KPMG

Tax Whiz

Tax highlights from your advisers

Amendments to Indirect Tax Legislations relating to Pulau 1

KPMG in Malaysia

2 December 2024

Amendments to Indirect Tax Legislations relating to Pulau 1

The following amendments to the Indirect Tax Acts, Regulations and Orders as well as new Orders have been gazetted to exclude Forest City (“Pulau 1”) located in Johor from the definition of “Principal Customs Area” and reclassifying Pulau 1 as a “Designated Area” for Sales Tax and Service Tax purposes. The aim is to enhance economic development in the area by introducing special tax provisions specific to Pulau 1.

a) Sales Tax (Amendment) Act 2024

b) Service Tax (Amendment) Act 2024

c) Customs (Amendment) Act 2024

d) Excise (Amendment) Act 2024

e) Free Zones (Amendment) Act 2024

f) Sales Tax (Amendment) Regulations 2024

g) Customs (Amendment) (No. 3) Regulations 2024

h) Excise (Amendment) Regulations 2024

i) Free Zones (Amendment) Regulations 2024

j) Sales Tax (Compounding of Offences) (Amendment) (No. 2) Regulations 2024

k) Customs (Compounding of Offences) (Amendment) Regulations 2024

l) Excise (Compounding of Offences) (Amendment) Regulations 2024

KPMG

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

m) Sales Tax (Imposition of Sales Tax in respect of Designated Areas) (Amendment) Order 2024

n) Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas (Amendment) (No. 2) Order 2024

o) Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas relating to Pulau 1 and Special Areas) Order 2024 [new]

p) Customs Duties (Pulau 1) Order 2024 [new]

q) Customs (Prohibition of Imports) (Amendment) (No. 4) Order 2024

r) Excise Duties (Pulau 1) Order 2024 [new]

These Acts, Regulations and Orders come into operation on **1 December 2024**.

The amendments to the Indirect Tax legislations are mainly enhancements, on enforcements as well as consequential corrections. We set out below some of the highlights of the amendments to the Indirect Tax legislations.

Scope	Amendment / Addition	Legislation
New definition	"Pulau 1" means Pulau 1, Forest City situated in the Mukim of Tanjung Kupang, District of Johor Bahru, Johore as shown in the Gazette Plan PW50276 deposited in the Office of the Director of Survey and Mapping, Johore.	Customs Act 1967
Special Provisions Dealing with Pulau 1	Amendment to exclude Pulau 1 from the definition of "Principal Customs Area" and introduce special tax provisions for Pulau 1.	Excise Act 1976 / Customs Act 1967
Application of Sales Tax on taxable goods in Pulau 1	Amendment to include Pulau 1 in the definition of "Designated Area", prescribe the application of certain goods in Pulau 1, introduce specific tax provisions for retail trade in Pulau 1 and Sales Tax treatment relating to taxable goods manufactured in, imported into or transported from / to Designated Areas / Special Areas.	Sales Tax Act 2018

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Scope	Amendment / Addition	Legislation
Updates on wordings	Amendment to include Pulau 1 in the definition of “Designated Area”.	Service Tax Act 2018
	Amendment to exclude Pulau 1 from the definition of “Principal Customs Area".	Free Zones Act 1990
	Amendment to include Pulau 1 in the definition of “Duty Free Island”.	Customs Regulations 2019
	Amendment to include Pulau 1 in the definition of “Duty Free Islands”.	Free Zone Regulations 1991
	Amendment to include Pulau 1 into Paragraphs 4, 5, 8, and 11	Customs (Prohibition of Imports) Order 2023
	Amendment to insert “excluding Pulau 1” after the words “Designated Areas”	Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas and Special Areas) Order 2018
Service Tax treatment on taxable services provided relating to Pulau 1	A new Order issued to stipulate that taxable services provided: 1. Within Pulau 1; 2. Between Pulau 1 and other Designated Areas; or 3. Between Pulau 1 and Special Areas shall be subject to Service Tax.	Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas relating to Pulau 1 and Special Areas) Order 2024

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Scope	Amendment / Addition	Legislation
Retail trade application	Amendment to insert a new Part to allow application for retail trade.	Customs Regulations 2019 / Excise Regulations 1977/ Sales Tax Regulations 2018
Compounding of offences	Amendment to stipulate that retail trade related offences in Pulau 1 are compoundable.	Customs (Compounding of Offences) Regulations 2020 / Excise (Compounding of Offences) Regulations 2020 / Sales Tax (Compounding of Offences) Regulations 2018
Goods exempted from import duty	A new Order is issued to stipulate that no import duty shall be payable for intoxicating liquors, chocolates, perfumes and cosmetics imported into Pulau 1 or transported to Pulau 1 from the Principal Customs Area.	Customs Duties (Pulau 1) Order 2024
Goods exempted from excise duty	A new Order is issued to stipulate that no excise duty shall be payable for any intoxicating liquor imported into Pulau 1 or transported to Pulau 1 from the Principal Customs Area.	Excise Duties (Pulau 1) Order 2024
Sales Tax treatment relating to taxable goods imported / transported into Pulau 1	Amendment to stipulate that Sales Tax shall be charged on the importation or transportation of all taxable goods into Pulau 1 excluding wine, spirits, beer or malt liquor, chocolate, cosmetic and perfume.	Sales Tax (Imposition of Sales Tax in respect of Designated Areas) Order 2018

KPMG

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The amendments seek to provide specific Customs Duty / Excise Duty / Sales Tax and Service Tax treatment for Pulau 1. No person is allowed to sell by retail in Pulau 1 of any goods declared by the Minister under the gazette without prior approval.

With the above amendments, businesses who undertake operations in Pulau 1 or trade in / with Pulau 1 should take note of the changes as it could impact the way businesses are conducted as well as competitiveness.

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Contact us

Petaling Jaya Office

Soh Lian Seng
Partner – Head of Tax and Tax Dispute Resolution
lsoh@kpmg.com.my
+603 7721 7019

Long Yen Ping
Partner – Head of Global Mobility Services
yenpinglong@kpmg.com.my
+603 7721 7018

Tai Lai Kok
Partner – Head of Corporate Tax
ltai1@kpmg.com.my
+603 7721 7020

Ng Sue Lynn
Partner – Head of Indirect Tax
suelynnng@kpmg.com.my
+603 7721 7271

Bob Kee
Partner – Head of Transfer Pricing
bkee@kpmg.com.my
+603 7721 7029

Outstation Offices

Penang Office

Evelyn Lee
Partner
evewflee@kpmg.com.my
+603 7721 2399

Kuching & Miri Offices

Regina Lau
Partner
reglau@kpmg.com.my
+603 7721 2188

Kota Kinabalu Office

Titus Tseu
Executive Director
titustseu@kpmg.com.my
+603 7721 2822

Johor Bahru Office

Ng Fie Lih
Partner
flng@kpmg.com.my
+603 7721 2514

Ipoh Office

Crystal Chuah Yoke Chin
Associate Director
ycchuah@kpmg.com.my
+603 7721 2714

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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: +604 238 2288
Fax: +604 238 2222
Email: info@kpmg.com.my

Kuching

Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +6082 268 308
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 Bahru

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

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com.my/Tax

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.