



INDIRECT TAX HIGHLIGHTS

There has been a lot of anticipation and, in some instances, apprehension, recently following announcements made in conjunction with the Budget proposals on Low Value Goods as well as imposition of tax on 'Luxury Goods'. This TaxSnaps tries to add clarity to some of the proposals, and also touches on the Voluntary Disclosure Programme for Indirect Taxes recently announced.

Sales Tax on Low Value Goods

What is Sales Tax on Low Value Goods?

The Sales Tax (Low Value Goods) Regulations 2022 and Orders have been gazetted on 30 December 2022. Sellers with total sale value of Low Value Goods brought into Malaysia in a 12-month period exceeding RM500,000 is liable to be registered as a Registered Seller and to charge a 10% Sales Tax on such goods.

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Low Value Goods refers to goods situated outside Malaysia that are sold at a price of RM500 or less purchased online (via website, internet portal or gateway, distribution platform or any other type of electronic interface) and delivered (via air, sea or land modes) to consumers in Malaysia.

Sales Tax on Low Value Goods was scheduled to be imposed from 1 April 2023, but has been subsequently deferred to a date to be determined later as announced on 15 March 2023.

Is Sales Tax on Low Value Goods only applicable to purchases from overseas sellers?

Sales tax on Low Value Goods is applicable to goods imported from outside Malaysia regardless of the location of the seller. The intention behind the imposition of Sales Tax on Low Value Goods by the Government is to promote equitable and fairer treatment between all Low Value Goods purchased from overseas or locally, as local manufacturers are charging a 5% or 10% of Sales Tax on taxable goods.

Example: You purchase goods from a seller based in Malaysia, but the goods are brought in from overseas. In this scenario, the local seller is required to register for sales tax if the sale value of Low Value Goods brought into Malaysia exceeds the threshold of RM500,000.

Luxury Goods Tax

What is Luxury Goods Tax?

The Minister of Finance has on 24 February 2023 announced in the Retabled Budget 2023 that the Government has intention to implement a Luxury Goods Tax this year and is expected to announce details of the Luxury Goods Tax in June 2023.

During the 2023 Budget announcement, it was stated that the Luxury Goods Tax will be imposed based on a certain threshold of purchases and also according to the class or type of luxury goods. It is still unclear as to how the Luxury Goods Tax will be imposed, but we assume it will be a Sales Tax-type imposition on a prescribed list of items.

What is Luxury Good from Malaysian tax perspective?

Luxury goods are mainly products that are deemed non-essential or accessible only to the wealthy sections of society, such as private jets, yachts, jewelry, etc.

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Special Voluntary Disclosure Programme

What is Special Voluntary Disclosure Programme?

As announced during the Retabled Budget 2023 on 24 February 2023, a Special Voluntary Disclosure Programme (SVDP) for indirect taxes shall be reintroduced with 100% penalty waiver for the period 1 June 2023 to 31 May 2024.

Taxpayers are encouraged to come forward and voluntarily declare any indirect taxes that have been underpaid or erroneously reported.

As such, taxpayers are advised to undertake a general review of the company's indirect tax obligations or do a more targeted assessment on specific areas of concern, example: sales tax and/or service tax where mistakes are commonplace, such as:

- Wrongly applying the service tax intra-group relief and/or B2B exemption
- Late or non-registration for service tax
- Not accounting for imported service tax
- Misclassifying services as non-taxable, etc

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