



**SERVICE TAX 2018**

**GUIDE ON:  
HIRE PASSENGER VEHICLES  
SERVICES**

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## INTRODUCTION

1. Service Tax is a consumption tax governed by the Service Tax Act 2018 and its subsidiary legislation. The effective date of the Service Tax Act 2018 is 1 September 2018.
2. Service tax is imposed on prescribed services called “taxable services”.
3. A person who provides taxable services exceeding a specified threshold is required to be registered under the Services Tax Act 2018 and is known as a “registered person” who is required to charge service tax on his taxable services made to his customers.
4. The Guide is prepared to assist you in understanding the service tax treatment on hire passenger vehicles services.

## IMPOSITION AND SCOPE OF TAX

5. Effective 1 September 2018, under Group I, Item 7, First Schedule of the Service Tax Regulations 2018, the operator who is granted operator license under Section 18 or Section 38 of the Land Public Transport Act 2010 or Commercial Vehicle Licensing Board 1987 (Sabah & Sarawak) is liable to be registered.

## TERMINOLOGY

6. The following words have these meanings in this guide unless the contrary intention appears:
  - (i) "**Charter Bus**" means a bus which is hired as a whole for a single journey for which payment is made to the owner by the person hiring the bus (*First Schedule, Land Public Transport Act 2010*);
  - (ii) "**Hire Car**" means a motor vehicle having a seating capacity of not more than six persons or, in areas approved by the Commission, twelve persons

(in all cases, including the driver) used for carrying persons on one journey in consideration of separate payments made by them (*First Schedule, Land Public Transport Act 2010*);

- (iii) **“Hire and Drive Car”** means a motor vehicle let on hire for the purpose of being driven by the hirer or his nominee (*First Schedule, Land Public Transport Act 2010*);
- (iv) **“Excursion Buses”** means a bus used exclusively for the conveyance of tourists and in consideration of payment which has no fare stages (*Second Schedule, Land Public Transport Act 2010*).
- (v) **“Hire and Drive Cars for Tourist”** means a motor vehicle let on hire for the purpose of being driven by the hirer or his nominee whether a tourist or not, and used exclusively for the conveyance of a tourist or tourists (*Second Schedule, Land Public Transport Act 2010*).
- (vi) **“Designated Areas”** (DA) means Labuan, Langkawi and Tioman (*Section 47, Service Tax Act 2018*)

## **GENERAL OPERATIONS OF THE INDUSTRY**

### **Overview of Hire of Passenger Vehicles Services (HPV)**

7. HPV services refer to:

- (i) Provision of hire and drive or hire-car services;
- (ii) Provision of charter bus services; or
- (iii) Provision of excursion bus services

8. Any person who is granted an operator license under Section 18 for public service vehicles with regards to charter bus, hire cars and hire and drive cars or Section 38 for tourism vehicles of the Land Public Transport Act 2010 or Commercial Vehicle Licensing Board 1987 (Sabah & Sarawak) is liable to be registered under the Service Tax Act 2018.

## **CHARGING SERVICE TAX**

9. The rate of service tax shall be charged at the rate of 6%. Service tax on the provision of prescribed services will be charged at the point services rendered.

## **SERVICE TAX TREATMENT FOR HPV SERVICES**

10. The following services licensed under Section 18, Part II, Chapter 1, Land Public Transport Act 2010 for public service vehicle will be subjected to service tax:

- (i) Class (b) – charter bus;
- (ii) Class (i) – hire cars; and
- (iii) Class (j) – hire and drive cars.

11. The following services licensed under Section 38, Part III, Chapter 2, Land Public Transport Act 2010 for tourism vehicle services will be subjected to service tax:

- (i) Class (a) – excursion buses; and
- (ii) Class (b) – hire and drive cars for tourist

12. The HPV services exclude the operation of:

- (i) Stage buses;
- (ii) Express buses;
- (iii) Mini buses;
- (iv) Employees buses;
- (v) Feeder buses;
- (vi) School buses;
- (vii) Airport buses;
- (viii) Taxi cabs;

- (ix) Airport taxi cabs; and
- (x) Limousine taxi cabs.

Includes rental of vehicles for the purpose of the above.

13. Service tax is levied on:

- (i) Vehicle rental fee (time / mileage)
- (ii) Driver service fee (vehicle for hire)
- (iii) Drop off / delivery charges (charges imposed on returning rental cars elsewhere from where they were taken.)
- (iv) Child-seat or booster-seat rental.
- (v) Fuel surcharge
- (vi) Insurance charged by the operator

*Note : This list is not exhaustive*

14. Other service charges that not subject to service tax are charges imposed by third parties such as summons and car wash.

15. HPV services within a designated areas (DA) is not subject to service tax if services provided by operator whose principal business is in DA.

## **RESPONSIBILITY OF REGISTERED PERSON**

16. A service provider reaching prescribed threshold of taxable services is required to be registered. For further guidance and details on registration including an auto-registration exercise, please refer to the *Service Tax Registration Guide*.

17. A registered person is responsible to:

- (i) Charge service tax on taxable services,

- (ii) Issue an invoice and receipt to the customers in respect of any transaction relating to the provision of taxable services,
- (iii) Submit service tax return SST-02 form electronically and pay service tax before the due date,
- (iv) Keep proper records.

For further information with regards to the responsibilities of a registered person, please refer to the *General Guide* and the relevant *Specific Guides*.

## **FREQUENTLY ASKED QUESTIONS (FAQs)**

1. Q : **How to be a registered person?**  
A : HPV operator who provides prescribed taxable services and having turnover exceeds RM500,000 have to apply for registration via online by submitting SST-01 form to MySST system.
  
2. Q : **How to submit return and make payment?**  
A : A registered HPV operator needs to submit service tax return SST-02 form and make payment via electronically (MySST) and by post to the SST Processing Centre in Kelana Jaya. The payment methods are either by cheque or by bank draft. For more information refer to Return and Payment Guide.
  
3. Q : **Do registered HPV operator need to issue an invoice?**  
A : In service tax regulation, all transactions by registered person must issue an invoice. Registered person can apply to use other documents to replace invoice and subject to approval by the Director General. For more information, refer to the General Guide.
  
4. Q : **Hotel XY Sdn. Bhd. is not licensed under Tourism Industry Act 1992 but a registered person under Service Tax Act 2018. Is the car rental services provided by the hotel subject to service tax?**



- A : Yes, the car rental service provided by the hotel is subject to service tax because it is a prescribed services by the hotel under Group A, Schedule 1, Service Tax Regulations 2018.
5. Q : **A hire car operator required a tourist to put a deposit for a car rental. Is the deposit subjected to service tax?**
- A : If the deposit is not treated as a part of payment for the rental and it will be returned to the tourist it is not subjected to service tax. If it is considered as a part of payment, it is subject to service tax.
6. Q : **A customer hires a car in Malaysia from Malaysian operator and travel up to Bangkok, Thailand then returned the car to the operator in Malaysia after a week. Can the operator apportion the service tax charged for usage outside Malaysia?**
- A : No, the operator cannot apportion the service tax but have to charge based on the usage regardless that the car was used outside Malaysia.

## INQUIRY

For any inquiries for this guide please contact:

Internal Tax Division  
Royal Malaysian Customs Department  
Level 3 - 7, Block A, Menara Tulus,  
No. 22, Persiaran Perdana, Presint 3,  
62100 Putrajaya.

## **FURTHER ASSISTANCE AND INFORMATION ON SST**

Further information on can be obtained from :

- (i) SST website : <https://mysst.customs.gov.my>
  
- (ii) Customs Call Center:
  - Tel : 03-7806 7200 / 1-300-888-500
  - Fax : 03-7806 7599
  - Email: [ccc@customs.gov.my](mailto:ccc@customs.gov.my)