



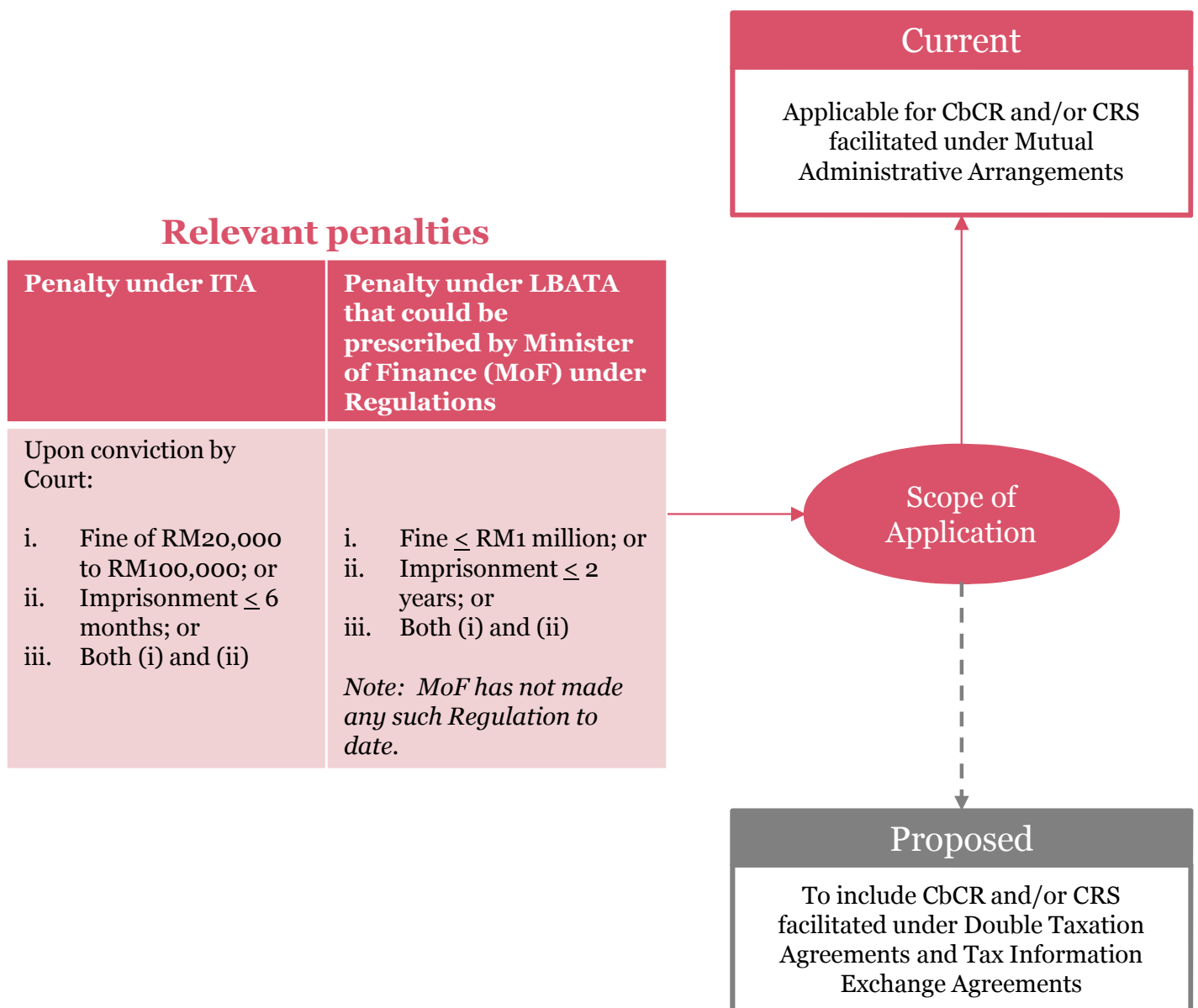
In this issue

- Proposed amendments to the Income Tax Act 1967 and the Labuan Business Activity Tax Act 1990 in relation to penalties for non-compliance of Country-by-Country Reporting and Common Reporting Standards

Penalty for non-compliance with Country-by-Country Reporting (CbCR) and Common Reporting Standards (CRS)

The current penalties for non-compliance with CbCR and CRS under the Income Tax Act 1967 (ITA) and the Labuan Business Activity Tax Act 1990 (LBATA) are specifically applicable for non-compliance of CbCR and/or CRS that are facilitated under Mutual Administrative Arrangements.

The Government has proposed to expand the scope of such penalties to also cover the relevant non-compliance of CbCR and/or CRS that are facilitated under Double Taxation Agreements and Tax Information Exchange Agreements, depicted as follows:



A recap on CbCR and CRS

CbCR

The Income Tax (Country-by-Country Reporting) Rules (“CbCR Rules”) were gazetted on 23 December 2016, and came into effect on 1 January 2017. The CbCR Rules are in line with the OECD’s recommendations contained in Action 13 of the Base Erosion Profit Shifting initiative.

For more information on the CbCR Rules please refer to our PwC Newsletter – [Malaysia Implements Country-by-Country Reporting Requirements](#) which is available on our website www.pwc.com/my.



CRS

In line with the Standard for Automatic Exchange of Financial Account Information (“the Standard”) developed by the OECD, Malaysia has issued the Income Tax (Automatic Exchange of Financial Account Information) Rules 2016. These Rules were gazetted on 23 December 2016 and are effective from 1 January 2017. The Standard is a global standard and common approach to exchange information to combat tax evasion in different jurisdictions and comprise:

- the Model Competent Authority Agreement, which forms the basis of exchange of information, and
- the CRS, which contains the due diligence and reporting to be performed by reporting financial institutions.

Malaysia has committed to exchanging the CRS information from 2018. The salient points of the Rules are as follows:

<p>Reporting person 1</p> <p>The Reporting Financial Institution is defined to mean any financial institution (FI):</p> <ul style="list-style-type: none"> • that is resident in Malaysia (excluding branches located outside Malaysia), and • any branch of a FI that is not resident in Malaysia if it is located in Malaysia. <p>FI is defined in Section VIII of the Standard which includes Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company.</p>	<p>What is to be reported 2</p> <p>Reportable Accounts which are the accounts of individuals or entities of participating jurisdiction to the multilateral agreement.</p> <p>The Reportable Accounts are identified through a due diligence procedure in accordance with the Standard.</p>
<p>Enforcement 4</p> <p>The Director General of Inland Revenue may exercise all the powers vested under the Income Tax Act 1967 (ITA) to administer and enforce the compliance with these Rules.</p>	<p>Reporting timeline 3</p> <p>The reporting and furnishing of information to the Inland Revenue Board (IRB) will be made annually on or before 30 June of the year following the calendar year the return relates. The first reporting deadline is 30 June 2018, which will be for the calendar year 2017.</p> <p>The timeline for the implementation the due diligence procedures are also set out in the IRB’s website www.hasil.gov.my (International Taxation > Common Reporting Standard).</p>

Let's talk

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