

Title	GST Treatment for Passenger Motor Cars
Basis	Reg. 34 and 36 - Goods and Service Tax Regulation 2014 Director General's Decision 2, 2014
Date	3 September 2015

Reg. 36 - Goods and Service Tax Regulation 2014

Certain input tax credit will be disallowed or blocked by The Royal Malaysian Customs Department (RMCD) on certain purchases, regardless of whether or not they can be attributed to a taxable supply.

Blocked input tax items with regards to passenger motor cars, which are not used wholly for the purposes of business, includes:

- the purchase or importation or lease or rental of a passenger motor car
- the repairs, maintenance and refurbishment of a passenger motor car

It should be noted that GST paid for insurance in respect of a passenger motor car is an allowable input tax credit.

Reg. 34 - Goods and Service Tax Regulation 2014

The definition of passenger motor car is "A motor car of a kind normally used of public roads that is constructed or adapted for carrying not more than nine passengers including the driver and unladen weight of which does not exceed three thousand kilograms" but does not include the following exclusion:

As examples, a Toyota Hilux, Toyota Hiace, Toyota Alphard and Mitsubishi Triton which have unladen weight of approximately two thousand kilograms will also fall into the definition of passenger motor car.

Reg. 34 (a) to (e) - Goods and Service Tax Regulation 2014

Blocked input tax exclusion:

- (a) Public service or tourism motor cars
 - Any public service vehicle licensed under Commercial Vehicle Licensing Board Act 1987.
or
 - Any tourism vehicle licensed under Tourism Vehicle Licensing Act 1999.

- (b) Hire and drive cars or cars sold by second hand car dealers
 - A motor car supplied to or imported by a taxable person for the purpose of being let on hire or sold by that taxable person who is a dealer of motor cars licensed under the Second Hand Dealers Act 1946.
 - A test drive car used for a limited period in order to assess its performance and reliability.

- (c) Cars used for driving instructional purposes
 - An approved vehicle used for driving instructional purposes by driving school or driving institute permitted under the Motor Vehicles (Driving Schools) Rules 1992.

- (d) Cars forming part of stock in trade
 - A motor car which forms part of the stock in trade of a motor manufacturer or a motor dealer.

- (e) Any motor car which is used exclusively for the purposes of business but subject to approval by the RMCD.
 - The car is registered under company name.
 - The car is not on hire.
 - There is no intention to make the car available for private use.
 - The car is kept at the business premises and used for business trips only.
 - The car is not taken home at night or during weekends by employees.
 - The company or business name is printed on the vehicle.

Director General's Decision 2, 2014

To clarify Reg. 34 (e) - Goods and Service Tax Regulation 2014

The Director General of RMCD *may approve* the following passenger motor cars used exclusively for business purposes:

- (a) A test drive car used for a limited period by car dealers, in order to assess its performance and reliability.

- (b) Cars used for security purposes ie used by security officers only for patrol in the company's compound to protect the business premises.

- (c) Cars used in providing technical assistance to company's clients e.g. maintenance services, breakdown services and repair services.
- (d) Cars that serve as an integral part in the running of a business such that the business cannot continue without the cars. Example of business that require the use of such passenger motor cars include the leasing of cars and taxi rental business.

AND

- (e) The cars must fulfil the following conditions:
 - The car is registered under company name.
 - The car is not on hire.
 - There is no intention to make the car available for private use.
 - The car is kept at the business premises and used for business trips only.
 - The car is not taken home at night or during weekends by employees.
 - The company or business name is printed on the vehicle.

The Director General of RMCD *may not approve* the following passenger motor cars used exclusively for business purposes:

- (a) An assigned car, which is assigned to an individual for their full-time use within the parameters of the company's policies and procedures. It is a privilege given to the individual which comes with the post e.g. cars for directors.
- (b) Pooled cars are cars that are readily available exclusively for business use by a number of employees.
- (c) Cars used in sales and marketing, which are commonly used in retail business to promote sales and marketing e.g. cars used by salesman in marketing new products.
- (d) Demo or display car used to promote new model and usually display in a show room.

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