

# **Indirect Tax:**

## **Imposition of Sales Tax on imported Low Value Goods in Malaysia**

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# Update on the Implementation of Sales Tax on imported Low Value Goods (“LVG”) in Malaysia

## Postponement of the Implementation of Sales Tax on imported LVG

According to an announcement from the Royal Malaysian Customs Department (“RMCD”), the implementation of Sales Tax on imported LVG that was originally scheduled to take effect on 1 April 2023, has been postponed.

The RMCD has yet to provide a new date on when the Sales Tax on LVG will be implemented. We will keep you informed of any further developments with regard to this matter.

For more information on the imposition of Sales Tax on imported low value goods in Malaysia, please refer to the following slides.



# 1. Introduction

## Malaysia Imposes 10% Sales Tax on Imported Low Value Goods (“LVG”)

From 1 April 2023, all registered sellers will be charged with a flat rate of 10% Sales Tax on the LVG imported into Malaysia.

Currently, all taxable goods manufactured locally or goods imported into Malaysia from abroad are subject to Sales Tax. However, LVG which are imported from overseas via air courier are not subject to such Sales Tax due to the *de minimis* facility. This facility allows for small amounts of taxes to be waived for efficiency purposes. However, this facility has created a disadvantage for local manufacturers, as their LVG are still subjected to Sales Tax.

To level the playing field between locally manufactured LVG and imported LVG, the Malaysian government has announced that the imported LVG sold online by sellers will be subject to Sales Tax starting from 1 April 2023.

This move aligns with other countries like Australia, New Zealand, Singapore, etc. which have already imposed Goods and Services Tax (“GST”) or Value Added Tax (“VAT”) on imported LVG.

## 2. Sales Tax on imported Low Value Goods (“LVG”)

### **Definition of LVG**

LVG are defined as goods with a sales value of RM500 or below and such goods are brought into Malaysia via land, sea or air.

The sales value for LVG refers to the selling price of the goods, excluding the transportation costs, insurance costs and any taxes or duties payable to the Royal Malaysian Customs Department (“RMCD”).

*For example, imported goods are priced at RM490. The shipping and delivery fee is RM20. Since the sales value of the imported goods is less than RM500, the said goods should be classified as LVG for Sales Tax purposes.*

### **Liability to be registered for Sales Tax on LVG**

Sellers (both in or outside Malaysia) who sell imported LVG through an online marketplace are required to register for the Sales Tax if the annual sale value of LVG exceeds RM500,000.

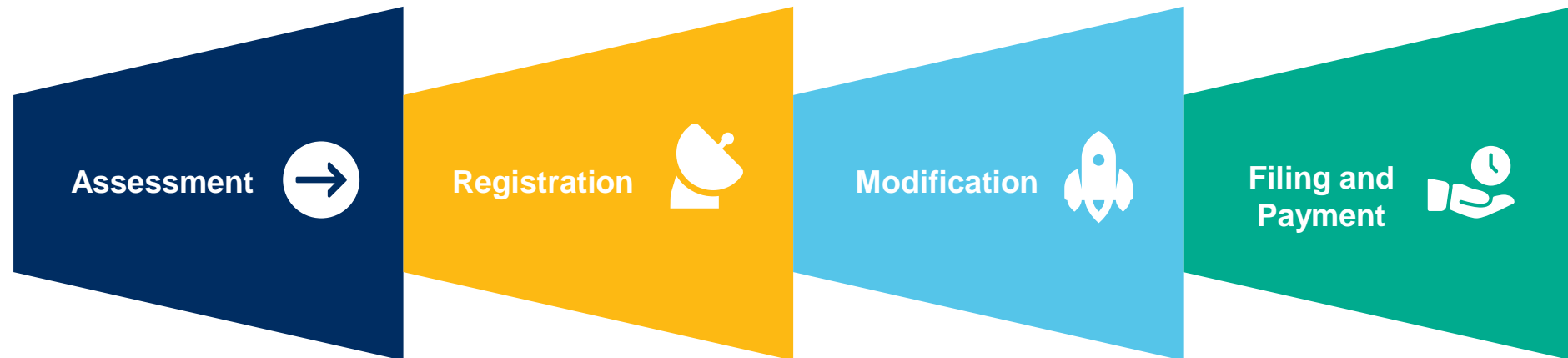
Sellers who meet the registration criteria can start applying for registration from the RMCD now.

### **Customs declaration on LVG**

To avoid paying the Sales Tax upon the importation of the LVG into Malaysia, the registered sellers must display their Sales Tax registration number on the package of the LVG and issue the invoice with the required information. The registered sellers must also declare the necessary information and provide the relevant documents to the RMCD at the point of importation.

### 3. Actions required from sellers

There are four (4) steps for sellers to follow:



As a seller, you should evaluate and assess your registration liability.

If liable to be registered, you can apply for the Sales Tax registration through the RMCD's portal.

After registration, you can make necessary changes to your website, accounting system and documents to ensure compliance with Sales Tax requirements.

On a quarterly basis, you are required to file the LVG-02 return and pay the collected Sales Tax to the RMCD.

# 3. Actions required from purchasers

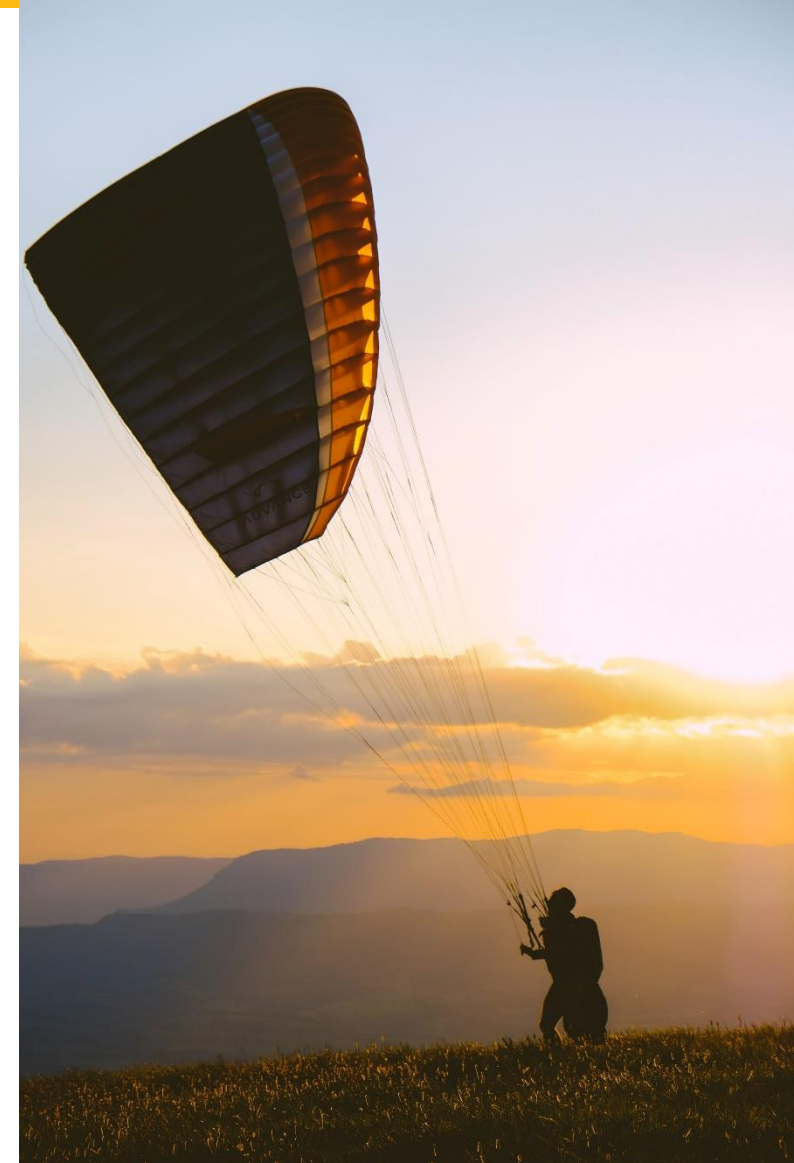
Key notes for purchasers:

## **Time of purchase**

- It is important to keep in mind that, starting from 1 April 2023, as a purchaser, you may need to pay an additional 10% as Sales Tax when importing the LVG into Malaysia.

## **Import declaration**

- As a purchaser of LVG, it is important to confirm the import declaration requirements with your customs agent, as additional information may be needed if you have already paid the Sales Tax to the registered seller.





## 4. What can Crowe Malaysia offer to you?

Our Services for Sales Tax on LVG are:



### Assessment

- Business arrangement assessment and implications review
- Advice on timing for sellers to register for Sales Tax



### Registration

- Application for Sales Tax registration
- Liaison with the RMCD on Sales Tax issues



### Return Review

- Review of Sales Tax returns
- Assistance with refund of overpaid or erroneously paid Sales Tax



### Training and Updates

- Concepts and fundamentals of Sales Tax
- Technical updates of Sales Tax
- Ad hoc advice on retainer basis



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## About Crowe Malaysia PLT

Crowe Malaysia PLT is the 5th largest accounting firm in Malaysia and an independent member of Crowe Global. The firm in Malaysia has 13 offices, employs over 1,200 staff, serves mid-to-large companies that are privately-owned, publicly-listed and multinational entities, and is registered with the Audit Oversight Board in Malaysia and the Public Company Accounting Oversight Board in the US.

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