

# WHAT YOU NEED TO KNOW ABOUT TRANSFER PRICING DOCUMENTATION

With effect from **1st January 2021**, new legislation announced in Budget 2021 requires all companies to prepare Transfer Pricing documentation on a contemporaneous basis.

Failure to Comply	Penalties	Due Date
If criminally prosecuted	<ul style="list-style-type: none"> <li>penalty of RM20,000 to RM100,000</li> <li>prison term for 6 months</li> </ul>	Documents must be furnished to IRB within <b>14 days</b> upon request
If no criminal prosecution	<ul style="list-style-type: none"> <li>penalty of RM20,000 to RM100,000</li> </ul>	

## According to Transfer Pricing Guidelines:



With the new legislation, companies that do not meet the above threshold should also prepare the following documentation to support the related party transactions:

DOCUMENTS	1	2	3
	Organization structure of the company	The details of the controlled or related party transactions carried out in the year and the basis of the determination of an arms-length transfer price for these transactions	Details of the pricing policies and explanation on how the policy and pricing was adopted

 **Introduction of 5% surcharge on any TP adjustment** - This surcharge is imposed even if the company is not in a tax payable position. Therefore all companies must review their tax position in relation to related party transactions as business losses or enjoyment of a tax incentive will not shelter them from payment of the surtax.

## OUR RECOMMENDATION

*Every company should list out the related party transactions and conduct a review of the type of documents that need to be prepared to support the arms-length price between related parties.*

### WE CAN HELP YOU:

- Provide a template for completion of the related party transaction details.
- Review the transactions and identify any TP risks associated with the current pricing structure.
- Recommend the appropriate TP documentation to be prepared.
- Assist in the preparation of the TP documentation with a conclusion to support the arms-length rate of pricing between related parties.

### DO YOU HAVE QUESTIONS?

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