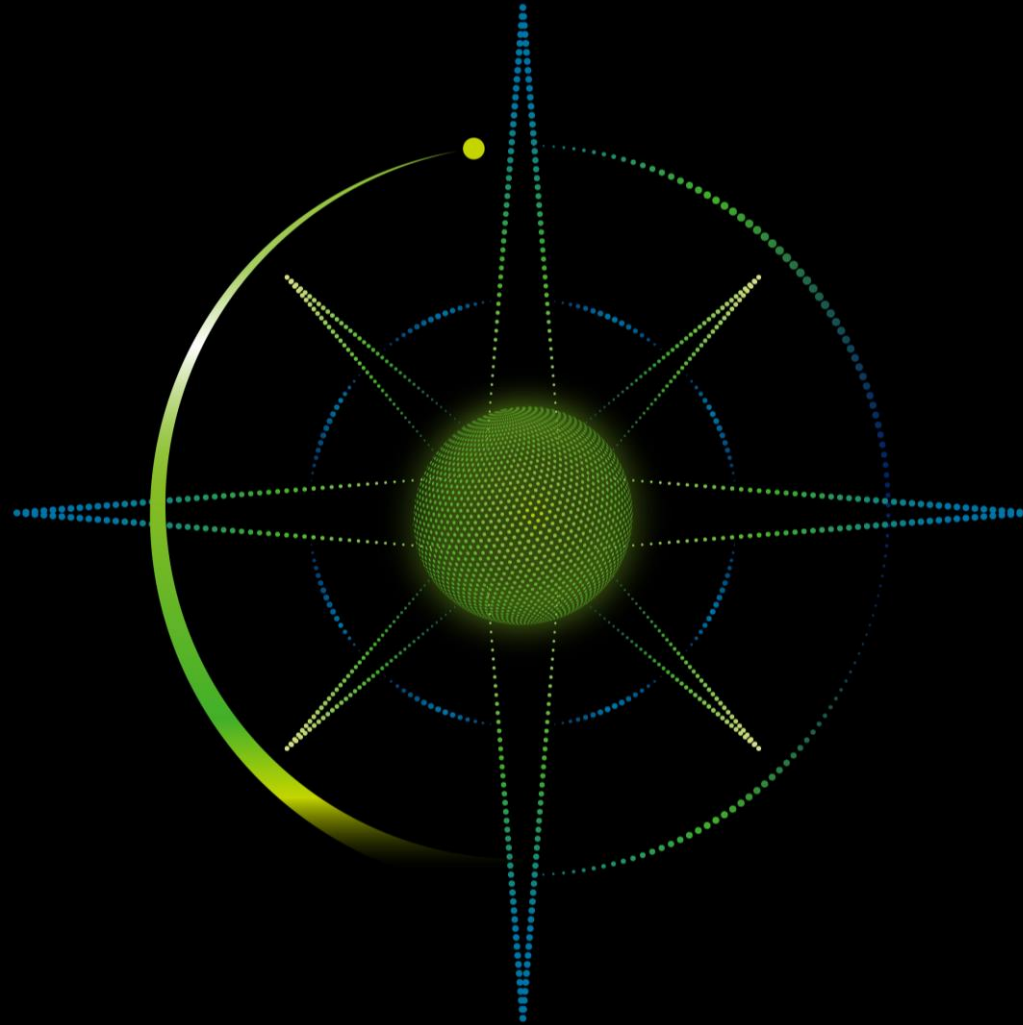


**Deloitte.**



**Deloitte TaxMax**  
Sustaining growth for a better tomorrow

Tan Eng Yew | 16 November 2023



# Speaker



**Tan Eng Yew**  
Indirect Tax Leader,  
Deloitte Malaysia

# Customs projected revenue

## Federal Government Indirect Tax Revenue



Source: [https://belanjawan.mof.gov.my/pdf/belanjawan2024/revenue/fiscal\\_outlook\\_2024.pdf](https://belanjawan.mof.gov.my/pdf/belanjawan2024/revenue/fiscal_outlook_2024.pdf) Page 209

Tax	2022	2023	2024
Sales tax	16,256,423,583	17,599,399,000	18,300,004,000
Service tax	15,111,717,670	16,600,000,000	17,500,000,000
Import duties	3,191,911,907	3,038,000,000	3,200,000,000
Export duties	2,621,849,779	1,800,000,000	1,900,000,000
Excise duties	12,555,720,708	13,100,001,000	13,599,999,000
Tourism tax	1,026,423	120,000,000	120,000,000
Levies	3,218,848,941	1,243,059,000	1,380,000,000
Other indirect tax	2,331,490,170	2,500,000,000	2,620,000,000
<b>Total indirect tax</b>	<b>55,288,989,181</b>	<b>56,000,459,000</b>	<b>58,620,003,000</b>

# Service tax rate increase from 6% to 8%

Effective 1 March 2024



- The Government propose to increase the rate of service tax from 6% to 8%.
- The increased rate will not apply to the following taxable services, where service tax will remain at 6%:
  - Food and beverages;
  - Telecommunication services;
  - Vehicle parking space services; and
  - Logistics services (new).
- Matters to consider:
  - Follow up for guidelines for details e.g., classification
  - Potential cost increase
  - For those in scope, customer management – contract terms and pricing
  - Change in systems and documentation
  - Transitional provision



# New prescribed taxable services

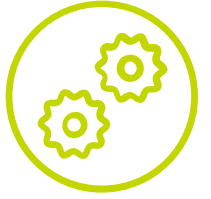
Effective 1 March 2024



- The Government proposes to expand the scope of taxable services to include the following:
  - Karaoke centre services;
  - Delivery services (except for delivery of food and beverage);
  - Brokerage and underwriting services for non-financial services such as brokerage for ship and aircraft space, commodity and real estate; and
  - Logistics services.
- Registration threshold value set at RM 500,000.
- Matters to consider:
  - Customs guidelines on scope etc.
  - Assess impact on business cost, including subcontract
  - Customer management – contract terms and pricing
  - Change in systems and documentation
  - Transitional provision



# Import duty and sales tax exemption on manufacturing aids



Manufacturing aids refer to:

- goods used in the manufacturing process to accelerate, improve, complement and complete the manufacturing process of the finished goods;
- but it is not part of the finished goods;
- currently not entitled for import duty and sales tax exemption.

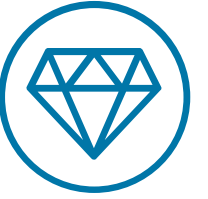
It is proposed that Import duty and sales tax exemption to be granted to:

- eligible manufacturers on the importation and local purchase of manufacturing aids;
- subject to types of industry and the category of goods determined;
- Effective date: 1 January 2024.



# High Value Goods Tax

Effective 1 May 2024

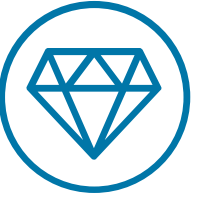


- The Minister of Finance first announced during the re-tabled 2023 Budget that the Government planned to introduced a Luxury Goods Tax (“LGT”). LGT was proposed to commence in 2023, although no specific implementation date was mentioned.
- Subsequently, the 2024 Budget announced mentions that High Value Goods Tax at rates ranging from 5% to 10% will be introduced. It would apply to certain high value goods such as jewelry and watches based on value thresholds.
- The Minister of Finance mentioned in his speech, that a tourist refund scheme will be implemented.



# 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)?
- When is the point of charging and collecting LGT?





# Overview of Indirect Tax Proposals in Budget 2024



Increase in excise duty on sugar sweetened beverages – 40 sen/litre to 50 sen/litre for HS heading 2202 (Sweetened beverages) and 2009 (Juices)

Imposition of excise duty on chewing tobacco  
HS code 2403.99.5000  
5% +RM27/kilo

Tightening control on smuggling of alcoholic beverages and cigarettes – restriction on ports for transshipment, exit point and import by full container load

Reduction of entertainment duty for FT from 25% to 0-10%

# Indirect Tax Changes in Finance Bill

Change effective from date of coming into operation of Finance Act



- Sales Tax on Low Value Goods
  - Change in definition of “seller” for LVG – from a person who sells LVG on Online Market Place (OMP) or operate OMP to include “Online Platform”. Now cover sellers who sell LVG via own online platform (Note – LVG has to be imported, not ex stock)
  - Credit notes or debit notes for LVG – now allowed
  - Exemption and refund of sales tax to be considered for LVG – now allowed
  - Preventing double taxation of sales tax on import of LVG – provision included to exempt goods subject to LVG from sales tax
  - Change to first taxable period for LVG – to align to quarterly accounting



# Indirect Tax Changes in Finance Bill

Change effective from date of coming into operation of Finance Act



- Restriction on deduction of service tax refunded to customers – deduction only allowed if customers not carrying on business (effective 1 January 2024)
- Changes relating to particulars of credit notes or debit notes (sales tax) – now allowed with approval of DG of Customs (effective 1 January 2024)
- Changes relating to service tax on digital services:
  - DG may re-determine taxable period
  - If cease business, final return furnished when return received by DG of Customs (effective 1 January 2024)
- Simplification in process to amend rates of duties and tax (customs duty, sales tax, service tax, departure levy and tourism tax) – only need to be laid before Dewan Rakyat, no need approval (date of coming into operation of Finance Act)





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 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.