



YB Tuan Lim Guan Eng
Minister of Finance
Ministry of Finance Malaysia
No. 5 Persiaran Perdana Presint 2,
Federal Government Administrative Centre
62592 WP Putrajaya
Malaysia.

Date 27/05/2019

Ref **MALAYSIA AIR PASSENGER
DEPARTURE LEVY**

Dear YB Tuan Lim Guan Eng,

As you are likely aware, the International Air Transport Association (IATA) is a global trade association for airlines representing over 290 airline members and accounting for 82% of total global air traffic. Our members include Malaysia Airlines, Malindo Air, Singapore Airlines, Silk Air, ANA, Garuda Indonesia, Qatar Airways, Etihad Airways, Emirates, Thai Airways, KLM Royal Dutch Airlines, Air China, China Eastern, amongst many others, which operate services to/from Malaysia.

Further to our initial letter to you dated 23 November 2018 on the Malaysian Air Passenger Departure Levy, it is our understanding that the Departure Levy Bill has now been passed in Parliament and is scheduled to be implemented for travel occurring on/after 1 July 2019. It is important to note that IATA continues to oppose the implementation of the Air Passenger Departure Levy on the grounds that it is a discriminatory tax that unfairly targets air transport (and not other modes of transport including water and road transport) and that is counter to standard taxation policies and principles espoused by the International Civil Aviation Organization (ICAO), a specialized agency of the United Nations and of which Malaysia is a Contracting State.

The above notwithstanding, IATA would like to highlight certain key issues associated with the Air Passenger Departure Levy to ensure that it is implemented as efficiently and cost effectively as possible. These issues are presented below for your kind consideration.

Implementation Date of the Air Passenger Departure Levy

Based on the passage of the Departure Levy Bill and a recent presentation made by the Royal Malaysian Customs Department (RMCD) to air operators, the Air Passenger Departure Levy is to be effective for passenger travel on/after 1 July 2019. However, air tickets sold in advance of the implementation date are not to be subject to the Levy under transitional rules, even when travel occurs after this date. IATA would like to highlight that such a transitional period of implementing a passenger tax on the basis of the date of sale/ticket issuance as opposed to the date of travel is aligned with industry best practices and will assist with minimizing the cost burden to air operators associated with the Levy.

That being said, IATA is concerned with the broader timelines associated with the rollout of the tax, including the fact that air operators must be registered with RMCD no later than 30 days before travel (i.e., 1 June 2019) at present. As it is our understanding that the online registration system maintained by RMCD is not yet operational, as well as the fact that the specifics concerning the Levy rates and charging mechanism are not yet finalized, IATA is of the strong belief that the implementation date should be postponed to allow additional time to address these important aspects.

As such, and in order to allow air operators sufficient time to undertake the necessary systems changes to accurately price and account for the Levy on tickets, as well as the necessary administrative revisions needed to ensure compliance with the returns and record keeping process, an implementation date of 1 September 2019 or later would be highly preferable.

Passenger Exemptions under the Air Passenger Departure Levy

At present, and based on the Departure Levy Bill, the following passengers are exempt from payment of the Levy, including: 1) toddlers under 24 months; 2) cabin and technical crew; and 3) passengers in transit. In this respect, IATA seeks additional clarification with respect to these passenger exemptions, and specifically:



- Does the exemption from payment for toddlers under 24 months apply to all toddlers irrespective of whether they occupy a seat or only to those toddlers that do not occupy a seat?
- Does the exemption for transit passengers apply equally to transfer passengers? Note that within the air transport sector, passengers in transit refers to passengers that do not change to a different aircraft or flight number, while transfer passengers change to a different aircraft and/or different flight number. Based on the wording of the exemption in the Departure Levy Bill, IATA is of the understanding that this exemption applies equally to both transit and transfer passengers, but formal confirmation from the Malaysian authorities would be welcomed.

As the aforementioned passenger exemptions are automatable in airline pricing/ticketing systems, issues around their incorrect application should be manageable. That being said, to the extent that additional passenger exemptions are contemplated in the future and which are not automatable in airline pricing/ticketing systems, any refunds to passengers associated with the incorrect application of such exemptions should be made directly to RMCD by passengers and should not involve air operators.

With respect to exemptions from charging the Levy, IATA requests that the Malaysian authorities/RMCD clarify the definition of Irregular Operations in advance of the implementation date to ensure the exemption is accurately and appropriately applied.

Record Keeping

With respect to the record keeping provisions associated with the Air Passenger Departure Levy, IATA notes that passenger records for purposes of applying the Levy include, amongst other information: 1) nationality; and 2) passport number. In this respect, and as neither of these data elements are required for accurately applying the Levy or the exemptions from either paying or charging the Levy, IATA respectfully requests that such data elements be removed from the record keeping provisions.

IATA appreciates the opportunity to provide its comments to you and thanks you for your attention to these important matters. We would be happy to meet with you or your representatives to discuss the contents of this letter, or any other matters pertaining to the Air Passenger Departure Levy, should you desire.

Yours sincerely,

Conrad Clifford
Regional Vice President
Asia-Pacific

cc. YB Anthony Loke Siew Fook, Minister of Transport, Ministry of Transport Malaysia
Mr. Suresh Singam, Chairman, BAR - Malaysia
Mr. Vinoop Goel, Regional Director, Airports and External Relations, ASPAC, IATA
Mr. Azhar Azahari, Area Manager, Malaysia, Bangladesh, Sri Lanka, Brunei, Maldives, IATA
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