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Basic Understanding of MFRS 123 Borrowing Costs

at at-mia.my/2026/06/30/basic-understanding-of-mfrs-123-borrowing-costs

June 30, 2026

AD SPACE

By MIA Financial Statements Review Team

Borrowing costs play an important role in financial reporting, particularly for entities involved in significant construction activities or capital investment projects. Malaysian Financial Reporting Standard (MFRS) 123 *Borrowing Costs* sets out the requirements for the recognition, measurement, and disclosure of such costs.

Applying MFRS 123 correctly supports accurate financial reporting while enhancing transparency and alignment with regulatory expectations. By clearly defining when borrowing costs should be capitalised and how they should be accounted for, the standard enables entities to present a more faithful representation of their financial position and performance.

1. Objective of MFRS 123

The primary objective of MFRS 123 is to prescribe the accounting treatment for borrowing costs. The standard mandates that:

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset must be capitalised as part of the cost of that asset.

All other borrowing costs should be recognised as an expense in the period in which they are incurred.

This approach ensures that the cost of assets includes all necessary expenditures required to bring them to their intended use or sale condition, which gives a faithful representation of the cost of the asset and enhances comparability among all non-equity financed assets.

2. Scope of the Standard

MFRS 123 applies to all borrowing costs. It applies specifically when:

An entity borrows funds (specific or general borrowings) and uses them for constructing or producing a qualifying asset.

The construction or production process takes a substantial period of time to get ready for its intended use or sale.

However, an entity is not required to apply the standard to borrowing costs related to:

Inventories that are produced in large quantities on a repetitive basis (e.g., bottled drinks or mass-produced furniture).

Qualifying assets measured at fair value (e.g., investment properties or biological assets under MFRS 140 and MFRS 141).

3. Key Definitions

Understanding MFRS 123 begins with its fundamental definitions:

3.1 Borrowing Costs

Borrowing costs include interest and other costs that an entity incurs in connection with borrowing funds. Examples include:

Interest expense calculated using the effective interest rate method (as described in MFRS 9)

Finance charges on lease liabilities recognised under MFRS 16.

Exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

However, the periodic unwinding of the discount (i.e. accretion of interest) on obligations such as decommissioning, dismantling, or restoration obligations related to property, plant and equipment cannot be capitalised as part of the cost of the asset (see IFRIC 1.8).

3.2 Qualifying Asset

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. These assets typically include:



Property, plant, and equipment (e.g., a manufacturing facility under construction).



Investment properties under construction.



Intangible assets such as an IT software or system.



Inventories that require a significant amount of time to bring them to a saleable condition (e.g. vessels under construction).



Service concession assets using the intangible asset model (e.g. power generation facilities under construction).

4. Recognition Principles

4.1 Capitalisation of Borrowing Costs

An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset.

Directly attributable borrowing costs are those that would have been avoided if the expenditure on the qualifying asset had not been made. This demonstrates a strong causal relationship between the borrowings and the creation of a qualifying asset.

4.2 Commencement of Capitalisation

Capitalisation of borrowing costs begins when all of the following conditions are met:

Expenditures for the asset are being incurred.

Borrowing costs are being incurred.

Activities that are necessary to prepare the asset for its intended use or sale are in progress.

These conditions ensure that capitalisation begins only when activities necessary to prepare the qualifying asset for its intended use or sale have commenced (which encompass more than the physical construction of the asset), and not merely upon obtaining financing.

4.3 Suspension of Capitalisation

Capitalisation should be suspended during extended periods in which active development of the asset is interrupted. For example, if construction is halted for several months due to a strike, borrowing costs incurred during that period should be expensed.

Short or temporary delays, however, do not justify suspension. An entity does not suspend capitalising borrowing costs when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. For example, capitalisation continues during the extended period that high water levels delay construction of a bridge, if such high water levels are common during the construction period in the geographical region involved.

4.4 Cessation of Capitalisation

Capitalisation of borrowing costs must cease when:

Substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

In cases of development in stages, capitalisation ceases for each part that is substantially completed and ready for its intended use or sale.

5. Specific vs General Borrowings

Borrowings can be either specific (taken out for a particular qualifying asset) or general (funds borrowed for general purposes, and used for qualifying asset construction).

5.1 Specific Borrowings

When borrowings are made specifically for a qualifying asset, the actual borrowing costs incurred on that loan, less any investment income from the temporary investment of those borrowings, are to be capitalised.

For instance, if a company borrows funds specifically to finance the construction of a new factory, the interest on those borrowed funds (e.g. interest cost on bonds raised) is directly attributable and should be capitalised.

5.2 General Borrowings

When funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs to be capitalised are calculated using a capitalisation rate determined using the weighted average of borrowing costs.

The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

6. Group borrowings

When one group entity borrows funds to finance a capital project of another group entity, MFRS 123 requires capitalisation to be assessed based on which entity actually incurs the borrowing costs.

Hence, in the separate financial statements of the borrowing group entity, no capitalisation of interest is permitted as it does not have a qualifying asset. As for the group entity that constructs a qualifying asset, interest capitalisation is not permitted if it has not incurred an interest expense (e.g. interest free advances from the borrowing group entity).

However, in the consolidated financial statements, interest capitalisation is permitted as the Group has a qualifying asset and a borrowing to fund the construction of the qualifying asset. Nevertheless, the amount of interest capitalised should reflect the interest cost to the Group of borrowings from third parties which could have been avoided if the expenditure on the qualifying asset had not been made.

7. Disclosures

MFRS 123 requires the following disclosures:

The amount of borrowing costs capitalised during the period; and

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

These disclosures assist users of the financial statements in understanding the impact of capitalised borrowing costs on an asset's value and overall financial performance, particularly concerning significant or long-term development projects.

Observations

This section aims to share the review findings of the Financial Statements Review Committee (FSRC or the Committee) relating to disclosures made in the financial statements and their accompanying notes to the financial statements. However, it does not delve into matters related to determining the recognition and measurement of borrowing costs.

Comments discussed herein are intended to be applied within the context of the specific facts and circumstances associated with the identified observations. It is not intended to be exhaustive and does not address all potential issues relating to borrowing costs.

In addition, careful consideration and judgment should be applied in each individual fact and circumstance since Malaysian Financial Reporting Standards (MFRS) are principles-based.



Review findings

Below are the observations noted by the FSRC relating to the disclosures of borrowing costs of public listed companies/entities (PLCs).

Observation 1

There were significant additions to capital work-in-progress (CWIP) during the financial year.

It was enquired:

1. Whether the CWIP meets the definition of a qualifying asset;
2. What is the source of funding for the CWIP;
3. Whether any borrowing costs incurred that should be capitalised in accordance with MFRS 123; and
4. If yes, please provide the relevant disclosures in accordance with requirement of Paragraph 26(a) and (b) of MFRS 123.

Response from PLC

The capital work-in-progress (CWIP) comprises buildings under construction and machinery under installation, both of which require a substantial period of time to be ready for their intended use. Accordingly, the CWIP meets the definition of a qualifying asset.

The CWIP was financed entirely through loans from related companies. As the CWIP was fully funded from internal sources, no borrowing costs were capitalised in accordance with MFRS 123.

The Group's bank borrowings were mainly utilised for trade and working capital purposes, as well as for the settlement of bank and other loans, and were not attributable to the CWIP.

Accordingly, there was no capitalisation of borrowing costs.

Observation 2

There were CWIP presented for more than one reporting period. However, it was noted that there were no disclosures on borrowing cost capitalised and the related capitalisation rate used.

Response from PLC

No borrowing costs were capitalised for the CWIP, as the project was funded from internally generated funds. Additionally, the bank borrowings were primarily utilised for trade activities, working capital needs, and the settlement of existing bank and other loans.

As the borrowings were not directly attributable to the acquisition, construction, or production of the CWIP, the capitalisation disclosure requirements under MFRS 123 are not applicable.

FSRC's comments on Observation 1 and Observation 2

Paragraph 14 of MFRS 123 states that to the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

Such borrowing costs are considered as directly attributable to the qualifying asset even if the funds are borrowed generally as the borrowing costs would have been avoided if the expenditure on the qualifying asset had not been made (for example the entity could have repaid the general borrowings if it did not need to incur costs and cash flows to construct the qualifying asset).

Further, Paragraph 15 of MFRS 123 states that in some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs; in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings.

The PLC should evaluate if the conditions in Paragraph 17 of MFRS 123 are met and carefully determine whether the transactions fall within the scope of MFRS 123. If these conditions are met, the borrowing cost should be capitalised and related disclosure requirements would need to be complied with.

Conclusion

MFRS 123 provides a clear, principle-based framework for the accounting treatment of borrowing costs. By requiring the capitalisation of borrowing costs that are directly attributable to qualifying assets, the standard gives a faithful representation of the cost of the asset and comparability among all non-equity financed assets presented in the financial statements.

Effective application of MFRS 123 involves the exercise of professional judgment, supported by consistent practices and comprehensive documentation. Whether applied to major construction projects or other qualifying asset developments, the standard ensures that the financial impact of borrowing activities is appropriately reflected in the financial statements.

In addition, proper disclosure of borrowing costs further enhances transparency surrounding an entity's financing arrangements and asset development processes. This level of transparency contributes to greater confidence in the financial statements among investors, regulators, and other stakeholders.

Common Offences Committed by Members

at at-mia.my/2026/05/11/common-offences-committed-by-members

May 11, 2026

AD SPACE

By MIA Surveillance and Enforcement Team

The Disciplinary Committee (**the DC**) is the other statutory arm of the Institute established under Section 19(b) of the Accountants Act 1967 (**the Ac'**). It is empowered under the Act to consider all complaints referred to it by the Investigation Committee (**the IC**) and cases coming directly to it under Rule 18(2) of the MIA (Disciplinary) Rules 2002 [P.U. (A) 299/2002] (**the Disciplinary Rule**).

Over the years the DC has imposed punishments against the Respondents who have been found guilty for 'unprofessional conduct' pursuant to Rule 2 and Rule 18(3) Disciplinary Rules for various types of misconduct. In this article we would like to share some common offences committed by members.

NON-AUDIT OFFENCES

SPECIFIC OFFENCES	RELEVANT PROVISIONS OF THE LAW	BEST PRACTICES
<p>Advertising and/or promoting and/or misrepresenting on various media platforms and/or banners that the firm/entity in the business of providing public practice services (as defined in Rule 2 of the Membership & Council Rules 2001) without a valid license from the relevant authorities.</p> <hr/> <p>Advertising vacancies for audit and/or tax related services without possessing a valid license from the relevant authorities and the advertisement may lead the public at large to infer that member is in the business of providing audit/tax services.</p> <hr/> <p>Advertising and/or promoting audit services through company (sendirian berhad) in violation of the Companies Act.</p>	<ol style="list-style-type: none"> 1. Section 18 & 22 of Accountants Act 1967. 2. Section R115.1 of the MIA By-Laws to be read with Section R115.1 A1 of the MIA By-Laws dealing with professional behaviour. 3. Section R115.2(a) of the MIA By-Laws (On Professional Ethics, Conduct and Practice) dealing with professional behaviour. 4. Section 263 (1) of the Companies Act 2016, dealing with auditors. 5. Section 265 (1) of the Companies Act 2016, dealing with registration of firms of auditors. 	<ol style="list-style-type: none"> 1. To vet-through all marketing and promotion materials before publishing. 2. Ensure firm name/license aligns with MIA Register. 3. Member shall advertise only those public practice services that they are duly qualified and legally entitled to provide. 4. Member shall not advertise public practice services on behalf of, or for the benefit of, any third party.
<p>Providing public practice services in the field of accounting and taxation without possessing a valid practicing certificate from the Institute.</p>	<ol style="list-style-type: none"> 1. Rule 9(1) MIA (Membership & Council) Rules 2001. 2. Section B200.5(1) of the MIA By-Laws (On Professional Ethics, Conduct & Practice). 3. Section R111.1 the MIA By-Laws (On Professional Ethics, Conduct and Practice) dealing with integrity. 4. Section R115.2(a) of the MIA By-Laws (On Professional Ethics, Conduct and Practice) dealing with professional behaviour. 5. Section 153(1) of the Income Tax Act 1967 dealing with Restriction on Persons Holding Themselves Out As Tax Agents, Tax Consultants, etc. 	<ol style="list-style-type: none"> 1. Implement an automated 'Certificate Renewal' alert 60 days before June 30. 2. To obtain the Practicing Certificate from MIA and relevant license from the relevant authorities before commencement of any public practice services.
<p>Providing public practice services with a person who is not a member of the Institute.</p>	<ol style="list-style-type: none"> 1. Section 18(a) of the Accountants Act 1967 dealing with prohibition. 2. Section B200.4 of the of the MIA By-Laws (On Professional Ethics, Conduct and Practice) dealing with Method of Practice. 3. Section R115.1 of the MIA By-Laws 	<p>Dedicate 100% of professional capacity to practice or surrender the Practicing Certificate.</p>

	to be read with Section R115.1 A1 of the MIA By-Laws	
Member with valid Practising certificate from the Institute and simultaneously engaged under the employment and thus deemed to have engaged in public practice services not on a fulltime basis as required of a member in public practice pursuant to the Malaysian Institute of Accountants (Membership and Council) Rules 2001.	<ol style="list-style-type: none"> 1. Rule 9(5) MIA (Membership & Council) Rules 2001. 2. Rule 9(7)(a)(iii) of the MIA (Membership & Council) Rules 2001. 3. Section R115.1 of the MIA By-Laws to be read with Section R115.1 A1 of the MIA By-Laws. 	Dedicate 100% of professional capacity to practice or surrender the Practising Certificate.
Failure to file annual returns.	<ol style="list-style-type: none"> 1. Subsection R113.1 of the MIA By-Laws on Professional Competence and Due Care. 2. Section R115.1 of the MIA By-Laws to be read with Section R115.1 A1 of the MIA By-Laws. 3. Section B200.9(1)(d) of the MIA By-Laws dealing with Establishment & Registration of Member Firm 	<ol style="list-style-type: none"> 1. To ensure to file the annual return without delay and timely manner with the MIA to avoid disciplinary action. 2. To ensure that the information submitted is accurate and up to date.
Company secretarial related breaches.	<ol style="list-style-type: none"> 1. Section 360.3(b) of the MIA By-Laws on Responding to Non-Compliance with Laws and Regulations 2. Section R115.1 of the MIA By-Laws to be read with Section R115.1 A1 of the MIA By-Laws 3. Section R111.1 of the MIA By-Laws (On Professional Ethics, Conduct and Practice) dealing with integrity. 	Not in contravention of the Anti-Money Laundering Act (AMLA) requirements.
Allowing persons who are not a member of the Institute to use MIA's membership certification.	Rule 2 of MIA (Membership & Council) Rules 2001.	Robust internal control to ensure that only duly qualified members represent themselves to preserve the credibility of the profession and compliance with the MIA Rules.

AUDIT OFFENCES

SPECIFIC OFFENCES	RELEVANT PROVISIONS OF THE LAW	BEST PRACTICES
Firm rated as 'Unsatisfactory' or a Type-4 category upon a practice review conducted by the Practice Review Committee of the Institute.	<ol style="list-style-type: none"> 1. ISA 220 – Quality Control for an Audit of Financial Statements 2. Section B250.1 of the MIA By-Laws (On Professional Ethics, Conduct and Practice) dealing with Quality Assurance and Practice Review [Updated: 5 November 2024] 3. Section B250.2 of the MIA By-Laws 2020 dealing with Quality Assurance and Practice Review [Updated: 5 November 2024] 4. Subsection R115.1 of the MIA By-Laws 2020 dealing with Professional Behaviour. 	<ol style="list-style-type: none"> 1. Adopt ISQM 1 & 2; 2. Perform internal root-cause analysis on past file errors; 3. Audit quality enhancement training.
Issuance of incorrect audit opinion / incorrect Financial Statements.	<ol style="list-style-type: none"> 1. Section 130.1 of the MIA By-Laws dealing with Professional Competence & Due Care. 2. Section 150.1 of the MIA By-Laws dealing with Professional Behaviour. 	Ensure aligned with expectations under ISQM 1 and professional standards issued by International Auditing and Assurance Standards Board.
Failing to be impartial when accepting audit engagement and thus constitutes a threat to the independence of the firm.	<ol style="list-style-type: none"> 1. Subsection R601.5 of the MIA By-Laws dealing with audit clients. 2. Section R120.10 of the MIA By-Laws dealing with Addressing Threats 3. Section 250 of the MIA By-Laws 	Strict internal control mechanism and enforcement of the 'Threats and Safeguards' framework for every client.
Material misstatements in the Financial Statement / going concern issues.	<ol style="list-style-type: none"> 1. Section 130.1 of the MIA By-Laws dealing with Professional Competence & Due Care. 2. ISA 700/701. 	Ensure aligned with expectations under ISQM 1 and/or professional standards issued by International Auditing and Assurance Standards Board.
<p>Audit deficiencies / gross negligence in performing the audit engagements.</p> <p>Non-compliance with auditing and accounting standards.</p>	<ol style="list-style-type: none"> 1. Section 130.1 of the MIA By-Laws dealing with Professional Competence & Due Care. 2. Subsection R113.1 of the MIA By-Laws (On Professional Ethics, Conduct and Practice) dealing with professional competence and due care. 3. Subsection 113.1 A3 of the MIA By-Laws dealing with professional competence and due care. 4. Rule 2 of the MIA Disciplinary 	Ensure aligned with expectations under ISQM 1 and/or professional standards issued by International Auditing and Assurance Standards Board.

Rules 2002.

Delegate audit work to a person not related to the firm or a person not a member of the Institute.

1. Section 18(d) of the Accountants Act 1967 read together with Section B200.3(2) of the By-Laws on Method of Practice.
2. Section 18(d) of the Accountants Act 1967.
3. Section B200.3(2) of the MIA By-Laws dealing with method of practice.

Keep audit work within qualified and regulated professionals only and always maintain strict oversight.

DIRECT INQUIRY BY THE DC UNDER RULE 18(2) OF THE DISCIPLINARY RULES

A member who has pleaded guilty or found guilty before a Court of law for:

SPECIFIC OFFENCES	RELEVANT PROVISIONS OF THE LAW	BEST PRACTICES
Unprofessional conduct; or	Rule 18(2)(a), MIA (Disciplinary) Rules 2002	Regular ethics training; strict adherence to the Fundamental Principles.
Offences involving fraud or dishonesty; or	Rule 18(2)(a), MIA (Disciplinary) Rules 2002	
Become a bankrupt.	Rule 18(2)(b), MIA (Disciplinary) Rules 2002.	Proactive debt management; notify MIA within 14 days of any bankruptcy order.

Once found guilty, the DC is empowered to impose an appropriate punishment(s) pursuant to Rule 18(3) of the Disciplinary Rules. Pursuant to Rule 30 of the Disciplinary Rules, and in the interest of transparency as well as to deter potential misconduct, the DC's decisions will be published once they take effect.

In doing so, the members' name and the DC's decision are published on the Institute's official website, local newspapers and the Government gazette. Relevant Government licensing authorities and the association of accountants to which the member is associated may also be notified accordingly.

Please note that the above lists are not exhaustive. Members are strongly advised to seek the advice and guidance of the respective department of the Institute to ensure members strictly comply and adhere to the Act, the Disciplinary Rules and the Institute's By-Laws. For information on the Institute's legislation and the decisions of the DC please click on the links below:

1. <https://mia.org.my/regulatory-public-interest/accountants-act-1967/>
2. <https://mia.org.my/regulatory-public-interest/enforcement/disciplinary/>

Integrated Reporting in the IFRS S1 and S2 Era

at at-mia.my/2026/06/26/integrated-reporting-in-the-ifrs-s1-and-s2-era

June 26, 2026

AD SPACE

By MIA Professional Practices and Technical

With the introduction of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2), attention has increasingly turned to how Integrated Reporting remains applicable within the evolving sustainability reporting landscape. Rather than diminishing its relevance, these developments reinforce the continued value of Integrated Reporting. In fact, IFRS S1 and IFRS S2 incorporate concepts that are closely aligned with Integrated Reporting principles, including the emphasis on connected information reflected in IFRS S1.

Globally, the reporting landscape is evolving towards greater connectivity, not fragmentation. The IFRS Foundation has affirmed that Integrated Reporting remains relevant, noting that IFRS S1 and IFRS S2 disclosures can be embedded within an integrated report to provide comparable, material and decision-useful information. ([IFRS Foundation, *Integrated Reporting FAQs*](#)). Similarly, the work of the European Securities and Markets Authority (ESMA) on integrated reporting reflects growing recognition of the need for coherent and connected reporting ([ESMA Final Report, 2026](#)). As sustainability disclosures expand, the challenge is no longer producing more information, but producing credible, meaningful and connected disclosures. In this context, Integrated Reporting remains highly relevant for communicating long-term value creation.



Recent insights from the *Focus Group Discussion: Evaluating the Integration Journey: How Integrated Reporting Adopters are Embracing IFRS S1 and IFRS S2 — Progress, Challenges and Lessons Learnt (FGD)* highlight the continued relevance of Integrated Reporting.

During the FGD, insights from Malaysian Integrated Reporting (IR) adopters indicated that integrated thinking remains highly relevant as the underlying management discipline that enables organisations to respond more strategically and cohesively to the heightened demands of IFRS S1 and IFRS S2. By fostering connectivity across strategy, governance, risk management, performance and decision-making, integrated thinking helps organisations embed sustainability-related considerations into how the business is managed and value is created over the short, medium and long-term. While not all IFRS S1 and IFRS S2 disclosures would necessarily be presented within the Integrated Annual Report (IAR), the principles of integrated thinking provide the foundation for more coherent, decision-useful, and connected corporate reporting across multiple reporting channels.

A more demanding sustainability reporting landscape

IFRS S1 and S2 significantly raised expectations for sustainability disclosures. Organisations are now required to explain not only sustainability risks and opportunities, but also how these matters affect financial position, performance and future prospects. This requires stronger governance, enhanced data collection and clearer connectivity between sustainability information and financial reporting.

Practitioners have observed that many of the challenges encountered in implementing IFRS S1 and S2 are not technical in nature. Rather, they stem from fragmented reporting processes, difficulty translating qualitative sustainability risks into quantified financial

impacts, and gaps between sustainability, finance and risk teams.

As one FGD participant observed, *“The market still struggles to connect ESG budgets, operational outcomes and financial impacts, which is at the heart of what IFRS S1 and S2 require.”*

These challenges become more pronounced where sustainability reporting is treated as a parallel or standalone exercise rather than embedded within core business, risk and financial processes.

Integrated thinking as an enabler of IFRS S1 and S2

Integrated thinking, which underpins Integrated Reporting, directly addresses these challenges. It encourages organisations to view strategy, governance, performance, risks and sustainability as parts of a single system rather than as siloed disclosures. In addition, it helps organisations move beyond siloed reporting by recognising the interconnectedness of financial and non-financial risks, supporting a more coherent approach to disclosures.

Integrated thinking also provides a practical structure for interconnectivity by linking sustainability risks, including climate and nature-related impacts, to business strategy, capital allocation and long-term value creation. It also supports clearer articulation of dependencies and trade-offs across different capitals, aligning naturally with the intent of IFRS S1 and S2.

As one FGD participant observed: *“Integrated thinking helps organisations move from robust reporting to strategic, interconnected reporting, especially when discussing long-term risks and scenarios at Board level.”*

Rather than producing multiple disconnected reports, many organisations emphasised the importance of a single, coherent narrative that explains how sustainability considerations influence decision-making and financial outcomes. This approach not only reduces duplication but also enhances clarity and usefulness for investors.

Strengthening governance and Board engagement

Another consistent theme emerging from practice is the growing involvement of Boards and Audit Committees in sustainability disclosures. Under IFRS S1 and S2, sustainability information is no longer viewed as supplementary. Strong committee support, particularly from audit committees, drives organisational effort and resourcing, with senior responsible officers required to provide balanced reporting. In turn, sustainability disclosures are expected to meet financial statement-level rigour, supported by robust audit trails and documentation. In addition, Boards are increasingly aware of potential legal exposure arising from misstatements, while seeking consolidated views through country-level committees to ensure material issues are properly escalated.

As one FGD participant indicated, *“Audit committees are now expecting sustainability disclosures to meet financial statement-level rigour, including strong audit trails and documentation.”*

Integrated Reporting supports stronger Board engagement by framing sustainability matters within the broader context of strategy, risk management and performance. Boards are better positioned to challenge assumptions, understand financial trade-offs and assess the resilience of the business model over the medium and long-term.

This reinforces the role of Integrated Reporting as a governance tool rather than merely a reporting framework.



Improving investor confidence through connectivity

From an investor perspective, the value of Integrated Reporting lies in its ability to connect sustainability performance with financial value creation. Investors increasingly seek decision-useful information that explains how sustainability risks and opportunities affect cash flows, cost of capital and long-term competitiveness.

Integrated Reporting provides a structure for communicating this connectivity clearly. By linking sustainability initiatives, transition plans and risk mitigation strategies to financial outcomes, organisations can present a more credible and balanced narrative to providers of financial capital.

“Integrated Reporting helps organisations explain not just what sustainability issues they face, but why those issues matter to long-term value creation,” stressed an FGD participant.

Participants also noted that while sustainability disclosures continue to expand, conciseness remains a challenge. Integrated Reporting can serve as the overarching narrative that ties together management discussion and analysis, risk reporting and sustainability disclosures, helping users navigate an increasingly complex reporting environment.

Ethics, assurance and the credibility of sustainability information

As sustainability information becomes more closely linked to financial decision-making, ethical considerations assume greater importance. Practitioners emphasised the need to avoid misleading or overstated claims, particularly amid rising concerns over greenwashing. Tone from the top was identified as critical, with Boards expected to take clear responsibility for the credibility, balance and integrity of sustainability disclosures.

Integrated Reporting reinforces ethical reporting by promoting transparency, accountability and balanced communication. It encourages organisations to explain uncertainties, limitations and areas requiring further development, rather than focusing solely on positive outcomes. Many organisations reported that sustainability and data integrity risks are escalated to the audit committee, risk committee and the Board, while recognising that data accuracy must begin at the operations level and be supported by clear accountability within the respective operational departments.



To support this, organisations highlighted the importance of digital systems that clearly demonstrate data ownership, verification and correction processes, helping to reduce the risk of errors or manipulation. Ethical reporting was therefore widely regarded as a shared responsibility across the organisation, rather than one that sits solely with the sustainability function.

Internal audit functions were also identified as playing a critical role in strengthening data quality, governance and assurance readiness, particularly given the volume and complexity of sustainability information required under IFRS S1 and S2. By providing independent challenge and oversight, internal audit supports the credibility of disclosures and reinforces ethical behaviour across the organisation.

MIA's role in advancing integration and readiness

Against this evolving backdrop, MIA continues to play an important role in supporting the profession and organisations in Malaysia in navigating the integration journey.

Through sustained advocacy, capacity-building and practitioner engagement, MIA has consistently emphasised that compliance alone is insufficient. Strong governance, integrated thinking and sound professional judgement remain critical to the credibility of sustainability reporting.

Recent engagements, including this FGD, have underscored the need for continued guidance and knowledge sharing, particularly in areas such as materiality assessment, scenario analysis, financial impact quantification, data governance and assurance readiness. MIA is well positioned to facilitate dialogue between preparers, auditors, regulators and standard setters, helping to bridge global standards with local implementation realities, and it will continue to do so.

“While regulation creates the imperative, organisations such as MIA play a critical role in strengthening governance maturity, building capacity and enabling meaningful market adoption.”

Looking ahead: building capability through continued engagement and learning

As organisations continue to navigate an increasingly complex sustainability reporting landscape, ongoing engagement, capability-building and practical guidance will remain essential. In this regard, MIA will continue to support the profession through targeted initiatives, including practitioner-focused dialogues, webinars, focus group discussions and capacity-building programmes on Integrated Reporting and the adoption of IFRS S1 and IFRS S2.

Upcoming initiatives will place greater emphasis on addressing implementation challenges faced by preparers, such as strengthening data ownership and accountability, translating sustainability risks into financial impacts, and preparing for assurance over sustainability information within compressed reporting timelines. MIA will also continue to facilitate informed conversations among preparers, auditors, regulators and standard setters so that global standards are applied in a manner that is both robust and practicable.

By fostering informed dialogue and promoting integrated thinking, MIA aims to support organisations in moving beyond compliance-driven reporting towards more credible, connected and decision-useful disclosures. In doing so, Integrated Reporting remains a vital foundation for strengthening governance, enhancing investor confidence and communicating long-term value creation in an increasingly demanding reporting environment.

Is Your Firm Actually Benefitting from AI or Just Paying for It?

at at-mia.my/2026/05/28/is-your-firm-actually-benefitting-from-ai-or-just-paying-for-it

May 28, 2026

AD SPACE

By DataSnipper's Team

Think of the last time your firm purchased a new AI tool. There was probably excitement, maybe a few demos, perhaps a training session or two. Then, a few months later, most of the team went back to doing things the way they always had. Sound familiar? We linked this to the “gym membership problem”. You start the new year with hopes to get in shape and your shiny new membership. However, as time goes on, your motivation starts to wane and before you know it, you’ve totally forgotten about it. This is what is happening with AI tools.

Despite the wave of AI investment sweeping accounting and finance, the gap between adoption and actual impact remains stubbornly wide. [Nearly 90 percent of companies report AI investments, yet fewer than 40 percent see measurable gains.](#) The problem isn't the technology, it's the lack of a structured path for putting it to work.

That's where [DataSnipper's AI maturity model](#) comes in. Rather than treating AI as an on/off switch, a maturity framework maps the natural progression from manual processes to intelligent automation, helping teams understand where they are today, what problems they can solve right now, and what capabilities to build toward next.

Stage 1: Task-based automation

Most audit and finance teams begin their AI journey at the same place: drowning in repetitive, manual execution. The same tie-outs, the same reconciliations, the same evidence chasing, period after period. Errors creep in through version changes. Reviewers re-perform work they don't fully trust. And consistency depends entirely on who happens to be executing that day.

Stage 1 automation attacks this directly. Rules-based tools can handle document matching, data extraction from invoices and contracts, automated recalculations, and exception flagging. The goal isn't transformation, it's reliability. When routine tasks run consistently and leave a clear audit trail, the entire team works faster and reviews go more smoothly. This foundation also makes everything that follows possible.

Stage 2: AI automation

Once execution is standardised, a different bottleneck surfaces: understanding. Contracts get longer. Evidence grows more varied. Review demands more careful reading than any team can sustain at scale without burning out.

Stage 2 introduces AI that assists with comprehension, not just execution. Think AI-assisted document review that surfaces relevant clauses, intelligent search across collected evidence, automated summaries of lengthy reports, and draft commentary for working papers. Humans remain in control of the judgement; AI simply reduces the cognitive load required to get there. For teams already operating under tight deadlines, this is where AI starts to feel genuinely transformative.



Stage 3: Agentic automation

Stages 1 and 2 make individual steps faster. Stage 3 changes the operating model. AI agents can now be given a defined objective, say, executing an end-to-end Excel-based audit procedure and will determine and complete each step autonomously, applying domain logic within the platform.

This shift changes what professionals spend their time on. Instead of driving each step, they define the outcome, set the boundaries, and review the results. Throughput increases. Execution becomes consistent across entities and periods. And recurring procedures can run continuously rather than in periodic bursts tied to staff availability. Critically, human oversight doesn't disappear, it becomes more strategic.

Stage 4: Connected agents

Even the most capable single-platform agent hits a ceiling when real workflows span multiple systems. Evidence lives in one place, testing happens in another, and risk assessments draw on data from several sources. Stage 4 connects these environments

so agents can hand off work, share context, and adapt across platforms in real time.

Imagine an agent that retrieves submitted client evidence, structures the relevant data, transfers it into your testing environment, and begins executing sampling procedures, without a single manual step in between. Or multiple agents analysing transactional data, financial reports, and supporting documents in parallel, combining their findings into a defensible risk assessment. This is where fragmented workflows become integrated ones.

The right sequence matters more than speed

The firms seeing real ROI from AI aren't the ones who moved fastest. They're the ones who moved in the right order. Standardisation enables intelligence. Intelligence enables autonomy. Autonomy enables coordination. Skipping stages, deploying agents before workflows are reliable, or chasing cross-platform orchestration before single-system execution is solid tends to produce exactly the frustration that erodes confidence in AI investment.

One more thing worth emphasising: as AI becomes more autonomous, human accountability becomes more important, not less. [The EU AI Act and professional standards alike require appropriate oversight, traceability, and accountability.](#) The maturity model isn't about removing humans from the process; it's about ensuring they're spending their judgement where it counts most.

A gym membership doesn't deliver results on its own. Neither does an AI subscription. What delivers results is a plan and the discipline to follow it one stage at a time.

For more information, [click here](#).

Meeting Annual Continuous Professional Education Requirements: Tips for Busy Professionals (Republished)

at at-mia.my/2026/05/04/meeting-annual-continuous-professional-education-requirements-tips-for-busy-professionals-2

May 4, 2026

AD SPACE

By MIA CPE Compliance Team

In a rapidly changing business environment, Continuous Professional Education (CPE) plays a crucial role in ensuring that professional accountants remain competent, current, and compliant with regulatory expectations. Beyond strengthening ethical and technical proficiency, CPE is a mandatory requirement enforced by the Malaysian Institute of Accountants (MIA or the Institute) to uphold the profession's standards.

Balancing professional demands with annual CPE obligations can be challenging. However, with proactive planning, busy professionals may fulfil their annual CPE requirements smoothly while gaining real value from their learning experiences.

Understanding CPE Requirements

A critical first step is to clearly understand the specific CPE requirements set by the Institute. These typically include a minimum number of CPE hours per year, as well as guidance on what types of learning activities qualify.

Professional accountants are required to achieve a minimum of 20 structured CPE credit hours annually and participate in CPE learning activities that are relevant to their professional role. It is also important to distinguish between structured and unstructured learning.



Structured CPE includes formal activities such as seminars, conferences, webinars, e-learning programmes, and speaking engagements.



Unstructured learning consists of self-directed activities such as reading technical materials or staying updated on regulatory developments.

The structured and unstructured learning activities are outlined in APPENDIX V of the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (MIA By-Laws).

New members should be aware of when their CPE obligations begin:

- For members admitted between 1 January and 30 June, CPE requirements commence in the current year.
- For members admitted between 1 July and 31 December, CPE requirements start in the following calendar year.

Additionally, professional accountants should stay informed about upcoming changes, such as the introduction of mandatory ethics training hours starting from 1 January 2026. With this new requirement, while the annual CPE requirement remains at 20 structured and verifiable credit hours, members must now complete at least two (2) structured and verifiable CPE hours dedicated to ethics training. This update underscores the importance of ethical conduct as a cornerstone of professional practice. The revised requirements apply to all members of the Institute, reinforcing the profession's commitment to uphold standards of integrity and competence. Understanding these guidelines prevents misunderstandings and ensures that all learning efforts are appropriately recorded and contribute toward compliance.

Plan Ahead and Avoid the Year-end Rush

Procrastination is one of the most common reasons professional accountants struggle to fulfil their CPE requirements. Planning your CPE activities early in the year can prevent unnecessary stress. Leaving CPE activities until the last quarter often results in rushed decisions and sub-optimal learning experiences.

To avoid this, professional accountants are encouraged to set annual learning goals and spread out the CPE hours across quarterly or monthly targets. Integrating CPE into one's professional development plan can also yield additional benefits. By aligning CPE

activities with current responsibilities and career goals, individuals can choose training that not only fulfils a regulatory obligation but also supports their long-term growth. Tools such as digital calendars, reminders, or professional development trackers can further support consistency and accountability throughout the year.

Leverage Flexible Learning Options

The shift toward digital learning has made CPE more accessible than ever. The increasing availability of flexible learning options has transformed the way professionals can meet their obligations. Busy professionals can benefit from:



Webinars, virtual conferences, and online learning platforms, which offer the ability to participate from anywhere at any time.

Self-paced e-learning courses, which allow professional accountants to learn during travel, breaks, downtime, or outside office hours.



In-house training programs organised by employers, which often qualify as structured CPE.


Pursuing advanced professional qualifications, such as an MBA or certifications in areas such as data analytics or sustainability, which can contribute significantly to required CPE hours, provided they are relevant to the member's professional role.



These flexible options enable professional accountants to balance work, personal commitments, and ongoing professional development effectively.

Keep Accurate Records

CPE compliance goes beyond completing the CPE hours. Maintaining proper documentation and accurate records of CPE activities is equally vital, as members' CPE records may be subject to audit by the Institute. Best practices include:



Retaining certificates of attendance or proof of completion for all structured learning activities.

In cases where certificates are not issued, it is advisable to request confirmation of attendance from the event organiser or employer.

Use available online member portals to track CPE progress throughout the year.

Staying organized and consistently recording completed CPE activities throughout the year helps avoid the stress of last-minute documentation and ensures compliance with audit requirements.

Recognise Everyday Opportunities for CPE

Not all CPE must come from formal learning settings. Many routine work-related activities may qualify as structured CPE if criteria are met. For example, delivering or presenting at a formal and structured professional training, and writing technical articles or research papers related to one's professional role, may qualify as structured learning.

These activities not only contribute to CPE hours but also allow professional accountants to share knowledge and add value to the profession. Recognising and leveraging these impactful learning experiences can make CPE more engaging and rewarding.

Balance Learning with Practical Value

While meeting the minimum number of hours is essential, professional accountants should aim to select high-impact learning opportunities that deliver real, practical value. The goal should not simply be to "tick the box", but to pursue learning that enhances professional competency. High-impact CPE activities can improve technical competence, boost ethical decision-making, strengthen communication and leadership skills, and increase familiarity with regulatory changes and best practices.

When chosen thoughtfully, CPE goes beyond a compliance exercise to become a strategic investment in long-term professional excellence.

Final Thoughts

In conclusion, meeting annual CPE requirements need not be overwhelming. By understanding the rules, planning early, exploring flexible options, maintaining accurate records, and selecting meaningful learning experiences that align with personal and professional goals, busy professionals can stay compliant while continuously enhancing their expertise.

When viewed as an investment rather than an obligation, CPE becomes a valuable driver of professional growth, relevance, and long-term success in a dynamic professional environment.

MFRS and MPERS: Common Issues on Leases

at at-mia.my/2026/06/30/mfrs-and-mpers-common-issues-on-leases

June 30, 2026

AD SPACE

By MIA Sustainability, Digital Economy and Services team

MIA has received various accounting queries on leases through our technical queries facility. In this article, we will be sharing a few more common questions received and the suggested guidance for reference.

Previously, we have published several articles on common accounting issues, which can be accessed through the links below:

1. [MPERS: Common Issues on Consolidation](#)
2. [MFRS and MPERS: Common Issues on Investment Property and Property, Plant and Equipment](#)
3. [MPERS: Common Issues on Consolidation](#)

On 27 February 2025, the International Accounting Standards Board (IASB) issued the third edition of IFRS for SMEs Accounting Standard¹. The revised standard will be effective for periods beginning on or after 1 January 2027. In October 2025, the Malaysian Accounting Standards Board (MASB) issued a revised version of Malaysian Private Entities Reporting Standard (MPERS) which aligns with the third edition of IFRS for SMEs Accounting Standard. Accordingly, all MPERS-related guidance set out below is based on MPERS 2025.

Question 1

| What is the definition of 'lease term'?

MFRS

An entity shall determine the lease term as the non-cancellable period of a lease when it consists of both of the following:

- Periods covered by an option to extend the lease if the lease is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease if the lease is reasonably certain not to exercise that option.²

An entity will need to assess whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, and an entity shall consider all relevant facts and circumstances as described in paragraphs B37-B40 of MFRS 16.

MPERS 2025³

The term 'lease term' is not defined in MPERS (2025) or IFRS for SMEs Accounting Standard.

In the absence of specific guidance in MPERS, a private entity may choose to apply guidance in full MFRS Accounting Standards and those principles do not conflict with requirements in the hierarchy set out in paragraphs 10.4-10.5 of MPERS Section 10 *Accounting Policies, Estimates and Errors*.⁴

Question 2

What is the accounting treatment for hire purchase interest in suspense for a lessee?

MFRS

Paragraph 26 of MFRS 16 states that “at the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate”.

The interest rate implicit in the lease is defined as the rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lease.⁵

Subsequently, the lease liability shall be measured by:⁶



increasing the carrying amount to reflect interest on the lease liability



reducing the carrying amount to reflect the lease payments made



remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.⁷

MPERS 2025

Paragraph 20.9 of MPERS states that “at the commencement of the lease term, a lessee shall recognise its rights of use and obligations under finance leases as assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Any initial direct costs of the lessee (incremental costs that are directly attributable to negotiating and arranging a lease) are added to the amount recognised as an asset”.

The present value of the minimum lease payments should be calculated using the interest rate implicit in the lease. If this rate cannot be determined, the lessee’s incremental borrowing rate should be used instead.⁸

Subsequently, a lessee shall apportion minimum lease payments between the finance charge and the reduction of the outstanding liability using the effective interest method (see paragraphs 11.15-11.20 of MPERS Section 11).⁹

Accordingly, the lease shall be recognised at the amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments at the commencement date, with the finance charge recognised separately over the lease term using the effective interest method.¹⁰

Question 3

A company is involved in property sales and financing activities. Its main sources of income are the sale of properties and the provision of financing services.

The company enters into a “Sale & Purchase Agreement by Rent-to-Own” arrangement for the sale of its properties, whereby ownership of the property will only be transferred to the buyer upon full settlement of the purchase price.

Should this arrangement be classified as a finance lease or an operating lease?

MFRS

Firstly, the entity shall assess whether such an arrangement is or contains a lease. Paragraphs B9 to B31 of MFRS 16 set out guidance on the assessment of whether a contract is, or contains, a lease.¹¹

Next, a lessor shall classify the lease as either operating lease or a finance lease.¹²

Finance Lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating Lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Examples of situations that would normally lead to a lease being classified as a finance lease can be viewed in paragraphs 63 of MFRS 16 and the indicators of situations that lead to a lease being classified as a finance lease can be viewed in paragraph 64 of MFRS 16.¹³ Accordingly, the classification of the arrangement depends on whether all the risks and rewards incidental to ownership of the property are transferred substantially to the buyer, rather than merely based on the legal transfer of title.¹⁴

MPERS 2025

An entity shall classify the lease as either an operating lease or a finance lease based on paragraphs 20.4 to 20.8 of MPERS Section 20.

Question 4

A company has a land lease arrangement with a contractual lease period from 23 June 1995 to 22 July 2025.

The lessor and lessee have mutually agreed to extend the lease for another 20 years, commencing from 23 July 2025.

How and when should the depreciation of the additional Right-Of-Use (ROU) asset and the interest expense on the corresponding lease liability be accounted for as a lessee?

MFRS

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).¹⁵

Firstly, an entity will need to determine whether the lease modification is a separate lease based on paragraph 44 of MFRS 16.

If the lease modification is not accounted as a separate lease, at the effective date of the lease modification, a lessee shall¹⁶:



allocate the consideration in the modified contract applying paragraphs 13-16.



determine the lease term of the modified lease applying paragraphs 18-19.



remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The remeasurement of the lease liability shall be based on paragraph 46 of MFRS 16. The effective date of the modification shall be the date when both parties agree to a lease modification.¹⁷

MPERS 2025

The term 'lease modification' is not defined in MPERS (2025) or IFRS for SMEs Accounting Standard.

However, the private entity shall not anticipate or apply changes made to full MFRS Accounting Standards before the MPERS is amended unless, in the absence of specific guidance in MPERS, a private entity may choose to apply guidance in full MFRS Accounting Standards and those principles do not conflict with requirements in the hierarchy set out in paragraphs 10.4 to 10.5 of MPERS Section 10 *Accounting Policies, Estimates and Errors*.¹⁸

The views expressed are not the official opinion of MIA, its Council or any of its Boards or Committees. Neither the MIA, its Council or any of its Boards or Committees nor its staff shall be responsible or liable for any claims, losses, damages, costs or expenses arising in any way out of or in connection with any persons relying upon this article.

¹ MIA Accountants Today, September 2025, *Overview of the Third Edition of IFRS for SMEs Accounting Standard*

² Paragraph 18 of MFRS 16 *Leases*

³ In October 2025, the Malaysian Accounting Standards Board (MASB) issued a revised version of MPERS which aligns with the third edition of IFRS for SMEs Accounting Standard issued by the International Accounting Standards Board (IASB) in February 2025.

⁴ Paragraph P16 of *Preface to the MPERS*

- ⁵ Appendix A *Defined Terms* of MFRS 16 *Leases*
- ⁶ Paragraph 36 of MFRS 16 *Leases*
- ⁷ Paragraph 37 of MFRS 16 *Leases*
- ⁸ Paragraph 20.10 of MPERS Section 20 *Leases*
- ⁹ Paragraph 20.11 of MPERS Section 20 *Leases*
- ¹⁰ Paragraphs 20.9 and 20.11 of MPERS Section 20 *Leases*
- ¹¹ Paragraph 9 of MFRS 16 *Leases*
- ¹² Paragraph 61 of MFRS 16 *Leases*
- ¹³ Paragraphs 63 and 64 of MFRS 16 *Leases*
- ¹⁴ Paragraph B45 of MFRS 16 *Leases*
- ¹⁵ Appendix A *Defined Terms* of MFRS 16 *Leases*
- ¹⁶ Paragraph 45 of MFRS 16 *Leases*
- ¹⁷ Appendix A *Defined Terms* of MFRS 16 *Leases*
- ¹⁸ Paragraph P15 of *Preface to the MPERS*

MIA Digital Economy Developments and Engagements

at at-mia.my/2026/06/08/mia-digital-economy-developments-and-engagements-2

June 8, 2026

AD SPACE

By the MIA Sustainability, Digital Economy and Services Team

Digital transformation continues to present both opportunities and challenges for accountancy practices, particularly small and medium practices (SMPs) seeking to remain competitive in an increasingly technology-enabled business environment. While many firms have begun adopting digital tools, translating adoption into meaningful operational improvements and long-term growth remains an ongoing priority.

This quarterly update highlights a key initiative undertaken by MIA between January and March 2026 to support digital adoption within the profession. Through programmes that strengthen digital capabilities and encourage more effective use of technology, the Institute continues to support members in navigating an increasingly digital business environment.

MIA SMP Digital Accelerator Programme

The MIA SMP Digital Accelerator Programme was designed to support Small and Medium Practices (SMPs) in strengthening their digital capabilities and advancing their digital transformation efforts. The programme aims to equip participants with practical insights, address key operational challenges, and enable sustainable growth through digital transformation.

Developed to provide structured guidance and hands-on support, the Programme is tailored for SMPs that have already embarked on their technology adoption journey, with the aim of advancing and deepening their digital capabilities. Through this initiative, participating firms are encouraged to embrace more sophisticated technologies, strengthen their operational efficiency, and move forward with greater confidence in an increasingly digital business environment.

Beyond supporting individual firms, the Programme also seeks to cultivate a community of digitally enabled SMPs that can serve as role models and inspire wider adoption of technology across the profession.



As part of this initiative, an introductory webinar on the MIA SMP Digital Accelerator Programme was held on 8 January 2026. The webinar attracted nearly 300 MIA members and provided valuable insights into the Programme, as well as the importance of leveraging digital transformation to drive long-term sustainability and growth.

Rasmimi Ramli, Executive Director, Sustainability, Digital Economy and Services, MIA, presented an overview of the Programme. This was followed by a panel session moderated by Professor Dr David Asirvatham, Chair of the MIA Digital Technology Implementation Committee (DTIC), and featuring Steven Chong, Member of DTIC, and Teh Weil Xuan, Member of the MIA SMP Committee, who shared practical perspectives on digital adoption within SMPs.

Digital Transformation in Small and Medium Practices (SMPs)



A complimentary webinar titled Digital Transformation in Small and Medium Practices (SMPs) was held on 26 October 2022. The webinar commenced with a presentation on MIA's digital initiatives and followed by a briefing and hands-on session of the European Federation of Accountants and Auditors (EFAA)'s Digital Competency Maturity Model (DCMM) by Chair of EFAA Digital Working Group. MIA issued the DCMM tool members in March 2021 to enable SMPs to rate their current level of maturity on digital competency, identify areas where competencies are strong or lacking, and then develop a road map for scaling up.

Digital Transformation Programme for SMPs



- Workshop in collaboration with Malaysia Digital Economy Corporation (MDEC) on 27 September 2023 to create awareness on the full potential of digital technologies for SMPs in creating value and knowledge digital application of SMPs.

Empowering SMPs: Journey through Digital Transformation

- Sharing session with 50 SMP MIA members by 3 of the Top Excellence Winners of MIA's DFAA in the SMP Category on their digital transformation journey on 26 June 2024.
- Challenges, best practices as well as practical strategies to propel firms towards success in the digital age were shared during the dialogue session.



Watch Video At: <https://youtu.be/r0vWv-pQIK3I>

Discover more about the MIA SMP Digital Accelerator Programme [here](#) and [watch the webinar](#) recording to gain valuable insights into the opportunities and benefits of digital transformation.

Conclusion

For SMPs, digital transformation is increasingly about more than adopting new technologies. It requires firms to identify the tools and capabilities that best support their business objectives, operational needs and long-term growth aspirations.

Through initiatives such as the MIA SMP Digital Accelerator Programme, MIA continues to support firms in strengthening their digital capabilities and making more informed decisions about technology adoption. By helping SMPs translate digital ambition into practical action, the Institute is contributing to a more resilient, competitive and digitally enabled profession.

MIA Establishes Task Force to Strengthen its Practice Review Framework and Disciplinary Mechanism

at at-mia.my/2026/05/25/mia-establishes-task-force-to-strengthen-its-practice-review-framework-and-disciplinary-mechanism

May 25, 2026

AD SPACE

By MIA Surveillance and Enforcement Team

The Institute has established the Task Force on Enhancement and Governance of the Practice Review Framework and Disciplinary Mechanism (TPRDM), in response to feedback raised by members at the Malaysian Institute of Accountants (MIA) Annual General Meeting held in September 2025. This is a structured initiative to undertake a holistic review of both the Practice Review and Disciplinary frameworks and recommend enhancements where appropriate.

This initiative reflects MIA's continued commitment to strengthening regulatory governance, enhancing transparency, and ensuring that its Practice Review and Disciplinary frameworks remain robust, fair, and aligned with international expectations.

Mandate and Focus of the Task Force

The TPRDM has been entrusted with the responsibility to review and strengthen both the Practice Review framework and the Disciplinary Mechanism.

Its work will broadly focus on:



Assessing the effectiveness, and credibility of the Practice Review process, enhancement where applicable, alignment with international regulatory practices and emerging global expectations



Strengthening transparency, fairness, and proportionality in disciplinary decision-making

Through this work, the task force aims to reinforce confidence in MIA's regulatory system while ensuring it remains practical, balanced, and fit for purpose.

Composition of Task Force

The establishment of the task force was approved by the MIA Council in February 2026. The task force comprises 13 members, bringing together a balanced mix of regulators, practitioners, ethics professionals, and legal experts.

It includes representatives from regulatory bodies, members of MIA's Practice Review and Disciplinary Committees, audit practitioners from firms of varying sizes, as well as professionals with expertise in ethics and legal advisory.

This balanced composition ensures that deliberations are independent, well-informed, and reflective of diverse perspectives across the profession, thereby strengthening the robustness and credibility of the task force's recommendations.

Progress Update and AGM 2026 Reporting

The task force convened its first meeting in April 2026, formally commencing its review task. Discussions have focused on understanding current frameworks in depth, identifying key areas for enhancement, and reviewing international benchmarking practices. The work is being carried out in a structured and phased manner, supported by technical input from the secretariat and data from ongoing analysis. The task force is also taking into consideration feedback received through member and stakeholder surveys, as well as targeted engagement sessions and consultations with identified stakeholders, which will be incorporated into its assessment as the review progresses.



Members will be updated on the progress of the task force at the upcoming MIA Annual General Meeting in September 2026. At that juncture, the Institute will provide an overview of the initiatives and work undertaken by the task force since its commencement in April 2026. Where timing permits, the task force also aims to present the preliminary outcomes of its assessment, particularly in relation to proposed enhancements to the Practice Review framework, as well as guiding principles relating to disciplinary

transparency and sanctioning. However, recognising the importance of comprehensive analysis and meaningful stakeholder engagement, certain areas may extend beyond the AGM to allow for further refinement and careful consideration prior to finalisation.

Commitment to Strengthening the Framework

The establishment of the TPRDM reflects MIA's ongoing commitment to strengthening its regulatory systems through structured review, stakeholder engagement, and alignment with international best practices.

By bringing together diverse expertise and engaging with members throughout the process, the Institute aims to ensure that both the Practice Review and Disciplinary frameworks continue to uphold the highest standards of professionalism, fairness, and public confidence.

Ultimately, this initiative reinforces a shared objective between MIA and its members to ensure that the profession remains trusted, resilient, and future-ready in a rapidly evolving regulatory landscape

NOTE: As part of its consultative and inclusive approach, MIA will be conducting surveys among members and relevant stakeholders to obtain feedback on key areas under review. These include perceptions relating to the fairness and consistency of practice review outcomes, disciplinary sanctioning practices, publication policies, and areas for improvement. The feedback gathered will serve as an important input in shaping the task force's deliberations and recommendations.

MIA International Accountants Conference 2026: Future-Ready. Value-Driven. Trust-Centred.

at at-mia.my/2026/05/22/mia-international-accountants-conference-2026-future-ready-value-driven-trust-centred

May 22, 2026

AD SPACE

By MIA Strategic Communications & Branding Team and Nazatul Izma Abdullah

As the MIA International Accountants Conference 2026 returns, its theme, **Future-Ready • Value-Driven • Trust-Centred**, addresses the profession's central challenge directly: how accountancy professionals can remain relevant, trusted and able to create long-term value in a more complex economy.

Taking place from **9 to 10 June 2026 at the Kuala Lumpur Convention Centre**, the Conference is expected to bring together 3,800 delegates and over 70 speakers, reinforcing its reputation as one of the region's leading large-scale platforms for professional exchange, thought leadership and strategic dialogue. For members and stakeholders, the 2026 edition comes at a point when the profession is increasingly expected to strengthen governance, support better decisions and build trust across business, markets and the wider economy.

To be future-ready is to anticipate change rather than merely respond to it, strengthening the foresight, adaptability and professional judgement needed to navigate economic, regulatory, technological and sustainability-related disruption. To be value-driven is to move beyond compliance and reporting towards better decision-making, stronger governance and long-term value creation. To be trust-centred is to uphold the integrity, transparency and professional judgement that give the profession its credibility.

Across the Conference agenda, trust emerges as the profession's strategic asset and differentiator, and must be embedded in governance, systems, conduct and decision-making.



PLENARY 1

FUTURE-READY ECONOMIES:

Trust and Value in an Evolving Global Landscape, explores the role of governance, institutional strength and professional integrity in supporting economic resilience, market confidence and value-centric growth.



PLENARY 2

PREVENTING FINANCIAL MISCONDUCT:

Strengthening Integrity Through Technology-Enabled Enforcement, examines how controls, technology, accountability and ethical leadership can institutionalise trust and help organisations move from reactive detection to proactive prevention.



PLENARY 3

TRUST UNDER THREAT: GOVERNING DIGITAL FINANCIAL CRIME IN THE NEW AML LANDSCAPE

addresses the digital financial crime and AML frontier, where boards, senior management and finance and accounting leaders are increasingly expected to safeguard financial integrity and strengthen organisational trust.

Building on this trust agenda, the wider programme addresses issues that now sit at the heart of the profession's future-readiness and value proposition, including digital transformation, AI governance, sustainability reporting, public trust, financial crime, leadership and the evolving role of finance functions. These are connected by a common question: how can accountancy professionals help organisations and markets make decisions that are credible, transparent, accountable and support long-term value creation?



YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II

This question will also be central to the keynote address by **YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II**, reflecting the important role of the accountancy profession in Malaysia's nation-building agenda. As Malaysia navigates a more complex environment, accountancy professionals are increasingly called upon not only to ensure compliance and accountability, but also to strengthen confidence, support better decision-making and contribute to sustainable value creation. These are all essential to long-term competitiveness.

Beyond the formal programme, the Conference is valued for its networking and strategic collaboration opportunities, bringing together accountancy professionals, business leaders, regulators, policymakers and other stakeholders across the profession and wider business ecosystem. In a business environment where professional relevance is shaped by knowledge, conversations and connections, these interactions are an important part of the Conference experience.

As the profession looks ahead, the question is no longer whether accountancy will change, but how accountancy professionals will lead that change. The MIA International Accountants Conference 2026 offers members and stakeholders a platform to examine what it means to be future-ready in capability, value-driven in contribution and trust-centred in purpose and conduct, and to strengthen the profession's contribution to the nation.

MIA Sustainability Developments and Engagements

at at-mia.my/2026/06/08/mia-sustainability-developments-and-engagements

June 8, 2026

AD SPACE

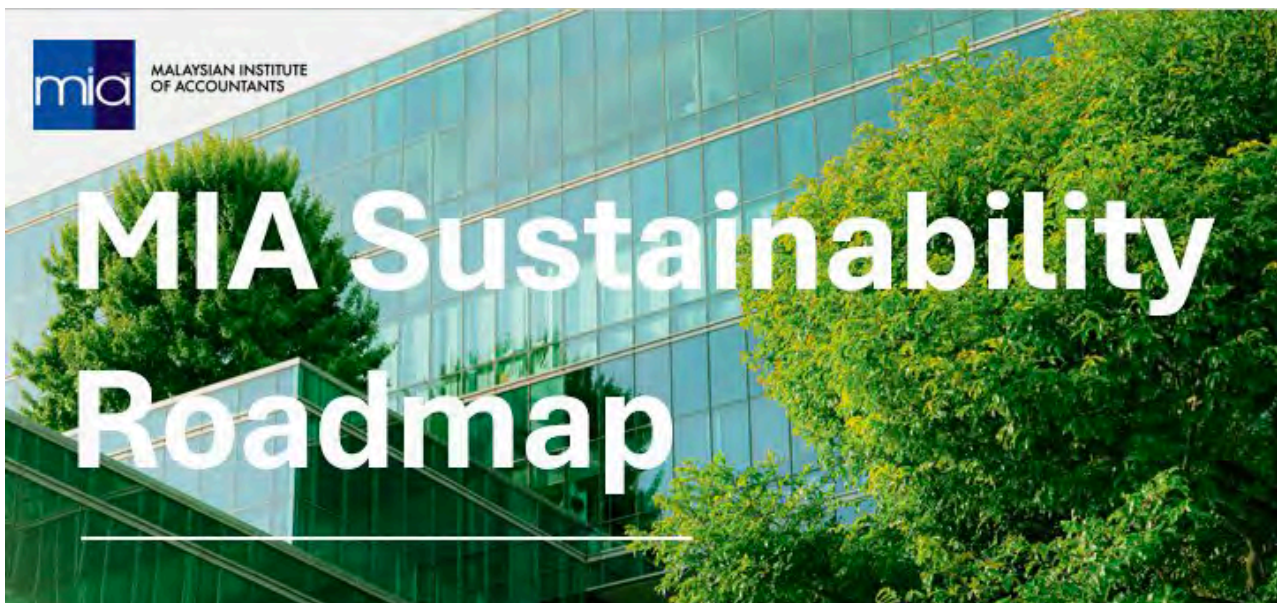
By the MIA Sustainability, Digital Economy and Services Team

Sustainability considerations are becoming increasingly embedded in the way organisations are governed, managed and evaluated. As reporting requirements evolve and expectations around transparency continue to rise, accountants are expected to play a more active role in supporting sustainable business practices and long-term value creation.

This quarterly update highlights key initiatives undertaken by MIA between January and March 2026 to advance its Sustainability Agenda, strengthen professional capabilities and support members in responding to the growing demands of the sustainability landscape.

Progressing on the MIA Sustainability Roadmap

The MIA Sustainability Roadmap operationalises the MIA Sustainability Blueprint for the Accountancy Profession. It comprises 169 targeted initiatives designed to facilitate effective implementation of the Blueprint in achieving the sustainability aspirations.



As at 31 December 2025, the Institute had completed 39 initiatives, reflecting steady momentum towards achieving the Roadmap's long-term goals. Key highlights include:

- the launch of the **MIA Certificate of Sustainability for Accountants** during the MIA Sustainability Showcase in December 2025;

- the establishment of the [Sustainability Resource Hub](#) as a one-stop centre providing access to sustainability standards, practical tools and guidance, capacity-building programmes and essential sustainability resources;
- the organisation of various webinars covering topics such as public sector sustainability reporting, climate-related matters, sustainability and technology, sustainability reporting and assurance, as well as tax governance;
- the MIA-ICAEW Train the Trainers workshop for academicians on accounting and sustainability related topics; and
- the enhancement of training materials for both introductory and preparer levels as part of the development of sustainability-related training content for Integrated Reporting.

The successful advancement of the Roadmap underscores the Institute's proactive commitment to advancing its Sustainability Agenda and ensuring that accountancy professionals remain relevant in the sustainability space. By systematically addressing capacity-building, advocacy, and the development of practical tools and resources, MIA continues to position its members as sustainability leaders and advocates capable of driving meaningful change within their organisations and communities.

Engaging the Energy Commission

As part of its ongoing efforts to strengthen collaboration with key stakeholders in support of the national sustainability agenda, MIA paid a courtesy visit to the Energy Commission (ST) on 4 February 2026.



Led by MIA Chief Executive Officer, Mr G Shanmugam, the MIA delegation was warmly received by Puan Ir. Ts. Nurhafiza Mohamed Hasan, Director of the Strategy and Corporate Affairs Division, together with senior officers of ST.

During the engagement, Mr G Shanmugam, Dr. Nurmazilah Dato' Mahzan, Member of the MIA Sustainability Committee, and Puan Rasmimi Ramli, Executive Director of Sustainability, Digital Economy & Services of MIA, shared the Institute's aspirations to further strengthen the accountancy profession's role as a sustainability advocate in supporting Malaysia's energy transition agenda. The meeting also provided an opportunity for both parties to explore potential areas for strategic collaboration and mutual support.

For more information on MIA Sustainability Agenda, please visit

<https://mia.org.my/sustainability/>

Mandatory CPE Hours on Sustainability-Related Training

On 5 March 2026, the Institute held a virtual roundtable discussion on its proposal regarding mandatory Continuing Professional Education (CPE) requirements on sustainability-related training. The session brought together MIA leadership including MIA President, Dato' Saniza Said, key stakeholders such as the Accountant General's Department (AGD) and organisational members of the Advisory Committee on Sustainability Reporting (ACSR), representatives of the profession and sustainability experts.

Discussions centred on a proposal to introduce a compulsory annual requirement of **two (2) structured and verifiable CPE hours dedicated to sustainability-related learning**. This initiative, which forms part of the MIA Sustainability Roadmap, is intended to ensure that accountancy professionals remain at the forefront of the sustainability agenda and possess the foundational knowledge required to support organisational transformation and respond effectively to increasing sustainability reporting and regulatory expectations.



The MIA Sustainability Committee will consider the feedback and insights gathered during the session as it further refines the proposal.

Conclusion

The initiatives undertaken during the quarter reflect the continued evolution of the accountancy profession's role in sustainability. Beyond supporting reporting and compliance requirements, accountants are increasingly expected to contribute to informed decision-making, effective governance and the creation of long-term value.

Through the implementation of the MIA Sustainability Roadmap, stakeholder engagements and targeted capacity-building initiatives, MIA remains committed to equipping members with the knowledge and competencies needed to respond to these evolving expectations. In doing so, the Institute continues to support the development of a profession that is trusted, relevant and well positioned to contribute to sustainable business practices and national development.

MIA Taxation and Technical Initiatives: An Overview

at at-mia.my/2026/06/08/mia-taxation-and-technical-initiatives-an-overview-2

June 8, 2026

AD SPACE

By the MIA Sustainability, Digital Economy and Services Team

Taxation, reporting and sustainability requirements continue to evolve, presenting new considerations for organisations and accountancy professionals alike. In this environment, staying abreast of regulatory developments, emerging practices and technical guidance remains essential to supporting effective decision-making, compliance and governance.

This quarterly update highlights key developments and initiatives undertaken by MIA between January and March 2026 to support members in navigating these evolving requirements while upholding high standards of professionalism and public trust.

Improvements to The Tax Agent e-Filing (TAeF) System on MyTax

The Malaysian Institute of Accountants (MIA), in collaboration with the Malaysian Institute of Certified Public Accountants (MICPA) or the Institutes, has taken a proactive role in supporting ongoing enhancements to Malaysia's tax administration system. Following an invitation from Lembaga Hasil Dalam Negeri Malaysia (HASiL), the Institutes participated in a joint industry effort to provide constructive feedback on the Tax Agent e-Filing (TAeF) platform.



On 13 March 2026, a consolidated set of recommendations was formally submitted to HASiL. The submission focused on practical improvements to system functionality, user accessibility, and administrative efficiency. Key recommendations included improvements to user management features, expanded access for tax agents, enhanced reporting and download capabilities, as well as stronger system integration across related tax applications.

This initiative reflects the Institute’s commitment to working closely with regulators to strengthen the tax ecosystem. By sharing industry insights and advocating for user-centric improvements, MIA and MICPA aim to support a more efficient, secure, and responsive digital tax environment for both practitioners and taxpayers.

Tax Corporate Governance in Practice

On 31 March 2026, MIA hosted a webinar titled ‘**Tax Corporate Governance in Practice**’, which attracted close to 300 MIA members. The session brought together insights from HASiL and industry practitioners, highlighting the growing shift towards collaborative compliance.

Zainal Azam Zainal Ratin, Director of Tax Corporate Governance Section of Tax Compliance Sector at HASiL, shared insights into the evolution of the Tax Corporate Governance (TCG) programme from a traditional audit-driven compliance model to a more transparent, proactive and forward-looking governance framework. The message was clear: tax is no longer just about meeting obligations, but also about embedding accountability, proactively managing risks, and fostering trust through early engagement with the tax authority.



The accompanying panel discussion, moderated by Tai Lai Kok, Chair of the MIA Taxation Practice Committee, featured Kalsumawati Mohd Aris, Country Tax Manager at SHELL Malaysia Limited, alongside Zainal Azam. The discussion brought practical perspectives to life, highlighting the transformation of tax into a strategic business function that requires strong leadership commitment and effective collaboration across finance, legal, and operational teams.

Panellists emphasised that effective tax governance relies on defined internal frameworks, clear documentation, and continuous monitoring, all of which are increasingly supported by digital tools and automation.

As the session concluded, participants were encouraged to view TCG not as an added burden, but as a strategic investment. In an increasingly complex tax environment, organisations that embrace governance-led approaches will be better positioned to navigate risks, build trust, and sustain long-term growth.

Digital Assets and Integrated Reporting

In collaboration with the Malaysian Accountancy Research and Education Foundation (MAREF), the Institute organised a complimentary webinar titled *“Insights from MAREF Research Projects: Digital Assets and Integrated Reporting”* on 10 March 2026. The webinar commenced with welcome remarks by Associate Professor Dr Zarina Zakaria, Chair of MAREF.



The session presented key findings from two MAREF-funded research projects. The first, Valuation of Digital Assets, was presented by Associate Professor Dr Noor Sharoja Sapiei of Universiti Malaya and Associate Professor Dr Marizah Minhat of the University of Bradford. The second, Correlation between Corporate Reporting using the Integrated Reporting Framework and Company Performance in the Malaysian Market in relation to Market Value and Cost of Capital and whether IR Results in Better Investor Confidence, was presented by Professor Dr Nor Farizal Mohamed of Universiti Teknologi MARA.

The discussions highlighted gaps in current accounting standards relating to digital assets, as well as challenges associated with valuation and reporting practices. The webinar also explored how the adoption of Integrated Reporting is associated with higher

market valuation and improved investor confidence among Malaysian listed companies, while identifying practical challenges faced by organisations in implementing the IR framework.

Reframing Climate Disclosures: IPSASB's Roadmap to Sustainable Public Sector Reporting

During the quarter, the Institute published an article highlighting key insights from the session “**Reframing Climate Disclosures: IPSASB's Roadmap to Sustainable Public Sector Reporting**”, held during the MIA International Accountants Conference 2025.

The session is in tandem with the International Public Sector Accounting Standards Board (IPSASB)'s issuance of its inaugural Sustainability Reporting Standard, [IPSASB SRS 1 Climate-related Disclosures](#), marking a significant milestone in advancing sustainability reporting within the public sector. The standard introduces a global standard for disclosing climate-related risks and opportunities, aligned with [IFRS S2 Climate-related Disclosures](#) issued by International Sustainability Standards Board (ISSB).

The article further underscored the pivotal role of public sector accountants in strengthening climate governance and accountability. It also highlighted important implementation considerations, including data readiness, capacity-building, inter-agency coordination, and the need for integrated thinking to translate reporting standards into meaningful practice. [Click here](#) to view the article.

Members are encouraged to read the full article for deeper insights into the evolving sustainability reporting landscape and its implications for the public sector.

Conclusion

The developments highlighted this quarter reflect the increasingly interconnected nature of taxation, reporting, sustainability and governance. As regulatory expectations evolve and organisations face growing demands for transparency and accountability, access to timely insights and practical guidance becomes increasingly important.

Through its technical initiatives, stakeholder engagements and knowledge-sharing platforms, MIA continues to support members in strengthening professional capabilities and responding effectively to emerging developments. In doing so, the Institute contributes to a profession that is equipped to uphold public trust, create long-term value and support Malaysia's economic development.

Strengthening Impact in Islamic Social Finance: A Practical Guide for Accountants

at at-mia.my/2026/05/19/strengthening-impact-in-islamic-social-finance-a-practical-guide-for-accountants

May 19, 2026

AD SPACE

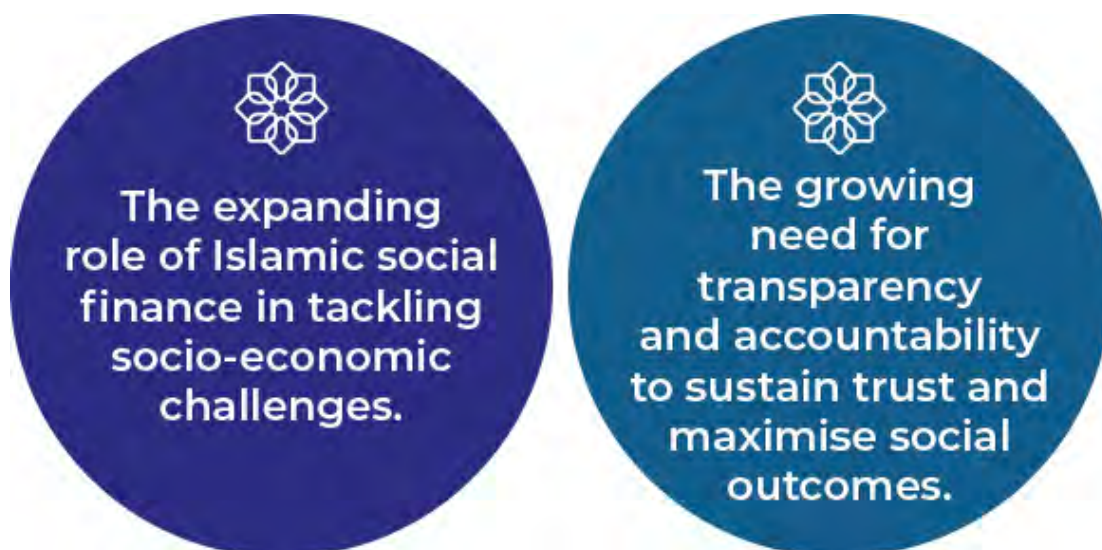
By the MIA Islamic Finance Team

The increasing prominence of Islamic social finance on a global scale is transforming the approaches communities use to tackle enduring socio-economic issues. Instruments such as zakat, waqf, sadaqah, and Islamic social investments are mobilising resources at unprecedented scale, funding poverty alleviation, healthcare, education, and community infrastructure. However, greater scale has also necessitated greater accountability. Stakeholders—donors, regulators, beneficiaries, and the wider public—are no longer satisfied with assurances of Shariah compliance alone. They want evidence that funds are producing real, transformative outcomes.

Meeting this demand requires more than good intentions. It calls for a structured, credible, and accessible mechanism for monitoring and reporting impact. That is precisely the purpose of the Industry Guide on Impact Monitoring and Reporting for Islamic Social Finance, jointly developed by the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia and the Malaysian Institute of Accountants (MIA).

Why This Guide Matters

The Guide responds to two converging realities:



By offering a practical and proportionate Guide, it helps Islamic financial institutions (IFIs) and implementing entities monitor, measure, and report on the outcomes of their activities. It is aligned with internationally recognised impact management practices while remaining firmly rooted in the ethical objectives of Maqasid al Shariah.

Another significant aspect to note is that the Guide is not prescriptive. It recognises the diversity of mandates, operating models, and institutional capacities across the sector. Instead, it provides flexible reference material that can be adapted to different contexts, ensuring accessibility for both large institutions and smaller community-based organisations.

Built on Broad Consultation

The Guide was shaped through extensive stakeholder engagement, reflecting consensus across the Islamic social finance ecosystem. Feedback highlighted strong support for a common reference point that emphasises:



Stakeholders welcomed the inclusion of practical resources such as:



They also valued the explicit linkage to Maqasid al Shariah, which grounds impact measurement in the ethical and spiritual objectives of Islamic finance.

At the same time, feedback underscored the importance of proportionality. Outcome and impact level measurement, as well as external verification, can be resource intensive. Respondents called for a phased, risk-based approach and alignment with existing

regulatory, prudential, and sustainability reporting requirements. These insights informed refinements to the Guide, strengthening coherence, practicality, and continuous improvement while safeguarding integrity.

How Institutions Can Use the Guide

The Guide is designed as a practical reference, not a rigid manual. Institutions can apply it in ways that match their mandate, scale, and capacity. Key features include:

- Principles, tools, and examples adaptable to different instruments and contexts.
- Incremental application, allowing institutions to start with the most relevant elements and deepen practices over time.
- Integration into existing processes, including governance, risk management, and regulatory reporting.
- Voluntary use, encouraging learning, piloting, and stakeholder engagement rather than compliance for its own sake.
- Institutions are encouraged to begin by familiarising themselves with core concepts such as:
 - Articulating a clear theory of change
 - Identifying material outcomes
 - Selecting appropriate indicators to monitor progress

The Guide's templates and tools support consistent documentation while leaving room for professional judgement. Over time, institutions can refine their practices based on implementation experience, internal reviews, and feedback from stakeholders. This iterative approach contributes to the ongoing evolution of impact monitoring and reporting across the Islamic social finance ecosystem.

A Step Towards Maturity

Islamic social finance is entering a new phase of maturity. With maturity comes responsibility: the responsibility to measure, disclose, and continuously improve. The Guide provides the tools to meet that responsibility without imposing undue burden.



By bridging international impact management practices with the ethical objectives of Maqasid al Shariah, it offers a common language for all stakeholders—donors, regulators, practitioners, and beneficiaries alike. This shared language strengthens confidence, facilitates capital mobilisation, and propel Islamic social finance to deliver meaningful and measurable social impact.

Looking Ahead

The full publication of the Industry Guide on Impact Monitoring and Reporting for Islamic Social Finance will be formally launched in June 2026. Its release marks a milestone for the sector, providing accountants, regulators, and practitioners with a consensus driven reference for impact reporting.

Readers are encouraged to anticipate the launch and begin considering how their own practices can evolve in line with this new Guide. The path to stronger transparency and greater social outcomes starts here.

Sustainability and Valuation: Applications in Practice

at at-mia.my/2026/06/26/sustainability-and-valuation-applications-in-practice

June 26, 2026

AD SPACE

By MIA Professional Practices and Technical

Why Sustainability is Rising in Significance to Valuation

Sustainability is no longer peripheral to valuation, but is in fact increasingly shaping cash flow resilience, risk perception and long-term business viability. What has changed is not the existence of these factors, but the expectation that business valuers explain clearly *how* they are identified, assessed and reflected in valuation conclusions.

The MIA Valuation Committee's Focus Group Discussion held in December 2025 brought together senior business valuation practitioners to move the conversation from theory to practice: what sustainability integration actually looks like in valuation engagements, and where the business valuation profession is still struggling.

From Implicit Judgement to Explicit Analysis

Sustainability considerations have long influenced valuation assumptions, often implicitly through judgements on regulatory risk, licence to operate, governance quality and labour practices. IVS 2025 marks a clear shift by requiring these considerations to be made explicit, structured and documented.

“IVS 2025 does not require valuers to reinvent existing approaches; rather, it requires sustainability considerations to be explicitly identified, systematically assessed, and documented within the valuation process.”

-Leonard Woo, Partner, Valuation and Modelling Services, Deloitte Southeast Asia

“In the past, sustainability was considered when it mattered. IVS 2025 is the first time the Standards clearly say that valuers must stop assuming and start explaining.”

– Roger Loh Kit Seng, Director, Financial Advisory, Forvis Mazars in Malaysia

The Standards do not prescribe outcomes or methodologies. Instead, the standards reinforce disciplined thinking, consistency and transparency while preserving professional judgement

Materiality Remains the Hardest Judgement Call

A recurring theme was the difficulty of determining which sustainability factors genuinely influence value. While companies face numerous sustainability issues, only a small subset will materially affect cash flows, risk or growth.

“There are many sustainability issues, but only a small number will actually move value. The challenge is identifying the few that matter.”

– Emily Choo, Partner, Advisory, KPMG in Malaysia

Valuers must assess whether a sustainability issue is company-specific or already embedded across a sector or an industry. If an issue is industry-wide, market pricing may already reflect it. The challenge lies in identifying outliers and understanding severity, timing and financial impact.



What has the Market Already Priced In

Understanding whether sustainability risks and opportunities are already reflected in market data is critical but difficult. Sustainability-related pricing signals such as green premiums or brown discounts are rarely transparent.

“The real work starts when a company sits outside the sector norm. That is where judgement and evidence matter most.”

– Emily Choo, Partner, Advisory, KPMG in Malaysia

Practitioners often rely on peer comparisons, financing terms, investor behaviour and discussions with market participants to infer whether adjustments are required.

Data Gaps and Credibility Risks

Data availability and reliability remain among the most significant constraints. Disclosures are inconsistent, private company data is limited and emerging sectors and industries lack robust comparables.

“Most sustainability data is still based on management representation. Systems, controls and assurance are catching up, but not exactly there yet.”
– Roger Loh Kit Seng, Director, Financial Advisory, Forvis Mazars in Malaysia

Without reliable data or specialist input, sustainability-related assumptions are more likely to be challenged. Clear documentation of judgement, limitations and rationale is therefore essential.

“If sustainability inputs are weak or poorly explained, valuation credibility is at risk.”
– Ahmad Zubir Zahid, Managing Partner, Zubir Chang & Co.PLT

Sector Matters: No One Size Fits All

Sustainability exposure varies significantly by a sector or an industry. Carbon-intensive sectors such as power generation and transport sit along a brown-to-green spectrum, while other sectors and industries may face greater social or governance risks.

“We understand green premiums and brown discounts conceptually, but the empirical data is still thin.”
– Ng Boon Hui, Chairman of Valuation Committee and Partner, Ernst & Young

In practice, adjustments are often incremental and judgement-based, informed by sector dynamics rather than formulaic models.

Skills, Judgement and Multidisciplinary Input

Effective sustainability valuation requires capabilities beyond technical modelling. Practitioners emphasised the importance of understanding business strategy, transition pathways and how management operationalises sustainability commitments, as these factors directly influence valuation assumptions.

Case-based learning and practical examples were seen as essential in building confidence in applying judgement. At the same time, collaboration with sustainability or technical specialists is becoming increasingly important, particularly in complex or high-risk sectors, despite the associated cost and coordination challenges.



Commercial realities and client expectations

Practitioners noted ongoing tension between the additional work required to integrate sustainability considerations and clients' willingness to pay higher and commensurate fees. Sustainability-related analysis often involves deeper due diligence, additional data requests and more extensive documentation, which can increase engagement scope.

Assurance Supports, but Does Not Replace, Judgement

While assurance over sustainability information can enhance confidence, it does not remove the need for valuer-level due diligence.

“Even where sustainability information is subject to assurance or other forms of validation, valuers must critically evaluate its relevance and reasonableness to the business and valuation.”

– Leonard Woo, Partner, Valuation and Modelling Services, Deloitte Southeast Asia

Professional judgement remains central in determining how sustainability information influences valuation inputs.

Looking Ahead

The discussion reinforced that sustainability/ESG integration in valuation is evolutionary, not disruptive. Progress will depend on better data, clearer guidance, targeted training and continued professional dialogue.

“Sustainability is not replacing valuation fundamentals. It is sharpening them.”

– Ng Boon Hui, Chairman of Valuation Committee and Partner, Ernst & Young

For the profession, the priority is not perfection but consistency, transparency and confidence in applying judgement as sustainability becomes an established part of business valuation practice.

Tax Meets Sustainability: Strategic Leadership for a Resilient Future

at at-mia.my/2026/05/15/tax-meets-sustainability-strategic-leadership-for-a-resilient-future

May 15, 2026

AD SPACE

By the MIA Sustainability, Digital Economy and Services Team

As sustainability expectations reshape the global business and regulatory landscape, taxation is emerging as a critical lever for influencing behaviour, financing sustainable development, and strengthening corporate governance. At the intersection of policy, strategy and transparency, tax professionals are increasingly expected to play a leadership role in helping organisations navigate sustainability reporting, regulatory change and rising stakeholder scrutiny.

This was the focus of a panel session titled “**Tax Meets Sustainability: Strategic Leadership for a Resilient Future**” at the MIA International Accountants Conference 2025. As Malaysia’s flagship gathering for the accountancy profession, the Conference highlighted leadership, governance, and the evolving role of tax professionals in shaping responsible business practices amid rising sustainability expectations.

Moderated by Dr Veerinderjeet Singh, Senior Tax Advisor on Tax Policy, KPMG Malaysia (Dr Veerinder), the session featured Jessica Cheam, Founder and CEO of Eco-Business (Jessica), Jesper Solgaard, EY Asia-Pacific Sustainability Tax Leader (Jesper), Ivana Van Der Maas, Head of Professional Practice Tax/ESG Tax Lead, Forvis Mazars (Ivana) and Pauline Lum, Tax Partner, PwC Malaysia (Pauline).

Sustainability as the overarching framework

Sustainability is best understood through the lens of the United Nations Sustainable Development Goals (UN SDGs). Introduced in 2015, the SDGs provide a shared global roadmap addressing climate action, social equity, economic resilience, and institutional integrity. As Dr Veerinder emphasised, “If you appreciate the SDGs and you embrace them, then you are already on your way forward. Environmental, Social, and Governance (ESG) and other frameworks are really subsets of this broader sustainability agenda.”

Jessica noted that the SDGs marked a turning point in how sustainability is perceived. “For many years, sustainability was framed largely as corporate social responsibility,” she explained. “But with accelerated climate change, inequality and resource constraints, the

SDGs helped reposition sustainability as a strategic and economic issue.” For governments, the SDGs guide national development priorities; for businesses, they offer a reference point to align strategy, risk management, and disclosure.

From alphabet soup to convergence in standards

Sustainability reporting standards are evolving rapidly. Over the past decade, organisations have grappled with a proliferation of frameworks such as Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and others. Although this “alphabet soup” created complexity, the emergence of the IFRS Sustainability Disclosure Standards – IFRS S1 and S2, developed by the International Sustainability Standards Board (ISSB), represents meaningful progress towards global convergence.



Jesper drew an analogy with financial reporting. Accounting standards took decades to harmonise globally; by comparison, sustainability reporting is converging at a remarkable speed. While challenges around comparability and data quality remain, the direction is clear: sustainability reporting is becoming an integral part of mainstream corporate reporting, closely linked to enterprise value and investor decision-making.

However, there is ongoing divergence, particularly between the single materiality approach focusing on investors (i.e. ISSB) and the double materiality approach adopted in Europe, which consider broader societal and environmental impacts. For multinational businesses, navigating both perspectives will remain necessary in the near term.

As sustainability frameworks mature, attention is also turning to the policy tools that can drive behavioural change and support sustainable outcomes.

Taxation as a driver of sustainable behaviour

Taxation is not merely a support function in the sustainability journey, but one of the most powerful tools available to governments to influence behaviour and finance sustainable development.

Tax policies fund public infrastructure, social programmes, and climate initiatives that underpin SDGs. At the same time, targeted tax incentives and environmental taxes shape corporate and consumer behaviour. Examples discussed include carbon taxes, emissions trading schemes, plastic and sugar taxes, and incentives for renewable energy, green technology and Research & Development.

In the Malaysian context, there is growing momentum around ESG-linked tax incentives, the development of voluntary carbon markets, and discussions on carbon pricing. Globally, mechanisms such as the EU's Carbon Border Adjustment Mechanism (CBAM) are already influencing exporters' cost structures and strategic decisions.

Jessica highlighted that sustainability standards such as IFRS S1 and S2 explicitly require companies to consider tax risks, incentives, and impacts as part of sustainability-related financial disclosures. This reinforces the reality that tax considerations are embedded in sustainability strategies and are not separate.

The expanding role of tax professionals

In line with this, the role of tax professionals is undergoing a fundamental shift. Ivana observed that tax professionals today are no longer confined to compliance and calculation. They are policy advisors, business partners, and translators who help boards and stakeholders understand how tax intersects with sustainability, governance and value creation.

Tax professionals increasingly operate at the intersection of multiple functions e.g. finance, sustainability, supply chain and strategy. They must collaborate across disciplines, manage complex data requirements, and contribute to corporate narratives around transparency and responsibility.

Pauline added that the total taxes paid by a company including corporate tax, indirect taxes, carbon taxes and employee-related taxes are important but often overlooked as part of the ESG effort. Being transparent about tax contributions helps build trust with stakeholders and demonstrates how businesses support national development.

As tax becomes more visible within sustainability and ESG discussions, expectations around governance and transparency are also rising.



Governance, transparency and rising expectations

Tax governance emerged as another critical pillar. In Malaysia and globally, tax authorities are increasingly articulating expectations around tax control frameworks, documentation and oversight. While these concepts are not entirely new, greater formalisation and transparency mean that tax governance is becoming a visible indicator of corporate quality and risk management.

Jesper noted a global trend towards enhanced tax transparency, including public country-by-country reporting and non-financial disclosures. As a result, tax stakeholders now extend beyond boards and regulators to include investors, journalists and civil society. Managing this broader audience requires careful governance, consistency and integrity.

Balancing ambition with cost and complexity

While sustainability objectives are broadly supported, there are valid concerns around compliance costs and operational burden. Ivana cautioned that businesses must be selective and strategic. Not every SDG or initiative can be addressed at once; organisations should prioritise areas material to their business and stakeholders.

Pauline emphasised the importance of collaboration and data readiness in managing this complexity. “Compliance is not just about meeting another reporting requirement,” she noted. “It is about how well we use data across the organisation, work together across functions, and plan ahead so that tax is not reacting at the last minute.”

Effective use of data, technology and cross-functional collaboration can help mitigate costs and avoid duplication. More importantly, proactive planning allows organisations to manage their own narrative rather than reacting defensively to regulatory change.



The banner for the MIA International Accountants Conference 2026 features the MIA logo (Malaysian Institute of Accountants) and a large red hibiscus flower. The text includes the dates '9 - 10 JUNE 2026', the time '9.00AM - 6.00PM', and the venue 'KUALA LUMPUR CONVENTION CENTRE'. It also lists '16 SESSIONS', '80 SPEAKERS', and '3800 DELEGATES'. The website 'miaconference.mia.org.my' is provided at the bottom. There are also circular icons for '18 YEARS' and '14 YEARS' of MIA's history.

Looking ahead: opportunity amid complexity

Looking ahead to the next five to ten years, sustainability-related tax policies are likely to expand as governments seek to accelerate climate action and social outcomes. At the same time, reporting standards are expected to stabilise further, reducing fragmentation over time.

For tax professionals, this evolution presents an opportunity. As Jesper observed, tax functions that already excel in governance and business understanding are well positioned to elevate their strategic relevance. Sustainability is simply the next phase of transformation akin to digitalisation that demands new skills, perspectives and leadership.

A new seat at the table

In closing, Dr Veerinder reinforced the central message: taxation is no longer a back-office function. In an era defined by sustainability, transparency and trust, tax professionals have a vital role to play in shaping strategy, influencing behaviour and supporting resilient, responsible business.

As organisations navigate the sustainability journey, success will depend not only on compliance with standards, but on strategic leadership and taxation is firmly part of that leadership equation.

*Join us at the **MIA International Accountants Conference 2026** from **9–10 June 2026** at the **Kuala Lumpur Convention Centre** for insightful and up-to-date conversations **shaping the future of the profession.***

Top Sustainability News for Accountants — May 2026

at at-mia.my/2026/06/15/top-sustainability-news-for-accountants-may-2026

June 15, 2026

AD SPACE

By the MIA Sustainability, Digital Economy and Services Team

In supporting the accountancy profession's sustainability journey, MIA presents the May 2026 edition of **"Top Sustainability News for Accountants"** highlighting significant global and local developments in sustainability reporting standards, climate-related disclosures, regulations, and ESG-related initiatives that continue to shape the future of corporate reporting and sustainable business practices.

Through these updates, accountancy professionals can stay informed on emerging trends, evolving regulatory expectations, and sustainability practices that are increasingly influencing business strategies and decision-making.

4 May 2026

Climate Bills Near Final Stages, July Parliament Tabling Expected – Arthur

The Government is in the final stages of completing the National Climate Change Bill and the National Climate Change Authority Bill, which are expected to be tabled in Parliament in July 2026. The proposed laws aim to strengthen Malaysia's climate governance framework, including the introduction of a monitoring, reporting and verification (MRV) system to support carbon pricing and the country's transition towards a low-carbon economy <https://theedgemalaysia.com/node/802217>

4 May 2026

Malaysia Must Scale Up Green Finance, Innovation or Face Rising Climate Economic Risks: World Bank



The World Bank has urged Malaysia to accelerate green finance innovation to address rising climate and economic risks. The report highlighted the importance of expanding sustainable financing mechanisms, strengthening climate resilience, and supporting low-carbon investments to ensure long-term economic stability and sustainable growth.

<https://www.scoop.my/news/288370/malaysia-must-scale-up-green-finance-innovation-or-face-rising-climate-economic-risks-world-bank/>

6 May 2026

ESG Summit to Drive Verifiable Impact

The Environmental, Social, Governance (ESG) Summit, which will be held on 21 and 22 July 2026 in Kuala Lumpur, will highlight the importance of creating measurable and verifiable sustainability outcomes among businesses and organisations. Industry leaders emphasised stronger ESG reporting practices, transparency, and accountability to ensure sustainability initiatives generate meaningful environmental and social impact.

<https://www.thestar.com.my/business/business-news/2026/05/06/esg-summit-to-drive-verifiable-impact>

8 May 2026

EU Outlines Plan for New Sustainability Reporting Standards

The European Union (EU) has outlined plans to introduce new sustainability reporting standards aimed at improving the consistency, transparency, and comparability of ESG disclosures among companies. The proposed standards are expected to support investor

decision-making and strengthen alignment with global sustainability reporting frameworks.
<https://www.ipe.com/news/eu-outlines-plan-for-new-sustainability-reporting-standards/10136593.article>

13 May 2026

From Compliance to Commitment: How Bursa Malaysia Is Shaping the ESG Future

Bursa Malaysia continues to strengthen ESG practices among listed companies through enhanced sustainability reporting requirements, governance standards, and compliance initiatives. These efforts aim to improve corporate transparency, accountability, and long-term sustainable growth while supporting Malaysia's transition toward a more resilient and sustainable economy.

<https://www.nst.com.my/business/insight/2026/05/1438583/compliance-commitment-how-bursa-malaysia-shaping-esg-future>

25 May 2026

Sabah seeks balance between growth and environmental protection

Sabah is working to strike a careful balance between economic development and environmental conservation, emphasising the importance of sustainable growth. State leaders highlighted the need to protect natural ecosystems while supporting key sectors such as agriculture, tourism, and infrastructure. The approach focuses on ensuring long-term environmental resilience without compromising economic progress, reflecting Sabah's commitment to responsible resource management and sustainable development.

<https://www.dailyexpress.com.my/news/282117/sabah-seeks-balance-between-growth-environmental-protection/>



Sustainability disclosure mandate may extend to more non-listed companies

Malaysia is considering expanding sustainability reporting requirements to include more non-listed companies, aiming to strengthen corporate transparency and ESG accountability. The Companies Commission of Malaysia (SSM) has proposed amendments to the Companies Act 2016, that would require companies above certain revenue thresholds to disclose sustainability-related information under a phased approach. The consultative document dated 30 April 2026 reflects Malaysia's commitment to enhancing non-financial disclosures and promoting responsible business practices across a broader corporate landscape.

<https://www.thestar.com.my/esg/2026/05/29/sustainability-disclosure-mandate-may-extend-to-more-non-listed-companies>

As ESG expectations continue to develop, accountancy professionals are increasingly called upon to take on a strategic role in advancing sustainable business practices, improving corporate transparency, and building stakeholder trust. Staying informed of the latest sustainability developments is therefore crucial for professionals and organisations seeking to remain resilient and competitive in an ever-evolving business landscape.

MIA encourages accountancy professionals, businesses, and stakeholders to continuously strengthen their sustainability knowledge and capabilities while upholding responsible and ethical business conduct. Through ongoing learning and collective commitment, the profession can contribute meaningfully to sustainable growth, long-term value creation, and a more resilient future for both businesses and society.

Transfer Pricing in the Age of AI: Enhancing Judgement, Not Replacing It

at at-mia.my/2026/05/20/transfer-pricing-in-the-age-of-ai-enhancing-judgement-not-replacing-it

May 20, 2026

AD SPACE

By Himanshu Bakshi and Hitesh Kumar

Transfer pricing sits at the critical nexus of law, economics and commerce. It is not merely a computational exercise; it is an evidentiary discipline in which economic substance must be articulated, substantiated, and capable of withstanding regulatory scrutiny. Against this backdrop, the rapid emergence of artificial intelligence in the TP landscape warrants careful reflection and strategic consideration.

This article does not intend to envisage that AI will make TP simple, that taxpayers can manage compliance in-house at the touch of a button, or that consultants can deliver work product at a fraction of current cost. While part of this narrative should be accurate, the more meaningful question is where AI can create genuine value across the TP lifecycle, and what professional disciplines must govern its responsible use. Across the key five domains of TP life cycle discussed below (operational TP, year-end closure, testing and compliance, audits and dispute resolution), AI's role is best understood as an accelerator of professional capability, not a substitute for the judgement at the heart of this discipline. Let us delve into this.

TP LIFE Cycle Implications

1. Operational Transfer Pricing

For MNE groups managing TP across many entities and jurisdictions, monitoring consistent pricing policies in real time has historically been impractical. The consequence is reactive year-end true-ups, secondary adjustments, and avoidable audit exposure. AI has the potential to fundamentally change this cadence. With standardised financial data, it can compute margins in near real time, dynamically model value chain profit flows, and automatically flag deviations, shifting TP from reactive compliance to proactive risk management.

Automated tracking of agreement expiry dates, documentation renewal cycles, and filing deadlines further reduces the risk of procedural lapses.

The technological building blocks already exist; the real question is the pace at which organisations will embed them into operational TP processes. However, the design, validation and approval of such workflows would still require strong internal controls and

professional sign-off to ensure that automated adjustments do not inadvertently create accounting, tax or withholding consequences in other jurisdictions. Ultimately, this will guide taxpayers toward embracing Tax Corporate Governance, which represents the future of compliance and accountability.

However, these capabilities depend heavily on the quality and standardisation of underlying data. Fragmented chart-of-accounts structures and inconsistent data across multiple ERPs can amplify problems when AI is applied, rather than resolve them. Put simply, AI does not repair weak data architecture; it exposes it. To unlock the full potential of operational AI in transfer pricing, investment in robust data infrastructure, clear SOPs, and strong governance frameworks is a nonnegotiable prerequisite.



2. Year-END book Closures

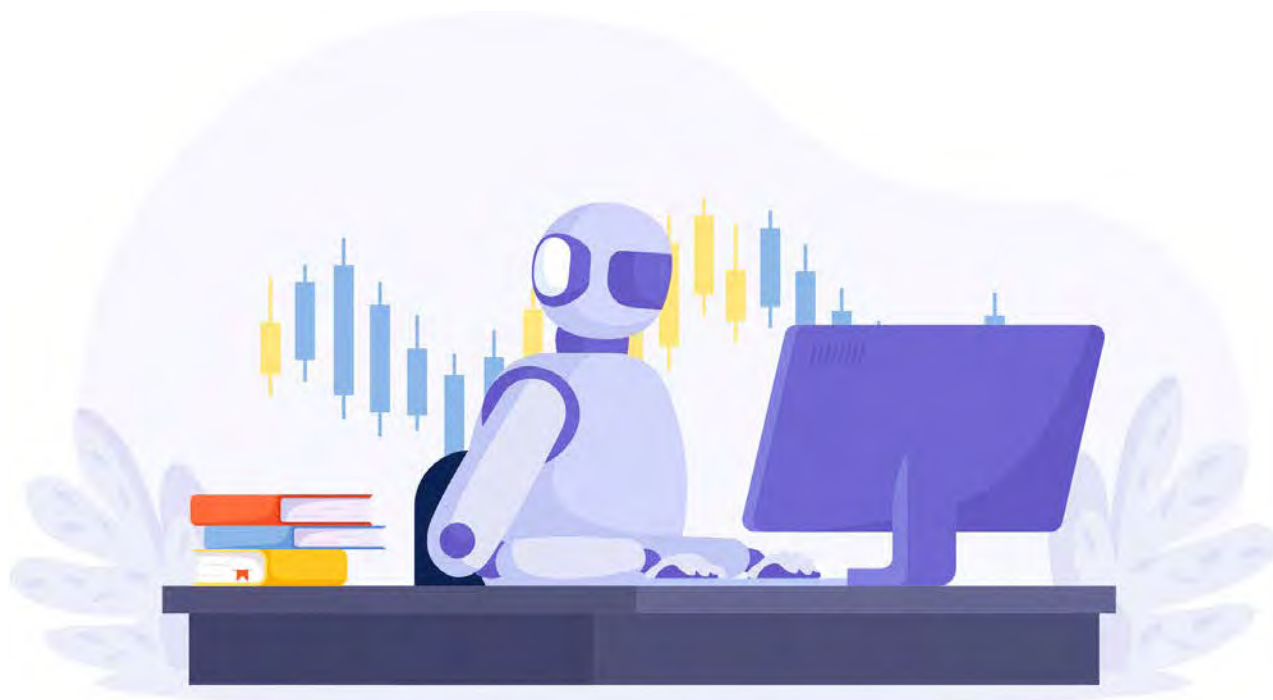
Agentic AI (capable of multi-step tasks with minimal human input) could, in principle, extract ERP data, compute margins, compare them to policy ranges, identify deviations, and propose year-end adjustments in a single workflow with the creation of trail documentation. Agentic AI could model interconnected tax and trade outcomes across jurisdictions, allowing MNEs to anticipate not only transfer pricing adjustments but also their ripple effects on other tax topics such as indirect taxes, withholding tax obligations etc.

Further, building these strategic governance checkpoints at the year-end closure has become even more critical in the context of Pillar Two (P2), which mandates arm's length pricing. When book profits are taken as the base for P2 tax liability, precision in year-end closure is non-negotiable. Any misalignment between transfer pricing adjustments and statutory accounts could distort the effective tax rate calculation, potentially leading to over- or under-assessment of top-up taxes.

3. TP Documentation Compliance

TP documentation is arguably the area where AI adoption will have the widest positive implications and where professional discipline remains most critical. The use cases are compelling: AI can generate transfer pricing documentation, automate the selection of

comparables for benchmarking, transcribe and summarise functional interviews to support FAR analysis, handle translations, and maintain centralised compliance dashboards that track documentation status, flag risks, and trigger automated actions or escalation.



The expanding compliance burden makes these tools increasingly necessary. Malaysia's TP Rules 2023 and TP Guidelines 2024 go meaningfully beyond the OECD's minimum documentation standards, demanding more contextualised and granular disclosures specific to Malaysian operations across Schedules 1, 2 and 3, as well as the Appendix A requirements introduced in the 2024 Guidelines for specific controlled transactions. Additional local nuances such as the preference for local comparables, reliance on single-year data, or narrower ranges in jurisdictions like Malaysia can be embedded into AI models. This ensures that automation does not dilute jurisdiction-specific requirements but instead strengthens compliance while enhancing efficiency.

A word of caution in this regard: generative AI can hallucinate by producing confident sounding but factually incorrect content or failing to maintain consistency across documentation prepared for different entities. Documentation is evidentiary in nature; any inaccuracy may weaken credibility under audit or in litigation. Accordingly, every AI-assisted draft must undergo rigorous professional review by individuals who understand the underlying transactions and commercial context. The responsibility cannot be delegated to a language model.

4. Transfer Pricing Audits

AI would reshape TP audit activity on both sides of the table. The shift is not merely technological; it is strategic. Audit selection is anyway becoming data-driven rather than anecdotal. Tax authorities can use AI to analyse CbCR filings, financial statements, statutory accounts and tax returns to identify risk indicators: low margins in high-function

entities, divergence between reported profits and economic substance, or sudden changes in intercompany financing flows. For revenue authorities, AI effectively multiplies analytical capacity without proportionately increasing manpower.

Beyond risk selection, AI can expedite substantive audit activity by processing large financial datasets and reviewing documentation for gaps or inconsistencies, compressing review timelines from months to weeks and intensifying audit cycles correspondingly. For taxpayers and their advisors, the most valuable application is audit preparation: systematically assessing TP position robustness, organising and indexing evidentiary material.

As AI narrows the information asymmetry between tax authorities and taxpayers, the quality of underlying documentation and real-time monitoring will matter more, not less. Technological parity elevates the premium on accuracy, consistency and defensible economic reasoning.



5. TP Disputes and Litigation

Dispute resolution is the most intellectually demanding stage of the TP lifecycle and, in some respects, the most interesting area for understanding AI's limits. AI's practical utility here lies in research and document management: identifying relevant rulings across jurisdictions, surfacing favourable precedents, summarising voluminous hearing records and drafting appeal documents, all of which can materially improve efficiency in complex, multi-year disputes.

Courts are beginning to engage with AI cautiously. In the UK, judges have been formally permitted to use AI for administrative support such as drafting emails or summarising meetings while being warned against relying on it for legal research or analysis.¹ In the US, however, improper use has already surfaced: federal judges admitted that AI-generated drafts of court orders contained serious errors, including misquotations of law

and fabricated references.² These incidents have underscored both the potential and the risks of AI in judicial settings, prompting calls for stronger, permanent policies to govern its use.

The above clearly display that AI can support organisation, research and drafting, but strategy, legal argumentation and persuasive presentation before a court remain uniquely human. Credibility before a court is cumulative and fragile; reliance on unverified AI output can undermine both.

The Non-Negotiable Guardrails

DATA QUALITY IS FOUNDATIONAL

AI amplifies whatever data it receives. Flawed or inconsistent inputs generate equally flawed outputs, faster and more confidently than a human. Without rigorous data standardisation and governance, organisations risk magnifying existing TP problems. Data governance therefore becomes a core element of tax risk management, not merely an IT consideration.

HALLUCINATIONS ARE A STRUCTURAL RISK

Large language models generate plausible content based on pattern recognition, not genuine understanding. AI can produce text that is internally coherent but factually wrong. Robust verification protocols and structured review processes must therefore accompany any AI-enabled workflow.

CONFIDENTIALITY AND DATA PROTECTION

TP work involves highly sensitive financial and commercial data. Using third-party AI raises immediate questions about data storage, jurisdiction and model training. Practitioners must ensure that AI deployment aligns with data protection laws and internal confidentiality policies.

CONSISTENCY ACROSS DOCUMENTATION

TP documentation is an interconnected framework; the master file, local file and transactional records must tell a consistent story. Centralised oversight and narrative alignment remain critical safeguards.

Implications for the TP Professionals

The net effect of AI adoption in TP will be a reallocation of professional time: away from data gathering, document formatting and routine drafting; towards analytical, strategic and advisory work. For in-house teams, this means more capacity for policy design, proactive risk management and business engagement. For external advisors, it offers the opportunity to deliver deeper insight and value, moving beyond the routine TP

documentation work. The competitive advantage of professionals will increasingly hinge on interpretation, judgement, and strategic positioning, rather than transactional execution.

AI is not a substitute for expertise, nor will it dramatically reduce TP costs. The complexity of functional analysis, method selection, audit management and dispute resolution remains unchanged. AI raises the baseline quality and timeliness of information available to professionals, and with it, stakeholder expectations for rigour and responsiveness. Teams that cultivate AI literacy alongside TP expertise will be better positioned than those who treat technology as an external tool. Future-ready professionals will seamlessly integrate technological fluency with deep regulatory understanding, leveraging AI to enhance judgement rather than replace it.

Looking Ahead

We are at an early stage in the integration of AI into TP practice. The tools are improving rapidly, use cases are multiplying, and both tax authorities and practitioners are actively exploring where AI adds the most value. The guardrails, however, are still being built; governance frameworks, data protocols, professional standards for AI-assisted work product and judicial guidance on AI in proceedings are all works in progress.

The organisations best positioned for what comes next are those thinking carefully now about data infrastructure, AI governance and how professional expertise and AI capability can be combined rather than substituted. The future of transfer pricing will not be defined by automation alone, but by disciplined integration where technology enhances analytical depth while accountability stays firmly human.

¹ [Artificial Intelligence \(AI\) Guidance for Judicial Office Holders](#)

² [Federal judges admit staff used AI for error-ridden court orders | Fox News; Grassley Releases Judges' Responses Owning Up to AI Use, Calls for Continued Oversight and Regulation](#)

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