



SERVICE TAX 2018

GUIDE ON: PARKING SERVICES

Published by:

**Royal Malaysian Customs Department,
Sales and Service Tax Division,
Putrajaya.**

23 August 2018

Publication

Date: 23 August 2018.

Copyright Notice

Copyright 2018 Royal Malaysian Customs Department.

All rights reserved. Subject to the Copyright Act, 1987 (Malaysia).

The Guide may be withdrawn, either wholly or in part, by publication of a new guide. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, including on-site for commercial purposes without written permission from the Royal Malaysian Customs Department (RMCD). In reproducing or quoting the contents, acknowledgment of source is required.

Disclaimer

This information is intended to provide a general understanding of the relevant treatment under Sales Tax and Services Tax Legislation 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.

CONTENTS

| | |
|---|---|
| INTRODUCTION..... | 1 |
| IMPOSITION AND SCOPE OF TAX | 1 |
| GENERAL OPERATIONS OF THE INDUSTRY | 1 |
| REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON..... | 2 |
| FREQUENTLY ASKED QUESTION | 3 |
| INQUIRY | 6 |
| FURTHER ASSISTANCE AND INFORMATION ON SST | 6 |

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 parking service.

IMPOSITION AND SCOPE OF TAX

5. Effective 1 September 2018, under Group I, Item 4, First Schedule of the Service Tax Regulations 2018, any person who operates or provides parking spaces for motor vehicle where parking charges are imposed is subject to service tax.

GENERAL OPERATIONS OF THE INDUSTRY

6. Parking typically is defined as "the stopping or standing of a motor vehicle whether occupied or not".
7. Parking operator or provider means any person who owns, controls or provide parking spaces or facilities.
8. Parking space is a space or special area or lots or plots that are prepared in a structured and organized manner as a place to park motor vehicles.
9. Normally, there are two (2) categories of parking space which are:
 - (i) On-street parking

Defined as parking spaces on the street. On-street parking uses part of the road so that a car and other vehicles can park. On-street parking can be on either side of the reserve road and can be marked or unmarked, regulated or not

(ii) Off-street parking

Defined as parking spaces other than on-street parking which can be either in the building or specific area.

10. Service tax shall be imposed on the provision of parking space service. The service includes jockey services provided for valet parking spaces. The service tax is only applicable if the parking space service is charged by the parking space provider. However, the sale of a parking lot by a housing developer or joint management body in a residential or commercial building is not subject to service tax.

11. Service tax shall be charged on all method of parking payment such as payment through Touch N' Go (TnG), Auto-Pay Machine, Meter Parking, coupon and etc.

REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON

12. 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*.

13. A registered person is responsible to:

- (i) Charge service tax on taxable services,
- (ii) Issue invoices and receipts with specific particulars,
- (iii) Submit service tax return SST-02 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 *General Guide* and relevant *Specific Guides*.

FREQUENTLY ASKED QUESTION

1. **Q : What is the treatment for the parking services that are being charged by the provider or operator?**

A : Parking service that are being charged by the provider or operator are subject to service tax.

2. **Q : Who is the parking space provider that needs to be registered under Service Tax Act?**

A : Any person who operates or provides parking spaces for motor vehicle with the threshold exceeding RM500,000.

3. **Q : If the services performed does not reach the prescribed threshold, can I apply for voluntary registration?**

A : Yes. You may apply for voluntary registration to Director General.

4. **Q : Does the rental of parking spaces at commercial or residential property subject to service tax?**

A : Yes. The rental of parking spaces at commercial or residential property is subject to service tax.

5. **Q : What is the service tax treatment for the sales of parking spaces at a commercial or residential property?**

A : The sale of parking spaces at a commercial or residential property is not subject to service tax.

6. **Q : Does the parking services for bus, lorry or any other related vehicle subject to service tax?**

A : Bus, lorry and other related vehicle are categorised as motor vehicle. Therefore, the provision for such parking services are subject to service tax.

7. Q : **What is the treatment of parking service that use Touch N' Go payment?**

A : The treatment of parking service that use Touch N' Go payment is subject to service tax.

8. Q : **What is the treatment of parking service that use auto-pay method?**

A : The treatment of parking service that use auto-pay method is subject to service tax.

9. Q : **Does the parking service provide by Local Authority subject to service tax?**

A : Yes, parking service provided by the Local Authority is subject to service tax.

10. Q : **In relation to question 11, does it means that Local Authority need to be registered under Service Tax Act?**

A : Yes. Any Local Authority or Statutory Body that operates or provides parking space service need to be registered under Service Tax Act if the service being charged and the threshold exceeds the prescribe threshold.

11. Q : **Company PY has been given rights to operate and maintain the parking spaces by Local Authority (LA). Company PY charged LA for the operation and maintenance of the parking spaces. Company PY also responsible for collecting parking space charges to the consumer. What is the service tax treatment for this scenario?**

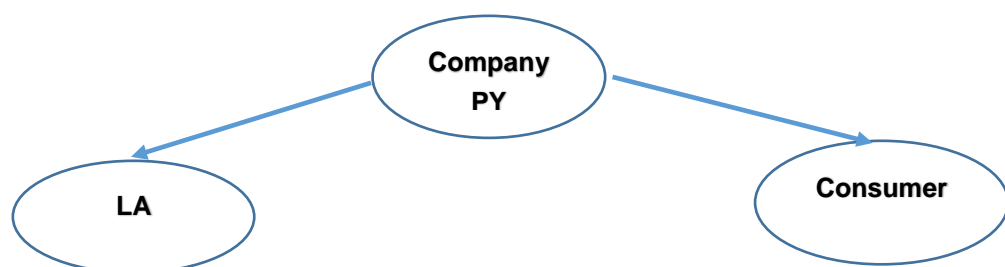


Illustration 1

- A : The charge imposed by Company PY to LA is not subject to service tax. Company PY is liable to impose service tax on the provision of parking to the consumer.
12. **Q** : **The sales of food and beverage by MummyZ Ikan Bakar is RM700,000 in a year. However, MummyZ Ikan Bakar also provide parking spaces and the yearly sales is RM400,000. Does MummyZ Ikan Bakar require to be registered under Service Tax Act?**
- A : Yes. MummyZ Ikan Bakar is required to be registered under Group B of Service Tax Regulations 2018 since the threshold already exceeds the prescribed threshold.
13. **Q** : **In relation to question 14, if there are no charges being imposed on the parking spaces, does MummyZ Ikan Bakar required to be registered under service tax?**
- A : No. MummyZ Ikan Bakar is not required to be registered under service tax.
14. **Q** : **MHK Resources is a company that operates parking spaces. The yearly threshold is RM400,000 and at the same time MHK Resources also has sales of food and beverage. The provision of food and beverage is RM150,000. Does MHK Resources require to be registered under service tax?**
- A : No, since the threshold does not exceed the prescribed threshold.
15. **Q** : **A company has rented its parking space from January 2018 until December 2018. The payment for the whole period was made in February 2018. What is the tax treatment for this transaction?**
- A : Since the payment already been made in February 2018 where GST still being effective, 6% GST shall be imposed.

INQUIRY

For any inquiries for this guide please contact:

Royal Malaysian Customs Department
Internal Tax Division
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