



Tax Whiz

Tax highlights from your advisers

**Sales Tax Guide on Low Value
Goods (“LVG”)**

KPMG in Malaysia

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Sales Tax Guide on LVG



The Royal Malaysian Customs Department (“RMCD”) has issued a draft Guide on Sales Tax on LVG dated 21 December 2022 (“Draft Guide”).

Further to our salient points based on the Sales Tax (Amendment) Bill 2022 (now gazetted) in relation to LVG – which can be accessed [here](#), RMCD has provided further details relating to Sales Tax on LVG via the Draft Guide. Please note that the guide uploaded is in draft form and may be subject to changes/ updates. Set out below are the salient points from the Draft Guide:

Effective Date	1 April 2023. Registration for LVG is from 1 January 2023 via MyLVG. MyLVG is an online system for the purpose of Sales Tax on LVG.
LVG	Goods or class of goods from outside Malaysia that are sold in the online marketplace at a price of not exceeding RM500 and brought (from outside Malaysia) into Malaysia (including Special Areas and Designated Areas) via air, sea or land modes . LVG refers to all goods, excluding : <ul style="list-style-type: none"> i. cigarette; ii. tobacco product; iii. smoking pipes (including pipe bowls); iv. electronic cigarette and similar personal electric vaporizing devices; v. preparation of a kind used for smoking through electronic cigarette and electric vaporizing device, in forms of liquid of gel, not containing nicotine; and vi. intoxicating liquor.

Online marketplace	An online platform that provides facilities for the sale and purchase of LVG which includes marketplace operated via website, internet portal or gateway, distribution platform or any other type of electronic interface . However, payment processor / payment gateway or internet service provider are excluded.
Rate	10%.
Value of LVG subject to Sales Tax	Sales Tax on LVG is charge on the sale value of LVG, excluding : i. transportation and insurance costs (i.e. fees charged to customer for transportation and insurance) for transporting the goods from overseas to the place of delivery in Malaysia; and ii. any tax or duties, chargeable and payable on the sale of LVG.
Registration threshold	RM500,000 based on 12 months period determined via historical method or future method, whichever is earlier.
Sales Tax due	At the time when the LVG are sold by the registered seller.
Manner of furnishing return	Sales Tax due and payable is to be declared in the LVG-02 return, and to be submitted via MyLVG.
Credit note and debit note	Issuance of credit notes and debit notes (for purposes of Sales Tax deduction or addition) does not apply to LVG.
Refund of Sales Tax, penalty, fee or other money	A registered seller may apply to claim a refund from the Director General if there is an error in the amount of Sales Tax payable in the following circumstances: i. Overpaid the amount due in the return; or ii. Erroneously paid.
Transitional provisions	Goods purchased before 1 April 2023 but delivered on or after 1 April 2023 is not subject to Sales Tax. It should be noted that the Draft Guide also indicated “payment received” before 1 April 2023 for Sales Tax not to apply. It remains to be seen on whether further clarity will be provided on this matter [e.g. for cases where goods purchased before 1 April 2023 but payment received (as well as delivery of goods) on or after 1 April 2023, whether Sales Tax on LVG is applicable].

Please refer to the Draft Guide for further details, e.g.:

- Invoice particulars
- Manner of furnishing return/ amendment of return
- Payment method
- Late payment penalty

In addition, the Draft Guide has also provided guidance on the Customs clearance procedures on the importation of LVG. This includes amongst others, the following:

- The LVG Registration Number is required to be stated in the consignment note/ Air Waybill and must be displayed on all packages.
- When lodging an import declaration for LVG in the system, importers / Customs agents are required to select a specific Transaction Type: “LV” and SST Exemption Type: “LG” that have been set for importation of LVG. The LVG Registration Number is required to be provided as well.
- A *de minimis* facility is available for goods imported via air courier services (including postal service) with a total CIF value not exceeding RM500 per consignment, where the import duties and import Sales Tax are exempted during importation through any airports listed under Item 94 Part I of the Schedule to the Customs Duties (Exemption) Order 2017 and Item 24 Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018.

Our observations

With the clarity provided thus far, there are still some complexities, practical issues and challenges on the implementation of Sales Tax on LVG which warrant further scrutiny, e.g.:

1. Sales Tax at 10% is applicable on all LVG, regardless of the tariff code of the product. As compared to the same goods if manufactured locally, the Sales Tax rate is determined by the specific tariff code (which could be exempted, at 5% or at 10%).
2. As it stands, import duty and/or Sales Tax (if applicable) are paid to RMCD at entry port directly at the time of import clearance. Moving forward, for LVG, Sales Tax at 10% will be charged upfront by the seller in the invoice upon sale (prior to the arrival of goods). However, for import duty purposes, the normal Customs clearance procedure applies.
3. For cases of consignment with total value more than RM500 (but consist of individual items value of less than RM500), further understanding is required as to whether the consignment is considered to be LVG or otherwise.
4. Whether it is the responsibility of the seller or the online platform owner to charge Sales Tax on LVG, and what are the determining factors.
5. For registered sellers whose goods are delivered from both overseas and locally, proper process and procedure should be in place to distinguish whether the goods fall within the definition of LVG upon sale or otherwise.

With the above, sellers who are liable to register for Sales Tax (for LVG purposes) are expected to charge Sales Tax on LVG from 1 April 2023. The affected sellers/ stakeholders should ensure that the implementation is on track and where necessary, to engage with the authorities for clarification/ discussion to ensure smooth implementation.

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