

## Client Alert

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## Entry into Force of Amendments to Key Legislations Affecting Trade and Customs

On 1 January 2020, an approximate total of 23 legislative instruments (primarily consisting of amending legislations) affecting various aspects of trade and customs entered into force. An overview of the key changes is set out below:

- **Amendments to primary legislations** - Amendments spanning across approximately 172 pages in aggregate were effected to four primary legislations. This includes the Customs Act 1967 ("**Customs Act**"), the Free Zones Act 1990 ("**Free Zones Act**"), the Excise Act 1976 ("**Excise Act**") and the Sales Tax Act 2018 ("**Sales Tax Act**").
- **Revised regulations** - The old Customs Regulations 1977 has been revoked in its entirety and is now replaced by the new Customs Regulations 2019. Additionally, the Free Zones Regulations 1991 was amended. These new regulations bring about changes to various aspects of customs and trade related procedures (e.g., new format for customs declaration forms).
- **Customs Act** - As summarised in our previous [client alert](#), the Customs (Amendment) Act 2019 represents the most significant round of changes to the Customs Act to date under the new Malaysian Government. In summary, the amendments collectively magnify the powers of Customs to enforce the law, collect underpaid duties and penalise non-compliant entities. As discussed in our article published on [Bloomberg Tax](#), the amendments are expected to impact multinational enterprises with significant import/export operations in Malaysia.
- **Free Zones Act** - Key highlights include, among others, the introduction of recordkeeping requirements for a period of 7 years vis-à-vis documents and records pertaining to the activity of importation, exportation or manufacturing of goods within a free zone and enhanced penalties for certain offences.
- **Excise Act** - Key amendments include, among others, the extension of timeline to demand for underpaid duties by Customs from 3 years to 6 years, changes to the compounding of offences provision, the extension of recordkeeping requirement from 6 years to 7 years, the introduction of various new categories of offences and enhanced penalties for certain offences.
- **Sales Tax Act** - Key changes include, among others, the introduction of a new category of offence for the evasion of sales tax payable on imported goods and the imposition of imprisonment in default of payment of fine.
- **Offsetting** - Under the newly amended Customs Act, Excise Act and Sales Tax Act, Customs now has the power to offset any amount of drawback or refund due to a person against any unpaid amount of customs duty, excise duty, sales tax, service tax, GST or any other money payable by such person.
- **Pulau Pangkor** - As announced by the Malaysian Government in the parliamentary speech for Budget 2019, various legislative amendments have been made to effectively confer Pulau Pangkor with a duty free island status.