

TECHNICAL

Direct Tax

LHDNM TECHNICAL GUIDELINES – GUIDELINES ON TAXATION OF ELECTRONIC COMMERCE TRANSACTIONS DATED 13 MAY 2019

The Inland Revenue Board of Malaysia (LHDNM) has uploaded the revised [Guidelines on Taxation of Electronic Commerce Transactions](#) (“revised Guidelines”) dated 13 May 2019 on its website.

The revised Guidelines replaces the original [Guidelines on Taxation of Electronic Commerce dated 1 January 2013](#) (as reported in our [e-CTIM TECH 33/2013 dated 13 March 2013](#)) with substantial changes.

The original guidelines dated 1 January 2013 have been replaced due to the evolvement of e-commerce transaction (e-CT) and the emerging of new business models (**Note**). The revised Guidelines seek to provide some guidance on income tax treatment in respect of e-CT where currently there are no specific provisions under the Income Tax Act 1967 governing e-CT, as such the current tax law and interpretations are applicable to determine taxability in this context. LHDNM adopts the principle of neutrality where both e-CT and conventional transactions are subject to the same tax treatment. As such, taxpayers in similar situations and carrying out similar transactions should be subjected to the same tax treatment.

Note:

The types of e-Commerce business models (non-exhaustive) such as online trading/service providers, app stores, online advertising, cloud computing, payment services and digital currency/token are explained in paragraph 3 of the revised Guidelines.

According to the revised Guidelines, any income in relation to e-CT is deemed to be derived from Malaysia if it is associated to any activities in Malaysia regardless of whether that income is received in Malaysia or otherwise. A non-resident person who derives income from e-CT may also be deemed to derive that income from Malaysia in relation to special classes of income and royalty. The scope of tax liability for business, special classes of income and royalty are explained in paragraph 5, 6 and 7 respectively in the revised Guidelines.

Members may read the revised Guidelines in full on the websites of the [Institute](#) and the [LHDNM](#).

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the [revised Guidelines](#) so that we may raise them to the LHDNM.

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