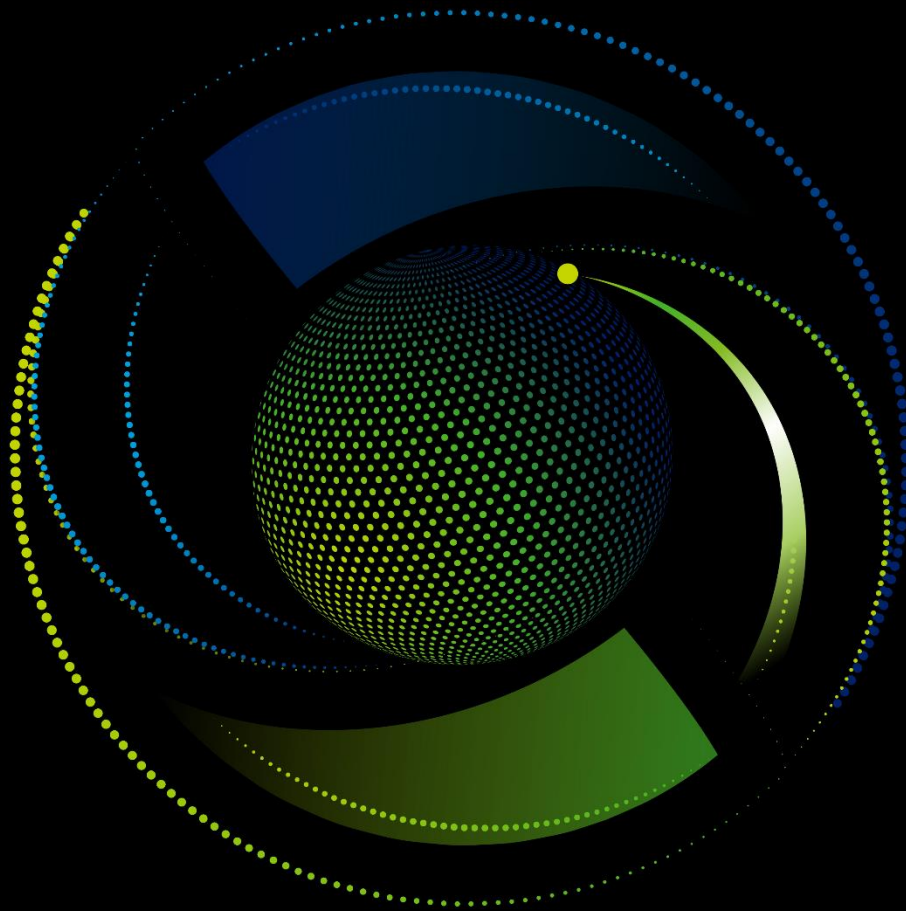


Deloitte.



Trusted. Transformational. Together.

Indirect Tax Chat

Keeping you updated on the latest news in the Indirect Tax world

March 2023



Issue 03.2023

Quick links: [Contact us - Our Indirect Tax team](#)

Key takeaways:

1. [Tourism Tax for Digital Platform Service Providers](#)
2. [Planned roll-out of e-invoicing](#)
3. [Customs Duties under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership](#)

Greetings from Deloitte Malaysia's Indirect Tax team

Greeting's readers, and welcome to the March 2023 edition of our Indirect Tax Chat.

The sales tax on low value goods which was to commence on 1 April 2023 has now been postponed to a yet to be determined date. This postponement follows the earlier postponement of two other taxes, being, the service tax on goods delivery services and the excise duty on pre-mix preparation products. In our view, these postponements are in line with the aim of the ruling government to look at ways of reducing the cost of living. We expect that these taxes will be introduced at a later date. Further details on the three postponed taxes can be found in our Alert [here](#).



Five years on from the abolishment of the goods and services tax ("GST"), we have additional details about the amount of revenue it contributed. Deputy Finance Minister Datuk Seri Ahmad Maslan has shared that the net GST collections, after deducting GST refunds was, RM27.3bil in 2015, RM41.2bil in 2016, RM44.3bil in 2017, and RM20.2bil in 2018. For more information, please click [here](#), [here](#), and [here](#). In comparison, in the most recent year, the cumulative sales tax and service tax revenue was RM31.4bil which is significantly lower than GST collections, except in the year of its introduction and abolishment.

Moving on to what we will cover in this month's Chat, we look at tourism tax for digital platform service providers, the proposed timeline for the roll-out of e-invoicing. We also cover customs duties under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, as well as a sales tax and excise duty exemption on taxis and private vehicles.

Separately, here are some recent news that may interest you:

- Finance Minister Datuk Seri Anwar Ibrahim said that there are currently no plans to reintroduce the GST as the income of Malaysians is still relatively low. He elaborated that the Government will not consider GST in the next six months or a year. For more information, please click [here](#), [here](#) and [here](#).
- Under-Secretary of the Tax Division at the Ministry of Finance, Datuk Che Nazli Jaapar said the government is still studying the best practices in other countries and how the luxury goods tax ("LGT") can be implemented in Malaysia. Soh Lian Seng, Deputy President, Chartered Tax Institute of Malaysia said that each country focuses on different luxury items to be taxed. For more information, please click [here](#) and [here](#).
- Deputy Finance Minister Datuk Seri Ahmad Maslan said the Government is expected to announce details of the LGT in June 2023. He shared that the finance ministry was still fine tuning the LGT details, and that they are reviewing various aspects of the LGT such as what are the goods involved, date of implementation, and the amount to be imposed. For more information, please click [here](#) and [here](#).

We hope you continue to stay safe and well.

Best regards,
Tan Eng Yew
 Indirect Tax Leader

1. Tourism Tax for Digital Platform Service Providers

The tourism tax (“TTx”) has been in effect since [1 September 2017](#), where accommodation operators (i.e. hotels) are required to collect TTx from any tourist staying at their premises. The tax at the rate of RM10 per room per night was required to be collected by the operator and then paid to the Royal Malaysian Customs Department (“RMCD”).

The collection requirements were due to change on 1 January 2023, when new provisions were meant to commence that would require online travel platforms that facilitate bookings to collect and report the tax in relation to any online accommodation bookings made through the platform. However, on 16 February 2023, the RMCD released the [Tourism Tax Policy No. 1/2023](#) (“TTx Policy”) which granted a 3-month concession from 1 January 2023 to 31 March 2023, that allows the party who receives payment for the booking of the accommodation premises from the tourist be the party responsible for charging, collecting, accounting for, reporting, and remitting the tourism tax to the RMCD.

In short, if the tourist making the booking decides to pay the online operator directly, then the online travel platform would collect the tax. However, if they decide to pay when they check-in at the hotel, then the hotel operator would be responsible.

At the time of writing, this concession is due to expire at the end of this month and no renewal or extension has been given.

Deloitte’s comments

While occupancy and tourism taxes are not unique to Malaysia, the requirement for online travel platforms to be the party collecting the tax is unique. The general practice has been for the tax to be collected by the relevant accommodation provider when the tourist arrives at the premises. This method also allows the operator to assess if the guest qualifies for any of the relevant exemptions (e.g. Malaysian citizen or permanent resident).

The issue around collection and payment method is a significant one, as the online travel platform would be required to make payment of the tax even if it did not receive direct payment from the tourist. For the online travel platform to pay the tax, they would be required to either ‘fund’ the cost of the tax or recover it from the hotel operator, i.e. the hotel operator would need to become a collection agent for the platform. Neither of these outcomes are practical.

While we commend the additional ‘grace period’ provided by the RMCD, it is also important to note that at this stage, it only delays addressing the current issue. We are hopeful for a permanent solution that addresses the above challenges.

Brought to you by:



Wendy Chin
Senior Manager
Kuala Lumpur



Patrick Ng
Senior
Kuala Lumpur

[Back to top](#)

2. The planned roll-out of e-invoicing

The previous 2023 Federal Budget announced by the government in October 2022 indicated the introduction and gradual implementation of the electronic invoicing system (“e-invoicing”) which is aimed to commence in 2023. This implementation of e-invoicing will be administered by the Inland Revenue Board Malaysia (“IRBM”).

The 2023 Federal Budget, which was re-tabled last month did not contain any details about the roll-out of e-invoicing. In a recent presentation by the IRBM, as part of a wider presentation during the National Taxation Seminar held early this month, the IRBM shared the following timeline for the roll-out of e-invoicing:

- Year 2023: Preparation of infrastructure and launch of pilot project for selected companies. Companies apart from those selected for the pilot project may voluntarily choose to participate as well.
- From June 2024: Mandatory implementation for businesses that reach a sales threshold value of RM100 million annually.
- From January 2025: Mandatory implementation for businesses that reach a sales threshold value of RM50 million annually.
- From January 2026: Mandatory implementation for businesses that reach a sales threshold value of RM25 million annually.
- From January 2027: Mandatory implementation for all businesses.

Additionally, businesses apart from the businesses categorised as ‘mandatory’ mentioned above may elect to voluntarily implement e-invoicing with effect from January 2024.

Deloitte’s comments

Although a timeline has been released, there is little to no public information available on the likely model of e-invoicing that would be adopted by Malaysia. Is Malaysia likely to follow Singapore and Australia and adopt the European Union backed PEPPOL standard, or will it follow a ‘clearance model’ type system that has been adopted in Korea, China, India, Vietnam, Indonesia, and soon the Philippines?

We are of the view that a clearance model is less likely at this stage, given that Malaysia does not have a GST or VAT system, hence the leakages it would address are not present in the Malaysian tax system. However, it is something that could be introduced later, if and when, GST is reintroduced.

As the timeframe provided for implementation is quite short, especially for the larger taxpayers, businesses should start making plans for the proposed implementation. It is likely that this would go beyond a systems enhancement and would require examination of customer and vendor master lists and an update of business processes.

Brought to you by:



Senthuran Elalingam
Executive Director
Kuala Lumpur



Nor Aliya Mohd Kusri
Tax Associate
Kuala Lumpur

[Back to top](#)

3. Customs Duties under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The Customs Duties (Goods Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) Order 2022 (“CPTPP Order”) came into operation on 29 November 2022. The CPTPP Order was released in furtherance of Malaysia’s ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”).

The CPTPP is a Free Trade Agreement (“FTA”) which involves 11 countries - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, and Vietnam.

The preferential rates for import duty and export duty are provided under this CPTPP Order for various goods. Similar to other FTAs, the CPTPP Order sets out the rules of origin (including the mechanism to compute the regional value content for the good to be considered as an originating good) and origin procedure to utilise the CPTPP.

To summarise, the CPTPP Order contains the following:

- First Schedule sets out the rules of origin and origin procedures.
- Annex 3-A (Other Arrangements) provides for temporary exceptions to the origin procedures set out in the First Schedule. This Annex 3-A (Other Arrangements) shall remain in force until 29 December 2030.
- Annex 3-B (Minimum Data Requirements) sets out the minimum data requirements to be contained in the certification of origin.
- Annex 3-C (Exceptions to De Minimis) sets out the circumstances where the De Minimis rule shall not apply for certain goods.
- Annex 3-D (Product-Specific Rules of Origin) sets out the product-specific rules of origin.
- Annex 4-A (Textiles and Apparel Product-Specific Rules of Origin) sets out the product-specific rules of origin for textiles or apparel goods.
- Appendix A provides a template of the Form CPTPP.
- Second Schedule specifies the preferential import duty rate for the goods originating from CPTPP parties which are imported into Malaysia.
- Appendix B sets out the goods subject to the tariff rate quota.
- Third Schedule sets out the preferential export duty rate for the goods exported out of Malaysia.

Deloitte’s comments

The CPTPP now allows Malaysia to have preferential trade access with more countries such as Canada, Peru, and Mexico.

To take advantage of the preferential treatments availed to these markets, it would be beneficial for companies to familiarise themselves with the rules of origin under this FTA. This is also to minimise the risk of import disputes involving the origin status of goods under this FTA.

Brought to you by:



Nicholas Lee
Director
Kuala Lumpur



Nikki Suah
Manager
Kuala Lumpur

We invite you to explore other tax-related information at:
<http://www2.deloitte.com/my/en/services/tax.html>

To subscribe to our newsletter, please [click here](#).

[Back to top](#)

Contact us – Our Indirect Tax Team



Tan Eng Yew
Indirect Tax Leader
etan@deloitte.com
+603 7610 8870



Senthuran Elalingam
Executive Director (Partner)
selalingam@deloitte.com
+603 7610 8879



Chandran TS Ramasamy
Director
ctsramasamy@deloitte.com
+603 7610 8873



Larry James Sta Maria
Director
lstamaria@deloitte.com
+603 7610 8636



Nicholas Lee
Director
nichlee@deloitte.com
+603 7610 8361



Irene Lee
Associate Director
irlee@deloitte.com
+603 7610 8825



Wendy Chin
Senior Manager
wechin@deloitte.com
+603 7610 8163



Eliza Azreen Kamaruddin
Senior Manager
eazreen@deloitte.com
+603 7610 7271



Leong Wan Chi
Senior Manager
wanleong@deloitte.com
+603 7610 8549

Name	E-mail address	Telephone
Naresh Srinivasan Manager	narsrinivasan@deloitte.com	+603 7650 6459
Syifa Yin Izhar Manager	syizhar@deloitte.com	+603 7610 7512
Nikki Suah Manager	nsuah@deloitte.com	+60 3 7610 7642
Ashokkumar Hothiyakumar Assistant Manager	ahothiyakumar@deloitte.com	+603 7610 9238

Other offices

Name	E-mail address	Telephone
Susie Tan Johor Bahru and Melaka	susietan@deloitte.com	+607 268 0851
Ng Lan Kheng Penang	lkng@deloitte.com	+604 218 9268
Lam Weng Keat Ipoh	welam@deloitte.com	+605 253 4828
Philip Lim Kuching and Kota Kinabalu	suslim@deloitte.com	+608 246 3311

[Back to top](#)

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 334,800 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte in Malaysia

In Malaysia, services are provided by Deloitte Tax Services Sdn Bhd and its affiliates.

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.