

Imposition of Sales Tax on Low Value Goods in Malaysia starting from 1 January 2024

November 2023

According to the latest [Guide on Sales Tax on Low Value Goods \(LVG\)](#) and [FAQ](#) (issued on 3 and 6 November 2023 respectively), the imposition of sales tax on LVG in Malaysia will commence on 1 January 2024. In this Trade Alert, we highlight the key details of the guide and FAQ covering the key definitions, scope, sales tax rate and registration requirements.

(Note: the gazette order to appoint the effective date for the charging and levying of sales tax has yet to be issued. Nevertheless, we expect the gazette order will be issued soon on actual implementation.)

Key definitions

LVG refers to all goods excluding cigarettes; tobacco products; intoxicating liquors; smoking pipes (including pipe bowls; electronic cigarettes and similar personal electric vaporising devices; and preparations of such electronic cigarette and vaporising devices) sold at a price not exceeding RM500 that are brought into Malaysia by land, sea or air mode.

A “seller” is defined as a person, whether in or outside Malaysia, who sells LVG on an online platform or operates an online marketplace for the sales and purchase of LVGs. A “registered seller” covers any seller who is registered under the Sales Tax Act 2018.

An online platform refers to a platform that provides facilities for the sale and purchase of LVG which includes a marketplace operated via website, internet portal or gateway. Local or overseas online platforms will be regarded as the seller of an LVG where:

- it is contractually agreed between seller and marketplace operator; or
- where the marketplace operator is perceived to be the seller, transacting with the customer.

Scope and rate of sales tax on LVG

Sales tax shall be charged on LVG sold by a registered seller or a seller who is liable to be registered.

The rate of sales tax on LVG is at a flat rate of 10%, where sales tax on LVG is calculated based on the sale value of LVG, not including any tax, duty, fee or other charges such as transportation, insurance or other costs. Sales tax on LVG will be charged based on the sale value per piece/unit.

The sales tax on LVG shall be due and payable at the time when the LVG is sold by the registered seller. The point of sale is when the purchase order is confirmed.

The maximum late payment penalty is 40% of the unpaid sales tax amount.

Who should be registered?

A seller of LVG is liable to be registered if the total sales value of LVG for a 12-month period exceeds RM500,000, where the total sales value of LVG for a 12-month period can be calculated using either the Historical Method or the Future Method.

Since 1 January 2023, applications for registration must be submitted online via <https://lvg.customs.gov.my>.

Our take

With the current online shopping trend, we envisaged that the imposition of sales tax on LVGs will impact many companies who sell LVGs on a local or overseas online platform or operate an online marketplace for the sales and purchase of LVGs. Companies who are affected will need to make sure they have this under control as soon as possible.

Based on the various rounds of notices published in relation to the imposition of sales tax on LVG, we expect that the Royal Malaysian Customs Department (RMCD) will take this seriously and expect companies to be proactive. This includes assessing whether the company is liable to register as a registered seller and charging sales tax on LVG for companies who have already registered with effect from 1 January 2024.

Hence, as the effective date of the imposition of sales tax on LVG is fast approaching, if you believe that you or your company will be affected, we suggest immediately assess whether your company is liable to be registered as a LVG seller. Following that,

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identify and determine the potential impact to your costs (i.e. charging the respective 10% sales tax on each LVG) and customs clearance procedures (i.e. method of declaration based on the particular line details) to ensure that the 10% sales tax on LVG is appropriately accounted for in your operations. This is also in consideration of the late penalties that would be applied for any unpaid sales tax due on the applicable due dates.

Let's talk

If you would like further advice in relation to the topic above or a deeper discussion of how this issue might affect your business, please contact:

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