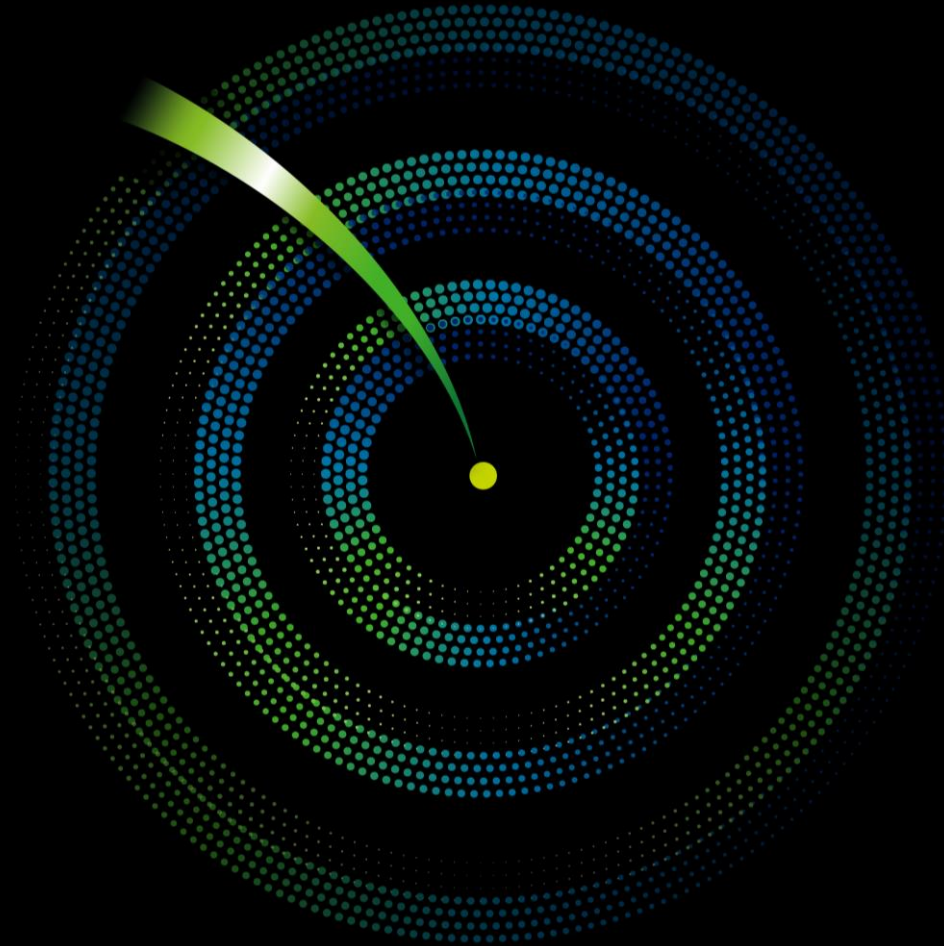


Deloitte.



Deloitte TaxMax
Building a sustainable and resilient future

Tan Eng Yew | 16 March 2023



Speakers



Tan Eng Yew
Indirect Tax Leader,
Deloitte Malaysia

The critical numbers

Federal Government Indirect Tax Revenue



Tax	2021	2022	2023
Sales tax	13,598,380,734	16,256,423,583	17,160,000,000
Service tax	12,017,669,545	15,111,717,670	16,180,000,000
Import duties	2,644,759,544	3,191,911,907	3,168,000,000
Export duties	2,057,063,357	2,621,849,779	1,534,000,000
Excise duties	10,240,566,430	12,555,720,708	12,425,000,000
Tourism tax	1,171,943	1,026,423	200,000,000
Levies	2,056,859,150	3,218,848,941	1,333,000,000
Other indirect tax	971,133,396	2,331,490,170	2,130,000,000
Total indirect tax	43,587,604,099	55,288,989,181	54,130,000,000

Overview of Indirect Tax Proposals in Budget 2023



Overview

- No reintroduction of GST
- Introduction of luxury goods tax (Effective date to be announced)
- Launch of Special Voluntary Disclosure Program 2.0 (From 1 June 2023)
- Extension of import duty, excise duty and sales tax exemption in relation to Electric Vehicles (EV) [to 31 December 2025 for Imported Completely Built-Up EV (CBU), 31 December 2027 for Completely Knocked-Down EV (CKD)]
- Imposition of excise duty on products containing nicotine (effective date to be announced)
- Import duty and sales tax exemption :
 - ✓ for nicotine replacement therapy products (application received from 1 April 2023)
 - ✓ on studio and filming production equipment (application received from 1 April 2023)
- Excise duty and sales tax exemption for disposal of individually owned taxis and hired cars (from 1 March 2023)

Goods and Services Tax

- At present, the Government is not planning to implement GST.
- Decision takes into account the current backdrop of low wages, rising cost of living and inflationary pressures.
- This will be reviewed at a more appropriate time.



Luxury Goods Tax

What we know

- The Government propose to introduce luxury goods tax (“LGT”) with a minimum value.
- The LGT would depend on the type of luxury goods (e.g. luxury branded watches, branded fashion goods, expensive cars, private jets, jewellery etc.).
- A form of progressive tax on high value goods which aims to widen the tax base by primarily targeting high-income earners.
- Countries such as China, Taiwan, Indonesia, South Korea, Norway, Italy and Chile have implemented some form of tax on high value goods.
- LGT is proposed to commence in 2023, although no specific implementation date was mentioned.



Luxury Goods Tax

Questions to ask and what remains to be seen

- What will the definition of “luxury goods” be?
- What is the threshold to be classified as a luxury good?
- Will LGT be implemented through an expansion of the Sales Tax Act 2018 or as a separate Act of Parliament?
- Who will be responsible to charge and collect LGT (e.g. retailers of LGT)?
- What will be the tax rate of LGT?
- When is the point of charging and collecting LGT?
- Will there be any tax exemptions for LGT?



Special Voluntary Disclosure Program 2.0

- The Royal Malaysian Customs Department (RMCD) will run another voluntary disclosure program, which will include a 100% penalty waiver for voluntary disclosures.
- Starting from 1 June 2023 to 31 May 2024.
- SVDP 1.0 ran from 1 January 2022 to 30 September 2022, to declare and make good outstanding indirect taxes owing from past periods up to 31 October 2021.
- SVDP 2.0 possibly to cover taxable periods from November 2021 onwards.
- No details on whether there would be any tax remission offered (between 5% to 30% under SVDP 1.0) or compounds imposed (RM500 or RM1,000 under SVDP 1.0).



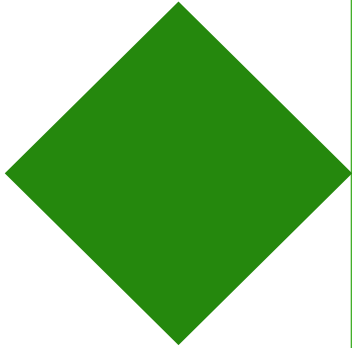
Extension of Import Duty, Excise Duty and Sales Tax Exemption in relation to Electric Vehicles

Current and proposed exemption for imported CBU and CKD components and locally assembled EV are as follow:

Type of incentive	Current incentive period	Proposed extended incentive period
Full import duty exemption on components for locally assembled EV	1 January 2022 – 31 December 2025	31 December 2027
Full excise duty and sales tax exemption on CKD EV		
Full import duty and excise duty exemption on imported CBU EV	1 January 2022 – 31 December 2023	31 December 2025

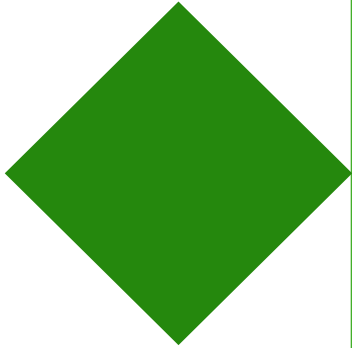


Other Indirect Tax Proposals in Budget 2023



- Imposition of excise duty on liquid or gel products containing nicotine used in electronic cigarettes or vape (effective date to be announced)
- Import duty and sales tax exemption for:
 - ✓ nicotine replacement therapy products – nicotine gum and nicotine patch (application received from 1 April 2023 – 31 March 2026)
 - ✓ studio and filming production equipment (application received from 1 April 2023 – 31 March 2026)
- Excise duty and sales tax exemption for disposal of individually owned taxis and hired cars (from 1 March 2023)

Other Indirect Taxes (Upcoming)



- Sales tax on low value goods (was supposed to be effective on 1 April 2023, has been postponed to a date to be determined later)
- Tourism tax on digital platform service providers (effective 1 January 2023)
- Service tax on goods delivery services (currently postponed until further notice)
- Sugar tax: Excise duty on pre-mixed preparations product (currently postponed until further notice)



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 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 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 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 organization”) 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.