



Tax Whiz

Tax highlights from your advisers

DRAFT Guide on Logistics Services

Based on the Royal Malaysian Customs Department (“RMCD”)’s Draft Guide dated 7 February 2024

KPMG in Malaysia

8 February 2024

RMCD's Draft Guide on Logistics Services



The RMCD has issued a draft Guide on Logistics Services as at 7 February 2024 (“the draft Guide”) – only available in Malay language. Please note that the draft Guide replaced the Guide on Courier Services and the Guide on Warehousing Management issued by the RMCD earlier. Note also that the relevant legislation has not been gazetted.

Below are the salient points set out in the draft Guide:

Expansion	<ul style="list-style-type: none"> Logistics services to be categorized under Group J (new), First Schedule of the Service Tax Regulations 2018
Service Tax rate	<ul style="list-style-type: none"> Remains at 6%
Taxable services under Group J	<ul style="list-style-type: none"> Warehousing management services (effective 1 September 2018) Courier services (effective 1 September 2018) Customs agent services (effective 1 September 2018) Logistics (effective 1 March 2024)
Taxable person under Group J	<ul style="list-style-type: none"> Any person providing services— <ol style="list-style-type: none"> logistics including all or part of the logistics supply chain management services, port and airport management, warehousing or warehousing management, freight forwarding, sea freight, air freight or cold chain facilities; delivery or distribution or transportation of goods; delivery or distribution or transportation of goods, documents or packages using the E-Commerce platform including on behalf of any person; or courier services under section 10 of the Postal Services Act 2012 Any person who is given permission to act as an agent under subsection 90(2) of the Customs Act 1967

Taxable services under logistics	<p>A. Logistics management services –</p> <ul style="list-style-type: none"> - logistics service provider that organizes and manages the entire goods delivery process on behalf of others <p>B. Port and airport management –</p> <ul style="list-style-type: none"> - loading, unloading, handling services or storage of goods by the port operator - any person who provides ancillary services in relation to the transportation and delivery of goods such as vessel or aircraft handling services, navigation services, repair, maintenance, installation in relation to a vessel or aircraft including spare parts installation, vessel or aircraft related classification at the port or airport and any other services relating to the transportation and delivery of goods at the port or airport <p>C. Warehousing or Warehousing management services –</p> <ul style="list-style-type: none"> - handling services, loading and unloading, picking and packing, security control and etc. <p>D. Freight forwarding –</p> <ul style="list-style-type: none"> - customs clearance - handling - bulk/break bulk (consolidation/de-consolidation) - import and export documentation - insurance - packaging - warehousing - stock management - transportation <p>E. Shipping –</p> <ul style="list-style-type: none"> - freight charges - shipping local charges - terminal handling charges - documentation charges - EDI charges - other related charges <p>F. Air freight –</p> <ul style="list-style-type: none"> - loading, unloading, handling services or storage of goods - cargo inspection, prepare or amend airway bills <p>G. Cold chain facility</p> <p>The above listing is not exhaustive.</p>
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Exclusion

- International delivery (i.e. covers Malaysia to outside Malaysia or vice versa), including transshipment
- Delivery of food or beverages (“F&B”) prepared by F&B providers

Business-to-business exemption	<ul style="list-style-type: none"> • Service Tax (Persons Exempted from Payment of Tax) Order 2018 is applicable to logistics services. • The conditions include amongst others, both the service provider and the service recipient must be providing the <u>same services</u>.
Registration	<ol style="list-style-type: none"> a) Threshold of RM500,000 in a 12-month period, except for Customs agent services – no threshold b) Existing registered person under warehousing management services, courier services and/or Customs agent is not required to submit a new application for registration. However, it remains to be seen whether the category of registration would be automatically transferred to Group J or an additional step needs to be taken by the registered person to effect the change in grouping c) Existing registered person other than mentioned in b) above, who is liable to charge Service Tax on logistics services, to add “logistics services” via MySST portal
Transitional rules	<ul style="list-style-type: none"> • General rule – Logistics services provided before 1 March 2024 is not subject to Service Tax; logistics services provided post 1 March 2024 is taxable • Where payment has been received before 1 March 2024, the logistics services to be provided after 1 March 2024 is not subject to Service Tax

Our Observations

- Logistics related services consist of a variety of charges and components. As it stands, with the wide definition/ elaboration and examples provided in the draft Guide, it seems to suggest that the intention is to cover all the charges within the scope of Service Tax (unless specifically stated otherwise).
- It also appears that the delivery of documents or parcels whether or not exceeding 30kg falls within the ambit of logistics services, hence taxable. It is safe to say, all forms of delivery or transportation of goods within Malaysia (except food and beverages) would be subject to Service Tax soon.
- Coupled with the definition of taxable person which is very wide, the expansion does not impact the relevant industry only. Other businesses which provide logistics services (e.g. impose transportation charges) as part of their supply chain would also be caught under the regime. On the other hand, there would be increase in cost to consider for the recipient of such services.
- The availability of the ‘business-to-business exemption’ is a welcome relief to alleviate tax cascading. However, businesses should take note that there are conditions to comply in order to enjoy such exemption, failure of which would result in additional cost to businesses.
- With the implementation proposed to be on 1 March 2024, it is a huge challenge for taxpayers to implement the necessary in time. There is no room for wait and see, immediate action would need to be taken to ensure compliance with the requirement. Do reach out to the Authority or KPMG for further discussion and assistance.

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