

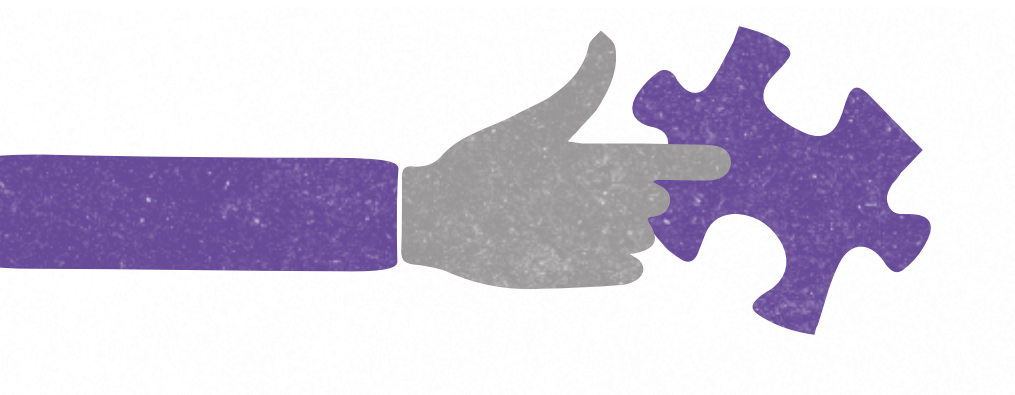
Transparent and responsible risk management

An enterprise-wide responsibility

April 2016



Contents



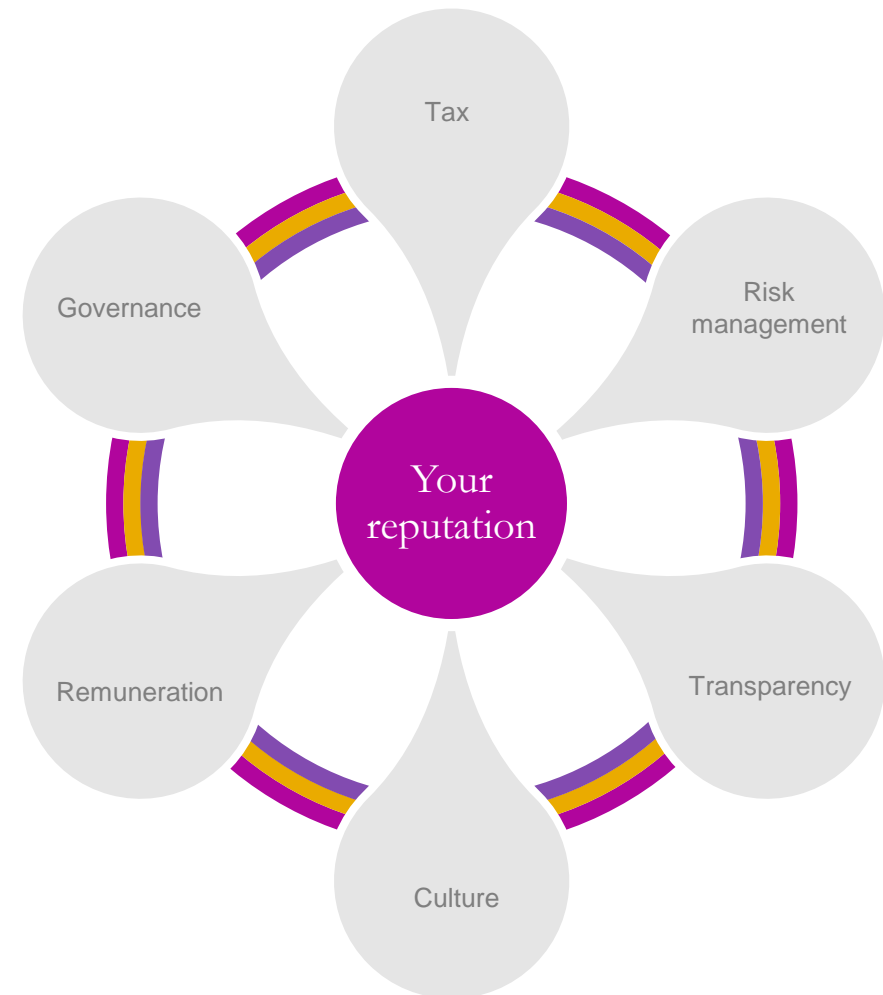
Section	Page
Being a good corporate citizen	3
An ever changing tax environment	4
Why tax risk matters	5
Supporting your tax risk agenda	6
Why SJ Grant Thornton?	7
Our tax risk management team directory	8
Appendices	
Board level	10
Head of tax level	11
Individual tax level	16

Being a good corporate citizen

In today's environment, business is no longer just about maximising shareholder return but about being a good corporate citizen.

A business corporate reputation is critical to the ability to succeed. Ensuring a strong reputation has moved beyond being a "nice to have" to a fundamental part of business. Today's business leaders face intense and unrelenting scrutiny. Information that was previously kept private is now demanded by a world of stakeholders — be it the media, shareholders, non-government organisations, regulators, employees or others. It's no longer just about maximising shareholder return but about being a good corporate citizen

As businesses attempt to address the need for increased transparency, they are having to reassess their approach to governance, tax disclosure, risk management, remuneration and various other elements of their business. In short, business leaders must now act as though every action and decision might be tomorrow's news headline and ensure this behaviour is embedded in the very culture of their business.



An ever changing tax environment

Action groups and media campaigns have stirred up public interest in the tax strategies employed by large corporates. Meanwhile the attitudes of government, tax authorities and the courts has hardened. The risk that tax issues present to reputation and profit has never been greater.

Global footprint and international supply chain requiring multiple GST/VAT registrations

Regulatory pressures to demonstrate controls

Emerging trend to Targeted and General Anti Avoidance Rules

New GST/VAT regimes e.g. Malaysia GST in April 2015 and proposed GST in India

OECD Base Erosion and Profit Shifting Action Plan

Mitigate losses by demonstrating systems are robust

Increased co-operation between tax authorities

Disclosure of tax avoidance schemes (DOTAS) notification requirement



Changes to reporting requirements

Increased administrative requirements e.g. e-filing of returns

Pace and quantum of tax rule changes

Frequency of tax rate changes

More sophisticated audits using data interrogation

Why tax risk matters

Tax is a hot topic right now – in public, press and in politics

Financial risk – high financial losses

Balance sheet control – material creditor/debtor

BEPS and legislative risk – attention around Base Erosion & Profit Shifting has sparked a focus around tax structures and new legislation in some key jurisdictions

Reputational risk – negative National press, impact of country-by-country reporting (CBCR) etc.

Operational risk – tax authority investigations and compliance are expensive and resource intensive. Tax processes and controls help with defence against imposed penalties

The Sydney Morning Herald:

Google paying a fraction of the tax in Australia it should

Global firm Google has come under fire for avoiding paying tax in its Australian sales. There is a growing culture of naming & shaming companies...

The Australian:

Multinationals to face tax avoidance crackdown

...The Government will legislate to crack down on tax avoidance by multinationals, with planned penalties for diverted profits that will go further than action taken by the United Kingdom...



Supporting your tax risk agenda

Tax risk is an important area of consideration across the whole organisation starting from the Board level cascading down to the Head of Tax and then to individual taxes, accounts payable and accounts receivable functions involved in processing the invoices. SJ Grant Thornton can work with all levels of your organisation and assist with understanding the specific priorities and objectives.

Businesses many not have the depth of technical resources necessary to undertake a tax risk assessment, evaluate the appropriateness of controls around tax processes and assess any mitigating factors.

There is a suite of services we can offer to enable you to review and improve your existing tax governance across the whole organisation:

Board level

- **Tax governance and strategy** – we can work with your risk and operating committees to review current tax strategy and governance arrangements
- **Reputation and PR response plan** – we can work with you to defend your corporate reputation in the event of a dispute with a tax authority



Head of tax level

- **Process mapping** – our specialist teams can produce flowcharts and process maps outlining the processes and controls in place across all taxes highlighting areas of potential duplication and simplification
- **Tax processes and controls review** – we can review the existing processes and controls, document them and provide recommendations on how they can be improved
- **Internal audit of tax** – we can work with the internal audit team to test the current tax processes and also highlight the high risk areas which should feed into the internal audit programme in relation to tax
- **Tax automation** – where processes can be simplified we can assist with understanding the options available in terms of automation and subsequent implementation
- **Managing relationships with the tax authorities** – we can keep you informed of the tax authorities attitude to key issues/actions for your business

Individual tax level

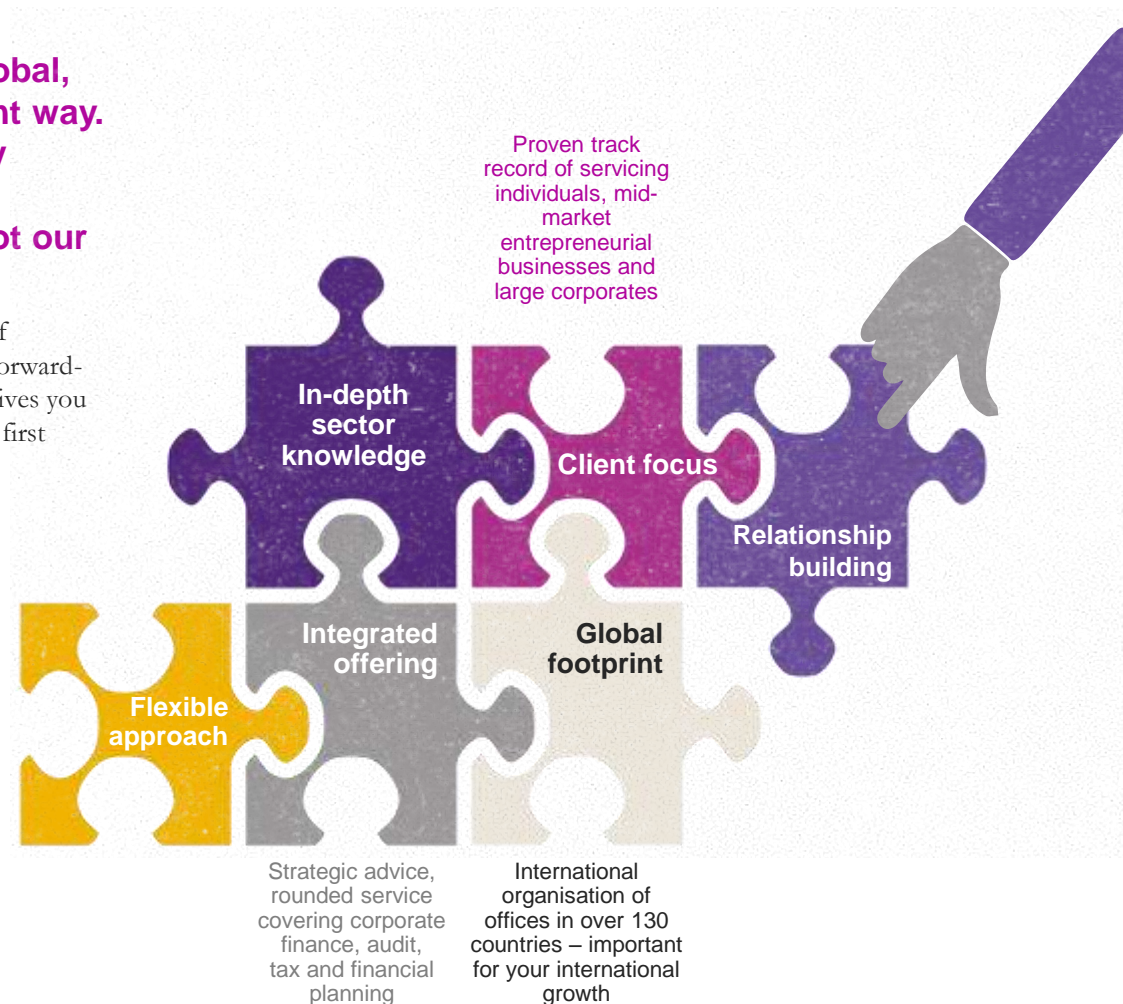
- **Tax guidance and manuals** – we can review the existing tax documentation and also draft new guidance, as required
- **Tax training** – our team is able to provide the necessary training to the tax departments as well as AP and AR teams involved with processing and raising of invoices
- **Data mining and interrogation** – we can test the underlying processes and controls by using a data interrogation tool
- **Dealing with tax authorities enquiries** – we can assist with managing and dealing with questions from the tax authorities



Why SJ Grant Thornton?

It is all about our approach. Our clients, whether local or global, consistently tell us that we work with them in a very different way. We make sure our clients receive what they need – advisory expertise that's responsive and insightful, in-depth sector knowledge and a relationship that's built on their agenda not our own.

We are at our best working alongside organisations that demand more than an off-the-shelf solution. We consistently challenge ourselves and our clients by bringing a broader, more forward-thinking perspective to the table, delivered flexibly and pragmatically. SJ Grant Thornton gives you access to valued relationships that work harder for your business. You will see the benefits first hand.



Our tax risk management team directory

Seah Siew Yun

Tax Practice Leader

T +603 2692 4022

E siewyun.seah@my.gt.com

Alan Chung

Executive Director – GST

T +603 2692 4022

E alan.chung@my.gt.com

Daniel Woo

Executive Director – Tax
Advisory & International Tax

T +603 2692 4022

E daniel.woo@my.gt.com

Appendices



Board level



Tax governance and strategy

Board level



Tax governance and strategy reviews

Tax is a hot topic right now – in public, the press and in politics. This added focus has consequences:

- for boards and key stakeholders, it calls for a clearly defined tax strategy, assessment of tax risk appetite, and strong governance procedures for tax management
- for tax authorities, it means a focus on tighter controls and processes around tax reporting, and enforcing higher levels of accountability for tax within organisations
- for employees, it presents new challenges as the tax risk universe around them changes and greater emphasis is placed on compliance and tax risk management – in some cases, it may even lead to high levels of staff turnover for those unable to adapt to change

Our approach

We recognise that the changing emphasis on tax is something that is still evolving. Our approach to tax governance and strategy reviews is to work with boards to:

- understand their organisation's historic approach to tax and tax risk management;
- review current tax governance and strategy arrangements;
- assess understanding of tax governance and strategy arrangements through interviews with key stakeholders, including non-tax individuals in legal, risk and finance teams;
- highlight potential risk areas, and discuss our findings and recommendations for improving controls;
- we can tailor our approach to suit your needs and requirements, and work to a scope that achieves your review objectives.

Our team

Our tax risk team have worked to develop tax strategies with a number of large corporates and undertaken internal audit reviews of tax functions within multi-national companies.

They have significant experience of working with boards and senior management to provide appropriate challenge and the depth required for this type of review.

They are familiar with the internal working arrangements, political challenges and internal pressures that can exist within large organisations and are sensitive to these in their work.



Head of tax level



Process mapping

Head of tax level 

Our approach

We will produce a map detailing your current tax accounting processes with the stages involved in the preparation and calculation of various returns.

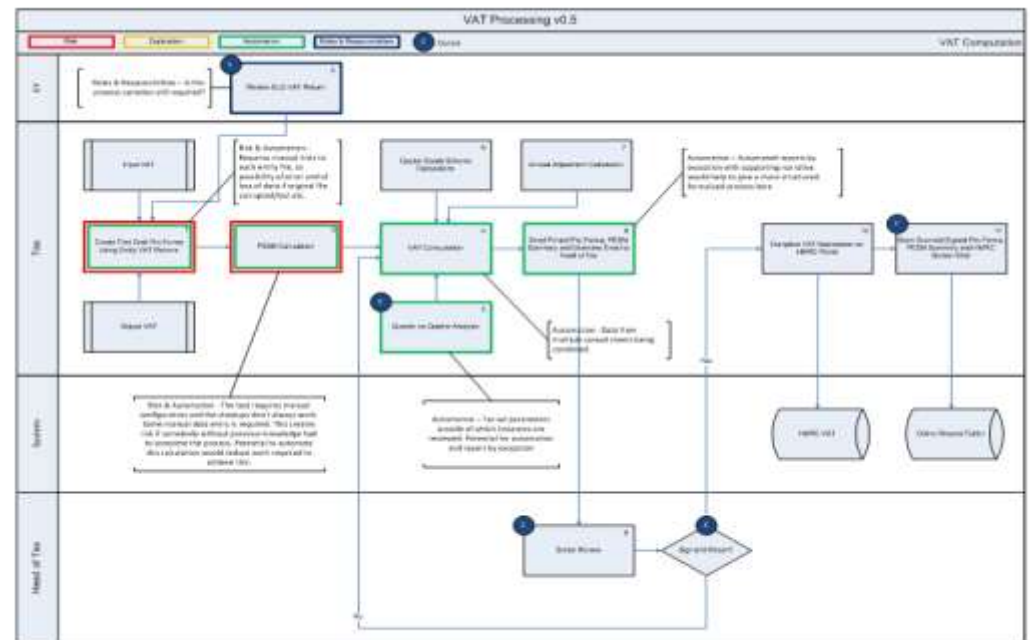
We will review the current processes to identify the following:

- areas of risk
- duplication
- automation opportunities
- roles and responsibilities within internal departments
- controls in place

The map would be accompanied by a document with full descriptions of the processes and our observations and recommendations following our review.



Example of a process map



Tax processes and controls review

Head of tax level



Our approach

Understanding tax risk processes and controls is vital.

SJ Grant Thornton has considerable experience in undertaking reviews of our clients tax processes and controls. Our review will be customised to you to ensure all pre-agreed objectives are met in the appropriate timescales.

The review can also compliment the process mapping exercise.

Our report will identify the current tax processes and controls, our observations and recommendations. We will also encourage management to comment on our findings and recommendations. The risks identified will be highlighted in a traffic light system to enable management to prioritise the issues and devise a plan on how the processes can be improved.

Depending on the requirements, the review can be undertaken by tax specialists across different tax service lines and relevant industry experience.

Step 1

We will organise a face-to-face meeting and provide questionnaires for the relevant taxes to obtain basic background information.

Step 2

Face-to-face meeting at relevant site, typically between half and a full day, where we will conduct an in-depth interview with the relevant accounting staff focusing on the areas where tax irregularities are likely to arise. This will be in line with the testing methodology of the tax authorities and will focus on identifying tax issues relevant for your business.

Step 3

Following our on site review, we may request additional information/clarification from the relevant businesses.

Step 4

Our findings and recommendations, highlighting both risk areas and areas of strength, will be summarised in a report to you. We will follow up this report with a call to discuss our findings, clarify any questions you may and agree the testing program to be run by our data mining team, if appropriate.

Step 5

We can provide assistance with subsequent reviews, monitoring of the implementation of the new processes and controls as well as keep you informed of tax authority's attitude to key issues/actions for your business.



Internal audit of tax

Head of tax level



Our approach

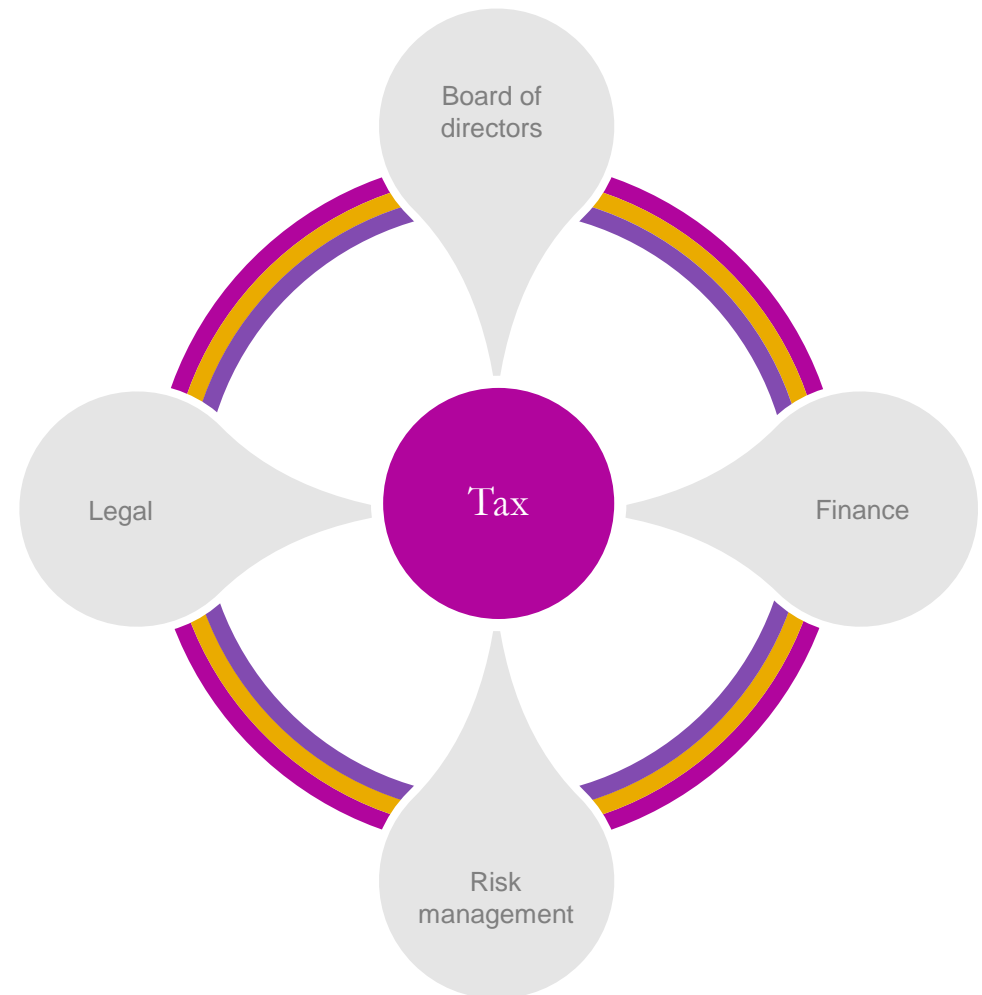
We have developed a simple and effective approach to working with your internal audit teams, either in a fully outsourced or co-sourced arrangement, which focuses on key underlying principles of:

- understanding the organisation's current tax risk universe
- assessing your tax audit requirements
- developing an audit work programme and scope tailored to these
- conducting onsite fieldwork with key stakeholders
- reporting our findings and recommendations to Management
- supporting your conversations to agree management actions and next steps

Our team

Our team of tax internal audit people have experience of working in large organisations, and are familiar with the internal working arrangements, political challenges, and internal pressures that internal audit teams encounter in their work. The internal audit team will be supported by relevant tax specialists.

Whether in a fully outsourced, or co-sourced arrangement, you can take comfort in our understanding of business practices as you see them.



Individual tax level



Tax guidance notes and manuals

Individual tax level 

Our approach

We can prepare a document which sets out the key processes and controls undertaken by your finance or tax compliance teams which can be used to certify that the filing basis for the tax returns submitted to the tax authority is reasonably supported by the tax and accounting arrangements in place.

The manual can include information on:

- the business' tax registrations
- reporting system
- who has responsibility for preparing, approving and submitting returns
- an overview of the processes and controls
- return preparation and process notes
- return preparation checklists (as required)
- risk areas
- internal and external advice provided to the business.

The return preparation and process notes act as a detailed guide which includes step-by-step demonstrations and screenshots from your reporting systems along with checklists which can be followed to ensure full compliance with the procedures.

Example of checklist

This checklist is only an example template and should be tailored to each entity as appropriate

Quarterly GST Return Checklist			
1	Upload AP & AR reports from the financial reporting system		
2	Import into excel spreadsheet		
3	Compare balances from reports with quarterly General Ledger figures		
4	Investigate variances & reconcile		
5	Carry out the agreed checks		
6	Review the GST treatment of acquisitions		
7	Reverse charge accounting		
8	Import GST calculations		
9	Review sales invoices not subject to standard rate of GST		
10	Review purchase invoices not subject to standard rate of GST		
11	Review large transactions		
12	Carry out comparison checks with prior periods		
13	Consider whether Box 1 & Box 4 are less than 20% of Boxes 6 & 7 respectively		
14	Finalise GST return workings		
15	Enter GST return figures into GST return and have the authoriser check entry		
16	Obtain sign off		
17	Ensure that all relevant documents are on file		
I confirm all the above steps have been completed			
Signed			

Tax training and resource

Individual tax level



Our approach

We can work with your finance and tax teams to identify particular skill gaps in relation to tax.

We can arrange a training session for the finance and/or tax teams tailored to suit your particular business needs and cover general or specific tax issues.

The format of the session could be based on a PowerPoint presentation.

Our sessions are highly interactive to allow staff to ask questions and clarify any specific concerns.

Our sessions are practical and specific to your business needs as much as possible.

We particularly encourage that you provide us with specific examples of transactions or invoices before the training which are problematic. We will address the specific concerns during the session.

We can also help to bridge temporary skill gaps, shortage of resource or maternity cover by making a tax team member available for a specified period of time on a secondment type arrangement.

Tax training example

In relation to GST, we can arrange to spend a full or half day on site to train staff within your finance, accounts payable or accounts receivable teams on tax compliance rules to assist them with their day-to-day roles and ensure that the business' tax risks are minimised.

The specific areas that could be covered by GST training include:

- use of tax coding
- GST recovery
- GST treatment of cross-border transactions
- GST treatment of intercompany recharges

Training sessions and "lunch and learn" sessions can also be provided in relation to other taxes (eg transfer pricing and Base Erosion & Profit Shifting).





© 2016 SJ Grant Thornton. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provides assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

SJ Grant Thornton is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This proposal is made by SJ Grant Thornton and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement. The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from SJ Grant Thornton.

www.grantthornton.com.my