Digital Tax in Malaysia
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1. Coverage?
   Digital Tax will affect foreign service provider, outside Malaysia providing digital service to a consumer, and operating an online platform for buying and selling goods or providing services (whether or not such person provides any digital service). Digital service is defined by service delivered or subscribed over the Internet and other electronic network and also where the delivery of the service is essentially automated.

   Examples of affected transactions include online music and video subscription, e-book subscription, usage of the e-marketplace platform, cloud computing storage subscription as well as the purchase of online computer software.

2. Importance of digital tax
   Under the current tax regime, business-to-business (B2B) is not an issue as there is no loss of revenue. But the biggest loss in the digital economy appears when it is business-to-consumer (B2C).

   Hence this is the hole that the authority is trying to plug and to level the playing field among local and foreign companies, as well as between online and offline service providers.

   Other countries like Singapore, New Zealand, Australia Taiwan, Norway, South Africa, Japan already have such taxes or rulings on imported digital related transactions.

3. Is 6% fair?
   New Zealand, Russia and Norway imposed relatively higher taxes – at 15%, 18% and 25% respectively. In comparison Malaysia's 6%. Is lower but this is also in line with our Malaysia SST of 6%. Key question is will this rate increases gradually in the future and as an emerging economy

should this be imposed especially driving the digital economy seems to be the impetus of all the governments in Asia? Will our consumers lose out in the long run on cost and availability of imported digital services? These are perhaps more pertinent issues?

4. Who will be impacted?
Impact will be predominantly on the foreign sellers of these digital services. They have to take into account the following

1. Registering their companies locally
2. Costs of registration and platform cost
3. Total cost of their products
4. Whether they would continue selling their products to Malaysia?

Buyers in Malaysia may ultimately bear the brunt of these additional costs as they are passed on to them. In a worst case scenario the consumers cannot buy or subscribe to these services here as Buyer withdraw their services,

5. What are the complexities in implementing the Digital Tax?
Getting the foreign sellers to register may be easier said than done as they can simply don't sell their products here. But a bigger issue as experienced in other countries is the collection mechanism or the platform. Automatic deduction from the credit is one idea proposed.

With all these, the final cost of the products can be potentially higher especially if an efficient mechanism for the registrations and tax collection is not in place.

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