



# Tax Corporate Governance (TCG)

Managing today's risks and beyond



June 2025



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# Introduction

The global tax landscape is undergoing a profound transformation, with increasing stakeholder demands for transparency, coupled with the rise of digitalisation and ESG, putting immense pressure on tax functions worldwide.

In Malaysia, the journey towards streamlining tax corporate governance is ongoing. June 2024 was a milestone with 7 companies awarded the Tax Corporate Governance (TCG) status. In addition, the Malaysian Inland Revenue Board (MIRB) has introduced the Special Voluntary Disclosure Programme (SVDP) and e-invoicing among other initiatives to push for greater disclosure and transparency and to continue fostering a collaborative relationship with taxpayers in Malaysia.

Amid these developments, the availability and readiness of data to address tax compliance and reporting needs remains a challenge. The confluence of megatrends, as well as evolving regulations among the disruptive forces in the market, sends an important signal for tax to step up their commitments to tax compliance and data relevance.

## Tax under pressure Connecting compliance and data

Success in compliance hinges on effectively balancing technology, skilled personnel, and efficient processes (linked to Enterprise Risk Management [ERM] considerations). Presently, tax compliance is increasing in complexity due to growing workloads, limited resources and mounting stakeholder expectations. Often underfunded, tax functions struggle to support business decisions while managing regulatory changes and the demand for greater transparency. The need for high quality data is crucial, banking on strong controls embedded within business processes.

**From an ERM perspective**, robust tax risk management should be embedded to align tax strategies with business goals, enhancing governance, transparency and accountability. Encouragingly, the growing trend towards aligning data requirements across internal functions, enabled by digital transformation, enterprise-wide initiatives and ESG policies is an indication that organisations are on the right track in integrating ERM. This alignment is further enabled by tax governance programmes and frameworks such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD), which strengthen the integration of tax governance requirements with ESG standards. As different regions adopt varied approaches (outlined below), the journey towards robust tax governance continues, underscoring the important role of data quality and controls in supporting both compliance and strategic business goals.

### Illustration 1: Tax governance adoption in the Asia Pacific landscape (June 2025)

Matured	<b>Australia</b> : Top 100 justified trust program, tax risk management and governance review guide, Voluntary Tax Transparency Code (VTTC)	By selection
Formal programmes introduced	<b>Malaysia</b> : Tax Corporate Governance Framework (TCG) <b>Singapore</b> : Tax Risk Management and Control Framework for Corporate Income Tax Programme (CTRM)	Voluntary
Guidance issued and piloting	<b>New Zealand</b> : Tax governance initiatives	Voluntary
No announcement yet	<b>Hong Kong, Japan, Korea, India, Indonesia, Philippines, Taiwan, Thailand, Vietnam</b>	

# Integrating tax risk management into ERM

Whilst the approach varies, a common action is to ensure that a tax-friendly ecosystem is developed across the Asia Pacific region. Tax governance adoption is evolving, with countries at different stages of maturity (illustration 1). The increasing pressure from stakeholders, including investors who use ESG criteria and sustainability indices for decision-making, has resulted in cooperative compliance programmes gaining traction regionally. This has resulted in:

- 1** Greater opportunities to foster trust between tax authorities and taxpayers.
- 2** Leveraging better quality data to assess outcome probabilities, whilst remaining compliant.
- 3** More organisations are driving value in a timely manner and making more strategic business decisions.

By viewing tax as a domain under the ERM guidelines of an organisation, this enables alignment of risk definition, appetite, reporting, and overall risk management.

## Cultivating a common boardroom language

**91%** of the non-tax respondents outlined that they are undergoing a strategic business transformation, where tax is part of the strategic discussions.

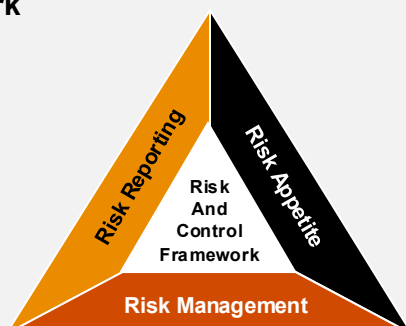
**Only 27%** of the tax respondents believe that they are part of such initiatives.

This demonstrates a need to better align tax strategies with overall business goals, aiming for better corporate governance by ensuring that tax risk management is incorporated within the ERM strategy. Such an approach ensures that tax risks are effectively identified, assessed, and mitigated under the same concepts applied across the organisation. This alignment (illustration 2) enables deeper understanding of the tax risks identified, striving to alleviate the gaps. The aim is to foster transparency, accountability, and sustainable growth through systematic risk identification, control implementation, and continuous adaptation to regulatory changes.

**The gaps in perception and expectation appear to reflect the variances in baseline understanding and terminology — Are all stakeholders speaking the same language?**

\* Statistic taken from [our recent global survey](#).

## Illustration 2: Key considerations for a robust risk and control framework



Risk Reporting	Risk Management	Risk Appetite
<ul style="list-style-type: none"> <li>Develop a process for reporting tax risks, including what, when, how, and to whom.</li> <li>Use tools such as a tax decision matrix that aligns with the wider ERM framework, ensuring efficient and timely reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Implement processes for prevention, identification, measurement, mitigation, and monitoring of tax risks.</li> <li>Establish roles, responsibilities, and controls within the risk management process.</li> </ul>	<ul style="list-style-type: none"> <li>Define the company's approach to tax risks, considering the tax strategy.</li> <li>Determine the level of acceptance of tax risks and the approach to managing them (risk-averse vs. risk-tolerant).</li> <li>Map vulnerability to specific tax risks and develop a tax risk profile</li> </ul>

This framework classifies tax risks by financial impact and reputation, considering duration and criteria for existing and future internal and external risks. This integrated approach to identification and measurement of tax risk, enables effective mitigation and monitoring by stakeholders. Continuous improvement through regular reviews and updates of tax risk management practices is essential to adapt to regulatory changes and maintain compliance.

# Aligned processes for effective tax risk management

## Closer to home – Reframing the tax narrative in Malaysia

Malaysia's Tax Corporate Governance (TCG) [detailed in illustration 3] and Bursa Malaysia's Public Listed Company Transformation (PLCT) programmes, encourage alignment of tax strategies with governance policies. The six key principles of TCG (see pg. 5 of the Taxavvy report) stress the importance of transparency, stakeholder engagement, and alignment of business processes with tax risk management (aligned with GRI 207 and OECD guidelines).

### Illustration 3: Overview of the TCG programme

#### What is the TCG framework?



**Tax transparency:** TCG outlines guidance to promote and establish a transparent relationship between the MIRB and taxpayers.

**Tax Control Framework (TCF):** Taxpayers should outline their approach to management of tax matters in a TCF to provide assurance to stakeholders.



**TCG coverage:** **Direct taxes**, i.e. income tax, petroleum income tax, real property gains tax, payroll, transfer pricing, withholding tax, stamp duty.

**Participation:** **Voluntary basis**, interested taxpayers that satisfy the prerequisites can contact the MIRB via email at [tcg@hasil.gov.my](mailto:tcg@hasil.gov.my). The participation form is also available on the MIRB website.



**Self-review report and independent reviewer's report:** The taxpayer will need to submit the completed self-review report and the independent reviewer's report to the MIRB (within 6 months from approval of participation).

#### Who does it impact?



##### Organisations that are:

- Large companies / public-listed / government-linked companies / state-owned enterprise (with turnover of RM100mil and above).
- Compliant taxpayers (return form submission and tax payment).
- Companies with established tax control framework.

Does not include dormant companies or investment holding companies (April 2025).

#### Why consider the TCG framework?



**Reduced scrutiny of compliance activities:** No tax audits will be conducted.



**Accelerated tax refund:** This is provided that no anomalies are noted and it is subject to approval.



**Efficiency:** Appointment of a dedicated tax officer to expedite any ongoing dialogue on tax technical matters.



**Eligible to be granted priority consideration:** This could be in respect of tax penalty rates and step down of compliance activities.

\*The six key principles comprise: (1) tax strategy established, (2) applied comprehensively, (3) responsibility assigned, (4) governance documented, (5) testing performed, and (6) assurance provided.

# Aligned TCG with global tax governance standards

As shared earlier, key elements of effective tax governance include fostering a risk-aware culture, aligning tax strategies with business objectives, systematic risk identification, implementing control activities, and ensuring transparent reporting. Further guidance on how to align TCG to an organisation's ERM policies has been outlined in the April 2025 revision to the TCG guidelines. There is clear guidance on the maturity levels expected of how tax controls and risk management are integrated into the organisation's ERM policies.

## The broader benefits of TCG adoption

Apart from the direct benefits (outlined in illustration 3), there are several indirect benefits (non-exhaustive) from participation,

- 1 Alignment** (outlined in illustration 4 below) with global tax governance standards like GRI 207, Bursa Malaysia's Tax Governance Guide, UN Sustainable Development Goal (SDGs), and FTSE4Good enhances ERM and ESG initiatives,
- 2 Elevated** stakeholder awareness and compliance,
- 3 Open lines of communication and collaboration** between TCG certified companies and their dedicated officers, enhancing management of tax obligations—illustrating the spirit of the TCG programme and cooperative compliance.

Tax governance enables several other actions to be completed, i.e., adoption of other global governance frameworks. These may support an organisation's ESG policies, enhance disclosures that may be relevant for other assessments, e.g., sustainable financing - “killing a few birds with one stone.”

**Illustration 4: Governance frameworks and TCG**

Comparisons: TCG and other key governance frameworks standards and indices	Sustainability Reporting Standards: Global Reporting Initiative (GRI) 207			
	207 - 1: Approach to tax	207 - 2: Tax governance, control and risk management	207 - 3: Stakeholder engagement and management of concerns related to tax	207 - 4: Country-by-Country Reporting (CbCR)
<b>TCG</b>	<ul style="list-style-type: none"> <li>• Tax strategy document (e.g. with code of practice and tax risk management)</li> </ul>	<ul style="list-style-type: none"> <li>• Tax risks managed in line with Malaysian Tax law (e.g. with key steps and templates for Board reporting)</li> </ul>	<ul style="list-style-type: none"> <li>• Approach to key tax co-operative compliance aspects (in line with OECD requirements)</li> </ul>	<ul style="list-style-type: none"> <li>• Covered under the Income Tax Act 1967 requirements</li> </ul>
<b>Bursa Malaysia's Tax Governance Guide (TGG)</b>	<ul style="list-style-type: none"> <li>• Availability of tax strategy</li> <li>• Role of the governance body in reviewing/ approving the tax strategy</li> <li>• Overall approach to regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Approach to tax risks (identifying, managing and monitoring risks)</li> <li>• Evaluating/ assessing compliance with the tax governance framework</li> </ul>	<ul style="list-style-type: none"> <li>• Approach to engagement with tax authorities (e.g. participating in cooperative compliance agreements)</li> <li>• Approach to public policy advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Country-by-country activities - list of all subsidiaries and their business nature (as required by OECD, part of BEPS initiative)</li> </ul>
<b>FTSE4Good Bursa Malaysia (F4GBM) Index</b>	<ul style="list-style-type: none"> <li>• Policy and Strategy: Tax Transparency, Tax Compliance and Fairness</li> </ul>		<ul style="list-style-type: none"> <li>• Governance and Control Mechanisms: Board and Audit Committee's oversight of tax policies</li> </ul>	<ul style="list-style-type: none"> <li>• Quantitative Reporting: Disclosure of corporate tax paid globally (could include country-by-country breakdown)</li> </ul>
<b>Dow Jones Sustainability Indices (DJSI)</b>	<ul style="list-style-type: none"> <li>• Tax Policy/ Principles/ Strategy: Availability of tax policy or strategy (in the public domain) that addresses sensitive or high-risk tax issues such as responsible taxation and transparency</li> </ul>			<ul style="list-style-type: none"> <li>• Tax Reporting: Availability of public reporting on key tax information for regions or countries of operation</li> </ul>

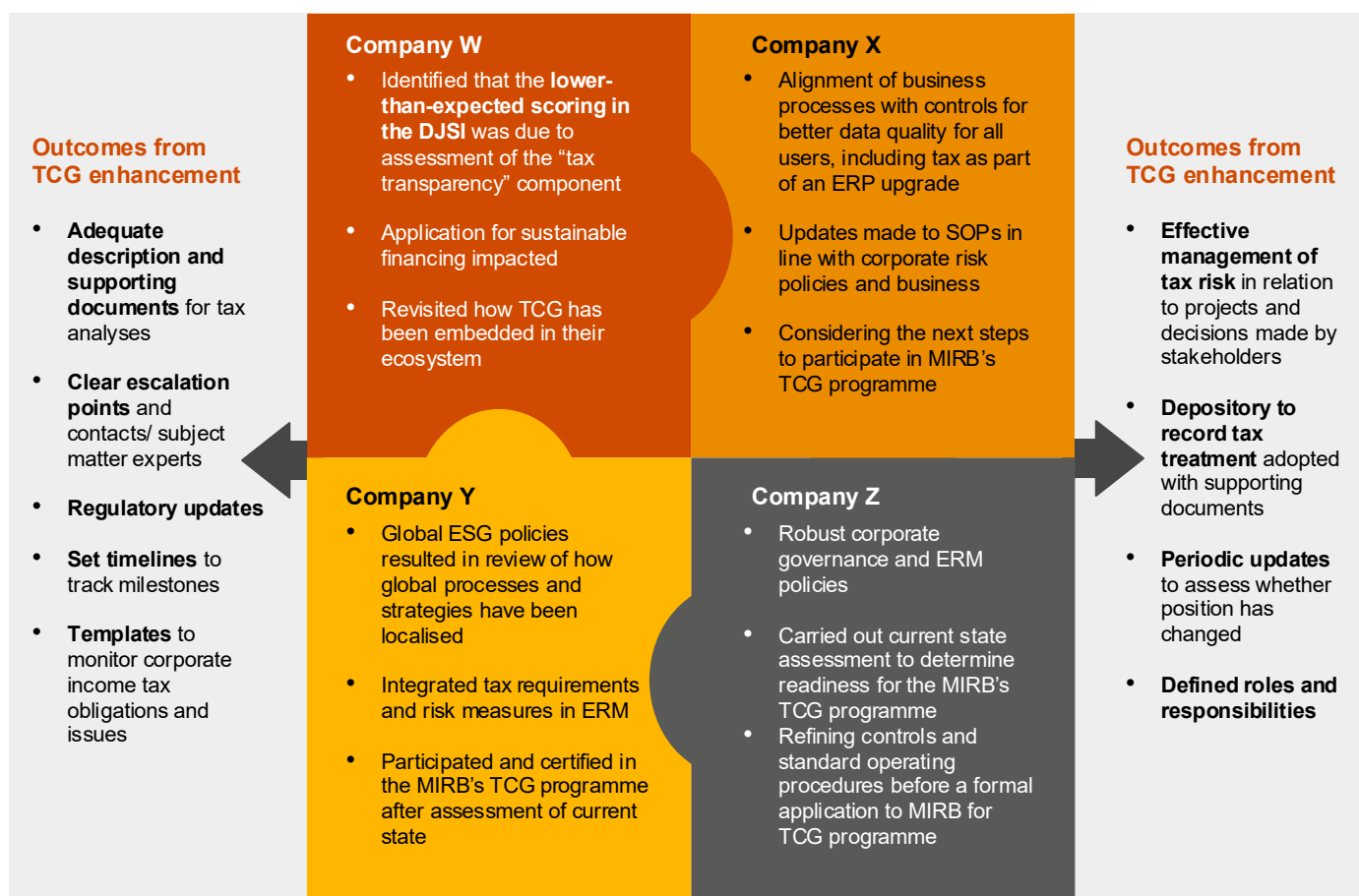
# Improving tax outcomes through TCG

## Learning from others – it is an ongoing journey

Whilst the MIRB's TCG programme was introduced in March 2022, many companies have already been looking into enriching their ecosystems to support tax reporting and compliance. TCG is not the flavour of the month due only to the “carrots” offered by MIRB (if companies are certified). Based on our experience, Corporate Malaysia has already been looking into TCG due to other triggers (outlined in illustration 5 from our observations working with companies who have started their TCG journeys under different circumstances.

Evidently, the steps taken and outcomes in tightening controls to ensure a more tax enriched ecosystem are the same. However, the triggers on how to assess TCG readiness in an organisation are varied.

## Illustration 5: Triggers for TCG reviews – some case studies



## What do companies W, X, Y and Z have in common?

These case studies (illustration 5) showcase how companies at different stages of their TCG journey initiated reviews and enhancements prompted by various triggers. Each leveraged enterprise-wide initiatives and stakeholder collaboration, starting with a maturity assessment to identify focus areas and chart a course towards their desired TCG maturity (refer to next page).



# Our Tax Maturity Management Model to assess readiness

## How we can help

Our Tax Maturity Management Model (T3M) methodology, grounded in COSO and OECD principles, serves as an internationally recognised tool for assessing the maturity and quality of an organisation's tax function, including its control framework and risk management.

Aligned with MIRB's six key tax control framework principles, T3M evaluates tax control through five maturity levels, reflecting the organisation's current and aspirational tax management standards. Understanding these levels helps organisations align their tax controls with strategic objectives, ensuring effective governance and compliance.

Our structured approach promotes transparency and enhances trust within the tax ecosystem. This involves defining a clear vision and strategy for the tax function, assessing the current state, and identifying improvements across key areas: organisation, people, process, and data.

## The five T3M levels of maturity

- Our T3M dimensions provide a structured approach to tax risk management, incorporating risk escalation matrices, defined roles and responsibilities, and detailed process management steps.
- Organisations must assess their current maturity level and strategic objectives to determine their desired state within the five levels of T3M maturity.

Maturity level	Description
<b>Level 1:</b> Initial	There is no formal framework for tax. The tax function is reactive to incidents, with basic software to assist in tax compliance.
<b>Level 2:</b> Informal	There is a simple, unstructured approach to managing tax, with basic software (slightly more sophisticated than level 1), to assist in tax compliance.
<b>Level 3:</b> Standardised	There are uniform processes and policies in place (executed based on personal experience), with basic software and simple integrated enterprise resource planning (ERP) to assist with tax compliance and to manage tax data.
<b>Level 4:</b> Managed	There is a structured approach, using predictive analytics / tools and an integrated ERP to manage tax compliance and risk in a proactive manner.
<b>Level 5:</b> Optimised	There are formal policies and frameworks in place, with tools that enable real time prescriptive analytics to support strategic decision making.

## Reframe your tax narrative

Tax corporate governance is a journey that has already started, needing refinement to include tax considerations. Organisations can take these steps to progress in their journey:

- 1** Identify organisational initiatives that include changes to the ecosystem involving tools, processes, and corporate governance / risk strategies.
- 2** Engage your stakeholders (strategic and operational levels) and look for your allies to leverage funding, joint activities and establish shared goals and priorities.
- 3** Raise tax risk awareness, ensure cross-functional communication, assess ERM framework, foster risk-aware culture, and verify tax risk control framework effectiveness.

**Get in touch to see where you are on the journey — you may not be too far from the mark.**



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