

Malaysia's Latest Indirect Tax Updates

23 June 2026

From May to June, the Malaysian Government has implemented several key Indirect Tax reforms designed to formalise existing policies, provide clarity and reinforce compliance. These updates impact multiple sectors and carry significant implications for businesses.

Our latest **Indirect Tax Updates** cover **eight key areas**:

1. Updates to Service Tax Policy No.5/2025 - Healthcare Services
2. Issuance of Sales Tax Policy No.3/2026 - Sales Tax Exemption on Ships and Vessels under Harmonised System (HS) Codes 8901-8908
3. Service Tax Guide on Parking Space Services dated 4 June 2026
4. Guide on Completing the SST-02 Return (Manual/Amendment) dated 31 May 2026
5. Service Tax Guide on Employment Services dated 9 June 2026
6. Service Tax Guide on Motor Vehicle Services or Repair dated 10 June 2026
7. Guide on Refund, Drawback and Review of Sales Tax and Service Tax dated 15 June 2026
8. Issuance of Service Tax Policy No. 2/2026 - Service Tax Treatment on Construction Works Carried Out on Completed Residential Buildings

1. Updates to Service Tax Policy No. 5/2025 - Healthcare Services

The Royal Malaysian Customs Department (RMCD) issued the [Service Tax Policy No. 5/2025 \(Amendment No. 3\)](#) (SvTP 5/2025 (Amendment No. 3)) dated 22 May 2026, on the MySST Portal on 22 May 2026. This supersedes the previous SvTP 5/2025 (Amendment No. 2) dated 23 October 2025.

The salient updates under SvTP 5/2025 (Amendment No. 3) are as follows:

No	Description	Details
1.	Consultation fees charged by professional doctors at registered private healthcare facilities, practitioners of traditional and complementary private medical practices, and private allied health services are exempted from the imposition of service tax.	Where the consultation fee is not separately stated or itemised in the invoice for medical services, service tax applies to the full invoice amount.

No	Description	Details
2.	Exemption on accommodation and food and beverage services provided by private healthcare facilities	The amendments consolidate the provisions for private healthcare facilities providing accommodation and food & beverage services (previously, items 2 and 4 SvTP 5/2025 (Amendment No. 2)) into a single provision (i.e., item 2 of SvTP 5/2025 (Amendment No. 3)), with no change to the exemption period or the no-refund rule for taxes already paid.
3.	Removal of service tax exemption for international organisations, except for all foreign diplomats and their dependants upon verification by the Ministry of Foreign Affairs.	The service tax exemption no longer applies to staff and dependants of international organisations.

Commentary

- ▶ SvTP 5/2025 (Amendment No. 2) was issued to provide further clarity on the service tax exemptions applicable to services provided by private healthcare facilities.
- ▶ The exemption for international organisations has been removed, narrowing the scope to foreign diplomats and their dependants only.



2. Issuance of Sales Tax Policy No.3/2026 - Sales Tax Exemption on Ships and Vessels under Harmonised System (HS) Codes 8901-8908

RMCD issued the [Sales Tax Policy No. 3/2026 \(SITP 3/2026\)](#) dated 25 May 2026, on the MySST Portal on 25 May 2026.

The salient updates under SITP 3/2026 are as follows:

- ▶ Effective 1 July 2025, all ships and vessels falling under HS Codes 8901 to 8908 will be exempted from sales tax under section 35(3)(a) of the Sales Tax Act 2018, as approved by the Minister of Finance.
- ▶ Such exemption covers ships and vessels manufactured locally, purchased in Malaysia, or imported into Malaysia, including those brought in for repair and maintenance.
- ▶ No refund is available for any sales tax previously paid on ships or vessels acquired.
- ▶ The exemption will be implemented via an amendment to the Sales Tax (Goods Exempted from Sales Tax) Order 2025 [P.U.(A) 171/2025].

Commentary

- ▶ SITP 3/2026 reflects the Government's decision to exempt sales tax on all ships and vessels. Currently, the exemption applies only to certain ships and vessels, particularly commercial vessels.
- ▶ Until the amendment to the Sales Tax (Goods Exempted from Sales Tax) Order is gazetted, SITP 3/2026 will serve as an interim measure to ensure continuity and minimise disruption to the maritime and shipping industry. We expect the amendment order to be deemed effective from 1 July 2026, consistent with SITP 3/2026.



3. Service Tax Guide on Parking Space Services dated 4 June 2026

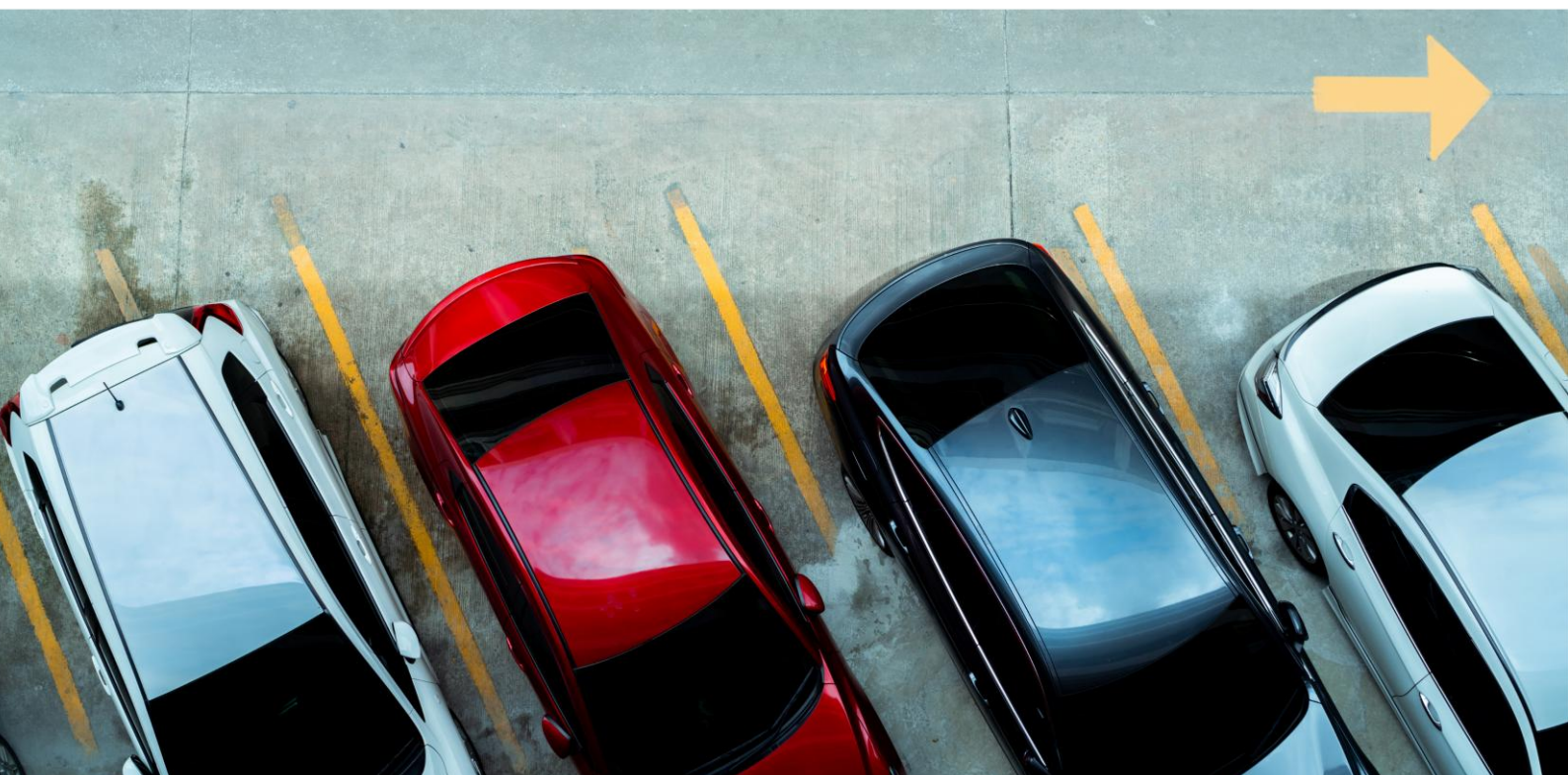
RMCD issued the [Service Tax Guide on Parking Space Services](#) (Parking Space Services Guide) dated 4 June 2026, on the MySST Portal on 5 June 2026. This supersedes the previous guide dated 29 February 2024.

No	Description	Details
1.	Overview	Provides more clarification in the terminology and practical examples impacting the industry, particularly valet parking.
2.	Terminology	<p>The additional terminologies introduced in the Parking Space Services Guide are as follows:</p> <ul style="list-style-type: none"> i. Vehicle: a structure capable of moving, or being moved or being used for the conveyance of any person or thing and which maintains contact with the ground when in motion (section 2 of the Road Transport Act 1987). ii. Motor vehicle: a vehicle of any description, propelled by means of mechanism contained within itself and constructed or adapted so as to be capable of being used on roads, and includes a trailer (section 2 of the Road Transport Act 1987). iii. Operator: individual or business entity who owns, provides or operates parking spaces for motor vehicles. iv. Valet: a service where a valet (jockey) picks up a vehicle from the driver at a designated location, parks the vehicle at another parking area and returns the vehicle to the driver at a designated location.
3.	Valet Parking	<ul style="list-style-type: none"> ▶ The Parking Space Services Guide clarifies that parking space operators providing jockey services for valet parking are subject to service tax. ▶ Where parking space services (including third-party parking facilities) and valet services are billed under a single invoice, both are subject to service tax on the full amount charged to the customer.

No	Description	Details
4.	Frequently Asked Questions	<p>The Parking Space Services Guide clarifies the service tax treatment of services related to parking space services:</p> <ul style="list-style-type: none"> ▶ Parking operation services are subject to service tax under management services, per subitem (vii)(i) in column 2, Group G: Professional or Skills, First Schedule of the Service Tax Regulations 2018. ▶ Parking payment systems are subject to service tax under information technology services per item (h) in column 2, Group G: Professional or Skills, First Schedule of the Service Tax Regulations 2018.

Commentary

- ▶ The Parking Space Services Guide provides further clarity to the industry, particularly on valet parking and other related parking space services.
- ▶ In the absence of a Business-to-Business (B2B) exemption for parking space service providers, this may give rise to a potential tax cascading effect.



4. Guide on Completing the SST-02 Return (Manual/Amendment) dated 31 May 2026

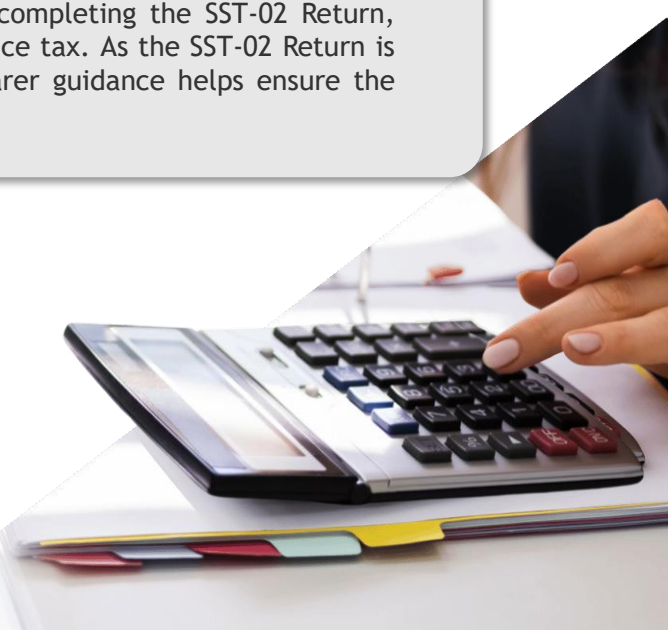
RMCD issued the [Guide on Completing the SST-02 Return \(Manual/Amendment\)](#) (SST-02 Return Guide) dated 31 May 2026, on the MySST Portal on 8 June 2026. This supersedes the previous guide dated 10 September 2025.

The salient updates in the SST-02 Return Guide are as follows:

No	Description	Details
1.	Overview	<ul style="list-style-type: none"> ▶ Specific to field 18c (Value of Exempted Taxable Services) and field 18d (Total Value of Non-Taxable Services), these fields apply only to service tax registrants. ▶ As for field 18e (Total Value of Sales Exempted Under Subsection 35(3) and / or Section 61A Sales Tax Act 2018), this field applies only to sales tax registrants.
2.	Field 13a - Tax Deduction from Credit Notes	The Updated SST-02 Return Guide clarifies that this field is used to report credit notes issued to adjust or deduct service tax previously declared and paid in an SST-02 return for an earlier taxable period.
3.	Field 18c2 - Value of Exempted Taxable Services under Group Relief	The Updated SST-02 Return Guide clarifies that this field is used to report the value of taxable services under Group K (Rental or Leasing Services) or non-taxable services under Group G (Professional or Skills) that qualify for intragroup relief.

Commentary

- ▶ The Updated SST-02 Guide provides greater clarity on completing the SST-02 Return, which contains fields relevant to both sales tax and service tax. As the SST-02 Return is used by both sales tax and service tax registrants, clearer guidance helps ensure the correct fields are completed and reported.



5. Service Tax Guide on Employment Services dated 9 June 2026

RMCD issued the [Service Tax Guide on Employment Services \(Employment Services Guide\)](#) dated 9 June 2026, on the MysST Portal on 11 June 2026. This supersedes the previous guide dated 14 May 2024.

The salient updates in the Employment Services Guide are as follows:

No	Description	Details
1.	Overview	Provides more clarification in the terminology impacting the industry.
2.	Terminology	<p>The additional terminologies introduced in the Employment Services Guide are as follows:</p> <ul style="list-style-type: none"> i. Employee: any person who has entered into or is working under a contract of service with an employer, whether such contract is made in writing or orally, and whether express or implied. ii. Employer: any person who has entered into a contract of service to employ an employee and includes any person acting on behalf of the employer. iii. Employment service provider: any person who carries on the business of providing employment services to clients whether on a permanent or contractual basis. iv. Client: any person who receives employment services from an employment service provider. v. Designated Area (DA): Labuan, Langkawi, Tioman, Pangkor and Island 1 [Section 2, Service Tax Act 2018]. vi. Special Area (SA): any free zone, licensed warehouse and licensed manufacturing warehouse, Joint Development Area, and petroleum supply base licensed under section 77B of the Customs Act 1967 [Section 2, Service Tax Act 2018]. vii. Registered person: a person registered under section 13 or 14 of the Service Tax Act 2018 [Section 2, Service Tax Act 2018]. viii. Taxable person: a person registered or a person who is liable to be registered under section 12 of the Service Tax Act 2018 [Section 2, Service Tax Act 2018].
3.	Service Tax Treatment on Secondment of Staff	<p>The Employment Services Guide sets out the conditions for secondment of staff to qualify for a service tax exemption, as follows:</p> <ul style="list-style-type: none"> i. There is a secondment agreement between the original employer and the seconded company ii. The business activities of the original employer do not include the provision of employment services (including employment agencies and professional employer organisations)

5. Service Tax Guide on Employment Services dated 9 June 2026 (cont'd)

No	Description	Details
3.	Service Tax Treatment on Secondment of Staff (cont'd)	<ul style="list-style-type: none"> iii. An employee is temporarily transferred by the original employer to perform duties elsewhere for a specified period of time and after the end of his duties the employee returns to the same employer to continue his employment iv. The employee will continue to work for the original employer, and the continuity of the employment remains continuous and uninterrupted v. During the period of the secondment, the employee only works for the seconded company vi. The seconded company has full control over the employee vii. Salary and any other allowances (at cost) will be paid by the seconded company either directly or indirectly without imposing any other additional charges.
4.	Frequently Asked Questions	<p>The Employment Services Guide clarifies the service tax treatment of services related to employment services:</p> <ul style="list-style-type: none"> i. Salary, emoluments, and related fees or charges do not qualify as disbursements and are therefore subject to service tax, regardless of whether any mark-up is imposed ii. The B2B exemption does not apply to employment services iii. Employment services are also not eligible for intragroup relief iv. Employment services provided through a branch in a DA remain subject to service tax if the service provider's principal place of business is in Malaysia.

Commentary

- ▶ The Employment Services Guide provides further clarity on the service tax treatment of employment services.
- ▶ The current guide does not include examples specifically addressing mark-ups. Nevertheless, RMCD's position is that cost recoveries relating to the provision of manpower constitute a taxable service under employment services.
- ▶ RMCD emphasises that the service tax treatment of employment services is determined by the company's principal place of business. Accordingly, where the principal place of business is in Malaysia, branches or offices in a DA or SA are still required to charge service tax. This principle has been applied by RMCD since service tax was imposed on logistics services in 2024.



6. Service Tax Guide on Motor Vehicle Services or Repair dated 10 June 2026

RMCD issued the [Service Tax Guide on Motor Vehicle Services or Repair \(Motor Vehicle Services or Repair Guide\)](#) dated 10 June 2026, on the MySST Portal on 11 June 2026. This supersedes the previous guide dated 28 December 2021.

The salient updates in the Motor Vehicle Services or Repair Guide are as follows:

No	Description	Details
1.	Overview	Provides more clarification in the terminology and practical examples impacting the industry.
2.	Terminology	<p>The additional terminologies introduced in the Motor Vehicle Services or Repair Guide are as follows:</p> <ol style="list-style-type: none"> i. Electric motor vehicle: any motor vehicle that is propelled by electrical means and does not include a micromobility vehicle (section 2 of the Road Transport Act 1987). ii. Road (section 2 of the Road Transport Act 1987): <ol style="list-style-type: none"> a. any public road and any other road to which the public has access and includes bridges, tunnels, lay-bys, ferry facilities, interchanges, roundabouts, traffic islands, road dividers, all traffic lanes, acceleration lanes, deceleration lanes, side-tables, median strips, overpasses, underpasses, approaches, entrance and exit ramps, toll plazas, service areas, and other structures and fixtures to fully effect its use; b. for the purposes of sections 70 and 85, also includes a road under construction; and c. for the purposes of sections 41, 42, 43, 44, 45 and 45A, also includes a parking place. iii. General service: routine maintenance of motor vehicles that is carried out periodically. iv. Repair: work of repairing a vehicle or replacing a vehicle component that is not functioning properly.
3.	Service Tax Treatment on Motor Vehicle Service or Repair	<ul style="list-style-type: none"> ▶ Inclusion of general services as part of taxable Motor Vehicle Services or Repair. ▶ Specific to body repair, knocking and welding services, when a workshop engages a painter to perform repainting work, such repainting will be subject to service tax to the workshop. When the workshop recharges the painting cost together with its repair services to the customer, the entire amount is subject to service tax as part of the taxable services provided.
4.	Service Tax Treatment in DA and SA	<p>The Motor Vehicle Services or Repair Guide clarifies the following:</p> <ul style="list-style-type: none"> ▶ Where a service provider whose principal place of business is located in Malaysia opens a branch or office in DA, service tax should be levied on the taxable services provided by the branch or office because the determination of service tax treatment is based on the principal place of business in Malaysia and not the location of the branch or office.

6. Service Tax Guide on Motor Vehicle Services or Repair dated 10 June 2026 (cont'd)

No	Description	Details
4.	Service Tax Treatment in DA and SA (cont'd)	<ul style="list-style-type: none"> ▶ Similarly, where a service provider whose principal place of business is in Malaysia opens a branch or office in SA, service tax shall be levied on the taxable services provided by the branch or office because the determination of service tax treatment is based on the principal place of business in Malaysia and not the location of the branch or office.
5.	Frequently Asked Questions	<p>The Motor Vehicle Services or Repair Guide clarifies the service tax treatment of services related to parking space services:</p> <ul style="list-style-type: none"> i. General servicing or repair of aircraft, ships, trains, and buggies is not treated as taxable motor vehicle servicing or repair services. Instead, it falls within taxable repair or maintenance services under item (n), column 2, Group G of the First Schedule to the Service Tax Regulations 2018. ii. Towing services falls within logistics services under Group J, the First Schedule to the Service Tax Regulations 2018. iii. Mobile motor vehicle repair services constitute as taxable motor vehicle servicing or repair services. iv. Repairs in relation to electric motor vehicles constitute as taxable motor vehicle servicing or repair services.

Commentary

- ▶ The Motor Vehicle Services or Repair Guide provides further clarity as well as addressing the recent developments in relation to service tax impacting the industry.
- ▶ RMCD emphasises that the service tax treatment of motor vehicle services or repair is determined by the company's principal place of business. Accordingly, where the principal place of business is in Malaysia, branches or offices in a DA or SA are still required to charge service tax. This principle has been applied by RMCD since service tax was imposed on logistics services in 2024.
- ▶ In the absence of a B2B exemption for motor vehicle services or repair providers, this may give rise to a potential tax cascading effect.



7. Guide on Refund, Drawback and Review of Sales Tax and Service Tax dated 15 June 2026

RMCD issued the [Refund, Drawback and Review of Sales Tax and Service Tax \(Refund, Drawback and Review Guide\)](#) dated 15 June 2026, on the MySST Portal on 15 June 2026. This supersedes the previous guide dated 21 April 2021.

The salient updates in the Refund, Drawback and Review Guide are as follows:

No	Description	Details
1.	Overview	<ul style="list-style-type: none"> ▶ Provides more clarification in the review, drawback and review process under sales tax and service tax. ▶ In addition, additional appendices were provided for this guide: <ul style="list-style-type: none"> i. Appendix 1: Checklist ii. Appendix 2: Guide to complete JKDM No. 2 Form iii. Appendix 3: Statement of Claim for Sales Tax or Service Tax Refund in relation to Debts Covered by Sections 35 of the Service Tax Act 2018 And 36 of the Sales Tax Act 2018 iv. Appendix 4: Statement of Claim for Sales Tax or Service Tax Refund Under Subsections 38(1)(a) of the Service Tax Act 2018 and 39(1)(a) of the Sales Tax Act 2018 v. Appendix J: Verification of Delivery and Receipt of Goods for Claim of Duty Refund under Section 93 of the Customs Act 1967 / Section 40 of the Sale Tax Act 2018 / Section 19 of the Excise Act 1976 vi. JKDM No. 2 Form
2.	Terminology	<p>The additional terminologies introduced in the Refund, Drawback and Review Guide are as follows:</p> <ul style="list-style-type: none"> i. JKDM No.2 Form: the gazetted form for claiming refund or drawback of customs duties and taxes ii. Customs No.2 Form (K2 Form): the gazetted form for customs export declaration iii. DA: updated to include Pulau 1 iv. Registered Person: Person that is registered under section 13 or 14 of the Service Tax Act 2018

7. Guide on Refund, Drawback and Review of Sales Tax and Service Tax dated 15 June 2026 (cont'd)

No	Description	Details
3.	Refund under the Minister's power per subsection 35(3)(c) of the Sales Tax Act 2018 and subsection 34(3)(b) of the Service Tax Act 2018 - directing the Director General of RMCD to make a refund to any person or class of persons of the whole or any part of the sales tax or service tax or penalty paid by such persons or class of persons	<ul style="list-style-type: none"> ▶ The refund application procedure for Foreign Embassies and International Organisations is stated in the "Public Ruling No. 2/2025: Claim for Refund of Service Tax Under Paragraph 34(3)(b) of the Service Tax Act 2018 by Foreign Missions and International Organisations". ▶ Under Service Tax Policy No. 3/2020 and subsection 34A(2) of the Service Tax Act 2018, local service tax-registered digital service providers may apply for a refund of Service Tax on Digital Services (SToDS) paid under subsection 34(3)(b) of the Service Tax Act 2018, where the excess tax cannot be offset in the SST-02 return because no tax is payable for the relevant taxable period. The SToDS refund may be submitted to RMCD using JKDM Form No.2, subject to the conditions prescribed in paragraph 2 of Service Tax Policy No.3/2020.
4.	Refund under section 36 of the Sales Tax Act 2018 and section 35 of the Service Tax Act 2018 - claim for refund of sales tax or service tax in relation to bad debt	<ul style="list-style-type: none"> ▶ The Refund, Drawback and Review Guide states that additional documents are to be provided when applying for refund from the Revenue Accounting Branch, Technical Services Division in the state or controlling station: <ol style="list-style-type: none"> i. Payment receipt ii. Letter of Appointment (from the company to an agent/ a representative) iii. Letter of Authorisation (from the company to its staff) ▶ To support a refund claim, the Refund, Drawback and Review Guide states that the applicant must take and substantiate reasonable recovery efforts, as follows: <ol style="list-style-type: none"> i. Sending a registered reminder letter to the debtor; ii. Issuing an official notice of claim has been issued through legal services or any other legal action taken by the applicant against the debtor; and iii. The applicant has written off the debt.

7. Guide on Refund, Drawback and Review of Sales Tax and Service Tax dated 15 June 2026 (cont'd)

No	Description	Details
5.	Refund under subsection 39(1)(a) of the Sales Tax Act 2018 and subsection 38(1)(a) of the Service Tax Act 2018 - refund of sales tax or service tax, etc., overpaid or erroneously paid	<ul style="list-style-type: none"> ▶ The Refund, Drawback and Review Guide states that additional documents are to be provided when applying for refund from the Revenue Accounting Branch, Technical Services Division in the state or controlling station (where applicable): <ul style="list-style-type: none"> i. Statement of Calculation for Refund / Drawback of Customs Duty or Tax ii. Customs Form No. 1 (K1 Form) / Customs Form No. 9 (K9 Form) iii. K2 Form / Appendix J iv. Official Receipt for Payment of Customs Duty or Tax v. Payment Receipt for the Relevant Tax Invoice vi. Sales Listing from the Registered Manufacturer to the Claimant vii. Import / Export Invoice / Packing List viii. Bill of Lading (BL) / Airway Bill ix. Certificate of Origin x. Approval / Exemption Letter from the Ministry of Finance / Other Agencies / RMCD Headquarters xi. Certificate of Decision for Classification or Valuation of Goods xii. Confirmation of Bank Account Details: <ul style="list-style-type: none"> ▶ Bank name, address, and account number ▶ Copy of bank statement (front page) ▶ Business registration number xiii. Letter of Authorisation xiv. Other relevant supporting documents

7. Guide on Refund, Drawback and Review of Sales Tax and Service Tax dated 15 June 2026 (cont'd)

No	Description	Details
6.	Refund applications involving claims exceeding the specified time period	<ul style="list-style-type: none"> ▶ The Refund, Drawback and Review Guide states that a person may make a refund claim of the whole or any part of any sales tax or service tax in relation to the bad debt within six (6) years from the date the sales tax or service tax is paid by him and the Director General may refund the whole or any part of the sales tax or service tax after being satisfied that the person has properly established the claim under subsection 36(3) Sales Tax Act 2018 and subsection 35(3) Service Tax Act 2018. ▶ Where the sales tax or service tax was paid more than one (1) year ago, the refund application must be submitted to the Tax Department of the Ministry of Finance, pursuant to subsection 39(2) of the Sales Tax Act 2018 and subsection 38(2) of the Service Tax Act 2018.
7.	Review of decision in relation to refund and drawback application	A company that is dissatisfied with a refund or drawback decision may apply for a review by the Director General of RMCD (via the Review Unit, Prosecution, Accounts Receivable (AR) & Appeal Branch of the Enforcement Division, RMCD Headquarters) within 30 days, provided that no appeal has been made to the Customs Appeal Tribunal or the courts. The review must be submitted using Form JKDM No. 4 to the designated review unit. For approved claims, payment arrangements must be made with the relevant Customs station where the original application was filed.
8.	Extension of time for exported goods under sales tax drawback	The Director General of RMCD may approve an extension of the export period from the date the sales tax is paid (for imports) or from the invoice date (for local purchases), subject to applications to the Facilities Control Branch of RMCD before the original deadline with supporting justification. Any extension granted is limited to a maximum of three (3) months, and further extensions require a subsequent application to headquarters with prior approval documentation and supporting documents.

7. Guide on Refund, Drawback and Review of Sales Tax and Service Tax dated 15 June 2026 (cont'd)

Commentary

- ▶ The Refund, Drawback and Review Guide is a timely and necessary update, given that the previous guide was issued on 21 March 2021. The updated guide provides greater clarity on the relevant sales tax and service tax policies and procedures.
- ▶ The guide also includes supplementary appendices to assist taxpayers with the relevant refund or drawback applications to RMCD.



8. Issuance of Service Tax Policy No. 2/2026 - Service Tax Treatment on Construction Works Carried Out on Completed Residential Buildings

RMCD issued the [Service Tax Policy No. 2/2026 \(SvTP 2/2026\)](#) dated 18 June 2026, on the MySST Portal on 19 June 2026. The SvTP 2/2026 is deemed to be in effect since 1 July 2025.

The salient updates under SvTP 2/2026 are as follows:

No	Description	Details
1.	<p>Any construction work services carried out on completed residential buildings are exempt from the imposition and payment of service tax during the period before the amendment to the Service Tax Regulations 2018 was approved and gazetted:</p> <p>a. The owner or the occupant of the residential building is exempted from paying service tax on construction work services carried out on completed residential buildings pursuant to subsection 34(3)(a) of the Service Tax Act 2018; and</p> <p>b. The service provider is exempted from charging and collecting service tax on construction work services carried out on completed residential buildings pursuant to subsection 34(4) of the Service Tax Act 2018.</p>	<p>The owner or the occupant of the residential building, or service provider carrying out construction work services on a completed residential building must meet the following conditions:</p> <ol style="list-style-type: none"> i. The service provider must be a service tax registered person under Group L: Construction Works; ii. The construction work service provider must obtain documents from the owner or the occupant of residential building such as: <ol style="list-style-type: none"> a. Strata title or individual title; b. Sale and Purchase Agreement under the Housing Development (Control and Licensing) Act 1966; c. Utility bills of the residential building; d. Residential building plan approved by the Local Authority; or e. Other recognised documents to prove that the building is a residential building; iii. The name of the service recipient and address of the residential building must be stated in the invoice; iv. This exemption can be directly used on a self-compliance basis; and v. The service provider shall comply with any public rulings issued by the Director General of RMCD.

8. Issuance of Service Tax Policy No. 2/2026 - Service Tax Treatment on Construction Works Carried Out on Completed Residential Buildings (cont'd)

No	Description	Details
2.	A registered person who has charged and collected service tax on construction works performed on a completed residential building may apply for a refund of the service tax that has been charged and paid.	<ul style="list-style-type: none"> i. A refund claim on service tax that has been declared and paid to the RMCD in the SST-02 return; ii. The claim must be submitted by 30 June 2026; and iii. The claim is made by the construction works service provider after refunding the amount of service tax collected to the recipient of the construction works services.

Commentary

- ▶ SvTP 2/2026 was issued to address practical issues encountered by certain construction works service providers following the July 2025 SST expansion, particularly in relation to construction works on completed residential buildings.
- ▶ The exemption for construction works on completed residential buildings is intended to ensure that relief applies only to works carried out solely on residential buildings before the amendments to the Service Tax Regulations 2018. However, it is clear that construction services for residential buildings and related public facilities approved by the local authorities exclusively as residential buildings are not subject to service tax under the Service Tax Regulations 2018.
- ▶ The service tax refund policy may apply where service tax has been erroneously charged on construction work services. As the exemption operates on a refund basis, service providers must first reimburse their business clients for any service tax collected before submitting a refund claim to RMCD by 30 June 2026. Given the short timeframe, affected taxpayers should promptly perform the necessary review and reconciliation before submitting the refund claims.



Our Recommendations:



Review Conditions of the Legislation and Guidelines:

- ▶ Carefully review the conditions outlined in the relevant legislation and guidelines to ensure full compliance before implementing any policies.



Maintain Proper Records:

- ▶ Ensure all relevant documents are available to support the relevant SST positions taken.
- ▶ Keep all relevant documents organised and accessible to substantiate the exemption claimed by the business in the event of an RMCD audit.



Seek Professional Advice:

- ▶ When in doubt, you may consult your usual indirect tax contact at BDO to assist with compliance and mitigate potential risks.



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