



**GOODS & SERVICES TAX
GUIDE**

ON

**PASSENGER
TRANSPORTATION**

**THIS GUIDE IS PREPARED TO HELP THE PUBLIC UNDERSTAND HOW GST IS
APPLICABLE IN THIS INDUSTRY**



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GOODS AND SERVICES TAX GUIDE ON PASSENGER TRANSPORTATION

Introduction

1. This guide provides details on the treatment of passenger transportation under the Goods and Services Tax (GST). It is recommended that you read the GST General Guide before reading this guide as this guide requires a fair understanding of the general concepts of GST.

General operation of GST

2. 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, it is ultimately passed onto the final consumer. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.
4. In Malaysia, a person who is registered under the Goods and Services Tax Act 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 input tax credit on any GST incurred (input tax) on his purchases which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

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 in a vehicle by sea, inland waterways, rail, road or air.
7. A vehicle, ship or aircraft supplied without a driver or crew 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 that tour the lake in Putrajaya.

Example 2:

An amusement centre offers horse-driven carriage for customers who spend above a specified amount at the fair.

Example 3:

Train rides for visitors at zoos and trishaw rides at sightseeing areas.

GST treatment on 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.
10. The supply of public passenger transportation (other than by air) is exempt. However, there are certain transport services that are standard rated.

i. Transportation by bus

a. Express bus	exempt
b. Feeder or shuttle bus	exempt
c. Stage bus	exempt
d. Employees bus	exempt
e. School bus	exempt
f. Charter or tour bus	standard rate

Example 1:

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 both city bus and express bus services are exempt.



-- The supply of tour bus service is standard rated. ABC Bus Company is required to charge GST if it is registered under GST. Please refer to GST Registration Guide for more details.

Example 2:

ABC Shuttle Bus Sdn Bhd provides direct bus service from KL Sentral to Low Cost Carrier Terminal (LCCT). This transport service is exempt.

ii. Transportation by taxis and hire car

a. Taxi cab	exempt
b. Hire car	exempt
c. Airport taxi	standard rate
d. Limousine taxi	standard rate
e. Hire and drive car	standard rate

Example:

ST Sdn Bhd provides taxis services within the city and is also permitted to carry passengers to the airport. The company also has a subsidiary that operates taxis classified as limousine taxi.

- City taxi services including trips to the airport is exempt.
- Limousine taxi service is standard rated.

iii. Transportation by rail

Public transport by rail (KTM, LRT, ERL, Monorail)	exempt
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Example 1:

KTM Bhd offers specially designed coaches for exclusive travel on certain passenger train services.

- such special coach rail service is exempt since it is also a passenger transportation.

Example 2:

Funicular railway transport service such as the Penang Hill Railway and cable car service at Genting Highlands are standard rated.



iv. Transportation by sea

boats, ferries and ships used as public transport	exempt
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Example 1:

Ferry services provided in Penang and Pangkor are exempt.

Example 2:

Boat services provided in Sarawak are exempt.

Example 3:

Transportation of persons by boats from the mainland to any oil rig is standard rated.

Example 4:

Recreational or leisure cruise between ports in Malaysia and river cruise are standard rated.

v. Transportation by air

Air passenger transport including helicopter services	standard rate
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Example 1:

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 2:

A foreign tourist has made travel arrangement from KLIA to Langkawi by flight.

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



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 1:

ABC Transport Company provides tour bus service in Langkawi.

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

Example 2:

XYZ Co. provides boat service between Mersing and Tioman. It also provides cruise tour along the coastline of Tioman.

-- *Boat service to and from Mersing is exempt.*

-- *The island cruise service is not subject to GST.*

Example 3:

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

GST treatment on international passenger transportation

12. International passenger transportation means the services provided for:

- (a) the carriage of passengers from a place outside Malaysia to another place outside Malaysia;
- (b) the carriage of passengers from a place in Malaysia to a place outside Malaysia; or
- (c) the carriage of passengers from a place outside Malaysia to a place in Malaysia.

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

Example :

The following are some examples of international passenger transportation and qualify for zero-rating:

- *Flight services from London to KLIA.*
- *Executive coach services from Kuala Lumpur to Singapore.*



- *Ferry services from Malacca to Dumai, Indonesia.*

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

Example 1:

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

Example 2:

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

Example 3:

Encik Abu takes a taxi cab from his house in Petaling Jaya to KLIA en route to Japan.

-- *The taxi service is exempt.*

-- *The flight from KLIA to Japan is zero-rated.*

Example 4:

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.*

-- *The transportation service for passengers proceeding to Thailand is zero-rated.*

15. The supply of passenger transportation from a place in Malaysia to another place in Malaysia which forms part of the international passenger transportation also qualifies for zero-rating provided that these services are supplied by the same supplier.

Example 1:

A flight to London from Sabah begins from Kota Kinabalu and transits at KLIA before proceeding to London.

-- *The air fare from Kota Kinabalu to London is zero-rated if it is for a one through journey provided by the same carrier.*

Example 2:

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.*

Frequently Asked Questions (FAQs)

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 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 Rent & Drive Company to travel in Malaysia. Is ABC Rent & Drive Company supplying passenger transport service?

A6. No, ABC Rent & Drive Company is not supplying passenger transport service because the rented car is not provided with a driver. The company is only supplying a means of transport for the tourist.

Q7. Abu Transport Sdn. Bhd. provides workers bus to ABC Electronic Sdn Bhd. Is the transportation service subject to GST?

A7. Abu Transport Sdn Bhd is providing passenger transportation in the form of workers bus which is an exempt service and therefore GST is not chargeable.

Q8. What is the GST treatment for the air tickets issued to me for the journey from Kuantan to London via KLIA?

A8. The domestic flight service 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 London.

Q9. Cafeteria Delicious provides food and beverages on board KTM train for domestic journey. Is the supply of food and beverages subject to GST?

A9. 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.

Q10. Is food and beverages provided on board the Butterworth – Bangkok Express train subject to GST?

A10. The supply of food and beverages on board the train for the international route is subject to zero rate.



More Information on GST

16. More information to help you understand GST further can be obtained from:-

- i. GST website : www.gst.customs.gov.my
- ii. Customs Call Center at :
 - telephone : 03-7806 7200/1-300-88-8500
 - fax : 03-7806 7599
 - email : ccc@customs.gov.my

Glossary

- (i) **“transportation services”** means the acts of carrying passengers or goods from one place to another;
- (ii) **“from a place in Malaysia to a place outside Malaysia”** means from the last exit point in Malaysia to any place in other country; and
- (iii) **“from a place outside Malaysia to a place in Malaysia”** means from any place in other country to the first entry point in Malaysia.