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Indirect Tax Chat

Keeping you updated on the latest news
in the Indirect Tax world

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Greetings from Deloitte Malaysia's Indirect Tax team

Greetings readers, and welcome to the January 2025 edition of our Indirect Tax Chat. We hope your new year is off to a great beginning.

Following the announcement in the Budget, the excise duty rate on Sugar-Sweetened Beverages ("SSB") has increased from RM 0.50 to RM 0.90, effective 1 January 2025, as outlined in this order [here](#).

In this edition, we will discuss a number of legislative amendments that were passed at the end of December, including the Measures for the Collection, Administration and Enforcement of Tax Act 2024 and amendments relating to the tax-free status of Forest City, Johor. Although the Finance Act 2024 was passed into Law, it contained no substantive indirect tax amendments. The proposed expansion of the service tax would be reflected in amendments to the service tax regulations, and are expected to be released in February 2025. In this edition, we will also cover the new Tax Identification Number ("TIN") search platform for e-Invoicing and taxation activities.



Additionally, here are some recent news that may interest you:

- Sabah's Budget 2025, tabled by Finance Minister Datuk Seri Masidi Manjun, records a RM6.421 billion in expenditure, with a projected surplus of RM24.08 million. The state plans to expand its Sales Tax to include gold, silica sand and palm oil biomass, to boost its projected revenue of RM6.445 billion. For more information, please click [here](#).
- In 2025, the expanded Sales Tax and Service Tax ("SST") is expected to generate RM51.7 billion, an additional RM5 billion compared to the current projected SST collection of RM46.7 billion, according to Finance Minister II Datuk Seri Dr Amir Hamzah Azizan. The increase includes RM2.2 billion from Sales Tax and RM2.8 billion from Service Tax, focusing on non-essential goods and commercial service supplies between business-to-business services while exempting essential goods and services to avoid burdening low-income groups. Fee-based financial services provided to businesses will also be taxed under the expanded scope. For more information, please click [here](#).

To everyone celebrating, we wish you a joyous Chinese New Year, and happy holidays to everyone else. We hope that you continue to stay safe and well.

Best regards,

Tan Eng Yew

Indirect Tax Leader

1. Measures for the Collection, Administration and Enforcement of Tax Act 2024

The [Measures for the Collection, Administration and Enforcement of Tax Act 2024](#) were published in the Federal Gazette on 31 December 2024.

The salient points covered under the abovementioned Act on the changes related to indirect taxes are as follows:

A. Measures for the Collection, Administration and Enforcement of Tax Act 2024

- A new section 27A is inserted in Windfall Profit Levy Act 1998 on the introduction of electronic services for any registered user in relation to windfall profit levy:

“27A. Use of electronic service

- 1) Notwithstanding any other provision of this Act, the Director General may provide an electronic service to any registered user for—
 - a) the filing or furnishing of any application, return, declaration, or any other document; and
 - b) the service of any notice, direction, order, permit, receipt, or any other document.
- 2) Where—
 - a) any application, return, declaration, or any other document are made and transmitted to the Director General through the electronic service; or
 - b) any notice, direction, order, permit, receipt, or any other document is obtained by the registered user through the electronic service,

(cont.) the Director General shall not be liable for any loss or damage suffered by the registered user by reason of any error or omission of whatever nature or howsoever arising appearing in any application, return, declaration, notice, direction, order, permit, receipt or any other document if such error or omission occurred or arose as a result of any defect or breakdown in the electronic service or in the equipment used for the provision of the service or without the knowledge of the Director General.
- 3) Any application, return, declaration, or any other document made and transmitted by the registered user shall be deemed to have been filed or furnished at the time the application, return, declaration, or any other document is received by the Director General.
- 4) For the purposes of this section, “registered user” means any person who is authorised in writing by the Director General to gain access to and use the electronic service.”

Deloitte's comments

The new section on "Use of electronic service" in Windfall Profit Levy Act 1998 allows filing and furnishing of applications and returns related to the windfall profit levy via online which aligns with other filing and furnishing of indirect taxes, such as service tax, sales tax, and tourism tax, all of which are submitted online rather than through manual submissions.

For more information, businesses may visit the MySawit portal [here](#) on the registration as an oil palm supplier and submission of the windfall profit levy return.

- In Subsection 26(2) of the Sales Tax Act 2018 and Service Tax Act 2018 on the deadline to submit the SST return by SST-registered persons with varied taxable period, the words “within thirty days from” are replaced with the words “not later than the last day of the month following.”

Deloitte’s comments

The amendment on the submission deadline for SST returns for persons with varied taxable periods would broadly be consistent with persons with standard taxable periods, i.e., the last day of the month following the end of a taxable period.

- In Subsection 27(5) and 27(6) of the Sales Tax Act 2018, the word “taxable” is removed before the word “person.” The paragraph of subsection 27(5) now reads as “Where any person has obtained control of any taxable goods or has imported any taxable goods, the Director General may require the *person* to account for the taxable goods.” Further, reference to said person has also changed; the paragraph of subsection 27(6) now reads “Where any *person* fails to account for the taxable goods under subsection (5) by reason that—

(a) the taxable goods have been sold by *such person*;

(b) the taxable goods have been exported or removed by way of sale; or

(c) the taxable goods have been lost or destroyed,

(*cont.*) the Director General may assess, to the best of his judgement, the amount of sales tax that would have been chargeable in respect of the taxable goods if the goods had been sold by *such person*, and shall forthwith notify the taxable person of the assessment in writing.”

Deloitte’s comments

The amendment extends the Director General of the Royal Malaysian Customs Department (“RMCD”) authority to assess sales tax on any person, including individual buyers or non-taxable persons with sales tax exemptions, who fail to correctly account for taxable goods, rather than just taxable persons.

Thus, it is important for businesses to ensure that sales tax is properly accounted for to avoid potential penalties and / or fines from the underdeclared or undeclared sales tax.

- In Subsection 25 (1) of the Sales Tax Act 2018, the word “two” is inserted after the word “following”. The paragraph of subsection 25(1) now reads as “The first taxable period of every taxable person shall begin from the date he should have been registered under section 13 and end on the last day of the following *two* months and the subsequent taxable period shall be a period of three months ending on the last day of any month of any calendar year.”

Deloitte’s comments

The amendment aligns with the current practices of the RMCD, i.e. taxable periods and filing of sales tax on low value goods (“LVG”) on a quarterly basis.

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2. Recent updates in relation to Pulau 1 (Forest City), Johor

Introduction

The government recently brought into force 5 indirect tax Amendment Acts relating to Pulau 1 (Forest City), Johor, and enacted related subsidiary legislation, effective 1 December 2024.

The above 5 indirect tax Amendment Acts, are as follows:

1. Customs (Amendment) Act 2024
2. Excise (Amendment) Act 2024
3. Free Zones (Amendment) Act 2024
4. Sales Tax (Amendment) Act 2024
5. Service Tax (Amendment) Act 2024

Notable amendments made to the abovementioned Amendment Acts were covered in our [November 2024](#) edition.

Summary of the key changes in relation to Pulau 1 (Forest City), Johor

The key changes in the amendment Acts and subsidiary legislation, effective 1 December 2024, are as follows:

- Pulau 1 is essentially treated as a place in Malaysia not within the Principal Customs Area (“PCA”), similar to Labuan, Langkawi, Tioman and Pangkor. This would basically mean that Pulau 1 is a duty-free island, for which special provisions are made in the indirect tax laws.
- For SST purposes, the term “Designated Area” (“DA”), which previously included only Labuan, Langkawi, Tioman and Pangkor, was amended to include Pulau 1. Special SST treatment is applicable for a DA.
- In relation to retail trade in Pulau 1, any person intending to sell, by retail, any goods that the Minister of Finance (“MOF”) has declared to be not subject to import duty, excise duty, or sales tax must submit a written application to the MOF for approval. Upon receiving approval, such person would be required to adhere to conditions stipulated by the MOF. Failure to comply with these conditions may result in the revocation of the MOF approval. Moreover, non-compliance with the conditions would constitute an offence, which may result in fines, imprisonment, or both upon court conviction. However, the offence is compoundable by Customs, upon which court prosecution would not be proceeded with.
- The special indirect tax treatment on goods in relation to Pulau 1, are summarised in the table below:

No.	Indirect tax	Summary of special indirect tax treatment
1.	Customs duty	<p>(a) Import duty is payable on dutiable goods imported into Pulau 1 except goods declared via gazette by MOF.</p> <p>(b) Import duty is payable on goods declared via gazette by MOF in 1 (a), above, that are transported from Pulau 1 to PCA (as if such transportation is an import into Malaysia).</p>

		<p>[Note: MOF has gazetted the following goods to be not subject to import duty on importation into Pulau 1 or transportation to Pulau 1 from PCA:</p> <ul style="list-style-type: none"> i. Intoxicating liquors; ii. Chocolates; iii. Perfumes; and iv. Cosmetics.] <p>(c) Export duty is payable on dutiable goods transported from PCA to Pulau 1 as if such transportation is an export from Malaysia.</p>
2.	Excise duty	<p>(a) Excise duty is payable on all dutiable 'excisable' goods manufactured in or imported into Pulau 1, except goods declared via gazette by MOF.</p> <p>(b) Excise duty is payable on goods declared via gazette by MOF in 2(a), above, that are transported from Pulau 1 to PCA (as if such transportation is an import into Malaysia).</p> <p>[Note: MOF has gazetted the following goods to be not subject to excise duty on importation into Pulau 1 or transportation to Pulau 1 from PCA:</p> <ul style="list-style-type: none"> i. Intoxicating liquor.
3.	Sales tax	<p>(a) Unlike other DAs, for Pulau 1 the starting point in the Sales Tax Act 2018 is that:</p> <ul style="list-style-type: none"> (i) the sales tax law is applicable on all taxable goods manufactured in Pulau 1, other than goods declared via gazette by MOF; and (ii) sales tax is payable on all taxable goods: <ul style="list-style-type: none"> • imported into Pulau 1, • transported from PCA, DA or Special Areas (SA) to Pulau 1, <p>(cont.) other than goods declared via gazette by MOF.</p> <p>(b) Sales tax is payable on goods declared via gazette by MOF in 3(a)(ii), above, transported from Pulau 1 to PCA as if such transportation is an import into Malaysia.</p> <p>(c) Sales tax is not payable on goods declared via gazette by MOF in 3(a), above, transported from Pulau 1 to other DA or SA.</p>

		<p>[MOF has gazetted that sales tax is to be imposed on the importation or transportation of—</p> <p>(a) The following goods into DA, excluding Pulau 1:</p> <ul style="list-style-type: none"> i. Petroleum; ii. Cigarettes; iii. Tobacco products; iv. Smoking pipes (including pipe bowls); v. E-cigarettes; and vi. Preparation of a kind used for smoking through e-cigarette, electric vaporising devise, in forms of liquid or gel, whether or not containing nicotine. <p>(b) All taxable goods into Pulau 1, excluding:</p> <ul style="list-style-type: none"> i. Wine; ii. Spirits; iii. Beer or malt liquor; iv. Chocolate; v. Cosmetics; and vi. Perfumes.]
4.	Service tax	<p>The starting point in the Service Tax Act 2018 on the service tax treatment for Pulau 1 is the same for other DAs: briefly, service tax is not chargeable on taxable services provided within or between DAs, unless where MOF prescribes otherwise via gazette.</p> <p>However, MOF has gazetted a separate order on Pulau 1 that, service tax is chargeable on any taxable services provided by any taxable person:</p> <p>(a) within Pulau 1,</p> <p>(b) between Pulau 1 and other DA, and</p> <p>(c) between Pulau 1 and SA.</p> <p>Nevertheless, MOF has also gazetted amendments to the general order on imposition of service tax in respect of DA/SA. These amendments indicate that, for the purpose of the imposition of service tax in the following DA/SA circumstances, Pulau 1 is “excluded” from the context of DAs, as follows:</p> <p>(a) Passenger air transport services between DAs excluding Pulau 1, or, from DA (excluding Pulau 1) to SA or vice versa.</p> <p>(b) Telecommunications services between DAs excluding Pulau 1, or, from DA (excluding Pulau 1) to SA or vice versa.</p>

Deloitte's comments

At first glance, the treatment of Pulau 1 as a duty-free island or DA (for SST), that is outside the PCA, would seem to give the impression of the general duty-and-tax-free treatment as for the other duty-free islands or DA i.e. Labuan, Langkawi, Tioman, and Pangkor.

However, the detailed provisions on the special treatment for Pulau 1, as summarised in the above table, do not seem to be as straightforward as the other duty-free islands and DAs.

Therefore, taxpayers would have to carefully consider and apply the detailed provisions on Pulau 1, as summarised in the table above, in the context of their transactions involving Pulau 1, to determine the correct duty and tax treatment.

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3. TIN Search Platform for e-Invoicing and Taxation Activities

In conjunction with the Budget 2025 announcement, the Inland Revenue Board of Malaysia (“IRBM”) has introduced a new Tax Identification Number (“TIN”) search function for the purposes under the Income Tax Act 1967, which includes taxation and e-Invoicing activities.

Taxpayers can now search for the TIN of respective parties by providing the following information:

- Individuals: Identification Number or Passport Number.
- Non-Individuals: Business Registration Number (BRN) or registered Taxpayer Name (if BRN is unavailable).

The TIN search function will return one (1) corresponding TIN based on the provided search information.

The platform is accessible starting 1 January 2025 via:

1. MyTax Portal

Visit <https://mytax.hasil.gov.my> and click on the TIN Search button.



2. MyInvois Portal

Click on the search icon on the MyInvois Portal New Document page.

3. MyInvois API

API integration details and technical guidance are available in the [MyInvois Software Development Kit \(SDK\)](#).

To support the use of MyDigital ID, the IRBM has also provided access to the TIN search function by using the MyDigital ID mobile app. Please note that MyDigital ID is exclusively available for Malaysian citizens.

Taxpayers are advised to use the TIN search function strictly for purposes outlined under Income Tax Act 1967. Unauthorised use of this service is prohibited and may result in prosecution under Section 66A of the Income Tax Act 1967, where a fine not exceeding RM4,000 or imprisonment for a period not exceeding one year or both may be subjected.

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