



ROYAL MALAYSIAN CUSTOMS DEPARTMENT

Q&A SESSION
Webinar: Update on SToDS
and
Implementation of Sales Tax on Low Value Goods (LVG)
on
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The information presented in the slides aim to provide a better of SST treatment and is not intended to address all possible SST issues. The information is correct as at the date of presentation. While all effort has been made to ensure that this information is consistent understanding with the prevailing law and procedures, should there be any changes, RMCD reserves the rights to vary our position accordingly.

Feedback from Royal Malaysian Customs Department (RMCD)

No.	Question	RMCD Feedback
1.	If they are not registered, do we need to notify vendor to register with RMCD?	Yes, you may inform them on the liability to be registered as a registered seller.
2.	Sales tax on LVG is only applicable for LVG sell via online portal or also applicable to physical sales of LVG?	Sales tax on LVG only applicable to goods that are sold through online at from abroad/ outside Malaysia
3.	The 500K sales is assessed based on rolling 12 months, or based on fiscal year? and based on past record or once a seller hit the tipping point?	It shall be based on 12 rolling months.
4.	How about subscription that we will receive monthly journal / report?	Subscription of monthly journal/report is a digital service. However, this digital service is given exemption effective from 1.1.2020. You may refer to service Tax Policy No5/2020 for further clarification. The document can be accessed through MySST portal.
5.	Does Digital Tax qualify for back to back exemption?	There is a facility in place for person who fulfil conditions set under the facility. You may refer to Service Tax Policy No3/2020 where a registered person in Malaysia, if acquired digital service from FRP and the service is to be delivered to another client, can claim back the amount of service tax paid to FRP in your SST-02 return via offsetting method.
6.	May I know what is low value goods refer to?	As defined under Section 11A: Low Value Good means 'any prescribed goods or class of goods outside Malaysia which are sold at a price not more than a prescribed amount and brought into Malaysia in the manner as prescribed.' (Prescribed manner - by land, sea or air)
7.	May I know what is the custom bank name and account no for online SST payment?	Detail of payment for Service Tax on Digital Services (SToDS) by FRP can be obtained once FRP login into MySTODS system.

No.	Question	RMCD Feedback
8.	Can we pay thru TT payment instead of FPX?	Yes
9.	Tuan Punesen, you mentioned that the objective is to level the playing field. However w the exemption for de minimis imports maintained --> doesnt this conflict w that objective?	Currently this is a policy set by the Government of Malaysia in order to smooth the implementation of Sales tax on LVG. However, RMCD will look into the requirement to remove de-minimise facility in future.
10.	Tuan, you mentioned that the objective to charge sales tax on LVG is to create level playing field. However, there is sales tax exemption given to LVG imported by seller using air transportation. Does it conflict with the above objective?	Currently this is a policy set by the Government of Malaysia in order to smooth the implementation of Sales tax on LVG. However, RMCD will look into the requirement to remove de-minimise facility in future.
11.	For SToDS, is the liability to pay Service Tax on the foreign service provider? Meaning to say if the foreign service provider did not pay the service tax, will the local consumer be liable to pay the Service Tax?	Under SToDS implementation, FRP is liable to be registered, charge, collect and remit the service tax to RMCD. If foreign service provider not register with RMCD, recipient of the services who are in business shall account service tax on Imported Taxable Service (IMTS)
12.	Hii Tuan.. what about for goods bought from local seller online, but local delivery (i.e. no importation)?	This transaction does not fall under the scope of Sales Tax on LVG.
13.	Is the MYR500 threshold determined at item level?	It shall be based on goods sold
14.	If the buyer bought 3 watches (\$200 each), is this LVG?	Yes
15.	Tuan, you mention all import goods. are it included on manufacturing goods.	Yes, as long as the goods value does not exceed RM 500.
16.	Hi Tuan, would the OMP be liable to remit LVG tax, or would responsibility be on the RS only?	In the case where a seller sells LVG directly on his own website and exceeds prescribed threshold, he is liable to be registered, charged, collect & remit sales tax on LVG to Royal Malaysian Customs Department (RMCD).

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		But if the LVG sold through Online Marketplace (OMP), the OMP operator is liable to be registered, charged, collect & remit sales tax on LVG to RMCD.
17.	Sold Online by seller & sent to Consumers in Malaysia - Kindly advise in terms of scope for MY it will be B2B or B2C or both? This is to clearly define the term consumer	Under Sales Tax on LVG, it covers all consumers as long as the goods satisfy the definition of LVG. As defined under Section 11A: Low Value Good means 'any prescribed goods or class of goods outside Malaysia which are sold at a price not more than a prescribed amount and brought into Malaysia in the manner as prescribed.' (Prescribed manner - by land, sea or air)
18.	Must platform (RS) issue invoices for the sellers listing on its platform? We do not issue invoice for sellers now as it is not our transaction, from a legal perspective.	Yes, as per requirement under Section 21, Sales Tax Act 2018 (LVG). However, RS may write in to DG for approval to accept any other document as an invoice or other document. You can email to mylvg@customs.gov.my.
19.	With reference to the Example 2 (comparison between Sales Tax on LVG and Import Duty) - Does that mean that the consumer will need to pay both RM45 (sales tax on LVG) and Import Duty of RM25? Or either one? If either one, which tax?	Yes, you need to pay both, sales tax on LVG & Import Duty (if any)
20.	Why is RS under SToDS allowed to issue credit note to customers, and RS under LVG not allowed to?	In the case where a seller issues any commercial credit note for a transaction where sales tax on LVG has been accounted, RS may amend LVG-02 return related to the relevant taxable period and may proceed with refund application.
21.	What about books/magazines? Are they not subject to the exemption under LVG?	No
22.	How will Customs ensure that seller who exceeds the threshold register as RS?	We will make sure sellers who exceed the prescribed threshold register as RS.

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23.	If a local boutique seller (with own website) is clothes below RM500 where the purchase is sourced both locally and imported. When the seller sell on the website, how to distinguish which sales to charge?	Local sellers need to identify which item from local and from abroad. Sales tax on LVG shall only be applicable on goods that are from outside Malaysia.
24.	For SToDS, what happens if the service provided falls under Imported Service Tax as well?	According to Section 56A, Service Tax Act 2018, Foreign Registered Person (FRP) shall charge service tax on digital service. Recipients in Malaysia may enjoy any facilities in place to avoid double taxation.
25.	If the order was placed on 30 Mar, but payment (credit card deduction) is on 2 Apr. Is this subject to LVG Sales Tax?	No, if order is confirmed on 30 March 2023.
26.	If a local seller sells goods online to customers in Malaysia and only imports the goods from overseas when a sale has happened, is this subject to LVG? Note that the local seller is the importer on record when importing the goods and the local seller will then deliver the goods to the local customer	The importation by the local seller will subject to sales tax on LVG if the goods being imported satisfy the definition of LVG and purchased through online from Registered Seller. When the local seller sells and deliver the goods to the local customer it does not fall under the implementation of sales tax on LVG.
27.	What forecast basis / document is sufficient to prove revenue in future method? Business forecast in a B2C business is often not very accurate.	Sellers may provide any relevant documents that can support the expected revenue in future.
28.	Company A import from overseas, sell to Company B in bulk. Company B sell the good on own website. Is LVG sales tax applicable when Company sell on website?	When B sells the goods on his own website, it is not subject to sales tax on LVG.
29.	If both the seller and online marketplace operator register for sales tax, who should have the liability to report the sales tax?	In the case where a seller (S1) sells LVG directly on his own website and exceeds prescribed threshold, he is liable to be registered, charged, collect & remit sales tax on LVG to Royal Malaysian Customs Department (RMCD)

No.	Question	RMCD Feedback
		But if S1 also engages Online Marketplace (OMP) operator to sell the goods through OMP, the OMP operator is liable to be registered, charged, collect & remit sales tax on LVG to RMCD.
30.	For a seller selling their items through e-commerce site like lazada, does it mean lazada will be registered person? Or individual seller on the e-commerce?	If the LVG sold only through Online Marketplace (OMP), the OMP operator is liable to be registered, charged, collect & remit sales tax on LVG to RMCD.
31.	Is Platform only in relation to online marketplaces or does it include any local or foreign seller who sells online (e.g. via their own website)?	Yes, it includes any local or foreign seller who sells LVG online through their own website.
32.	If the registered seller is selling LVG to a consumer in Malaysia through a registered Marketplace platform, who would be liable in such a case where both the seller as well as the marketplace platform are registered? Would the liability fall on the registered seller or would the liability fall on the registered Marketplace platform?	In the case where a seller (S1) sells LVG directly on his own website and exceeds prescribed threshold, he is liable to be registered, charged, collect & remit sales tax on LVG to Royal Malaysian Customs Department (RMCD) But if S1 also engages Online Marketplace (OMP) operator to sell the goods through OMP, the OMP operator is liable to be registered, charged, collect & remit sales tax on LVG to RMCD.
33.	Mohon penjelasan. Tn Punesh maklum LVG keatas semua barang import bawa RM500 namun sebentar tadi Pn makum LVG cuma keatas dagangan yang melalui ecommerce sahaja.. harap dapat penerangan yg jelas..	The implementation of sales tax on LVG cover LVG not exceeding MYR500 from abroad sold online by seller and delivered to consumers in Malaysia is subject to sales tax. Therefore, any person who sells LVG through his own website or through Online Marketplace (OMP), is liable to be registered, charged, collect & remit sales tax on LVG to RMCD.
34.	Threshold RM 500,000 this is amount of total of sale or for LVG item only?	Yes
35.	will Malaysia re-implement GST to replace service tax?	Depends on the policy set by the Government of Malaysia.

No.	Question	RMCD Feedback
36.	May i know the Custom email / contact that would enable me clarify some doubts?	<p>Issue related to:</p> <ol style="list-style-type: none"> 1. Implementation of sales tax on LVG, can be email to mylvg@customs.gov.my 2. Implementation of service tax on digital services (SToDS), can be email to stods@customs.gov.my
37.	If the registered seller is selling LVG to a consumer in Malaysia through a registered Marketplace platform, who would be liable in such a case where both the seller as well as the marketplace platform are registered?	<p>In the case where a seller (S1) sells LVG directly on his own website and exceeds prescribed threshold, he is liable to be registered, charged, collect & remit sales tax on LVG to Royal Malaysian Customs Department (RMCD)</p> <p>But if S1 also engages Online Marketplace (OMP) operator to sell the goods through OMP, the OMP operator is liable to be registered, charged, collect & remit sales tax on LVG to RMCD.</p>
38.	So when company subject to register SToDs ?	<p>Any foreign service provider (FSP) who provides digital service to consumer in Malaysia and exceeds RM 500,000, FSP is liable to be registered, charged, collect & remit service tax on digital service (SToDS) to RMCD.</p>
39.	What documents need to maintain to prove B2B exemption	<p>Any person who qualifies for any exemption may provide relevant documents that can support the entitlement for such exemption.</p>
40.	If a consumer in Malaysia is importing digital services from a registered seller selling through a registered Marketplace platform, who would be liable to pay tax? The registered seller or registered Marketplace platform? Want to get clarity on which of the above two parties would be liable where both are registered?	<p>In the case where a seller (S1) sells LVG directly on his own website and exceeds prescribed threshold, he is liable to be registered, charged, collect & remit sales tax on LVG to Royal Malaysian Customs Department (RMCD)</p> <p>But if S1 also engages Online Marketplace (OMP) operator to sell the goods through OMP, the OMP operator is liable to be registered, charged, collect & remit sales tax on LVG to RMCD.</p>

No.	Question	RMCD Feedback
41.	Thanks for the helpful update. Can i have the contact no & e-mail if any question in future?	Issue related to: <ol style="list-style-type: none"> 1. Implementation of sales tax on LVG, can be email to mylvg@customs.gov.my 2. Implementation of service tax on digital services (SToDS), can be email to stods@customs.gov.my
42.	<p>Hi Tuan, few questions for your attention:</p> <ol style="list-style-type: none"> 1) Value of LVG to account for sales tax- Would it be at gross value of the LVG or net of any discount given by seller? 2) In a scenario whereby if LVG goods are packed in one consignment during importation, would RMCD consider this as non-LVG? 3) Display of pricing of goods at the platform level, i.e. inclusive of sales tax or exclusive of sales tax? 4) Noted that the De-minis rule is applicable. How does this works as exemption is still applicable on importation via air courier? 5) Refund not made available for cancellation / return of goods? (1 liked) 	<ol style="list-style-type: none"> 1. Sales tax will be charged on net after discount. 2. Need more details for this question. 3. For display of price, depends on company's policy. As for the issuance of invoice or document, it has to be total amount payable excluding sales tax. Reference: Regulation 6, Sales Tax (Low Value Goods) Regulations 2022. 4. Goods under De Minimis facility are eligible to get immediate customs clearance subject to condition stated under Item 94, Part I of the Schedule, Customs Duties (Exemption) Order 2017 and Item 24, Schedule A, Sales Tax (Persons Exempted From Payment of Tax) Order 2018. 5. Refund is available if RS has overpaid or erroneously paid the amount of sales tax or is entitled to the refund under subsection 41(3) of the Act (Remission of sales tax, etc.) Reference: Section 39 Sales Tax Act 2018 (LVG) and Regulation 10, Sales Tax (Low Value Goods) Regulations 2022.

No.	Question	RMCD Feedback
43.	It is not international best practice to require Tax ID to be displayed on package. Can MY customs allow RS to transmit the Tax ID to the carriers or agent based on our current practice?	<p>In accordance with Regulation 5, Sales Tax (Low Value Goods) Regulations 2022, RS shall clearly display the information (registration number of RS) of the consignment note by patching or affixing on the package.</p> <p>Suggestion on allowing RS to transmit Tax ID to the carriers or agent will be taken into consideration.</p>
44.	<p>With regards to Sales Tax on LVG, how does the RMCD view Cash on Delivery (COD) transactions?</p> <p>We understand that from a business perspective, Companies / Operators provide such payment facility to customers.</p> <p>Edited</p>	<p>For LVG, point of sale will trigger when an order is confirmed (accrual basis) and not on payment basis.</p>
45.	Is tax refund available from MY Customs on cases like order cancellation, return orders?	<p>Refund is available if RS has overpaid or erroneously paid the amount of sales tax or is entitled to the refund under subsection 41(3) of the Act (Remission of sales tax, etc.)</p> <p>Reference: Section 39 Sales Tax Act 2018 (LVG) and Regulation 10, Sales Tax (Low Value Goods) Regulations 2022.</p>
46.	If a company is already registered for sales tax, is the company required to register separately for LVG or the company may opt to account for LVG sales tax together with the existing Form SST 02?	<p>If company is already registered for sales tax and is liable to be registered under LVG, then the company is required to register separately.</p>
47.	If the RS sells imported goods and local goods (value < RM500), is LVG only applicable to imported goods? What is the proof to differentiate between imported and local goods.	<p>Yes, LVG is applicable on imported goods bought through online marketplace. The proof to differentiate between imported and local goods will be the consignment note patched or affixed on the imported package of LVG.</p>

No.	Question	RMCD Feedback
48.	Can RS elect to collect Sales Tax on all goods instead of differentiating between LVG and non-LVG, and MY Customs ensure that there is no double taxation if the goods are indicated as "Sales Tax Collected". This is an easier approach for updating companies' IT system.	Sales tax is to be collected on LVG as prescribed in Sales Tax (Determination of Low Value Goods) Order 2022. To avoid double taxation, RS shall include the LVG registration number on the consignment note.
49.	If a foreign unregistered person (not crossing the threshold) supplies digital services to a consumer (Registered as well as Unregistered) in Malaysia then who will be liable to pay taxes?	Consumer in Malaysia who in carrying on his business shall account for service tax on imported taxable service
50.	Can the credit note/ debit be exempted or waived off?	Issuance of credit note and debit note is not available under sales tax on LVG.
51.	Is there are any regulatory tax reporting requirements	Please refer to our Guide: Sales tax on LVG for further information.
52.	If company import good which is sale in own website as well as physical sales. At point of importation, how can we declare which are LVG and non-LVG goods so that there is no double taxation for those goods that sold online subsequently?	LVG is applicable on imported goods bought through online marketplace. To avoid double taxation, RS shall include the LVG registration number on the consignment note.
53.	May I ask, for the B2C scenario, if one parcels contains item A with RM100, and item B with 600 RM, during the declaration process, what type of declaration should i declare? item A for epam, and item B for K1? or both item need to be under K1?	Both goods can be declared in one K1 and need to be itemized per line in the declaration.
54.	What processes are in place by RMCD to ensure buyers don't pay double taxation at time of delivery? What happens in the events a consignment has LVG and Non-LVG Items?	LVG that has been charged Sales Tax at the point of sale will not be charged Sales Tax on Import, provided that the <u>LVG Registration Number is included</u> in the import declaration. Therefore, it is essential for the customs agents / courier services to fully understand the importation procedures of LVG on all modes.

No.	Question	RMCD Feedback
		Multiple goods (both LVG and non-LVG) bought from the same RS and shipped in a single consignment can be declared using one K1 form, provided that the goods are itemized per line in the declaration. Sales tax on import will not be charged for line items valued not exceeding RM500 if the LVG Registration Number is included in the declaration.
55.	For Example 2, what happens if the total CIF value (excluding sales tax) exceeds MYR500 but the sales price is below MYR500? Wouldn't Customs apply tax on the good at the border given that the CIF value of the shipment exceeds MYR500?	In this scenario, only import duty will be charged (if applicable) during importation. Sales Tax on Import will not be charged as the Sales on LVG has already been charged during the purchase. Customs may also require supporting documents such as invoices, etc., as proof of payment.
56.	May I ask, for the B2C scenario, if one parcels contains item A with RM100, and item B with 600 RM, during the declaration process, what type of declaration should i declare ? item A for epam, and item B for K1? or both item need to be under K1?	Refer to the answer given in number 53.
57.	If buyer pay 600 RM in total including 10 RM delivery fee and the LVG tax, buying an item A on online marketplace, for the declaration value computation, it is right to compute the declaration value as $(600-10)/(1+10\%)=536.36$	Custom value for import declaration consist of Cost, Insurance and Freight (CIF). For example: CIF value = Cost (excluding tax) + Insurance + Freight.