



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON POSTAL AND COURIER SERVICES

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INTRODUCTION

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on postal and courier services.

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 charged 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 20XX 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

5. The post office provides various services connected with the delivery of mail and goods. It is also a one-stop payment agency serving the public and business sector. Postal services in Malaysia are provided by Pos Malaysia Berhad and it is entrusted by several utility providers to be their representative in accepting payment. Pos Malaysia Berhad is also appointed by several government agencies to perform services on their behalf.

6. Courier services are provided by Pos Malaysia Berhad and other courier service providers such as Federal Express Services (M) Sdn Bhd, DHL Express (M)

Sdn Bhd, TNT Express Worldwide (M) Sdn Bhd, and United Parcel Service (M) Sdn Bhd.

GST TREATMENT FOR THE INDUSTRY

7. Supplies made by the post office may be taxable at standard rate or zero rate. The supply of domestic postal and courier services is standard-rated, whereas services relating to international mail and courier delivery will be zero-rated.

8. The supply of courier delivery services will be zero-rated:

- (a) from a place outside Malaysia to another place outside Malaysia;
- (b) from a place in Malaysia to a place outside Malaysia; or
- (c) from a place outside Malaysia to a place in Malaysia

and includes the supply of courier delivery services within Malaysia that forms part of the services referred to in subparagraphs (b) and (c) where those services are supplied by the same supplier.

9. The supply of postal and courier services made within the designated areas of Labuan, Langkawi and Tioman is not subject to GST. However, if these services are supplied between the designated areas, GST will be chargeable at standard rate. Supply of postal and courier services from a place in Malaysia to the designated areas or vice versa is also subject to GST at standard rate.

FREQUENTLY ASKED QUESTIONS

Q1: What is the GST treatment for the supply of postage stamps?

A1: The supply of postage stamps for domestic delivery is standard-rated whereas the supply of postage stamps for international delivery is zero-rated. Postage stamp for domestic delivery is GST-inclusive.

Example :

Postage for destination A to B in Malaysia is RM2.60. (GST-inclusive). The postal service provider has to account for GST based on GST rate of 6% as follows:

Postage : RM2.60

GST payable : $RM2.60 \times 6/106 = RM0.15$

Q2: What is the GST treatment for the sale of used postage stamps?

A2: The sale of used postage stamps in the course or furtherance of a business is a standard-rated supply.

Example 1:

XYZ Stamp Co. is a GST registered person and offers for sale a rare 30-cent Straits Settlement postage stamp for RM106.00. The registered person has to account for GST based on GST rate of 6% as follows:

Price of used postage stamp : RM106.00

GST payable : $RM106.00 \times 6/106 = RM6.00$

Example 2:

Abu has collected many old stamps as a hobby and decides to sell some of these stamps to a stamp collector. The sale of those stamps is not subject to GST because Abu is not in the business of selling stamps.

Q3: Are revenue stamps subject to GST?

A3: Revenue stamps are not used for postage but to pay stamp duties. The sale of revenue stamps is not a supply, and therefore is not subject to GST.

Q4: What is the GST treatment on the sale of first-day covers and other philatelic items?

A4: The sale of first-day covers and other philatelic items such as commemorative stamps and miniature sheets is subject to GST at standard rate. These items are sold by the post office at prices inclusive of GST which may be higher than their face value.

Q5: What is the treatment of GST for postage stamps with a customer's personal picture printed on the stamps?

A5: There is a new product by Pos Malaysia Berhad whereby any customer can get his or her personal picture printed on the stamp. This new product is called " **SetemKu** ". This type of stamp is subject to GST at standard rate.

Q6: The charge for postal article delivered in parcel is not paid by using postage stamp. A sender is required to fill a prescribed form and is charged accordingly. What is the GST treatment?

A6: Parcel delivered to an addressee within Malaysia is subject to GST at standard rate whereas parcel delivered to an addressee outside Malaysia is zero-rated.

Q7: Businesses may mail their letters themselves by obtaining a franking machine from the post office or any supplier approved by Pos Malaysia Berhad. They are required to purchase the franking machine and open an account with the post office. What is the GST treatment?

A7: The sale of a franking machine is a taxable supply and is subject to GST at standard rate even if it is used for franking international mails.

Q8: Are fees/charges for services of providing a P.O. Box, Locked Bag, Express Pos and Registered Pos subject to GST?

A8: These fees/charges are subject to GST at standard rate.

Q9: "Jemaah Haji Baggage" is a service provided for transporting baggage of haj pilgrims. Is this service standard-rated too?

A9: No, this service is zero-rated since the baggage or goods are transported into Malaysia from a place outside Malaysia.

Q10: *Pos Restante* is a service available to travellers or persons who do not have fixed home address to designate any General Post Office for their mail collection. What is the GST treatment for this service?

A10: This service is a standard-rated supply as it is provided within Malaysia.

Q11: What about the sale of aerogramme?

A11: The sale of aerogramme is a zero-rated supply since it is meant for international delivery.

Q12: Literature for the blind posted in a specially printed envelope is delivered free of charge. Is there GST to be accounted for by the post office?

A12: Postal delivery which is free of charge is not treated as a supply for the purposes of GST. Therefore it is not subject to GST.

Q13: Post office offers insurance coverage for mail and parcel delivery. Is this insurance subject to GST?

A13: This insurance is categorized as general insurance, and therefore, the premium charged is subject to GST at standard rate.

Q14: The post office serves as a one-stop collecting agency for bills and various payments such as electricity and water bills, rates and assessments, repayment of study loans (MARA, PTPTN, JPA), Courts Mammoth's instalments, zakat, ASTRO, Telekom and mobile phone bills, etc. What is the GST treatment for these services?

A14: Services pertaining to bill and payment collection are standard-rated supplies. However, the post office does not charge the paying public commission. The commission is charged to the issuer of the bill.

Example:

Abu's mobile phone bill for February is RM150.00. Abu goes to the post office and the bill is settled when he pays a total of RM150.00. There is no GST

charged by the post office to Abu. This treatment applies to all payment of bills made to the post office.

However, the post office will charge the respective issuer of bills (in the example above is the mobile service provider) an amount of commission, and that commission is subject to GST.

Q15: The post office is also allowed to renew road tax, driving license, car insurance and business registration license of which a commission is charged to the person renewing the license. Is GST chargeable on these services?

A15: Yes, renewal services are standard-rated supplies and GST is chargeable on the amount of commission.

Example:

The annual renewal fee for Abu's business registration license is RM30.00. The post office charges a commission of RM2.00. Abu pays RM32.00 and gets his license renewed. The post office will have to account for GST on that commission which is inclusive of GST.

Commission charged : RM2.00 (inclusive of 6% GST)

GST payable : $RM2.00 \times 6/106 = RM0.11$

Q16: The post office acts as an agent for the sale and purchase of unit trusts such as ASB, ASN, ASM and ASW2020 of which a commission is charged to Permodalan Nasional Berhad (PNB). What is the GST treatment?

A16: The post office is not making a supply of unit trust to the public as it is only acting as an agent. However, the commission charged to PNB is subject to GST at a standard rate of 6%.

Q17: The post office sells money / postal order of which commission is charged. What is the GST treatment for commission charged?

A17: The post office charges commission on issuing money / postal order and on services relating to money transfers. The commission charged for these services is standard-rated.

Example:

Abu buys a money order for RM100.00. The commission charged is RM2.00 inclusive of GST. Abu pays the post office a total of RM102.00 for his money order and the post office has to account for GST of RM0.11 ($RM2.00 \times 6/106$) based on GST rate of 6%.

Q18: Lembaga Tabung Haji authorizes the post office to accept deposits from its account holders. Post Office charges Lembaga Tabung Haji a commission for the service rendered. Is this service subject to GST?

A18: Yes. The commission charged for the service rendered is subject to GST at standard rate.

Q19: What is the GST treatment for incoming parcels from other countries?

A19: GST is levied on goods imported by post. Parcels from other countries are deposited in KLIA Mail and Courier Centre. Examination will be carried out by Customs to determine whether the contents of the parcels are subject to customs duty and excise duty. GST will be charged based on the value of the goods plus the amount of customs duty and excise duty (if any):
(Value of goods + customs duty + excise duty) x GST rate

Example:

| | |
|---------------------------|-------------------------|
| <i>Value of goods</i> | <i>:RM1,000</i> |
| <i>Customs duty @ 10%</i> | <i>:RM 100</i> |
| <i>Excise duty @ 10%</i> | <i>:RM 100</i> |
| <u><i>Total value</i></u> | <u><i>: RM1,200</i></u> |
| <i>GST @ 6%</i> | <i>: RM 72</i> |

Q20: The post office and courier companies provide express mail service for faster delivery with more reliable and secure features. Is there any difference in the GST treatment for this service compared to ordinary mail service?

A20: No, there is no difference in the GST treatment. Articles sent by a courier company or PosLaju, known internationally as Expedited Mail Service (EMS), will be standard-rated for domestic delivery.

However, the service will be zero-rated for international door-to-door delivery provided that both the international and domestic segments of the delivery are handled by the same supplier.

Example:

Abu uses PosLaju to send a parcel from Kota Bahru to Australia. The parcel is first transported by a PosLaju truck from Pusat PosLaju Kota Bharu to KLIA Mail and Courier Centre before it is flown to Australia. The PosLaju charges to Abu are zero-rated. However, if a local trucking company is engaged by PosLaju to transport the parcel from Kota Bharu to KLIA, the transport cost charged to PosLaju is subject to GST at standard rate. The PosLaju charges to Abu are still zero-rated.

FEEDBACK OR COMMENTS

10. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either Mohd Hisham b. Mohd Nor (m_hisham.nor@customs.gov.my) or Aminul Izmeer b. Mohd Sohaimi (izmeer.msahaimi@customs.gov.my).

FURTHER INFORMATION

11. Further information can be obtained from:

- (a) GST website : www.gst.customs.gov.my
- (b) GST Hotline : 03-88822111
- (c) Customs Call Centre :
 - Tel : 03-7806 7200/ 1-300-888-500
 - Fax : 03-7806 7599
 - E-mail : ccc@customs.gov.my