



# Tax Whiz

Tax highlights from your advisers

**Sales Tax on Low Value Goods  
("LVG") – Starting 1 January 2024**

Guide as at 3 November 2023

KPMG in Malaysia

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7 November 2023



# Sales Tax on LVG – Starting 1 January 2024



The Royal Malaysian Customs Department (“RMCD”) has announced that the Sales Tax on Low Value Goods (“LVG”) will be effective from **1 January 2024**.

To recap, the Sales Tax on LVG legislations were gazetted in December 2022 and came into operation on 1 January 2023. The date for charging and levying the Sales Tax on LVG was originally scheduled to be on 1 April 2023, but was deferred until now. Our salient points on the legislations in relation to LVG can be accessed [here](#) and [here](#).

In line with this, RMCD has also uploaded a new Guide on Sales Tax on LVG (“the LVG Guide”) as at 3 November 2023, which sets out the key points to assist taxpayers in understanding the mechanism of the Sales Tax on LVG. The LVG Guide is divided into 2 parts i.e.

- Part 1 – Scope and Imposition on LVG
- Part 2 – Customs Clearance Procedures on the Importation of LVG

Set out below are some of the salient points extracted from the legislations as well as from the LVG Guide:

<b>PART 1 - SCOPE AND IMPOSITION ON LVG</b>	
<b>Effective Date</b>	<b>1 January 2024</b> (pending the official appointment of effective date). Registration for LVG can now be done via MyLVG ( <a href="#">here</a> ).
<b>LVG</b>	All goods which are sold at a price <b>not exceeding MYR500</b> and are brought into Malaysia by land, sea or air excluding: <ol style="list-style-type: none"> <li>cigarettes;</li> <li>tobacco products;</li> <li>intoxicating liquor;</li> <li>smoking pipes (including pipe bowls);</li> <li>electronic cigarettes and similar personal electric vaporizing devices; and</li> <li>preparation of a kind used for smoking through electronic cigarette and electric vaporizing device, in forms of liquid of gel, whether or not containing nicotine.</li> </ol>

<b>Seller</b>	<i>Legislation:</i> A person, whether in or outside Malaysia, who sells LVG on an <b>online marketplace or operates an online marketplace</b> for the sales and purchase of LVG.																																																							
<b>Online Marketplace</b>	“Online platform” refers to a platform that provides facilities for the sale and purchase of LVG which includes marketplace operated via <b>website, internet portal or gateway</b> .																																																							
<b>Rate</b>	10%.																																																							
<b>Value of LVG Subject to Sales Tax</b>	<p>Sales Tax on LVG is charged on the sale value of LVG not including any tax, duty, fee or other charges such as transportation, insurance or other costs.</p> <p>Sales Tax on LVG will be charged based on the <b>sale value per piece/ unit</b>. Please refer to the scenarios below for illustrations.</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Unit Price (MYR)</th> <th>Qty</th> <th>Price (MYR)</th> <th>Sales Tax on LVG</th> </tr> </thead> <tbody> <tr> <td>Watch</td> <td>200</td> <td>1</td> <td>200</td> <td>Applicable</td> </tr> <tr> <td colspan="3">Total</td> <td>200</td> <td></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Description</th> <th>Unit Price (MYR)</th> <th>Qty</th> <th>Price (MYR)</th> <th>Sales Tax on LVG</th> </tr> </thead> <tbody> <tr> <td>Watch</td> <td>200</td> <td>1</td> <td>200</td> <td>Applicable</td> </tr> <tr> <td>Wallet</td> <td>200</td> <td>1</td> <td>200</td> <td>Applicable</td> </tr> <tr> <td>Belt</td> <td>200</td> <td>1</td> <td>200</td> <td>Applicable</td> </tr> <tr> <td colspan="3">Total</td> <td>600</td> <td></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Description</th> <th>Unit Price (MYR)</th> <th>Qty</th> <th>Price (MYR)</th> <th>Sales Tax on LVG</th> </tr> </thead> <tbody> <tr> <td>Watch</td> <td>200</td> <td>3</td> <td>600</td> <td>Applicable on each piece/ unit</td> </tr> <tr> <td colspan="3">Total</td> <td>600</td> <td></td> </tr> </tbody> </table>	Description	Unit Price (MYR)	Qty	Price (MYR)	Sales Tax on LVG	Watch	200	1	200	Applicable	Total			200		Description	Unit Price (MYR)	Qty	Price (MYR)	Sales Tax on LVG	Watch	200	1	200	Applicable	Wallet	200	1	200	Applicable	Belt	200	1	200	Applicable	Total			600		Description	Unit Price (MYR)	Qty	Price (MYR)	Sales Tax on LVG	Watch	200	3	600	Applicable on each piece/ unit	Total			600	
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<b>Registration Threshold</b>	RM500,000 based on 12 months period determined via historical method or future method, whichever is earlier.																																																							
<b>Sales Tax Due</b>	At the time when the LVG are sold by the Registered Seller. Point of sale refers to the time when purchase order is confirmed.																																																							
<b>Manner of Furnishing Return</b>	Sales Tax due and payable is to be declared in the LVG-02 return for a period of every 3 months, and to be submitted via MyLVG.																																																							

<p><b>Invoice/ Document</b></p>	<p>An invoice or document shall state the following particulars in the national language or English language:</p> <ul style="list-style-type: none"> <li>(i) Serial number of the invoice or document</li> <li>(ii) Date of the invoice or document issued</li> <li>(iii) Name and address of the Registered Seller</li> <li>(iv) Registration number of the Registered Seller (LVG registration number)</li> <li>(v) Description sufficient to identify the LVG being sold</li> <li>(vi) Total amount payable excluding Sales Tax, the rate of the sales tax and total sales tax chargeable shown as a separate amount</li> </ul>								
<p><b>Credit Note and Debit Note</b></p>	<p>A credit note or debit note (containing the prescribed particulars) can be issued, if there is a deduction or addition to the amount of Sales Tax payable on LVG, after the Form LVG-02 for the taxable period has been furnished to the Director General, in the following situations:</p> <ul style="list-style-type: none"> <li>(i) Any changes on Sales Tax rate on LVG in force under Section 10 of the Sales Tax Act 2018; or</li> <li>(ii) Financial adjustments made in the course of a business transaction</li> </ul>								
<p><b>Refund of Sales Tax, Penalty, Fee or Other Money</b></p>	<p>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:</p> <ul style="list-style-type: none"> <li>(i) Overpaid the amount due in the return; or</li> <li>(ii) Erroneously paid; or</li> <li>(iii) Entitled to refund under Subsection 41(3) of the Sales Tax Act 2018 (LVG)</li> </ul>								
<p><b>Penalty for Late Payment of Sales Tax</b></p>	<p>Late payment penalty will be imposed on part or all of the amount of Sales Tax that remains unpaid after the last day the tax is due and payable, as follows:</p> <table border="1" data-bbox="481 1361 1422 1704"> <thead> <tr> <th>Period of Late Payment</th> <th>Rate of Penalty (%)</th> </tr> </thead> <tbody> <tr> <td>1 to 30 days from the first day after the payment deadline</td> <td>10%</td> </tr> <tr> <td>31 – 60 days from the first day after the payment deadline</td> <td>Additional 15%</td> </tr> <tr> <td>61 to 90 days from the first day after the payment deadline</td> <td>Additional 15%</td> </tr> </tbody> </table>	Period of Late Payment	Rate of Penalty (%)	1 to 30 days from the first day after the payment deadline	10%	31 – 60 days from the first day after the payment deadline	Additional 15%	61 to 90 days from the first day after the payment deadline	Additional 15%
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<p><b>Transitional Provisions</b></p>	<p>Goods purchased (order confirmed by Registered Seller) before 1 January 2024 shall not be subject to Sales Tax on LVG even though the delivery of such goods is made on or after 1 January 2024.</p> <p>Goods purchased (order confirmed by Registered Seller) on or after 1 January 2024 and the goods are removed to customer on or after 1 January 2024 are subject to Sales Tax on LVG.</p>								

## PART 2 – CUSTOMS CLEARANCE PROCEDURES ON THE IMPORTATION OF LVG

In general, the current 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.

<p><b>De Minimis</b></p>	<p>A treatment facility when goods imported by <u>air courier service (including postal service)</u>, with a total CIF value not exceeding MYR500 per <u>consignment</u> (excluding cigarettes; tobacco products; intoxicating liquors; smoking pipes (including pipe bowls); electronic cigarettes and similar personal electric vaporizing devices; and preparation of a kind used for smoking through electronic cigarette and electric vaporizing device, in forms of liquid or gel, whether or not containing nicotine), <b>are exempted from Import Duties and Sales Tax on imports</b> during importation through any airports listed under Item 94 Part I of the Schedule, Customs Duties (Exemption) Order 2017 and Item 24, Schedule A, Sales Tax (Persons Exempted From Payment of Tax) Order 2018.</p>
<p><b>Information on the Package</b></p>	<p>The LVG Registration Number is required to be provided by the exporters/ Registered Seller in the Consignment Note (CN)/ Air Waybill and must be displayed on all packages</p>
<p><b>Import Declaration</b></p>	<p>Customs agents/ courier services are required to provide the LVG Registration Number upon completing their import declaration.</p> <p>LVG that has been charged Sales Tax at the point of sale will not be charged Sales Tax on imports, provided that the LVG Registration Number is included in the import declaration.</p>
<p><b>Modes of Importation of LVG</b></p>	<p>Via air courier service/ postal service – e-PAM system/ CN22/ CN 23 and eligible for the <i>de minimis facility</i></p> <p>Via air (other than air courier services) – K1 Form and not eligible for the <i>de minimis facility</i> *</p> <p>Via Road - K1 Form and not eligible for the <i>de minimis facility</i> *</p> <p>Via Sea - K1 Form and not eligible for the <i>de minimis facility</i> *</p> <p>* As the de minimis facility does not apply, the LVGs will be subject to Import Duties and Sales Tax on imports (if applicable) during importation, unless Sales Tax on LVG has been charged by the Registered Seller. Hence, importers/ customs agents are required to provide the LVG Registration Number in K1 to avoid Sales Tax on imports being charged during importation</p>

<b>Mixed Items (i.e. LVG and non-LVG items)</b>	<p>For mixed items bought from the same Registered Seller and shipped in a single consignment, the items must be itemized per line (as per line items displayed at the point of sale) and the value of each line item is declared as a CIF value.</p> <p>The system will not charge Sales Tax on imports for line items with a total CIF value of MYR500 and below. Line items with a total CIF value greater than MYR 500 will be charged Sales Tax on imports based on the tax rate as per the HS Code.</p>
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## Our observations

It was understood that the deferment of the effective date announced earlier was to enable the Authorities as well as businesses and taxpayers to identify and iron out the mechanics of Sales Tax on LVG. With the new effective date of 1 January 2024 looming soon, some important points to consider are:

1. Sales Tax at 10% will be applicable on all LVG, regardless of the HS code of the product. This is in comparison to the same goods acquired from local manufacturer, whereby the Sales Tax rate is determined by the specific HS code (which could be exempted, at 5% or at 10%).
2. Sellers of LVG would need to configure their system to be able to identify goods which fall within the definition of LVG upon sale or otherwise. When concluding a sale, proper communication with the customers is essential.
3. Sellers of LVG should discuss and align with their importers/ customs agents to ensure the correct documentations are used and accurate disclosure made during importation. This is to avoid the Sales Tax being imposed again upon importation. Otherwise, complications may arise on who is to bear the double tax.
4. For businesses undertaken through an online marketplace, both the seller and online marketplace operator should agree on whose responsibility it is to charge Sales Tax on LVG. Local and overseas online marketplace operators are regarded as the sellers of LVG if any of these conditions are met:
  - (i) Authorised to charge the customer
  - (ii) Authorised to deliver the LVG to the customer
  - (iii) Sets the terms and conditions under which the transaction of sales is made
  - (iv) Documentation issued to customer identifies the transaction of sales is made by the marketplace; or
  - (v) The marketplace and merchant contractually agree that the marketplace is responsible for Sales Tax on LVG obligations
5. There could be a surge in demand for LVG prior to the effective date. Sellers should be aware of the transitional rules to ensure there is no under or over charging of Sales Tax, or confusion at the point of importation.



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