ANNUAL REPORT 2017

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> In 2017, we had witnessed a development in the global and domestic economy far beyond the initial expectation with a robust, comprehensive and coordinated growth.

Tan Sri Dr. Mohd Irwan Serigar Abdullah

CHAIRMAN'S STATEMENT

Bismillahirrahmanirrahim.
Assalamualaikum W.B.T.,
Warm Greetings,

Alhamdulillah, praise be to Allah the Almighty because with His blessings, the IRBM's Annual Report 2017 had been successfully published.

First of all, I would like to express my sincere gratitude to Dato' Sri Sabin Samitah, as the Chief Executive Officer of the Inland Revenue Board of Malaysia (IRBM) and all fellow Hasilians for this year's outstanding achievements.

The achievement of having reached RM123.312 billion in total collections has proven that IRBM is always committed to ensure that the direct tax collection is in line with the country's economic growth.

The commitment and persistence, as well as productivity demonstrated by everyone involved was at a level we can be proud of. Hopefully, IRBM will continue with its efforts to reach even higher levels of accomplishments in the future.

IRBM's 2017 Collection Performance

In 2017, IRBM had managed to collect a total of RM123.312 billion, which was 8.22 percent higher than the total collected in 2016 . For the same period, we had witnessed an increase in tax collected in six (6) out of the nine (9) major components of direct taxes by 31 December 2017, as compared to the target of RM126.7 billion set on 1 January 2017.

Overall, IRBM's achievement in 2017 was based on four (4) Core Strategies as follows:

The major contributor to the nation's prosperity and the people's wellbeing with the key result area (KRA) that focuses on voluntary compliance	Tax Collection	RM123.312 billion @ 97.33 %
	Company Audit	Cases resolved 178,583 cases @ 137.48 %
	Business Audit	Cases resolved 446,163 cases @ 127.49 %
	Individual (salary earning) Audit	Cases resolved 1,322,704 cases @ 133.48 %
	Employer Audit	Cases resolved 67,534 cases @ 146.75 %
	Investigation	Cases resolved 2,169 cases @ 138.51 %
	Previous Year Debit Arrears	Cumulative reduction of RM6.738 @ 118.63 %
	Current Year Debit Arrears	Balance of arrears of 4.23 %, which does not exceed the target of 100 % @ 106.41 %
A reliable tax administrator system with the key result area (KRA) that focuses on its customer	Refunds	Cases resolved 99.87 % from the applications received @ 110.97 %
	Customer Satisfaction Index	99.11 % respondents are satisfied with services provided @ 132.15 %
Efficient and effective work procedures and operating systems with the key result area (KRA) that focuses on excellence in operations	Collection Cost Effectiveness	Collection cost takes up RM175 @ 114.29 %
IRBM as the employer of choice with the key result area (KRA) that focuses on sustainable institution	Job Satisfaction Index	95.87 % are satisfied with their job @ 127.83 %

In 2017, we had witnessed an expansion in the global and domestic economy far beyond initial expectation with a robust, comprehensive and coordinated growth. In line with the outstanding economic growth, the Gross Domestic Product (GDP) had also increased by contributing 5.9 percent compared to the original target of 4,2 percent set by the World Bank. This growth had brought about a positive impact on the country's revenue collection.

IRBM's initiatives which involved strengthening the enforcement of the investigation, auditing, intelligence and detection functions had left a positive impact on a tax collection. This outstanding achievement was further supported by an improved voluntary tax compliance among the public due to the educational and awareness programmes implemented by IRBM. Furthermore, all the initiatives carried out throughout 2017 had managed to leave an impact on the existence of IRBM, among the taxpayers in particular. We are fully aware that income tax is the largest component of the nation's revenue, with 50 to 55 percent contribution every year, which will be the fund to finance the nation's development policy and the continuity of the people's wellbeing. To ensure IRBM is on the right track in meeting the 2018 target, we have come up with effective strategies via constant improvement of organisational management by focusing on leadership, working culture and organisational structure. IRBM will keep on working to address tax leakages and to increase the tax compliance rate.

> 2017 has come to a successful end. However, the RM140.113 billion target for 2018 requires IRBM to maintain its focus and competency in doing its best to shoulder the responsibilities entrusted by the Goverment

Economic Prospects For 2018

The Economic Report 2018 by the Ministry of Finance Malaysia has expected that global economy in 2018 will grow by 3.7 percent as compared to 3.6 percent in 2017. This means that the world economy will still be faced with the risk of a 1 percent decline due to factors, including policy uncertainties in the world's major economies.

Among the anticipated risks are the uncertainty of Brexit, geopolitical tensions, the effect of new US tax policy implementation, uncertainty of financial markets, volatility of commodity markets prices and the most recent one is that the European Union move to exclude palm oil from biodiesel and renewable energy, which will have an impact on the countries that rely on the commodity.

For our country, the economic landscape is expected to remain resilient this year with the projection of GDP growth between 5.0 and 5.5 percent, driven by domestic demand and further supported by the external sector. This indicates a positive sign for our country to shift from a high middle income economy to a high income economy by 2020.

Stepping into 2018, IRBM needs to be more proactive to explore new opportunities and avenues as a penetration strategy to compensate the loss of direct taxes incurred due to reduced tax rate or allocation of incentives to certain industries. As a tax collecting agent on behalf of the Government, IRBM should keep on transforming itself to remain relevant and effective. An emphasis should be placed on professional development and ongoing investment to the IRBM's workforce.

Acknowledgement

2017 has come to a successful end. However, the RM140.113 billion target for 2018 requires IRBM to maintain its focus and competency in doing its best to shoulder the responsibilities entrusted by the Government. Undoubtedly, this success is impossible without the support and solid cooperation from all parties involved.

Last but not least, as the Chairman of the Board, I would like to express my sincere appreciation and congratulate all the Board members, the IRBM's top management and fellow Hasilians who continously demand the best for our beloved organisation. Despite the various obstacles faced, internally and externally, they were well resolved by all parties involved. Here, I need to mention that these successes were indeed also due to the continuing support from the media, in the form of coverages and reports on IRBM. These efforts have been important in spreading awareness among the public of the responsibilities to pay tax, thus increase the tax compliance rate. The collaboration with other Government agencies had also helped IRBM to achieve the outstanding performance in 2017. IRBM will continue strengthening the good relations it has with its stakeholders, Government and private agencies as well as non-Governmental bodies in order that we can all enjoy the mutual benefits arising from our networking.

I am hopeful that the compliance and corporate social responsibility (CSR) programmes undertaken by IRBM can be enhanced in the future to instill the public with the awareness of the actual functions of IRBM as the leading tax administrator that contributes to the nation's development. These efforts are important to ensure that the future generations can truly understand the concept of taxation in preparing ourselves towards becoming a developed nation by 2020.

Thank you.

Tan Sri Dr. Mohd Irwan Serigar Abdullah
Chairman of the Inland Revenue Board of Malaysia

CHIEF EXECUTIVE OFFICER'S MESSAGE

Bismillahirrahmanirrahim.
Assalamualaikum W.B.T., Warm Greetings, Salam Negaraku Sehati Sejiwa dan Salam 1Hasil

First of all, I am thankful to Allah S.W.T for His grace and blessings, we have managed to publish the **IRBM's Annual Report 2017**.

Alhamdullilah, I have been entrusted to lead a high-performing organisation and I have received full support from various parties. Thank you so much for all the cooperation.

InsyaAllah, the Top Management and I will together, translate all these efforts to achieve excellence, and most importantly to fulfill the hope and expectations of all fellow IRBM stakeholders.

IRBM's Achievement

On 31 December 2017, we had witnessed IRBM's successfully achieved a total of RM123.312 billion in tax collection which was an increase of RM9.367 billion or 8.22% higher than the total tax collection in 2016.

With this achievement, the IRBM's tax collection trend had returned to its positive momentum after experiencing a decline for two consecutive years.

Congratulations Hasilians. Together, **WE DID IT!**

Surely, the target of RM126.7 billion was indeed a massive amount reflective of the huge expectations placed on IRBM, as the agency responsible for the collection of direct taxes for the country. This had implied that the functions and roles performed by the IRBM were demanding and not easy tasks.

The various efforts and initiatives undertaken by the IRBM throughout 2017 was to ensure that this organisation accomplished its tax collection mission.

The achievments in 2017 had demonstrated that the overall strategies undertaken during the year were well executed and focused resulting in six (6) out of nine (9) tax segments achieving positive results.

Comparison of Direct Tax Collection by Component

Direct Tax Component	2017 (RM Million)	2016 (RM Million)	Difference (%)
Individuals	31,901.57	29,603.47	7.76
Companies	68,801.94	65,974.74	4.29
Stamp Duty	5,670.32	5,674.04	(0.07)
Withholding Tax	3,266.38	2,549.36	28.13
RPGT	1,697.98	1,491.67	13.83
Cooperatives	74.48	89.71	(16.98)
Other Taxes	86.69	90.09	(3.77)
Other IT - Sec 124	51.23	46.18	10.94
Petroleum	11,760.92	8,425.76	39.58
Gross Collection	**123,311.51**	**113,945.02**	**8.22**

*Other taxes include Labuan tax and non-tax revenues

Initiatives

Going through 2017, IRBM had mobilised its machinery across the country through a number of approaches, with a single precise objective of making compliance easy, non-compliance difficult.

These strategies which help IRBM to remain focused on improving the main tax activities were strengthened by adopting the elements of excellence, such as:

a) Emphasising on leadership and competence;
b) Providing a fresh impetus to the work culture;
c) Change in the work process and business model; and
d) Updating organisational structure.

These efforts were undertaken to ensure that the voluntary compliance rate can be improved and the country's revenue is kept protected.

We have seen positive implications from the implementation of various enforcement operations, in the beginning, with *Operasi Gegar Bersepadu* and ending with Mega Operation, along with awareness and educational programmes on taxation.

BR1M Management

IRBM has also been tasked to administer and process the 1Malaysia People's Aid (BR1M) applications under the Ministry of Finance, Malaysia. Throughout 2017, a total of 8,262,538 BR1M applications were successfully processed.

IRBM is fortunate to be entrusted with the task to execute the Government's agenda and we are keen to improve our service quality to the entire nation.

For this purpose, IRBM has come up with a mobile application for the BR1M applicants to check their application status. This is in line with the latest mobile technology-oriented development with which the BR1M applicants can verify their application status quickly and accurately.

Recognition

As the frontline national agency, IRBM is also commited to provide the best services to the taxpayers.

Apart from national agency, IRBM is further strengthened via the implementation of various social responsibility programmes and publicity efforts that are focused and relevant to the needs of today.

What makes us prouder is the fact that all our endeavour and hard work has been recognised when in 2017, IRBM was accorded a Special Award in 'Service Delivery Excellence', during the PNB-ASNB Starz Awards Nite.

Acknowledgement

As a tax administrator, the tax collection rate is undoubtedly the key benchmark to determine IRBM's capability in being a leading and well-respected tax administrator.

To reach the target, we had a tough row to hoe, but with the full support and cooperation of all parties involved especially the IRBM's Board Members, IRBM's Top Management and fellow Hasilians, had stopped at nothing until we had achieved the target. For this, we thank everyone.

Moving forward into 2018

For the year 2018, the target set by the Ministry of Finance for IRBM is RM134,713 billion.

Looking at the economic dynamics in 2018, the Government forecasts the country's economic size is projected to grow at a value of RM1.446 trillion with the direct tax collection as a percentage of GDP at 9.31%, which is equivalent to RM134.713 billion.

In view of the country's current economic status, InsyaAllah, IRBM is positive it can realise the tax collection target set by the Government.

I truly believe that IRBM is capable to carry out its vision and mission by regarding the core of taxation as its major subject with integrity and transparency in accordance with the taxation laws.

IRBM will continue to assist the community at large by providing our best in clarifying that tax is indeed a community asset that we need to safeguard and that all the contributions in the form of taxes will be returned as benefits for Malaysians to enjoy.

Thank you.

Dato' Sri Sabin Samitah
Chief Executive Officer
Inland Revenue Board of Malaysia

IRBM's PROFILE

The
Inland Revenue Board of
Malaysia (IRBM) is one of the main
agencies under the Ministry of Finance that
is responsible to collect and administer the country's
direct taxes.
The IRBM was established under the Inland Revenue Board of
Malaysia Act 1995 to acquire more
power especially in the areas of finance and staff management in order to
improve the quality of tax administration.
Formerly known as the Inland Revenue Department (IRD), it was incorporated
on March 1, 1996 and is now
known as the Inland Revenue Board of Malaysia (IRBM).
This agency is responsible for the entire direct tax administration under the
following Acts:

Income Tax Act 1967,
Petroleum (Income Tax) Act 1967,
Real Property Gains Tax Act 1976,
Promotion of Investments Act 1986,
Stamp Act 1949,
Labuan Business Activity Tax Act 1990.

IRBM's FUNCTIONS

1. To act as agent of the Government and to provide services in administering, assessing, collecting and enforcing payment of income tax, petroleum income tax, real property gains tax, estate duty, stamp duties and such other taxes as may be agreed between the Government and the Board
2. To advise the Government on matters relating to taxation and to liaise with the appropriate Ministries and statutory bodies on such matters
3. To be involved within or outside Malaysia in respect of matters relating to taxation
4. To perform such other functions as are conferred on the Board by any other written law
5. Acting as the collection agent for and on behalf of any body for the recovery of loans due for repayment to that body under any written law.

POWER OF IRBM

1. To enter into contracts
2. To utilise all properties of the Board, movable and immovable, in such manner as the Board may think expedient including raising loans by mortgaging such property
3. To engage in any activity, either alone or in conjunction with other organisations or international agencies, to promote better understanding of taxation
4. To provide technical advice or assistance, including training facilities, to tax authorities from other countries
5. To impose fees or charges for services rendered by the Board
6. To grant loans to employees of the Board for any purpose specifically approved by the Board
7. To provide recreational facilities and promote recreational activities for, and activities conducive to, the welfare of employees of the Board
8. To provide training for employees of the Board and to award scholarships or otherwise pay for such training
9. To do anything incidental to any of its powers.

CORPORATE CULTURE

VISION

A Leading Tax Administrator that Contributes to Nation Building

MISION

To Provide Excellent Tax Services by:

i. Improving voluntary compliance
ii. Implementing an integrated and transparent taxation system
iii. Increasing operational effectiveness through innovative processes and information technology
iv. Enhancing a competent workforce

OBJECTIVE

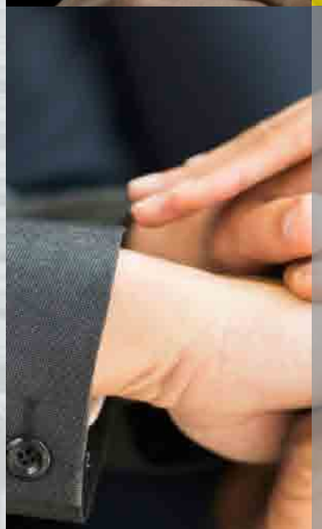
To Implement Effective, Fair and Equitable Tax Management System

SLOGAN

Together We Develop the Nation

QUALITY POLICY

With integrity as the foundation, we are committed to provide the best service to our customers



SERVICE MOTTO

The Best Service for You

CLIENT CHARTER

We are committed to continuosly improve the service delivery system and provide a fair and just service for all transactions based on the following standards:

1 To provide the current year Income Tax Return Form for:
i. individual taxpayer – by the end of February
ii. non-individual taxpayer - by the end of April

2 To provide the convenience of submitting the Income Tax Return Form electronically

3 To refund excess payment or to issue repayment of income tax from the date a complete and accurate Income Tax Return Form is received via:
i. e-Filing – 30 working days
ii. post or by hand – 90 working days

4 To issue of tax clearance letter within 10 working days from the date the relevant completed document is received

5 To initiate action on the instrument of transfer of property for the stamp duty assessment as follows:
i. to submit the PDS 15 Form for evaluation – Eight (8) working days
ii. to issue a notice of assessment from the date of valuation report is received – Eight (8) business days
iii. to endorse the KTN 14A Form from the date the payment is received – three (3) working days

6 To assess instruments other than property and land transfer instruments for:
i. formal assessment – Five (5) working days
ii. informal assessment – One (1) working day limited to 30 instruments for each applicant

7 To resolve appeals/objections other than Form Q within 60 days provided that the complete information is received

8 To process Form Q for submission to the Special Commissioner of Income Tax within 5 months from the date of receipt

9 To take action pertaining to letters, faxes, and emails by issuing:
i. acknowledgement letter within 3 working days from the date of receipt
ii. letter notifying progress status within 7 working days from the issuance of the acknowledgement letter if the matters raised take time to complete

10 To answer telephone calls within 3 rings

11 To provide service at the counter within 15 minutes after obtaining the queue number

CORE VALUES

H Hasilians are always cheerful and fun

A Work in a team

S Being professional

I With integrity

L To achieve excellence

HAPPY
TE**A**MWORK
PROFE**S**SIONALISM
INTEGR**I**TY
EXCEL**L**ENCE

HAPPY

Happy At Work culture makes Hasilians more spirited to increase organisational productivity. To instill and practise a friendly culture and mutual respect towards a compassionate and harmonious organisation.

Managing People with good ethics and manners accordingly.

Together, be committed on a voluntary basis to achieve the goals/corporate KPI set by the organisation.

TE**A**MWORK

A solid collaboration is instilled in each Hasilian to make sure each decision taken is performed in a more organised, time-saving and efficient manner thus resulting in high productivity. Hasilians will be outstanding if things are done in a team.

PROFE**S**SIONALISM

Hasilians have high spirit to do the best in every matter pertaining to tax administration to generate income for the nation. Besides, each affair is administered and managed professionally and efficiently.

INTEGR**I**TY

Integrity is cultivated at every level of IRBM employees in line with its objective to produce a competent, integrated and committed human capital.

EXCEL**L**ENCE

Hasilians strive to carry out their responsibilities excellently, to produce quality and highly prestigious work in moving to be the leading tax administrator that contributes to the nation's building.

MEMBERS OF THE BOARD

CHAIRMAN OF THE BOARD MEMBERS

1. **YBHG. TAN SRI DR. MOHD IRWAN SERIGAR BIN ABDULLAH**
   Secretary General of Treasury
   Treasury Malaysia

2. **YBHG. DATO' SRI SABIN BIN SAMITAH**
   Chief Executive Officer
   Inland Revenue Board of Malaysia

3. **YBHG. TAN SRI ZAINAL RAHIM BIN SEMAN**
   Director General of Public Service Malaysia
   Public Service Department Malaysia

4. **YBHG. DATIN PADUKA ZAUYAH BE BINTI T. LOTH KHAN**
   Solicitor General II
   Attorney General Department

5. **YBHG. DATO' KHODIJAH BINTI ABDULLAH**
   Secretary of Tax Division
   Treasury Malaysia

6. **YBRS. ENCIK SAAT BIN ESA**
   Accountant General of Malaysia

7. **YBHG. DATUK FADZLI BIN ABDUL WAHIT**
   Private Consultant

8. **YBHG. TAN SRI DATUK RASHPAL SINGH A/L JESWANT SINGH**
   Private Consultant

9. **YBHG. DATUK HJ. MD AFENDI BIN DATUK HJ. HAMDAN**
   Private Consultant

EXECUTIVE MANAGEMENT

1. **DATO' SRI SABIN SAMITAH**
   Chief Executive Officer
   Inland Revenue Board of Malaysia

2. **DATUK NOOR AZIAN ABDUL HAMID**
   Deputy Chief Executive Officer
   (Policy)

3. **DATUK MOHD NIZOM SAIRI**
   Deputy Chief Executive Officer
   (Management)

4. **MAHMOOD DAUD**
   Deputy Chief Executive Officer
   (Tax Operation)

5. **ABDUL MANAP DIM**
   Deputy Chief Executive Officer
   (Compliance)

ORGANISATIONAL CHART

BOARD MEMBERS

INTERNAL AUDIT DEPARTMENT

IRBM'S CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER OFFICE

DEPUTY CHIEF EXECUTIVE OFFICER / DEPUTY DIRECTOR GENERAL (POLICY)

- Dispute Resolution Department
- Tax Policy Department
- International Tax Department
- Legal Department
- Tax Research Department

State Director's Office of Perak

State Director's Office Kelantan / Terengganu

State Director's Office of Federal Territory Putrajaya

DEPUTY CHIEF EECUTIVE OFFICER / DEPUTY DIRECTOR GENERAL (MANAGEMENT)

- Human Management Department
- Finance Department
- Integrity & Risk Management Department
- Corporate Logistics Department
- Malaysian Tax Acedemy

State Director's Office of Selangor

State Director's Office of Sarawak

State Directors Office of Johor

DEPUTY CHIEF EXECUTIVE OFFICER / DEPUTY DIRECTOR GENERAL (COMPLIANCE)

- Tax Compliance Department
- Investigation Department
- Intelligence & Profiling Department
- Special Task Department
- Special Operation Department
- Large TaxPayer Branch
- Multinational Tax Branch
- Special Industry Branch

State Director's Office Kedah / Perlis

State Director's Office Pulau Pinang

State Director's Office Sembilan / Melaka

DEPUTY CHIEF EXECUTIVE OFFICER / DEPUTY DIRECTOR GENERAL (TAX OPRATION)

- Tax Operation Department
- Revenue Collection Department
- Information Technology Department
- Corporate Services Department

State Director's Office Sabah

State Director's Office Pahang

State Director's Office Wilayah Persekutuan Kuala Lumpur

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The Board Members of the Inland Revenue Malaysia (IRBM) are committed to ensure the adoption of the highest standard of corporate governance in IRBM to safeguard its interests and reputation. The Board of Directors hereby presents the corporate governance statement for the year ending 31 December 2017. This statement explains the compliance to the best practice and processes implemented by IRBM.

Board Membership
Subsection 6(1) of the Inland Revenue Board of Malaysia 1995 (Act 533) states that the Board Shall consist of the following members:

- **A** the Secretary General of the Treasury shall be the Chairman
- **B** the Attorney General or his/her representative
- **C** Director General of the Public Service or his/her representative
- **D** not more than two (2) Government representatives who are appointed by the Minister of Finance
- **E** not more than three (3) representatives from the private sector who are influential or experienced in matters related to finance, commerce, taxation or law, appointed by the Minister of Finance

The membership composition is in line with good corporate governance practice and this preserves the power balance of authority in enhancing accountability and responsible for independent decision making. Members of the IRBM's Board consists of individuals with great achievements, varied skills, competent, experienced and reliability in carrying out their responsibilities effectively.

The Roles of the Chairman of the Board and the Chief Executive Officer
The Chairman of the Board has the role of managing and leading the Board Members in making decisions on the matters brought to the Board's attention and to monitor each decision taken by the Board. The main role of the Chief Executive Officer as the Director General of the Inland Revenue under Section 134 (1A) of the Income Tax Act 1967 (Act 53) is to manage and collect tax. At the same time, under Section 6A (1) of Act 533, the Chief Executive Officer is also responsible for the administrations of the daily operations. Both roles are effectively implemented in line with the strategies and policies as well as to provide supervision, guidance, advice and leadership to the senior management.

Throughout 2017, six (6) Board Meetings were convened, with attendance more than the quorum for all the meetings as follows:

a. MLHDNM No 1/2017 – 20 January 2017
b. MLHDNM No 2/2017 – 26 March 2017
c. MLHDNM No 3/2017 – 25 May 2017
d. MLHDNM No 4/2017 – 27 July 2017
e. MLHDNM No 5/2017 – 22 September 2017
f. MLHDNM No 6/2017 – 23 November 2017

Board Committee
For the purpose of carrying out the functions of the Board, several key committees were set up based on the statutory provisions of subsection 12(1) of the Act 533 of which the membership of each committee is appointed from amongst the Members by the Chairman of the Board.

The Board Committees are as follows:

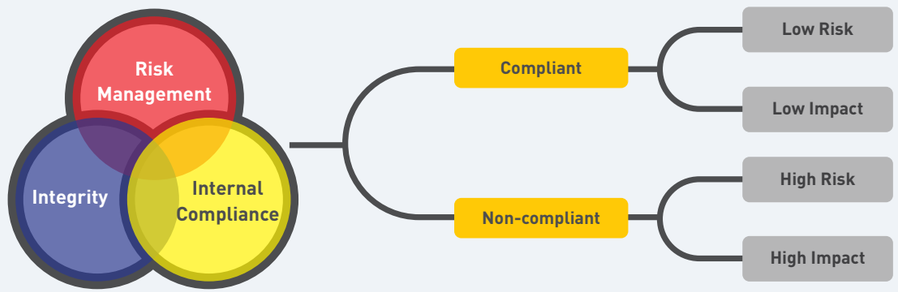
- **A** Board Audit Committee
- **B** Finance Committee
- **C** Investment Committee
- **D** Human and Remuneration Management Committee I
- **E** Procurement Committees
- **F** Disciplinary Committee 1
- **G** Disciplinary Appeal Committee

Each committee functions to deal with complex, specific and exclusive issues. Recommendation and proposal made by the Board Committee will be taken directly to the Board Meeting for its decision.This collective responsibility is an effective practice in upholding corporate governance.

RISK MANAGEMENT AND INTERNAL CONTROL

IRBM has been implementing Risk Management since 2011 as it has always focused on dynamic development to achieve the main organisational objective of tax collection. Excellent governance is reflected from efficient revenue collection management, dynamic risk management and internal control to ensure the compliance aspect. Therefore, IRBM keeps on working to internalise sustainable risk management and internal control to ensure excellent governance. The three (3) key elements to ensure excellent governance in IRBM are RiskManagement, Integrity and Internal Control, collectively these are known as the **RMIIA Rings of Governance.**

The RMIIA Rings of Governance



The RMIIA Rings of Governance project (collaboration between IRBM and UiTM) was awarded with Gold Medal in the iidex2017 competition on 29 September 2017.

1. Risk Management

To ensure the quality and effectiveness of risk management practice in IRBM, a risk management governance structure has been entered into involving members and committees as follows:

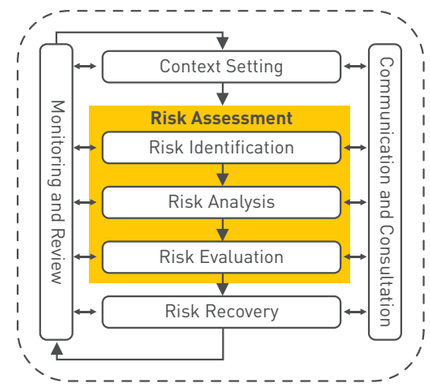
Role	Responsibility
IRBM Board of Director's	To receive assurance and monitor the implementation of effective risk management in IRBM
IRBM Audit Comittee	To oversee and monitor risk management so that its implementation complies with the framework and instructions issued
IRBM Top Management	To monitor and ensure that risk management functions effectively besides focusing on critical and strategic risks
Risk Management Committee	To monitor the risk management implementation and make decisions for risk recovery action by process owners and risk owners
Occupational Health and Safety Committee	To monitor risks associated with safety and health at the IRBM premises as well as decide on risk recovery action by the process owners and risk owners
Process Owner	To receive risk reports that are registered by risk owners and take risk recovery action
Risk Owner	To identify risks and register the risks for those in charge to take further actions

There are several Risk Management functions implemented by IRBM – Corporate Risk Management, Corruption Risk Management, Service Continuity Management as well as Occupational Safety, Health and Environment.

(i) Corporate Risk Management

The implementation of Enterprise Risk Management (ERM) in IRBM adopts the ISO 31000:2009 [Risk Management - Principles and Guidelines] international standard, which provides guidance on the policies, principles, processes, methodologies and frameworks in ERM practice in IRBM. Based on the ISO 31000:2009, IRBM has implemented the following risk management processes:

Risk Management Process



With the above risk management process, IRBM has successfully identified risks that are related to human resources, operations, technology, security, compliance, financial, image and reputation as well as external factors. Subsequently, risks are analysed and evaluated with some risk recovery measures undertaken by the risk owners so that the risks are effectively and efficiently addressed and risk ratings can be reduced. Monitoring and review are important to ensure a continuous risk control, whereas continuous communication and consultation is an effective approach to disseminate information on risks and risk management in IRBM.

(ii) Corruption Risk Management

Good governance is reflected when there is zero corruption and high integrity. IRBM always takes the risks of corruption seriously if the symptoms are not addressed effectively. Hence, IRBM has introduced a new function of Risk Management in 2017. Several programmes related to integrity and anticorruption were held to instill moral values and integrity and eradicate corruption among IRBM officers, some of them are:

- **Briefing by MACC**
- **No Corruption Pledge**
- **Corruption Risk Identification Workshop**
- **Launch of Corruption Risk Management Plan**
- **Preparation of Corruption Risk Profile**

Constant monitoring is taken seriously to ensure an efficient and effective corruption risk management by all parties in IRBM.

(iii) Service Continuity Management

Risk management activities also identify incidents or events that can affect the delivery service system to customers where the constant monitoring is implemented via the function of Service Continuity Management. The IRBM disaster action plan has been prepared to protect the interests of officers and organisations. The Service Impact Analysis and Risk Assessment are used to evaluate the risks that may jeopardise the IRBM service delivery. Hence, a comprehensive action plan and disaster simulation are practised so that the impact on any interference can be minimised and the best service can be communicated to IRBM customers.

(iv) Safety, Health and Working Environment

IRBM also emphasises on the safety and health aspect of its officers and visitors to all IRBM premises, with a sound Occupational Safety and Health practice that complies with the Occupational Safety and Health Act 1994. In addition, IRBM endeavours to ensure a safe and healthy environment to provide a healthy and conducive workplace. It aims to preserve the wellbeing of the officers and visitors who have

dealings at the IRBM premises. A healthy officer in a conducive working environment drives organisational productivity. Meanwhile, satisfied visitors will boost IRBM's reputation and positive image.

2. Internal Control

IRBM is responsible in its entirety to ensure an adequate and effective internal control management to mitigate any existing risks and thereby driving the best corporate governance in achieving IRBM's objectives.

(i) Internal Control Framework

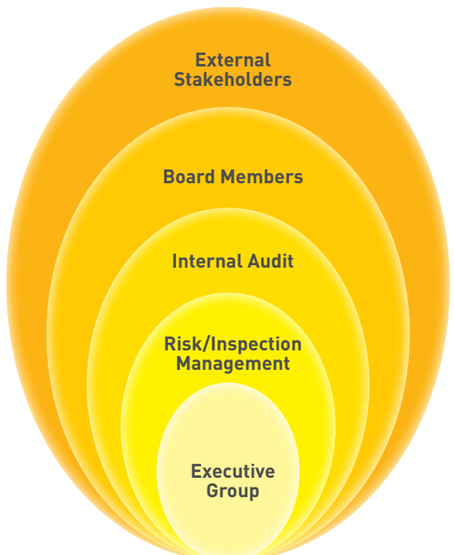
The key internal control framework is based on the Committee of Sponsoring Organisations (COSO), which is the generally accepted international benchmark. The main COSO elements adapted in IRBM are:-

Environmental Control	The overall guidelines that set the organisation's direction and become the basis for the entire internal controls.
Risk Evaluation	Rating of risks which have been identified and the necessary internal controls.
Control Activities	Policy and Procedures in handling daily operations.
Information and Communication	Accurate and complete information channeled through an efficient and effective communication system.
Monitoring Control	Constant monitoring/inspection by the department/unit in charge in the organisation.

A sound internal control evaluation in IRBM is carried out in respect of the following:

1. The achievement of IRBM's strategic objectives.
2. The reliability and integrity of financial and operating information.
3. The effectiveness and efficiency of operations and programmes.
4. Safeguarding of IRBM's assets.
5. Compliance with IRBM's laws, acts, policies, procedures and contracts.

IRBM adapts the five (5) Lines of Defense Model to ensure an effective internal control management in performing daily tasks as follows:



Executive Group	-	Department/State/ Branch/Investigation (Business Unit/Front Liner/Risk Owner)
Risk/Inspection Management	-	Integrity and Risk Management Department/Process Owner Department that conducts inspection and compliance activities
Internal Audit	-	Internal Audit Department/Integrity and Risk Management Department
Board Members	-	Board Audit Committee (BAC/IRBM Board Members)
External Stakeholders	-	Taxpayers/Ministry of Finance And others

In conclusion, these five (5) defensive lines should function perfectly to ensure the effectiveness and efficiency of the IRBM's Rings of Governance.

(ii) Guarantee of Internal Control

The review of the IRBM's Rings of Governance effectiveness is an integrated and continuous process and regulated by:

- Lembaga Pengarah LHDNM
- Jawatankuasa Audit Lembaga (JKAL)
- Jabatan Audit Negara Malaysia/Juruaudit Luar
- Jabatan Akauntan Negara Malaysia
- Jabatan Audit Dalam LHDNM dan Jabatan Integriti dan Pengurusan Risiko LHDNM

The duties and responsibilities of the Internal Audit Department and the Integrity and Risk Management Department are to provide independent reports to BAC to provide assurance that the IRBM internal control management is effective and adequate. The effectiveness and reliability of the reports are supported by the following: -

- BAC meets at least four (4) times a year, providing insights as well as making decisions based on the findings and recommendations proposed by the audit team and issues raised by the Auditor-General

- BAC is responsible for IRBM's Internal Controls as set out in the BAC's Terms and References as follows:

  - to review and study the completeness and integrity of the internal control system and organisational management information system;
  - to deliberate on the effectiveness of the IRBM internal control system, including information technology security and control;
  - to review the adequacy and effectiveness of theinternal controls so as to obtain assurance on the operational efficiency of IRBM

- Presentation of the BAC Report by the Chairman of the BAC to the Board twice a year.

- The Auditor-General issues an audit certificate to the IRBM's Financial Statement annually.

IRBM has consistently demonstrated excellent commitment to ensure a sound risk management and internal control through the functions mentioned above. The IRBM's Risk Management and Internal Control ensures that the risks within the organisation can be managed efficiently and effectively, so that the organisation can achieve its objectives. The ongoing efforts of all parties in IRBM, which involves supporting staffs, management, top management and Board members are pertinent towards creating a culture of sound risk management and internal control management in the conduct of daily tasks. This is important for IRBM to achieve its objectives and maintain its excellent governance.

IRBM'S 2017 ACHIEVEMENTS

MAIN PROCESS	TARGET	PERFORMANCE	ACHIEVEMENT PERCENTAGE (%)
Tax Collection	RM126,699 million	**RM123,312 million**	**97.33**
Company Audit	129,893 cases	**178,583 cases**	**137.48**
Business Audit	349,952 cases	**446,163 cases**	**127.49**
Individual Audit	990,950 cases	**1,322,704 cases**	**133.48**
Employer Audit	46,020 cases	**67,534 cases**	**146.75**
Investigation	1,566 cases	**2,169 cases**	**138.51**
Previous Year Debit Arrears	RM5,680 million	**RM6,738 million**	**118.63**
Current Debit Arrears	Not more 10.00%	**4.23%**	**106.41**
Refunds	Complete 90.00% applications (2,174,613 cases)	**99.87%**	**110.97**
Customer Satisfaction Index	75.00%	**99.11%**	**132.15**
Collection Cost Efficiency	≤ 2.00% from RM 100 collected	**1.75%**	**114.29**
Job Satisfaction Index	75.00%	**95.87%**	**127.83**

DIRECT TAX COLLECTION PERFORMANCE

COMPONENT	2017 (RM MILLION)	2016 (RM MILLION)	DIFFERENCE (RM MILLION)	PERCENTAGE (%)
INDIVIDUALS	31,901.57	29,603.47	2,298.10	7.76
COMPANY	68,801.94	65,974.74	2,827.20	4.29
STAMP DUTY	5,670.32	5,674.04	(3.72)	(0.07)
WITHHOLDING TAX	3,266.38	2,549.36	717.02	28.13
RPGT	1,697.98	1,491.67	206.31	13.83
COOPERATIVE	74.48	89.71	(15.23)	(16.98)
OTHER TAXES*	86.69	90.09	(3.40)	(3.77)
OTHER IT-SEC 124	51.23	46.18	5.05	10.94
PETROLEUM	11,760.92	8,425.76	3,335.16	39.58
TOTAL	**123,311.51**	**113,945.02**	**9,366.49**	**8.22**

*Other Taxes include Labuan Tax and Non-Tax Revenues

Source: Revenue Collection Department

REGISTERED TAXPAYERS:

FILE	2016				2017			
	FA	NR	FM	TOTAL	FA	NR	FM	TOTAL
C	747,187	224,164	116,171	1,087,522	780,990	242,711	125,897	1,149,598
CS	2,595	165	725	3,485	2,643	156	735	3,534
LE	4,971	2,291	203	7,465	5,398	2,239	793	8,430
TA	2,853	8,893	570	12,316	3,045	8,925	580	12,550
TC	453	346	103	902	443	341	107	891
TR	6	2	2	10	7	2	2	11
PT	2,416	15	40	2,471	3,867	26	40	3,933
TN	0	0	0	0	0	0	0	0
OG	1,696,774	148,770	1,643,320	3,488,864	1,759,511	149,163	1,665,545	3,574,219
SG	5,222,057	762,353	2,776,173	8,760,583	5,536,265	746,127	2,815,033	9,097,425

Source: Tax Operation Department

CORE STRATEGIES

CORE STRATEGY 1

THE MAIN CONTRIBUTOR TO THE NATION'S PROSPERITY AND THE PEOPLE'S WELL-BEING

IRBM as the Main Contributor to the Nation's Prosperity and the People's Well-being

IRBM is the major contributor to the Government's revenue for the generation of national development for the people's well-being. Since 2011, the total tax collected has exceeded 55% of the country's total revenue. A strong financial position for a nation guarantees the Government's ability to manage the needs of the people well.

The people's socioeconomic status that covers the cost of living, employment, educational facilities, safety and health services can be improved. Besides, a better quality infrastructure can also be provided. Hence, the nation's wealth and prosperity can be enjoyed by everyone from all walks of life.

IRBM is committed to realise the Government's desire to improve the standard of living of the people. The continuation of a commendable revenue collection should be retained via the implementation of planned strategic objectives – enhanced voluntary tax compliance, reduction of tax leakage, tax debt management reinforcement and tax base expansion.

Voluntary tax compliance is maximised with a balanced compliance programme and risk-based focus, transparency and taxpayer compliance attitude. IRBM is diversifying its efforts to facilitate taxation matters and reduce compliance cost for taxpayers who are always willing to fulfill their tax obligations.

To ensure a fair tax execution for all, strict enforcement is exercised against the taxpayers who refuse to comply with taxation laws. IRBM plans and targets compliance activities via risk management approaches that take into account the cause and effect of tax noncompliance.

Tax arrears management is streamlined by focusing on arrears prevention, identifying causes leading to arrears as well as implementing efficient and effective debt collection methods.

The strategies to expand tax base are important to ensure a sustainable revenue collection. Therefore, IRBM is taking steps to increase tax awareness by empowering tax education activities and reinforcing information sharing via collaborative network with other agencies.

IRBM strives to minimise tax leakage in its effort to channel sufficient revenue to the Government so that it can be returned to the people. The platforms used to mitigate the issue of tax leakage is done through data collection using the MNE Form, where the Multinational Enterprise (MNE) Form is included as a part of Form C. Using this form, the process of collecting data and information regarding MNE companies and Malaysian taxpayers abroad is improved. The MNE Amd. 1/2017 Form (pdf) has been uploaded to the IRBM official website on 17 August 2017. There is new data provided in line with the international tax amendments due to additional data requirements in producing higher quality risk analysis for cases of transfer pricing.

Besides the MNE Form, IRBM has provided a system to use the information of taxpayers with offshore accounts via a system developed for Common Reporting Standards (CRS) and the Foreign Account Tax Compliance Act (FATCA).

To minimise tax leakage, IRBM constantly reviews the existing taxation policies. The Malaysian Double Taxation Avoidance

Agreement (DTAA) model has been updated in line with international tax development and has been approved at the departmental level and submitted to the management on 30 November 2017. A study to standardise the provisions related to DTAA under the ITA Act 1967 was conducted. The ITA Act 1967 was amended on a number of matters in the Amendment Act for Budget 2017 which came into force on January 2017. IRBM had notified the countries (contracting party) regarding the amendment via the Ministry of Finance. The new DTAA which was renegotiated in 2017 has adopted new provisions based on the proposed DTAA to the respective contracting party.

Review of certain Labuan provisions

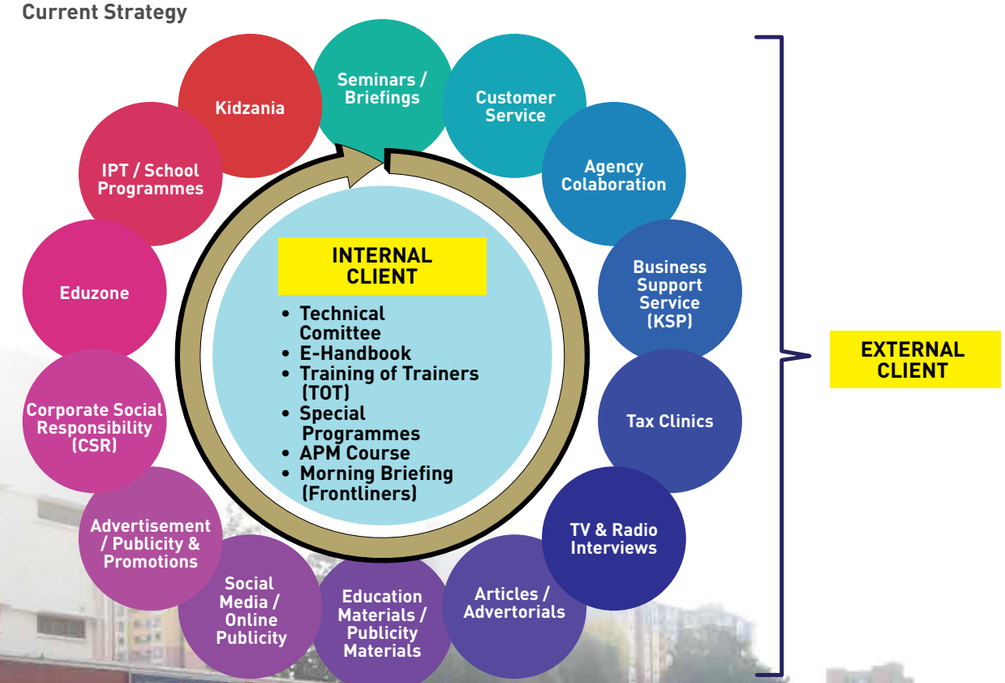
The effect of the company tax exemption under the Labuan Financial Services Authority (LFSA) was studied, by looking at the Business Activity Tax Act 1990 (LBATA) and ITA Act 1967. The Labuan Review Committee under the International Business Financial Center (IBFC) was established in 2014. It aims to review the taxation policy of Labuan IBFC, comply with the current international taxation standards and take into account current issues including the Base Erosion and Profit Shifting (BEPS). IRBM, as the Working Committee originally proposed a paper, which was submitted in December 2014. In 2017, the Review was brought to the Technical Committee under the supervision of the Ministry of Finance. A series of meetings were held with the relevant parties. The proposed amendments to the Labuan Business Activity Tax Act 1990 are still under review by all parties involved and it is expected to be completed by 2018.

IRBM has also implemented FATCA. The ezFATCA system has been completed and launched in May 2017 and it meets the standards set by the Inland Revenue Service (IRS) in the United States. However, the exchange of information under FATCA has yet to be implemented as the Investment Guarantee Agreement (IGA) has not yet been signed.

Increase in voluntary tax compliance

IRBM has driven many initiatives to increase voluntary tax compliance among the public. There have been many briefings on tax held for the taxpayers, potential taxpayers and the public. Besides, internal education has also been emphasised

Current Strategy



Among the approaches used for education and tax awareness programmes are:

- Education programmes in collaboration with professional bodies/Chambers of Commerce
- Coaching classes for entrepreneurs and employers
- Smart collaboration with Government agencies/NGOs/Associations
- Diversifying tax education materials
- Smart collaboration with the Institutes of Higher Education
- Partnering with Kidzania Kuala Lumpur
- Tax awareness programmes with professional bodies - Young Tax of The Year

Tax Education Programmes

Year	Participants Attending Briefing	Participants Attending Collaboration Briefing	Numbers of Agencies Collaborated	Potential Taxpayers Programmes	Kidzania	Tax Education Materials
2015	110,556	12,685	8	15,704	15,364	52,679
2016	113,658	19,550	21	12,619	11,586	42,855
2017	190,707	23,870	20	15,551	14,937	78,042

Tax Awareness Programmes

Year	HCG & UTC Counter Visitors	TV & Radio Programmes	Interviews	Tax Clinic	Articles	Total Counters in UTC	Counters Opened Outside
2017	3,571,989	21	8	13	11	10	1,389

Tax base expansion

Registration of new taxpayers through

- Automatically generated profiling mechanism by CMS Detection (*CMS Pengesanan*). This system enables SMUP, VIS and STAMPS information to be processed for the purpose of new taxpayer registration and follow-up audit.
- Business Census Tour.
- Information obtained from printed and electronic media.

Tax debt management reinforcement

(i) Review and consolidation of debt management strategies have been made on:

- the enforcement of travel restrictions under section 104 ACP1967
- the power to approve audit, investigation and collection
- the subfile preparation procedures for civil suit

The system used for debt monitoring purpose is the Revenue Management System (ReMS) and the next best action is the Debt Management Analytic System (DMAS).

The committees involved to monitor the revenue arrears are:

- Task Force Main Committee of the Highest Arrears Case at the Headquarters
- Revenue Arrears Main Committee at the Headquarters
- Branch Revenue Arrears Committee

(ii) The Establishment of the Kuala Lumpur Legal Branch on 1 May 2017

The decision to centralise civil and prosecution cases from nine (9) branches reflects IRBM's continuous effort to improve efficiency and enhance the collection process as well as civil and prosecution cases.

CORE STRATEGY 2

THE RELIABLE TAX SYSTEM ADMINISTRATOR

IRBM wants the people to confident of the country's tax system. A trusted tax system should have a just and clear laws. This system should be supported by transparent and fair implementation as well as integrity in the management of information. The IRBM's strategic objective is to ensure a fair and impartial tax system, improve customer service delivery, safeguard assets security and tax information as well as protect maintain its reputation and corporate image.

IRBM carries out ongoing proactive research to ensure that the Malaysian taxation laws are always up-to-date and comprehensive. The tax-related Acts are constantly improved in line with developments in current tax issues and the policies set by the Government.

Tax guidelines are issued to facilitate taxpayer's understanding of their rights which consequently reduces errors rate and improves compliance. This helps taxpayers to plan and manage their taxes more efficiently while boosting the people's confidence in IRBM's dedication to facilitate the tax administration process.

The best practices of other tax administrators are always referred to by IRBM to ensure that the Malaysian tax system is at par with the international tax administrators. This strategy is necessary to ensure a consistent taxation practice, in its efforts to be fair to the taxpayers, subject to certain tax jurisdictions at a particular time.

For this purpose, IRBM engages in collaboration, smart partnership and agreements with tax administrators from other countries to address the challenges in addressing barriers related to information transparency.

IRBM is committed to provide quality services that meet the current requirements and with transparency. Information technology systems are widely used in innovative ways as the catalyst in service delivery. IRBM has targeted to upgrade the online services by 2020 in line with the use of the internet as the major service delivery channel.

The addition of a comprehensive and automated self-service network can save taxpayers' time dealing with IRBM thereby reducing the compliance cost. Information system security and facilities are critical to safeguarding the confidentiality of taxpayer's information. IRBM takes appropriate security measures to protect the information systems and facilities from any threats of breach and leakage of data.

IRBM also places strong emphasis on high values of integrity amongst all Hasilians. The IRBM Integrity Plan outlines such values of being smart, truthful, trustworthy, transparent, fair and grateful. The purpose of this plan is to preserve its reputation and corporate image, thus boosting confidence among taxpayers towards IRBM.

IRBM is always keeping itself up-to-date with developments in the tax system at the international level to protect the country's tax revenue source as well as to curb tax evasion activities. Therefore, it is IRBM's duties and responsibilities to update the existing Taxation Laws and Guidelines besides streamlining the regulations and guidelines according to the current developments and needs. Among the regularly updated guidelines and regulations are as follows:

- **Mutual Agreement Procedures (MAP) Guidelines**
  The original MAP Guidelines has been uploaded to the IRBM's official website on 28 January 2015. The MAP Guidelines outlines the procedures or arrangement to seek assistance from the Competent Authorities in Malaysia in the effort to resolve issues relating to taxation with the countries of the Contracting Party. The guidelines were updated and uploaded to the Official IRB Portal in December 2017.

- **Transfer Pricing (TP) Rules and Guidelines**
  The amendments to the four chapters under the Transfer Pricing Guidelines 2012 hereinbelow had been made with effect from 15 July 2017

  (1) Chapter II - The Arm's Length Principles
  (2) Chapter VIII - Intangibles
  (3) Chapter X - Commodity Transactions
  (4) Chapter XI - Documentations

  The amendments are in line with the changes and updates in the transfer pricing guidelines that were discussed globally, as reported by United Nations in OECD/G20 BEPS Action 8-10 and Practical Manual on Transfer Pricing.

- **Thin Capitalisation (Income Tax) Rules**
  Revocation of Thin Capitalisation Rules (TCR) and a new approach via Earning Stripping Rules (ESR).

  Due to the changes in the transaction approach and target involving interest expense in the tax leakage issue worldwide, the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project had come up with a comprehensive report on the issue regarding interest claim in BEPS Action 4: 2015 Final Report – Limiting Base Erosion Involving Interest Deductions and Other Financial Payments (BEPS Action 4: 2015 Final Report).

  This report provides a guideline on how the Earning Stripping Rules (ESR) can be implemented to curb the tax leakage issues via excessive interest expenses claimed. Looking at the Budget 2018 presentation on 27 October 2017, the Prime Minister had announced the implementation of ESR which shall take effect on 1 January 2019 to replace TCR. Hence, the provisions of TCR under Section 140A (4), ACP 1967 are repealed.

- **Country-by-Country Reporting (CbCR) Rules and Guidelines**
  The Country-by-Country Reporting (CbCR) was developed by OECD under the BEPS Action Plan No. 13. It provides the template for multinational enterprise (MNE) to report specific information set out annually for each country where the business is conducted. This involves cross-border transactions with other constituent entities.The regulations apply to the entities with total consolidated revenue in the financial year before the financial reporting year of at least RM3 billion.

  For this purpose, CbCR Rules 2016 and 2017 (amendment) with CbCR Regulation (Labuan) 2017 was gazetted on December 2017. While CbCR Guidelines will be produced in 2018.

- **Common Reporting Standards (CRS) Rules and Guidelines**
  The Income Tax (Automatic Exchange of FinancialAccount Information) (Amendment) Rules 2017 was gazetted on 22 December 2017.

  The Labuan Business Activity Tax (Automatic Exchange of Financial Account Information) Regulations 2018 was completed to be gazetted by early 2018. The CRS Guidance Notes draft wascompleted on 30 June 2017 to be used by the Financial institutions. Not only that, the list of Reportable Jurisdiction was prepared for publication on January 15, 2018. Meanwhile, the list of participating Jurisdiction is made available for publication by January 2, 2018.

- **Digital Economy Research**
  Besides the abovementioned, a study on Digital Economy was also conducted. IRBM has submitted its participation in the Task Force Digital Economy meeting, held by the Organisation for Economic Co-operation and Development (OECD) meeting. The Ministry of Finance/IRBM had presented the findings on issues and challenges related to digital economy tax as well as the proposed solutions to the National eCommerce Council (NeCC) and the Economic Council (EC).

  IRBM has held discussions with Bank Negara Malaysia (BNM) on the proposed Tax Collection Mechanism via the Financial Institutions/Payment Gateway [Merchant Registration Model & Split Payment Model]. The findings were then presented by BNM to the Ministry of Finance. To proceed with this study, IRBM has submitted an advanced research paper to the Ministry of Finance entitled "Taxation of Digital Economy in Malaysia" and participated in a digital economy tax survey conducted by the World Bank Group (WBG), which was appointed by the Ministry of Finance.

Maintaining corporate reputation and image

To preserve its corporate reputation and image, IRBM has maintained its involvement in the existing engagement and has expanded its collaborative network at the international and domestic levels. IRBM had sent its officers to meetings and conferences abroad throughout 2017 to upgrade the officer's skills in their respective areas of expertise.

International Meetings/Conferences
3rd Meeting of JITSIC Panama Papers Project, Paris
11th AEOI Working Group Meeting, Paris
14th Session of the Committee of Expert On International Cooperation In Tax Matters Meeting, New York, Amerika Syarikat
Meeting on Hybrids Implementation & Working Party No. 11 On Aggressive Tax Planning, Paris
Peer Review Group Meeting & Global Forum Competent Authority Conference, Panama City, Panama
The Working Party Meeting No. 6 on The Taxation of Multinational Enterprises, Paris

International Meeting/Conference
3rd Meeting of The Inclusive Framework on BEPS, Noordwijk, The Netherlands
20th Annual Meeting Of Asia Pacific Group (APG) On Money Laundering, Colombo, Sri Lanka
8th Annual Asean Tax Conference 2017 On "Asean Tax Reform: The Tax Challenges of Digital Economy", Pattaya, Thailand
Eleventh Meeting Of The OECD Forum on Tax Administration (FTA), Oslo, Norway
10th Meeting Of The Global Forum on Transparency and Exchange of Information For Tax Purposes, Yaounde, Rwanda
The Gartner Identity & Access Management Summit (GIAMS2017) Conference, Las Vegas, Nevada, Amerika Syarikat
14th Association of Tax Authorities of Islamic Countries (ATAIC) Technical Conference, Tehran

On top of attending international meetings and conferences, the ATAIC permanent secretariat in which its headquarters is in Khartoum, Sudan had requested Malaysia, the host of the 13th ATAIC Annual Technical Conference and the Chairman for the 2016 -2017 term to organise a workshop for the benefit of all ATAIC members. Therefore, IRBM had organised a workshop on Base Erosion and Profit Shifting (BEPS) on 18 to 21 July 2017 at the Malaysian Tax Academy (APM) in Bangi.

The objective of the programme is to provide exposure to the ATAIC members on the latest developments and issues related to BEPS. The focus of the workshop is for the participants representating their countries whom their scope of work is closely related to International Taxation and Transfer Pricing. The workshop encompasses BEPS Action Plans and the sharing sessions were related to BEPS from Malaysia's perspective.

The entire training programme took up four (4) days. The workshops were held at the International Training Center, Research and Innovation, MTA and participants were provided with accommodation at the MTA hostels. Speakers who acted as the instructors are the officers from various IRBM departments – the International Taxation Department, Tax Policy Department and the Malaysian Tax Academy.

A total of 24 participants attended the workshop. Nine (9) of them were from ATAIC countries – Indonesia, Iran, Iraq, Maldives, Malaysia, Palestine, Tunisia, Saudi Arabia and Sudan, and another participant was the ATAIC Permanent Secretariat representative from Sudan. During the four days, issues discussed were related to BEPS, most of the discussions had revolved around the 15 Articles of G20/OECD BEPS Action Plan. The topics discussed in the programme were:

- Understanding Base Erosion and Profit Shifting (BEPS)
- Action 1 – Challenges of the Digital Economy
- Action 4 – Limiting Base Erosion Involving Interest Deductions and Other Financial Payments
- Action 5 – Countering Harmful Tax Practices
- Action 6 – Preventing the Granting of Treaty Benefits in Inappropriate Circumstances
- Action 7 – Preventing the Artificial Avoidance of Permanent Establishment Status
- Action 13 – Transfer Pricing Documentation and Country by Country Reporting
- Action 8-10 – Aligning Transfer Pricing Outcomes with Value Creation
- Action 14 – Dispute Resolution Mechanisms
- Action 15 – Multilateral Instrument Exchange of Information (EOI)

IRBM has always reinforced its foundation of good governance to ensure its reputation and corporate image are duly preserved. The Integrity and Risk Management Department has enhanced the quality management system to improve and upgrade the operational efficiency and effectiveness. This department has been appointed to carry out its duties as the Head of Auditors of MS ISO 9001:2008 under four (4) scopes that have been set out as follows:

- The Employment IndividualRepayment Process for e-Filing/m-Filing Case.
- The Implementation of the Company's External Audit Case (Audit Focus)
- The Processes of Accepting, Preparing and Filing Writ of Summons and Statement of Claim for OG files in the Income Tax Case.
- The Implementation Procedures for Temporary Exemption and Revocation of Individual Travel Restrictions apart from the Company's Directors

Reviews were also conducted on the Management and Support Procedures

The internal audit programme for MS ISO/IEC 27001:2013 was carried out under the scope of Information Security Management System for Operation Of e-Filing System at Data Centre at IRBM, Cyberjaya which involved the Information Technology Department.

Internal Audit visits in 2017 were conducted from 23 to 27 October 2017. The audit report was approved by the Deputy Chief Executive Officer (Management) on 30 November 2017 and presented in the Joint Management Representative Meeting (MBWP) No. 1/2017 on 15 December 2017.

The Internal Audit Procedure was also subjected to Internal Audit from 7 to 8 December 2017 and the report was completed by 8 December 2017.

CORE STRATEGY 3

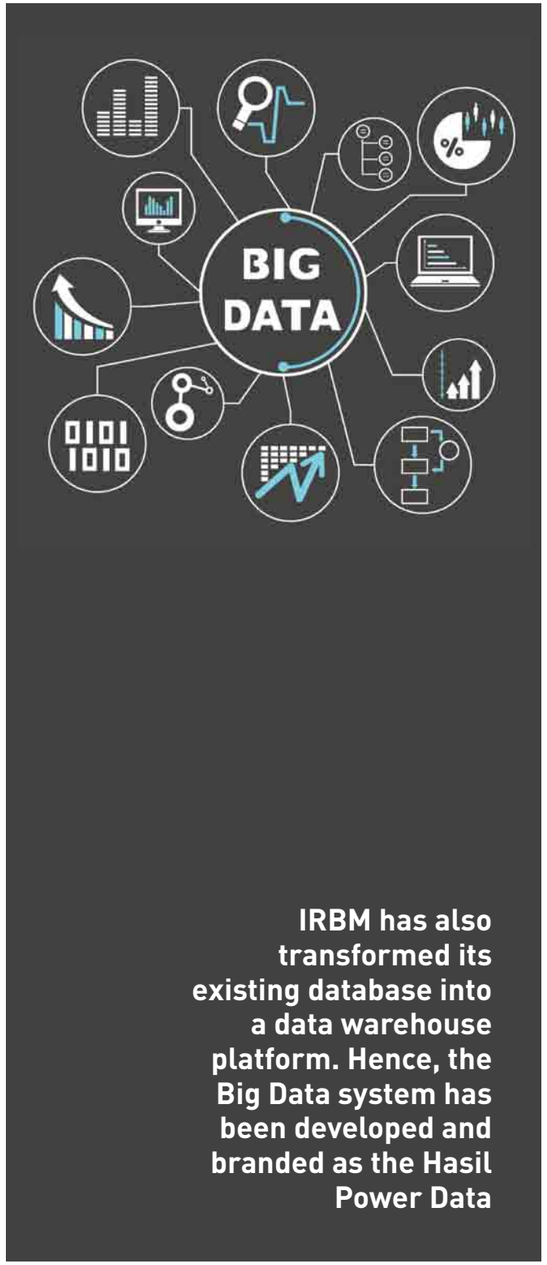
THE MAIN CONTRIBUTOR TO THE NATION'S PROSPERITY AND PEOPLE WELLBEING

IRBM will constantly improve its standard of service so that we can deliver excellent service to our customers that is both effective and efficient. It is IRBM's strategy to develop and strengthen the information and communication technology system, improve cost efficiency and effectiveness, improving working procedures and instill risk management in the working process.

The compliance rate increases when information is obtained swiftly, accurately and available at all times. The tax system application has been enhanced so that information is accessible from any location and via mobile electronic devices.

Data analysis tools are utilised and automation has been upgraded to improve the existing working process. This leads to internal cost effectiveness via strategic resource allocation. Working procedures are continuously streamlined to reduce red tape and speed up decision-making process. Initiatives that are aimed to enhance the effectiveness of the information technology system will be implemented under this core strategy.

IRBM has also embraced the risk management culture in all working processes in order to minimise threat that could affect its ability to achieve its goals. Risk profiling has been developed and risk is monitored via strategic planning initiatives so that they can be managed efficiently and effectively.



IRBM has also transformed its existing database into a data warehouse platform. Hence, the Big Data system has been developed and branded as the Hasil Power Data

In this digital era of advanced digital and information technology, IRBM should constantly improve the use of information and communication technology (ICT) by modernising the application system and ICT infrastructure. The upgrade and improvement of ICT efficiency has been done in real time and seamlessly. The Metro-E Internet Network Upgrade project in IRBM has been implemented to upgrade and empower the ICT infrastructure. Via this project, the percentage of improvement in the IRBM network service also covers all the branches.

Besides the Metro-E Internet Network Upgrade project, other projects have also been developed and implemented. Among them is the expansion of the Application Performance Monitoring System (APMS) project scope. The APMS project is implemented to monitor the systems developed in IRBM on a centralised basis and as a result the key server-based systems in IRBM can be monitored thoroughly. The ICT Hardware Monitoring and Centralised Monitoring System projects have been successfully implemented to oversee the course of ICT hardware and Networking Lines in IRBM.

IRBM has also transformed the existing database into a data warehouse platform. Therefore, the Big Data system has been developed and branded as the Power Data Output where data mining and other IT initiatives are developed to empower data warehouse solutions.

IRBM has developed and upgraded the information and communication technology system by modernising the ICT infrastructure and application system. The Legal Department in IRBM has introduced a system that can speed up document preparation for civil and criminal cases at all Branch Legal Units.

The systems introduced are:

- MySaman Project (Civil)
- MySaman Project (Prosecution)

In addition, the IRBM has always carried out improvements to the working procedures to ensure that every working process runs smoothly. It is IRBM's target to refine each working procedure according to the organisational target in the process to be the best tax administrator.

Hence, IRBM had upgraded Project Management Office (PMO) to Enteprise Project Management Office (EPMO).

The Value Audit Management System (VAMS) 2017 was also implemented to the entire IRBM. VAMS aims to:

- Identify the effectiveness of the programmes implemented to instill moral values and other related programmes as well as developing strategies to improve the practice and appreciation moral values in IRBM
- Measure the practice of moral values and improve the implementation of programmes related to moral values in IRBM

One of the efforts by IRBM to provide an efficient and effective system and working procedures is to adopt the risk management culture. The Integrity and Risk Management Department has implemented and coordinated a sound risk management programme for IRBM.

The risk register analysis process in 2017 began when the risk owners had completed registering the risks in the i-RIS system.

- The risk registration process in the i-RIS system was carried out from 1 June 2017 until 30 June 2017
  - Risk registration in i-RIS by the risk owners at Department / State Offices / State / Branch / Investigation Branch from June - August 2017
  - Risk analysis by JIPR form June - August 2017
  - Risk distribution to the process owners by JIPR from June - August 2017
  - Presentation in the Risk Management Committee Meeting (RMCM) in September 2017
  - Preparation of the Annual Corporate Risk Profile report for the top Management in October 2017
  - Develop and update Risk Profile in i-RIS according to the Top Management's feedbacks and submission to the risk owners for risk recovery follow-up from October - December 2017
- Risk Profile Report 2017 (i-RIS)
  - 955 risks that were analysed are as follows:
    - The number of risks channeled to the process owners is 684
    - The number of risks that risk owners had responded to is 684
    - The number of risk registers that had been processed is 955

IRBM aims to be the employer of choice to high-calibre individuals with relevant expertise in line with the increasingly dynamic tax environment. To achieve this goal, IRBM focuses on four strategic objectives: optimising the organisation, providing a conducive working environment, developing competent and professional human resources and empowering leadership.

Human resource governance is reinforced by the organisation via the implementation of an optimised structure and establishment size by improving the efficiency level and reducing human resource waste.

The hiring of the new workforce is streamlined by emphasising specific selection criteria to ensure only the best candidates are accepted as Hasilian. Each initiative designed reflects IRBM's commitment to provide a conducive working environment according to the Feel Good at Work concept.

IRBM offers service incentives and competitive career path. The career opportunities with IRBM equip the staffs with the best experience and taxation expertise. Emphasis is given to promote balance between office work and personal life. A healthy and safe working culture is practised to ensure the convenience and wellbeing of the Hasilians.

IRBM does understand the importance of competent and professional Hasilians in providing quality tax services. Hasilians are provided with training opportunities both locally and overseas to enhance their skills, knowledge and expertise in line with the current development. One of the successful organisational elements is the ability to adapt according to current environmental needs. To make a particular transformation a success, the leaders are required to drive changes and set clear goals to the entire Hasilians.

IRBM will keep on implementing development programmes to strengthen the IRBM leadership. This is done by reinforcing the knowledge and skills among the leaders and potential leaders so that they can drive Hasilians to reach the organisational goals.

CORE STRATEGY 4

IRBM AS THE EMPLOYER OF CHOICE

In our efforts to become the employer of choice, IRBM provides and conducts trainings to highlight and enhance the potential of talent in the organisation's officers. The sharing of knowledge and information which was conducted for the officers via briefing sessions had stressed on the understanding of the use and application of international taxation and Double Tax Avoidance agreements. This briefing was held as a knowledge-sharing mechanism to improve the productivity of IRBM officers. In 2017, IRBM's officers have been the resource persons for the following courses:

- IRBM - ATAIC Base Erosion and Profits Shifting (BEPS) Workshop was organised from 18 to 21 July 2017 in the Malaysian Tax Academy (MTA). There were 12 participants who are involved in this course.

- IRBM – CATA Workshop on Taxation of International Transactions (TOIT) was held between 7 and 25 August 2017 at the Malaysian Tax Academy. There were 28 who joined this course.

- IRBM-MTCP-JICA Third Country Training Programme for Cambodia, Lao Pdr and Myanmar: Tax Administration was held from 18 to 29 September 2017 at the Malaysian Tax Academy. There were 15 participants involved in this course.

- The Withholding Tax Course was organised from 30 October to 1 November 2017 at the Malaysian Tax Academy. The participants who joined this course are IRBM officials. The lecture headline presented by the JPCA in this course is the 'Double Taxation Avoidance Agreement' and 'Fixed Establishment'.

- Briefings by the Department of International Taxation (JPCA) to officers working in Klang Valley branch offices, held at the Bilik Bendahara, Cyberjaya Revenue Tower on 25 October 2017. There were two (2) topics covered – Private Services as well as Residential Status and Residential Certificate.

IRBM believes that to be the employer of choice, the officers should be provided with a conducive working environment. In this regard, IRBM has the best sustainable and balance working environment to increase the officers' productivity.

Various initiatives have been implemented by IRBM to find tune the IRBM officers' leadership skills and expertise. The programmes aim to upgrade their expertise in the technical aspects of tax knowledge to ensure that the employees have sufficient expertise in solving tax issues in their daily tasks.

The programmes that were organised by the Inland Revenue Board of Malaysia (IRBM) in collaboration with the Organisation for Economic Co-operation and Development (OECD)

No	Course Name - OECD
1	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting
2	Technology and Analytics For Better Tax Administration
3	BEPS and Transfer Pricing Guidelines
4	Introduction to the Application and Negotiation of Tax Treaties
5	Auditing MNEs For BEPS – A Case Study
6	Effective and Efficient Use Of Tax Incentives

The programme that was organised by the Inland Revenue Board of Malaysia (IRBM) in collaboration with the Commonwealth Association of Tax Administration (CATA)

No	Course Name - CATA
1	Workshop on Taxation of International Transactions (TOIT)

The programmes that were organised by the Inland Revenue Board of Malaysia (IRBM) in collaboration with the International Bureau of Fiscal Documentation (IBFD)

No	Course Name - IBFD
1	Permanent Establishments
2	Taxation of Digital Economy

The programme that was organised by the Inland Revenue Board of Malaysia (IRBM) in collaboration with the Malaysian Technical Cooperation Programme (MTCP) and Japan International Cooperation Agency (JICA)

No	Course Name - JICA
1	Tax Administration (International Taxation)

The programme that was organised by the Inland Revenue Board of Malaysia (IRBM) in collaboration with the Asscociation of Tax Authorities of Islamic Countries (ATAIC)

No	Course Name - ATAIC
1	Workshop on Base Erosion and Profit Shifting (BEPS)

ROADMAP

INLAND REVENUE BOARD MALAYSIA

VISION 2020
THE WAY FOWARD

The Leading Tax Administrator that Contributes to the Nation's Development

2011 — CHARTING TRANSFORMATION

2012 — EXPLORING THE OCEAN -COLLECTION ZONE 3 DIGIT-

2013 — LEADING AND MANAGING CHANGE

2014 — MANAGING TAX ECOSYSTEM FOR SUSTAINABLE GROWTH

2015 — BREAKING BARRIERS HITTING NEW HIGHS

2016 — SYNERGY BEYOND BOUNDARIES

2017 — We Can Do It!

2018

2019

2050 — NATIONAL TRANSFORMATION

LHDNMedia

AWARDS AND RECOGNITIONS

AWARDS AND RECOGNITIONS

JANUARY

The IRBM CEO was selected to represent Malaysia as the President of the Commonwealth Association of Tax Administrators (CATA) for the period 2016 – 2018

FEBRUARY

The IRBM is named the Winner of the 'Service Delivery Excellence' Special Award in conjunction with the PNB-ASNB Starz Awards Nite 2017.

JUNE

The IRBM Hasil Toastmasters Clu has been accredited with the Distinguished Club status by the Toastmasters International.

JULY

IRBM clinched the first place among the 61 contingents that participated in the Statutory Bodies Sports (SUKANUN) competition organised by the Malaysian Statutory Bodies Association.

SEPTEMBER

IRBM received the Gold Medal in conjunction with the Invention, Innovation and Design Exposition 2017 (iidex 2017) for a research entitled The RMIIA Rings of Governance (Risk Management, Integrity, Internal Audit) in collaboration with UiTM (Accounting Research Institute).

OCTOBER

Hasilian achieved the second place in the SPLUNK Boss of the SOCS (BOTS) 2017 training.

NOVEMBER

Hasilian was awarded with the Human Governance Award, in conjunction with the 19th University Putra Malaysia- Private Higher Learning Institutions (UPM-IPTS) Convocation Programme, in Universiti Putra Malaysia.

Hasilian won the first place in the competition dor designing the new logo for the Welfare and Sports Council of the Ministry of Finance (MKSAKK).

The IRBM is ranked second in the 43rd Ministry of Finance Sports Festival 2017, organised by Bank Simpanan Nasional (BSN).

DECEMBER

IRBM emerged as the champion in the Federal Territory Public Agency Welfare and Sports Council Football Championship (MAKSWIP) 2017.

IRBM made a clean sweep of the top three (3) prizes in the Ministry of Finance's Treasure Hunt 2017 "Finance – Jom Cari Jangan Tak Cari" organised by the Welfare and Sports Council under the Ministry of Finance (MKSAKK).

Source: Quality and Innovation Management Division, CSD

1MALAYSIA PEOPLE'S AID (BR1M) INFO

INFO ON 1MALAYSIA PEOPLE'S AID (BR1M)

IRBM was appointed by the Government as the executive agency to process and verify BR1M applications since 2011. The main objective of BR1M is to safeguard unity and economic growth, rationalise inclusive spending and conserve the people's wellbeing comprehensively. The current implementation of BR1M 2017 benefited 7 million recipients with an allocation of 6.8 billion (households and singles)

1Malaysia People's Aid (BR1M) applicants can now download the Semakan Bantuan Rakyat 1Malaysia (BR1M) mobile app via Play Store for Android platform or App Store for iOS platform. Through this application, each BR1M applicant can check the form submission progress, BR1M application, payment status and BR1M appeal status, thus making it convenient for the applicants to check their BR1M status without making a call to BR1M hotline or wait in long queues at BR1M service counters nationwide.

BR1M is distributed via cash voucher or credited directly into the recipients' account. The payment was made in three (3) stages; Phase 1 on 18 February 2017, Phase 2 on 5 June 2017 and Phase 3 on 16 August 2017. This will be later phased out.

THE STATISTICS OF BR1M APPLICATIONS BY STATE

STATE	TOTAL RECIPIENTS	BR1M 2017 BY CATEGORY		
		RM 1,200	RM 900	RM 450
MALAYSIA	7,216,742	3,843,467	392,319	2,980,956
JOHOR	878,125	460,442	53,658	364,025
KEDAH	613,338	348,600	30,172	234,566
KELANTAN	526,044	285,786	17,652	222.606
MELAKA	223,448	118,816	15,647	88,985
NEGERI SEMBILAN	284,657	153,055	19,942	111,660
PAHANG	408,644	221,073	21,597	165,974
PERAK	715,407	398,513	34,350	282,544
PERLIS	76,981	46,209	3,328	27,444
PULAU PINANG	391,797	214,983	25,861	150,953
SABAH	663,359	341,765	21,058	300,536
SARAWAK	743,587	417,792	28,320	297,475
SELANGOR	989,068	484,237	78,544	426,287
TERENGGANU	347,825	181,960	14,761	151,104
F.T.KUALA LUMPUR	327,912	158,588	24,657	144,667
F.T.LABUAN	18,527	9,166	1,301	8,060
F.T.PUTRAJAYA	8,023	2,482	1,471	4,070

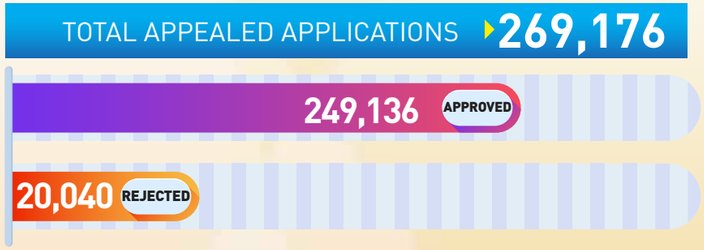
TOTAL APPLICATIONS
8,262,538

APPLICATION'S STATUS (APPROVED)
7,216,742

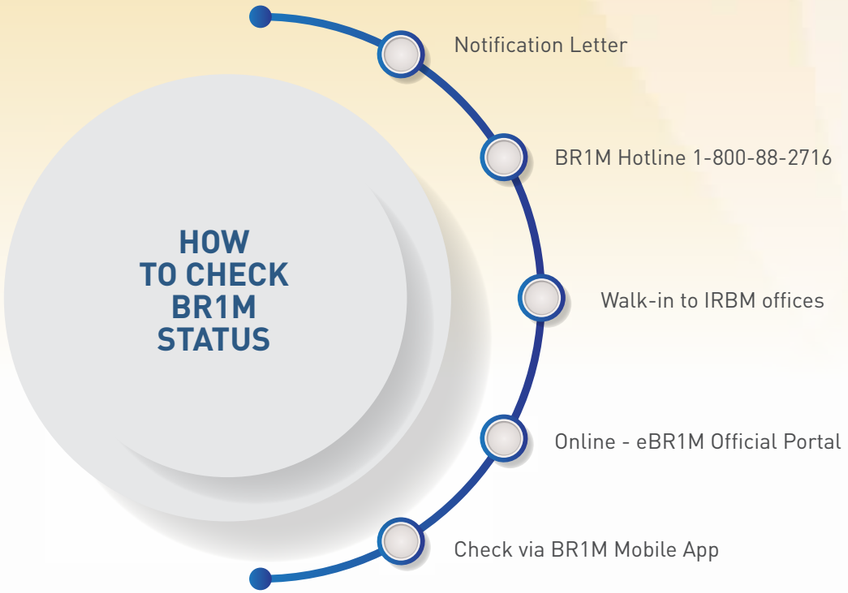
APPLICATION'S STATUS (REJECTED)
1,045,796

STATISTICS OF BR1M APPEALED APPLICATIONS BY STATE

STATE	TOTAL APPEALED APPLICATIONS	APPEAL APPROVED				APPEAL REJECTED	PENDING APPEAL
		TOTAL APPEALED CASES	RM 1200	RM900	RM 450		
JOHOR	29,607	27,593	19,870	3,747	3,976	2,014	0
KEDAH	20,324	18,990	11,419	2,086	5,485	1,334	0
KELANTAN	19,133	17,710	12,452	1,009	4,249	1,423	0
MELAKA	9,001	8,011	4,697	1,208	2,106	990	0
NEGERI SEMBILAN	10,960	10,425	6,712	1,332	2,381	535	0
PAHANG	12,067	11,407	7,789	1,365	2,253	660	0
PERAK	24,618	22,696	14,707	2,397	5,592	1,922	0
PERLIS	3,025	2,887	1,789	159	939	138	0
PULAU PINANG	16,400	14,974	8,885	2,847	3,242	1,426	0
SABAH	30,611	29,238	23,840	1,387	4,011	1,373	0
SARAWAK	27,058	24,692	18,318	1,860	4,514	2,366	0
SELANGOR	41,539	37,999	24,635	6,620	6,744	3,540	0
TERENGGANU	10,060	9,129	5,656	915	2,558	921	0
F.T. KUALA LUMPUR	13,335	12,084	7,721	1,736	2,558	1,251	0
F.T. LABUAN	1,086	1,009	669	123	2,558	77	0
F.T. PUTRAJAYA	352	292	145	76	71	60	0



HOW TO CHECK BR1M STATUS



CATEGORY OF TARGET GROUPS

TARGET GROUP	HOUSEHOLD INCOME (RM)	TOTAL ASSISTANCE (RM)
Family	≤ 3,000	1200
	≤ 4,000	900
Singles	≤ 2,000	450

Source: BR1M Division, Tax Operation Department

IRBM'S DIRECTORY

IRBM'S DIRECTORY

Alor Setar Branch
Sungai Petani Branch
Kulim RSC
Langkawi RSC
Kubang Pasu RSC
Yan RSC
Baling RSC
UTC Kedah

Kangar Branch

Kota Bharu Branch
Tanah Merah RSC
Kuala Krai RSC
Gua Musang RSC
Pasir Puteh RSC
Pasir Mas RSC
Tanah Merah RSC
UTC Kelantan

Pulau Pinang Branch
Bukit Mertajam Branch
Seberang Perai RSC

Kuala Terengganu Branch
Kemaman RSC
Dungun RSC
Besut RSC
Hulu Terengganu RSC

Ipoh Branch
Teluk Intan Branch
Taiping Branch
Manjung RSC
Kuala Kangsar RSC
Parit Buntar RSC
UTC Perak

Kuantan Branch
Raub Branch
Temerloh Branch
Bentong RSC
Jerantut RSC
UTC Pahang

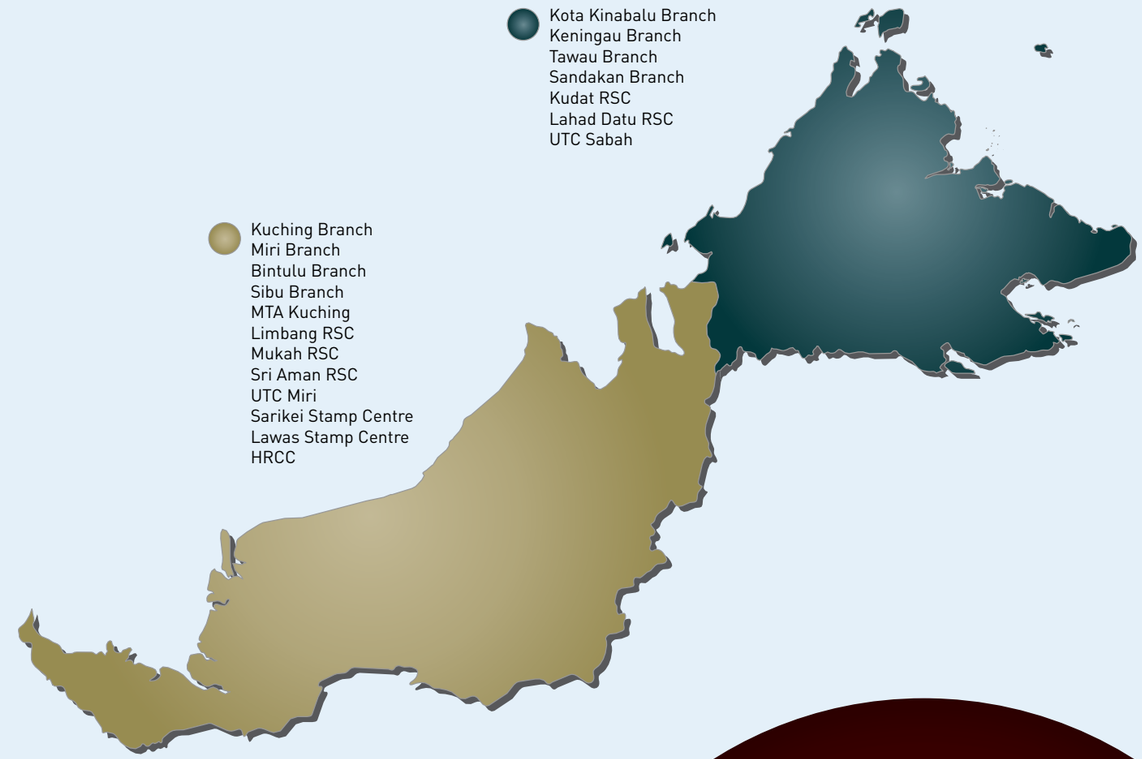
IRBM Cyberjaya Headquarters
MTA
IPC
HCL
Shah Alam Branch
Klang Branch
Petaling Jaya Branch
Multinational Tax Branch
Hulu Langat RSC
Kuala Langat RSC
Kuala Selangor RSC
Sabak Bernam RSC
Cyberjaya RSC
Rawang RSC

Kuala Lumpur City Branch
Cheras Branch
Wangsa Maju Branch
Duta Branch
Special Industry Branch
CPCB
Kuala Lumpur Payment Centre
Non-resident Branch
UTC Kuala Lumpur

Seremban Branch
Tampin RSC
Kuala Pilah RSC
Port Dickson RSC
Jempol RSC
Nilai RSC
UTC Negeri Sembilan

Melaka Branch
Alor Gajah RSC
Jasin RSC
UTC Melaka

Johor Bahru Branch
Kluang Branch
Muar Branch
Batu Pahat RSC
Segamat RSC
Mersing RSC
Kota Tinggi RSC
Pontian RSC
UTC Johor



Kota Kinabalu Branch
Keningau Branch
Tawau Branch
Sandakan Branch
Kudat RSC
Lahad Datu RSC
UTC Sabah

Kuching Branch
Miri Branch
Bintulu Branch
Sibu Branch
MTA Kuching
Limbang RSC
Mukah RSC
Sri Aman RSC
UTC Miri
Sarikei Stamp Centre
Lawas Stamp Centre
HRCC

INDEX

MTA : Malaysian Tax Academy
IPC : Information Processing Centre
RSC : Revenue Service Centre
UTC : Urban Transformation Center
HCL : HASiL Care Line
HRCC : HASiL Recovery Call Center
CPCB : Large Taxpayer Branch

FINANCIAL STATEMENT

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LEMBAGA HASIL DALAM NEGERI MALAYSIA FOR THE YEAR ENDED 31 DECEMBER 2017

Report on the Financial Statements

Opinion

The Financial Statements of Lembaga Hasil Dalam Negeri Malaysia and of the Group have been audited by my representative which comprise the Statement of Financial Position as at 31 December 2017, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, summary of significant accounting policies and other explanatory information as set out on pages 7 to 32.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Lembaga Hasil Dalam Negeri Malaysia and of the Group as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with the approved financial reporting standards in Malaysia and Inland Revenue Board of Malaysia Act 1995 (Act 533).

Basis for Opinion

I conducted the audit in accordance with the Audit Act 1957 and The International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Lembaga Hasil Dalam Negeri Malaysia and of the Group and I have fulfilled the other ethical responsibilities in accordance with The International Standards of Supreme Audit Institutions.

Emphasis of Matter

Without modifying the opinion of the Audit, I would like to draw attention to Note 7 of the financial statements of Lembaga Hasil Dalam Negeri Malaysia (LHDNM) and the Group, LHDNM has disbursed an Interest Free Financing of RM100 million to Yayasan LHDNM, a wholly owned subsidiary of LHDNM incorporated on October 2017. The term of financing is for the period of 20 years which Yayasan LHDNM will start the repayment of the loan in year 2037. Based on LHDNM and the Group financial statements, it was noted that the financing are disbursed without both parties entered into a binding contract with relevant terms and condition.

Information Other than the Financial Statements and Auditors' Report Thereon

The Board of Lembaga Hasil Dalam Negeri Malaysia is responsible for the other information in the Annual Report. My opinion on the financial statements of Lembaga Hasil Dalam Negeri Malaysia does not cover the information other than the financial statements and auditors' report thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Board for the Financial Statements

The Board is responsible for the preparation of financial statements of Lembaga Hasil Dalam Negeri Malaysia and of the Group that give a true and fair view in accordance with approved financial reporting standards in Malaysia and Inland Revenue Board of Malaysia Act 1995 (Act 533). The Board is also responsible for such internal control as it is necessary to enable the preparation of the financial statements of Lembaga Hasil Dalam Negeri Malaysia and of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of Lembaga Hasil Dalam Negeri Malaysia and of the Group, the Board is responsible for assessing of Lembaga Hasil Dalam Negeri Malaysia and of the Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditors' Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements of Lembaga Hasil Dalam Negeri Malaysia and of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with The International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with The International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

a. Identify and assess the risks of material misstatement of the financial statements of the Lembaga Hasil Dalam Negeri Malaysia and of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lembaga Hasil Dalam Negeri Malaysia and of the Group internal control.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

d. Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Lembaga Hasil Dalam Negeri Malaysia and of the Group ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my auditors' report to the related disclosures in the financial statements of Lembaga Hasil Dalam Negeri Malaysia and of the Group if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of auditors' report.

e. Evaluate the overall presentation of the financial statements of Lembaga Hasil Dalam Negeri Malaysia and of the Group including the disclosures that achieves fair presentation.

f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Financial Statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Inland Revenue Board of Malaysia Act 1995 (Act 533), I also report the following:

a. In my opinion, the accounting and other records required by the Act to be kept by Lembaga Hasil Dalam Negeri Malaysia and its subsidiaries have been properly kept in accordance with Inland Revenue Board of Malaysia Act 1995 (Act 533).

b. I have considered the accounts and the Auditors' Reports of all the subsidiaries of which I have not acted as auditor which are indicated in Note 6 to the Financial Statements being accounts that have been included in the consolidated accounts.

c. I am satisfied that the accounts of the subsidiaries that have been consolidated with the Lembaga Hasil Dalam Negeri Malaysia Financial Statements are appropriate and proper in form and content for the purposes of the preparation of the Financial Statements of the Group and I have received satisfactory information and explanations required by me for those purposes.

d. The Auditors' Reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment.

Other Matters

This report is made solely for the Directors and for no other purpose. I do not assume responsibility to any other person for the content of this report.

(DATO' CHE ISA BIN CHE KOB)
For AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
27 AUGUST 2018

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

STATEMENT BY CHAIRMAN AND ONE OF THE BOARD MEMBERS

We, **DATUK SERI DR. ISMAIL BIN HJ. BAKAR** and **DATUK SAAT BIN ESA** being the Chairman and one of the Board Members of the **INLAND REVENUE BOARD OF MALAYSIA** do hereby state that, in the opinion of Board Members, the Financial Statements accompanying Statements Of Financial Position, Statements Of Comprehensive Income, Statements Of Changes In Equity and Statements Of Cash Flow together with the enclosed notes to the Financial Statements, are drawn up so as to give a true and fair view of the state of affairs of the **INLAND REVENUE BOARD OF MALAYSIA** as at 31 December, 2017 and of their results and changes in financial position for the year ended on that date.

On behalf of the Board,

DATUK SERI DR. ISMAIL BIN HJ. BAKAR
CHAIRMAN
16 August 2018

SELANGOR

DATUK SAAT BIN ESA
BOARD MEMBER
16 August 2018

SELANGOR

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

DECLARATION OF PRINCIPAL OFFICER RESPONSIBLE FOR FINANCIAL MANAGEMENT OF INLAND REVENUE BOARD OF MALAYSIA

I, **MOHAMMAD NAZRI BIN ISMAIL,** the officer primarily responsible for the financial management and accounting records of the **INLAND REVENUE BOARD OF MALAYSIA** do solemnly and sincerely declare that the accompanying Statement Of Financial Position, Statement Of Comprehensive Income, Statement Of Changes In Equity and Statement Of Cash Flow together with the enclosed notes to the Financial Statement, to the best of my knowledge and belief, are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared)
by the above named,)
Mohammad Nazri Bin Ismail)
at Selangor)
Dated 15 August 2018)

MOHAMMAD NAZRI BIN ISMAIL

Before me,

PESURUHJAYA SUMPAH MALAYSIA
W 564
SHUHAIDA BINTI ABDULLAH
KUALA LUMPUR

COMMISSIONER FOR OATHS

SHUHAIDA BINTI ABDULLAH
PESURUHJAYA SUMPAH
LEMBAGA HASIL DALAM NEGERI MALAYSIA
KUALA LUMPUR

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		GROUP	IRBM	
		2017	2017	2016
	Note	RM	RM	RM
ASSETS				
Property, Plant and Equipment	3	1,678,374,710	1,678,374,710	1,585,347,073
Intangible Assets	4	3,436,391	3,436,391	5,281,928
Work In Progress	5	58,638,219	58,638,219	13,273,912
Investment in Subsidiary	6	-	1,000,000	-
Loan to Subsidiary	7	-	26,084,602	-
Loan to Employees	8	1,310,227	1,310,227	1,462,234
TOTAL NON-CURRENT ASSETS		**1,741,759,547**	**1,768,844,149**	**1,605,365,147**
Loan to Employees	8	991,322	991,322	789,496
Deposits and Prepayments	9	3,561,731	3,561,731	3,882,752
Payment of Advances	10	887,520	887,520	453,605
Other Debtors	11	400,163,090	400,163,090	12,304,462
Accrued Interest on Investments		128,811	128,811	1,315,544
Cash and Cash Equivalents	12	254,544,980	153,540,731	382,191,892
TOTAL CURRENT ASSETS		**660,277,454**	**559,273,205**	**400,937,751**
TOTAL ASSETS		**2,402,037,001**	**2,328,117,354**	**2,006,302,898**
EQUITY				
Trust Fund	13	4,595,924	4,595,924	4,289,513
Investment Fund	14	19,341,795	19,341,795	18,648,786
Conveyance Fund	15	18,000,000	18,000,000	18,000,000
Retained Earnings		1,351,959,383	1,278,039,736	1,184,010,548
TOTAL EQUITY		**1,393,897,102**	**1,319,977,455**	**1,224,948,847**
LIABILITIES				
Development Fund	16	646,445,605	646,445,605	698,272,455
Employee Benefits	17	221,079,425	221,079,425	58,171,648
Term Loans	18	120,012,975	120,012,975	-
Finance Lease	19	2,184,518	2,184,518	4,968,607
TOTAL NON-CURRENT LIABILITIES		**989,722,523**	**989,722,523**	**761,412,710**
Other Creditors	20	10,206,156	10,206,156	16,709,822
Term Loans	18	2,794,318	2,794,318	-
Finance Lease	19	2,784,089	2,784,089	2,638,521
Deposits	21	2,552,813	2,552,813	512,998
Provision for Audit Fees		80,000	80,000	80,000
TOTAL CURRENT LIABILITIES		**18,417,376**	**18,417,376**	**19,941,341**
TOTAL LIABILITIES		**1,008,139,899**	**1,008,139,899**	**781,354,051**
TOTAL EQUITY AND LIABILITIES		**2,402,037,001**	**2,328,117,354**	**2,006,302,898**

The notes on Pages 86 to 111 form an integral part of these financial statement.

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP	IRBM	
		2017	2017	2016
	Note	RM	RM	RM
Revenue	22	2,525,625,743	2,525,625,743	1,968,561,164
Other Income	23	864,621	864,621	271,570
Employee Costs	24	(1,520,579,504)	(1,520,579,504)	(1,354,229,282)
Depreciation / Amortisation of Property, Plant and Equipment	3	(69,276,059)	(69,276,059)	(73,653,839)
Other Operating Expenses	25	(792,220,998)	(866,136,396)	(521,404,210)
Surplus From Operations		**144,413,803**	**70,498,405**	**19,545,403**
Finance Costs		(518,072)	(518,072)	(7,876,388)
Income from Investments and Loans		24,053,104	24,048,855	23,456,902
Profit For The Year / Total Comprehensive Income For The Year		**167,948,835**	**94,029,188**	**35,125,917**

The notes on Pages 86 to 111 form an integral part of these financial statement.

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP	Trust Fund	Investment Fund	Conveyance Fund	Retained Earnings	Total
	RM	RM	RM	RM	RM
Balance As At 1 Jan 2017	**4,289,513**	**18,648,786**	**18,000,000**	**1,184,010,548**	**1,224,948,847**
Current Surplus	306,411	693,009	-	167,948,835	168,948,255
Balance As At 31 Dec 2017	**4,595,924**	**19,341,795**	**18,000,000**	**1,351,959,383**	**1,393,897,102**

IRBM	Trust Fund	Investment Fund	Conveyance Fund	Retained Earnings	Total
	RM	RM	RM	RM	RM
Balance As At 1 Jan 2017	**4,289,513**	**18,648,786**	**18,000,000**	**1,184,010,548**	**1,224,948,847**
Current Surplus	306,411	693,009	-	94,029,188	95,028,608
Balance As At 31 Dec 2017	**4,595,924**	**19,341,795**	**18,000,000**	**1,278,039,736**	**1,319,977,455**
Balance As At 1 Jan 2016 (restated)	**3,835,500**	**18,000,000**	**18,000,000**	**1,148,884,631**	**1,188,720,131**
Current Surplus	454,013	648,786	-	35,125,917	36,228,716
Balance As At 31 Dec 2016	**4,289,513**	**18,648,786**	**18,000,000**	**1,184,010,548**	**1,224,948,847**

The notes on Pages 86 to 111 form an integral part of these financial statement.

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	GROUP 2017 RM	IRBM 2017 RM	IRBM 2016 RM
CASH FLOW FROM OPERATING ACTIVITIES				
Grant Received from Federal Government and other income	26	2,073,250,530	2,073,250,530	2,194,631,906
Payment to Suppliers and Employees	27	(2,168,369,754)	(2,168,369,754)	(1,961,159,690)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES		**(95,119,224)**	**(95,119,224)**	**233,472,216**
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of Property, Plant and Equipment Including Work In Progress and Intangible Assets		80,894,837	80,894,837	5,425,308
Proceeds from Disposal of Property, Plant and Equipment		268,194	268,194	276,059
Increase in Investments and Loans		22,847,981	22,843,732	22,196,235
Loan to Employees		(49,819)	(49,819)	(519,612)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**103,961,193**	**103,956,944**	**27,377,990**
CASH FLOW FROM FINANCING ACTIVITIES				
Development Fund		(11,787,102)	(11,787,102)	(8,113,538)
Trust Fund		569,098	569,098	711,234
Investment Fund		693,009	693,009	-
Term Loans		(122,807,293)	(122,807,293)	(16,412,384)
Finance Lease		(2,638,521)	(2,638,521)	(2,500,599)
Investment of Subsidiary		-	(1,000,000)	-
Financing of Subsidiary		-	(100,000,000)	-
Repayment of Finance Cost		(518,072)	(518,072)	(7,876,388)
NET CASH USED IN INVESTING ACTIVITIES		**(136,488,881)**	**(237,488,881)**	**(34,191,675)**
Net (Decrease) / Increase In Cash		(127,646,912)	(228,651,161)	226,658,531
Cash and Cash Equivalents At The Beginning Of The Year		382,191,892	382,191,892	155,533,361
Cash and Cash Equivalents At The End Of The Year		**254,544,980**	**153,540,731**	**382,191,892**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER				
Fixed Deposits and Short Term Investments		119,372,371	119,372,371	320,648,786
Cash and Bank Balances		135,172,609	34,168,360	61,543,106
		254,544,980	**153,540,731**	**382,191,892**

The notes on Pages 86 to 111 form an integral part of these financial statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

1.1 Related Act and Function

Inland Revenue Board of Malaysia (IRBM) was incorporated on 1st March 1996 under Inland Revenue Board Of Malaysia Act 1995 (Act 533).

IRBM acts as an agent to the government and providing services related to the administration, assessment, collection and enforcement on the payment of income tax, tax on income from petroleum, real property gain tax, tax on income from Labuan offshore business activity, stamp duty, inheritance duty and other taxes.

1.2 Presentation and Validation of Financial Statements

Financial Statements For The Year Ended 31 December 2017 were authorised for issue by the Board of Directors on 16 August, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

a. Statement of Compliance

The basis for the preparation of the Financial Statements are in accordance with the Malaysian Private Entities Reporting Standards (MPERS) issued by the Malaysian Accounting Standards Board (MASB).

b. Basis of Measurement

IRBM Financial Statements have been prepared on the historical cost convention unless otherwise stated.

c. Functional and Presentation Currency

IRBM Financial Statements are presented in Ringgit Malaysia (RM) which is the functional currencies of the major economic environment in which the IRBM operates. All financial information presented in RM has been rounded to the nearest ringgit unless otherwise stated.

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with MPERS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.2 Property, Plant and Equipment

Items of Property, Plant and Equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. Cost includes expenditure cost that are directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognize as separate assets, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to IRBM and the cost can be measured reliably. The costs of repair, maintenance and renovation are recognized in Statements of Comprehensive Income as incurred.

Property, Plant and Equipment, which cost not less than RM1,000 per unit, shall be capitalized. However carpet, curtain and related items acquired irrespective the cost shall not be capitalized.

Depreciation

Depreciation is based on a straight-line method throughout the estimated useful lives of each component of an item of Property, Plant and Equipment from the date that they are available for use as follows:-

Leasehold land	Period of leases
Buildings	2%
Furniture and Fittings	20%
Motor Vehicles	20%
Computers	33.33%

Leased assets are depreciated based on the rental period and the age of their use, whichever is earlier, unless the IRBM obtains the ownership of the asset.

Freehold land with unlimited use value is not amortized. Work In Progress are not depreciated as the assets are still under development.

Work In Progress are stated at cost and capitalized as Property, Plant and Equipment after the certificate of completion or certificate of acceptance received by the IRBM.

At each date of the Statements of Financial Position, the net balance value and useful life of the assets will be reviewed and adjusted as appropriate and assets should be assessed whether there is any indication of impairment.

2.3 Intangible Assets

All research costs and development costs are recognized as an expense in Statements of Comprehensive Income as incurred, except for cost that is part of the cost of a recognized asset.

IRBM does not recognized internally generated brands, patents, intellectual property, licenses, customer lists and other similar items which cannot be distinguished from the cost of development as a whole.

Intangible assets are stated at cost. After initial recognition, identifiable intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Acquired computer software are recognized and amortized on the straight line basis based over the estimated useful lives at the rate of 33.33%. Scrap value and the useful life will be reviewed and adjusted prospectively if required, at the end of the reporting period.

2.4 Impairment of Assets

Assets that are subject to impairment are reviewed for impairment when events or changes in circumstances indicate that carrying values may not be recovered.

Impairment losses are recognized when the carrying amount of the asset exceeds its recoverable amount. The acquired value is the higher of an asset's fair value less costs to sell or value of use. Impairment will be charged in the Statements of Comprehensive Income.

2.5 Investment in Subsidiary

Investment in subsidiary is recognized in Statements of Financial Position and is measured at cost after adjusted to its recoverable value which take into consideration all the losses.

Carrying value will be reviewed and adjusted if there is any indication of impairment in that year. Impairment loss will be charged to the Statements of Comprehensive Income in the said year in which it is incurred, if any.

Details of the subsidiary are as follows:

Name of Subsidiary	Principal Activities	Financial Year	Effective Ownership Interest
Yayasan LHDNM	Organizing charity activities for IRBM's officers, families and local community.	31 December	100%

2.6 Loan to Subsidiary

Loan to subsidiary is stated at fair value. The fair value is estimated by discounting the estimated future cash flows using the current market rates of financings with similar credit risk and maturities.

2.7 Loans to Employees

Employee loans are stated at cost. Estimates of doubtful debt are made based on review of outstanding amounts at the end of the financial year. Bad debts are written off in the period of which they are identified.

2.8 Other Debtors

Other debtors stated at cost less provision for doubtful debts.

2.9 Cash and Cash Equivalents

IRBM has followed the direct method of providing cash flow. For the purpose of Statements of Cash Flows, Cash and Cash Equivalents are cash in hand, deposits and placements with financial institutions, short-term and highly liquid investments in the original maturity of up to one year.

2.10 Employee Benefits

The liability is recognized for the amount expected to be payable under the short term if the IRBM has a constructive obligation or obligation to settle the liability in lieu of the past service rendered to the employee and the liability can be measured fairly.

Employee benefits / staff retirement benefits are as follows:

i. Short Term Benefits

Salaries, allowances, annual remuneration and non-financial benefits such as annual leaves, maternity leaves, sick leaves and others are recognized as expenses in the Statements of Comprehensive Income for the period in which the services are rendered by IRBM employees.

ii. Defined Contribution Plans

Contributions made to the Social Security Organisation (SOCSO) are for eligible employees.

Contribution made to Employees Provident Fund (EPF) for the employees under the IRBM Remuneration Scheme or to Retirement Fund Incorporated for those in the pension scheme.

The contributions recognized as expenses in the Statements of Comprehensive Income in the year the employees rendered their services to IRBM except for the annual bonuses recognized as expenses when it actually received.

iii. Long Term Benefits

Provision for Long Term Benefits for End-Term Benefits Retirees are recognized annually based on current valuation and estimates of the obligation and no special funds for this purpose.

2.11 Term Loans

Term loans stated at cost.

2.12 Finance Leases

Leases in terms of which IRBM assumes substantially all the risk and rewards of ownership classified as finance leases.

Property, plant and equipment acquired through finance leases are capitalized, at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding obligation relating to principal payments is accounted for as liabilities and finance charges incurred on the Statements of Comprehensive Income over the lease period.

2.13 Other Creditors

Other creditors stated at cost that is the fair value of the consideration in the future for goods and services received.

2.14 Revenue Recognition

The main revenue is the Agency Fee received under Agencies Agreement between IRBM and the Government of Malaysia to finance operating and capital costs. Such income and other income are recognized on an accrual basis except gain arising from the savings of the Al-Mudharabah Scheme, the Takaful Company Insurance Protection Scheme and upon disposal of properties, plant and equipment are recognized when gains are received.

The computation of the estimated Agency Fee from the Government is based on the estimated amount of gross collection of tax revenue in a given year. Agency Fee is accrued in the year in which income is recognized and will be adjusted based on the actual collection of tax revenue received by government.

2.15 Recognition of Federal Government Grant

Special Government Grant is income in the year received by the IRBM to accommodate the implementation of the Special Payment and Special Government Program.

2.16 Financial Risk Management Policies

The financial risk management policy in IRBM is to ensure that IRBM has sufficient financial capacity to perform IRBM's functions as provided by Section 11, Inland Revenue Board of Malaysia Act 1995.

IRBM has exposure to the following risks in operating and capital activities:

i. Interest Rate Risk

IRBM manage to obtain financing based on fixed rate to diminish the sudden increase of interest rate and hence controlling the interest rate risk.

ii. Credit Risk

Credit risk are monitored through credit approval procedures, specific limits and observation. Internal examination on the credit risk will be carried out if the risks are significant.

iii. Liquidation and Cash Flow Risk

Liquidity risk management maintains liquidity position to ensure cash flows are balanced and met the availability of sufficient funds of the budget commitment in operating expenditures and financial liabilities.

2.17 Operating Leases

Lease of property where a significant portion of the risks and rewards of ownership remain on asset owners are classified as operating leases. Payments under this expenses will be charged to Statements of Comprehensive Income based on a straight line basis over the term of the lease.

2.18 Contingency Liabilities

The IRBM does not recognize contingent liabilities but discloses its existence in the Financial Statements. Contingent liabilities are the expectations of obligations arising from past events and their existence can be verified. It is not expected to cause a source outflow to settle the bonds.

Contingent liabilities for rare cases where liabilities are not recognized because they cannot be reasonably measured.

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP / IRBM	Land RM	Building RM	Motor Vehicles RM	Furniture & Fittings RM	Computers RM	Total RM
Cost						
Balance as at 1 Jan 2017	**217,055,888**	**1,452,331,932**	**47,078,126**	**60,238,673**	**292,506,329**	**2,069,210,948**
Additions	9,860,000	97,911,643	13,116,208	2,748,621	34,704,585	158,341,057
Disposals	-	-	(2,414,905)	(2,327,000)	(8,867,744)	(13,609,649)
Reclassifications	-	-	-	-	-	-
Transfer from Work In Progress	-	-	-	-	-	-
Transfer to Intangible Assets	-	-	-	-	(134,999)	(134,999)
Balance as at 31 Dec 2017	**226,915,888**	**1,550,243,575**	**57,779,429**	**60,660,294**	**318,208,171**	**2,213,807,357**
Accumulated Depreciation						
Balance as at 1 Jan 2017	**42,617,880**	**84,481,405**	**38,337,398**	**48,816,605**	**269,610,587**	**483,863,875**
Current Depreciation	1,057,244	29,209,824	4,607,757	5,538,670	24,897,026	65,310,521
Disposals	-	-	(2,414,875)	(2,324,830)	(8,867,046)	(13,606,751)
Reclassifications	-	-	-	-	-	-
Transfer to Intangible Assets	-	-	-	-	(134,998)	(134,998)
Balance as at 31 Dec 2017	**43,675,124**	**113,691,229**	**40,530,280**	**52,030,445**	**285,505,569**	**535,432,647**
Net Book Value GROUP / IRBM						
As At 31 Dec 2017	**183,240,764**	**1,436,552,346**	**17,249,149**	**8,629,849**	**32,702,602**	**1,678,374,710**
IRBM						
Cost						
Balance as at 1 Jan 2016	**204,392,042**	**1,452,331,932**	**49,514,336**	**59,171,008**	**304,148,932**	**2,069,558,250**
Additions	-	-	-	1,984,265	866,746	2,851,011
Disposals	-	-	(2,436,587)	(601,095)	(5,868,809)	(8,906,491)
Reclassifications	-	-	377	(315,505)	(312,766)	(627,894)
Transfer from Work In Progress	12,663,846	-	-	-	8,986,364	21,650,210
Transfer to Intangible Assets	-	-	-	-	(15,314,138)	(15,314,138)
Balance as at 31 Dec 2016	**217,055,888**	**1,452,331,932**	**47,078,126**	**60,238,673**	**292,506,329**	**2,069,210,948**
Accumulated Depreciation						
Balance as at 1 Jan 2016	**41,577,069**	**55,434,766**	**37,086,872**	**43,477,528**	**251,865,976**	**429,442,211**
Current Depreciation	1,040,811	29,046,639	3,686,699	6,018,087	33,861,603	73,653,839
Disposals	-	-	(2,436,551)	(580,359)	(5,868,233)	(8,885,143)
Reclassifications	-	-	378	(98,651)	(216,549)	(314,822)
Transfer to Intangible Assets	-	-	-	-	(10,032,210)	(10,032,210)
Balance as at 31 Dec 2016	**42,617,880**	**84,481,405**	**38,337,398**	**48,816,605**	**269,610,587**	**483,863,875**
Net Book Value IRBM						
As At 31 Dec 2016	**174,438,008**	**1,367,850,527**	**8,740,728**	**11,422,068**	**22,895,742**	**1,585,347,073**

Net realizable value for Land are as follows:

	2017 RM	2016 RM
Freehold Land	76,083,623	76,083,623
Leasehold Land	107,157,141	98,354,385
GROUP / IRBM TOTAL	**183,240,764**	**174,438,008**

Net realizable value for Property, Plant and Equipment that acquired through finance leases are as follows:

	2017 RM	2016 RM
Land	9,843,566	-
Building	97,748,457	-
Furniture & Fittings	182,923	-
	107,774,946	-
Motor Vehicles	16,787,499	-
GROUP / IRBM TOTAL	**124,562,445**	**-**

4. INTANGIBLE ASSETS

GROUP / IRBM	2017 RM	2016 RM
Cost		
Balance as at 1 Jan 2017	**15,314,138**	**-**
Additions	2,120,000	-
Reclassifications	134,999	15,314,138
Balance as at 31 Dec 2017	**17,569,137**	**15,314,138**
Accumulated Amortization		
Balance as at 1 Jan 2017	**10,032,210**	**-**
Current Amortization	3,965,538	-
Reclassification	134,998	10,032,210
Balance as at 31 Dec 2017	**14,132,746**	**10,032,210**
Net Book Value		
As at 31 Dec 2017	**3,436,391**	**5,281,928**

5. WORK IN PROGRESS

GROUP / IRBM	Operation Fund RM	Development Fund RM	Total RM
Balance as at 1 Jan 2017	**3,505,497**	**9,768,415**	**13,273,912**
Additions	50,259,532	11,152,560	61,412,092
Transfer to Property, Plant and Equipment	-	-	-
Transfer to Intangible Assets	-	(2,120,000)	(2,120,000)
Transfer to Statements of Comprehensive Income[1]	(9,493,225)	(4,434,560)	(13,927,785)
Balance as at 31 Dec 2017	**44,271,804**	**14,366,415**	**58,638,219**
IRBM			
Balance as at 1 Jan 2016	**12,333,976**	**20,191,951**	**32,525,927**
Additions	10,870,955	5,538,873	16,409,828
Transfer to Property, Plant and Equipment	(12,333,976)	(9,316,234)	(21,650,210)
Transfer to Intangible Assets	-	-	-
Transfer to Statements of Comprehensive Income[1]	(7,365,458)	(6,646,175)	(14,011,633)
Balance as at 31 Dec 2016	**3,505,497**	**9,768,415**	**13,273,912**

[1] Some of the Work In-Progress has been adjusted to Statements of Comprehensive Income based on the type of expenditure when it is found to be unqualified to be capitalized as Property, Plant and Equipment.

Work In Progress includes information technology projects and buildings that are contracted out during current and previous years which are still not yet capitalized because the projects are still in development or have not received the certificate of completion during the financial year.

6. INVESTMENT IN SUBSIDIARY

6.1 IRBM has established its subsidiary under Company Act 2016 known as Yayasan Lembaga Hasil Dalam Negeri Malaysia (YLHDNM) which was incorporated on 6 October 2017. This foundation aims to carry out activities that can benefit IRBM's officers, families and local community with relation to education, health, research, environment, social and sport. The Financial Statement of YLHDNM is not being audited by Jabatan Audit Negara. The first Financial Statement of YLHDNM for the year ended 31 December 2017 which is consolidated in the Group Financial Statements has not been audited.

6.2 To enable YLHDNM to be incorporated as a Company Limited by Guarantee, IRBM agreed to provide RM1,000,000 as YLHDNM's capital fund.

	2017 RM	2016 RM
Investment in Subsidiary (Unquoted)	1,000,000	-
Less:		
Provision for impairment of investment	-	-
IRBM TOTAL (Non Current Asset)	**1,000,000**	**-**
Less :		
Adjustment Intragroup Transaction	1,000,000	-
GROUP / IRBM TOTAL	**-**	**-**

7. LOAN TO SUBSIDIARY

	2017 RM	2016 RM
Interest Free Financing	100,000,000	-
Less:		
Fair Value Loss	73,915,398	-
IRBM TOTAL (Non Current Asset)	**26,084,602**	**-**
Less:		
Adjustment Intragroup Transaction	**26,084,602**	**-**
GROUP / IRBM TOTAL	**-**	**-**

IRBM financed RM100,000,000 to YLHDNM as an interest free loan that will be repayable at the end of the 20th year. The current lending cost of the financing is based on current average Based Lending Rate (BLR) (Compare with Bank Negara Malaysia (BNM)'s data as at December 2017 – Financial Institution Data) of 6.95%.

8. LOANS TO EMPLOYEES

GROUP / IRBM	Motor Vehicles Loan RM	Computer Loan RM	Education Loan RM	Others Loan RM	Total RM
Balance as at 1 Jan 2017	**422,663**	**1,567,534**	**332,605**	**-**	**2,322,802**
Loans to Employees	-	967,200	27,981	-	995,181
	422,663	2,534,734	360,586	-	3,317,983
Less:					
Repayment of Loans	150,392	775,750	37,610	-	963,752
Balance as at 31 Dec 2017	**272,271**	**1,758,984**	**322,976**	**-**	**2,354,231**
Less:					
Provision for Doubtful Debts	47,714	4,968	-	-	52,682
	224,557	**1,754,016**	**322,976**	**-**	**2,301,549**
Reconciliation of Provision for Doubtful Debts as follows :					
Balance as at 1 Jan 2017	**66,104**	**4,968**	**-**	**-**	**71,072**
Less:					
Provision Recovered	18,390	-	-	-	18,390
Provision Write-Off	-	-	-	-	-
Balance as at 31 Dec 2017	**47,714**	**4,968**	**-**	**-**	**52,682**
IRBM					
Balance as at 1 Jan 2016	**534,778**	**938,388**	**324,055**	**13,000**	**1,810,221**
Loans to Employees	93,500	1,186,000	118,774	-	1,398,274
	628,278	2,124,388	442,829	13,000	3,208,495
Less:					
Repayment of Loans	205,615	556,854	110,224	13,000	885,693
Balance as at 31 Dec 2016	**422,663**	**1,567,534**	**332,605**	**-**	**2,322,802**
Less:					
Provision for Doubtful Debts	66,104	4,968	-	-	71,072
	356,559	**1,562,566**	**332,605**	**-**	**2,251,730**

Reconciliation of Provision for Doubtful Debts as follows:

Balance as at 1 Jan 2016	**73,135**	**4,968**	**-**	**-**	**78,103**
Less:					
Provision Recovered	7,031	-	-	-	7,031
Provision Write-Off	-	-	-	-	-
Balance as at 31 Dec 2016	**66,104**	**4,968**	**-**	**-**	**71,072**

Loans to Employees are presented as follows:

	2017 RM	2016 RM
Current Assets (Amount receivable within 12 months)	991,322	789,496
Non-Current Assets	1,310,227	1,462,234
GROUP / IRBM TOTAL	**2,301,549**	**2,251,730**

Loans to Employees comprise as follows:

Scheme	Repayment Period Years	Service Fee % / Year
Motor Vehicles	5	4% (reducing balance)
Computer	4	4% (reducing balance)
Education	5	-
Interest Free Loan	1	-

9. DEPOSITS AND PREPAYMENTS

	2017 RM	2016 RM
Water Deposits	65,684	62,610
Electricity Deposits	770,997	770,747
Office Rental Deposits	188,288	182,793
Other Deposits	9,899	9,349
Prepayment of Supply and Services	527,377	1,082,306
Prepayment of Health Insurance Premium	1,999,486	1,774,947
GROUP / IRBM TOTAL	**3,561,731**	**3,882,752**

10. PAYMENT OF ADVANCES

GROUP / IRBM	Emolument[1] RM	Employee[2] RM	Others[3] RM	Total RM
Balance as at 1 Jan 2017	**6,618**	**21,945**	**425,042**	**453,605**
Advances	32,317	513,821	118,494,001	119,040,139
	38,935	535,766	118,919,043	119,493,744
Less :				
Repayment of advances	34,652	322,946	118,248,626	118,606,224
Balance as at 31 Dec 2017	**4,283**	**212,820**	**670,417**	**887,520**
IRBM				
Balance as at 1 Jan 2016	**31,648**	**26,079**	**134,020**	**191,747**
Advances	37,283	284,757	15,129,381	15,451,421
	68,931	310,836	15,263,401	15,643,168
Less :				
Repayment of advances	62,313	288,891	14,838,359	15,189,563
Balance as at 31 Dec 2016	**6,618**	**21,945**	**425,042**	**453,605**

[1] Advance Payment for emoluments refers to reimbursement of deduction of employee's wages.
[2] Employee Advance Payment refers to advances given to employees for conducting official duty.
[3] Others Advance Payment refers to cash and advances for the health insurance of IRBM workers who will be repaid through salary deductions.

11. OTHER DEBTORS

	2017 RM	2016 RM
Employee Debtors[1]	104,939	137,103
Trade Debtors[2]	134,996	88,669
Goods and Service Tax Receivable[3]	-	12,078,690
Service Debtors [4]	399,923,155	-
GROUP / IRBM TOTAL	**400,163,090**	**12,304,462**

[1] Employee Debtors are outstanding loans / advances due from employees.
[2] Trade Debtors consist of rental income, corporate speaker charges and other accrual income.
[3] Goods and Service Tax Receivable is the sum of the cummulative input tax claimed from April 2016 to December 2016. in 2017, input tax has been written-off as tax blocked expenses based on Director of Malaysia Royal Customs's decisions about IRBM's status which is not eligible to claim input tax.
[4] Service Debtors are the Fee Receivable Agency and special fee from the Federal Government.

12. CASH AND CASH EQUIVALENTS

	GROUP	IRBM	
	2017 RM	2017 RM	2016 RM
Fixed Deposits	20,000,000	20,000,000	230,648,786
Repurchase Agreements (Repo)	99,372,371	99,372,371	90,000,000
	119,372,371	119,372,371	320,648,786
Cash and Bank Balances	135,172,609	34,168,360	61,543,106
Total	**254,544,980**	**153,540,731**	**382,191,892**

The effective profit rate for IRBM investments is between 3.03% to 3.90% per annum (2016: 2.95% to 3.85% per annum) with maturity of up to 4 months.

	GROUP	IRBM	
	2017 RM	2017 RM	2016 RM
Cash In Bank	135,095,119	34,090,870	61,474,384
Cash In Hand	77,490	77,490	68,722
Total	**135,172,609**	**34,168,360**	**61,543,106**

13. TRUST FUND

IRBM Trust Fund consist of the following:

13.1 *Kumpulan Wang Amanah Akademi Percukaian Malaysia* was established to account the revenue and expenses related to the welfare of participants involved in courses given, training activities, research and publications of Malaysian Tax Academy (MAT). It also conduct international courses in collaboration with the Economic Planning Unit (EPU), Prime Minister's Department under the Malaysian Technical Cooperation Program.

13.2 *Tabung Wang Ihsan LHDNM* (also known as IRBM Trust Account) was established from 1 January 2015. It is intended to manage aid for IRBM employees, beneficiaries and external parties, donations and assistance to charities, help victims and other welfare programs to support IRBM initiatives on Corporate Social Responsibility (CSR) to employees and public generally.

GROUP / IRBM	2017			2016		
	Akademi Percukaian Malaysia RM	Tabung Ihsan RM	Total RM	Akademi Percukaian Malaysia RM	Tabung Ihsan RM	Total RM
Revenue						
Revenue from Internal Resources	131,603	287,218	418,821	303,027	145,702	448,729
Contributions from External Resources	485,931	102,488	588,419	1,380,755	436,550	1,817,305
Interests received	74,842	-	74,842	33,540	5,819	39,359
	692,376	**389,706**	**1,082,082**	**1,717,322**	**588,071**	**2,305,393**
Less : Expenditure						
Cash Expenditure	552,868	16,230	569,098	1,275,339	318,820	1,594,159
Depreciation of Property, Plant and Equipment	155,563	1,010	156,573	251,461	5,760	257,221
	708,431	**17,240**	**725,671**	**1,526,800**	**324,580**	**1,851,380**
Current (Deficit)/Surplus	**(16,055)**	**372,466**	**356,411**	**190,522**	**263,491**	**454,013**
Accumulated Surplus from Previous Year	3,267,967	1,021,546	4,289,513	3,077,445	758,055	3,835,500
Donation to IRBM's Tabung Khairat Kematian	-	(50,000)	(50,000)	-	-	-
Accumulated Surplus Carried Forward	**3,251,912**	**1,344,012**	**4,595,924**	**3,267,967**	**1,021,546**	**4,289,513**

14. INVESTMENT FUND

14.1 The Investment Fund of RM18,000,000 is a financing fund awarded by the Ministry of Finance Malaysia through a letter dated 21 March 1997 when the IRBM was instituted. This fund is for investment purposes to generate additional IRBM benefits.

14.2. IRBM is authorized under Section 28 of the Inland Revenue Board Act 1995 to invest. However, it is limited in the form of fixed deposits, bankers acceptance and repurchase agreement at banks and financial institutions licensed under the Banking and Financial Institutions Act 1989 and approved by the Ministry of Finance.

14.3 Beginning 2016, the Investment Committee has agreed that returns from the Investment Fund are reinvested together with the principal fund. The total amount of the Investment Funds ending 31 December 2016 is placed on fixed deposit investments in banking institutions.

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GROUP / IRBM	2017 RM	2016 RM
Balance As At 1 January	18,648,786	18,000,000
Add :		
Investment Interest	693,009	648,786
Balance As At 31 December	**19,341,795**	**18,648,786**

The effective profit rate for an IRBM investment is at rates ranging from 3.03% to 3.90% per annum (2016: 3.30% to 4.15% per annum) with a maturity period of placement of up to 124 days.

15. CONVEYANCE FUND

The RM18,000,000 Conveyance Fund is the fund for the IRBM to provide employees with financing facilities for motor vehicles, computer and education loans.

	Motor Vehicles RM	Computer RM	Education RM	Total RM
Approved Fundings	**14,000,000**	**3,000,000**	**1,000,000**	**18,000,000**
GROUP / IRBM				
Balance as at 1 Jan 2017	**13,577,337**	**1,432,466**	**667,395**	**15,677,198**
Less :				
Loans to Employees	-	(967,200)	(27,981)	(995,181)
	13,577,337	**465,266**	**639,414**	**14,682,017**
Add :				
Repayments from Employees	150,392	775,750	37,610	963,752
Balance of Loans write-off	47,714	4,968	-	52,682
Balance as at 31 Dec 2017	**13,775,443**	**1,245,984**	**677,024**	**15,698,451**

LEMBAGA HASIL DALAM NEGERI MALAYSIA
(Established According to the INLAND REVENUE BOARD OF MALAYSIA ACT 1995)

	Motor Vehicles RM	Computer RM	Education RM	Total RM
Approved Fundings	**14,000,000**	**3,000,000**	**1,000,000**	**18,000,000**
IRBM				
Balance as at 1 Jan 2016	**13,452,222**	**2,061,612**	**675,945**	**16,189,779**
Less :				
Loans to Employees	93,500	1,186,000	118,774	1,398,274
	13,358,722	**875,612**	**557,171**	**14,791,505**
Add :				
Repayments from Employees	205,615	556,854	110,224	872,693
Repayments from others	13,000	-	-	13,000
Balance of Loans write-off	-	-	-	-
Balance as at 31 Dec 2016	**13,577,337**	**1,432,466**	**667,395**	**15,677,198**

16. DEVELOPMENT FUND

Development Fund consist of grant given by Federal Government as at 31 December 2014 to finance capital development projects (Buildings and Computerization) under 8th to 10th Malaysian Plan (RMKe-8 to RMKe-10). Amortisation of the fund in current financial year are considered in return of the benefits provided for the usage of Property, Plant and Equipment in which similar to the treatment of depreciation of Property, Plant and Equipment.

GROUP / IRBM	2017 RM	2016 RM
Balance as at 1 January	**698,272,455**	**755,184,303**
Less : Cash Expenditure	11,787,102	8,113,538
Depreciation of Property, Plant and Equipment	40,039,748	48,798,310
	51,826,850	**56,911,848**
Balance as at 31 December	**646,445,605**	**698,272,455**

17. EMPLOYEE BENEFITS

GROUP / IRBM	2017 RM	2016 RM
Balance As At 1 January	**58,171,648**	**81,601,019**
Add :		
Provision for the year	220,991,180	50,909,148
Less :		
Repayments during the year	49,471,041	74,338,519
Adjustments during the year	8,612,362	-
Balance As At 31 December	**221,079,425**	**58,171,648**

18. TERM LOANS

GROUP / IRBM	2017 RM	2016 RM
Term Loans shown as:		
Current Liabilities		
Within 1 year	2,794,318	-
Long Term Liabilities		
1 to 5 years	65,012,975	-
After 5 years	55,000,000	
Current Value Of The Term Loans	**122,807,293**	**-**

IRBM acquired loan facilities from CIMB Bank to finance the acquisition of motor vehicles and office building in 2017. For the first two years, IRBM will only pay for the sum based on the interest rate. Details of IRBM's loan borrowings with CIMB Bank are as follows:

Details	Amount RM	Service Charges % / Per Annum (Fixed Rate)	Installment
Motor vehicles loan	585,984	4.00	August 2017
	12,939,421		October 2017
Menara Hasil Cawangan Kuantan	110,000,000	4.15	January 2018

19. FINANCE LEASE

GROUP / IRBM	2017 RM	2016 RM
Finance lease shown as:		
Current Liabilities		
Within 1 year	2,784,089	2,638,521
Non-Current Liabilities		
1 to 5 years	2,184,518	4,968,607
Current Value of Finance Lease	**4,968,607**	**7,607,128**

IRBM has secured a finance lease on acquisition of motor vehicles amounting to RM14,597,863 in 2014 with a Base Lending Rate (BLR) service charge - 1.15% to 1.85% per annum. The 2017 BLR is 6.85% (2016: BLR 6.85%).

20. OTHER CREDITORS

	2017 RM	2016 RM
Supply and Services	10,025,113	12,808,392
Other Accrued Creditors	-	3,901,430
Goods and Services Tax[1]	181,043	-
GROUP / IRBM TOTAL	**10,206,156**	**16,709,822**

[1] Goods and Services Tax for 4th quarter of 2017 are due to be paid in January 2018.

21. DEPOSITS

	2017 RM	2016 RM
Retention Monies	1,369,888	482,694
Guaranteed Money	21,250	9,351
Other Deposits [1]	1,161,675	20,953
GROUP / IRBM TOTAL	**2,552,813**	**512,998**

[1] Other Deposits consists of other guaranteed money, execution bonds, disposal of deposits and other deposits.

22. REVENUE

The main revenue of IRBM which is Agency Fee receivable from Federal Government upon performance condition are met as set out in Section 10 of the Inland Revenue Board of Malaysia Act 1995. Revenue comprises of income from the following resources:

	2017 RM	2016 RM
Agency Fee	1,845,363,555	1,846,042,236
Federal Government Grant	623,689,100	59,183,475
Amortization Of:		
Development Fund	51,826,850	56,911,848
Trust Fund	725,671	1,851,380
Previous Year Repayment Received	1,608,979	1,590,829
Rental	68,044	113,286
Fine and Penalties	104,779	259,913
Sales of Other Printing Goods	645,610	500,353
Profits of Insurance Protection Scheme from Takaful Company	126,970	200,113
Other Income	1,466,185	1,907,731
GROUP / IRBM TOTAL	**2,525,625,743**	**1,968,561,164**

23. OTHER OPERATING INCOME

Other operating income consists of:

	2017 RM	2016 RM
Proceeds from Sales of Store Items	3,169	11,900
Proceeds from Disposal of Property, Plant and Equipment	251,189	253,270
Other Income	50,967	-
Non-Cash Items (In Assets Form)	559,296	6,400
GROUP / IRBM TOTAL	**864,621**	**271,570**

24. EMPLOYEE COSTS

Employee costs consists of:

	2017 RM	2016 RM
Salaries	954,392,107	819,118,705
Fixed Allowances	125,478,661	124,271,878
Statutory Contributions	239,121,937	209,607,574
Overtime Allowances	6,624,283	6,555,711
Other Financial Benefits	194,962,516	194,675,414
GROUP / IRBM TOTAL	**1,520,579,504**	**1,354,229,282**

25. OTHER OPERATING EXPENSES

	GROUP	IRBM	
	2017 RM	2017 RM	2016 RM
Expenditure and Subsistence	20,236,269	20,236,269	16,414,675
Transportation	802,114	802,114	855,717
Communication and Utility	89,695,911	89,695,911	60,859,333
Rental	104,237,891	104,237,891	103,924,373
Supplies and Materials for Maintenance	1,729,904	1,729,904	1,336,456
Sundry Materials and Supplies	20,338,517	20,338,517	9,542,705
Maintenance and Minor Repairs	67,731,836	67,731,836	31,376,384
Professional Services and Hospitality	132,149,535	132,149,535	125,291,274
Audit Fee	80,000	80,000	80,000
Clinical and Medical Services	24,765,598	24,765,598	22,546,925
Grants and Fixed Payment Charge	242,077,588	242,077,588	112,917,264
Miscellaneous	76,019,635	76,019,635	26,551,407
Fair Value Loss of Loan to Subsidiary Financing	-	73,915,398	-
Amortization of Cash Expenditure for :			
Development Fund	11,787,102	11,787,102	8,113,538
Trust Fund	569,098	569,098	1,594,159
GROUP / IRBM TOTAL	**792,220,998**	**866,136,396**	**521,404,210**

26. RECEIPTS FROM AGENCY FEE, FEDERAL GOVERNMENT SPECIAL GRANT AND OTHER INCOME

	2017 RM	2016 RM
Current Year Agency Fee	1,745,440,400	1,846,042,236
Previous Year Agency Fee	-	284,845,674
Federal Government Special Grant	323,689,100	59,183,475
Previous Year Repayment Received	1,608,979	1,590,829
Rental	68,044	113,286
Fine and Penalties	104,779	259,913
Sales of Other Printing Goods	645,610	500,353
Profits of Insurance Protection Scheme from Takaful Company	126,970	200,113
Other Income	1,517,152	1,907,731
Proceeds from Sales of Store Items	3,169	11,900
Trade Debtors	46,327	(23,604)
GROUP / IRBM TOTAL	**2,073,250,530**	**2,194,631,906**

27. PAYMENT TO SUPPLIERS AND EMPLOYEES

	GROUP	IRBM	
	2017 RM	2017 RM	2016 RM
Employee Costs	1,520,579,504	1,520,579,504	1,354,229,282
Other Operating Expenses	792,220,998	866,136,396	521,404,210
Deposits and Prepayments	(321,021)	(321,021)	1,322,565
Advance Payment	(433,915)	(433,915)	261,858
Employee Debtors	32,164	32,164	18,169
GST Input Tax	(379,465)	(379,465)	5,576,217
Other Creditors	(6,556,564)	(6,556,564)	53,968,174
Other GST Creditors	12,078,690	12,078,690	-
Employee Benefits	(145,106,675)	(145,106,675)	23,429,371
Low Value Assets Aquired Through Term Loan	(1,704,147)	(1,704,147)	-
Deposits	(2,039,815)	(2,039,815)	949,844
Fair Value Loss of Loan to Subsidiary	-	(73,915,398)	-
GROUP / IRBM TOTAL	**2,168,369,754**	**2,168,369,754**	**1,961,159,690**

28. CAPITAL COMMITMENTS

GROUP / IRBM	2017 RM	2016 RM
Approved and Contracted	**155,242,358**	**191,184,877**

29. OPERATING COMMITMENTS

Lease payments under non-cancellable operating leases are as follows:

GROUP / IRBM	2017 RM	2016 RM
Less than 1 year	393,688,447	260,982,738
More than 1 year and less than 5 years	152,755,782	437,078,253
GROUP / IRBM TOTAL	**546,444,229**	**698,060,991**

30. FINANCIAL INSTRUMENTS

30.1. Interest Rate Risk

Interest rate risk refers to variances due to the changes of market interest rate and the average effective interest rate based on the financial assets and financial liabilities as follows:

GROUP / IRBM	Total Carrying Amount	Within 1 Year	1 To 5 Years	Effective Interest Rate
2017	**RM'000**	**RM'000**	**RM'000**	**%**
Financial Assets				
Loans to Employees	2,301	991	1,310	4.00
Fixed Deposits and Repurchase Obligations	119,372	119,372	-	3.03 – 3.90
Cash and Bank balances	135,174	135,174	-	
	256,847	**255,537**	**1,310**	
Financial Liabilities				
Term Loans	122,807	2,794	120,013	4.00 - 4.15
Finance Leases	4,969	2,784	2,185	5.00 – 6.85
	127,776	**5,578**	**122,198**	

IRBM 2016	Total Carrying Amount RM'000	Within 1 Year RM'000	1 To 5 Years RM'000	Effective Interest Rate %
Financial Assets				
Loans to Employees	2,251	789	1,462	4.0
Fixed Deposits and Short Term Investments	320,648	320,648	-	2.95 – 3.85
Cash and Bank balances	61,543	61,543	-	
	384,442	**382,980**	**1,462**	
Financial Liabilities				
Term Loans	-	-	-	-
Finance Leases	7,607	2,639	4,967	5.0 – 5.7
	7,607	**2,639**	**4,967**	

30.2. Credit Risk

Maximum credit risk involving financial assets identified as the carrying amount as stated in Statements of Financial Position. IRBM does not have any specific deal towards the credit risk with any other parties.

30.3. Fair Value

The carrying amount for all the financial assets and financial liabilities of IRBM on the Statements of Financial Position date are estimated at fair value.

31. INCOME TAX

Refers to the power of the Minister in section 127 (3) (b) of the Income Tax Act, 1967, IRBM has been granted exemption from payment of income tax in respect of all income (excluding dividends) for the period from the year of assessment 1997 until the subsequent years of assessment. The exclusion order is a reference to the Income Tax (Exemption) (No. 20), 2000.

Exemption in respect of dividend income received by IRBM falls under the single-tier system [paragraph 21B, Schedule 6 Tax Exemption, Income Tax Act 1967].

32. RELATED PARTY DISCLOSURES

Act 533, The Inland Revenue Board of Malaysia (Amendment) Act 2015 stipulates that Members of the Board shall consist of nine individuals including the Chairman (Chief Secretary of Treasury) and Chief Executive Officer. Total benefits of Board Members during the financial year as follows:

	2017 RM	2016 RM
Allowances / Benefits of Board Members	**804,161**	**537,219**

33. GENERAL INFORMATION

The number of employees (permanent, contracted and part-time) at the end of the financial year 2017 was 13,519 compared with 13,876 in 2016.

34. COMPARATIVE FIGURES

IRBM's subsidiary was incorporated on 6 October 2017. This is the first year of IRBM's accounts being consolidated in the Group, therefore no comparative figures are shown in the financial statements.

FINANCIAL PERFORMANCE RECORD

INCOME

The total IRBM's Income for the year ending 31 December 2017 is RM2,550.54 million, which consists of:

Agency Fee

The IRBM's main revenue is the Agency Fee received from the Federal Government for its services as set out in Section 10 of the Inland Revenue Board of Malaysia 1995. The estimated calculation of the receivable agency fee from the government is based on the estimated amount of gross tax collection revenue in a year. The total Agency Fees received in 2017 is RM1,845.36 (2016: RM1,846.04) million. The fee is 72.35% of the IRBM's total income.

Goverment's Grant

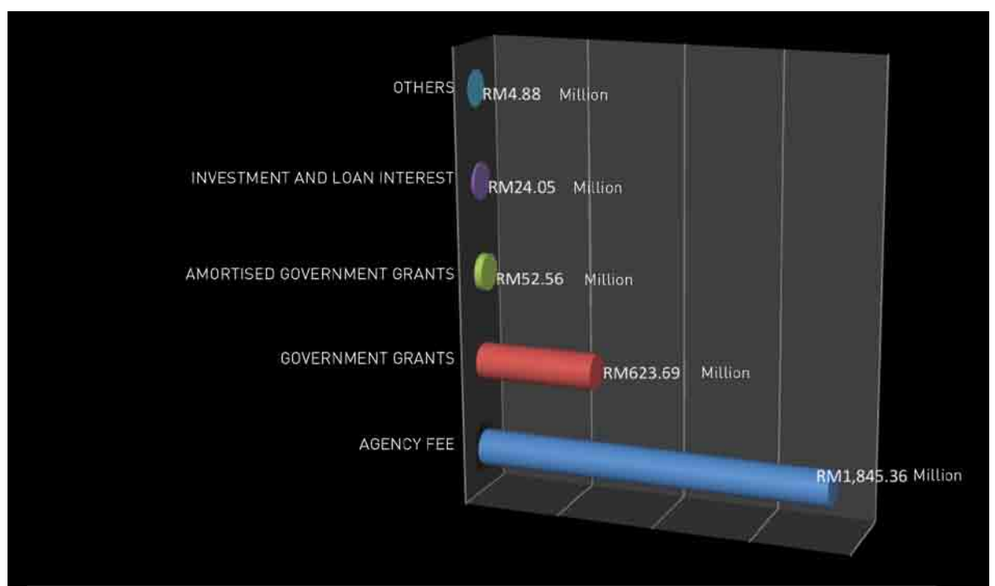
In the current year, IRBM's received grant from the government amounting to RM623.69 million (2016: RM59.18 million) that covers BR1M allocation of RM80.00 million (2016: RM39.00 million) and Special Grant of RM543.69 million (2016: RM20.18 million). Amortised grants in 2017 is RM52.56 million (2016: RM58.76 million) for Development Allocation Grant (RM51.83 million) and Trust Fund Grant (RM0.73 million).

Other Incomes

Apart from Agency Fee and government grants, IRBM's income was also contributed by other income sources such as investment and loan interest of RM24.05 million (2016: RM23.46 million) and other incomes such as rental, prior year repayment, penalties and punishment, profit loss on disposal of assets amounting to RM4.88 million (2016: RM4.85 million).

Overall, IRBM's income increased by 28.02% in comparison to RM1,992.29 million in 2016. This increase is based on the increase of grants from the government amounting to RM564.51 million.

CHAPTER 1: INCOME FOR THE YEAR ENDING 31 DECEMBER 2017



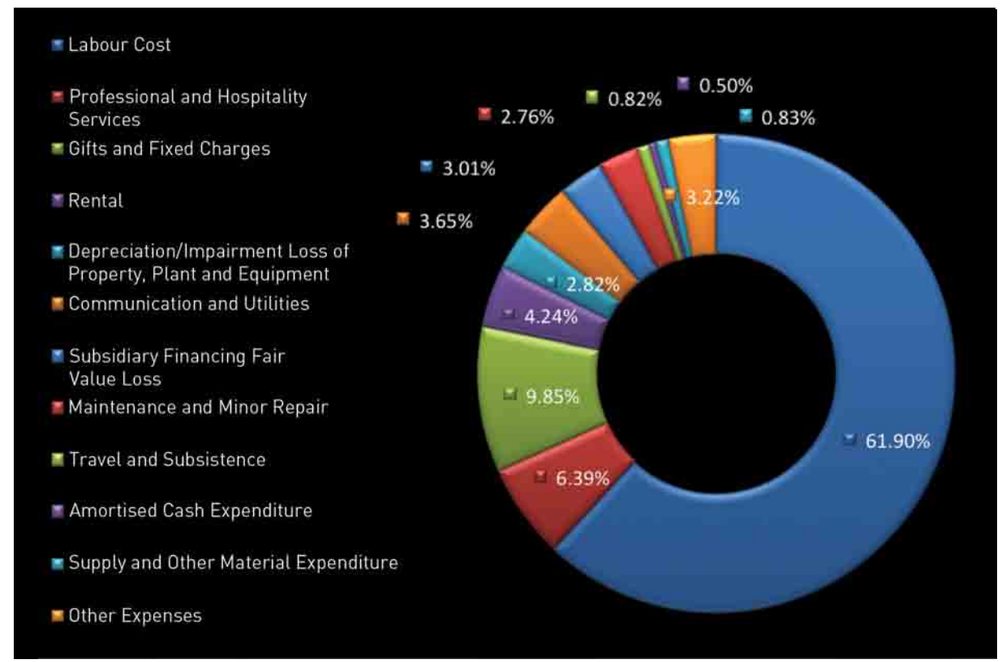
EXPENDITURE

Summary of Expenditure

The total expenditure of IRBM for the year ending 31 December 2017 is RM2,382.59 million (2016: RM1,957.16 million). The largest IRBM's expenditure is made up of labour cost, amounting to RM1,520.58 million (2016: RM1,354.23 million), followed by gifts and fixed charges amounting to RM242.08 million (2016: RM112.92 million), professional and hospitality services amounting to RM157.00 million (2016: RM147.92 million) and rental expense of RM104.24 million (2016: RM103.92 million).

Besides, other expenses incurred include communication and utility expenses amounting to RM89.70 million (2016: RM60.86 million), depreciation/impairment loss of property, plant and equipment amounting to RM69.28 million (2016: RM73.65 million), maintenance and minor repairs amounting to RM67.73 million (2016: RM31.38 million), supply and other materials amounting to RM20.34 million (2016: RM9.54 million), travel and subsistence amounting to RM20.24 million (2016: RM16.41 million), amortised trust and development expenditure amounting to RM12.36 million (2016: RM9.71 million) and other expenses amounting to RM79.06 million (2016: RM36.62 million).

CHART 2: EXPENDITURE FOR THE YEAR ENDING 31 DECEMBER 2017



Expenditure Analysis

IRBM spends 61.90% of the total expenditure to finance the cost of permanent, contractual and part-time employees. Human resource is the most important asset that guarantees the achievement of

IRBM KPI's performance. Overall, there is 12.28% increase in labour costs as compared to 2016, due to the adjustment factor of the IRBM Salary Scheme 2017. The second largest expenditure is gifts and fixed charges that include the End of Service Gratuity (STP), research and development expenditure, Leave Replacement and others.

TABLE 1: COMPARISON OF IRBM'S EXPENDITURE FOR THE YEAR 2017 AND 2016

Type of Expenditure	2017	2016
	(RM)	(RM)
Labour Cost	1,520,579,504	1,354,229,282
Gifts and Fixed Charges	242,077,588	112,917,264
Professional and Hospitality Services	156,995,133	147,918,199
Rental	104,237,891	103,924,373
Communication and Utilities	89,695,911	60,859,333
Subsidiary Financing Fair Value Loss	73,915,398	-
Depreciation/Impairment Loss of Property, Plant and Equipment	69,276,059	73,653,839
Maintenance and Minor Repairs	67,731,836	31,376,384
Supply and Other Materials	20,338,517	9,542,705
Travel and Subsistence	20,236,269	16,414,675
Amortised Cash Expenditure	12,356,200	9,707,697
Other Expenses	79,069,725	36,619,968
Total	**2,456,510,031**	**1,957,163,719**

Comparison of Expenditures

Overall, IRBM spending had increased by 25.51% as compared to RM1,957.16 million in 2016. The largest contributor to the increase in expenditure amounting to 115.92% due to the settlement of the Goods and Services Tax (GST), increase in health insurance premiums for employer shares and others.

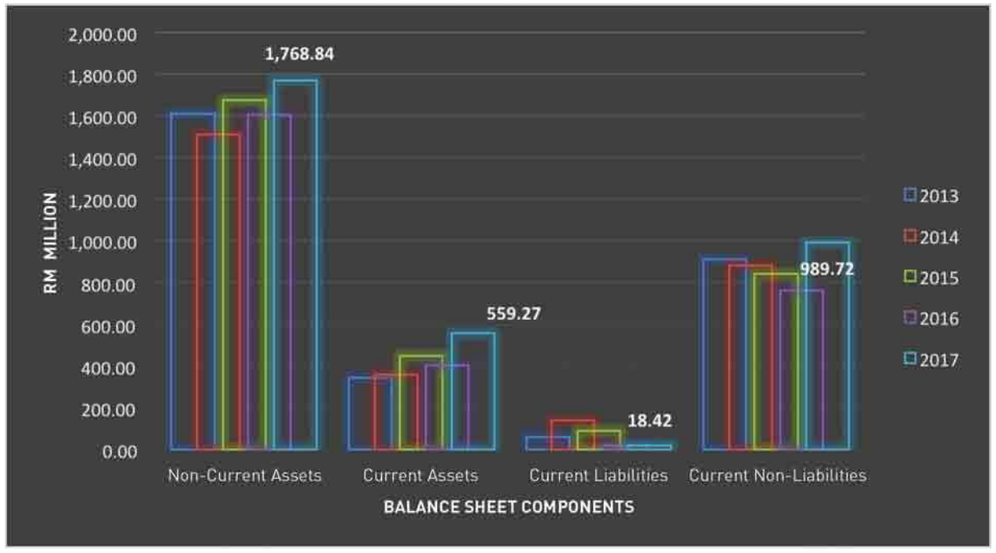
In addition, maintenance and minor repairs showed an increase of 115.87% in 2017, since IRBM had implemented maintenance works in its offices especially at the Jalan Sultan Abdul Halim Government Complex, the establishment of new Branches and repair works throughout the Departments, States and Branches.

Gifts and fixed charges also showed a significant increase of more than 100% (114.38%), due to the increase in provision and payment of End of Service Gratuity (STP), increase in research and development expenditure, Leave Replacement and others. The STP provisions in 2017 has to be accounted in accordance with the Malaysian Private Entities Reporting Standard (MPERS) accounting standard requirements.

TABLE 2: FINANCIAL PERFORMANCE IN FIVE-YEAR PERIOD (2013-2017)

Significant Financial Figures	2013	2014	2015	2016	2017
	RM MILLION	RM MILLION	RM MILLION	RM MILLION	RM MILLION
Income	1,948.13	1,886.96	2,058.09	1,992.29	2,550.54
Expenditure	1,907.27	2,016.55	1,963.95	1,957.16	2,456.51
Income Surplus/(Deficit)	40.86	(129.59)	94.14	35.13	94.03
Accumulated Reserves	660.15	530.56	1,148.88	1,184.01	1,278.04
Non-Current Assets	1,609.95	1,509.33	1,673.77	1,605.37	1,768.84
Current Assets	343.15	358.78	450.48	400.94	559.27
Current Liabilities	58.90	137.22	91.13	19.94	18.42
Long Term Liabilities	913.54	879.80	844.39	761.41	989.72

TABLE 3: PERFORMANCE OF BALANCE SHEET COMPONENTS IN FIVE-YEAR PERIOD

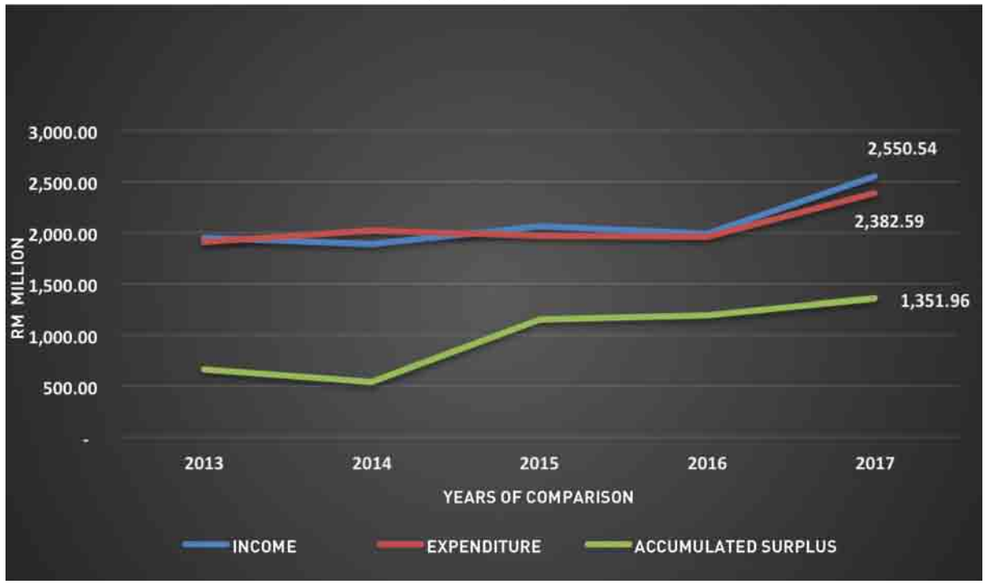


SUMMARY OF IRBM'S BALANCE SHEET COMPONENTS

The increase in current assets by 39.49% was due to the increase in the taxpayers' debt, involving the account receivables of Agency Fee amounting to RM399.92 million in 2017, yet to be paid to the IRBM on 31 December 2017.

Long term liabilities recorded an 29.99% increase due to the increase in employee benefits to recognise the STP payments to be paid in 2018 and Term Loan for five (5) to ten (10) years executed by IRBM for the acquisition of Kuantan Branch Revenue Tower and office vehicles.

CHART 4: PERFORMANCE OF OVERALL INCOME STATEMENT COMPONENTS IN FIVE-YEAR PERIOD, ENDING 31 DECEMBER 2017



SUMMARY OF IRBM'S INCOME STATEMENT COMPONENTS

IRBM's income plays an important role in planning the IRBM current and non-current expenditures. IRBM's Income is an Independent Variable where the revenue acceptance will influence the IRBM current spending pattern and long-term planning. The expenditure in 2017 had increased by 25.51% than the previous year, which is in line with the increase of the income in 2017 in comparison to the previous year by 28.02%.

OPERATIONAL EXPENDITURE PERFORMANCE ACCORDING TO PROGRAMMES AND ACTIVITIES

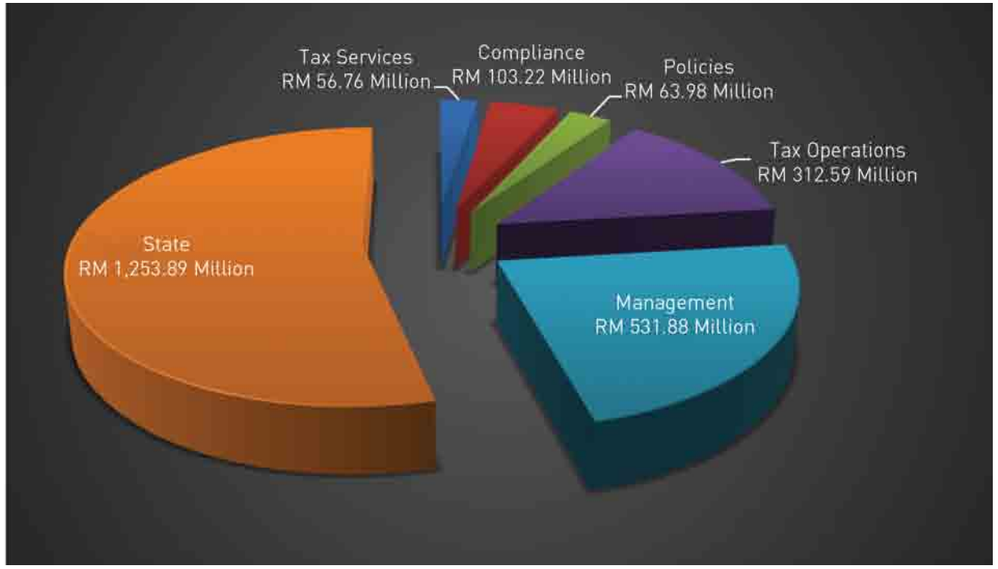
The IRBM provisions were allocated and spent according on 6 main programmes that involve 8 activities. The programmes carried out at Headquarter Level involve Tax Services, Compliance, Policies, Tax Operations and Management while the State Programmes cover activities at branch level throughout Malaysia. The statistics of expenditure according to the programme are as follows:

TABLE 3: EXPENDITURE ACCORDING TO PROGRAMMES IN 2017 AND 2016

Programme	2017	2016	Difference
	(RM)	(RM)	(%)
Tax Services	59,759,258	129,915,071	(56.31)
Compliance	103,220,013	86,251,017	19.67
Policies	63,980,706	27,180,751	135.39
Tax Operations	312,591,209	210,978,049	48.16
Management	531,882,308	254,711,177	108.82
State	1,253,890,509	1,112,824,809	12.68
Total	**2,322,324,003**	**1,821,860,875**	**27.47**

The expenditures in Table 3 does not include depreciation/impairment loss of property, plant and equipments as well as expenses for BR1M

CHART 5: IRBM'S EXPENDITURE PERFORMANCE ACCORDING TO PROGRAMMES IN 2017



Tax Service Programmes

The expenditure under the Tax Service Programmes showed 56.31% decrease than the previous year due to changes and revisions to the programme portfolio to streamline the functions of the existing activities in fulfilling the IRBM's Key Result Area (LKRA) and Key Performance Indicator (KPI). The activities that are retained only involve communication, internal auditing, and special activities. Meanwhile, the activities such as taxation research, corporate services, inspectorates, risk management and financial management are transformed into the programmes that are deemed fit such as compliance, policy, tax operation and management programmes.

Compliance Programmes

The expenditure under the Compliance Programme covers all expenditures that involve activities such as the legislation policies related to tax compliance, investigations, corporate tax audits and taxes for multinational corporations and special industries. Enforcement and investigative activities for tax-related offenses are the core that ensure the tax compliance in this country. The programmes are implemented by several departments and divisions under the IRBM Headquarters. The expenditure for these programmes showed an increase of 19.67% as compared to 2016.

Policy Programmes

The Policy Programmes cover the policy legislation activities for tax operation in this country and overseas. The programmes also includes legislative functions such as the handling of court cases, which act as legal advisor to IRBM. Most of the costs incurred are due to labour cost, travel and subsistence and court costs. The expenditure under these programmes increased by 135.39% in 2017 than the previous year due to changes in research activities, from the tax service programmes to policy programmes. The change in this portfolio is for more efficient control and compliance, that mainly involves court and legal management

Tax Operation Programmes

The Tax Operation Programmes is the most important component to ensure the efficiency of the tax collection process in IRBM. The activities under these programmes include revenue collection and tax operation activities as well as information technology management. The expenditure increased by 48.16% where the highest expenditure for these programmes involves computer service and data processing. This expenditure is to ensure the quality of the IRBM delivery system to the customers is always in the best possible condition.

Management Programmes

The Management Programmes consist of activities that involve financial management, organisational development, human resource management, course and training as well as asset management that includes IRBM office buildings. IRBM also emphasises on comprehensive training and sustainable human resource development where the main focus is to sustain tax management. The implementation of these activities are regarded as the long-term investment by IRBM to come up with highly competent officials in carrying out the main tax function as has been outlined. In 2017, management programmes that involve state programmes and other programmes are centralised, hence the spending for state programmes increased by 108.82% than the previous year.

State Programmes

The State Programmes are the ones that contribute to the IRBM largest expenditure, amounting to 53.99% of the total expenditure and more than 50% of the expenditure is due to labour cost. State programme activities include administration at the state level, tax audits, collection, stamp duty, investigation, tracking, legal and customer service.

THE PERFORMANCE OF IRBM'S CAPITAL EXPENDITURE IN 2017

In 2017, the capital expenditure approved to finance the implementation of ICT Project (RM75,373,690) and Office Infrastructure Project (RM73,158,170) amounted to RM148,531,860. The ICT project had been approved to create an effective and efficient tax management system in line with the latest technology development. The system is designed online to facilitate the taxpayers' affairs thus indirectly contribute to the increase in tax collection.

The Office Infrastructure Project that was approved is to provide more convenient and user-friendly office and facilities for both IRBM officers and taxpayers.

OVERALL PERFORMANCE

In fact, the entire IRBM's financial management is implemented with prudence, transparency and value for money. All expenditures incurred are for the purpose of leaving positive impact on the IRBM's main function, which is to collect tax revenue for the nation's income. The increase in terms of cost by 25.51% (2017: RM2,456.51 million) in comparison to 2016 (RM1,957.16 million) is a good indicator for the IRBM financial management, which is in line with the IRBM's achievements, that surpass all the key performance indicator (KPI) targets such as revenue collection, tax base broadening, taxpayer auditing, settlement of investigation cases, reduction of arrears and other KPIs (non-taxation) entrusted to IRBM.