
Technology, Media & Telecommunications

Introduction of Sales Tax on Low Value Goods on Online Marketplaces

Introduction

Changes are being made to the [Sales Tax Act 2018](#) (“**STA**”) in phases to impose sales tax on low value goods (“**LVG**”). The changes are effected pursuant to the [Sales Tax \(Amendment\) Act 2022](#) and the relevant regulations and orders issued thereunder¹ (with provisions effective from 1 January 2023 and 1 April 2023 respectively). This is in line with the announcement made by the Ministry of Finance in [Budget 2022](#) to ensure a level playing field and fair treatment between taxable goods manufactured in Malaysia and imported goods, as local manufacturers are already being charged a 5% or 10% sales tax.

LVG are goods from outside Malaysia which have a sale value of not more than RM500 and are brought into Malaysia by land, sea or air. Pursuant to the [Guide on Sales Tax on Low Value Goods](#) issued by the Royal Malaysian Customs Department (“**RMCD**”), the LVG tax is mainly intended to implement sales tax on LVG sold through online marketplaces. Therefore, these changes will heavily impact e-commerce businesses where LVG are sold through an online marketplace and imported into Malaysia in the prescribed manner.

Brief Overview of LVG Tax

The STA introduces the following amendments in relation to the LVG tax:

(a) Registration Requirement

Effective from 1 January 2023, both foreign and local sellers who sell LVG, and exceed RM500,000 in their total sales value within 12 months, are required to register under section 13 of the STA as a Registered Seller.

In particular, the total sales value threshold is triggered at the end of any month where the total sale value of that month and the eleven preceding months exceeds RM500,000 (i.e. historical method); or where the total sale value of LVG in that month and eleven months succeeding that month will exceed

¹ The regulations and orders include: (i) [Sales Tax \(Low Value Goods\) Regulations 2022](#); (ii) [Sales Tax \(Total Sale Value of Low Value Goods\) Order 2022](#); (iii) [Sales Tax \(Rate of Tax for Low Value Goods\) Order 2022](#); and (iv) [Sales Tax \(Determination of Low Value Goods\) Order 2022](#).

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RM500,000 (i.e. future method), whichever is earlier. RMCD has also clarified that the 12 month period is calculated on a rolling basis, as opposed to being based on a fiscal year.

(b) Effective Date of Imposition of Sales Tax on LVG

The effective date of imposition of sales tax on LVG is 1 April 2023².

(c) LVG Tax Rate

The rate of sales tax for LVG to be charged and levied is fixed at 10%.

(d) Calculation of Sales Tax

The sales value used in the calculation of sales tax excludes any tax, duties, transportation and insurance costs (such as shipping fees) imposed on the imported LVG.

(e) Accounting Basis

The LVG sales tax becomes due and payable at the time when the LVG is sold by the Registered Seller.

(f) Issuance of Invoice

In relation to each transaction, the STA requires a Registered Seller to issue an invoice, or any document containing prescribed particulars, to the consumer.

(g) Taxable Period

The Registered Seller will be assigned a taxable period of three months ending on the last day of any month of any calendar year, for which he is required to account for his tax in his return to be furnished to the Director General.

Conclusion

In view of the coming into force of the imposition of LVG tax in April 2023, consumers in Malaysia will likely be required to pay an additional 10% sales tax for any LVG purchased from abroad via an online marketplace. Sellers in turn, with a total sales value of LVG in 12 months which exceeds RM500,000, should start applying to be registered as Registered Sellers under the STA.

² [Appointment of Effective Date For Charging and Levying of Sales Tax on Low Value Goods.](#)

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As for online marketplace operators, it is unclear at this juncture whether they will be required to remit the LVG tax. While this query has been raised during a recent webinar conducted by the RMCD, there has yet to be any clarification provided by the RMCD on this point. It therefore remains to be seen whether online marketplace operators will be liable to remit LVG tax, or are under any other obligation in respect of LVG tax for the sales of LVG carried out on their platforms.

We trust the above provides you with a quick update on the LVG tax. Should you require any assistance or clarification regarding the above, you may refer to the [Guide on LVG published by the RMCD](#)³, reach out to the [RMCD](#) or otherwise please feel free to get in touch with us at your convenience.

³ This draft Guide is published on 1 January 2023 and last updated on 9 January 2023.

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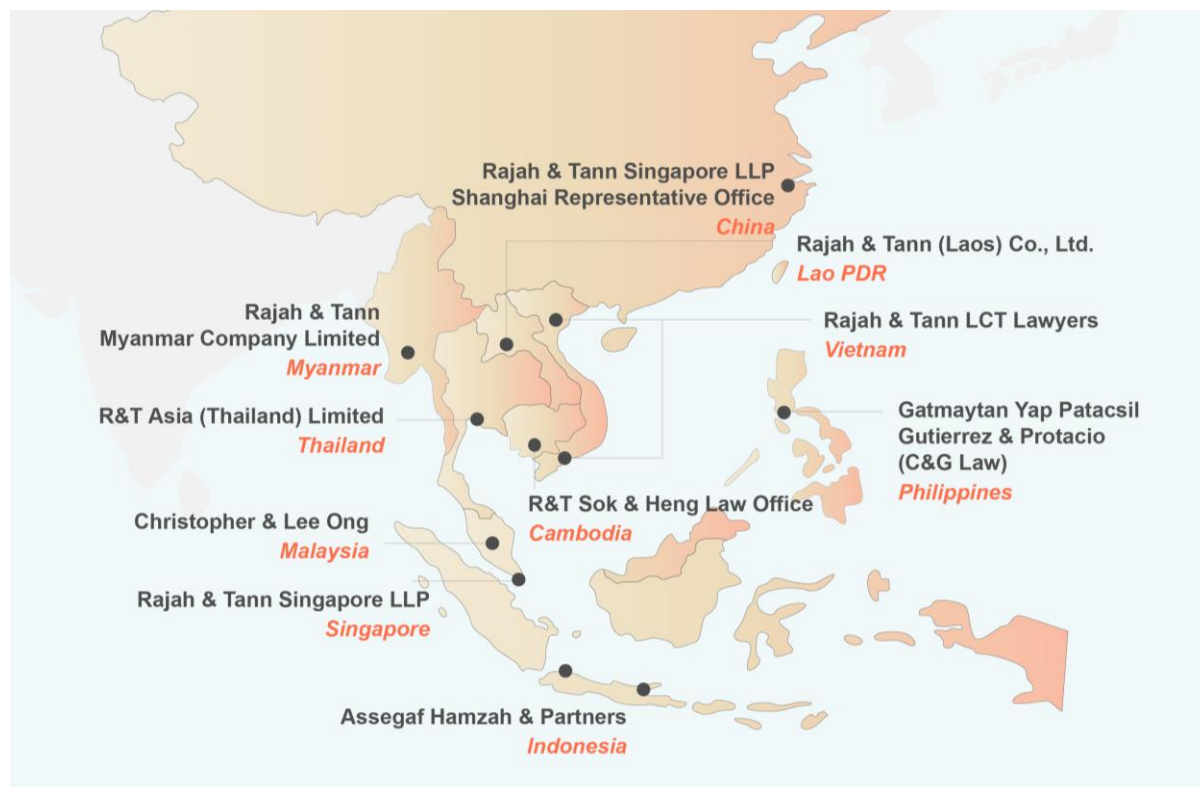
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