

Client Alert

March 2017

BEPS Update - Malaysia joins Inclusive Framework on BEPS

Participation as a BEPS Associate

At the recent OECD Inclusive Framework meeting held on 25 - 27 January 2017 in Paris, Malaysia announced its intention to participate in the inclusive framework for global implementation of the BEPS Action Plan as a BEPS Associate.

In press statements released following the announcement, the Malaysian Ministry of Finance commented that the decision to participate as a BEPS Associate is in line with Malaysia's intention to move forward to be on equal footing with the OECD countries and to have a direct influence in shaping international tax rules to tackle BEPS issues.

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Other countries within the Asia Pacific region who have also signed up as a BEPS Associate under the Inclusive Framework include Singapore, Hong Kong and Indonesia.

Commitments under the Inclusive Framework

As a BEPS Associate within the Inclusive Framework, Malaysia has committed to the implementation of four minimum standards, namely:

- (i) countering harmful tax practices (BEPS Action 5);
- (ii) prevention of treaty abuse (BEPS Action 6);
- (iii) implementation of country-by-country reporting (BEPS Action 13);
and
- (iv) enhancing dispute resolution mechanisms (BEPS Action 14).

Together with the other BEPS Associates, Malaysia will also be involved in the development of a monitoring process for the four minimum standards above to ensure compliance by all members with the standards.

At current time the Ministry of Finance and the Malaysian Inland Revenue Board have yet to provide further details on the implementation of these standards, save for the implementation of the country-by-country reporting ("**CbCR**"). The rules relating to CbCR reporting were published in late 2016, and came into effect from 1 January 2017 onwards. The first filing for multinational companies with a 31 December 2017 financial year-end is due by 31 December 2018.

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