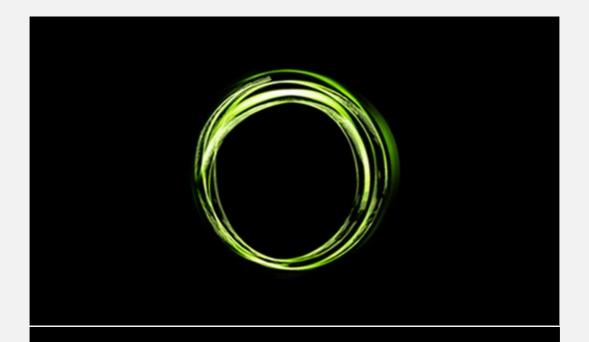


Malaysia | Indirect Tax | 14 May 2020



Indirect Tax Alert

Legislative Amendments relating to Digital Services

The Malaysian Minister of Finance gazetted three Legislative Amendments yesterday (13 May 2020) in relation to the Service Tax Law. These three Amendments bring about some critical changes to the operation of the service tax, including the service tax on digital services. The three amendments are:

- Service Tax (Amendment) Regulations 2020
- Service Tax (Digital Service) (Amendment) Regulations 2020
- <u>Service Tax (Persons Exempted From Payment Of Tax) (Amendment)</u>
 <u>Order 2020</u>

These amendments take effect on 14 May 2020.

A summary of the critical changes are as follows:

- Foreign Registered Providers who provide digital services to companies in Malaysia within its group (and who do not provide the same service to third parties) are exempted from charging the tax;
- The scope of intragroup relief for domestic taxable services and imported taxable services has been expanded to include digital services;

 Modifying the scope of exemption for local service recipients from accounting for the import of digital services where the Foreign Service Provider has already charged and invoiced for service tax, by removing the requirement that the service must not be for personal consumption.

Deloitte's comments

These are significant and welcome developments. It represents a willingness of the authorities to acknowledge some of the practical and business issues in relation to the implementation of these digital service rules and bring about changes to address it.

As an immediate action, we would recommend impacted foreign service providers and local service recipients undertake the following:

- Foreign Service Providers that have registered for the tax should now assess whether this requirement to be registered ceases from 14 May 2020 on account of these changes;
- Local service recipients should review current intercompany charges for which service tax is currently being applied and assess any changes are to be made.

We will be reviewing and providing a more detailed technical commentary in our monthly Indirect Tax Chat newsletter.

If you would like to have further discussions on any of the above, please reach out to your usual Deloitte indirect tax contact or to the team below.

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Best regards,

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