



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON PASSENGER TRANSPORTATION

Publication

Date Published: 18 December 2015

The Guide on Passenger Transportation as at 26 April 2015 is withdrawn and replaced by the Guide on Passenger Transportation as at 18 December 2015.

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This information is intended to provide a general understanding of the relevant treatment under Goods and Services Tax and aims to provide a better general understanding of taxpayers' tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While RMCD has taken the initiative to ensure that all information contained in this Guide is correct, the RMCD will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other incurred by individuals using the information from this Guide. All information is current at the time of preparation and is subject to change when necessary.

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INTRODUCTION

1. This Industry Guide is prepared to assist you in understanding matters with regards to Goods and Services Tax (GST) treatment on passenger transportation.

Overview of Goods and Services Tax (GST)

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also chargeable on the importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

GENERAL OPERATIONS OF THE INDUSTRY

Overview of passenger transportation

5. A passenger is any person who pays a fare to be transported in common carriers such as passenger cars, buses, trains, aircrafts and ships, but does not include the driver or conductor of the vehicle and the crew of the carrier.

6. Passenger transportation is a supply of services for the carriage of persons from one place to another place regardless whether it is by a sea, river, rail, road or air transportation.

7. When a vehicle, ship or aircraft is supplied without a driver or crew, it is not a supply of passenger transport service, but rather a supply of a means of transport.

8. Some transport services, whether there is a fare or a charge imposed, are not regarded as passenger transportation. For example the service of carrying guests or visitors in any kind of vehicle or vessel to move in enclosed or specific areas for recreational or pleasure purposes such as the park, lake, zoo, amusement park and similar places is not regarded as passenger transportation.

Example 1:

MSA Putra Sdn Bhd provides boat rides and cruise for lake tour in Putrajaya.

Example 2:

An amusement park offers horse-drawn carriage at a minimum charge for customers who spend above a specified amount.

Example 3:

Zoo Negara provides tram rides for visitors at the zoo.

GST TREATMENT FOR PASSENGER TRANSPORTATION

Domestic passenger transportation

9. Domestic passenger transportation is the service of carrying passengers from a place in Malaysia to another place in Malaysia. Both the point of origin and the point of destination are places in Malaysia.

A. Exempt Supply

10. The supply of domestic passenger transportation is exempt under item 22, Goods and Services Tax (Exempt Supply) Order 2014;

The transport of passengers -

- (a) in any vehicle licensed by the Commercial Vehicle Licensing Board as:
 - i. a bus excluding a chartered bus;
 - ii. a taxi excluding a hire and drive car;

- (b) by a company licensed under the Railways Act 1991 [Act 463] to provide rail services; and
- (c) in any ship or vessel licensed as passenger craft under the Merchant Shipping Ordinance 1952 [Ordinance No. 70/1952], the Merchant Shipping Ordinance 1960 of Sabah [Sabah Ord. 11 of 1960] and the Merchant Shipping Ordinance 1960 of Sarawak [Sarawak Ord. 2 of 1960] but excluding ship or vessel used for the purposes of recreational or pleasure.'

(a) Transportation by bus

No.	Services provided by	Type of supply
i.	Stage bus	Exempt
ii.	Express bus (domestic)	Exempt
iii.	Mini bus	Exempt
iv.	Employee bus	Exempt
v.	Feeder or shuttle bus	Exempt
vi.	School bus	Exempt

Example 4:

Azizah Services provides stage bus service in the Klang Valley as well as express bus service to other towns in Malacca and Johor.

- *The supply of both stage bus and express bus services are exempt supply.*

Example 5:

FZ Shuttle Bus Sdn Bhd provides direct bus service from KL Sentral to KLIA.

- *This transport service is exempt supply.*

Example 6:

RSL Manufacturer engages SmartBus SB to provide a bus for the company's employees. The employees have to pay monthly fare to SmartBus SB.

- *The passenger transport services by SmartBus SB to the employees is an exempt supply.*

(b) Transportation by taxi

No.	Services provided by	Type of supply
i.	Taxi	Exempt
ii.	Airport taxi	Exempt
iii.	Limousine taxi	Exempt
iv.	Hire Car (Kereta Sewa)	Exempt

Example 7:

Erawan Sdn Bhd provides taxi services within the city and is also permitted to carry passengers to the airport.

- *City taxi services including trips to the airport is an exempt supply.*

Example 8:

Pn Norhasimah used hire car services (kereta sewa) from Terminal Bersepadu Selatan to Air Keroh, Melaka.

- *There will be no GST chargeable to Pn Norhasimah since hire car services (kereta sewa) is also exempt supply.*

(c) Transportation by rail

Services by rail	Type of supply
Public transport by rail by company licensed under the Railways Act 1991 to provide rail services (Commuter, ETS Train, Intercity Train, LRT, MRT, ERL, Monorail)	Exempt

Example 9:

Keretapi Tanah Melayu Berhad (KTMB) offers intercity services.

- *The intercity services is an exempt supply.*

Example 10:

Zuraidah spent her weekend by taking monorail from Jalan Imbi station to Dang Wangi. She then took LRT from Dang Wangi station to KL Sentral. From KL Sentral she decided to go to Putrajaya by ERL. Zuraidah pays the fare by 'Touch N Go'.

- *The transportation services by Monorail, LRT and ERL is an exempt supply.*

(d) Transportation by sea

Services by sea	Type of supply
Boats, ferries and ships licensed as passenger craft	Exempt

Example 11:

Ferry services carrying passenger from Butterworth to Penang Island is an exempt supply.

Example 12:

Ferry services carrying vehicle accompanied by a fare paying passenger who drives the vehicle, is also treated as passenger transportation.

Example 13:

Boat services carrying passenger provided in Sungai Sarawak are exempt supply.

B. Standard-rated Supply

(a) Transportation by bus

No.	Services by bus	Type of supply
i.	Charter bus	Standard rate supply
ii.	Tour bus	Standard rate supply

Example 14:

PeiYee Bus Holding provides stage bus service in the Klang Valley as well as express bus service to other towns in Malacca and Johor. During the holiday season, some of the buses are given permits to operate as tour bus.

- *The supply of tour bus service is standard rated. PeiYee Bus Holding is required to charge GST if it is registered under GST.*

Example 15:

A tourist from Spain used 'Hop-On Hop-Off' bus services for sightseeing around Kuala Lumpur.

- *The 'Hop-On Hop-Off' bus services is standard rated supply.*

(b) Transportation by hire and drive car

i.	Hire and drive car	Standard rate supply
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Example 16:

A family from Kedah spend their weekend in Kuala Lumpur. They decided to rent a car from AdiOZ Hire & Drive Car Sdn. Bhd.

- *The service is not a supply of passenger transport service, but rather a supply of a means of transport. Therefore it is subject to GST at standard rate.*

Example 17:

AdiOZ Hire & Drive Car Sdn. Bhd. offers Chauffeur Services using a hire and drive car to Mr. Rizal.

- *The service is standard rated supply.*

Example 18:

KWLCO Sdn Bhd provide rental service of cars to Government of Malaysia under a contract for 10 years.

- *The service is standard rated supply.*

Example 19:

MyVee Services provides a passenger transportation, where the transport is privately owned car.

- *The service is standard rated supply, if the vehicle is not licensed by the Land Public Transport Commission (SPAD) or Commercial Vehicle Licensing Board.*

(c) Transportation by rail

Public transport by rail by company not licensed under the Railways Act 1991 to provide rail services (Funicular train)	Standard rate supply
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Example 20:

Funicular train service offered at Penang Hill is standard rated supply.

(d) Transportation by sea

Boat or vessel that is not licensed as public transport, cruise liner and others	Standard rate supply
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Example 21:

Leisure cruise by RaidaCruise Sdn. Bhd. depart from Port Klang to high seas and arrive back at Port Klang.

- *The service is standard rated supply because it is not regarded as passenger transportation but more to pleasure purposes.*

Example 22:

A group of student from UiTM Pahang signed-up for island hopping tour package in Sabah.

- *The service is standard rated supply.*

Example 23:

A group of tourists from Singapore charter a boat to transport them from Mersing to Pulau Tioman.

- *The service is standard rated supply.*

(e) Transportation by air

Air passenger transport (domestic)	standard rate supply
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Example 24:

Mr. Faizul to take a flight from KLIA to Langkawi for a talk session in Langkawi.

- *The flight from KLIA to Langkawi is standard rated.*

Example 25:

An engineer travels from KLIA to Labuan using Malaysia Airlines and continues his journey by helicopter chartered by his company to an offshore oil rig.

- *The supply of flight services by MAS and the helicopter operator are standard rated.*

(f) Other mode of transportation

Example 26:

The cable car ride that takes visitors from Gohtong Jaya to Genting Highland is standard rate.

Example 27:

The trishaw ride services provided by Pak Azli to tourist along Jonker Street in Malacca is a taxable supply. Pak Azli is required to charge GST if he is registered under GST.

C. No tax chargeable

11. Domestic passenger transportation which are standard rated, will not be subject to GST if the services are provided within or between the designated areas (Langkawi, Labuan and Tioman).

Example 28:

AzinV Liner provides tour bus service in Langkawi. No tax chargeable for the services provided by AzinV Liner.

Example 29:

GeminiCruise Bhd provides cruise tour along the coastline of Tioman Island. The island cruise service is not subject to GST.

Example 30:

Cable car service provided in Gunung Mat Chinchang, Langkawi is not subject to GST.

D. Out of scope supply

12. Supply of passenger transportation by government department is an out of scope supply.

Example 31:

Sabah State Railway Department Jabatan Keretapi Negeri Sabah provides passenger transportation by railway. The supply is out of scope.

International passenger transportation

13. International passenger transportation means the services provided:
- (a) from a place outside Malaysia to another place outside Malaysia;
 - (b) from the last exit point in Malaysia to any place in other country; or
 - (c) from a place outside Malaysia to the first entry point in Malaysia.

14. The supply of international passenger transportation is zero-rated.

From a place outside Malaysia to another place outside Malaysia

Example 32:

AirAsia offers flight services from Yangon to Bangkok.

From the last exit point in Malaysia to any place in other country

Example 33:

Ferry services from Stulang Laut, Johor to Pulau Batam, Indonesia.

Example 34:

KTMB train carry passengers from Butterworth to Bangkok. The train makes a few stops along the way before entering Thailand.

- *The transportation service for passengers disembarking in Malaysia is exempt supply.*
- *The transportation service for passengers proceeding to Thailand is zero-rate supply.*

Example 35:

Haneem from Ipoh intends to go for a holiday to Bangkok by train. The train service to Bangkok is provided only from Butterworth. Haneem takes a separate train from Ipoh to Butterworth before proceeding his journey to Bangkok.

- *The rail transport service from Ipoh to Butterworth is exempt.*
- *The rail transport service from Butterworth to Bangkok is zero-rated because it is an international route*

From a place outside Malaysia to the first entry point in Malaysia

Example 36:

Malaysia Airlines offers flight services from London to KLIA.

15. A transportation service that originates and ends outside Malaysia is considered as international passenger transportation, even if the carrying of passengers pass through Malaysia.

Example 37:

A bus company in Malaysia provides passenger transportation from Singapore to Hatyai, Thailand.

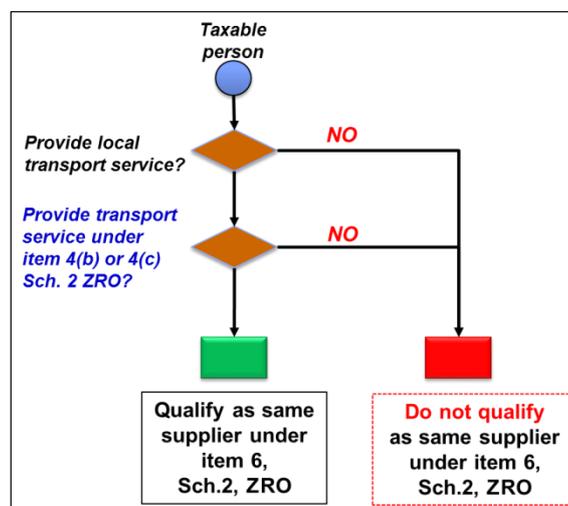
Example 38:

The A&Z train from Singapore carries passengers to Bangkok, Thailand. This is considered as international passenger transportation. Since the supplier belongs to country other than Malaysia, therefore the supply is an out of scope supply.

Supply of transport by the same supplier

16. Transportation of passenger from a place in Malaysia to the last exit point in Malaysia or from the first entry point in Malaysia to another place in Malaysia is actually a domestic transportation but it is considered as part of international passenger transportation if it is provided by the same supplier. Thus, it is also subject to GST at zero-rated as provided under item 6, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

Diagram 1: Qualify as a same supplier



Example 39:

Geetha purchased ticket from Malaysia Airlines for a flight from Kota Kinabalu, Sabah to Paris. She took domestic flight from Kota Kinabalu to KLIA and proceed the journey from KLIA to Paris.

- *Domestic flight in conjunction with international passenger transportation is subject to GST at zero rate, if it is provided by the same carrier, subject to the following conditions:*
 - a) *The stopover is less than 24 hours; and*
 - b) *The whole journey is under the same ticket number.*

Example 40:

Syazween bought bus ticket from Double-H Express for a journey from Pontianak, Kalimantan to Kuching. On the way to Kuching, the bus broke down near Tebedu. Double-H Express has contracted with Double-Z Express to carry the passengers from Tebedu to Kuching.

- *The supply of passenger transportation by Double-H Express from Pontianak to Kuching is zero-rated, even though the passengers have to change bus.*
- *The supply of services by Double-Z Express to carry Double-H Express's passengers is standard rated because it is supply of means of transportation.*

FREQUENTLY ASKED QUESTIONS

Q1. If I drive my car to Penang Island using the ferry service, is GST chargeable on the ferry fare?

A1. The ferry service is a passenger transportation services which is exempted from GST. Therefore, you are not required to pay GST on the fare charged by the ferry operator.

Q2. Is Passenger Service Charge (airport tax) subject to GST?

A2. Passenger service charge (airport tax) for domestic and international air travel is subject to GST at standard rate.

Q3. My company provides bus service to KTMB passengers whenever there is any disruption to the train journey. Is the transportation service to KTM subject to GST?

A3. The company is making a supply of chartered bus service to KTM and the service is subject to GST at standard rate.

Q4. An airline operator provides free return tickets to Langkawi under the Enrich Travelers program. Is GST chargeable on the air fare?

A4. Services provided free are not considered as a supply for GST purposes. Therefore, the airline operator is not required to charge any GST on the air tickets given free of charge.

Q5. A tourist hires a car from AdiOZ Hire & Drive Sdn Bhd to travel in Malaysia. Is AdiOZ Hire & Drive Sdn Bhd supplying passenger transport service? What is GST treatment on this scenario?

A5. AdiOZ Hire & Drive Sdn Bhd is not supplying passenger transport service. The company is only supplying a means of transport for the tourist and it is subject to GST at standard rate.

Q6. Shahrans Transport Sdn Bhd, based in Banting, is granted a permit from SPAD to operate employee / worker's bus to supply passenger transportation for those who are working in Putrajaya area.

A6. The supply of passenger transportation to the passenger is an exempt supply.

Q7. Star Electronic Sdn Bhd engages KWL Transport Sdn Bhd to provide a bus for the company's employee. The employees have to pay monthly fare to KWL Transport Sdn Bhd. Is the transportation service subject to GST?

A7. KWL Transport Sdn Bhd is providing passenger transportation for the employees which is an exempt supply and therefore GST is not chargeable.

Q8. In relation to scenario Q7, what is the GST treatment for the services provided by KWL Transport Sdn Bhd under a contract with Star Electronic Sdn Bhd to supply the transportation services for its worker on daily basis? The contract is for a twelve-month period.

A8. Services provided by KWL Transport Sdn Bhd to Star Electronic Sdn Bhd is a taxable supply and subject to GST at standard rate.

Q9. In relation to scenario Q7, what is the GST treatment if the employee pays the bus fare to Star Electronic Sdn Bhd through salary deduction?

Q9. Services provided by KWL Transport Sdn Bhd to Star Electronic Sdn Bhd is an exempt supply, provided that the invoice issued to Star Electronic Sdn Bhd consists the list of employee who used the services. Star Electronic Sdn Bhd is acting as collecting agent on behalf of KWL Transport Sdn Bhd.

Q10. What is the GST treatment for the air tickets issued for the journey from Kuantan to Brisbane, Australia via KLIA?

A10. The domestic flight service travel from Kuantan to KLIA qualifies for zero-rating since it forms part of the international route to London with the condition that, both the domestic and international legs of the flight services are provided by the same airline operator for a one through journey from Kuantan to Brisbane.

Q11. Are meals and beverages provided to passengers subject to GST?

A11. Supply of meals and beverages on domestic passenger transportation follows the status of the supply of passenger transportation, provided that meals or beverages are not sold and charged separately, i.e. the fare is inclusive of meals and beverages.

Q12. CZu Cafeteria provides food and beverages on board KTM train for domestic journey. Is the supply of food and beverages subject to GST?

A12. Yes. The supply of food and beverages is subject to GST at a standard rate if the supplier belongs in Malaysia. CZu Cafeteria is required to charge GST on the supply of food and beverages if it is a registered person.

Q13. Is food and beverages provided on board the Kuala Lumpur to Singapura Express train subject to GST?

A13. The supply of food and beverages on board the train for the international route is subject to GST at standard rate if the supplier belongs in Malaysia.

Q14. AZZ Express provides free food and beverages services to the passengers on board in luxury bus coach from Kuala Lumpur to Singapore. Is the supply of food and beverages subject to GST?

A14. The supply of food and beverages services is zero-rated supply because it is composite supply to the international transportation services. The fare paid by the passenger is inclusive of the food and beverages.

Q15. Lindungan Mesra Selalu is an insurance scheme that covers all passengers with valid tickets while travelling with Plusliner buses from Kuala Lumpur to Penang. What is GST treatment on this insurance scheme?

A15. The supply of insurance scheme is an exempt supply because it is composite supply to the transportation services. It is mandatory for all passengers to be insured. The fare paid by the passenger is inclusive of this insurance scheme.

Q16. Menara Holding Sdn. Bhd. is a pre-paid taxi fare operator in KLIA. Passengers will purchase taxi coupon from Menara Holding before boarding the taxi. What is GST treatment on this scenario?

A16. The sale of taxi coupon to the passenger is an exempt supply. However, Menara Holding also makes a supply to the taxi driver and the commission charged to taxi driver for every coupon sold is subject to GST at standard rate.

Q17. Light Taxi Sdn Bhd provide taxi rental service to individual taxi driver by daily basis. The taxi rental inclusive of rental of vehicle, insurance and other related cost.

A17. The taxi rental is subject to GST at standard rated, even though it consists of different component of services. The GST treatment is based on the rental and not on the individual component.

Q18. Wun Lin used MyTaxi application to request for taxi services. MyTaxi will charge Wun Lin for its services for the arrangement of taxi. What is the GST treatment by My Taxi?

A18. The arrangement services provided by MyTaxi is subject to GST at standard rate, meanwhile the taxi fare paid by Wun Lin is exempted from GST.

Q19. MySelangor Bus Sdn Bhd provides express bus services which is an exempt supply. MySelangor Bus Sdn Bhd incurred GST on expenses such as terminal rental charges, repair and maintenance and others related cost. Can MySelangor Bus Sdn Bhd claim input tax credit?

A19. Since the input is attributable to exempt supply, MySelangor Bus Sdn Bhd cannot claim the input tax.

Q20. GoKL is a public bus service under government initiative that offers free rides for passengers within the Central Business District (CBD) of Kuala Lumpur. What is the treatment for this services?

A20. Since GoKL is provided free to the passengers, therefore it is not subject to GST. However GoKL services provider has to charge GST at standard rate on the supply of a means of transportation provided to the government.

INQUIRY

1. For any inquiries for this guide please contact:

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Email: gstsector5@customs.gov.my.

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information on GST can be obtained from:

(a) GST website : www.gst.customs.gov.my

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- E-mail : ccc@customs.gov.my