



eNewsletter 09/2022: SALES TAX ON LOW VALUE GOODS (LVG)

Greetings and welcome to RSM Malaysia's special edition of e-newsletter.

During the Budget 2022, the Ministry of Finance announced that Low Value Goods (LVG), not exceeding RM 500, that are sold by foreign / local online sellers and delivered to consumers in Malaysia is subject to sales tax with effect from 1 January 2023.

The move by the Ministry of Finance to implement this new indirect tax system for foreign online sellers is to ensure the level playing field and fair treatment is given for LVG purchased locally and overseas.

Registration for eligible sellers will start from **1 January 2023**. However, the imposition of sales tax on LVG **will be effective from 1 April 2023**.

With the much-anticipated imposition of sales tax on LVG in Malaysia, the Royal Malaysian Customs Department ("RMCD") has issued a "draft" guideline on **19 December 2022** to assist foreign online sellers (i.e. online marketplace or operators of online marketplace) to understand the sales tax implications on LVG.

Based on the foregoing, we summarize the salient points of the guide as follows:

PART I – IMPOSITION AND SCOPE

Scope of Tax

“LVG” are goods or class of goods from outside Malaysia that are sold in the online marketplace at a price not exceeding **RM 500** and brought into Malaysia via air, sea or land modes.

LVG refers to all goods excluding cigarette, tobacco products, electronic cigarettes and intoxicating liquor.

The rate of tax is **10%**.

Threshold to register for Sales Tax and Liability to Register

Any seller (who sells LVG to consumers in Malaysia) is required to be registered for sales tax in Malaysia if the total sales value exceeds **RM500,000** within a 12-months period.

A seller may apply for registration with effect from **1 January 2023**.

Accounting for Sales Tax on LVG

Sales tax on LVG shall be due and payable at the time the LVG is sold by RS.

Taxable Period

The filing frequency for RS shall be a period of three months (quarterly) ending on the last day of any month of any calendar year.

Transitional Provisions

LVG that are sold before the effective date shall not be subject to sales tax even though the delivery of such goods is made after the effective date.

PART II – CUSTOMS CLEARANCE PROCEDURES ON THE IMPORTATION OF LVG

Information on the package

The LVG Registration Number information is required to be provided by the exporters / RS in the consignment note / air waybill under the exporter / consignor column / field and must be displayed on all packages.

For more information on the above guideline, please do not hesitate to contact our Indirect Tax Director, **Ms. Mayadevi** or Indirect Tax Senior Manager, **Mr. Kalvinder Singh**.

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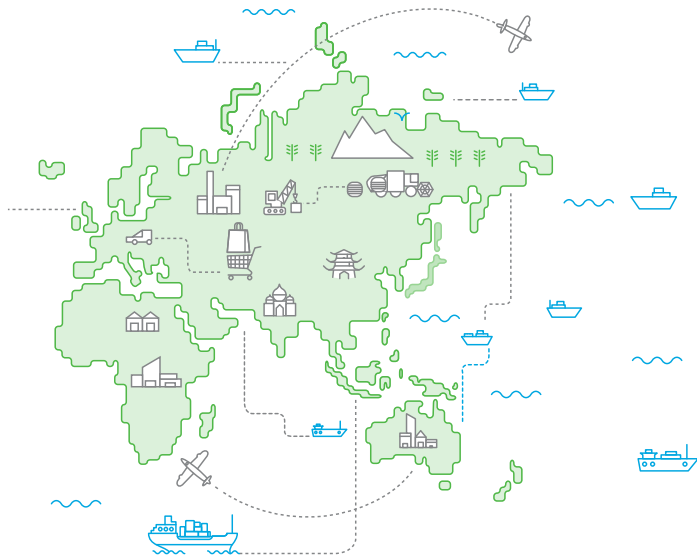
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