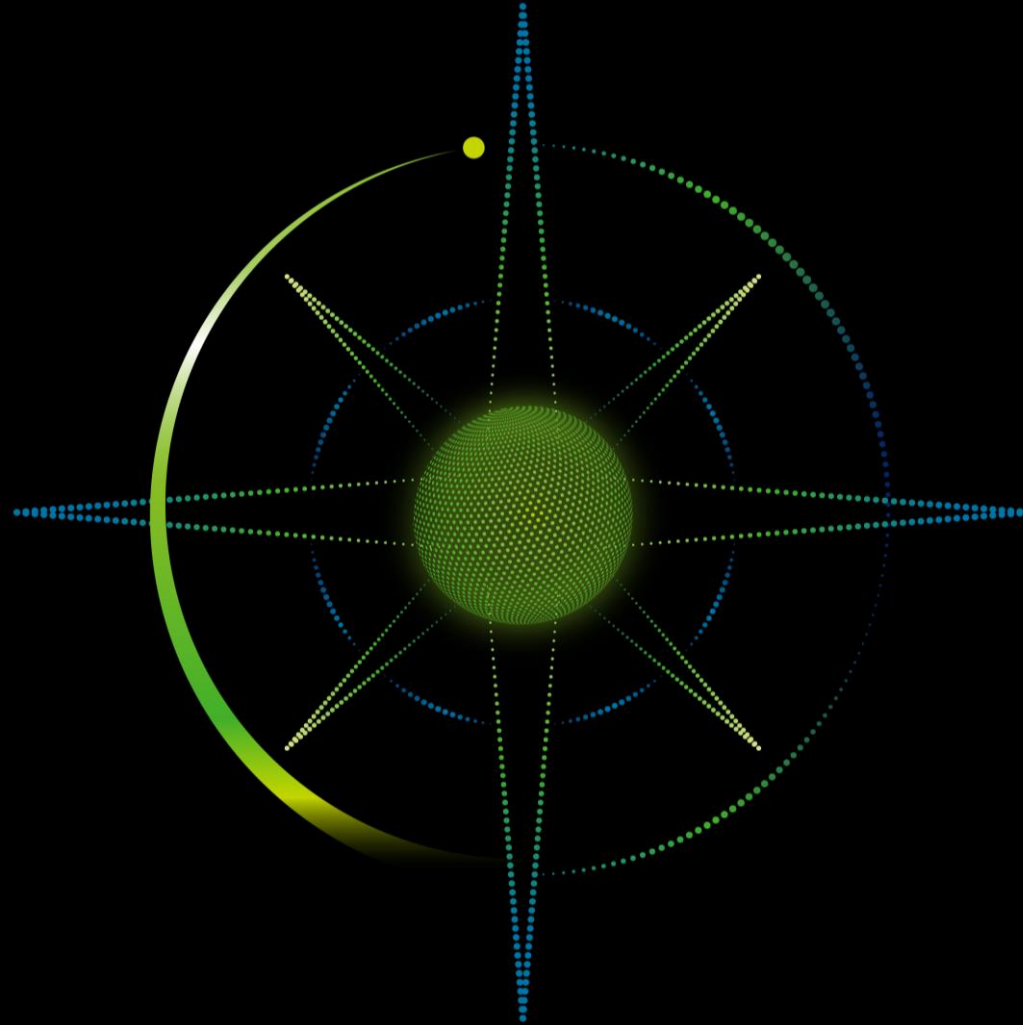


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Lee Kok Jiunn | 21 November 2023



# The critical numbers

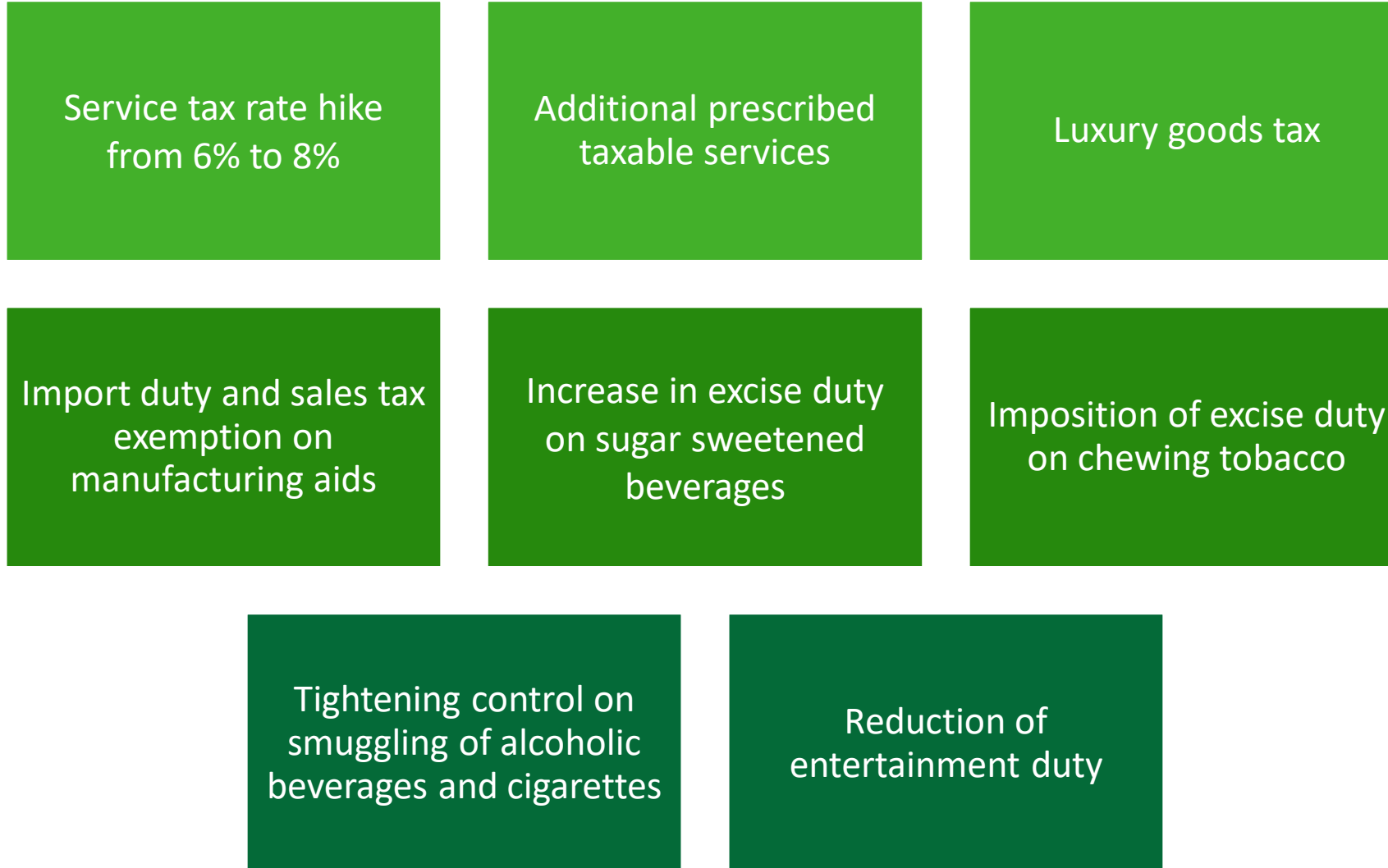
## Federal Government Indirect Tax Revenue



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>

# Overview of Indirect Tax Proposals in Budget 2024



# Service tax rate hike from 6% to 8%

Effective 1 March 2024

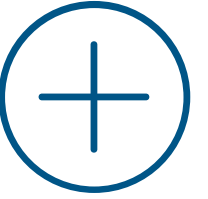


- The Government proposes to increase the rate of service tax from 6% to **8%**.
- The increased rate will not apply to the following taxable services, where service tax will remain at 6%:
  - Food and beverages;
  - Telecommunication services;
  - Vehicle parking space services; and
  - Logistic services.



# Additional prescribed taxable services

Effective 1 March 2024



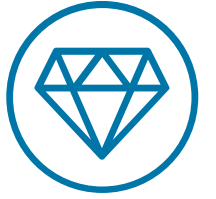
- The Government proposes to expand the scope of taxable services to include the following:
  - Karaoke centre services;
  - Delivery services (except for delivery of food and beverage);
  - Brokerage and underwriting services for non-financial services such as brokerage for ship and aircraft space, commodity, real estate; and
  - Logistic services.
  
- Registration threshold value set at RM 500,000.



Note: Logistic services was previously taxable under the management services category and removed effective 1 September 2019.

# Luxury goods tax

## Overview

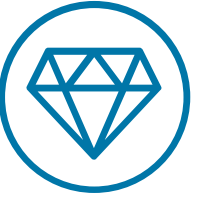


- During the re-tabled 2023 Budget, the Minister of Finance first announced that the Government planned to introduce a Luxury Goods Tax (“LGT”). LGT was proposed to commence in 2023, although no specific implementation date was mentioned.
- Subsequently, it was announced in the 2024 Budget on 13 October 2023 that LGT at rates ranging from 5% to 10% will be introduced. It would apply to certain high value goods such as jewellery and watches based on value thresholds.
- In the Budget speech, the Minister of Finance mentioned that a tourist refund scheme will be implemented.



# Luxury goods tax

Questions to ask and what remains to be seen

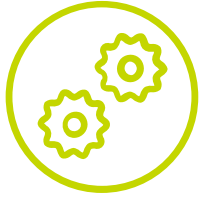


- What will the definition of “luxury goods” be?
- What is the threshold to be classified as a luxury good?
- Will LGT be implemented through an expansion of the Sales Tax Act 2018 or as a separate Act of Parliament?
- Who will be responsible to charge and collect LGT (e.g., retailers of LGT)?
- When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





# 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 the import duty and sales tax exemption 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



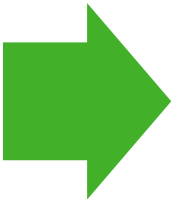


# Increase in excise duty on sugar sweetened beverages

Effective 1 January 2024



Current excise duty rate:  
RM0.40 per litre



Proposed excise duty rate to be  
increased to :  
**RM0.50 per litre**

Tariff Code	Type of Beverages	Sugar Content Threshold
22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	>5g/100ml
	Flavoured milk-based beverages containing lactose	>7g/100ml
20.09	Fruit juices and vegetable juices, whether or not containing added sugar or other sweetening matter	>12g/100ml

# Imposition of excise duty on chewing tobacco

Effective 1 January 2024



## Current position:

Types of Duty/Tax on smokeless tobacco products	Chewing Tobacco	Snuff Tobacco
Import duty	5% + RM50/kg	5% + RM40/kg
Excise duty	Currently not applicable	5% + RM27/kg
Sales tax	10%	10%

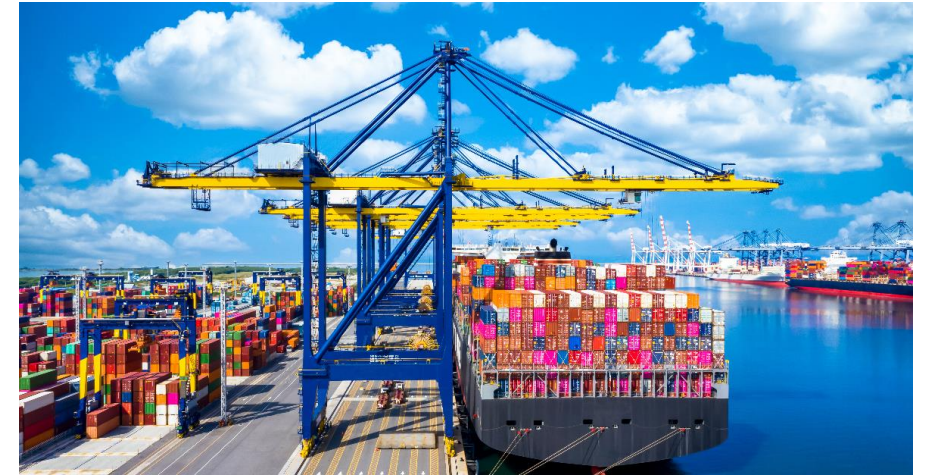
For chewing tobacco under tariff code 2403.99.5000, it is proposed that excise duty be imposed at a rate of 5% + RM27/kg

# Tightening control on smuggling of alcoholic beverages and cigarettes

Effective 1 January 2024



- Transshipment activities for alcoholic beverages will be limited to certain ports only.
- Immigration, Customs, Quarantine and Security Complex, Bukit Kayu Hitam will be made the sole exit point for the northern region.
- Importation of cigarettes for domestic market shall be made by way of full container load.



## Reduction of entertainment duty



Entertainment duty rate for the following type of selected entertainments held in the Federal Territories is proposed to be reduced as follows:

Type of Entertainments	Current rate	Proposed new rates
Stage performance by international artist / Light shows / Circus	25%	10%
Film screening (Cinema) / Theatre		
Exhibition / Zoo / Aquarium		
Sports event / E-Sports / Bowling / Snooker / Pool / Billiard / Karaoke		5%
Theme park / Family recreation centre / Indoor games centre / Simulator		
Stage performances by local artist		0%

The proposed new rates would take effect for applications received by the Ministry of Finance from 1 January 2024 until 31 December 2028.



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