

Malaysia

The analog of VAT in Malaysia is Sales tax.

Sales tax standard rate

The standard Sales tax rate in Malaysia in 2023 is 10%.

Reduced rate

A reduced rate of 5% applies to certain products, including food, pharmaceutical goods, base metals, and others.

Increased rate

An increased rate of 20% applies to the certain food preparations.

Goods Exempted from Tax

- Books, newspapers, magazines;
- Meat, milk, eggs, vegetables, fruits, bread;
- Fish, seafood;
- Bicycles including certain parts and accessories;
- Pharmaceutical products such as medicine, medical cream, cough syrup, bandage, medicaments containing multivitamins & minerals, etc.;
- Articles of goldsmith such as gold or platinum jewellery, silver tableware, etc.;
- Goods produced for export;

Import of low-value goods

In Malaysia, the concept of low-value goods (LVG) was introduced on 1 April 2023. Import of goods with a value below RM500 (\$110) is the import of low-value goods. Shipping costs if indicated separately are not included in the tax base for sales tax calculation.

Sales tax registration threshold

The Malaysian VAT registration threshold is RM 500 000 which is approximately \$110,000. This threshold is applied to local and foreign companies which import LVG or sell locally. Threshold is calculated for each 12-month period.

Marketplaces

International marketplaces are required to register as sales taxpayers if the total value of imports to Malaysia for 12 months has reached the amount specified in the threshold section. Marketplaces in this case must calculate and withhold sales tax on their platform. Marketplace facilitator rules effective in Malaysia since 1 April 2023.

Registration procedure

In Malaysia, a company can register for sales tax online through the MySST system. In MySST, a taxpayer is required to submit an individual application in case this company did not receive notification of registration.

If foreign company registers for special LVG scheme it is assigned with LVG Registration Number. This number needs to be indicated in each import declaration or the consignment note (CN).

Tax representative

Tax representatives are not required in Malaysia.

Sales tax filing

The tax period for taxpayers registered for the LVG scheme is a quarter. Deadline for filing LVG sales tax return is the last day of the month following the reporting period.

The standard sales tax period in Malaysia is two months. Deadline for filing standard ST return is the last day of the month following the reporting month.

Sales tax payment deadlines

The deadline for sales tax payment coincides with the deadline for submitting the sales tax return. The tax return can be submitted and payment can be made by mail or online. If paper form is chosen, it needs to be sent to the Customs Processing Center (CPC). If payment of sales tax is made electronically, it needs to be done through the MySST system.

Penalties

There are penalties for late payment:

- 10% of the sales tax applies in the first 30-day period;
- 15% of the sales tax applies in the second 30-day period;
- 15% of the sales tax applies in the third 30-day period.

After these deadlines, a penalty of 40% applies.

Keeping records

Company must keep tax records in English or Bahasa Melayu language for a period of seven (7) years from the latest date to which the record relates.

