



Deloitte TaxMax – The 50<sup>th</sup> series  
Fostering economic growth the MADANI way

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# Customs projected revenue

## Federal Government Indirect Tax Revenue



<b>Tax</b>	<b>2023 Revenue</b>	<b>2024 Revised Estimate</b>	<b>2025 Estimate</b>
Sales tax	18,373,074,821	19,412,804,000	20,773,426,000
Service tax	17,089,623,110	21,500,560,000	25,970,168,000
Import duties	3,036,747,835	3,027,221,000	3,268,823,000
Export duties	2,038,730,210	1,974,019,000	1,955,141,000
Excise duties	13,143,988,881	13,684,144,000	13,795,370,000
Tourism tax	186,085,312	120,103,000	120,000,000
Levies	1,304,298,822	1,456,102,000	1,363,180,000
Other indirect tax	2,676,024,643	2,800,000,000	2,992,000,000
<b>Total indirect tax</b>	<b>57,848,573,634</b>	<b>63,974,953,000</b>	<b>70,238,108,000</b>

Source: [https://belanjawan.mof.gov.my/pdf/belanjawan2025/revenue/fiscal\\_outlook\\_2025.pdf](https://belanjawan.mof.gov.my/pdf/belanjawan2025/revenue/fiscal_outlook_2025.pdf) Page 239

# Review of Sales Tax Rate

Effective 1 May 2025

- **Review of Sales Tax Rate:**
  - **Current Rate:** 5% - 10% sales tax on taxable goods
  - **Proposed Changes:** Increased sales tax rate for non-essential items such as imported premium goods (e.g., salmon and avocado)
  - Sales tax exemption will remain for basic food items
- **Matters to consider:**
  - Follow up for guidelines with more details e.g., classification of goods
  - Potential cost increase for imported goods
  - Impact on pricing and margins



# Expansion of Service Tax Scope

Effective 1 May 2025

- **Expansion of Service Tax Scope:** Expansion to include new services such as commercial service transactions between businesses, including fee-based financial services.
- **Matters to consider:**
  - Follow up for guidelines with more details on understanding new taxable services
  - For those in scope, customer management – contract terms and pricing
  - Potential cost increase
  - Change in systems and documentation
  - Applicability of service tax exemption



# Crude Palm Oil (CPO) – Review of export duty rate based on the market price range

Proposed to be effective 1 November 2024

- **Review of export duty rate based on the market price range:**
  - **Current Rate:** Maximum rate of 8% for market price-range above RM3,450/metric tonne
  - **Proposed Changes:** Increase to 10% for market price-range above RM4,050/metric tonne
- The partial exemption, on the export duty for CPO will be revised to ensure the supply of CPO in the domestic market, and encourage midstream- and downstream-processing activities for the production of value-added products such as biodiesel and oleochemicals
- **Matters to consider**
  - Potential cost increase
  - Ensure compliance with revised export duty legislations



# CPO – Increase in threshold value on the imposition of 3% windfall profit levy

Proposed to be effective 1 January 2025

- **Increase in threshold value on the imposition of 3% windfall profit levy:**
  - **Current Threshold:** CPO exceeds RM3,000/metric tonne for Peninsular Malaysia and RM3,500/metric tonne for Sabah and Sarawak
  - **Proposed Threshold:** CPO exceeds RM3,150/metric tonne for Peninsular Malaysia and RM3,650/metric tonne for Sabah and Sarawak
- The proposed increase in threshold is to continuously support the sustainability of the palm oil industry



# Increase in excise duty rate on sugar sweetened beverages

Proposed to be effective 1 January 2025

- Increase in excise duty rate on sugar sweetened beverages from 1 January 2024:**

No.	Tariff Code	Type of Beverages	Sugar Content Threshold
1.	22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	>5g/100ml
		Flavoured milk-based beverages containing lactose	>7g/100ml
2	20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml



- **Current rate:** RM0.50 per litre (previously at RM0.40 per litre until December 2023)
- **Proposed changes:** To increase by RM0.40 per litre, in phases effective 1 January 2025

# Introduction of carbon tax

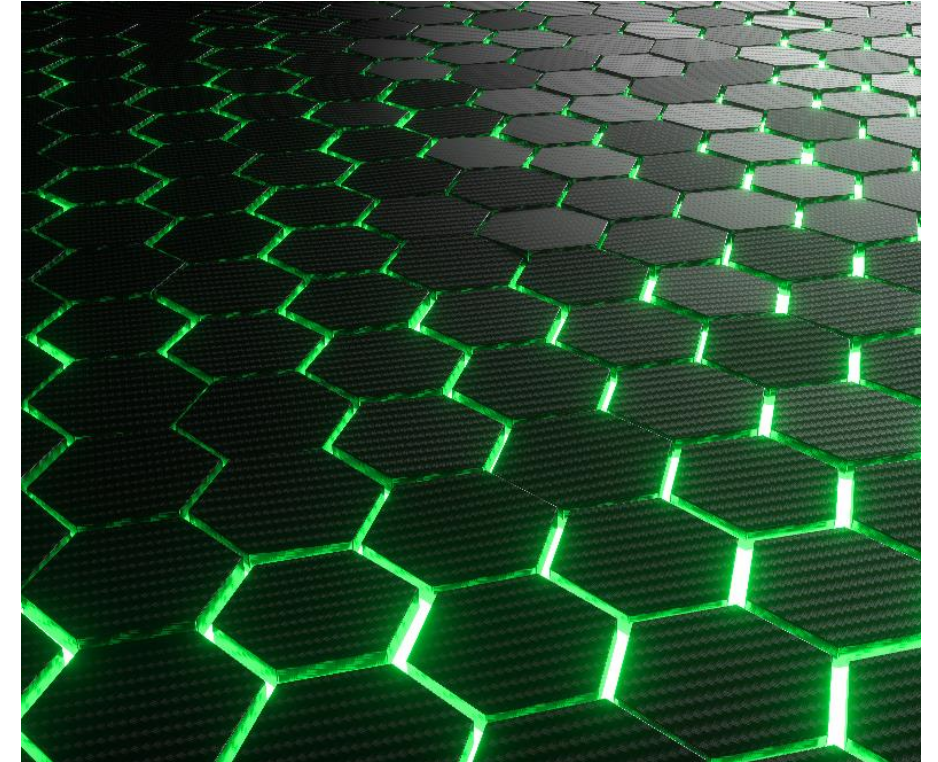
Proposed to be effective 2026

## What is carbon tax?

Carbon tax is a tax levied on the carbon emissions required to produce goods and services

## Introduction of carbon tax:

- The government planned to introduce carbon tax on the iron and steel industries as well as energy sector in Malaysia
- This tax aims at promoting the use of low carbon technology
- The tax collected will be used to fund research programmes and green technology





# Proposed changes in the Tax Bill 2024

Changes involve measures for the collection, administration and enforcement

## **Service Tax Act 2018 and Sales Tax Act 2018**

- Filing of return by a registered person with varied taxable period
  - Currently, the return is to be submitted within 30 days following the end of the varied taxable period.
  - It is proposed that the submission be made by the last day of the month following the end of the varied taxable period.

Comments : Appears to provide some consistency to filing deadline i.e. based on last day of the calendar month.

## **Sales Tax Act 2018**

- Taxable period of persons registered for low value goods (“LVG”)
  - Currently, the first and subsequent taxable periods cover a period 2 months.
  - It is proposed that the subsequent taxable period covers a period of 3 months.

Comments : The change appears to align to the current practice by Customs, i.e. a quarterly return instead of a bi-monthly return.

# Proposed changes in the Tax Bill 2024 (cont.)

Changes involve measures for the collection, administration and enforcement

## Sales Tax Act 2018 (cont.)

- Director General's (DG) power to assess
  - Currently, the DG may require **any taxable person** to account sales tax on any taxable goods.
  - It is proposed that the DG is empowered to make an assessment against **any person** to account sales tax on any taxable goods.

Comments:

The provision is extended to cover non-taxable persons who could include person who are exempted from sales tax.

For example, the DG would have the power to assess the following persons:

- Non-taxable persons who are supposed to pay tax on imports or having possession of goods where tax was payable but not paid.
- Exempted person (who is not a registered person) has returned goods or rejected goods and failed to account sales tax on such goods.

# Recent updates

## Recent updates, common issues and pitfalls raised in Customs audits

### Updates

- As details on voluntary disclosures remain scarce, voluntary disclosure procedures and the outcome remain different according to the relevant State Customs' practice.
- Refund application procedures remain different according to State Customs' practice. Some states require written confirmation from the Sales/Service Tax Policy Division if the matter is technical.
- Verification audits (which may escalate to full audits) conducted on newly registered (for sales tax/service tax) companies.

### Common issues

- Ambiguity of service tax rules persists as no significant updates to guides e.g. management, IT services, reimbursement/disbursement.
- No clarity whether reimbursement / disbursement rules apply on imported services (for service tax).



# Recent updates

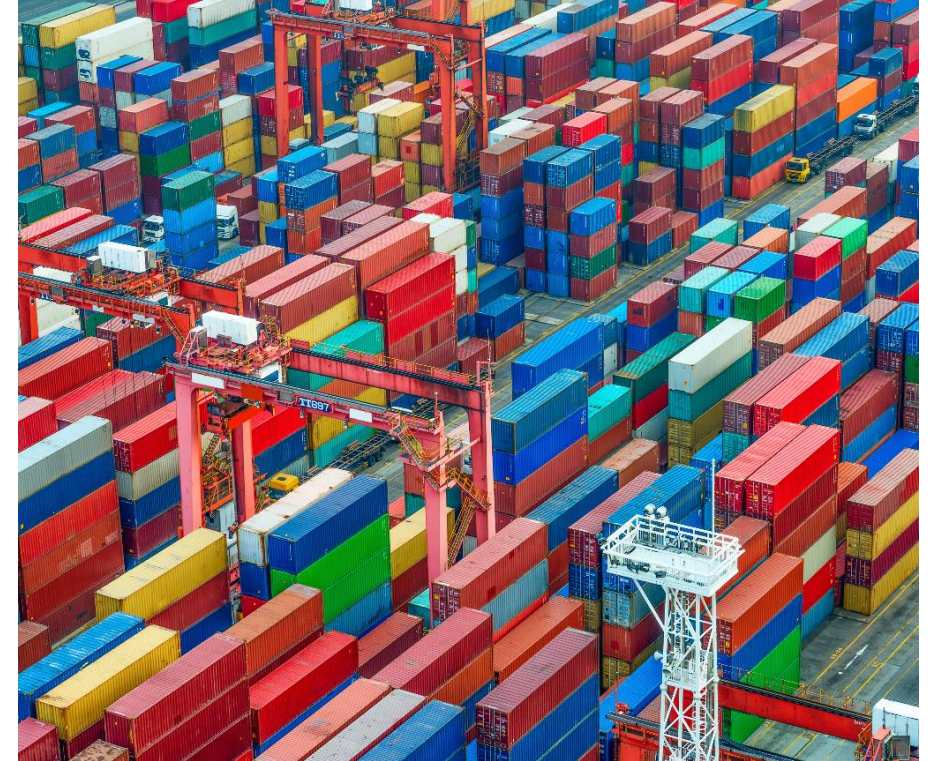
## Recent updates, common issues and pitfalls raised in Customs audits

### Common issues (cont'd)

- Scope of sales/service tax exemptions not sufficient to prevent cascading.
- Old Customs policy/administration not keeping up with current business trends.
- Inconsistency between rules and Customs practices on certain technical/administrative matters persists e.g. goods sold by a LMW to a local company, but goods are not shipped into the principal customs area (whether this should be treated as local sales or not).

### Pitfalls

- Failure to account for service tax on imported taxable services remain a common issue.
- Failure to comply with import duty/sales tax exemption conditions.
- Utilising incorrect exemptions for acquisitions.
- Relying on verbal advice only (no written support).
- Relying on Customs' confirmation provided based on inaccurate/incomplete background.



# Audit Verifikasi Pematuhan (AViP) by Royal Malaysian Customs Department (RMCD)

- This initiative, led by the Compliance Management Division of the RMCD Headquarters in Putrajaya, is a new audit strategy that is more business-friendly which aims to enhance tax compliance and prevent tax leakages
- Targeted to run until 31 December 2025
- Areas covered: Sales Tax, Service Tax, Tourism Tax, Departure Levy, and Service Tax on Digital Services (SToDS)
- Benefits under AViP:
  - Blanket approval of penalty remission:
    - 100% remission: If tax is paid within 6 months from the date of submitting the supplementary return
    - 50% remission: If tax is paid after 6 months but before 12 months from the date of submitting the supplementary return
- An instalment scheme is available when Bill of Demand (BOD) is issued



# Audit Verifikasi Pematuhan (AViP) by Royal Malaysian Customs Department (RMCD) (cont.)

## Key points on RMCD's Approach to AViP:

- The RMCD will profile and identify taxpayers subject to AViP. RMCD will assess companies for the AViP based on industry, segment, economic level, and tax payment ratios, categorising them as low, medium, or high risk
- The RMCD will be conducting minimum checks ('mini audit') to reduce the administrative burden on taxpayers
- Audit outcomes:
  - Compliance: Issuance of a "Sijil Audit Verifikasi Pematuhan" (Certificate of Audit Verification Compliance)
  - Non-Compliance: Conducting Round Table Discussion (RTD) session and issue a Voluntary Disclosure Agreement Form to taxpayers (this is expected to be completed by taxpayer to disclose the exposure based on the adverse audit finding)
- Voluntary Disclosure:
  - If the audit outcome indicates non-compliance and the taxpayer agrees to the RMCD findings, the RMCD will issue:
    - A Voluntary Disclosure Eligibility Letter (which is expected to indicate the amount of exposure as expected to be disclosed in the Voluntary Disclosure Agreement Form);
    - A Penalty Remission Form; and
    - An Instalment Payment Request Form
  - Taxpayers are required to file relevant supplementary tax returns (e.g., SST-02/ TTx-02/ DST-02/ DL-02)
  - For declarations (e.g., import declarations), self-calculation of underpaid duties/taxes during the Post Clearance Audit ("PCA") phase of AViP pursuant to which BOD is expected to be issued
- The RMCD will conduct a full audit if taxpayers fail to meet specified terms and conditions, or if the taxpayer disputes the RMCD's audit finding



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