



**HASiL**  
LEMBAGA HASIL DALAM NEGERI MALAYSIA

# Administering Fiscal Regimes for EI: Issues and Challenges in MALAYSIA

## *Outline of Presentation*

### **Part I**

Administrative Structure in Malaysia

### **Part II**

Government Revenue

### **Part III**

Issues and Challenges

# *Outline of Presentation*

## **Part I**

### Administrative Structure in Malaysia

- Revenue collecting agencies
- Petroleum operations in Malaysia
- Tax Administrative structure

**MINISTRY OF  
FINANCE**



## ACREAGE

- Malaysian onshore and offshore
- Overlapping areas :
  - Thailand
  - Vietnam

# **PETROLEUM OPERATIONS IN MALAYSIA**

## **1. Concession System**

**The State Authority awarded to companies with expertise**

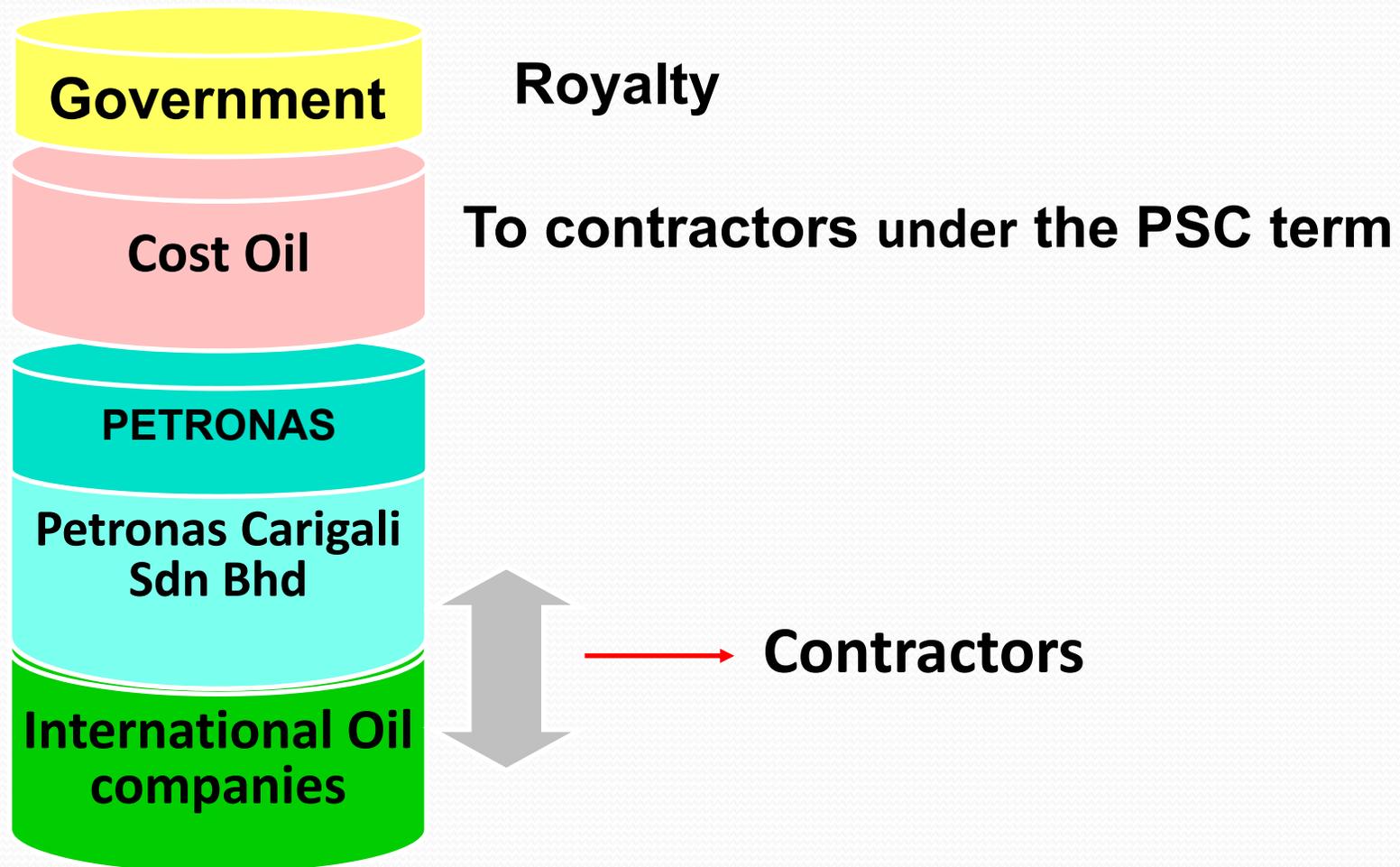
## **2. Production Sharing Contract (PSC)**

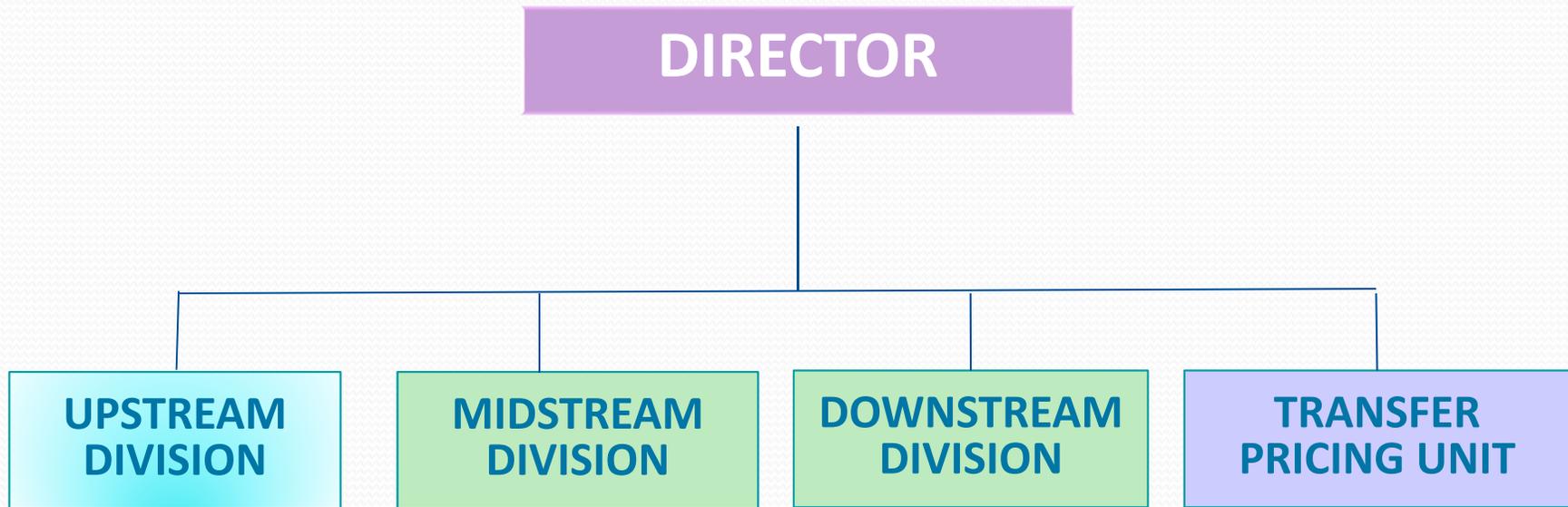
**Exploration, development and production of crude oil and natural gas activities are undertaken and managed through Production Sharing Contract(PSC) with PETRONAS .**

## **3. Risk Service Contract ( RSC )**

**The IOC bears all the exploration costs in exchange for an agreed-on fixed fee by government**

# Oil and Gas entitlement under PSC





## Functions:

To administer & ensure compliance with

- Income Tax Act 1967 (ITA)
- Petroleum (Income Tax) Act 1967 (PITA)

Main Activity:

- Audit Tax Compliance
  - Field Audit - focused on non-compliance issues
  - Desk Audit – for tax appeal cases  
general non-compliance issues, ‘house keeping’

## ■ SUPPORTING UNITS:

- identify taxpayer through activities such as publications – expanding taxpayers base.
- take action on taxpayers who fail to comply with submission of returns
- registration of new files based on information discovered/received
- request soft copy of ledger
- analysis of data to identify risks

## Others:

- ❑ Research on petroleum industry
- ❑ Preparation and analysis of petroleum tax collected
- ❑ IRB management and other relevant organisation eg Ministry of Finance, statistical Dept, Prime Minister Department, feedback from Members of Parliament queries

## AUDIT CHALLENGES & ISSUES

- High Technology / complex industry
- Petroleum cos. - regulated industries, dealing with industry experts, specialized knowledge
- To deal with contentious issues
- Involved in international transactions, intricate business arrangements with related co.

## ...AUDIT CHALLENGES & ISSUES

- Turnover - large
- Transfer pricing issues
- Enhancing knowledge in the industry
- Design a better & co-ordinated data warehouse

## AUDIT PRACTICES - RESOURCES

- Tax Audit Manual
- Tax Audit Working Procedures Manual
- Audit Framework –Public Rulings
- Regulations and Guidelines
- Audit Directives
- Operations Directives
- Knowledge Based Portals

# *Outline of Presentation*

## Part II

### Government Revenue

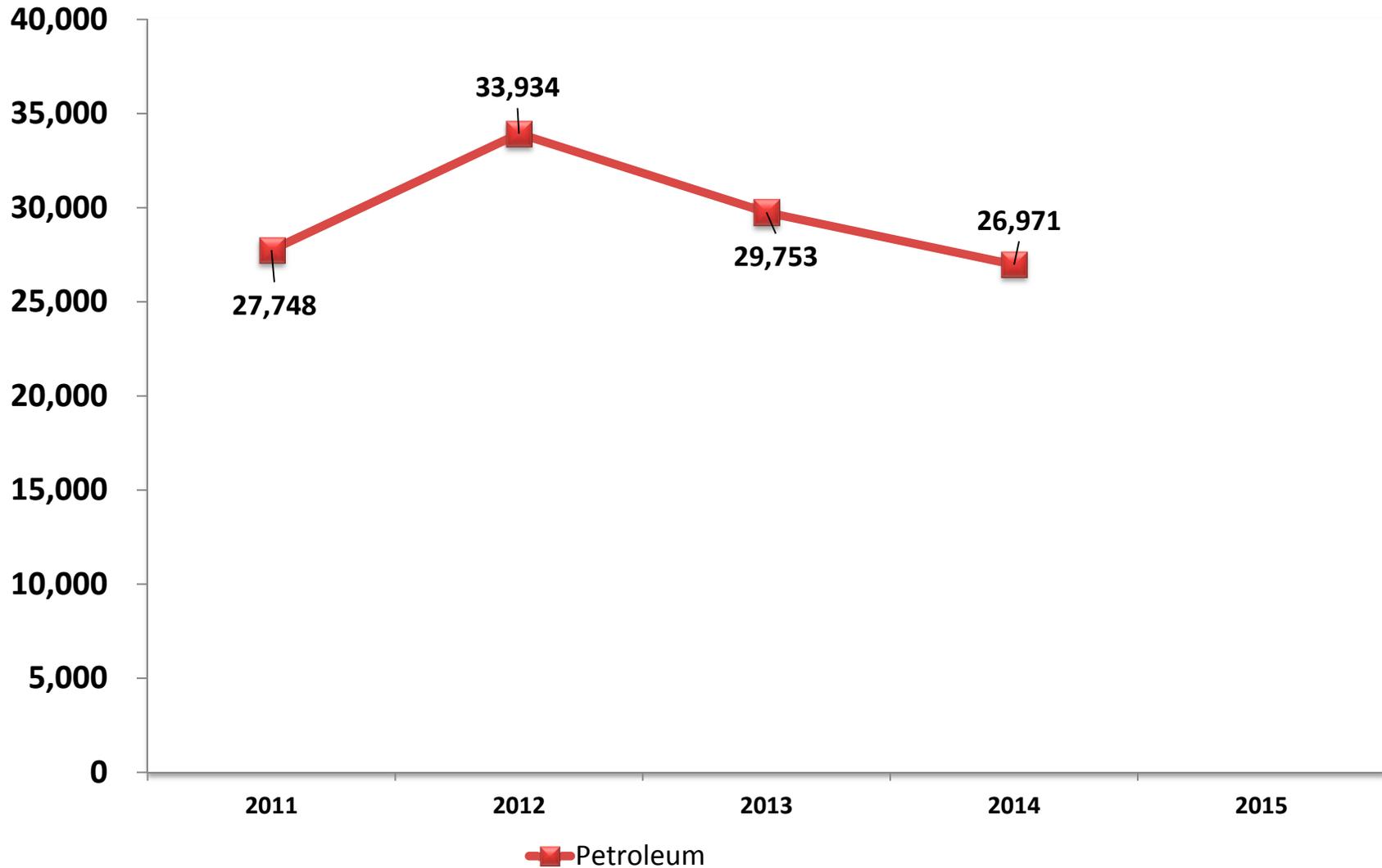
- Composition

- Royalty – production
- Tax – profit oil
- Dividends - stakeholder

# Petroleum Tax - 2011 to 2014



RM Million



# *Outline of Presentation*

## Part III

### Issues and Challenges

- Crude Oil prices
- Matured Fields
- Industry tax incentives
- Evolving role of general auditors to specialists
- Information sharing – Various Input Screen[VIS]  
/ Enterprise Taxpayer Profile [ETP]

**THANK YOU  
TERIMA KASIH**

