



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON PASSENGER TRANSPORTATION

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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. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

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 person from one place to another place regardless whether it is by 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 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 leisure purposes such as the park, lake, zoo, amusement park and similar places is not regarded as passenger transportation.

Example 1

Putra Company provides boat rides and cruise for lake tour in Putrajaya.

Example 2

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

Example 3

Train 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.

Passenger transportation - Exempt Supply

10. The supply of domestic passenger transportation (other than by air) is exempt under item 22, GST (Exempt Supply) Order 2014.

‘(a) in any vehicle licensed by the Suruhanjaya Pengangkutan Awam Darat or 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

i.	Express bus (domestic)	exempt
ii.	Feeder or shuttle bus	exempt
iii.	Stage bus (including mini bus)	exempt
iv.	Employee bus	exempt
v.	School bus	exempt

Example 4

ABC Bus Company provides city bus service in the Klang Valley as well as express bus service to other towns in Malacca and Johor.

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

Example 5

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

- This transport service is exempt.

Example 6

Syarikat Kilang Gula engages Syarikat Bas Angkut to provide a bus for the company’s employees. The employees have to pay monthly fare to Syarikat Bas Angkut.

- The transport services by Syarikat Bas Angkut to the employees is an exempt supply.

(b) Transportation by taxi

i.	Taxi	exempt
ii.	Premier taxi	exempt
iii.	Airport taxi	exempt
iv.	Limousine taxi	exempt

Example 7

ST 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

En. Ahmad used hire car (kereta sewa) from Terminal Bersepadu Selatan to Air Keroh, Melaka.

- There will be no GST chargeable to En. Ahmad since hire car (kereta sewa) is also exempt supply.

(c) Transportation by rail

i.	Public transport by rail (KTM, Sabah Railway, LRT, MRT, ERL, Monorail,)	exempt
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Example 9

KTM Bhd. offers intercity train services.

- The train services is exempt supply.

Example 10

Mr. Paul spent his weekend by taking Monorail from Jalan Imbi to Dang Wangi station. He then took LRT from Dang Wangi station to KL Sentral. From KL Sentral he decided to go to Putrajaya by ERL. Mr. Paul pays the fare by 'Touch N Go'.

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

(d) Transportation by sea

i.	Boats, ferries and ships used as public transport	exempt
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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 provided in Sarawak are exempt supply.

Passenger transportation - Standard rated supply

(a) Transportation by bus

i.	Charter bus	Standard rate
ii.	Tour bus	Standard rate

Example 14

ABC Bus Company provides city 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. ABC Bus Company 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 service is standard rated supply.

(b) Transportation by hire and drive car

i.	Hire and drive car	Standard rate
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Example 16

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

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

Example 17

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

- *The service is standard rated supply.*

Example 18

BLANCO 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

PERSIM Taxi Sdn Bhd provide taxi rental service to individual taxi driver by daily basis.

- *The service is standard rated supply.*

(c) Transportation by rail

i.	Funicular railway transport services	Standard rate
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Example 20

Funicular railway transport service such as the Penang Hill Railway at Bukit Bendera are standard rated.

(d) Transportation by sea

i.	Boats, vessel, cruise liner	Standard rate
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Example 21

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

- The service is standard rated supply.

Example 22

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

- The service is standard rated supply.

Example 23

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

- The service is standard rated supply.

(e) Transportation by air

i.	Air passenger transport including helicopter services (domestic)	standard rate
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Example 24

An engineer travels from KLIA to Labuan by MAS and continues his journey by helicopter to an offshore oil rig.

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

Example 25

Provision of rural air services by MASwings is a standard rate supply.

Example 26

Mr. Alex has made travel arrangement from KLIA to Langkawi by flight.

- The flight from KLIA to Langkawi is standard rated.

(f) Other mode of transport

Example 27

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

Example 28

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

Exceptions on GST treatment for domestic passenger transport services

11. Passenger transportation which are standard rated supplies if provided locally will not be subject to GST if the services are provided within or between the designated areas of Langkawi, Labuan and Tioman.

Example 29

ABC Transport Company provides tour bus service in Langkawi.

- The service provided by ABC Transport Company is not subject to GST.

Example 30

XYZ Co. provides cruise tour along the coastline of Tioman.

- The island cruise service is not subject to GST.

Example 31

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

International passenger transportation

12. 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.
13. The supply of international passenger transportation is zero-rated.

From a place outside Malaysia to another place outside Malaysia

Example 32

Air Asia 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 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

A passenger from Ipoh intends to go for a holiday to Bangkok by train. The train service to Bangkok is provided only from Butterworth. The passenger 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.

14. 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

The E & O train from Singapore carries passengers to Bangkok, Thailand.

Example 38

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

Supply of transport by the same supplier

15. 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 also considered as part of international passenger transportation if it is provided by the same supplier. Thus, it is also subject to GST at zero rate as provided under Item 6, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

Example 39

A passenger purchase ticket from MAS for a flight from Kota Kinabalu, Sabah to Paris. He took domestic flight from Kota Kinabalu to KLIA and proceed the journey from KLIA to Paris.

- *The air fare from Kota Kinabalu to Paris is zero-rated because it is provided by the same carrier.*

Example 40

Encik Amal buys bus ticket from KP Express for journey from Pontianak, Kalimantan to Kuching. On the way to Kuching, the bus broke down near Tebedu. KP Express has contracted with CDE Express to carry the passengers from Tebedu to Kuching.

- *The supply of passenger transportation by KP Express from Pontianak to Kuching is zero rated, even though the passengers have to change bus.*
- *The supply of services by CDE Express to carry KP Express's passengers is standard rated.*

FREQUENTLY ASKED QUESTIONS

Q1. Are meals and beverages provided to passengers subject to GST?

A1. Supply of meals and beverages on domestic passenger transportation follows the status of the supply of transport provided that meals or beverages are not sold and charged separately, i.e. the fare is inclusive of meals and beverages.

Q2. If I drive my car to Penang Island using the ferry service, is GST chargeable on the ferry fare?

A2. The ferry service is a means of passenger transportation which is exempted from GST. Therefore you are not required to pay GST on the fare charged by the ferry operator.

Q3. Is passenger service charge (airport tax) subject to GST?

A3. Passenger service charge (PSC) for domestic and international air travel is subject to GST at standard rate.

Q4. My company provides bus service to KTM passengers whenever there is any disruption to the train journey. Is my transportation service to KTM subject to GST?

A4. You are making a supply of chartered bus service to KTM and the service is subject to GST at standard rate.

Q5. An airline operator provides free return tickets to Langkawi under the Enrich travelers program. Is GST chargeable on the air fare?



A5. Services given free are not considered as supply for GST purposes. Therefore the airline operator is not required to charge any GST on the air tickets given free of charge.

Q6. A tourist hires a car from ABC Hire & Drive Company to travel in Malaysia. Is ABC Hire & Drive Company supplying passenger transport service? What is GST treatment on this scenario?

A6. ABC Hire & Drive Company 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.

Q7. David 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.

A7. The supply of passenger transportation to the passenger is exempt supply.

Q8. ABC Electronic Sdn Bhd engages DSI Transport Sdn Bhd to provide a bus for the company's employee. The employees have to pay monthly fare to DSI Transport Sdn Bhd. Is the transportation service subject to GST?

A8. DSI Transport Sdn Bhd is providing passenger transportation for the employees which is an exempt supply and therefore GST is not chargeable.

Q9. In relation to the above question, what is treatment for the services provided by DSI Transport Sdn Bhd under a contract with ABC Electronic Sdn Bhd to supply the transportation services?

A9. Services provided by DSI Transport Sdn Bhd to ABC Electronic Sdn Bhd is a taxable supply and subject to GST at standard rate.

Q10. What is the GST treatment for the air tickets issued to me 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. Cafeteria Delicious provides food and beverages on board KTM train for domestic journey. Is the supply of food and beverages subject to GST?

A11. Yes. The supply of food and beverages is subject to GST at a standard rate. Cafeteria Delicious is required to charge GST on the supply of food and beverages if it is a registered person.

Q12. Is food and beverages provided on board the Butterworth to Bangkok Express train subject to GST?

A12. The supply of food and beverages on board the train for the international route is subject to GST at standard rate.

Q13. Konsortium Transnasional Berhad provides food and beverages services to the passengers on board in luxury coach from Kuala Lumpur to Singapore. Is the supply of food and beverages subject to GST?

A13. The supply of food and beverages services is zero rate supply because it is composite supply to the transportation services. The fare paid by the passenger is inclusive of the food and beverages.

Q14. Lindungan Mesra Selalu is an insurance scheme that covers all passengers with valid tickets while travelling with Plusliner buses from Kuala Lumpur to Pulau Pinang. What is GST treatment on this insurance scheme?

A14. The supply of insurance scheme is exempt supply because it is composite supply to the transportation services. All passenger is compulsory to be insured. The fare paid by the passenger is inclusive of this insurance scheme.

Q15. Menara Holding Sdn. Bhd. is a pre-paid taxi fare operator in KLIA. Passenger will purchase taxi coupon from Menara Holding before boarding the taxi. What is GST treatment on this scenario?

A15. The sale of taxi coupon to the passenger is an exempt supply. However, Menara Holding also make a supply to the taxi driver and the commission is subject to GST at standard rate.

Q16. BERSIM Taxi Sdn Bhd provide taxi rental service to individual taxi driver by daily basis. The taxi rental inclusive of rental of vehicle, insurance and taxi permit?

A16. The taxi rental is subject to GST at standard rate, even though it consists of different components of services. The GST treatment is based on the rental and not on the individual component.

Q17. Izzati used MyTaxi application to request for taxi services. MyTaxi will charge Izzati for its services for the arrangement of taxi. What is the GST treatment by MyTaxi?

A17. The arrangement services provided by MyTaxi is subject to GST at standard rate, meanwhile the taxi fare paid by Izzati is exempt supply.

FEEDBACK AND COMMENTS

16. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to gstsector5@customs.gov.my.

FURTHER INFORMATION

17. Further information can be obtained from:-

- (a) GST Website: www.gst.customs.gov.my
- (b) GST Hotline: 03-88822111
- (c) Customs Call Centre:
 - Tel : 03-78067200 / 1-300-888-500
 - Fax : 03-78067599
 - E-mail : ccc@customs.gov.my

