



SERVICE TAX 2018

GUIDE ON: PARKING 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”.
4. The Guide is prepared to increase understanding the service tax treatment on parking service.

TERMINOLOGY

5. The following words refer to these meanings in this guide unless the contrary intention appears:
 - a) “**Vehicle**” means a structure capable of moving or being moved or used for the conveyance of any person or thing and which maintains contact with the ground when in motion (*Section 2, Road Transport Act 1987*);
 - b) “**Motor vehicle**” means a vehicle of any description, propelled by means of mechanism contained within itself and constructed or adapted so as to be capable of being used on roads, and includes a trailer. (*Section 2, Road Transport Act 1987*);
 - c) “**Operator**” means individual / business entity which that own, provide or operate parking spaces for motor vehicles;
 - d) “**Parking space**” means a special space or area or lot or compartment provided in a planned and arranged manner as a place to park motor vehicles;

- e) **“Road Transport Department”** means the Department administered by the Director General (*Section 2, Road Transport Act 1987*);
- f) **“Special Areas”** (SA) means any free zone, licenced warehouse and licenced manufacturing warehouse, the Joint Development Area and a petroleum supply base licensed under section 77b of the Customs Act 1967 (*Section 2, Service Tax Act 2018*);
- g) **“Designated Areas”** (DA) means Labuan, Langkawi, Tioman and Pangkor (*Section 2, Service Tax Act 2018*).

IMPOSITION AND SCOPE OF TAX

6. Effective 1 September 2018, any person, Government agency, local authority or statutory body who operates or provides parking spaces for motor vehicle is subject to service tax under Item 4, column (1), Group I, First Schedule of the Service Tax Regulations 2018.

GENERAL OPERATIONS OF THE INDUSTRY

Scope of Provision of Parking Services

7. There are two (2) categories of parking space, namely:

- a) On-street parking

Defined as parking spaces provided at the roadside. On-street parking uses part of the road for parking cars and other vehicles in the road reserve (ROW). On-street parking can be on the road reserve section whether paved or not and must be clearly marked and regulated by the authorities.\

b) Off-street parking

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

8. Parking Payment System includes using a single meter system or centralized meter, tickets / coupons or the use of smart cards.

9. Parking payment method is divided into 4, namely:

a) Pay Upon Entry

Payment is at a fixed rate and is paid at the payment machine or kiosk each time upon entry.

b) Pay Before Leaving

Tickets are collected upon entering parking and payment is made before exiting either at the machine or payment counter according to the time period and rate set.

c) Pay When Leaving

Tickets are taken upon entry with payment cleared when going out at the payment booth at the exit gate.

d) Pay Through Latest Technology Facilities (smartphone application)

Pay parking online via smartphone app or any latest technology platform.

10. Parking Fee Rate is free of charge or subject to charge or payment rate according to hourly/daily/monthly rental.

IMPOSITION OF SERVICE TAX

11. The service tax rate for the service of providing a parking space is 6%.

SERVICE TAX SERVICES FOR PARKING SERVICES

12. Any person who operates or provides a motor vehicle parking service is deemed to be carrying out a taxable service.

13. Service tax shall be charged for all method of parking payment methods such as through Touch N' Go (TnG), auto-pay machines, metered parking, coupons, mobile-pay and others.

14. Taxable 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.

15. Services provided by operator but not subject to service tax are as follows:

- a) Rental of part of the parking space to a valet parking operator;
- b) Season pass card issuance charges;
- c) Charges for providing "reserved" signage, car plate number or steel bar for reserved parking;
- d) Management charges for reactivating blocked season passes;
- e) Lost card replacement penalty.

16. Parking space services for motor vehicles in the designated area (KD) are not subject to service tax if the services are provided by the operator whose main business is in KD.

SERVICE TAX ACCOUNTING

17. The parking space operator who are unable to issue invoices as stipulated under section 21, Service Tax Act 2018, is also allowed to make an application in writing if:

- a) Unable to show all the particulars listed in the Regulation 10(1), Service Tax Regulations 2018; or

- b) Unable to issue invoices to customers as specified under subsection 21 (1a), Service Tax Act 2018.

18. For the payment of parking spaces using a machine or device operated with coins, tokens or the like, the service tax required to be accounted shall be due on the day when the coins, tokens or the like are collected from such machine or device.

REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON

19. A service provider reaching prescribed threshold of taxable services is required to be registered under Service Tax Act 2018.

20. A registered person is responsible to:

- a) Charge service tax on taxable services,
- b) Issue invoices and receipts with specific particulars,
- c) Submit service tax return SST-02 electronically and pay service tax before the due date,
- d) Keep proper records.

For further information with regards to the responsibilities of a registered person, please refer to **Service Tax General Guide**.

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 9, 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 AB has been given rights to operate and maintain the parking spaces by Local Authority (LA).**

(a) Company AB charged LA for the operation and maintenance of the parking spaces.

(b) LA as a parking operator imposes parking space charges to the consumer.

What is the service tax treatment for this scenario?



Illustration 1

- A : (a) The charge imposed by Company AB to LA is not subject to service tax under parking space services but it is subject to service tax under item (vii) parking management services, Item (i), Group G, First Schedule, Service Tax Regulations 2018.
- (b) LA 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 RM1,100,000 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

SUMMARY OF DOCUMENT CHANGE

Amendment 1 – 10 January 2022

Para	Changes
FAQ No.12	Replace: RM700,000 with: RM1,100,000
