Organization for Economic Cooperation and Development's BEPS recommendations are being viewed as a means to help Malaysia close its tax gap.

Ponniah said that the legislation likely will follow OECD guidance and only subject multinationals earning 750 million euros (\$850 million) per year or more to the law so that it would cover about 40 to 50 domestic companies and a smaller number of foreign companies in Malaysia.

He recommended that taxpayers perform test runs and start collecting the financial information that will be needed for these reports.

The revenue board said 2017 remains a tentative start date for Malaysia. The nation signed the OECD's Multilateral Competent Authority Agreement Jan. 27, entering it into the club of jurisdictions that will exchange country-by-country reports while promising confidentiality (93 TMIN, 5/13/16).

Malaysia is part of the second wave of signatories, which will begin the data exchange in September 2018. The United States isn't among the 82 jurisdictions that have signed on as of this month.

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For More Information

The OECD's October briefing on country-by-country reporting is available at <http://www.oecd.org/tax/transfer-pricing-documentation-and-country-by-country-reporting-action-13-2015-final-report-9789264241480-en.htm>.

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