



JABATAN KASTAM DIRAJA MALAYSIA

Ibu Pejabat Kastam Diraja Malaysia
Bahagian Cukai Dalam Negeri
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Tarikh : 7 Safar 1440H
16 Oktober 2018



Malaysian Association of Tour and Travel Agents
Wisma MATTA,
No 6, Jalan Metro Pudu 2,
Fraser Business Park, Off Jln Yew,
55100 Kuala Lumpur
(u.p: YBhg. Datuk Tan Kok Liang)



YBhg. Datuk,

MEMORANDUM: SERVICE TAX TECHNICAL ISSUES FOR THE TOUR AND TRAVEL INDUSTRY

Saya dengan hormatnya merujuk kepada surat YBhg. Datuk no. rujukan: MATTA/CEO/RMCD/ML/376 bertarikh 13 September 2018 berhubung perkara di atas.

2. Berdasarkan maklumat yang dikemukakan, maklum balas berhubung isu yang dibangkitkan adalah seperti di Lampiran A.
3. Sila ambil maklum bahawa keputusan ini boleh dibatal/ditarik balik/tamat pada bila-bila masa sekiranya berlaku perubahan dasar ataupun wujud sebarang penyelewengan atau salahguna.

Sekian, terima kasih.

"BERKHIDMAT UNTUK NEGARA"


(FAIZULNUDIN BIN HASHIM)
Bahagian Cukai Dalam Negeri
b.p.: Ketua Pengarah Kastam
Malaysia

sk:

- (i) Pen KPK (CDN)
- (ii) Fail timbul

BERKHIDMAT MENYEJAHTERAKAN RAKYAT

*Dear Aahue
Full address
[Signature]
29/10*



**PERSATUAN EJEN-EJEN PELANCONGAN DAN PENGEMBARAAN MALAYSIA
MALAYSIAN ASSOCIATION OF TOUR AND TRAVEL AGENTS**

LAMPIRAN A

Perakuan oleh Cawangan Dasar & Pelaksanaan Cukai Perkhidmatan, Ibu Pejabat Kastam Diraja Malaysia berhubung dengan:

No.	Perkara	Keterangan	Keputusan
1	Re-sell Domestic Flight Tickets	<p>Do travel agents need to charge Service Tax when they sell Domestic Flight tickets?</p> <p>We infer that Service Tax should only be charged on domestic flights by airlines. If a travel agent is onward selling a domestic flight ticket, we opine they should NOT charge another round of Service Tax.</p> <p>This would be consistent with the DRAFT Service Tax Regulations 2018 (First Schedule under Group I Item 10) whereby only persons granted "air service licence" are regarded as a Taxable Person for sales of domestic flights.</p> <p><i>More details are presented in Point 1 of MATTA SST technical memorandum dated 26.8.2018.</i></p>	Travel agents are not taxable person under Item 10 of Group I in the First Schedule of the Service Tax Regulations 2018 and hence do not need to charge Service Tax when they sell Domestic Flight tickets.
2	Excursion bus service as part of a Tour Package	<p>Do travel agents need to charge Service Tax for "excursion bus services" when the tour transportation is part of a tour package?</p> <p>Where the tour bus transportation is a component of the tour package, we propose that the tour package is a 'composite supply', and tour operators should not be required to separately bill the</p>	Travel agents have to charge Service Tax for excursion bus services for the tour transportation if they are granted an operator's licence under the Land Public Transport Act 2010.



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No.	Perkara	Keterangan	Keputusan
		<p>bus transport services as "excursion bus services".</p> <p>Should tour operators need to separate out the "excursion bus services", this would create major problems for the tour industry including:</p> <p>---Exposing the 'costing' and 'pricing' structure of the tour operator – something that is private and confidential.</p> <p>---There is no practical way to compute the 'fair value' of the "excursion bus services", especially for self-owned buses and drivers. The process of ascertaining the variables is thwarted with "estimates" and uncertainty. Likewise, computing the 'fair value' would be highly judgmental.</p> <p>---The inconsistencies in 'fair value' (of "excursion bus services") among different tours and different operators would mean unfairly exposing tour operators to potential disagreements during SST audits as it is so difficult to defend the 'fair value' estimation process.</p> <p>---Would RMC still require 'fair value' of "excursion bus services" in event free bus services are bundled into the tour package to attract tourists?</p>	<p>In the event free bus services are bundled into the tour package, it is not subject to service tax.</p>



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No.	Perkara	Keterangan	Keputusan
		<i>More details are presented in Point 2 of MATTA SST technical memorandum dated 13.9.2018.</i>	
3	"Airport transfers with guide"	<p>Do travel agents need to charge Service Tax on "airport transfers with guide"?</p> <p>An example of "Airport transfers with guide" is: receiving tourists from the airport, transferring them to the tourist attraction site, and providing a tour guide to accompany the tourists during the journey and onsite. There is no official explanation whether this would be considered as "excursion bus services".</p> <p>We propose "airport transfers with guide" are a mini-tour package ('composite supply'). Therefore, there should NOT be any Service Tax.</p> <p><i>More details are presented in Point 3 of MATTA SST technical memorandum dated 13.9.2018.</i></p>	Travel agents need to charge service tax on the component of transportation using the excursion bus. The component of tour guide services to accompany the tourists are not subject to service tax. If it is billed as a single service, the whole amount is subject to service tax.
4	Arrangement fees	<p>Do travel agents need to charge Service Tax for "arrangement fees"?</p> <p>Example: Arrangement fee for arranging Meetings, Incentives, Conferences and Exhibitions (MICE).</p> <p>Generally, a travel agent arranges a MICE event by coordinating some (or all) of the</p>	A travel agent arranging a MICE event is considered as providing management services and subject to service tax under item 9 of Group G in the First Schedule of the Service Tax Regulations 2018.



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No.	Perkara	Keterangan	Keputusan
		<p>following elements, usually provided by separate persons:</p> <ul style="list-style-type: none"> (a) Exhibition hall rental (b) Event setup and arrangement (c) Hotel accommodation (d) Ground transportation (e) Food and beverage arrangement (f) Administration of exhibitionists and delegates (g) Flight tickets or other transport arrangements <p>In exchange for the above arrangement efforts, the MICE travel agent will bill the event organizer or the client an "arrangement fee".</p> <p>Does the billing method affect Service Tax exposure?</p> <p>Arrangement fee can be billed as: ---"Lump sum" (combine fee and disbursements into one figure); OR ---"2-tier billing" (fee shown separately, disbursements like hotel rental, food, transportation are shown on a different line).</p> <p><i>More details are presented in Point 4 of MATTA SST technical memorandum dated 13.9.2018.</i></p>	<p>Arrangement fee is subjected to service tax, while the disbursements are not provided they are billed based on actual cost incurred and attached with accompanying invoices. However, if such fee and charge are not being itemized, the lump sum amount charged on the invoice is subjected to service tax.</p>



MATA

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No.	Perkara	Keterangan	Keputusan
5	Re-sell Hotel Rooms	Do travel agents need to charge Service Tax when they re-sell hotel rooms? <i>More details are presented in Point 5 of MATTA SST technical memorandum dated 13.9.2018.</i>	Travel agents are not taxable person under Group A in the First Schedule of the Service Tax Regulations 2018 and hence do not need to charge Service Tax when they re-sell hotel rooms.

labatan Kastam Diraja Malaysia mempunyai hak untuk meminda, mengubah atau menarik balik keputusan yang diberi pada bila-bila masa.

Keputusan ini terbatal dengan sendirinya sekiranya berlaku perubahan dasar JKDM atau pindaan perundangan Cukai Perkhidmatan berhubung dengan perkara di atas.

Disemak

Nama: NURULHUDA BINTI ZULKIFLI

Jawatan: PENGUASA KASTAM

Tarikh: OKTOBER 2018

Disahkan

Nama: FAIZULNUDIN BIN HASHIM

Jawatan: TIMBALAN PENGARAH KASTAM

Tarikh: 16 OKTOBER 2018

No. Rujukan: KE-HP (146) 769 / 13 LH.4 (48)

Tarikh: 16/10/2018