
TECHNICAL

[LHDNM Media Release: Overcoming Transfer Pricing \(TP\) and Base Erosion and Profit Shifting Issues \(BEPS\)](#)

According to the Inland Revenue Board of Malaysia's (LHDNM) Media Release dated 17 November 2015, the Commonwealth Association of Tax Administrators (CATA) 36th Annual Technical Conference was held recently in Melaka for delegates from the CATA's member countries. At the conference, the LHDNM shared the list of actions taken by Malaysia to overcome the transfer pricing (TP) and base erosion and profit shifting (BEPS) issues as follows:-

- TP
 - Tax avoidance legislation in place to combat tax avoidance;
 - Introduction of specific TP legislation and rules to address TP related issues;
 - Release of TP guidelines to provide guidance on the application of the TP legislation and administrative requirements;
 - Issuance of TP audit framework to provide guidance on TP audits; and
 - Conduct of TP audits.
- BEPS*
 - Update and revision of relevant tax legislation in line with international standards which are applicable and relevant locally;
 - Reviewing relevant tax legislation to keep abreast of BEPS projects under the mandate of the Organisation for Economic Co-operation and Development (OECD);
 - Active involvement in the BEPS Working Party and OECD meetings to discuss the OECD's BEPS Action Plan; and
 - Set-up of the BEPS Action Committee to look into BEPS issues.

* BEPS refers to tax planning strategies which exploit gaps or mismatches in tax rules of different tax jurisdictions (e.g. home and host countries' tax jurisdictions) in order to make "profits" disappear for tax purposes or to shift profits to tax jurisdictions where the taxes are low resulting in little or no corporate taxes

The LHDNM is of the view that the BEPS Action Plan may not be applicable in all instances for Malaysia given that its tax system and policy goals are different from any developed countries. However, the fact that Malaysia is largely reliant on corporate income tax, particularly from multinationals reflects the importance of handling the TP and BEPS issues. Therefore, it is important for the LHDNM to follow the development of the TP and BEPS issues closely in order to overcome the existing gaps in the tax law, maintain the tax base and reduce leakages in the collection.

Members may read the Media Release in full at the websites of the [Institute](#) and the [LHDNM](#).

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