

TECHNICAL

Direct Taxation

LHDNM Updates on Country-by-Country Reporting Requirements

The Inland Revenue Board of Malaysia (LHDNM) has uploaded content on Country-by-Country Reporting (CbCR) requirements on its [website](#) to provide guidance to assist taxpayers who are required to comply with the CbCR requirements.

The uploaded contents include the following:

1. CbCR Rules:

- [Income Tax \(Country-by-Country Reporting\) Rules 2016 \[P.U. \(A\) 357/2016\]](#)
(reported in our [e-CTIM TECH-DT 25-2017](#) dated 15 March 2017)

[The Rules were gazetted on 23 December 2016 and came into operation on 1 January 2017. The Rules apply to a multinational corporation (MNC) group which meets the conditions specified in Rule 2 of the Rules including having total consolidated group revenue of at least RM3 billion in the financial year preceding the reporting financial year (reporting financial year means that financial year the financial and operational results of which are reflected in the CbCR Report). The ultimate holding company of an MNC group that is resident in Malaysia is responsible to prepare and file the CbCR Report to the LHDNM within one year from the end of the reporting financial year].

2. Notification Letter:

- [Sample Letter - Notification as Reporting Entity](#)
- [Sample Letter - Notification as Non-Reporting Entity](#)

(The sample pro-forma letters are for the purpose of notifying the Director General of Inland Revenue in writing by any constituent entity of an MNC group that is resident in Malaysia, as the Reporting Entity or the Non-Reporting Entity for CbCR purposes, on or before the last day of the reporting financial year, as required under Subrule 6(1) and Subrule 6(2) of the [P.U. \(A\) 357/2016](#)).

3. CbCR Report:

The information that needs to be reported must be based on the template listed below which includes three tables. The tables contain information on the global activities and financial characteristics of the group.

- Model Template for CbCR Report:
 - i. [Table 1 – Overview of allocation of income, taxes and business activities by tax jurisdiction](#)

(Table 1 sets out the global allocation by tax jurisdiction of a MNC group's third party revenues, related party revenues, profit before tax, tax paid, tax accrued, stated capital, accumulated earnings, number of employees and tangible assets).

- ii. [Table 2 – List of all the constituent entities of the MNC Group included in each aggregation per tax jurisdiction](#)

(Table 2 lists all constituent entities of the MNC group by tax jurisdiction, together with their main business activities).

- iii. [Table 3 – Additional Information](#)

(Table 3 allows for the provision of additional information by the MNC group in the form of free text to facilitate the understanding of the information contained in Table 1 and Table 2).

[General Instructions](#) concerning the definition of key terms used in the template and [Specific Instructions](#) for completion of Table 1 and Table 2 should also be read together with the subsequent interpretative guidance provided by the OECD [[Guidance on the Implementation of Country-by-Country Reporting: BEPS Action 13 \(Updated September 2017\)](#)].

According to Subrule 4(2) and Subrule 4(3) of the [P.U. \(A\) 357/2016](#), the financial information in the CbCR Report shall be denominated in Ringgit Malaysia and the CbCR Report shall be filed in a prescribed form on an electronic medium, or through an electronic transmission in extensible markup language format.

For further enquiries pertaining to CbCR requirements, members may contact the LHDNM at:

**Department of International Taxation
Headquarters Inland Revenue Board of Malaysia
Level 12, Menara Hasil
Persiaran Rimba Permai
Cyber 8, 63000 Cyberjaya
Selangor MALAYSIA**

**Telephone : 03-8313 8888
Fax : 03-8313 7848
e-mail : cbcr@hasil.gov.my**

Members may visit the [LHDNM website](#) for more information and updates on CbCR requirements.

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