



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON POSTAL & COURIER

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The Guide on Postal & Courier as at 31 October 2013 is withdrawn and replaced by the Guide on Web Hosting Services revised as at 3 November 2015.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 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 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.

TERMINOLOGY

5. The following words have these meanings in this guide unless the contrary intention appears:

- (a) “**postal article**” is defined as a letter, a package, a parcel, a wrapper or a container that can be collected, transmitted and delivered through the postal network of a licensee (*Definition under Postal Services Act 2012*)

- (b) “**postage**” means the charge or fee, including additional charge or fee, payable for the collection, transmission and delivery of a postal article by a licensee. (*Definition under n Postal Services Act 2012*)
- (c) “**post office**” includes any place, device or mail conveyance authorized by the universal service licensee for the posting, receipt, sorting, handling, transmission. (*Definition under Postal Services Act 2012*)
- (d) “**postal services**” means the collection, transmission and delivery of any postal article. (*Definition under Postal Services Act 2012*)
- (e) “**postage stamp**” means any label or stamp which denotes any rate of postage fee or other sum payable in respect of a postal article, and includes adhesive postage stamp and stamp printed, embossed, impressed or otherwise indicated on any envelope, wrapper, postcard or other article, whether such stamp is issued under this Act or under the law of any other country. (*Definition under Postal Services Act 2012*)
- (f) “**international mail**” means any letter which does not include international small packet, and does not exceed one kilogram transmitted to a foreign destination by air or sea. (*Definition under Postal Services (Postage Rates) Rules 2013*)

GENERAL OPERATIONS OF THE INDUSTRY

Overview of postal and courier services

6. 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.

7. 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, United Parcel Service (M) Sdn Bhd and etc.

GST TREATMENT FOR POSTAL AND COURIER SERVICES

8. The supply of domestic postal and courier services is standard rated.

9. Services related to international mail is zero-rated under item 21, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014, whereas international courier delivery which relate to goods is zero-rated under item 4, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

10. For the purposes of item 4, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014, international freight transportation refers to a carrier such as airline or shipping line and includes courier service provider.

11. International courier delivery means:

- (a) the transport of goods from a place outside Malaysia to a place outside Malaysia;
- (b) the transport of goods from the last exit point in Malaysia to any place in other country; or
- (c) the transport of goods from a place outside Malaysia to the first entry point in Malaysia

12. Transportation of goods 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 freight transportation if it is provided by the same supplier. Thus, it is also subject to GST at zero-rated as provided under item 5, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

13. The supply of postal and courier services in Designated Area (DA) is not subject to GST. However postal and courier services between DA or from Malaysia to DA or vice versa is subject to GST at standard rate.

14. Pos Malaysia Berhad has been granted relief from charging GST for stamp from 1 April 2015 until 31 March 2016, therefore no GST shall be chargeable for the sales of stamp for the stipulated period.

FREQUENTLY ASKED QUESTIONS

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

A1. The supply of postage stamps is subject to GST at standard rate.

Example 1:

Syarikat Emran purchased 100 units of RM 0.60 postage stamp. How much is the GST?

The postal service provider has to account for GST based on GST rate of 6% as follows:

Postage stamp : RM 0.60 x 100 units = RM 60.00
GST Payable : RM 60.00 x 6% = RM 3.60

Note:

Minister of Finance has given relief from charging from 1 April 2015 until 31 March 2016.

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 at standard rate of 6% as follows:

Price of used postage stamp : RM106.00

GST payable : RM106.00 x 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 an out of scope supply, therefore it 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.

Example 3:

The sale of whole set of first day cover together with 4 units of stamp is subject to GST at the total value of the sales.

Value of first day cover envelope = RM 0.50

Value of 4 units of stamp @ RM 0.60 per stamp = RM 2.40

Total value of the sales = RM 2.90

Value of GST (RM 2.90 x 6%) = RM 0.17

Total value payable by customer = RM 3.07

The perception of the buyer on the sales of the first day cover is not a supply of stamp rather a supply of article which consist of the envelop,

stamps and the post mark. Therefore the total value will be subject to GST at standard rate.

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

A5. There is a product by Pos Malaysia Berhad whereby any customer can get his or her personal picture printed on the stamp. This product is called "**SetemKu**". The service of producing 'SetemKu" 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. Customer buy the franking machine from list of the vendors, the sale of a franking machine is a taxable supply and GST is chargeable at standard rate. The postage service through the franking machine provided by Pos Malaysia is subject to GST at standard rate for postage services provided within Malaysia.

Q8. My company uses bulk mailing services to send letters to our customer by using envelop printed with "postage paid" (Bayaran Pos Jelas). Is this service subject to GST?

A8. There are two transactions incurred in this scenario.

- (i) Bulk mailing services provider is providing arrangement of postage services ("postage paid") to your company, which is subject to GST at standard rate.
- (ii) Postage services from Pos Malaysia to bulk mailing services provider is a taxable service, therefore it shall be subject to GST at standard rate.

Q9. Are fees/charges for services of providing a P.O. Box or Locked Bag subject to GST?

A9. These fees/charges are subject to GST at standard rate if a P.O.Box or locked bag is located within Malaysia. However, if the P.O.Box or locked bag is located in Designated Area, no GST is chargeable.

Q10. Are fees/charges for services of providing a Pos Ekspres and Registered Mail subject to GST?

A10. These fees/charges are subject to GST at standard rate if the services is done within Malaysia but if the service is within the Designated Area, no GST chargeable.

Q11. "Jemaah Haji Baggage" is a service provided for transporting baggage of haj pilgrims. Is this service subject to GST at standard rate?

A11. No, this service is zero-rated supply since the baggage or goods are transported into Malaysia from a place outside Malaysia under item 4(c), Second Schedule, GST (Zero-Rated Supply) Order 2014.

Q12. 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?

A12. This service is subject to GST at standard rate as it is provided within Malaysia; but if the service is within the Designated Area, no GST chargeable.

Q13. What about the sale of aerogramme?

A13. The sale of aerogramme is a zero-rated supply since it is meant for international delivery.

Q14. 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?

A14. 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.

Q15. Post office offers insurance coverage for mail and parcel delivery. Is this insurance subject to GST?

A15. This insurance premium is subject to GST at standard rate if the mail is sent within Malaysia. On the other hand, if it is for oversea delivery, it is subject to GST at zero rate under item 7, Second Schedule, GST (Zero-Rated Supply) Order 2014.

Q16. The post office serves as a one-stop collecting agency for bills such as utility bills, rates and assessments, ASTRO, Telekom, mobile phone bills and etc. What is the GST treatment for these services?

A16. Services pertaining to bill payment and utility collection by Pos Malaysia Berhad to the provider of the services are subject to GST at standard rate. However, if the commission is charged to and paid by the customer, GST is charged to the customer.

Q17. The post office is also allowed to renew road tax, driving license, car insurance and business registration license of which a service fee is charged to the person renewing the license. Is GST chargeable on these services?

A17. Yes, renewal services are standard rated supplies and GST is chargeable on the amount of service fee charged.

Example 4:

The annual renewal fee for Abu's business registration license is RM30.00. The post office charges a service fee of RM2.00. Abu pays RM32.12 and gets his license renewed. The post office will have to charge for GST on that service fee.

Service fee : RM2.00

GST payable : RM2.00 x 6% = RM0.12

Total Payable : RM 32.12 (RM30.00 + RM 2.00 + RM0.12)

Q18. 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?

A18. 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 standard rate.

Q19. The post office sells money/postal order of which service fee (commission) is charged. What is the GST treatment for service fee (commission) charged?

A19. The post office charges service fee (commission) on issuing money/postal order and on services relating to money transfers. The service fee (commission) charged for these services is subject to GST at standard rate.

Q20. 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?

A20. Yes. The commission charged for the service rendered is subject to GST at standard rate.

Q21. What is the GST treatment on goods imported through post or courier service from other countries?

A21. 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 (if any). 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 5 :

Value of Goods	: RM 1000.00
Customs Duty @ 10%(RM 1000.00 x 10%):	RM 100.00
Total Value	: RM 1100.00
GST@6%	: RM 66.00
Total Payable to Customs(RM 100 + RM 66.00):	RM 166.00

However if the goods excluding cigarette, tobacco and intoxicating liquor imported using air courier services through international airport are of total not exceeding RM 500 per consignment, it is given relief from payment under Item 22, First Schedule, GST (Relief) Order 2014. The international airports include:

- (a) Kuala Lumpur International Airport, Selangor;
- (b) Sultan Abdul Aziz Shah Airport, Selangor;
- (c) Penang International Airport, Penang;
- (d) Senai International Airport, Johore;
- (e) Kota Kinabalu International Airport, Sabah; or
- (f) Kuching International Airport, Sarawak

Q22. 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?

A22. No, there is no difference in the GST treatment. Articles sent by a courier company or PosLaju, known internationally as Express Mail Service (EMS), is subject to GST at standard rate for domestic delivery.

However, the service will be zero-rated for international door-to-door delivery under item 21, Second Schedule, GST (Zero-Rated Supply) Order 2014 with regards to international transportation of goods.

Example 6:

Abu uses PosLaju to send a parcel from Kota Bharu to Australia. The parcel is first transported from Pusat PosLaju Kota Bharu to KLIA Mail and Courier Centre before it is flown to Australia. PosLaju's services to Abu is subject to GST at zero rate.

INQUIRY

15. For any inquiries for this guide please contact :

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Royal Malaysian Customs Department
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No. 22, Persiaran Perdana, Presint 3,
62100 Putrajaya.

Email : gstsector5@customs.gov.my

FURTHER ASSISTANCE AND INFORMATION ON GST

16. 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
 - Email : ccc@customs.gov.my