



Indirect Tax Alert

Postponement of Indirect Taxes

On 10 March 2023, the Royal Malaysian Customs Department (“RMCD”) [announced](#) the postponement of the following three changes to the indirect tax regime until further notice:

1. Sales tax on low value goods
2. Service tax on goods delivery services
3. Excise duty on pre-mix products

A brief overview of each of the proposed tax changes are provided below.

Sales tax on low value goods

At present, taxable goods brought into Malaysia are imposed import sales tax by the RMCD at rates depending on their HS tariff code. The sales tax on LVG would shift the onus of charging and collecting sales tax from the RMCD to the seller of LVG (goods sold at a price, not exceeding RM500 and brought into Malaysia by land, sea or air).

Sellers (regardless of residency or locality) include both individual sellers who sell LVG on an online marketplace (“OMP”) and the OMP operators. This would apply to sales to both business to business and business to consumer transactions. The LVG sales tax rate is 10%.

For more information on sales tax on LVG, please click [here](#).

Service tax on goods delivery services

Service tax was to be expanded to scope in the following:

- a) delivery services including courier for documents, packages or goods
- b) delivery services including the courier of documents, packages or goods using e-commerce platforms on behalf of other persons

For more information on service tax on GDS, please click [here](#).

Excise duty on pre-mix preparation products

The scope of the excise duty was to be expanded to include pre-mixed preparation products of chocolate or cocoa based, malt, coffee, and tea such as 2-in-1 or 3-in-1 pre-mixed beverages.

Excise duty would be imposed on pre-mix preparation products categorised under the following HS tariff codes at the rate of **RM0.47 per 100g** and will be based on the threshold of sugar content exceeding 33.3g/100g:

HS Tariff code	Product description as per HS tariff code by World Customs Organization
18.06	Chocolate and other food preparations containing cocoa
19.01	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included.
21.01	Extracts, essences and concentrates, of coffee, tea or maté, and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof.

For more information on excise duty on pre-mix preparation products, please click [here](#).

Deloitte's comments

While a revised implementation date has yet to be provided, we anticipate that this would not be a lengthy deferment. We understand that there are ongoing discussions on the implementation of these taxes, as well as concerns in relation to managing the rising cost of living. There is a possibility that these taxes may be introduced later this year.

Contacts

If you would like to have further discussions on any of the above, please reach out to your usual Deloitte indirect tax contact or to any of our leaders below:

Name	E-mail	Telephone
Tan Eng Yew Indirect Tax Country Leader	etan@deloitte.com	+603 7610 8870
Senthuran Elalingam Executive Director (Partner)	selalingam@deloitte.com	+603 7610 8879
Chandran TS Ramasamy Director	ctsramasamy@deloitte.com	+603 7610 8873
Larry James Sta Maria Director	lstamaria@deloitte.com	+603 7610 8636
Nicholas Lee Pak Wei Director	nichlee@deloitte.com	+603 7610 8361

Alternatively, please reach out to anyone from the team [here](#).



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