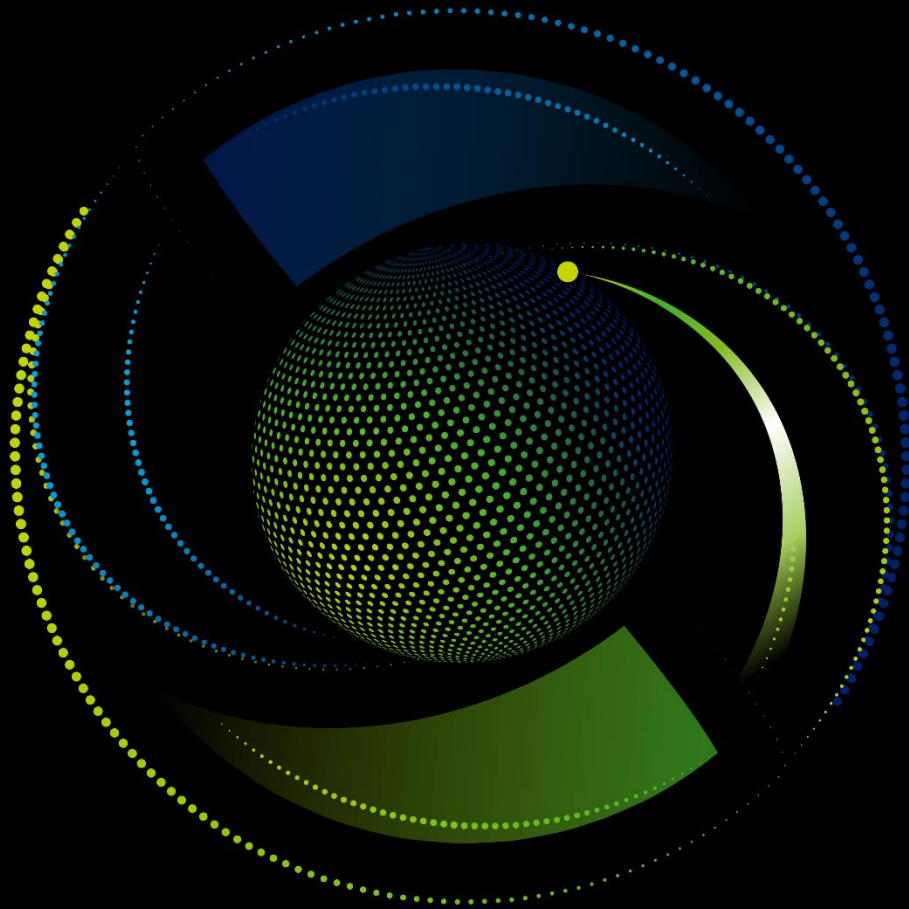


**Deloitte.**



Trusted. Transformational. Together.

## Indirect Tax Chat

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

*September 2024*



# Issue 09.2024

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

Key takeaways:

1. [Penalties and Surcharges Remission Scheme by RMCD](#)
2. [Guide on Provision of Insurance Policy and Takaful Certificate Services](#)
3. [Updates from the Technical Committee on Sales Tax matters](#)

## Greetings from Deloitte Malaysia's Indirect Tax team

Greetings readers, and welcome to the September 2024 edition of our Indirect Tax Chat. We are pleased to share that in the recent International Tax Review Asia Pacific Tax Awards 2024, Deloitte was recognised as the Malaysia Tax Advisory Firm and the Indirect Tax Advisory Firm of the Year.

In conjunction with the recent launch of the Audit Verifikasi Pematuhan (“AViP”) by the Royal Malaysian Customs Department (“RMCD”), we hosted a webinar this month which featured our honourable guest speaker Chew Han Aun. Chew is a Senior Assistant Director of Customs in the Compliance Management Division that has been tasked to lead the AViP initiative. The key message from the webinar was whilst RMCD was scaling up audit activities, the AViP would provide a more business friendly and collaborative approach to audit management and compliance. The initiative is targeted to run until 31 December 2025, during which 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.

In this month's edition we look at the penalties and surcharges remission scheme offered by the RMCD, the reissued guide on provision of insurance policies and takaful certificate services. We will also cover the updates from the technical committee on sales tax matters.

The Malaysian Budget is also scheduled to be tabled on the 18<sup>th</sup> of October, so please do look out for detailed coverage on the budget announcements.

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

- Two Jordanian siblings along with their food company were hauled to the Sessions Court here to face 19 charges for allegedly failing to make service tax payments, and late Sales and Services Tax (“SST”) return submissions amounting RM 209,080.34. They were charged under Section 26(6)(a), Section 26(7) and Section 26(8) of the Service Tax Act 2018 where all three sections provide a fine not exceeding RM50,000 or imprisonment up to three years or both upon conviction. For more information, please click [here](#).
- Government spokesperson Fahmi Fadzil confirmed there are no plans to reintroduce the Goods and Services Tax (“GST”) in place of removing subsidies for RON95 petrol. In addition, Economy Minister YB Rafizi Ramli expressed that he is not keen to reimplement GST, despite a recommendation from the Organisation for Economic Co-operation and Development (“OECD”) suggesting that it could help boost Malaysia's revenue. The Minister noted that there are many ways to achieve fiscal strengthening, with differing groups offering varying perspectives. For more information, please click [here](#).

We hope you continue to stay safe and well.

Best regards,

**Tan Eng Yew**

Indirect Tax Leader



## 1. Penalties and Surcharges Remission Scheme by RMCD

On 26 August 2024, RMCD announced an [incentive for a penalty and surcharge remission scheme](#) related to GST, Tourism Tax (“TTx”), SST and Departure Levy aimed at businesses in settling the outstanding payments to RMCD.

The eligibility and incentive details are outlined as follows:

1. **Applicable Period:** Bills of Demands (“BODs”) for taxable periods ending on or before 31 December 2023.
2. **Payment Period:** Payments for taxes, penalties, and surcharges must be made between 26 August 2024 and 31 December 2024 to qualify for this remission.
3. **Categories:** Remission is provided based on the categories as outlined in table below:

Category of Outstanding		Payment Period: 26 August 2024 – 31 December 2024)		Remission of Penalties / Surcharges
		Taxes	Penalties / Surcharges	
1.	Tax, Penalty, and Surcharge	100%	0%	100%
2.	Tax and Penalty / Surcharge	100%	0%	100%
3.	Penalty / Surcharge Only	0%	15%	85%

- For Categories 1 and 2: 100% remission for penalty and / or surcharge is offered if payments for taxes are made within the payment period.
  - For Category 3: For outstanding payment related to penalties or surcharges only, where the tax payment has already been made before 26 August 2024, 85% remission on the penalties or surcharges is offered if 15% payment of the penalty or surcharge is made within the payment period.
4. **Instalment Payments:** The penalty and surcharge remission incentive is also applicable to companies with RMCD approval for instalment payments, provided the conditions outlined above are fulfilled.
  5. **No tax refunds:** RMCD has stated that companies that settled outstanding payments before 26 August 2024 will not receive refunds on penalties and / or surcharges for the remissions available under this scheme.
  6. **Exceptions:** This incentive does not apply to the cases qualifying for full remission of penalty / surcharge such as:
    - Penalties / surcharges resulting from technical issues.
    - Penalties / surcharges related to output tax amendments from bad debt recovery and retention sums.
    - Penalty / surcharge on taxes with remission approval by the Ministry of Finance.

Deloitte's comments

Businesses that intend to clear their outstanding BODs are encouraged to take advantage of this offer to enjoy the remission of the penalties and surcharges. It is important to note that this offer is available only to taxpayers with outstanding BODs, and the incentives under this remission scheme are separate from the penalty remission offered under the AViP.

**Brought to you by:**



**Wendy Chin**  
Senior Manager  
Kuala Lumpur



**Danushiny Sivasubramaniam**  
Senior Associate  
Kuala Lumpur

[Back to top](#)

## 2. Guide on Provision of Insurance Policy and Takaful Certificate Services

The RMCD released a [Guide on Provision of Insurance Policy and Takaful Certificate Services](#) (“the Guide”) dated 29 August 2024 which is currently only available in the national language. As such, the Guide can only be accessed via the national language version of the MySST portal. This Guide replaces the previous Guide on Insurance and Takaful dated 19 September 2018, which was withdrawn sometime in 2019.

Below is an overview of the Guide:

### Imposition and scope of tax

Effective from 1 September 2018, the provision of all types of insurance policies or takaful certificate by an insurer or takaful operator who is licensed under the Financial Services Act 2013 [Act 758], Islamic Financial Services Act 2013 [Act 759], Labuan Financial Services and Securities Act 2010 [Act 704] and Labuan Islamic Financial Services and Securities Act 2010 [Act 705] is subject to service tax under item 1, Group I of the First Schedule to the Service Tax Regulations 2018 (“STR”).

### Terminology

This new section of the Guide provides definitions of relevant terminologies in the Service Tax Act 2018 (“STA 2018”) as well as industry definitions, such as insurance, reinsurance, policy, premium, takaful certificate, takaful, re-takaful, from the Financial Services Act 2013 and Islamic Financial Services Act 2013.

### Changes in service tax

Service tax rate for the provision of insurance policy and takaful certificate has been increased from 6% to 8% service tax effective 1 March 2024. For further information regarding the change of rate of service tax, please refer to our [February 2024 Chat](#), on the Guide on the Transition of Service Tax Rate Change from 6% to 8% dated 26 February 2024.

### Overview of provision of insurance policy and takaful certificate

Insurance offers risk protection from the insurer to the policyholder through premium payments, while takaful provides joint protection based on Shariah principles with contribution payments from participants. Insurance is divided into general and life categories, and takaful is divided into general and family types.

General insurance / takaful provides short-term protection over properties and liabilities from any loss or damages. Insurers or takaful operators may offer the following insurance products or general takaful:

Individuals	Businesses
a) Motor	a) Motor
b) Fire / Homeowner / Household	b) Liability
c) Medicine and health	c) Theft
d) Personal accident	d) Money
e) Child education	e) Marine
f) Travel	f) Fire
	g) Engineering
	h) Fidelity guarantee
	i) Professional indemnity

Individuals	Businesses
	j) Good in transit
	k) Transportation of goods
<b>Note: The above lists are not exhaustive</b>	

Life insurance and family takaful provides a combination of protection and savings for the long-term policyholders or participants and their dependents in the case of death, disability, or critical illness.

### Determination of the value of taxable services

Service tax is to be charged on the actual premium payment or takaful contribution, and shall become due at the time the payment is received for the provision of insurance policy or takaful certificate to customers. For imported taxable services, service tax becomes due at the earlier of: (1) the time the premium / contribution payment is made; or (2) when the invoice is received for that service.

### Taxable services

The Guide has provided the following services that would fall within the scope of taxable provision of insurance policy and takaful certificate as stated under column (2) item 1, Group I of the First Schedule to the STR:

- a) provision of all types of insurance policies or takaful certificates to cover any risks borne by an individual in Malaysia; and
- b) provision of all types of insurance policies or takaful certificates to all business organisations.

### Services not subject to service tax

The Guide provides the following clarification and examples on policies that would not be subject to service tax:

- (a) Provision of medical insurance policy or medical takaful for protection against risks in Malaysia incurred by an individual would not be taxable.

However, the provision of a medical insurance policy or medical takaful certificate under a Group Policy (“Skim Berkelompok”) to a business organisation is subject to service tax.

- (b) Provision of life insurance policy or family takaful certificate for protection against risks in Malaysia incurred by an individual would not be taxable.

However, the provision of a life insurance policy or family takaful certificate under a Group Policy to a business organisation is subject to service tax.

- (c) Provision of an insurance policy or takaful certificate to business organisations against risks associated with the transportation of passengers or goods:
  - A. from a place outside Malaysia to another place outside Malaysia;
  - B. from the last exit in Malaysia to any place in other country; or
  - C. from place outside Malaysia to the first point of entry in Malaysia;

including insurance or takaful protection against risks that are related to the transportation of goods or passengers from a place in Malaysia to another place in Malaysia to the extent the service is provided by the same service provider for which that forms part of the transport services referred to in (B) and (C) above.

- (d) Insurance or takaful coverage on educational institutions and religious organisations registered under any written law.
- (e) Provision of all types of insurance policies or takaful certificates to business organisations for protection against any risks incurred in making advances or granting credit that is directly related with the export of goods, services, or investment outside Malaysia.
- (f) Provision of insurance policy or takaful certificate to businesses for the protection against risks outside Malaysia.
- (g) Provision of insurance policy or takaful certificate to businesses for reinsurance contracts or re-takaful contracts.

### **Provision of insurance policy or takaful certificate related to Designated Areas (“DA”)**

The Guide sets out in more detail, aligned to the provisions of the STA 2018, on the treatment of the provision of insurance policies / takaful certificates related to the Designated Areas of Labuan, Langkawi, Tioman, and Pangkor.

The general provision in Section 48 of the STA 2018, no service tax can be charged on the provision of insurance policy or takaful provided in or between DA or between DA and SA unless the Minister determines otherwise through an Order under Section 51 of the STA 2018.

The Guide then provides examples of the scenarios where the provision of an insurance policy or takaful certificate is subject to service tax, broadly:

- i) a service provider whose place of business is mainly located in the DA to any person inside Malaysia; or
- ii) a service provider whose place of business is mainly located in Malaysia to any person in the DA.

### **Marketing offices and shared locations in Malaysia (i.e., outside the DA)**

Insurance companies and takaful companies licensed under the Labuan Financial Services and Securities Act 2010 [Act 704] or the Labuan Islamic Financial Services and Securities Act 2010 [Act 705] may have marketing offices or shared locations in Malaysia (outside of the DA). These shared locations may engage in activities such as underwriting, assessment, accounting, claims adjustment, administration, sales, marketing, etc.

The provision of general insurance contracts or takaful certificates from shared locations situated in Malaysia to service recipients in Malaysia or in DA is subject to service tax.

This is consistent with the previous Guide.



## Provision of insurance policy or takaful certificate related to Special Areas (“SA”)

The Guide sets out in more detail, aligned to the provisions of the STA 2018, on the treatment of the provision of insurance policies / takaful certificates related to the Special Areas including licensed warehouses, licensed manufacturing warehouses, free zones etc.

Based on Section 53 of the STA 2018, no service tax can be charged on the provision of insurance policy or takaful provided in or between SA or between SA and DA unless the Minister determines otherwise through an Order under Section 56 of the STA 2018.

The provision of insurance policy or takaful is subject to service tax if provided by:

- i) a service provider whose place of business is mainly located in the SA to any person inside Malaysia; or
- ii) a service provider whose place of business is mainly located in Malaysia to any person in the SA.

## Registration and responsibilities of registered persons

Insurer or takaful operator who reach a total value of taxable services of RM500,000 as set in the STA 2018 for service tax registration purposes is liable to be registered.

The service tax registered person is responsible for:

- i) Charging and levying service tax on taxable service provided;
- ii) Issuing invoices and receipts to customers in respect of any transaction relating to taxable services;
- iii) Submitting service tax returns (i.e., SST-02) electronically and paying for service tax before the due date; and
- iv) Keeping proper records of transactions in relation to service tax.

## Frequently asked questions (“FAQ”)

The new FAQ section has been greatly streamlined as compared to the previous Guide, with just a few of the previous questions relating to coverage of policies being retained.

The previous FAQs relating to Agents and Brokers have been removed, as this would be now covered under the separate Guide on Broking and Underwriting Services dated 26 February 2024, as have previous FAQ sections on transitional issues on the introduction of the tax in 2018.

### Deloitte’s comments

The Guide has generally been updated and aligned with relevant amendments to the STA 2018, Service Tax Regulations 2018, and the Service Tax (Rate of Tax) Order 2018 since the previous version of the Guide was withdrawn, including the increase in the service tax rate.

We would highlight the section “Services that are not subject to service tax”. The examples in Paragraphs 21 (a) and (b) provide that all Group Policies (“Skim Berkelompok”), where the insurance policy / takaful certificate is held by a business organisation, will be subject to service tax. The examples provided refer to a Group Medical and Group Life policy in which the employer obtains coverage for its employees. This treatment is consistent with the current industry practice to treat such policies as taxable.

However, the guidelines do not clearly address scenarios where a master policy / certificate holder is a business organisation but the beneficiary is an individual, and it is the individual beneficiary that bears the cost of the premium. Current industry practice is to treat such policies as non-taxable policies. At present the Guide does not appear to address such scenarios.

**Brought to you by:**



**Larry James Sta Maria**  
Director  
Kuala Lumpur



**Samantha Soo Yeen Lum**  
Associate  
Kuala Lumpur

[Back to top](#)

### 3. Updates from the Technical Committee on Sales Tax matters

The SST Technical Committee raised several issues pertaining to SST which have been incorporated in the minutes of:

1. e-CTIM Tech-IT 23/2024 dated 28 May 2024 (“Minutes No.23/2024”)
2. e-CTIM Tech-IT 24/2024 dated 30 May 2024 (“Minutes No.24/2024”)
3. e-CTIM Tech-IT 25/2024 dated 30 May 2024 (“Minutes No.25/2024”)

We have summarised the relevant key issues in relation to Sales Tax that were raised and deliberated by the SST Technical Committee.

#### **Item 1 of Minutes No.23/2024 – Details to be included for e-invoicing by the Inland Revenue Board Malaysia (“IRBM”)**

Concerns were raised in the meeting that it will be costly to update invoice details as per the e-invoicing requirement as outlined by IRBM. Taxpayers want to seek assurances from the RMCD whether it agreed with current e-invoicing requirements and that there will be no further changes.

In response, the RMCD have stated that they have no objection to the IRBM’s e-invoicing requirement as long as those details take into account invoice requirements under the following law:

- Regulation 7 of the Sales Tax Regulations 2018
- Regulation 10 of the Service Tax Regulations 2018
- Section 14 of the Tourism Tax Act 2017

RMCD also confirmed that there are no changes made to abovementioned law due to e-invoicing implementation.

#### **Deloitte’s comments**

There is no requirement to put all the e-invoicing data requirements on the face of the invoice as long as the relevant information can be submitted to IRBM for e-invoicing purposes. The invoices should contain the necessary particulars for sales tax, service tax and tourism tax purposes in accordance with the relevant laws if the business holds a registration under those laws and tax has been collected.

#### **Items 2 and 3 of Minutes No.24/2024: Transfer/sale/disposal of machinery that utilised Item 55, Schedule A (“Item A55”) of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018 (“STPEPTO”)**

Concern was raised as to why businesses are still required to pay for sales tax when a manufacturer (“RM A”) transfer the machinery to another manufacturer (“RM B”) despite the following:

- RM A utilised sales tax exemption under the Item A55 of the STPEPTO when acquiring the machinery;
- RM B is also Item A55 sales tax exemption holder; and
- There is no change to the use of the machinery i.e., will continue to be used by RM B in manufacturing of same goods manufactured by RM A.

Given the above, the RMCD have stated that **the transfer of the machinery is not allowed until the relevant sales tax is accounted for** on the basis that the conditions of the exemption have clearly stated the following:

- i. The machinery must be placed at the approved premises of the Item A55 exemption holder – in this case, it should be RM A's premises;
- ii. The machinery cannot be sold, transferred, exported or removed from the approved premises without approval from the Director General of RMCD;
- iii. The machinery acquired must be 'new' and 'unused' – whilst in this case, the machinery purchased by RM B from RM A is not 'new' and 'unused'; and
- iv. Where the sale/transfer of machinery that is less than 10 years old, sales tax is payable prior to the sale/transfer takes place.

Further to Exemption (iv) stated above, another issue brought up during the meeting was on valuation of machinery / spare parts that were disposed within 10 years. There are cases where Customs officers have different methods to compute the sales tax payable which create confusion within businesses. Some of the different practices occurred are:

- The sales tax payable is the sales tax amount previously exempted; or
- The sales tax payable is computed based on Net Book Value ("NBV") of the machinery / spare parts according to Customs depreciation rule.

The RMCD have decided that for now, businesses should adhere to Section 35(5) of the Sales Tax Act 2018 – whereby the **sales tax payable is based on the amount sales tax exempted upon importation / acquisition** of the machinery / spare parts. In the meantime, the RMCD will study on the use of NBV computation and is in the process of amending the Sales Tax Act 2018.

#### Deloitte's comments

Businesses should closely examine the relevant sales tax exemption conditions as the RMCD can revoke the exemption granted and request for payment of the sales tax amount if it determines that not all of the conditions are satisfied. Where there is any transfer / sale / disposal of machinery that enjoyed Item A55 sales tax exemption, the company should seek for an approval from RMCD before the machinery is transferred / sold / disposed of.

We also recommend that a periodic review be conducted on the existing process in dealing with items granted.

#### Item 4 of Minutes No.24/2024: Disposal of packaging for raw materials that utilised sales tax exemption under the Item 1, Schedule C ("Item C1") of the STPEPTO

There are different RMCD practices adopted for disposal of the used packaging of raw materials (e.g., containers, drums, etc.):

- Used packaging is treated as part of raw materials which require sales tax to be paid upon disposal, or
- Used packaging is treated as scrap and does not need to be reported.

RMCD clarified the following:

- Reusable and non-reusable packing or packaging materials are packaging materials which were obtained together with the purchase of raw material, components, packing or packaging materials – e.g., drums, tins, pallets, paper cores, or packing material boxes.
- Disposal of the aforementioned materials which were obtained together with exempted goods **does not require approval from RMCD**.
- The calculation of the sales tax amount payable is determined based on the tariff code, sales tax rate, and the transaction value of such reusable and non-reusable packing or packaging material.
- The declaration and payment of sales tax is to be made via SST-ADM form.
- The disposal guide ‘*Panduan Pelupusan*’ dated 30 April 2024 is published in MySST Portal.

### Deloitte’s comments

Although the RMCD have published the disposal guide, we noted that ‘*Panduan Pelupusan*’ dated 30 April 2024 define packing materials / packaging materials as materials used to attach or incorporate finished taxable goods or pack the manufactured finished goods for transportation or storage. The guide does not address the packing materials/packaging materials which were purchased with the raw materials or components.

Nevertheless, the sentiment should be the same and the disposal guide can still be referred to for guidance. Where there is such transaction, businesses should assess the tariff code of the used packing material / packaging materials to declare and pay the sales tax amount (if any) via the SST-ADM form.

Businesses should be cautious especially on the compliance with disposal requirements / conditions relating to sales tax exemptions. Non-compliance can often lead to costly back taxes and risks of exemption facilities being revoked.

Businesses can consider seeking clarification from RMCD based on its own business case to ascertain the tariff code and the sales tax rate applicable. We also recommend that a periodic review be conducted on the existing process in dealing with items granted.

### Item 2 of Minutes No.25/2024: Customs agents’ responsibility in the case of double taxation on sales tax upon importation

Customs agents will be responsible to provide additional documents when the imported goods are valued under RM500 but with a CIF (“Cost, Insurance, and Freight”) value that exceed the threshold i.e., RM500.

RMCD clarified the following:

- Sales tax on Low Value Goods (“LVG”) is charged based on the value of the goods at the point of online sale.
- Sales tax on importation is charged based on CIF value at the time of importation.
- In the case of goods per line item does not exceed RM500 but CIF values exceed RM500 during importation:
  - Customs agent must provide supporting documents to avoid import sales tax being charged during importation.
  - Only import duty will be charged during importation.
  - If sales tax on importation is imposed on goods that have been subject to sales tax on LVG, the importer can claim the sales tax on LVG from the registered seller.
  - The registered seller should then adjust in the LVG-02 return.

Deloitte's comments

This will be important for affected sellers to take note considering that this arrangement is not explicitly discussed in the RMCD's guidelines for the implementation of sales tax on LVG (as of 3 November 2023).

**Items 7, 8 and 9 of Minutes No.25/2024: E-commerce – Shipping Labels, credit notes and currency conversion**

Few issues were highlighted during the meeting on the e-commerce platforms' dilemma specifically on:

- **Matters in relation to the shipping labels requirements**
  - Some e-commerce platforms do not hold the inventory or ship the goods to the buyers on behalf of sellers – hence, e-commerce platforms do not have clarity from the carriers on how they comply with the shipping labels requirements.
  - E-commerce platforms have no visibility when customer-to-customer (“C2C”) sellers ship directly from postal offices to Malaysia – hence, e-commerce platforms cannot pass the ‘LVG registration number’, ‘Transaction Type’ and ‘SST Exemption Type’ to indicate on shipping labels.
  - This uncertainty may result in double taxation, where sales tax could be charged at both checkout and clearance, adversely affecting customer experience, and increasing the need for refunds.
- **Matters in relation to issuance of credit notes (“CN”)**
  - There are various reasons for issuance of CN. As some transactions are between the buyer and the seller in which e-commerce platforms would not have visibility on the reason for the CN, e-commerce platforms are requesting confirmation whether a generic reason can be used e.g., “return/ adjustment processed in the normal course of business”.
  - E-commerce platforms are requesting clarification on whether credit can be claimed on the refunded sales tax via quarterly sales tax return without filing form LVG-03 for each purchase transaction.
- **Matters in relation to currency conversion**
  - E-commerce platforms have few billing systems to distinguish tax collected from buyers on checkout and from seller on the services fees.
  - Some sellers have inventory outside Malaysia and use third-party shipping service for calculation of taxes and duties.
  - The foreign exchange sources and conversion times are system-dependent. For example:
    - E-commerce platforms can use Bloomberg rates for sales tax collected and converted at the time of reporting.
    - Sellers can use Bloomberg rates under the Global shipping program and converted at the time of reporting.
    - For electronically supplied services to sellers, e-commerce platforms use Bank Negara Malaysia rates and converted when the invoice is issued.

Hence, e-commerce platforms are requesting confirmation if there are any issues with the current method.

In response to the concerns raised above, the RMCD have provided their comments as follows:

- If there is any issue arising to comply with the clearance procedure, industry players should notify in writing to RMCD to improve the customs clearance procedure. RMCD has conducted handholding program, seminars, webinars and releasing Frequently Ask Questions (“FAQ”). In addition to that, the RMCD will continue to provide advice and handholding from time to time.
- As for cases of double taxation during the importation, importers may claim sales tax refund from the registered seller. The registered seller should also make the adjustment in the LVG-02 return.
- The RMCD also agrees to prepare scenarios for CN adjustments for clarity.
- Nevertheless, the RMCD emphasised that CN issued should be compliant with Regulation 6A of the Sales Tax (Low Value Goods) Regulations 2022 (“STLVGR”).
- In case of reduction due to CN issuance, the adjustment can be made via LVG-02 form. LVG-03 form is used for refund applications where there are cases overpayment or wrongly paid of LVG sales tax.
- The RMCD guide relating to foreign currency exchange is only for the purpose of declaring sales tax to RMCD. The RMCD has no restriction on the currency conversion method for transactions between sellers and buyers as long it is consistently used, and proper record keeping are in place. The method to be used should be consistent as stated Paragraph 7.6.4 of the Guide on Sales Tax on Low Value Goods published on 3 November 2023.

#### Deloitte’s comments

Depending on the commercial arrangement, it is essential to have proper coordination / communication between all stakeholders (e.g., e-commerce platform, buyer, seller, freight forwarder, etc.) to follow the shipping label requirements and have the supporting documents available to have smoother importation procedure.

In addition to that, registered sellers are required to ensure that CN are issued based on the prescribed conditions stated in the STLVGR. Should the businesses face uncertainty in issuing CN, businesses can refer to RMCD’s guide or seek RMCD’s confirmation. We anticipate the guide to be updated to include scenarios for adjustments to CN.

With regards to the currency conversion, exchange rates released by Bank Negara Malaysia, local banks, and reputable news agencies such as Reuters and Bloomberg are acceptable by the RMCD for the purpose of LVG-02 filling and sales tax payment.

#### Item 10 of Minutes No.25/2024: E-commerce – whether Investment Precious Metals (“IPM”) is within the scope of Sales tax on LVG

RMCD confirmation was sought as to whether IPM falls within the scope of LVG regardless of the purity level.

RMCD confirmed that according to the Sales Tax (Determination of Low Value Goods) Order 2023 (“STDLVGO”), LVG is defined as goods valued not more than RM500 and brought into Malaysia via land, sea, and air, except goods specifically mentioned in STDLVGO as follows:

- Cigarettes
- Tobacco products
- Intoxicating liquors
- Smoking pipes (including pipe bowls)
- Electronic cigarettes and similar personal electric vaporizing devices
- Preparation of a kind used for smoking through electronic cigarettes and electric vaporizing device, in form of liquid or gel, whether or not containing nicotine

In this case, IPM that are valued RM500 or less falls under the category of LVG.

Deloitte's comments

RMCD's feedback provides the much-needed clarity for the treatment of IPM. As such, impacted businesses should ensure that the relevant sales tax treatment is applied accordingly.

**Item 17 of Minutes No.25/2024: Eligibility for Sales Tax Drawback Under Section 40 of the Sales Tax Act 2018 ("STA") for Goods Exported to Designated Areas ("DA")**

Trader imported goods and paid the sales tax upon importation of goods. The trader then exports the goods to DA.

In this case, clarification was required on whether the goods imported (of which sales tax was paid upon importation) by traders and subsequently exported to DA would be eligible for sales tax drawback under Section 40 of the STA.

RMCD confirmed that traders who import goods and pay the applicable sales tax are eligible for a drawback if the goods are subsequently transported to a DA with the exception that if the goods are specified in the Sales Tax (Imposition of Sales Tax in Respect of Designated Areas) Order 2018.

Deloitte's comments

Despite the RMCD's feedback on the eligibility of the traders on sales tax drawback under Section 40 of the STA, businesses / traders should also consider whether they meet the other stipulated conditions e.g., goods are re-exported to DA within 3 months upon importation. Apart from the drawback on sales tax, business should also consider drawback on import duty should the import duty has been paid upon importation.

**Item 18 of Minutes No.25/2024: Eligibility for Sales Tax Exemption under Sales Tax Policy No.2/2022 ("SaTP No.2/2022") for Goods Dropshipped to DA**

Registered manufacturer sells finished goods to the trader and dropships the goods on behalf of the customer in the DA.

Clarification was required on whether the goods dropshipped by registered manufacturer in the above scenario would be eligible for sales tax exemption under the SaTP No.2/2022, on the following grounds:

- manufacturer is eligible to be exempted from charging tax on goods being exported to DA on the basis that the DA is considered outside Malaysia and therefore the goods are being exported.
- the trader is also eligible from sales tax under SaTP No.2/2022

The RMCD confirmed that the traders are not eligible for the sales tax exemption under the SaTP No.2/2022 as this policy is meant for dropshipment to overseas.



Deloitte's comments

Despite the non-application of the exemption above, it is worth revisiting the treatments discussed under Parts VIII and IX of the STA that discusses the sales tax treatment involving special areas and DAs. It will be important for affected businesses to assess the applicability of these sections of the STA (other than the exemption discussed above).

**Brought to you by:**



**Nikki Suah Yi Ning**  
Senior Manager  
Kuala Lumpur



**Iffah Inani Zainol**  
Senior Associate  
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](mailto:etan@deloitte.com)  
+603 7610 8870



**Senthuran Elalingam**  
Executive Director  
[selalingam@deloitte.com](mailto:selalingam@deloitte.com)  
+603 7610 8879



**Chandran TS Ramasamy**  
Director  
[ctsramasamy@deloitte.com](mailto:ctsramasamy@deloitte.com)  
+603 7610 8873



**Larry James Sta Maria**  
Director  
[lstamaria@deloitte.com](mailto:lstamaria@deloitte.com)  
+603 7610 8636



**Nicholas Lee**  
Director  
[nichlee@deloitte.com](mailto:nichlee@deloitte.com)  
+603 7610 8361



**Chin Choon Siong**  
Director  
[cschin@deloitte.com](mailto:cschin@deloitte.com)  
+603 7610 8487



**Bonny Teo Wei Teik**  
Senior Manager  
[wteo@deloitte.com](mailto:wteo@deloitte.com)  
+603 9767 5223



**Irene Lee**  
Senior Manager  
[irelee@deloitte.com](mailto:irelee@deloitte.com)  
+603 7610 8825



**Wendy Chin**  
Senior Manager  
[wechin@deloitte.com](mailto:wechin@deloitte.com)  
+603 7610 8163



**Eliza Azreen Kamaruddin**  
Senior Manager  
[eazreen@deloitte.com](mailto:eazreen@deloitte.com)  
+603 7610 7271

## Contact us – Our Indirect Tax Team



**Leong Wan Chi**  
Senior Manager  
[wanleong@deloitte.com](mailto:wanleong@deloitte.com)  
+603 7610 8549



**Naresh Srinivasan**  
Senior Manager  
[narsrinivasan@deloitte.com](mailto:narsrinivasan@deloitte.com)  
+603 7650 6459



**Phan Horng Kit**  
Senior Manager  
[hophan@deloitte.com](mailto:hophan@deloitte.com)  
+603 7610 8908



**Nikki Suah Yi Ning**  
Senior Manager  
[nsuah@deloitte.com](mailto:nsuah@deloitte.com)  
+60 3 7610 7642



**Syifa Yin Izhar**  
Senior Manager  
[syizhar@deloitte.com](mailto:syizhar@deloitte.com)  
+603 7610 7512

Name	E-mail address	Telephone
Ashokkumar Hothiyakumar Manager	<a href="mailto:ahothiyakumar@deloitte.com">ahothiyakumar@deloitte.com</a>	+603 7610 9238
Vanessa Chua Assistant Manager	<a href="mailto:szchua@deloitte.com">szchua@deloitte.com</a>	+603 7610 7960
Lekhashinii Nadarajan Assistant Manager	<a href="mailto:lnadarajan@deloitte.com">lnadarajan@deloitte.com</a>	+603 9764 8567

## Other offices

Name	E-mail address	Telephone
Susie Tan Johor Bahru and Melaka	<a href="mailto:susietan@deloitte.com">susietan@deloitte.com</a>	+607 268 0851
Ng Lan Kheng Penang	<a href="mailto:lkng@deloitte.com">lkng@deloitte.com</a>	+604 218 9268

[Back to top](#)





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 organization”). 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](http://www.deloitte.com/about) to learn more.

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 is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

#### **About Deloitte Malaysia**

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

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities 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.