



# Tax developments



15 March 2024

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KPMG in Malaysia

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# Income Tax



# Income Tax

## Update on Malaysia Digital Status tax incentive

The MSC Status was rebranded and replaced with Malaysia Digital Status. Following the rebranding of the initiative, the Income Tax (Exemption) (No. 10) 2018 (Amendment) Order 2024 ("Amendment Order") has been gazetted to amend the Income Tax (Exemption) (No. 10) Order 2018 ("Order 2018").

Below are some of the salient amendments:

- (a) Company can only apply for the incentive if no related company has been granted exemption on the same core income generating activity;
- (b) Malaysia Digital Status company is allowed to operate and undertake its approved activities in any location within Malaysia effective from 25 March 2022;
- (c) Approval from the Minister is also required for the core income generating activities, in addition to the approval under the award of the MSC status; and
- (d) The company may apply in writing to surrender the tax exemption incentive.

The Amendment Order is deemed to have come into operation on 1 January 2019 apart from item (b) above.

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

# Indirect Tax



# Indirect Tax

## Indirect tax legislation updates

The following legislations have been gazetted:

### I. Service Tax (Amendment) Regulations 2024

The Service Tax (Amendment) Regulations 2024 has been gazetted, and come into operation on **26 February 2024**. Amendments are made to the First Schedule in relation to the expansion of taxable services which includes amongst others, maintenance or repair services under Group G as well as a new group – Group J for logistic services.

Please click [here](#) for a copy of our earlier Tax Whiz for details.

### II. Service Tax amendment orders

#### a. Service Tax (Rate of Tax) (Amendment) Order 2024

The Service Tax (Rate of Tax) (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. Amendments are made in paragraph 3 in relation to the increase in Service Tax rate to 8% for the provision of any taxable services except food and beverages services, telecommunication services, provision of parking place services or logistic services where it remains at 6%.

The Order further provides details on the transitional rules for taxable services where Service Tax is increased to 8%.

#### b. Service Tax (Rate of Digital Services Tax) (Amendment) Order 2024

The Service Tax (Rate of Digital Services Tax) (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. The Order sets out the change in rate of Service Tax on digital services from 6% to 8%.

The Order further provides details on the transitional rules for digital services where Service Tax is increased to 8%.

#### c. Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas and Special Areas) (Amendment) Order 2024

The Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas and Special Areas) (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. Amendments are made in the Schedule by inserting item 7 in relation to the provision of logistic services.

#### d. Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2024

The Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. Amendments are made in the Schedule by inserting item 5 in relation to the provision of logistic services.

Please click [here](#) for a copy of our earlier Tax Whiz for details.

### III. Customs (Amendment) Regulations 2024

The Customs (Amendment) Regulations 2024 has been gazetted, and come into operation on **22 February 2024**. Amendments are made in the First and Second Schedule to include an additional Customs port location – Terengganu Silica Port, Setiu along with the ordinary working hours, description of goods and legal landing place.

### IV. Customs Duties (Exemption) (Amendment) Order 2024

The Customs Duties (Exemption) (Amendment) Order 2024 has been gazetted, and come into operation on **27 February 2024**. Amendments are made in the Schedule in Part I, in relation to item 67, by including an additional person to be exempted for materials and equipment used directly for petroleum and gas upstream operations.

### V. Excise Duties (Exemption) (Amendment) Order 2024 (Amendment) Order 2024

The Excise Duties (Exemption) (Amendment) Order 2024 (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. Amendments are made in the Schedule in relation to item 41 on the conditions for exemption on premix preparation items.

### VI. Customs Duties (Goods Under the Agreement Establishing the ASEAN – Australia – New Zealand Free Trade Area) (Amendment) Order 2024

The Customs Duties (Goods Under the Agreement Establishing the ASEAN – Australia – New Zealand Free Trade Area) (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. Amendments are made by replacing Annex 2 of the principal order.

### VII. Custom Duties (Exemption) (Amendment) (No.2) Order 2024

The Custom Duties (Exemption) (Amendment) (No.2) Order 2024 has been gazetted, and is deemed to have come into operation on **1 January 2024**. Amendments are made in the Schedule in Part I, by inserting an additional item, item 121 in relation to exemption for manufacturing aids and cleanroom equipment.

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

## Service Tax Policy & FAQs

The RMCD has issued the following Service Tax Policies and FAQs:

- Service Tax Policy 1/2024 – Determination of the date of charging Service Tax on new taxable services
- Service Tax Policy 2/2024 – Exemption for traditional and complementary medicine
- Service Tax Policy 3/2024 – Determination of Service Tax rate for the provision of various taxable services
- FAQ in relation to Budget 2024
- FAQ in relation to expansion of the scope of taxable services and change in Service Tax rate

Please click [here](#) for a copy of our earlier Tax Whiz for details.

Source for the Service Tax Policy: [RMCD - MySST \(Service Tax Policy\)](#) - available in Malay language only

## RMCD media release – Clarification on Service Tax imposed on passenger ferry tickets

The RMCD has issued a media release to clarify whether Service Tax is to be imposed on passenger ferry tickets. It was explained that the expansion of taxable services to include logistic services only applies to transportation of goods and ancillary services. Service Tax is not applicable for passenger transportation (e.g. train, bus, ferry, cruise and etc).

Source for the media release: [RMCD's official website](#) – available in Malay language only

## MOF media release – Service Tax update on logistic services

The MOF has issued a media release to address the logistic services industry's concern regarding tax cascading on the provision of logistic services – a new taxable service for Service Tax. At present, B2B exemption for logistic services is only applicable where the same service is to be onward provided from the service recipient to the end customer. In the latest announcement by MOF, MOF has agreed to extend the B2B exemption to cover the provision of services under the same item. MOF has also provided a one month preparation period for newly registered logistic service providers to allow sufficient time for system upgrades and to only charge Service Tax effective 1 April 2024.

Please click [here](#) for a copy of our earlier Tax Whiz for details.

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

## Revised guides

1. The RMCD has issued the following Service Tax guides (available in Malay language only except \*) in line with the change in Service Tax rate as well as the expansion of scope of taxable services:
  - Guide on Transitional Rules for Change in Service Tax Rate to 8% on Digital Service Provided by Foreign Registered Person dated 14 February 2024\*
  - Guide on the Change in Service Tax Rate dated 26 February 2024
  - Guide on Logistic Services dated 26 February 2024
  - Guide on Accommodation Services dated 26 February 2024
  - Guide on Brokering or Underwriting Services dated 26 February 2024
  - Guide on Maintenance or Repair Services dated 26 February 2024
  - General Guide on Service Tax dated 27 February 2024
  - Guide on Transmission and Distribution of Electricity Services dated 27 February 2024
  - Guide on Telecommunication Services dated 27 February 2024
  - Guide on Consultancy, Training and Coaching Services dated 29 February 2024
  - Guide on Parking Space Services dated 29 February 2024
  - Guide on Services Provided under Group C, D and E dated 29 February 2024
2. The RMCD has also issued the following revised Sales Tax guide:
  - Guide on Sales Tax Exemption under Item 33A, 33B, 55, 63, 64 & 65, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 dated 28 February 2024

Source for the Guides: [RMCD – MySST \(SST Guides\)](#)

# Personal Tax



# Personal Tax

## Extension of tax incentive for Returning Expert Programme

Under the Income Tax (Determination of Approved Individual and Specified Year of Assessment under the Returning Expert Programme) Rules 2012, an approved individual, subject to meeting specific conditions, can opt for his employment income to be taxed at the flat rate of 15% for 5 consecutive YAs.

The Income Tax (Determination of Approved Individual and Specified Year of Assessment under the Returning Expert Programme) (Amendment) Rules 2024 have been gazetted to further extend the application period to 31 December 2027 (previously 31 December 2023).

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

# e-Invoicing



# e-Invoicing

## MIRB's e-Invoicing General FAQ

The MIRB has issued the update FAQ on the implementation of e-Invoicing in Malaysia dated 26 February 2024. The updated FAQ provides amongst others, further clarification on e-Invoicing areas such as self-billed e-Invoices, consolidated e-Invoices and cross border transactions.

For more details, please click [here](#) for the FAQ.

Source for the FAQ: Official Portal of [MIRB](#)

# Insights on Earlier Tax Whiz

Please refer below to our earlier Tax Whiz for more information.

No.	Subject	Date of issue
1	Draft Service Tax Guides on Transitional Rules and Logistics Services	8 February 2024
2	e-Invoicing	16 February 2024
3	Service Tax Amendment Regulations, Amendment Orders and Guides	27 February 2024
4	Service Tax Policies ("STPs") and FAQs	29 February 2024
5	Capital Gains Tax – What do you need to consider? [Updated on 6 March 2024]	6 March 2024
6	Service Tax Update on Logistic Services	12 March 2024

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

Abbreviation	Reference
B2B	Business-to-business
FAQ	Frequently Asked Questions
MIRB	Malaysian Inland Revenue Board
MOF	Ministry of Finance
MSC	Multimedia Super Corridor
RMCD	Royal Malaysian Customs Department
YA	Year of Assessment

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