



Tax developments



14 April 2023

KPMG in Malaysia

Table of Contents

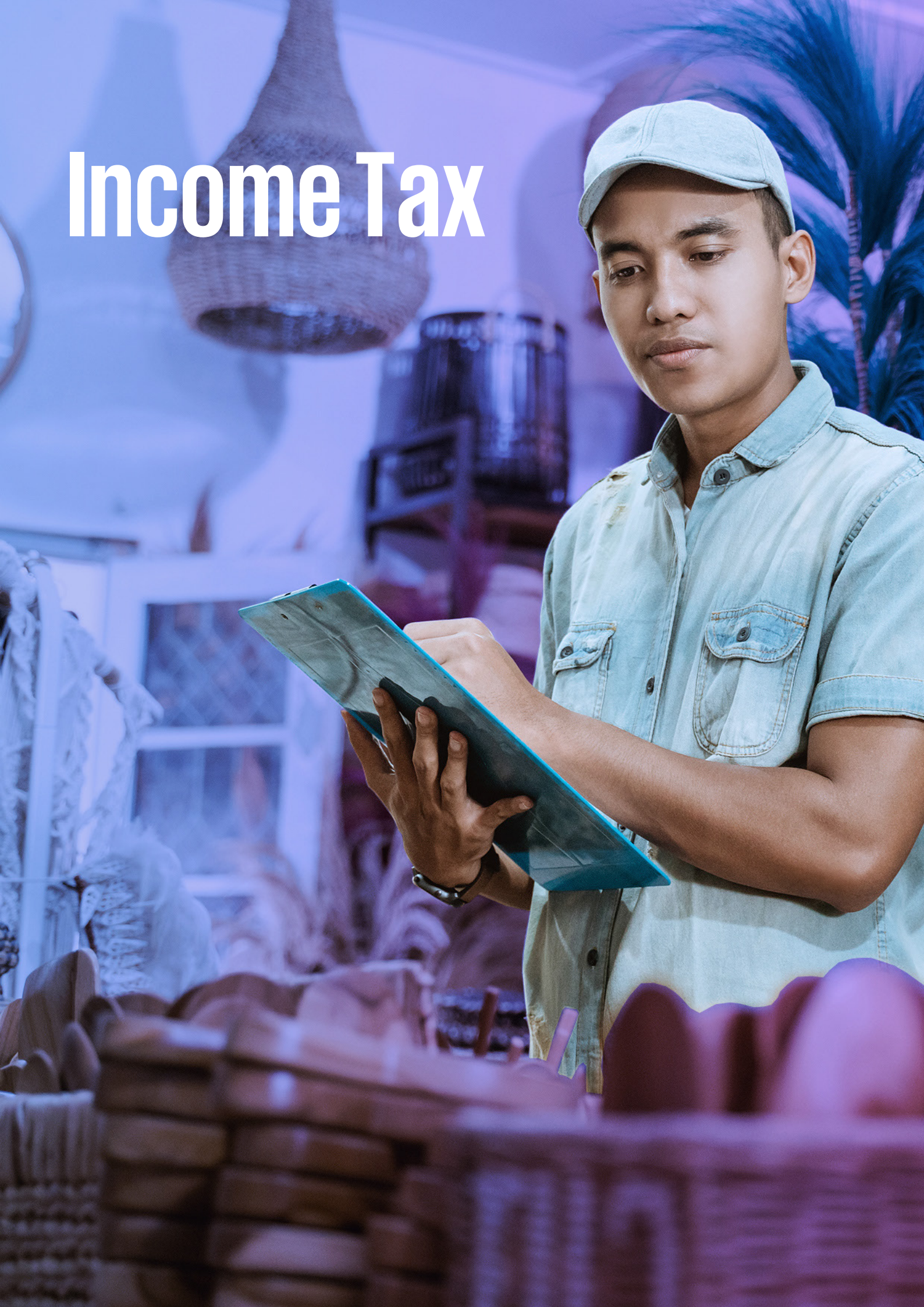
Income Tax

- 1 Finance Bill 2023

Indirect Tax

- 1 Excise Duties on e-cigarette liquid or gel containing nicotine – go live
- 2 Sales Tax (Goods Exempted from Tax) (Amendment) Order 2023
- 3 Customs (Customs Ruling) (Amendment) Regulations 2023
- 4 Excise (Customs Ruling) (Amendment) Regulations 2023
- 5 Bill of Demand - Penalty and surcharge reduction incentive programme 2023 (“Incentive Programme”)
- 6 Temporary relief on travel restriction
- 7 Service Tax (Compounding of Offences) (Amendment) Regulations 2023

Income Tax



Income Tax

The relevant authorities have issued the following:

Finance Bill 2023

The Finance Bill 2023 was passed at the Dewan Rakyat and Dewan Negara on 3 April 2023 and 10 April 2023 respectively with the notable changes as follows:

i. Extension of personal tax relief on SSPN deposits

Currently, the personal tax relief of up to RM8,000 for the annual net amount deposited by an individual for his / her child into the SSPN was given up to YA 2022. The relief is now extended until YA 2024.

ii. Rectification of typographical error

Currently, preferential tax rate is accorded for companies / LLPs resident and incorporated in Malaysia which:

- a. have a paid-up capital in respect of ordinary shares / total contribution of capital of RM2.5 million and less at the beginning of the basis period for a YA [subject to the related parties / partners proviso (Paragraphs 2B and 2E, Schedule 1 of the MITA refer)]; and
- b. have a gross income from source or sources consisting of a business not exceeding RM50 million for the basis period for that YA.

It is proposed that a new condition of not more than 20% of the paid-up capital in respect of ordinary shares / total contribution of capital at the beginning of the basis period for a YA is directly or indirectly owned / contributed by a company or companies incorporated outside Malaysia or an individual or individuals who are not Malaysian citizens, be imposed.

The effective date for the proposed amendments to paragraph 2F, Schedule 1 of the MITA due to the introduction of the new condition for a LLP was inadvertently indicated as YA 2023, instead of YA 2024. The typographical error has been rectified without any tax impact.

The Finance Act is currently pending to be given Royal assent before it is gazetted.

You may access to KPMG's [Finance Bill 2023 Highlights](#) for a recap.

Source for the Finance Bill: Official portal of [Parliament](#)



Indirect Tax

Indirect Tax

Excise Duties on e-cigarette liquid or gel containing nicotine – go live

1. Excise Duties (Amendment) Order 2023

In line with the announcement during the retabled Budget 2023 on the imposition of Excise Duty on gel or liquid products containing nicotine used for e-cigarettes and vaping, the Excise Duties Order 2022 has been amended to include e-cigarette liquid or gel containing nicotine (under tariff code 2404.12.1000), and it is subject to Excise Duty at a rate of **RM0.40 per millilitre**.

The abovementioned is covered in the Excise Duties (Amendment) Order 2023 which comes into operation on **1 April 2023**.

Source for the Amendment legislation: [Federal Legislation Portal of Malaysia](#)

2. One (1) month grace period from 1 April 2023 to 30 April 2023

Whilst it is set to be effective 1 April 2023, the MOF has issued a media statement which states amongst others, the following:

- the manufacturers of gel or liquid products containing nicotine should be Excise licensed during the period of 1 April 2023 to 30 April 2023 (“Specified Period”).
- early submission of the application for Excise licence during the Specified Period would avoid offence (and therefore, compound) on late registration
- The application for Excise licence can be made online via MyExcise portal (<https://myexcise.customs.gov.my/myexcise/>)

Source for the announcement: [MOF's official website](#) – available in Malay language only

3. Indirect tax amendment legislations

Following on from the above and for consistency, the following indirect tax amendment legislations have been gazetted (as set out below), and the amendments cover specific sections relating to liquid or gel used for e-cigarettes and vaping.

References to “preparation of a kind used for smoking through electronic cigarettes and electric vaporising device, in form of liquid or gel, **not containing nicotine**”, have now been amended to “preparation of a kind used for smoking through electronic cigarettes and electric vaporising device, in form of liquid or gel, **whether or not containing nicotine**”.

Legislation	Amendment
Excise (Amendment) Regulations 2023	Paragraph 60A(2)(e) of the Excise Regulations 1977, relating to Excise Duty drawback or refund.
Excise Duties (Langkawi) (Amendment) Order 2023	Subparagraph 2(e) of the Excise Duties (Langkawi) Order 2022, relating to Excise Duty applicable on specific goods imported or transported to Langkawi.
Excise Duties (Tioman) (Amendment) Order 2023	Subparagraph 2(f) of the Excise Duties (Tioman) Order 2022, relating to Excise Duty applicable on specific goods imported or transported to Tioman.

Legislation	Amendment
Excise Duties (Labuan) (Amendment) Order 2023	Subparagraph 2(e) of the Excise Duties (Labuan) Order 2022, relating to Excise Duty applicable on specific goods imported or transported to Labuan.
Excise Duties (Pangkor) (Amendment) Order 2023	Subparagraph 2(f) of the Excise Duties (Pangkor) Order 2022, relating to Excise Duty applicable on specific goods imported or transported to Pangkor.
Customs Duties (Exemption) (Amendment) (No. 2) Order 2023	The following items in the Schedule, Part I, column 3 of the Customs Duties (Exemption) Order 2017: <u>relating to any person entering Malaysia with specific items</u> <ul style="list-style-type: none"> • Subitem 10(vii)(f); • Subitem 10_A(vii)(f); • Subitem 11(vi)(f), <u>relating to any person importing goods using air courier service (including postal service)</u> <ul style="list-style-type: none"> • Item 94(vi)
Free Zones (Exclusion of Goods) (Amendment) Order 2023	Items 13 and 14 of the Free Zones (Exclusion of Goods) Order 1998, relating to import duty and Excise Duty applicable on specific goods brought into a free zone.
Sales Tax (Amendment) Regulations 2023	Subparagraph 17(1)(h)(v) of the Sales Tax Regulations 2018, relating to Sales Tax drawback.
Sales Tax (Rate of Tax) (Amendment) Order 2023	Subparagraph 2(1) of the Sales Tax (Rate of Tax) Order 2022, relating to goods imported by any person not for commercial use.
Sales Tax (Person Exempted from Payment of Tax) (Amendment) Order 2023	Schedule A, column 3, subitem 24(vi) of the Sales Tax (Person Exempted from Payment of Tax) Order 2018, relating to any person importing goods using air courier service (including postal service)
Sales Tax (Imposition of Sales Tax in Respect of Special Areas) (Amendment) Order 2023	Subparagraphs 2(1)(c)(v) and 2(1)(d)(v) of the Sales Tax (Imposition of Sales Tax in respect of Special Areas) Order 2018, relating to Sales Tax applicable on specific goods imported/ transported to free zones.
Sales Tax (Imposition of Sales Tax in Respect of Designated Areas) (Amendment) Order 2023	Subparagraph 2(a)(vi) of the Sales Tax (Imposition of Sales Tax in respect of Designated Areas) Order 2018, relating to Sales Tax applicable on specific goods imported Designated Areas.

The effective date of the abovementioned amendment legislations is **1 April 2023**.

Source for the Amendment legislation: [Federal Legislation Portal of Malaysia](#)

Sales Tax (Goods Exempted from Tax) (Amendment) Order 2023

The Sales Tax (Goods Exempted from Tax) (Amendment) Order 2023 has been gazetted, with the following amendments to Schedule A of the Sales Tax (Goods Exempted from Tax) Order 2022:

- in relation to heading 12.07 “Other oil seeds and oleaginous fruits, whether or not broken”, by deleting the following:
 - 1208.10.00 00 Of soya beans
 - 1208.90.00 00 Other;
- in relation to heading 30.06 “Pharmaceutical goods specified in Note 4 to this Chapter”, in subheading 3006.93.00 00, in column (3), by deleting the words “(Solely for medicaments)”; and
- in relation to heading 84.38 “Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable or microbial fats or oils”, by deleting the following:
 - 8438.90.19 00 Other.

No effective date is provided in the Amendment Order.

Source for the Amendment Order: [Federal Legislation Portal of Malaysia](#)

Customs (Customs Ruling) (Amendment) Regulations 2023

The Customs (Customs Ruling) (Amendment) Regulations 2023 has been gazetted, and come into operation on **1 January 2023**. The amendments include the deletion of Schedule A, Schedule B, and Schedule C (i.e. the prescribed forms) which are replaced with a form and manner as determined by the Director General.

Source for the Amendment Regulations: [Federal Legislation Portal of Malaysia](#)

Excise (Customs Ruling) (Amendment) Regulations 2023

The Excise (Customs Ruling) (Amendment) Regulations 2023 has been gazetted, and come into operation on **1 January 2023**. The amendments include the deletion of Schedule A, Schedule B, and Schedule C (i.e. the prescribed forms) which are replaced with a form and manner as determined by the Director General.

Source for the Amendment Regulations: [Federal Legislation Portal of Malaysia](#)

Bill of Demand - Penalty and surcharge reduction incentive programme 2023 (“Incentive Programme”)

The RMCD has launched an Incentive Programme covering GST, Sales Tax 2.0, Service Tax 2.0, Tourism Tax and Departure Levy from 1 February 2023 to 30 September 2023 (“Programme Period”). Conditions to be eligible for the Incentive Programme are as follows:

- Payment is to be made during the Programme Period
- The Incentive Programme is only valid for **bill of demand** in relation to taxable periods ending on or before 31 December 2022

- For cases which have been filed with the Court, the company/ individual must inform in writing to the civil officer who oversees the case to be eligible for the incentives, subject to the conditions stated
- The Incentive Programme is also applicable to companies/ individuals with approved instalment payment arrangements
- For cases with a decision from the Court, the company is not eligible for the incentives under this Incentive Programme for the same taxable periods which the decision relates

The incentives given are as follows:

Category	Payment to be made under the Incentive Programme		Penalty and surcharge reduction under the Incentive Programme
	Payment	Surcharge/ Penalty	
1. Tax, penalty and surcharge	100%	0%	100%
2. Tax and penalty	100%	0%	100%
3. Tax and surcharge	100%	0%	100%
4. Penalty/ surcharge	N/A	10%	90%

Source for the announcement: [Official RMCD Facebook page](#)

Temporary relief on travel restriction

The RMCD has provided a relief on travel restriction for those with debts owing to the RMCD. The programme period is from 14 February 2023 to 30 September 2023, and the following conditions apply:

Conditions	Temporary relief period
10% settlement of total debt	2 Weeks
30% settlement of total debt	1 Month
60% settlement of total debt	6 Months
Companies participated in the Incentive Programme, for total debt	6 Months



Source for the announcement: [Official RMCD Facebook page](#)

Service Tax (Compounding of Offences) (Amendment) Regulations 2023

The Service Tax (Compounding of Offences) (Amendment) Regulations 2023 has been gazetted, where amendment is made to the First Schedule by including offences committed under Section 73_A of the Service Tax Act 2018 – Improperly obtaining deduction of Service Tax as compoundable. No effective date is provided in the Amendment to the Regulations.

The table below sets out the various abbreviations and references used in this publication.

Abbreviation	Reference
GST	Goods and Services Tax
LLP	Limited Liability Partnership
MITA	Malaysian Income Tax Act 1967
MOF	Ministry of Finance
RMCD	Royal Malaysian Customs Department
SSPN	Skim Simpanan Pendidikan Nasional
YA	Year of Assessment

Contact Us

Petaling Jaya Office

Soh Lian Seng

Executive Director –
Head of Tax and Head of Tax Dispute Resolution
lsoh@kpmg.com.my
+603 7721 7019

Tai Lai Kok

Executive Director – Head of Corporate Tax
ltai1@kpmg.com.my
+603 7721 7020

Bob Kee

Executive Director – Head of Transfer Pricing
bkee@kpmg.com.my
+603 7721 7029

Long Yen Ping

Executive Director –
Head of Global Mobility Services
yenpinglong@kpmg.com.my
+603 7721 7018

Ng Sue Lynn

Executive Director – Head of Indirect Tax
suelynng@kpmg.com.my
+603 7721 7271

Outstation Offices

Penang Office

Evelyn Lee

Executive Director – Penang Tax
evewflee@kpmg.com.my
+603 7721 2399

Kota Kinabalu Office

Titus Tseu

Executive Director – Kota Kinabalu Tax
titustseu@kpmg.com.my
+603 7721 2822

Ipoh Office

Crystal Chuah Yoke Chin

Associate Director – Ipoh Tax
ycchuah@kpmg.com.my
+603 7721 2714

Kuching & Miri Offices

Regina Lau

Executive Director – Kuching Tax
reglau@kpmg.com.my
+603 7721 2188

Johor Office

Ng Fie Lih

Executive Director – Johor Tax
flng@kpmg.com.my
+603 7721 2514

KPMG Offices

Petaling Jaya

Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor
Tel: +603 7721 3388
Fax: +603 7721 3399
Email: info@kpmg.com.my

Penang

Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +603 7721 3388
Fax: +604 238 2299
Email: info@kpmg.com.my

Kuching

Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +603 7721 3388
Fax: +6082 530 669
Email: info@kpmg.com.my

Miri

1st Floor, Lot 2045,
Jalan MS 1/2,
Marina Square, Marina Parkcity,
98000 Miri, Sarawak
Tel: +603 7721 3388
Fax: +6085 321 962
Email: info@kpmg.com.my

Kota Kinabalu

Lot 3A.01 Level 3A,
Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah
Tel: +603 7721 3388
Fax: +6088 363 022
Email: info@kpmg.com.my

Johor

Level 3, CIMB Leadership Academy,
No. 3, Jalan Medini Utara 1,
Medini Iskandar,
79200 Iskandar Puteri, Johor
Tel: +603 7721 3388
Fax: +607 266 2214
Email: info@kpmg.com.my

Ipoh

Level 17, Ipoh Tower,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh, Perak
Tel: +603 7721 3388
Email: info@kpmg.com.my

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