



Indirect Tax

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KPMG in Malaysia

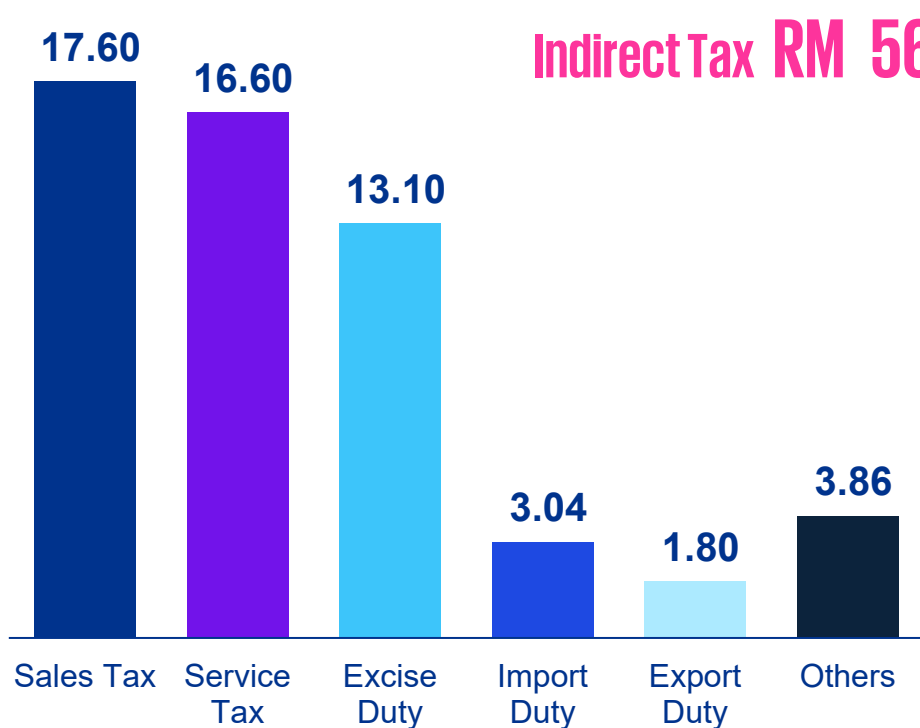
Revenue Breakdown for Indirect Tax

Year 2023 (Revised Estimate)

RM in billion

Direct Tax **RM 173B**

Indirect Tax **RM 56B**

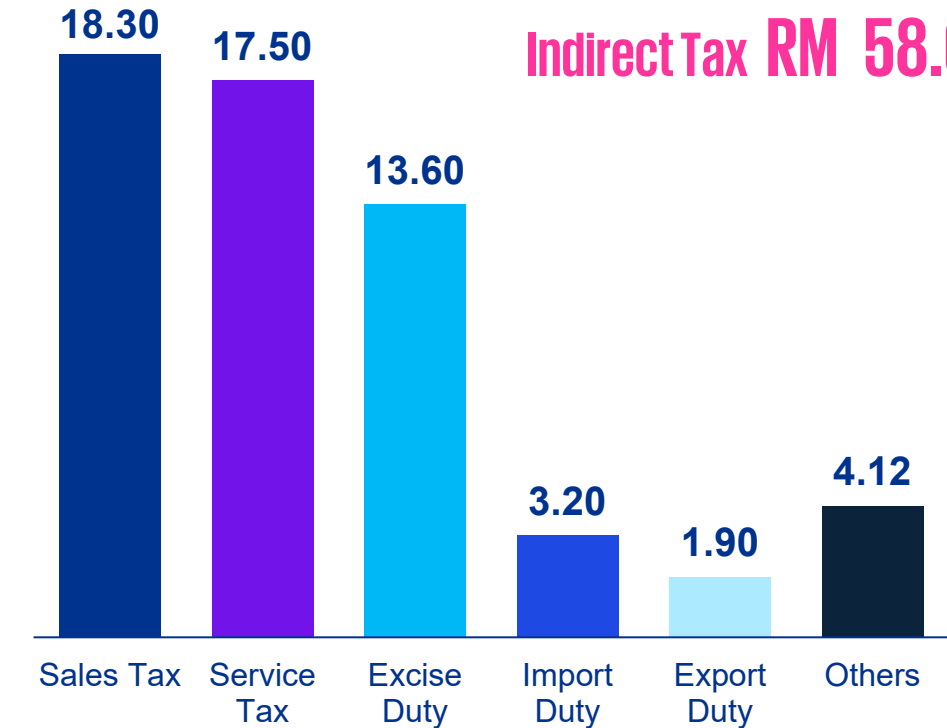


Year 2024 (Estimate)

RM in billion

Direct Tax **RM 185B**

Indirect Tax **RM 58.6B**



Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2024

Service Tax

Increase in Service Tax Rate



8%

ALL prescribed taxable services

except



6%

- Food and Beverages
- Telecommunication
- Parking
- Logistic (*New)

Expansion of Taxable Services

- ✓ Karaoke
- ✓ Delivery Services (except for F&B)
- ✓ Brokerage and Underwriting Services
- ✓ Logistic

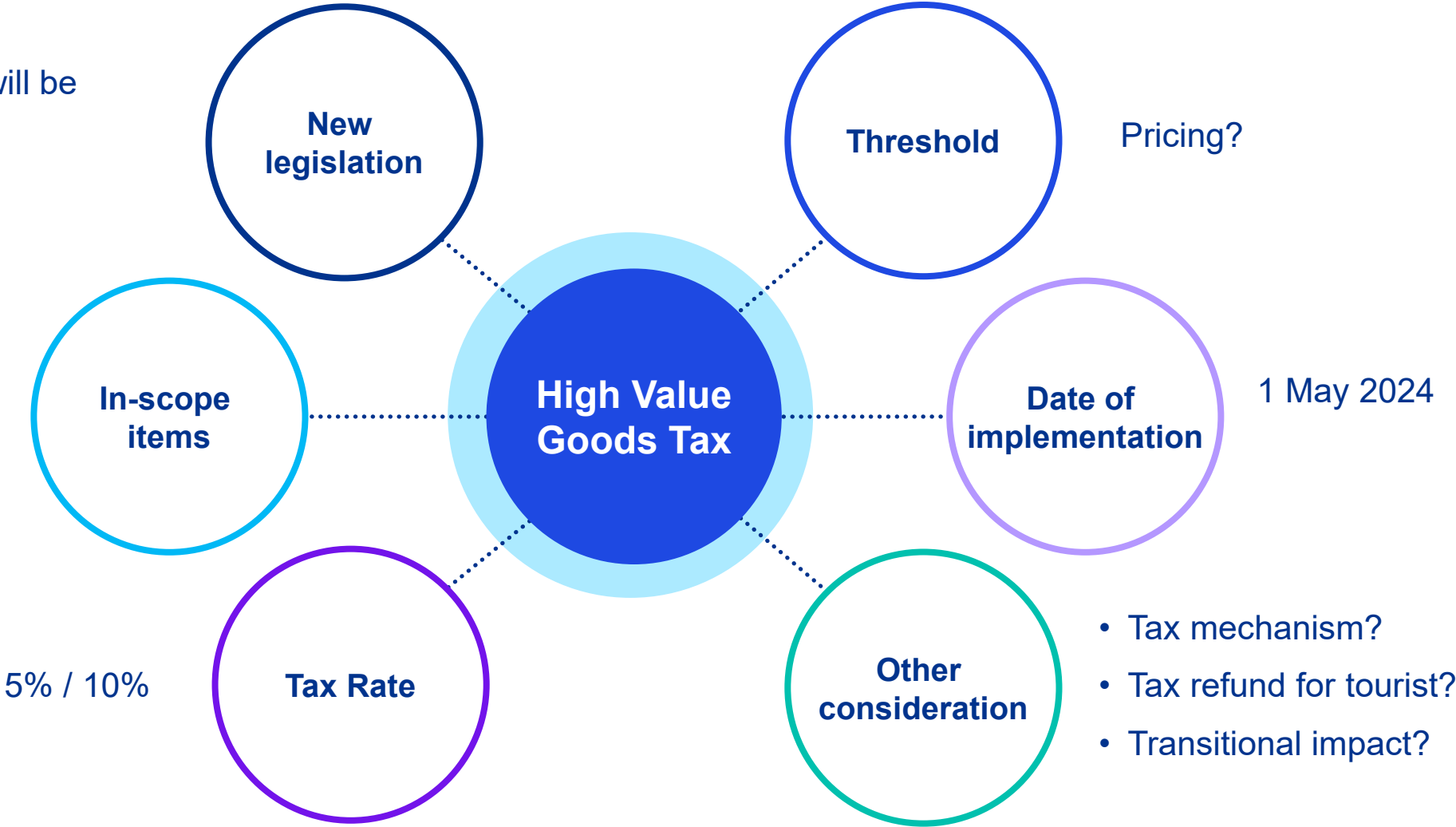
Registration threshold: RM 500,000

Proposed Effective Date : 1 March 2024

High Value Goods Tax

A new legislation will be enacted

- Jewellery and watches
- Other goods?



Excise Duty

Current

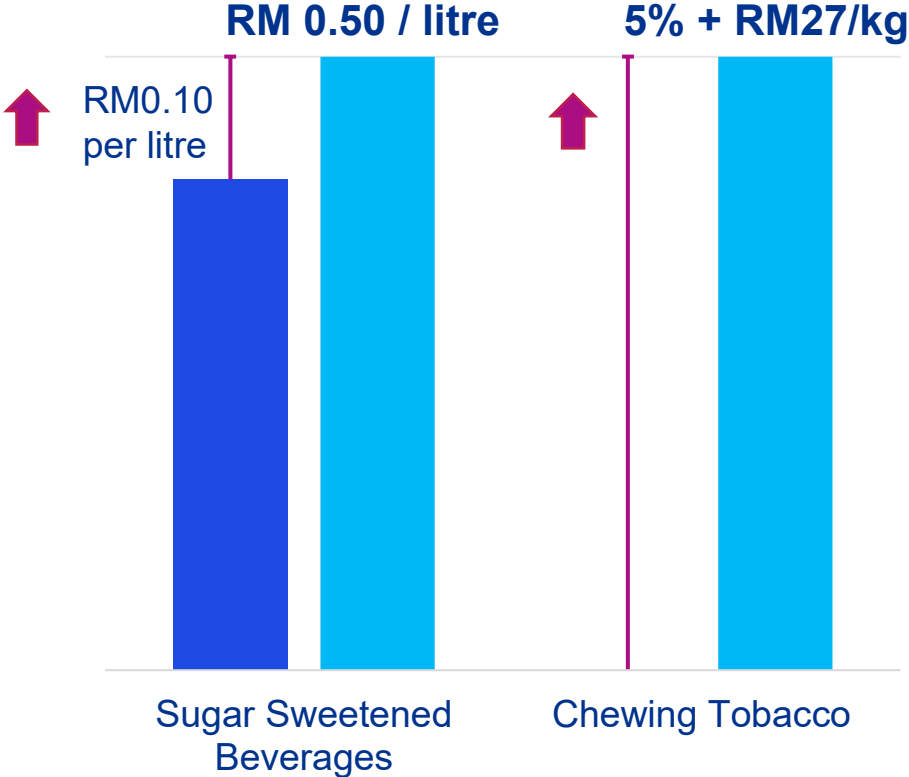
Sugar Sweetened Beverages

Tariff Code	Type of Beverages	Sugar Content Threshold	Excise Duty Rate
22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	>5g/100ml	RM0.40 per litre
	Flavoured milk-based beverages containing lactose	>7g/100ml	RM0.40 per litre
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml	RM0.40 per litre

Chewing Tobacco

Types of Duty / Tax	Chewing Tobacco	Snuff Tobacco
Import Duty	5% + RM50/kg	5% + RM40/kg
Excise Duty	Not applicable	5% + RM27/kg
Sales Tax	10%	10%

Proposed



Proposed Effective Date : 1 January 2024

Import Duty and Sales Tax Exemptions on Manufacturing Aids

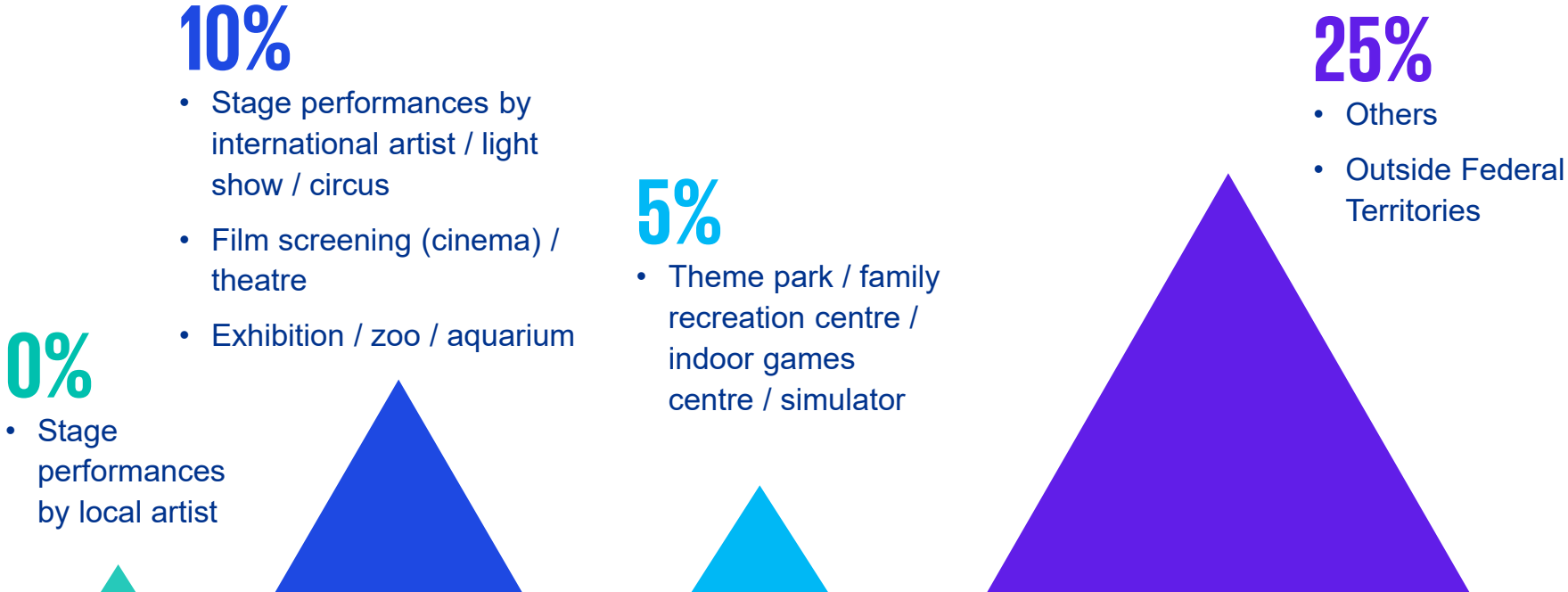
To enhance the competitiveness of the manufacturing sector, it is proposed that Import Duty and Sales Tax exemptions be given to **eligible manufacturers** on the **importation and local purchase of manufacturing aids**, depending on the types of industry and category of goods.

Proposed Effective Date : 1 January 2024



Entertainments Duty

- Currently, Entertainments Duty at the rate of 25% is imposed on admission fees to various entertainment places or events.
- It is proposed that exemption / reduction of the current Entertainments Duty rate be given to selected types of entertainments held in the Federal Territories (i.e. Kuala Lumpur, Putrajaya and Labuan).



It is proposed that the above is applicable for applications received by the Ministry of Finance from **1 January 2024 to 31 December 2028**

Returning Expert Programme

Current

The Returning Expert Programme under the Talent Corporation Malaysia Berhad offers:

Income Tax

- Fixed rate of 15% on employment income for 5 consecutive years of assessment;

Indirect Tax

- **Import Duty** and **Excise Duty exemptions** for the purchase of a **Completely Built-Up (CBU) vehicle**; or
- **Excise Duty exemption** for the purchase of a **Completely Knocked-Down (CKD) vehicle**

subject to an exemption amount of up to **RM100,000**.

This exemption is for applications received by the Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023.

Proposed

It is proposed that:

Income Tax

- Fixed rate of 15% on employment income for 5 consecutive years of assessment;

Indirect Tax

- **Excise Duty exemption** for the purchase of a **CKD vehicle**

subject to an exemption amount of up to **RM100,000**.

This exemption would be applicable for applications received by the Talent Corporation Malaysia Berhad from:

1 January 2024 to 31 December 2027

Tightening of Smuggling Control Measures for Cigarettes and Alcoholic Beverages



Transshipment activities for alcoholic beverages will be restricted to certain ports only



The Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex (ICQS) will be used as the sole exit point for the northern region.

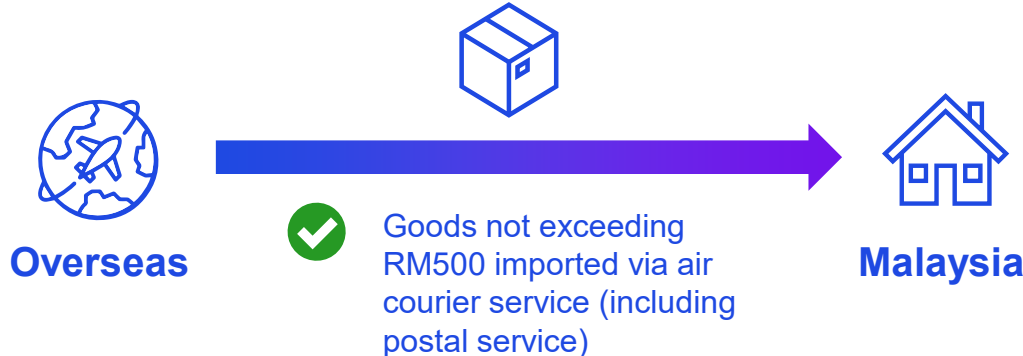



Importation of cigarettes for domestic market must be carried out on a full container load (FCL).

Sales Tax on Low Value Goods (“LVG”)

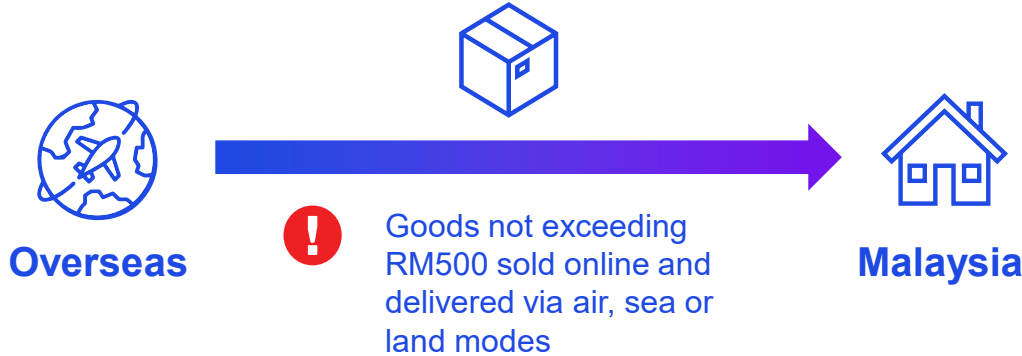
Sales Tax on LVG – Overview


Before 1 January 2024



-  Exempted (except for cigarettes, tobacco and intoxicating liquor) under:
 - Item 24, Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018
 - Item 94, Part I of the Schedule, Customs Duties (Exemption) Order 2017

On & After 1 January 2024*



-  Subject to Sales Tax (charged by sellers from Malaysia/abroad) – registered sellers must include the LVG registration number in its invoice/ document and import declaration for Customs clearance purpose

* Pending the 'Appointment of Effective Date for Charging and Levying of Sales Tax on LVG'. Note that the legislation of Sales Tax on LVG has been in place on 1 January 2023.

Imposition and Scope of Tax

- LVG refers to all goods excluding:-
 - i. Cigarettes;
 - ii. Tobacco products;
 - iii. Intoxicating liquors;
 - iv. Smoking pipes (including pipe bowls)
 - v. Electronic cigarettes and similar personal electric vaporizing devices; and
 - vi. Preparation of a kind used for smoking through electronic cigarette and electric vaporizing device, in forms of liquid of gel, not containing nicotine.
- Sale value of such goods shall be RM500 or less
- Such goods is brought from outside Malaysia by air, sea or land mode into Malaysia including SA and DA
- Sales Tax on LVG rate: 10% (HS code is not a determining factor for the Sales Tax rate)

! Sales Tax is charged on the sale value of LVG not including any tax, duty, fee or other charges such as transportation, insurance or other costs.

Example 1

Siti buys a watch from abroad worth MYR200 through ABC, an online shopping platform. During payment, 10% sales tax on LVG is charged on the price of the watch. In addition, a delivery cost of MYR10 is charged. Therefore, the price to be paid by Siti is as follows:

Description		Price (MYR)
Price of watch (per unit)	=	200
Sales tax on LVG (10%)	=	200 x 10% = 20
Delivery fee	=	10
Total	=	230

Sales Tax on LVG will be charged at the time at which an order confirmation is issued by ABC.

Importation into Malaysia

General Import Procedures



- In general, the current existing importation procedures remain unchanged.
- Certain goods may require permits/ approvals from relevant agencies prior to the goods' arrival.
- Goods may also be screened, inspected, or examined prior to their release.

LVG Information Requirements during Importation

- The LVG registration number is required to be provided by the exporters/ RS in the CN/ air waybill under the exporter/ consignor column/ field and must be displayed on all packages.
- For import declaration purpose, the LVG registration number is required to be provided by the Customs agents/ courier service.
- **!** LVG that have been charged Sales Tax at the point of sale will not be charged Sales Tax on Import, provided that the LVG Registration Number is included in the import declaration.

Finance Bill 2023



Finance (No. 2) Bill 2023 – Salient points

Sales Tax Act 2018

- Amendments relating to LVG*
 - i. Definition of “seller” – includes a person who sells LVG on an online platform
 - ii. Issuance of DN/CN with prescribed particulars
 - iii. Import Sales Tax not applicable if Sales Tax has been charged by registered seller
 - iv. Power of Minister to exempt and refund
 - v. First taxable period is 3 months
- DG empowered to approve application by registered manufacturers to vary the particulars in the DN/ CN
- Power of DG to determine the form and manner

Proposed Effective Date : Coming into operation of the Finance Act

Proposed Effective Date : 1 January 2024

Proposed Effective Date : Coming into operation of the Finance Act

* Implementation of Sales Tax on LVG effective 1 January 2024

Finance (No. 2) Bill 2023 – Salient points

Service Tax Act 2018

- Deduction of refunded Service Tax from return – only applicable to customer who is not doing business
- Taxable period for foreign registered person – DG can re-determine taxable period
- Power of DG to determine the form and manner

Proposed Effective Date : 1 January 2024

Tourism Tax Act 2018

- DG empowered to approve application by operators to vary the particulars in the invoice
- Power of DG to make Public Ruling
- Power of DG to determine the form and manner

Proposed Effective Date : 1 January 2024

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