



SERVICE TAX 2018

GUIDE ON: COURIER 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. This industry guide is prepared to assist you in understanding matters with regards to service tax treatment on courier services.

IMPOSITION AND SCOPE OF TAX

5. Effective 1 September 2018, under Group I, Item 6, First Schedule of the Service Tax Regulations 2018, the provision of courier delivery services under prescribed circumstances is subject to service tax.

TERMINOLOGY

6. The following words have these meanings in this guide unless the contrary intention appears:
 - (i) “**Courier service**” is defined as postal services provided in an expedited manner with track and trace services (definition under regulation 2, *Postal Services (Licencing) Regulations 2015*);
 - (ii) “**Postal services**” means the collection, transmission and delivery of any postal article (definition under *Postal Services Act 2012*).
 - (iii) “**Designated area**” (DA) means Labuan, Langkawi and Tioman (definition *Section 47, Service Tax Act 2018*).

- (iv) “**Special area**” (SA) means any free zone, licenced warehouse and licenced manufacturing warehouse and Joint Development Area (*Section 52, Service Tax Act 2018*).

GENERAL OPERATIONS OF THE INDUSTRY

Overview of Courier Services

7. Malaysian Communication and Multimedia Commission (MCMC) is responsible to overseeing and regulating the postal and courier services in Malaysia. Referred to Section 10 of Postal Services Act 2012 (PSA 2012), the Minister shall have power to grant:

- (i) A universal service licence; or
- (ii) A non-universal service licence

For the provision of postal services on such terms and conditions as he thinks fit and in accordance with this Act.

8. Referred to List of Courier Service Licence, MCMC, a universal service licence is granted only to Pos Malaysia Berhad while a non-universal service licence is divided into 3 categories which are:

- (i) Licence A – to provide to international inbound and outbound courier service and domestic courier service in Malaysia;
- (ii) Licence B - to provide to international inbound courier service and domestic courier service in Malaysia; or
- (iii) Licence C - to provide for intra-state domestic courier service in Malaysia.

CHARGING SERVICE TAX

9. The rate of service tax shall be charged at 6%. In the case of provision of courier delivery services, service tax is charged at the point when services rendered.

SERVICE TAX TREATMENT FOR COURIER SERVICES

10. Courier services are subject to 6% service tax if:
 - (i) The service provider licenced under Section 10, PSA 2012;
 - (ii) It is a domestic courier service; and
 - (iii) The service provider registered under Service Tax Act 2018 (STA 2018).
11. Postal services by Pos Malaysia Berhad by way of sending letters that require postage stamp including bulk mailing and franking machine is not subject to service tax.
12. Agent for a courier company is not required to be registered under Service Tax Act 2018 provided that the agent is not licenced under Section 10, PSA 2012.
13. Prescribed services for courier services which is subject to service tax 6%:
 - (i) Provision of courier delivery services for documents and parcels **not exceeding 30 kilograms** (Item 6, Group I, 1st Schedule, Service Tax Regulations 2018) each:
 - (a) Between a place in Malaysia to another place in Malaysia;
 - (b) Between a place in Malaysia to a place in DA, vice versa;
 - (c) Between a place in Malaysia to a place in SA, vice versa; or
 - (d) Between a place in DA to a place in SA, vice versa if the courier company principal place of business is in Malaysia
 - (ii) Courier delivery services include parcel, prepaid box and prepaid envelope and other related services is subject to service tax.
14. Registered person who provides courier delivery services for documents and parcels exceeding 30 kilograms each do not have to charge service tax. This service is considered as transportation of cargo.

15. Registered person does not have to charge service tax for courier services for delivery of documents or parcels :

- (i) From a place outside Malaysia to a place outside Malaysia;
- (ii) From a place within Malaysia to a place outside Malaysia;
- (iii) From a place outside Malaysia to a place within Malaysia; or
- (iv) Provision of courier delivery services within Malaysia that form part of the service referred to in subparagraphs (i) and (ii) where the service is provided by the same person.

16. Courier services provided by a service provider who is not licensed under Section 10, PSA 2012 is not subject to registration under STA 2018.

17. Courier service provider who holds licence A or B under Section 10, PSA 2012 and make wholly international services is not liable to be registered under STA 2018.

18. The courier services within the DA and within the SA are not subject to service tax if the service provider's principal place of business is in DA.

REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON

19. A service provider reaching the 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*.

20. 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; and
- (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 registered?**
A : Taxable person who provides prescribed taxable services and having turnover more than RM500,000 is required to apply for registration via online by submitting SST-01 form to MySST system - <https://mysst.customs.gov.my/>
- 2. Q : How to submit return and make payment?**
A : A registered person needs to submit service tax return SST-02 and make payment via electronically (MySST) or by post to the SST Processing Centre in Kelana Jaya. The payment methods are either by cheque or bank draft. For more information refer to the Return and Payment Guide.
- 3. Q : Does a registered person need to issue an invoice?**
A : Every transaction by a registered person must be issued with an invoice. However, the registered person can apply to use other documents to replace the invoice but subject to approval by the Director General. For more information, please refer the General Guide.
- 4. Q : Post office offers insurance coverage for normal parcel delivery. Is this insurance subject to service tax?**
A : No, it is not subject to service tax.

5. Q : **Are fees/charges for local courier services such as Pos Laju and Pos Express subject to service tax?**
A : These fees/charges are subject to service tax at 6% if the services are performed within Malaysia but if the service is within the DA, no tax chargeable.
6. Q : **Are fees/charges for registered mail subject to service tax?**
A : No, it is not subject to service tax as it is not a courier service.
7. Q : **A registered courier company in Perak has a branch in Langkawi (DA) and providing courier services within Langkawi. Is the service charged subject to service tax?**
A : No, the branch in Langkawi (DA) which provide courier service within Langkawi is not subject to service tax provided that:
(i) The services are performed directly in connection with the goods;
(ii) The services are performed in DA and benefit the person in DA; and
(iii) The invoice is issued by the branch in DA.
8. Q : **A registered courier company in Kuala Lumpur without any branch in Langkawi, providing courier services within Langkawi. Is the service subject to service tax?**
A : Yes, courier service within Langkawi (DA) is subject to service tax in accordance with Section 49, STA 2018 because the principal of business is in Kuala Lumpur.

9. Q : Courier service provider who holds licence A or B under Section 10, PSA 2012, the company makes partly international services and domestic services. How to calculate the threshold?

A : The courier service provider needs to calculate the threshold based on the total sales on domestic services only and exclude the international services. For more information refer to the *Registration Guide*.

INQUIRY

For any inquiries for this guide please contact:

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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