



MTPF

---

MALAYSIA TAX POLICY FORUM

---



# EXAMINING THE TAX POLICIES OF TOMORROW

*OECD'S TWO-PILLAR APPROACH AND ITS IMPACT ON MALAYSIA*

**EUNICE HOOI**

*Managing Director of Tax, Asia  
BoardRoom Group*

**BoardRoom**  
Smart Business Solutions



# OECD's Two-Pillar Approach

Pillar

1

Allocation of  
taxing rights

+

Pillar

2

Introduction of  
Global Minimum  
Tax (GMT)



# Why Pillar Two : Global Minimum Tax (GMT)?



Tax  
Authorities



Taxpayer

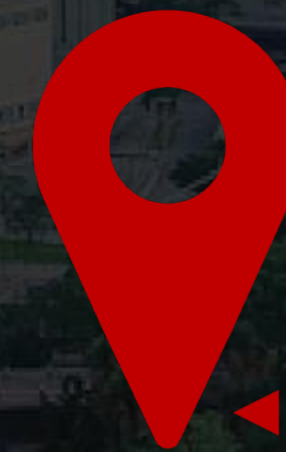
**Race  
to the  
Bottom**



Tax Base  
Erosion



Profits  
Shifting





# Global Minimum Tax application on MNCs in Malaysia

Malaysian-based MNCs with foreign operations outside of Malaysia

Foreign-based MNCs with operations in Malaysia

- In at least 2 jurisdictions
- Minimum €750 million annual consolidated group revenue in at least two of the last four fiscal years



# Malaysia's Corporate Tax vs OECD's Global Minimum Tax



**24%**

**+**

**Tax incentives  
& exemptions**

**+**

**Transfer pricing  
regime**

**vs**



**15%**



# Impact of Global Minimum Tax

## The Good



- Promote Fairer Tax Competition
- Promote International Tax Cooperation



- Focus on Genuine Economic Activities
- Pay Fair Share of Tax

## The Bad



- Reduce Foreign Direct Investment
- Increase Tax Burden



- Increase Complexity,  
Administration & Compliance Costs



# Preparing for Global Minimum Tax Implementation in Malaysia

## Strategic Business Adjustments

- Re-assess operations
- Re-evaluate tax strategies

## Compliance & Reporting

- Enhance reporting requirements
- Strengthen internal controls & governance

## Financial & Economic Implications

- Assess financial impact on bottom line
- Re-consider economic impact





MTPF

---

MALAYSIA TAX POLICY FORUM

---

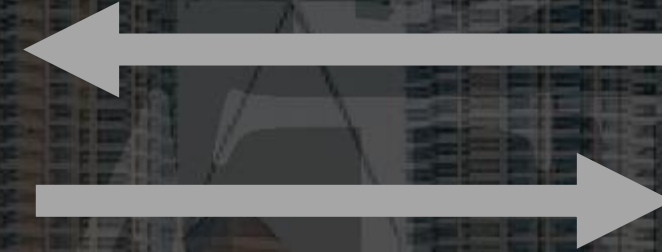


## How do these policies interact with each other?



# BEPS 2.0

Global Minimum Tax  
15%



Corporate Tax  
24%

+

Transfer Pricing  
Regime

Arm's length principle



# BEPS 2.0 Pillar Two and Malaysia's Transfer Pricing Regulations

Potential

## Alignment



- Enhanced Transparency
- Improved Tax Compliance
- Harmonization of tax policies

Potential

## Conflict



- Double Taxation
- Complex Compliance
- Inconsistent Application



## Case Study : Malaysia Parent with Singapore Subsidiary

### Parent Company:



- Malaysia Manufacturing Sdn Bhd (“Malaysia Parent”)
- Manufacturing operations in Malaysia
- Enjoying Investment Tax Allowance

### Subsidiary (fully owned by Malaysia Parent):



- Singapore Sales & Marketing Pte Ltd (“Singapore Subsidiary”)
- Regional sales and marketing hub for the group
- Enjoying Global Trader Programme (GTP) with concessionary tax rate on qualifying trading income

## Transfer Pricing Consideration

### Intercompany transactions



Finished goods of Malaysia Manufacturer are sold to third-party customers in Asia, via Singapore Sales & Marketing



# Case Study : Malaysia Parent with Singapore Subsidiary

## Key Tax Highlights



### Effective Tax Rate

- Lower than standard corporate tax rate due to tax incentives

- Below Global Minimum Tax due to Global Trader Programme incentive

### Top-up Tax Calculation

- May face a top-up tax to raise *Singapore Subsidiary's* effective tax rate to 15%
- Include *Singapore Subsidiary's* low-taxed income in taxable income and apply the top-up tax



## Case Study : Malaysia Parent with Singapore Subsidiary

### Mitigating Steps for Malaysia Parent & Group

Re-evaluate tax incentives and global tax positions

Adjust transfer pricing policies

Enhance tax governance framework

Seek Advance Pricing Agreements (APAs)

Engage with Internal & External Stakeholders



**Let's Get Connected!**

*Eunice Hooi*

*[Eunice.hooi@boardroomlimited.com](mailto:Eunice.hooi@boardroomlimited.com)*

*BoardRoom Group*

**BoardRoom**  
Smart Business Solutions





MTPF

---

MALAYSIA TAX POLICY FORUM

---