



GST ISSUES

1. REBATE INCOME RECEIVED BY FREIGHT FORWARDERS

It is a norm in the freight transportation industry that freight forwarders often receive rebates from their overseas agents in the course of their business. The rebate relates to commission income received for referring business to the overseas agents in connection with the handling of goods (e.g. customs clearance) when the goods arrive at the overseas jurisdiction from Malaysia.

Example: XYZ Sdn Bhd arranges with Agent A in China to do handling services (e.g. customs clearance and unloading) for goods transported from Malaysia to China on behalf of one of its clients. XYZ Sdn Bhd will receive a rebate (commission) from Agent A for the referral work.

Issues – we wish to seek RMCD's confirmation:-

- (i) Whether the commission can be zero-rated under Item 4 of the GST (Zero Rated Supply) Order 2014 ("the Order") on the basis that this is a supply of services in relation to international freight transportation (i.e. the rebate income forms part and parcel of the income from international freight transportation services) or be zero-rated under item 12 of the Order (i.e. export of services)
- (ii) On the other hand, Malaysian freight forwarders may also pay the rebates or commission to their foreign agents for getting referral business from them to handle customs clearance and other handling services when the goods arrive in Malaysia from overseas.

In this regard, we seek RMCD's clarification whether this payment falls under "imported services" provision under Section 13 of the GST Act 2014 and hence, subject to the reverse charge mechanism.

2. STORAGE PROVIDED BY FREIGHT COMPANIES WHO ARE NOT PORT OR AIRPORT OPERATORS

Item 5 of the Order states that *"transport, loading, unloading and handling services as referred to in subitem 3(2) in relation to the transport of goods from a place in Malaysia to another place in Malaysia to the extent that those services are supplied by the same supplier as part of supply to which subitem 4(b) and 4(c) applies"*. In subitem 3(2), "handling services" is defined to include:-

- (a) Stevedoring and portorage
- (b) Loading, unloading, reloading, stowing, securing and shifting cargo for the use of cranes and weighing machines
- (c) Sorting opening for inspection, repairing, weighing and tarring, taping and sealing, erasing and re-marking, labelling and renumbering, tallying, checking, sampling, measuring or gauging of goods
- (d) Survey of cargo (including damaged cargo)
- (e) Cargo security services
- (f) Presenting goods for customs declaration
- (g) Preparing or amending customs declaration
- (h) Preparing or amending bills of lading, airway bills and certificates of shipment

Please note that providing storage for goods form part and parcel of the freight transportation services (whether for domestic or international freight transportation).

Issue - we wish to seek RMCD's confirmation whether storage of goods provided by freight forwarders falls within the definition of "handling services" as defined above, and hence qualify for zero-rating if the storage is provided by the same supplier as part of international freight transportation services.

3. HANDLING SERVICES

Pursuant to Item 12 of the Order (Second Schedule), services supplied under a contract with a person who belongs in a country other than Malaysia and which directly benefit a person who belongs in a country other than Malaysia who is outside Malaysia at the time the services are performed can be zero-rated provided the goods are not in Malaysia at the time the services are performed.

It is common practice in the industry where a freight forwarder could be engaged to only provide local handling services e.g. loading and customs clearance (without providing international transportation services) for goods meant for exports by another supplier or to handle handling services for goods imported into Malaysia by another supplier. In this regard, the freight forwarder will only bill for the local handling services without charging ocean freight.

Issue - we wish to seek RMCD's confirmation whether the amount billed for the handling services can be zero-rated on the basis that the goods concerned are meant for exports or imports, as the case may be.