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Demystifying Malaysia’s New Safe Harbour for Low Value-Added Services

at at-mia.my/2025/04/15/demystifying-malaysias-new-safe-harbour-for-low-value-added-services

April 15, 2025

By Gagandeep Nagpal and Himanshu Bakshi

Introduction

With the increasing complexity of global tax developments, taxpayers are facing greater challenges in managing their tax matters. To help alleviate this burden, safe harbours have emerged as an important solution as witnessed in Pillar 1/Pillar 2 regimes recently. They provide simplified, predefined resolutions for common tax matters, offering certainty and consistency in outcomes when specific conditions or fact patterns are met.

Amidst these global developments, Malaysia’s Inland Revenue Board (IRB) has introduced safe harbours for low value-adding services (LVAS) as part of the revised Malaysia Transfer Pricing Guidelines (MTPG 2024). This move aligns Malaysia’s transfer pricing framework with that of the Organisation for Economic Co-operation and Development (OECD)Transfer Pricing Guidelines 2022, albeit there are some deviations that require careful consideration by taxpayers. . This development is welcomed and expected to ease the burden on Malaysian taxpayers in defending their intra-group service transactions. Notably, Malaysia is the second country in the Southeast Asia region, after Singapore, to recognise the LVAS framework.

It is crucial to understand the key features, eligibility criteria, and other nuances before opting into this framework.

What is LVAS?

In large multinational enterprise (MNE) groups, common functions are usually centralised to streamline operations, enhance efficiency, and avoid duplication of efforts. Intra-group services are generally remunerated using the cost-plus method, where appropriate allocation keys are applied to distribute the service provider’s charges across all service recipients within the group. However, this area often becomes contentious in transfer pricing, particularly concerning the need test, benefit test, rendition test and arm’s length price test. The simplified approach of LVAS can help resolve potential disputes that may arise during audits regarding the transfer pricing of intra-group transactions.

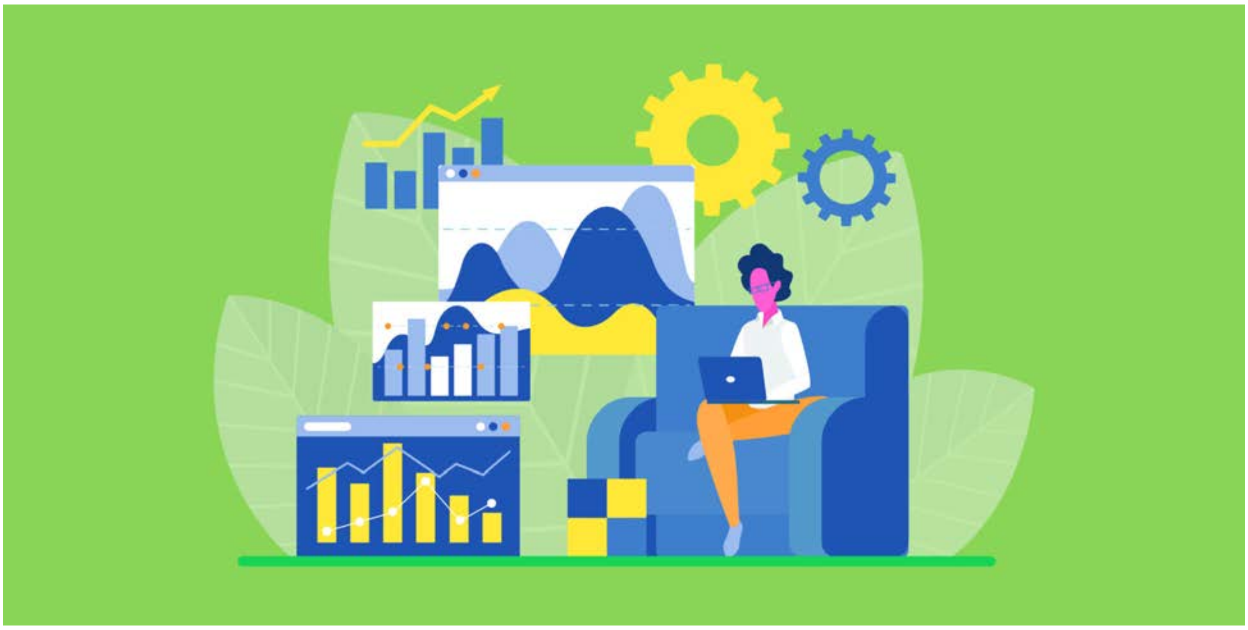
> LVAS are services that one or more MNE group members provide on behalf of one or more other group members, which[1]:

- are of a supportive nature
- are not part of the core business of the MNE group (i.e., not creating profit-earning activities or contributing to economically significant activities of the MNE group);

- do not require the use of unique and valuable intangibles and do not lead to the creation of unique and valuable intangibles; and
- do not involve the assumption or control of substantial or significant risk by the service provider and do not give rise to the creation of significant risk for the service provider.

The term “supportive” herein implies that the service should not be part of the core business of the MNE group. However, the provision of low value-adding intra-group services can still be the principal business activity of the entity providing the service, as long as these services are not related to the core business of the group.[2]

The fact that an activity does not fit into the above criteria, should not be interpreted to mean that the activity should generate high returns, which specifically has been mentioned in OECD but seems to be intentionally missing in MTPG. It may still be a low-value activity, and the arm’s length charge for such an activity should be determined through a standard benchmarking analysis.[3]



The new guidance also provides a negative list of services that would not qualify for the simplified approach[4]. In addition, a few examples are also provided that would likely meet the definition of LVAS[5]. It will be crucial for taxpayers to evaluate if their services meet the requirements outlined in the LVAS framework; otherwise, there may be disagreements during the audit stage. Since it is an elective regime[6] and, as there is no threshold set for its applicability, it would be prudent for taxpayers to carefully assess the impact of the LVAS framework and adopt it consistently once chosen.

What are the benefits of opting for LVAS framework?

Simplification of arm’s length price test

As recommended by the OECD and adopted by MTPG 2024[7], the safe harbour markup of 5% shall be applied to all relevant costs (direct or indirect cost but excluding pass-through cost[8]) incurred in performance of services. This approach simplifies the transfer pricing calculation process as it avoids the need for complex benchmarking studies or economic analyses. It further provides certainty for MNE groups that the price charged for qualifying activities will be accepted by the IRB. Moreover, this simplified framework also permits application of similar mark-ups for all LVAS, irrespective of categories of services[9].

However, the above simplified approach cannot be adopted if services are rendered to unrelated customers because it can be expected that reliable internal comparables exist and can be used for the determination of arm's length price.

Simplification in establishing benefit test

In the context of intra-group services, one of the most highly disputed areas is establishing the benefit test before tax authorities which can be even more challenging than demonstrating compliance with the arm's length principle. Taxpayers opting for the LVAS regime are expected to maintain additional documentation as outlined in Appendix A of MTPG 2024 as part of their contemporaneous transfer pricing documentation (CTPD). However, this documentation requirement appears to be less burdensome than that for those not opting for the LVAS framework[10]. Further, there is an additional guidance in OECD regarding benefit test which appears to be missing in MTPG 2024 and may leave room for some ambiguity in the interpretation by taxpayers and the application by tax administration[11].

LVAS is not panacea

While the LVAS framework helps mitigate disputes arising from the subjectivity involved in intra-group charges, it could also lead to new areas of contention during the course of audits. Some key potential issues are highlighted below.

Differing views of tax authorities in situations where jurisdictions of the transacting entities have different views on the recognition of LVAS framework, the following scenarios could arise:

	In-bound charges (Malaysia Co. is a service recipient)	Out-bound charges (Malaysia Co. is a service provider)
Counter-party jurisdiction recognises LVAS	LVAS framework can be availed both in Malaysia and counter-party jurisdiction.	LVAS framework can be availed both in Malaysia and counter-party jurisdiction.
Counter-party jurisdiction does not recognise LVAS	LVAS framework cannot be availed in Malaysia[12] and both parties need to defend the cross-charges in their respective jurisdictions by conducting comparability analysis.	LVAS framework can be availed in Malaysia, but counterparty needs to defend the cross-charges in its respective jurisdiction by conducting comparability analysis.

If the counterparty's jurisdiction does not recognise the LVAS framework, an arm's length analysis could yield different outcomes, and the possibility of double taxation cannot be ruled out. This issue is further complicated by differences in the recognised arm's length range where Malaysia adheres to a narrower range of 37.5% to 62.5%, while the counterparty may recognise an inter-quartile range.

Meeting eligibility criteria could be another possible dispute area. Despite the existence of clearly defined criteria, a negative list, and illustrative examples, there can still be subjectivity in evaluating eligibility. The following key indicators would help taxpayers in determining their eligibility:

Nature of the services	Core vs. non-core activities	Level of people involved	Intangibles interplay	Economic significant risks
Assess whether the services are routine, administrative, or support services that do not involve specialised knowledge or add significant value to the value chain.	Services that are essential to the business's core value proposition (e.g., research and development, product design, marketing strategy etc.) are unlikely to qualify for LVAS treatment.	Evaluate the skill and experience of the individuals involved in providing the services.	Ensure that no intangibles are deployed in the performance of these services.	Confirm that no significant economic risks are controlled or assumed during the provision of services within the context of the entire supply chain.

A mixed bag of services could also lead to disputes, such as when core services are performed alongside low value-added services. In such cases, the taxpayer could either adopt a segmentation approach (splitting core and support services) or choose to move away from the LVAS framework altogether and defend the arrangement under the normal comparability analysis regime.

We will need to wait a few more years to observe other potential dispute areas that may arise from the LVAS framework once the IRB begins auditing the years covered by the framework (i.e., from the year of assessment 2023 onwards).

Conclusion

The LVAS framework is expected to provide much needed certainty and reduce significant transfer pricing disputes related to intra-group service arrangements. However, taxpayers should take following preparatory steps before opting LVAS safe harbour:

- A well-executed intercompany agreement defining the nature of services, basis, roles, and responsibilities of the transacting parties will provide a strong starting point for accurately delineating the transaction and assessing eligibility.
- An assessment of eligibility criteria through functional interviews with individuals involved in providing and receiving services is necessary.
- Effective operationalisation of the transfer pricing policy to achieve the targeted 5% return by the end of the year is essential.
- Continuous monitoring, as new services may be added over time, or changes in risk profiles or accounting practices may affect the cost structure.
- Preparation of contemporaneous transfer pricing documentation in compliance with MTPG 2024, along with supporting cost calculations as outlined in Appendix A of MTPG 2024.

The above approach is expected to provide the desired benefits that taxpayers seek from the LVAS framework. Taxpayers should monitor how the IRB regulates this regime during audits and refine its approach over time.

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[1] Para 6.24 of MTPG 2024
[2] Para 6.22 of MTPG 2024
[3] Para 7.48 of OECD Transfer Pricing Guidelines 2022
[4] Para 6.25 of MTPG 2024
[5] Para 6.26 of MTPG 2024
[6] Para 6.19 of MTPG 2024
[7] Para 6.27(c) of MTPG 2024
[8] Para 6.27(a) of MTPG 2024
[9] Para 6.27(b) of MTPG 2024
[10] Para 11.7 of MTPG 2024
[11] Para 7.54 and Para 7.55 of OECD Transfer Pricing Guidelines 2022
[12] Para 6.21 of MTPG 2024

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The content in this article are personal views of the authors and does not purport to reflect the views of Deloitte Malaysia.

DTAA Winners in Action – CWC & ENG PLT

at at-mia.my/2025/04/08/dtaa-winners-in-action-cwc-eng-plt

April 8, 2025

By Sustainability, Digital Economy and Reporting Team

The Digital Technology Adoption Awards (DTAA) Winners in Action series returns!

Launched in March 2023, the DTAA supports MIA's vision to drive digitalisation of the Malaysian accountancy profession. The award distinguishes itself by recognising exceptional achievements in technology adoption across three sectors of the profession: commerce and industry, public practice, and public sector.

Designed meticulously, the DTAA criteria assess various aspects of digital technology integration within organisations. These include evaluating revenue and costs, experience and impact, as well as other value-creating factors, providing a comprehensive framework for measuring the effectiveness of digital transformation.

In this exciting edition of the DTAA Winners in Action, we celebrate the achievements of **CWC & ENG PLT** in transforming practice management processes within the Public Practice category for firms with 10 to 49 employees. Join us as we explore their journey of digital transformation and the key strategies that earned them the prestigious 'Excellence Award' in this insightful interview.

Why did you adopt technology?

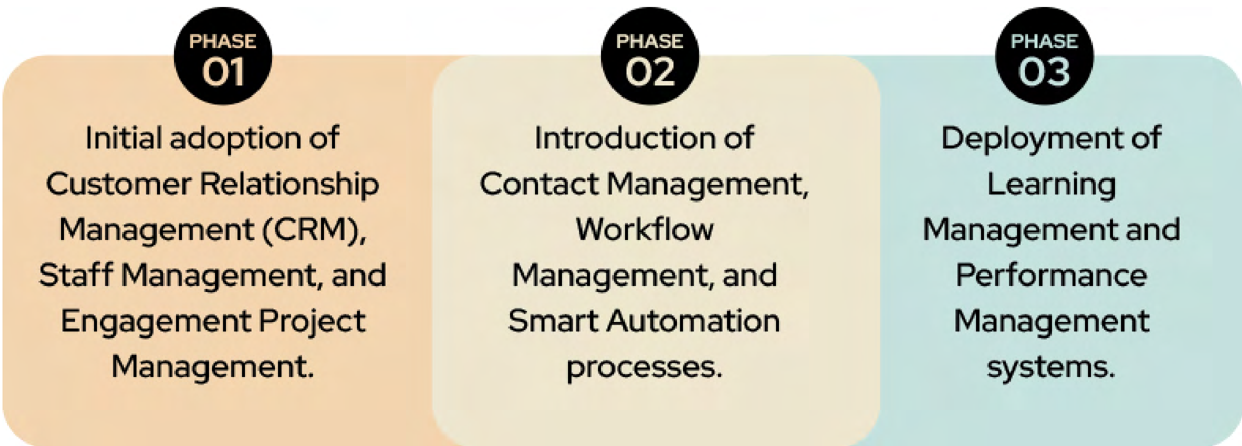
Before embracing digital transformation, our small firm faced challenges in ensuring consistency across our operations, as our business was highly dependent on manual, people-driven processes. The lack of a solid technological infrastructure made scaling difficult and could lead to inconsistencies in service quality and work delivery, which could impact our growth and client satisfaction. Hence, we took the initiative to adopt digital technology.

What technologies have you adopted?

We developed and implemented an Enterprise Management System (EMS) that has fundamentally transformed our practice management. This integrated platform allows us to efficiently handle our client database, manage client relationships, streamline workflows, and facilitate communication—all of which has greatly improved our overall efficiency. Our custom-developed EMS works seamlessly with other cloud-based software solutions that we have adopted to enhance specific areas of our operations, creating a comprehensive system that optimises service delivery and internal processes.

How was your digital technology implementation journey?

Our digital transformation journey began in late 2019. Recognising the complexities of digital adoption, we approached it in phases, gradually enhancing the system to align with our goal of becoming a more agile and efficient firm. Over the past few years, we have achieved the following milestones:



Each phase has contributed incrementally to our journey towards achieving a fully digital and integrated operation.

What is the impact of your technology adoption?

By embracing digital technology, we have become more adaptable to the changing business environment, creating a sustainable foundation to stay relevant to evolving market conditions and future growth. The key benefits include:

Attracting and retaining talent by fostering a modern and engaging work environment.	Complying with regulations and quality standards efficiently and accurately.	Remaining competitive in an evolving industry landscape.

These have reinforced our commitment to continuous improvement, meaningful career progression for our people and delivering quality services to our clients.

What is your future digital technology plan?

Moving forward, we plan to further digitise our audit processes, exploring the latest available technology in artificial intelligence (AI) / machine learning and how it may affect our current work processes. This enhancement aims to improve audit quality, increase efficiency, and provide more insightful and data-driven outcomes.

Do you have any tips to share with the readers?

It is essential to have a clear vision of what we aim to achieve through digital transformation and to approach it in phases.

Start by addressing the most critical areas first and involve your team every step of the way to ensure smooth implementation. Remember, it’s a continuous journey — embrace incremental improvements and always be open to learning and adapting.

Why did you participate in the DTAA?

We saw the DTAA as an opportunity to benchmark our progress and share our digital transformation journey with the broader community. Through this experience, we gained valuable insights into our achievements and identified areas for further improvement.

What is your advice to aspiring participants of the DTAA in future?

Take the first step by identifying areas where technology can drive meaningful improvements and align with your long-term goals. Adopt a phased approach, involve your team in the process, and view digital transformation as a continuous journey.

For more information about the DTAA and the complete list of winners, click the links below:

- *Official media release*
- *Article on the DTAA*

Watch Video At: https://youtu.be/KT1rhVEZjEs

DTAA Winners in Action – Deloitte Malaysia

at **at-mia.my**/2025/03/27/dtaa-winners-in-action-deloitte-malaysia

March 27, 2025

By Sustainability, Digital Economy and Reporting Team

First introduced in 2023, the Digital Technology Adoption Awards (DTAA) aim to advance MIA's efforts in advocating digital transformation of the profession. Guided by the MIA Digital Technology Blueprint released in 2018, the DTAA brings together a wide range of stakeholders to recognise exceptional achievements in technology adoption by the accountancy profession across commerce and industry, public practice, and the public sector.

Following the DTAA's conclusion in May 2024, the DTAA Winners in Action series was introduced to showcase the remarkable success stories of the award winners, with the goal of inspiring others in the profession to embark on their own digital transformation journey. In this edition, we highlight **Deloitte Malaysia**, the recipient of the Top Excellence Award for firms with over 300 employees in their audit process. Let's take a deeper look at the strategies and insights behind Deloitte Malaysia's success, with Edwin Tan, Audit Partner & National Professional Practice Leader.

Why did you adopt technology?

Over the years, Deloitte has invested in various digital technologies, platforms, tools, and capabilities to ensure our auditors are equipped to perform at their best. However, we experienced fragmentation in the variety of our tools and technologies. Auditors were spending time and effort in areas that could benefit from further standardisation/automation. There was also the challenge of ensuring consistency of information available within the engagement team and avoiding duplication. As clients began to embrace a data-driven environment, our auditors also required technologies that could "cut through" the complexity and volume of data available to produce actionable and meaningful information.

What technologies have you adopted?

Deloitte Omnia is our firm's end-to-end cloud-based audit & assurance platform for large and complex clients. More than just an audit platform, Deloitte Omnia supports our role as auditors in bringing trust and integrity to the capital markets, subsequently protecting public interest.

Deloitte Omnia drives consistent delivery of high-quality audits using intuitive guided risk assessments and embedded analytics which provide our professionals with a more comprehensive understanding of their clients, allowing them to focus on key quality areas that matter most.

Representing a leap forward in our digital transformation journey, Deloitte Omnia enables us to standardise, centralise, digitise, and leverage data throughout the audit process. As a cloud-based solution, Deloitte Omnia features real-time data co-editing capabilities for all our professionals working within working papers without the worry of file conflicts or inaccurate documentation. With data persistency and live integrity checks, our people are assured of the quality of their work. Another benefit of a cloud-based platform is that future generative artificial intelligence (AI) capabilities can be seamlessly integrated – bringing further benefits to the productivity of our people, and the quality of our work.

Deloitte Omnia further integrates our digital suite of audit and client collaboration tools, like Connect, Digital Confirmation, Asset Count, and Reveal Analytics, resulting in enhanced quality, increased efficiencies, and improved communications and collaboration throughout the audit.

How was your digital technology implementation journey?

Change is the only constant. Nothing has rung truer in today's fast-paced environment. Yet, it is human nature to resist change and move out of one's comfort zone. At Deloitte, our efforts to enhance audit quality through innovation and transformation first starts with culture and mindset change – that embracing change is good for our people, our clients, and our stakeholders. We spend significant time and efforts in ensuring our culture of embracing transformation informs every facet of our audit engagements, through strong project management skills, robust risk assessments, and ensuring the Deloitte Way remains central to our audit approach. No amount of digital transformation will succeed unless we ensure the "people element" is on the right path towards success.

Learning to use a new audit platform is never easy. In implementing Deloitte Omnia, we appointed a dedicated Implementation Leader at the Audit Partner level and created a network of Change Agents (or Accelerators) to lead the way. Specific pilots were first selected for onboarding onto Deloitte Omnia, guided by our Accelerators and supported by the firm's professional practice department and transformation leadership.

Pilot engagement teams were provided with specific training and on-hand assistance in using Deloitte Omnia for the first time. Along the way, key learning points and improvement feedback were collected and shared with future adopters. Today, we are on our journey towards full deployment of Deloitte Omnia across all relevant audit engagements and piloting its use in sustainability assurance and advisory engagements.

What is the impact of your technology adoption?

At Deloitte, our investments in technology adoption – specifically Omnia, which is the audit platform for our large and complex audits – is premised on the imperative that our audits must be of the highest quality to protect public interest and bring value to our stakeholders. The growth in the firm's results is fuel for our future transformation initiatives and ensures our audit talent has a meaningful career with us. As we adopt technology, we have seen benefits to the firm in lower leverage ratios and partners' workload when compared to national averages. Our investment in transformation drives our firm's structure, Audit Quality Indicators and quality delivery – all important focus areas of our stakeholders and regulators.

As a monitoring measurement, we employ an internal ratio named “Benefits Realisation” which measures the “over-time” reduction in audit engagement hours resulting from adopting our technological platforms in delivering a quality audit. The reduction comes mainly from increased data persistency, higher standardisation, intuitive user interface and better auditor-to-client collaboration.

What is your future digital technology plan?

Technologies and AI can help organise and describe data, so auditors can expand the depth and breadth of their capabilities in researching, summarising and connecting volumes of literature and application guidance in a meaningful manner.

We continue to explore how generative AI can augment (not replace) and assist our auditors in strengthening their judgement especially in areas where patterns, trends and environmental risks can inform better risk sensing and refine audit risk assessments.

Do you have any tips to share with the readers?

It’s important to have in mind the outcome and benefit that one seeks out of digital transformation. It’s never a one-size-fit-all, and the level of investment should always commensurate with the expected benefits. In embracing digital technology, always remember the human factor – the technology, applications and platforms are but tools for us, as professionals, to use in the interest of our clients, our people and other stakeholders. Having a culture and mindset of change (and change for the better) is always the most important step in successfully adopting digital transformation.

Why did you participate in the DTAA?

We decided to participate in DTAA to support its goals in encouraging digital transformation among the profession and in supporting the national agenda. It simply was the right thing to do – showcasing the benefits of embracing digital transformation and encouraging others to take up the challenge to do so in their respective organisations.

What is your advice to aspiring participants of the DTAA in the future?

For future participants of the DTAA, don't fear that your entry isn't good enough. Every digital technology transformation journey is deserving of participation. Share your success stories, and showcase the benefits you and your organisation have received from digital transformation.

For more information about the DTAA and the complete list of winners, click the links below:

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DTAA Winners in Action – PricewaterhouseCoopers Risk Services Sdn Bhd

at-mia.my/2025/04/22/dtaa-winners-in-action-pricewaterhousecoopers-risk-services-sdn-bhd

April 22, 2025

By Sustainability, Digital Economy & Reporting Team

The Digital Technology Adoption Awards (DTAA), launched in March 2023 by the Malaysian Institute of Accountants (MIA), occupies a distinct niche in Malaysia's awards landscape. The DTAA highlights exceptional achievements in technology adoption within the accountancy profession. It celebrates innovation across three key sectors of the profession: commerce and industry, public practice, and the public sector, recognising those at the forefront of digital transformation in accounting.

With support from the Ministry of Science, Technology, and Innovation (MOSTI), Bursa Malaysia, Malaysia Digital Economy Corporation (MDEC), MyDIGITAL and various other professional bodies and technology providers, the DTAA aims to promote technology adoption, raise awareness of the impact of digital adoption, and commend the digital technology adoption efforts of the accountancy profession – inspiring others undertaking their own digital transformation.

At the DTAA Presentation Dinner in May 2024 graced by the Deputy Minister of Finance YB Puan Lim Hui Ying, fourteen distinguished winners were honoured.

This exciting edition of DTAA Winners in Action explores the success story of **PricewaterhouseCoopers Risk Services Sdn Bhd (PwC)**, the proud recipient of the 'Top Excellence Award' in the category of firms with over 300 employees. Acknowledged for their exemplary business continuity management practices enhanced by technology, Gayathri Jaganathan, PwC Malaysia Risk Services Director, shares the key factors behind PwC's remarkable achievement in the DTAA.

What are your aspirations on digital technology adoption?

Based on PwC's Global Crisis and Resilience Survey 2023 Malaysia report, 93% of organisations in Malaysia have experienced a disruption in the past two years. The recent pandemic signalled the need for strong Business Continuity Management (BCM) practices in every organisation. Resilience is recognised as one of the most important strategic organisational priorities for 55% of Malaysian organisations. However, only 9% rank technology enablement (i.e. leveraging resilience tools and software) as a top priority for future resilience.

BCM, a crucial process for managing operational disruptions resulting from a crisis, has traditionally been a highly manual process in most organisations. Business impact analysis and Business Continuity Plans (BCPs) are typically documented via Microsoft Excel or Microsoft Word, which can increase the risk of human errors and lengthen the time spent on documentation. The pandemic has certainly accelerated digital transformation and adoption, providing the impetus for PwC to transform our BCM services to offer asset-based solutions to our clients, ensuring that the business continuity plans are readily available and accessible at all times digitally.

What technologies have you adopted?

The Business Continuity Planner (the Planner) is a cloud-based tool developed in-house by PwC Malaysia to address the growing demand for a BCM platform to enable better BCM planning and maintenance. The central platform is developed based on globally recognised BCM Standards & Guidelines (i.e. ISO 22301:2019 Security and resilience – Business continuity management systems – Requirements). Developing a BCP using this platform ensures the organisation's BCP is aligned to best practices and allows better synergy throughout the organisation. The real-time dashboard provides critical data to drive decision-making in the event of a crisis and allows organisations to bounce back faster.

How was your digital technology implementation journey?

We started with understanding the challenges that we face as BCM practitioners and brainstormed with our clients on some of these data points, with the aim of understanding the problems that our clients face and working with them to solve these issues. We then brainstormed internally with our Digital Team to identify the '**must have**' and '**nice to have**' features which eventually led to the development of the Planner, after obtaining approvals from our internal stakeholders who were the project sponsors.

Before the solution went ‘live’, we performed the User Acceptance Test (UAT) and security tests to ensure any errors were fixed and that the system remains secure. BCP was used both internally as well as with our clients, where any feedback was taken positively and rectified accordingly to ensure that the solution remains relevant and competitive in the market. The solution was also showcased to our other PwC network firms to encourage global adoption.

What is the impact of your technology adoption?

Our solution has addressed the need for effective BCM planning by delivering the following:

Centralised approach with built-in data flow to reduce time spent on documenting BCPs and human error.

Accessible plans online while reducing hard copy dependency.

Real-time dashboard to drive decision-making during crises.

Built-in workflow through BCM lifecycle with monitoring of progress status.

Central storage of documents required for business recovery.

Flexible and light technology footprint allowing ease of deployment.

Reduced implementation cost due to great efficiency in BCM planning.

How are you planning to evolve digitally?

PwC is a firm believer in digital transformation. We recognise that as we continue to evolve as a business, we have to upskill our workforce, guided by a human-led and tech-powered approach to be able to effectively serve our clients.

We are currently investing in audit transformation, employing integrated automation and analytics to analyse transactions, identify anomalies and provide insights, among other areas designed to deliver a cloud-based audit experience. Among the key objectives are to reduce audit support time and minimise disruptions. The use of Artificial Intelligence (AI) in auditing is creating new opportunities for value creation, augmenting auditors with its ability to conduct research, summarise documents and allow greater focus on areas that require a higher level of critical thinking.

Do you have any tips to share with the readers?

The world is moving towards exploring Generative AI to improve employee efficiency and increase profitability. The need to evolve will continue to put pressure on organisations to keep up with new developments in the market and enhance their cyber resilience to safeguard data and information technology systems. It is time for organisations to consider taking small steps in identifying some of the processes that can be digitalised and start from there. This can be in the form of digitising records and integrating digital tools in existing business processes to explore more efficient ways of working.

Why did you participate in the DTAA?

We continue to encourage our colleagues to be open to digital adoption and showcase the value of their work through sharing of use cases and participation in awards like this as a yardstick for their performance against industry peers. By participating in the DTAA, I was able to share my problem statement, challenges and how we worked internally to overcome them. This experience would be very relatable to the Risk and BCM practitioners in the market.

What is your advice to aspiring participants of the DTAA in the future?

My advice to aspiring participants in the future is to share and articulate your success story confidently and use the DTAA as a platform to validate your achievements through meaningful success metrics and industry benchmarks.

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DTAA Winners in Action – Shukri Yusof & Co.

at-mia.my/2025/03/04/dtaa-winners-in-action-shukri-yusof-co

March 3, 2025

By Sustainability, Digital Economy and Reporting Team

The Malaysian Institute of Accountants (MIA) has launched its inaugural Digital Technology Adoption Awards (DTAA) back in 2023 to recognise outstanding achievements in technology adoption within the accountancy profession. Focusing on three main categories, the DTAA sets out the following aspirations in technology adoption:

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- **Commerce and industry:** Technology adoption is anticipated to drive improvements in the finance function.
- **Public practice:** Accountants are expected to retain, reimagine and innovate their practices and services
- **Public sector:** Technology adoption is expected to improve the efficiency of daily operations and increase the satisfaction of the public.

To inspire others, MIA has introduced an interview series called *DTAA Winners in Action*. This series highlight the exceptional winners who were celebrated at the prestigious DTAA Presentation Dinner in May 2024. In this edition, the spotlight is shone on **Shukri Yusof & Co. (SYNC)**, recipient of the 'Recognition Award' in Practice Management Process for the category of Public Practice Firm with less than 10 employees.

Explore the captivating journey of Muhamad Shukri Yusof C.A(M) below, where you'll learn how the firm has embraced digital transformation to elevate their services and achieve remarkable success in the DTAA.

Why did you adopt technology?

Before implementing digital technology, our company faced three big difficulties that stifled its growth and efficiency.

The first difficulty was a lack of prospects for advancement. With limited networking opportunities and slow career growth, expanding the firm was challenging. At this point, I had to multitask across multiple responsibilities, leaving little time for strategic planning or networking to recruit new clients. As a partner with various duties, finding the time to focus on growing the firm was a daily battle.

The second issue was significant employee turnover, which is a common problem in the accounting industry. Employees frequently leave for greater opportunities, resulting in a talent pool that is always changing. This necessitates regular onboarding and training of new personnel, using significant time and resources. The frequent need to train employees has disrupted workflows, causing inefficiencies and lower production.

The third difficulty was a lack of communication, particularly when team members left or were replaced. New employees often find it difficult to catch up on ongoing projects due to inadequate handovers, resulting in delays while they re-examined files to find and fix difficulties. This inefficiency does not only harm internal operations, but also strained relationships with clients who expect consistent service.

What technologies have you adopted?

To address these difficulties, we introduced several new technologies that revolutionised the way our practice functions.

The first solution was to use Optical Character Recognition (OCR) technology. This technology improved our data entry procedures by transforming manual records into digital formats. By automating data gathering and processing, OCR greatly reduces the time spent on repetitive operations, allowing our accountants to concentrate on analysis and strategic decision-making. This lowered time expenses and increased overall efficiency, resulting in higher margins and faster growth.

The second initiative includes process reengineering and innovation. We had to rethink our procedures and organisational structure as we transitioned from manual to digital workflows. By providing support tools and aligning team roles with digital workflows, we established a more efficient system that could meet the needs of a digital-first world.

The third solution was creating a Customer Relationship Management (CRM) system. This technology boosted team communication and collaboration, enabling smooth work delegation and file management. The CRM guaranteed that all team members, regardless of tenure, had access to project updates and could seamlessly transition into ongoing tasks. This decreases the impact of employee turnover while improving overall time management.

How was your digital technology implementation journey?

Our quest to integrate digital technologies began in 2018 with the formation of SYNC, which signalled the beginning of an organised approach to digital transformation.

Initially, we undertook a significant study to determine the most appropriate technology for our business. Reading papers, participating in discussions, and researching industry trends revealed that majority of solutions are developed for huge corporations and unsuitable for our limited resources. We opted to tailor these ideas to our own requirements, with a focus on cost-effective and scalable solutions.

The first step was to digitise data, which includes investing in OCR technology in 2018. This allowed us to automate data entry work and free up time for more value-adding tasks. By 2020, we had modified our technologies to boost processing capacity from 10 Optical Performance Measurement (OPM) to 55 OPM, improving our efficiency and scalability.

In 2021, we implemented a CRM system and cloud storage, resulting in a powerful environment for cooperation and data management. To correspond with the new digital processes, workflows and responsibilities must be significantly restructured. After two years of prototyping and revisions, we reached a point of maturity in our processes that allowed us to safely approach the expansion phase.

What is the impact of your technology adoption?

Adopting digital technologies had a significantly positive impact on our organisation, resolving the pain issues we first encountered while bringing us new potentials.

> The key outcome was a substantial boost in productivity and efficiency. Automating data entry with OCR technology enables us to process information faster and more precisely, decreasing manual errors and saving time. This increased profit margins and prepared the company for long-term growth.

Furthermore, the digital ecosystem we developed enables our operations to be more flexible and mobile. Team members can collaborate efficiently from anywhere, increasing the firm's adaptability to shifting work settings. Employee engagement and morale were boosted because of reduced stress and more empowerment in their roles.

The CRM system improved communication and file management, minimising disruptions caused by personnel turnover. Team members can transfer smoothly into ongoing projects, ensuring service continuity and enhancing client relationships. Overall, these reforms strengthened the firm's resilience and prepared it for the future.

What is your future digital technology plan?

After successfully implementing the said digital transformations, we are thrilled to pursue additional prospects to improve our operations and contribute to the future of the accountancy profession.

We feel that our transformation path has resulted in useful insights and practices that can help other accountants. Sharing these ideas not only promotes sustainability in the profession but also encourages widespread acceptance of creative solutions. Moving forward, we plan to broaden our presence to international markets, providing our principles and tools to accountants around the world. This endeavour attempts to demonstrate the practical benefits of digital workflows, CRM systems, and data automation technologies, which may help businesses of all sizes achieve increased efficiency and growth.

In addition, we are excited to explore Artificial Intelligence (AI) technologies to improve our processes even further. AI has enormous potential to transform the accounting profession, from automating everyday activities to offering powerful predictive insights. Furthermore, machine learning algorithms could improve client interactions by personalising services based on past behaviour and preferences.

By incorporating AI into our existing digital ecosystem, we hope to gain further efficiencies, increase accuracy, and provide even more value to our clients. We envision a future in which AI not only supports human expertise but also drives global accounting practice innovation. This research is consistent with our goal to be at the forefront of technology innovations and keeping our processes nimble and future ready.

Do you have any tips to share with the readers?

Based on our experience, using digital technologies necessitates a thorough grasp of your organisation's unique goals and challenges. Begin by establishing the specific problem statements to be addressed, as this will drive your technological choices and save time and resources.

> We recommend starting small. Implement achievable improvements first, such as automating a single procedure, and then assessing the impact before escalating. This iterative approach allows you to learn from early implementations and make any necessary changes.

It is also necessary to invest in change management. Transitioning to digital workflows necessitates process reengineering, personnel training, and cultivating a change-oriented culture. Clear communication and continuing assistance are important for a successful shift. Finally, monitor and report the effectiveness of your digital endeavours. Documenting progress not only provides insights into what works, but it also helps to secure stakeholder support for future investments.

Why did you participate in the DTAA?

Participating in the DTAA was a pivotal decision for me because it took me outside of my comfort zone. I had little prior experience with contests or awards, but I grabbed the chance with a positive attitude and a willingness to learn.

My motivation was to be recognised for the years of effort that we had put into digital transformation. The DTAA gave me the opportunity to reflect on our journey, assess our progress, and identify areas for improvement. It also motivated me to look into new inventive solutions that could help the accounting business.

What is your advice to aspiring participants of the DTAA in the future?

For hopeful participants, I recommend viewing the process as a learning opportunity. Concentrate on the value your digital activities have generated, and don't be reluctant to demonstrate your efforts. Even if you don't win, the experience will teach you vital lessons and motivate you to push the limits of your profession.

For more information about the DTAA and the complete list of winners, click the links below:

- *Official media release*
- *Article on the DTAA*

Watch Video At: https://youtu.be/KT1rhVEZjEs

Harnessing Technology for Future Fitness

at at-mia.my/2025/03/13/harnessing-technology-for-future-fitness

March 13, 2025

By Nazatul Izma Abdullah

Business today is increasingly digital, and accountants need to be tech-savvy to be more productive and useful to their organisations.

Accountants also need to adopt tech solutions fast to manage the mountains of financial and non-financial data churned out by businesses on a daily basis.

To support accountancy and finance professionals on their tech journey, the Malaysian Institute of Accountants (MIA) recently organised the **MIA Accounting & Financial Technology Showcase 2025 (MIA AFT).** "Our goal is to boost productivity and future-proof the profession in an era of rapid technological change. Guided by the MIA Digital Technology Blueprint, the MIA AFT is part of MIA's ongoing commitment to champion digital transformation," said MIA President YBhg Dato' Seri Dr. Mohamad Zabidi Ahmad in his welcome address.

Aptly themed **Be Tech Driven, Be Future Proofed**, this unique one-day, one-stop event showcased innovative business productivity solutions specially geared to accountancy and finance professionals. Close to 2,000 delegates connected with over 40 leading technology companies and vendors who demonstrated their solutions that can accelerate the profession's performance and value creation.

With access to a futuristic exhibition, live demos, and expert insights from tech experts and business leaders, delegates experienced firsthand how technologies like artificial intelligence (AI), automation, analytics, blockchain and cloud computing are revolutionising finance and accounting processes, transforming work, and shaping the future of the profession.

While showcasing many technology solutions, MIA AFT 2025 also focused on e-invoicing that is profoundly influencing tax reporting, financial systems, and compliance processes. Several technology partners participating in MIA AFT 2025 showcased practical and innovative e-invoicing solutions to help businesses and practitioners adapt to the e-invoicing framework and implementation phases, while ensuring robust compliance.

Boosting Digital Adoption

Solutions that integrate technologies such as AI, automation, analytics and cloud are expected to significantly impact the accounting industry in the future. In their sharing, many of the tech leaders present touted the benefits and advantages of embracing digital tools, especially in expediting processes and boosting value creation. These include:

Improved Efficiency, Accuracy and Reliability

Digital tools automate routine tasks, such as data entry, invoicing, and reconciliations, freeing up time for more strategic and advisory work. These solutions also reduce errors and inaccuracies, ensuring compliance with accounting standards and regulatory requirements. For example, bookkeeping is less tedious as automated tools can accurately and efficiently record financial transactions, while reducing manual errors.

Enhanced Collaboration, Communication, Mobility and Flexibility

Cloud-based digital tools enable real-time collaboration and communication with clients, colleagues, and other stakeholders, improving relationships and service delivery. Time-saving cloud solutions also allow accountants to work remotely, accessing client data and performing tasks from anywhere, at any time. Where practitioners are concerned, cloud-based accounting software can boost collaboration and efficiency as accountants and their clients can access the same data from anywhere and on any device.

Strengthened Compliance and Reporting

AI can help automate compliance reporting, such as tax returns and financial statements, supporting accountancy professionals and practitioners working in the compliance and regulatory space.

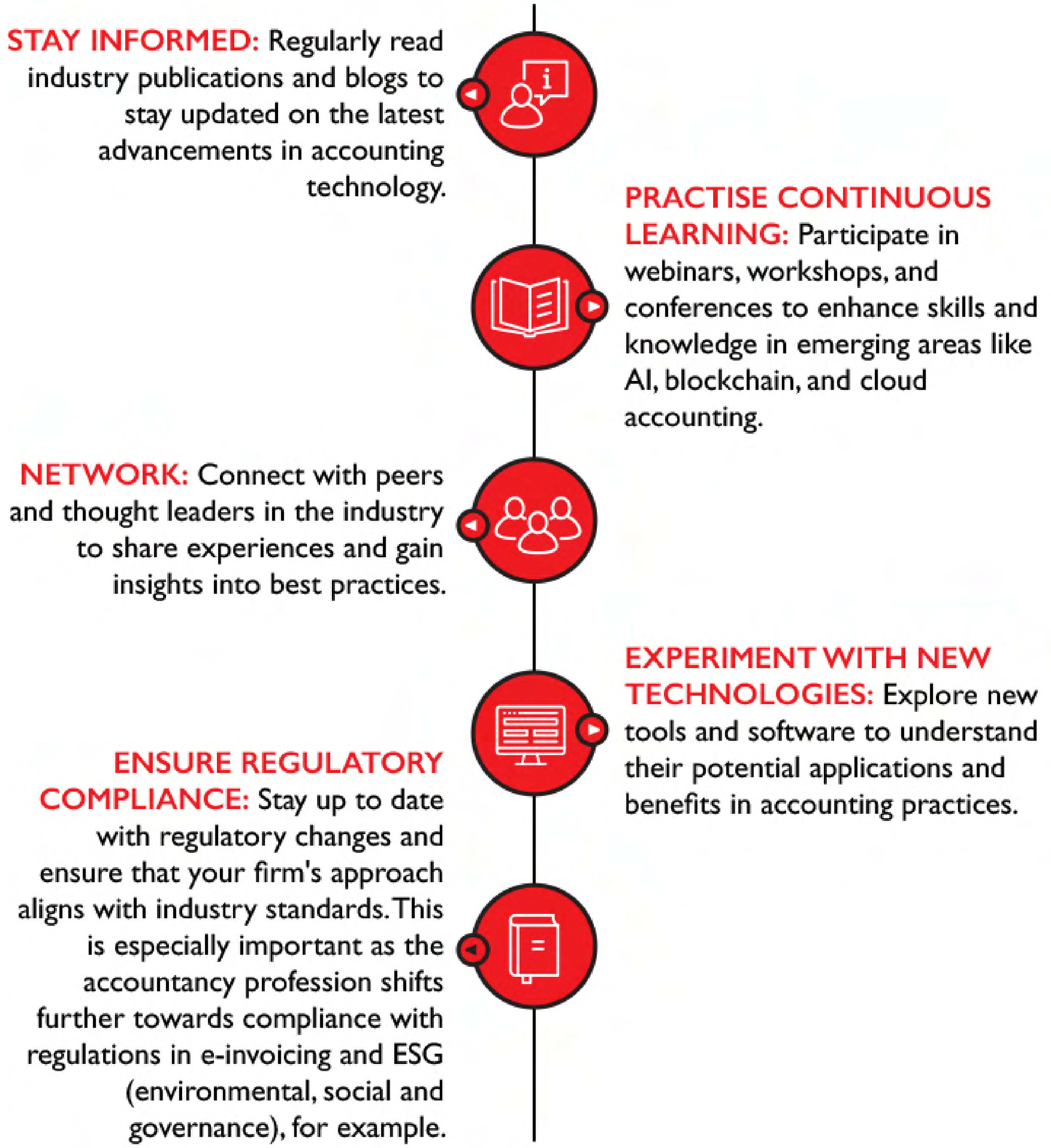
Enhanced Analysis and Insights

Harnessing the power of predictive analytics, AI-powered predictive models can analyse financial data to forecast future trends and identify potential risks. Advanced data analytics and visualisation capabilities also enable accountants to extract valuable insights, identify trends, and make informed business decisions. Financial analysis gets a boost from automated tools which can quickly analyse large datasets to provide insights on financial performance, helping accountants make informed decisions.

Staying Current, Being Future Relevant

In short, digital tools such as AI and automation are predicted to transform the accounting industry by increasing efficiency, enhancing analysis, and enabling new service offerings. However, it is essential for accountants to develop new skills and adapt to these changes to remain relevant in the future.

To upskill and stay current with the latest digital trends in accountancy, tech experts at MIA AFT advised accountancy and finance professionals to:



“We believe that educational and networking events that are focused on emerging technologies such as MIA AFT will help to futureproof accountancy professionals for a fast-changing tech landscape and the evolving digital economy. It is important that MIA passionately advocates for digital transformation to ensure that our more than 40,000 members are future ready and relevant to employers and business,” concluded MIA CEO Dr. Wan Ahmad Rudirman Wan Razak.

In recognition of their efforts, members attending the AFT were awarded 6 CPE (continuing professional education) hours by MIA *(subject to the Terms & Conditions).* This supports their CPE compliance requirements while enhancing their professional development needs.

Integrating Taxation Policies and Environmental Tax for Sustainable Economic Growth in Malaysia

at **at-mia.my**/2025/04/10/integrating-taxation-policies-and-environmental-tax-for-sustainable-economic-growth-in-malaysia

April 10, 2025

By Sustainability, Digital Economy and Reporting Team

Sustainable development presents an opportunity for Malaysia to demonstrate leadership in balancing economic growth with environmental preservation. With its rich ecological diversity and dynamic population, the country is well-positioned to pioneer innovative solutions that foster economic progress while safeguarding natural resources. By aligning fiscal policies (through implementing tax initiatives) with sustainable objectives, Malaysia can preserve its environment, promote the responsible use of resources, and elevate the quality of life for its citizens.

Importance of Tax Measures in Environmental Sustainability Practices

Tax regulations impact consumers' choices, business practices and even ecology protection. If these measures are undertaken with great care, they can work as beneficial measures towards more sustainable lifestyles. The Malaysian government has put in place several tax measures to enhance environmental sustainability, reduce carbon emissions, and improve the people's well-being.

Such measures include the following:

Green Income Tax Exemption (GITE) – giving tax reliefs to green technology service providers.

Green Investment Tax Allowance (GITA) – aiding in sourcing investment by companies for energy-efficient projects that focus on renewable sources of energy

CASE STUDY

TENAGA NASIONAL BERHAD (TNB)

The Malaysian government, through the Ministry of Investment, Trade, and Industry (MITI), supports the development of electric vehicle (EV) charging infrastructure via initiatives like the Green Investment Tax Allowance (GITA). This includes tax exemptions for eligible charging operators and manufacturers of EV charging equipment until 2032.

The GITA scheme assisted TNB to turn to renewable energy projects such as solar farms alongside energy-efficient buildings. Their investment has reduced carbon emissions and also provides jobs to communities. TNB has built a reputation in the region as a leader in sustainable energy development as a result of its green technology activities.

Investments by TNB and others have boosted infrastructure, with an aim for 400,000 EVs to be on the road by 2030. These measures aim to enhance public confidence in EV adoption and foster sustainable mobility in Malaysia.

Malaysia's Path to Sustainable Energy: Carbon Pricing and Policy Innovations

Malaysia addresses the challenges and opportunities of sustainable energy practice with emphasis on accessibility, environmental responsibility, and fiscal efficiency. As the world focuses on carbon pricing and energy reforms, Malaysia is at a crossroads, combining targeted subsidies, potential income, and innovative market mechanisms.[1]

Malaysia's energy transition balances affordability, sustainability, and equity through targeted policies. Liquefied Petroleum Gas (LPG) subsidies support low-income households while promoting cleaner energy access. Carbon pricing and emissions trading schemes (ETS) aim to reduce emissions and generate revenue for renewable energy initiatives. These are as follows:

Subsidies for LPG: A Balancing Act of Accessibility and Sustainability

Malaysia is one of the countries that provide subsidies for LPG to low-income households. Such policy reveals the dual commitment of the government: ensuring energy affordability as well as cautious and slow transition toward cleaner sources of energy. By making a cleaner option available for household cooking, subsidies support household welfare without compromising long-term sustainability goals.

Carbon Pricing: Unlocking Revenue Potential

The ability of Malaysia to phase out its fossil fuel subsidies and replace them with robust carbon pricing mechanisms is a critical window of opportunity. Estimates vary, but it was suggested that effective carbon pricing could yield net revenues equivalent to between 3

– 6% of the national GDP. These revenues can be used as the financial backbone of renewable energy efforts toward powering Malaysia’s economic growth while responding to climate concerns.

ETS: A Step Towards Market-Based Solutions

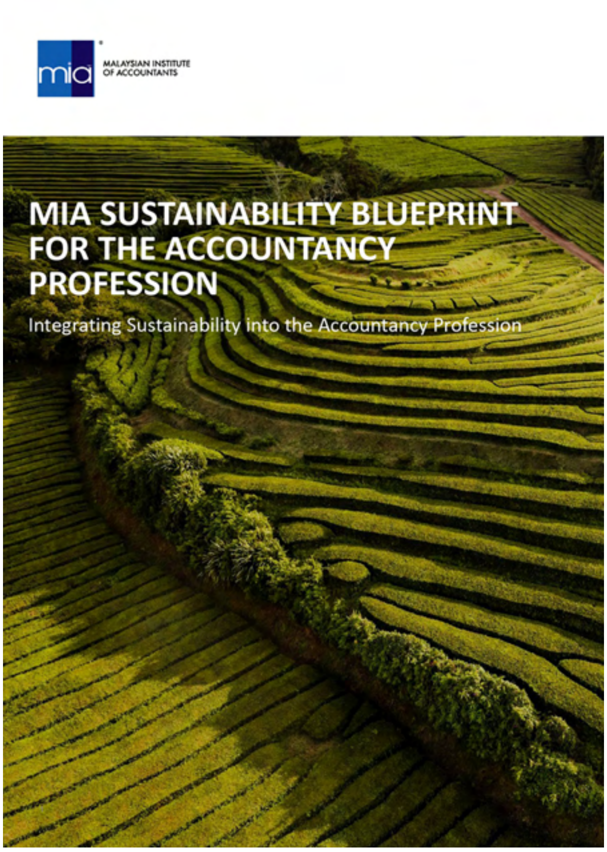
Malaysia’s plans to roll out an ETS[2] are a major step toward a market-based approach to reduce emissions. Although a voluntary carbon market already exists, transitioning to a mandatory ETS will align Malaysia with global trends. Emissions would be capped and allowed to be traded; thus, industries would have an incentive to adopt cleaner practices.

Earmarking Revenues for a Just Transition

The strategic use of revenue generated from carbon pricing is critical for public support. Earmarking the funds for renewable energy projects or subsidies to vulnerable groups would make carbon pricing policy more acceptable. This underlines the question of equity in Malaysia’s transition to sustainable energy where there is no single group that will be disproportionately hurt.

Conclusion

The interaction of policy design and economic incentives with public buy-in will be critical as these initiatives are advanced by Malaysia. By fully utilising carbon pricing, reducing subsidies, and introducing elements of equity, Malaysia can undergird its leadership in the global transition towards sustainable energy.



The Malaysian Institute of Accountants (MIA) continues to advocate on sustainability matters and support policymakers in providing constructive advice when developing environmental tax policies, particularly carbon taxes. Engagement with tax authorities on the aforementioned matters will be part of the MIA Sustainability Roadmap agenda which will operationalise the MIA Sustainability Blueprint for the Accountancy Profession.

[1] https://www.oecd.org/en/publications/pricing-greenhouse-gas-emissions-2024_b44c74e6-en.html
[2] https://icapcarbonaction.com/en/ets/malaysia#:~:text=ETS%20Description,commitments%20and%20net%20zero%20aspirations

Malaysian Tax Conference 2025 – Transforming Tax, Fostering Growth

at at-mia.my/2025/03/19/malaysian-tax-conference-2025-transforming-tax-fostering-growth

March 19, 2025

Slated to take place on **14 & 15 April 2025** at the iconic Kuala Lumpur Convention Centre, the flagship Malaysian Tax Conference 2025 jointly organised by the Malaysian Institute of Accountants and Malaysian Association of Tax Accountants (MATA), examines shifts in regulation, business and geopolitics that will have a major impact on taxation going forward.

Optimising tax strategies while ensuring compliance will be especially challenging in this turbulent environment. To support members and tax professionals, the Conference with the theme of *Transforming Tax, Fostering Growth* presents a stellar lineup of expert-led sessions featuring senior regulators, seasoned practitioners and industry leaders. A key highlight will be the keynote address of the Chief Executive Officer of the Inland Revenue Board Malaysia as the guest of honour, which will focus on regulators' efforts and the importance of informed compliance to transform tax and foster growth.

Delegates can expect insights into the latest economic and fiscal developments impacting taxation, global and local tax compliance requirements including Pillar 2 and e-invoicing, impacts of volatile trade policies and retaliatory tariffs on supply chains and overall business operations, the integration of ESG into tax and governance strategies to drive sustainability.

This Conference awards 25 CPD points which qualify for the purpose of application or renewal of tax agent licence under Subsection 153(3), Income Tax Act 1967.

Here's a glimpse of the sessions lined up during this value-packed two-day Conference:

The Malaysian Economic Outlook 2025/2026 & 2026 National Budget Wishlist: An Innovation and Investment Perspective

Malaysia aspires to strengthen its position as a dynamic hub for innovation and investment. This session will discuss the country's economic and fiscal trajectory, including the National Industrial Plan and National Energy Policy 2022-2040. Attendees will also gain insights into proposed budgetary measures and policies aimed at strengthening Malaysia's competitiveness in the regional and global markets.

Global Minimum Tax Matters: Prospects and Challenges

Multinational groups operating in Malaysia face emerging implications related to Pillar Two as well as complex technical issues arising from implementation of the Global Minimum Tax. Explore these critical areas while picking up practical insights and strategies for managing compliance requirements and data challenges.

Uncovering Hidden Wealth: The Role of Tax Audits & Investigations in Combating Tax Evasion & Money Laundering

Stay ahead of the curve in tax auditing and investigations. Learn about the latest methods to detect and combat tax evasion, as well as the integration of Anti-Money Laundering (AML) tools to strengthen tax compliance and safeguard financial systems.

Transfer Pricing: Key Insights Into Malaysia’s New Guidelines & Audit Framework

The introduction of the Transfer Pricing Guidelines 2024 and the TP Audit Framework 2024 will significantly impact compliance for cross-border transactions. This session highlights critical updates and shares practical guidance on adapting to these regulatory changes to ensure compliance and minimise tax risks.

Tax Governance in ESG

With ESG fast becoming a cornerstone of corporate responsibility, businesses should also look to integrate tax governance into their sustainability frameworks. This session will explore strategies for developing a comprehensive tax governance framework that achieves tax transparency and compliance in alignment with an organisation’s sustainability objectives.

The New Tax Regime: Capital Gains Tax & Dividend Tax Explained

Businesses must adapt to a transformed tax framework with the introduction of the Capital Gains Tax (CGT) effective 1 March 2024 and updates to the Dividend Tax regime. This session will break down the mechanics of these two pivotal tax regimes, offering strategies to optimise financial planning and ensure compliance.

Corporate Tax Cases Updates & Significant Decisions

Stay informed on the latest corporate tax cases and legal rulings affecting taxpayers. Experts will dissect recent Court of Appeal and High Court decisions, discussing their implications for businesses and compliance practices.

e-invoicing: The Current State & Experience

Track Malaysia's e-invoicing journey in this session that will evaluate its performance, highlight areas for improvement, and explore best practices for seamless compliance.

Positioning Malaysia as a Prime Investment Hub: Strategies, Prospects and Challenges

In a bid to become a prime investment hub, Malaysia is advancing key strategic initiatives like the Johor-Singapore Economic Zone and the New Industrial Master Plan 2030 along with attractive incentives for family offices. This session discusses these initiatives, current trade policies and tariffs, and their implications for global trade operations, specifically in relation to supply chain resilience and operating model effectiveness. It is especially critical for businesses to consider the impact of the potential tariff increases coupled with possible retaliatory measures affecting US imports on their supply chains and business operations.

To learn more about the Malaysian Tax Conference 2025, please click here

MIA QE – A Gateway to Success

at at-mia.my/2025/03/25/mia-qe-a-gateway-to-success

March 25, 2025

By MIA Competency Framework & Development Department and eAccountants Team.

The Malaysian Institute of Accountants (MIA) proudly organised the MIA Qualifying Examination (QE) Graduation Ceremony 2024 to celebrate the remarkable achievements of graduates who have successfully passed this rigorous examination.

Congratulating the graduates, MIA President, Dato' Seri Dr. Mohamad Zabidi Ahmad, highlighted that the MIA QE plays a strategic role in supporting MIA's mission to develop talent for nation-building. "Through the QE, MIA produces competent and qualified accountancy professionals to meet the nation's demand for high-quality talent," he stated.

A Pathway to Professional Success

The MIA QE has been a gateway to the accountancy profession since its inception in 2003, offering examinations biannually in March and September. To qualify, candidates must pass four rigorous papers: Business and Company Law (BCL), Auditing & Assurance Services (AUD), Advanced Financial Accounting & Reporting (AFAR), and Taxation. Reflecting the examination's high standards, only 617 candidates have successfully completed the QE since its establishment.

In his welcome address at the QE Graduation Ceremony 2024, Mr. Edwin Tan, Chairman of the Examination Committee, MIA provided an overview of QE statistics for 2023 and 2024. Over these two years, 1,289 candidates sat for the exam, with 626 candidates in the 2023 sittings and 666 in the 2024 sittings. Notably, the highest passing rates were recorded for Auditing & Assurance Services (86% in March 2023) and Taxation (55% in September 2024), while the BCL and AFAR papers recorded passing rates of 49% in the September 2024 sitting and 42% in the March 2024 sitting respectively.

Lessons from Top QE Graduates

Outstanding QE graduates shared invaluable insights from their journey during the ceremony, emphasising perseverance, adaptability, time management, and strong support networks.

Ng Kean Wai recounted the challenges of balancing work and study. Many advised Ng against the bold decision to take all four papers simultaneously, given the intensive nature of the syllabus "but I saw it as a mountain I needed to climb." Enduring "countless late nights and moments of self-doubt", Ng discovered resilience and learned the true value of time management and prioritisation."

Mohd Azman reflected on the additional difficulties posed by the COVID-19 pandemic, which forced candidates to adapt to virtual learning. "With lockdowns and social distancing measures in place, traditional classroom learning was no longer an option. We had to adapt to online learning, which came with its own set of challenges. Technical issues, lack of face-to-face interaction, and the difficulty of staying motivated in a virtual environment were just a few of the hurdles we had to overcome. Despite these challenges, we persevered and found new ways to connect and support each other."

Asvini highlighted the importance of mentorship and family support, acknowledging her parents, spouse, and employer for their pivotal role in her success. Commendably, she learned to appreciate her own perseverance. "I want to take a moment to thank myself. For showing up every day, for pushing through the challenges, for not giving up even when things felt impossible, and for believing in my own strength and abilities."

Meanwhile, **Tan Pei Yee** thanked the MIA for providing a path to CA qualification after her 10-year hiatus from studying. "I truly appreciate MIA's efforts in offering the QE paper, providing a clear path for those of us who are determined to become Chartered

Accountants to turn our ambitions into reality."

The Road to Becoming a Chartered Accountant

Passing the QE is a significant milestone, but it is just the mid-point of the road to becoming a Chartered Accountant (CA). QE graduates must gain three years of relevant practical experience to qualify as CA.

The MIA Chartered Accountant Relevant Experience (CARE) Programme is designed to help QE graduates develop essential skills and meet this requirement. " Once you have completed the practical experience and your membership is approved, you will be ready to start your journey as a Chartered Accountant," said Edwin.

Expanding Horizons and Future Opportunities

Achieving CA status is not the end of the journey but a gateway to numerous career opportunities. Dato' Seri Dr. Mohamad Zabidi advised CAs to enhance their expertise through lifelong learning and earning additional certifications in specialised areas such as Islamic finance, business financial intelligence, and others.

He also encouraged QE graduates to upskill in digital transformation and sustainability, emphasising MIA's Sustainability Blueprint, which aligns with national policies and prepares accountants for leadership roles in sustainability reporting, assurance, and financing.

Another avenue to explore is the ASEAN CPA qualification, which offers further professional mobility and cross-border opportunities with ASEAN's growing economic influence, noted Dato' Seri Dr. Mohamad Zabidi. MIA is actively advocating for ASEAN CPAs to be granted Registered Foreign Professional Accountant status, enabling members to work across ASEAN nations. As of November 2024, 1,940 MIA members have obtained ASEAN CPA certification, forming the second-largest cohort among ASEAN Member States.

More Than an Exam

The MIA QE is more than just an examination—it is a gateway to professional excellence and global opportunities, as well as a platform for nation building. The QE cohort of graduates will not only achieve personal success but also contribute to national and regional economic growth. MIA remains committed to supporting them on this journey, ensuring a brighter future for the accountancy profession and beyond.

The MIA Qualifying Examinations are held annually in March and September. Registration for new intake for the workshops and examinations are usually opened in February and September. For more information, please visit https://mia.org.my/qualifying-examination/

Phase 2 of Malaysia’s e-Invoicing Implementation: Key Compliance Insights

at at-mia.my/2025/03/21/phase-2-of-malaysias-e-invoicing-implementation-key-compliance-insights

March 21, 2025

By Cleartax Team

Malaysia’s e-invoicing mandate, introduced under the *Income Tax Act 1967*, has entered its second phase since 1 January 2025, targeting businesses with an annual turnover or revenue between RM25 million and RM100 million. As part of the Inland Revenue Board of Malaysia’s (IRBM) digital transformation roadmap, this phase aims to streamline tax administration, reduce errors, and enhance transparency.

Here’s what affected businesses need to know to ensure compliance.

Who Falls Under Phase 2 of Malaysia e-Invoicing?

Phase 2 applies to taxpayers whose 2022 audited financial statements or tax returns reflect annual turnover/revenue within the RM25–100 million threshold. This includes entities such as corporations, partnerships, cooperatives, and trusts. New businesses established post-2023 must comply by Phase 3 (1 July 2025).

Key Requirements for e-Invoicing Phase 2 Compliance

- **Choose one of IRBM’s e-Invoicing Mechanisms**: Businesses can submit e-invoices via the MyInvois Portal (for manual or batch uploads) or API integration (for automated, high-volume transactions). API integration requires aligning systems with IRBM’s Universal Business Language (UBL2.1) standards in XML/JSON formats.
- **Mandatory Data Fields**: E-invoices must include 55 mandatory fields, such as supplier/buyer details, transaction descriptions, tax breakdowns, and a digital signature. Specific scenarios (e.g. cross-border transactions) may require annexures.
- **Timely Submission and Validation**: E-invoices must be submitted to IRBM for real-time validation. Post-validation, suppliers can share the e-invoice (with a QR code) or its visual representation (PDF) with buyers.
- **Adjustments and Cancellations**: Buyers can request invoice rejections, and suppliers can cancel invoices within 72 hours of validation. Post-deadline adjustments require issuing credit/debit/refund notes.

Interim Relaxation Period: What Businesses Should Know

While e-Invoicing is now in effect for Phase 2 businesses, IRBM has provided an interim relaxation period to ease the transition. This relaxation allows businesses to make necessary adjustments to their invoicing processes and IT infrastructure. Key aspects of this relaxation include:

Grace Period for Compliance
Businesses are encouraged to adopt e-Invoicing at the earliest, but penalties for non-compliance will be relaxed initially to accommodate implementation challenges.

Flexibility in Data Submission
Companies may consolidate invoices under specific circumstances, such as transactions with individual buyers who do not require detailed invoicing.

Technical Support
IRBM continues to provide guidelines and system updates to ensure seamless adoption.

Preparing for Phase 2

- **System Readiness:** Businesses should assess whether their current accounting or ERP systems are compatible with MyInvois API integration or require upgrades to ensure compliance.
- **Training and Awareness:** Employees handling invoicing processes must be well-informed about e-Invoicing requirements and the use of MyInvois.
- **Record-Keeping and Audit Compliance:** Since e-Invoices serve as primary proof of transactions, maintaining accurate and validated records will be crucial for audits and tax filings.
- **Transaction Handling with Exempted Parties:** Certain transactions, such as those with individuals not conducting business, may be exempt from e-Invoicing. Businesses should verify exemption criteria to avoid unnecessary compliance efforts.

Looking Ahead

Since Phase 2 is already in effect, businesses must prioritise compliance to avoid disruptions. For detailed guidelines, refer to IRBM's e-Invoice Guideline. *Click here for more information.*

Public Sector Technology Innovation Summit 2025 – Transforming Public Services with AI: Innovation for a Sustainable Future

at-mia.my/2025/03/11/public-sector-technology-innovation-summit-2025-transforming-public-services-with-ai-innovation-for-a-sustainable-future

March 11, 2025

Today, we are in the early stages of the AI revolution, where AI is increasingly integrated in everyday life. You might have interacted with AI-powered chatbots, ChatGPT, and now DeepSeek. Or you invest in stock portfolios and ETFs that track the Magnificent 7 tech giants, major players in AI. In this new Age of Intelligence, AI is ushering in sweeping changes to business, economy and society.

The Madani government is moving strategically to harness the game-changing potentials of AI. From the recent launch of the National AI Office to address policies and regulation to rolling out the red carpet for billion-ringgit investments in cloud and data centres, Malaysia is clearly signalling that AI is a priority.

What does this shift to AI mean for professionals in the public sector? One, it's time to pivot to digital transformation, in order to upskill for evolving roles that require the use of tools such as data analytics, cloud and AI. Two, adapting to AI and becoming adept is essential for public sector accountancy professionals to help mainstream the national AI agenda and establish Malaysia as a regional AI powerhouse amidst geopolitical turbulence.

The PUBLIC SECTOR TECHNOLOGY INNOVATION SUMMIT 2025 with the theme of ***TRANSFORMING PUBLIC SERVICES WITH AI: INNOVATION FOR A SUSTAINABLE FUTURE*** aims to familiarise members in the public sector as well as public sector professionals with the capabilities needed to survive and thrive as AI is normalised. Taking place on **8 May 2025 at the Wyndham Grand Bangsar, Kuala Lumpur**, this one-day Summit is packed with information on the latest developments in Malaysia's AI space and their impact on the public sector. Join us to get updated on Malaysia's AI strategies and figure out how you can ride on AI to boost your career trajectory.

Senior public sector officials and industry experts will be at the Summit to network and to share on the following topics:

Impact of the National AI Roadmap 2021-2025 on Public Sector Advancements

This session reviews the outcomes of the National AI Roadmap 2021-2025 which expires in 2025. Learn how the strategic implementation of the AI initiatives outlined in the Roadmap has enhanced government operations, improved public services, and fostered innovation within public institutions. Importantly, understand the future direction of AI in the public sector and the projected impacts on institutions, public sector talents and service delivery in the public interest.

Leveraging AI for Better Public Service Delivery

AI-powered data analytics is increasingly being adopted to strengthen decision-making processes in public administration and service delivery in critical areas like healthcare, education, and urban planning. Understand the key challenges that public sector organisations face when adopting AI technologies, and share best practices for enhancing public service delivery.

Navigating Data Safety Governance: Preparing for the Future of AI and Cloud Technology

As AI becomes more integrated, risks from infringements to data safety governance will rise in tandem. This session focuses on the importance of data governance, emerging AI trends, and best practices for securing sensitive information in cloud environments.

Transforming Governance: the Future of Resource Planning in Malaysia

Strategic resource allocation is a key element of innovative solutions that can enhance governance, streamline operations, and foster sustainable development in Malaysia. Adopting suitable tech solutions can enable efficient resource planning to achieve fiscal and structural goals.

AI Ethics and Responsible Use in Public Sector

As AI technologies increasingly support decision-making in the public sector, ethical considerations and responsible use must be prioritised to safeguard the public interest, while protecting data privacy and reducing algorithmic bias. Let's explore the key ethical concerns and recommended practices related to the use of AI in the public sector.

Capacity Building and Skills Development for AI in the Public Sector

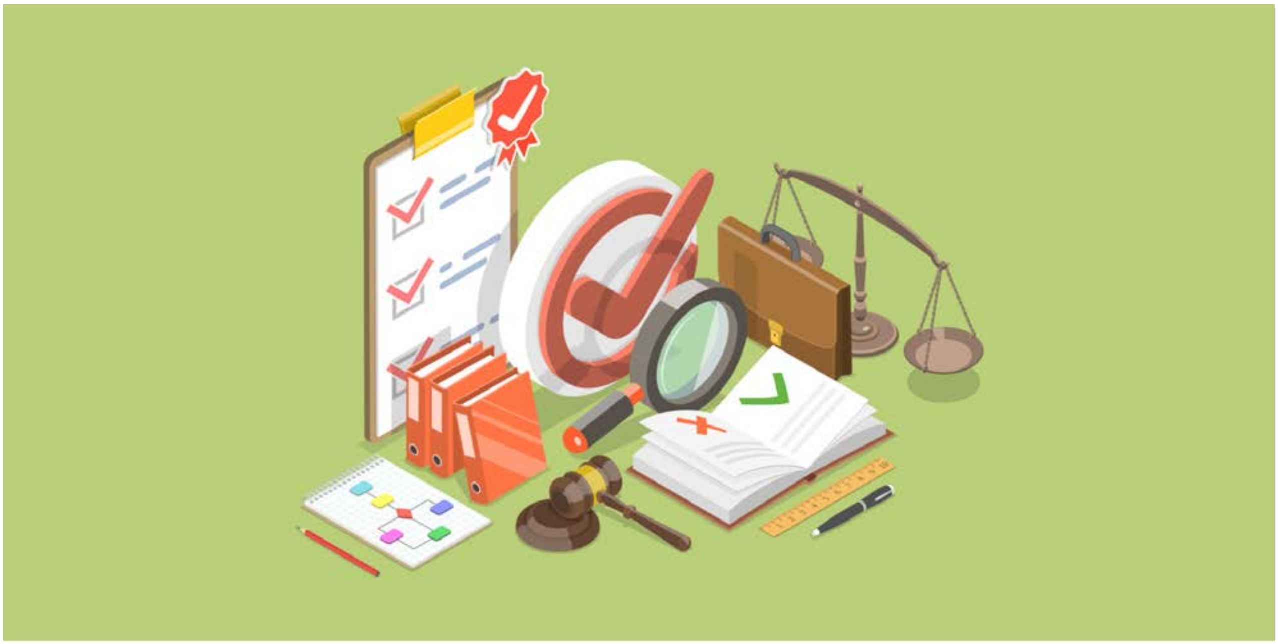
Public sector talents must act fast to adapt and master new technologies being adopted in the public sector. Higher education institutes will play a critical role in capacity building and equipping future public sector leaders with AI competencies.

Click here for more information about the Summit.

Removal Order / Suspension Order

at at-mia.my/2025/04/24/removal-order-suspension-order

April 24, 2025



By MIA Disciplinary Committee

When a member is found to be guilty of unprofessional conduct, the Disciplinary Committee (**DC**) shall have the powers to impose any one **or** any combination of the disciplinary punishments specified under Rule 18(3) of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P.U. (A) 299/2002] (**the Disciplinary Rules**). In this article, we will briefly discuss the **key aspects** that must be observed and adhered to when a member is either removed from the register or suspended from the membership of the Institute.

A. Removed from Register – Rule 18(3)(a) of the Disciplinary Rules

Upon commencement of a decision by the DC or an order made by the Disciplinary Appeal Board (**DAB**), a member who is removed from the Register shall cease to become a member of the Institute.

The member shall surrender his certificate of membership or practising certificate, to the Registrar within fourteen (14) days from the date of the notification of such removal.[1] The Council may apply to the Court for an order to be imposed on any member who fails to surrender the certificate of membership or the practising certificate.[2]

Any person may reapply for readmission after expiration of five (5) years after removal and in considering an application, the Council shall exercise its discretion and the Council's decision shall be final.[3]

B. Suspension – Rule 18(3)(b) of the Disciplinary Rules

The DC or the DAB is empowered to suspend a member for a specific period not exceeding three (3) years. At the end of the suspension period, the membership shall immediately be restored and no application for readmission is required to be made.[4]

The member shall continue to pay all fees that are due and payable during the suspension period.[5] However, a member shall cease to enjoy any benefits conferred by the Institute during the suspension period[6] and it shall immediately be restored at the expiry of the suspension period.

The member shall surrender his certificate of membership or practising certificate, as the case may be, to the Registrar within fourteen (14) days from the date of the notification of such suspension.[1 above]

The member shall not provide or engage in any public practice services as defined in Rule 2 of the Malaysian Institute of Accountants (Membership and Council) Rules 2001 during the suspension period.

The member can be subjected to an investigation by the Investigation Committee of the Institute and a disciplinary proceeding by the Disciplinary Committee of the Institute during the suspension period.

The member shall continue to comply and complete the required Continuing Professional Education (CPE)[7] during the suspension period.

Lastly, whether an order of removal or a suspension is imposed, a member must pay all monetary penalty and cost and expenses failing which, it shall be recoverable as a debt due to the Institute.[8]

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[1] *Rule 22 of the Disciplinary Rules*
[2] *Rule 24 of the Disciplinary Rules*
[3] *Rule 23 (1) and (2) of the Disciplinary Rules*
[4] *Rule 20 (1) of the Disciplinary Rules*
[5] *Rule 21 of the Disciplinary Rules*
[6] *Rule 20 (2) of the Disciplinary Rules*
[7] *Section B110 on Continuing Professional Education of the MIA By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants*
[Updated 5 November 2024]
[8] *Rule 25 of the Disciplinary Rules*

Streamlining Compliance: What Malaysia's Transfer Pricing Guidelines 2024 Mean for You

at at-mia.my/2025/03/06/streamlining-compliance-what-malaysias-transfer-pricing-guidelines-2024-mean-for-you

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By Gagandeep Nagpal and Thomas Chan

As we move into the new year, tax professionals are gearing up for the upcoming compliance season. However, with the newly introduced Malaysia Transfer Pricing Guidelines 2024 (MTPG 2024), there's a silver lining for many taxpayers. Released by the Inland Revenue Board of Malaysia (IRB) on 24 December 2024, the MTPG 2024 comes into effect for the year of assessment 2023 onwards, replacing the previous Malaysia Transfer Pricing Guidelines 2012 (MTPG 2012). This update was essential to align the guidelines with new Transfer Pricing Rules (TP Rules 2023) introduced in 2023, addressing global tax developments (especially those led by the OECD) and recent local litigation precedents.

The revised guidelines introduce key changes, particularly certain relaxation in compliance requirements and revised thresholds, which may have an impact the way compliance would require to be performed. This article delves into these relaxations and other nuances which will have potential impact on TP compliance strategies of the taxpayers.

New framework for Domestic Controlled Transactions

In comparison to the MTPG 2012, the MTPG 2024 simplifies the compliance burden for domestic controlled transactions by setting more specific conditions and the following persons are not required to prepare a contemporaneous transfer pricing documentation (CTPD) –

"…
(d) person who entered solely into domestic controlled transactions with another person where both parties –
(i) do not enjoy tax incentives;
(ii) are taxed at the same headline tax rate; or
(iii) do not suffer losses for two consecutive years prior to the controlled transactions."[1]

Persons who are exempted as per the above criteria must still comply with the arm's length principle for all controlled transactions entered into and must ensure to keep all relevant documents that are related to the controlled transactions, including documentation to support and prove the determination of the arms' length price.[2]

This represents a welcome change, as it provides clarity and may reduce the compliance burden for taxpayers engaged solely in domestic controlled transactions. This exemption allows the IRB to concentrate on higher-risk cross-border transactions while easing compliance for domestic controlled transactions that pose low or no risk of tax arbitrage.

While the exemption relieves taxpayers from CTPD compliance, the IRB still expects taxpayers to demonstrate pricing as per the arm's length principle. Failure to establish arm's length pricing could lead to a surcharge of up to 5% of the gross TP adjustment amount.

The revised Transfer Pricing Audit Framework (TPAF 2024) stresses that TP adjustments made by the IRB to domestic controlled transactions do not automatically result in an offsetting adjustment. This remains at the discretion of the IRB and may lead to an audit of the counterparty requesting the offset. Therefore, as a matter of prudence, taxpayers should assess the materiality and potential audit risk exposure arising from domestic controlled transactions. Accordingly, taxpayers should evaluate the need to perform TP analyses and compile relevant supporting documents to establish arm's length pricing.

Increased Thresholds for Compliance

In comparison to the MTPG 2012, the MTPG 2024 also raises and altered the thresholds for determining the level of details required in CTPD. Now, a person shall prepare a full CTPD as provided under the Rules if the person fulfils the following –

(a) generates gross business income of more than RM30 million in total and engages in cross-border controlled transactions totaling RM10 million or more annually; or (b) receives or provides controlled financial assistance of more than RM50 million annually[3].

Key points to note are:

- The RM 10 million threshold in (a) above, refers only to cross-border controlled transactions. Therefore, taxpayers engaging solely in domestic controlled transactions may opt to prepare "minimum" TPD, subject to any exemptions that might apply to such taxpayers under the guidelines.
- The RM 50 million threshold in (b) above covers both domestic and cross-border transactions.

- The revised guidelines continue to require permanent establishments to prepare full TPD, regardless of these thresholds or any exemptions under the guidelines.
- Additionally, taxpayers qualifying for "minimum" CTPD must provide detailed information on key controlled transactions, defined as those related to the principal activity or transactions amounting to 20% or more of operating revenue[4]. Further, non-key covered transactions are still expected to be listed out in the minimum CTPD[5].

Exemption

The guidelines now define a materiality threshold for exemption from TPD for a person who has entered into controlled transactions totaling not more than RM1 million.

While this provides relief for taxpayers with minor controlled transaction values, they are still expected to comply with arm's length principles and maintain supporting documentation to avoid any additional tax and/or surcharge, even though they may not be subjected to documentation related penalty under Section 113B.

Some of other key notable changes which would have an impact on TP compliance strategy of taxpayers are –

Leverage on Master File

As per the TP Rules 2023, Schedule 1 was introduced as part of CTPD requirements. Most of the contents of Schedule 1 align with the Master File requirements. Therefore, MTPG 2024 permits the use of a multinational enterprise group's Master File as a substitute for Schedule 1, provided it such Master File contains all the required information.

However, caution should be exercised when using standard OECD Master Files as substitutes for Schedule 1, as the latter requires specific information relevant to the business in Malaysia, which may not be sufficiently detailed in an OECD Master File.

Additionally, the timing of the Master File preparation (within 12 months of the ultimate parent entity's financial year-end) must be carefully coordinated to ensure "contemporaneous" nature of TPD for local compliance purposes (prepared prior to the return filing due date). Subject to IRB's concurrence, an alternative strategy could be to refer to the immediately preceding year's Master File, with an addendum prepared as soon as the same year's Master File becomes available. This approach is consistent with the approach expected to be adopted by taxpayers on use of comparable companies' data for the purpose of benchmarking, as highlighted below.

Benchmarking update

As per the TP Rules 2023, taxpayers are required to use comparables' results for the same basis year for a year of assessment. However, due to the non-availability of the latest financial results, taxpayers are allowed to use prior year financial data during the preparation of CTPD. Once the current year's financial data becomes available, taxpayers are expected to update the benchmarking analysis to evaluate whether adjustments are necessary to reflect appropriate arm's length pricing for the controlled transactions.

MTPG 2024 further clarifies that updating benchmarking analyses, even at the audit stage, will not invalidate the contemporaneous nature of the original documentation, provided all other requirements are met. However, any TP adjustments resulting from the updated analysis may still attract a surcharge.

As a proactive measure to mitigate the risk of additional taxes and/or surcharge at the audit stage, taxpayers can re-evaluate the benchmarking analysis once the current year's financial data of comparables is available. For efficiency, this re-evaluation could be timed alongside the immediately following year's compliance. Where the margin earned by a taxpayer is being analysed, and it falls below the arm's length range of results established by the year-on-year data of comparables, the taxpayer can explore options to support their margin, such as performing comparability adjustments and/or documenting specific economic conditions that impacted the margin or undertake a voluntary disclosure.

Benchmarking for Low-Value Added Services ('LVAS')

This is another relief to taxpayers in case of LVAS, wherein, mark-up applied on the cost base does not require justification through a benchmarking study. However, taxpayers are still required to conduct a detailed analysis of the nature of the services to ensure it qualifies as LVAS. Further, functions, assets and risks analysis would require to be carried out to establish that service provider is routine risk/limited risk service provider.

Special Considerations for Losses

As per MTPG 2024, taxpayers reporting losses are expected to provide detailed explanations in their CTPD, including non-TP factors, such as ineffective business strategies, global economic conditions, or natural disasters that contributed to the losses[6]. While there was a reference to this in MTPG 2012, it was not as explicit as the text in MTPG 2024[7].

Additional Documentation for Specific Transactions

As per MTPG 2024, there is an expectation to include additional documentation for specific transactions, which would extend the content requirements laid out in the TP Rules 2023[8]. These additional documentations pertain to business restructuring, intra-group services, cost contribution arrangements (CCA), intangibles, and intra-group financial assistance.

These additional documentation requirements are not prescribed in the TP Rules 2023 and seem to be additionally introduced through MTPG 2024. Therefore, it is unclear at this stage, as whether penal implications will arise if this information is not included in CTPD.

Conclusion

The MTPG 2024 introduces several changes that ease compliance for certain taxpayers. The guidelines facilitate the implementation of the TP Rules 2023 and include detailed prescriptions on specific controlled transactions and taxpayer circumstances that should aid in interpreting the expectations of the IRB. While the guidelines allow some exemptions and flexibility, taxpayers with a history of disputes and those entering specific intragroup arrangements (such as business restructuring and financial transactions) should maintain the necessary documentation to support their TP positions.

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[1] Para 1.5 of MTPG 2024
[2] Para 1.6 of MTPG 2024
[3] Para 1.7 of MTPG 2024
[4] Para 11.13 of MTPG 2024
[5] Para 11.14 of MTPG 2024
[6] Para 4.13 of MTPG 2024
[7] Para 18.2 of MTPG 2012
[8] Para 11.7 and Appendix A of MTPG 2024

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