

Subject:

Tax Whiz | Service Tax on Digital Services



15 May 2019

Dear Valued Client / Business Associate,

Service Tax on Digital Services

With the fast paced and global development of the digital environment, it is indeed a challenging time for businesses to keep themselves abreast with the latest technology, let alone the continuous and ever-changing tax landscape. The introduction of Service Tax on digital services in Malaysia that is expected to go-live on 1 January 2020, could not be done in a more timely manner, as other countries in the world are also moving towards the same direction.

In respect of the above, KPMG participated in a discussion with the Royal Malaysian Customs Department ("RMCD") on 14 May 2019, organized by the American Malaysian Chambers of Commerce ("AMCHAM") for its members – with the objective of obtaining clarity from RMCD pertaining to certain aspects/ mechanism of the Service Tax on digital services.

Amongst others that were discussed, RMCD provided certain insights on the following areas:-

- RMCD acknowledges that the coverage extends to Business-to-Business ("B2B") transactions with the existing definitions in the Service Tax (Amendment) Bill 2019, despite the existing requirement for businesses to account for service tax via imported taxable service.
- Exemption for service tax would be available to avoid double taxation on the same digital service.
- Whilst a positive/ inclusion list of types of digital services may be made available in time to come, RMCD/ Ministry of Finance ("MoF")



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is also considering the possibility whether there should be any exclusions to it.

- It has yet to be determined whether the applicability of intra-group relief will be extended to digital services.
- RMCD is working closely with MoF with regard to the issuance of guidelines for this and will release them to the public once it is available.

In the coming months, it will be an important period for the affected businesses to analyse and ascertain the extensiveness/ applicability of Service Tax on digital services on their business models and where necessary, undertake pro-active measures to ensure compliance to the requirements of the law. In KPMG, we strive to seek facts and provide insights to our business partners and we will continuously provide the relevant updates from time to time, in view of the uncertainty surrounding the matter.

Should you have any questions or require further clarification, please do not hesitate to contact any of our Executive Directors, Directors, Associate Directors or Managers whom you are accustomed to dealing with or who are responsible for the tax affairs of your organisation at the following telephone numbers for respective offices:

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Regards,

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