



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](#)
- [Service Tax \(Persons Exempted From Payment Of Tax\) \(Amendment\) Order 2020](#)

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.

Name	Email address	Telephone
Tan Eng Yew Indirect Tax Country Leader	etan@deloitte.com	+603 7610 8870
Senthuran Elalingam Global Indirect Tax Clients & Industries Leader	selalingam@deloitte.com	+603 7610 8879
Wong Poh Geng Director	powong@deloitte.com	+603 7610 8834
Chandran TS Ramasamy Director	ctsramasamy@deloitte.com	+603 7610 8873
Larry James Sta Maria Director	lstamaria@deloitte.com	+603 7610 8636

Best regards,

Indirect Tax Team



Recognised as Malaysia Tax Firm of the Year 2019, as well as a top-tier firm in World Tax 2019, World Transfer Pricing 2019, and The World's Best Tax Transactional Firms 2019 by the International Tax Review.



Deloitte Tax Services Sdn Bhd
Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organisation”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2020 Deloitte Tax Services Sdn Bhd

To no longer receive emails about this topic please send a return email to the sender with the word “Unsubscribe” in the subject line.