# A Summary of the MIA-MICPA Tax Governance Guide's Fundamentals

*Wan Asma Wan Nasrudin*

Tax reporting, comprising tax strategy, tax risk management, and tax management, develops credibility and trust in an organisation's tax processes, enabling investors and other stakeholders to make informed decisions based on a company's tax position and other variables. The Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA) jointly issued the Tax Governance Guide to assist directors of listed issuers in reporting tax management in annual reports. The guidance increases the tax transparency of listed issuers. As stakeholders request information regarding a company's tax policy, strategy, and other tax issues, greater tax transparency is becoming the norm.

The MIA-MICPA Tax Governance Guide is composed of the following elements:

1. Tax Strategy

   Tax governance is based on a sound tax strategy. It serves as the framework for tax governance initially. As part of a tax strategy, it is essential to analyse the company's objectives and core values, as well as the tax payment model. A tax method for the organisation is specified, which influences the other four components as well as their design and implementation.

   Involving both internal and external stakeholders in the design of an organisation's strategy, including its tax strategy, is a crucial element in the long-term business planning process. An organisation's stakeholders' extensive participation in various topics may be utilised for tax purposes. The requirements and expectations of investors and other stakeholders are better understood when the organisation interacts closely with these groups.

   After that, they might be included in the organisation's tax plan. If the organisation's tax strategy is to be effective, it must be adopted and adequately incorporated into the organisation's behaviour.

2. Tax Roles and Responsibilities

   Priority is given to roles and duties after tax strategy. It is the second pillar of tax governance.

   Tax matters are under the cautious eye of the Board of Directors at the strategic level. At this level, a corporation must determine, among other things, whether to adopt a central or decentralised model, use shared service centres, and outsource or manage tax service providers in-house when it comes to tax issues. Consistent with international standards, it is typical for this to be incorporated in corporate governance.

   Communication and/or training should be provided to operational-level staff to assist them in comprehending their jobs and responsibilities.

3. Tax Risk Management

   Management of tax risk is the third pillar to be implemented. The present risk management framework must be modified to incorporate tax consequences. The tax risk management framework includes tax-related controls. The Board must be aware of tax issues and ensure that all processes and transactions, including tax procedures and transactions, are subject to appropriate controls. Identification of tax risk is essential for the implementation of protections in this circumstance.

The foundational aspect of a company's tax strategy is crucial for describing and developing tax regulations. In other words, the tax control system should ensure that the company fulfils its commitments to its stakeholders and reports on them in its annual report.

4. Tax Reporting (Tax Transparency)

Tax reporting constitutes the fourth pillar of tax governance. There are two types of tax reporting: internal reporting by the company's management and external reporting, generally by the external auditor. The information may cover both monetary and non-monetary tax issues. As investors strive to make better-informed investment decisions, non-financial information is becoming increasingly essential in the current environment. This type of tax reporting may be required by law. In order to meet the needs and expectations of investors, businesses might also freely reveal their tax information. In this instance, the Board must determine what tax information should be made available to the general public.

5. Tax Assurance

Tax governance concludes with the assurance of tax compliance. The opinion of an independent specialist enhances the credibility of the tax data. When substance-based assurance is provided, the value of such reports increases dramatically.

In order to stay abreast with global ESG (Environment, Sustainability, and Governance) agenda trends, the Tax Governance Guide is for executives of publicly traded companies. "These advancements in tax transparency would increase trust and credibility in listed issuers' tax processes and allow investors and stakeholders to make informed decisions," said Dr Veerinderjeet Singh, former president of the MIA and MICPA. Now is the right time for a firm to include taxation into its goal, value, and long-term business strategy.

Reference:

Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA) 's Tax Governance Guide –
https://www.mia.org.my/v2/downloads/resources/publications/2021/11/17/MIA_Tax_Governance_Guide.pdf