

The background of the top half of the page is a photograph of a cable-stayed bridge with a central pylon and multiple stay cables, set against a clear blue sky. The bridge's structure is a mix of grey and blue tones.

Malaysia's Latest Service Tax Updates

(Updated 27 October 2025)

Key Updates to the Expanded Service Tax Policies

On 17 October 2025, 23 October 2025 and 24 October 2025, the Royal Malaysian Customs Department (RMCD) released important updates to the expanded Service Tax Policies in relation to the recent service tax expansion on 1 July 2025, providing further clarification on their application and compliance requirements.

The amendments are made to the following policies, which provide exemptions from payment of Service Tax under Section 34(3)(a) of the Service Tax Act 2018:

- ▶ Service Tax Policy No 1/2025 - Financial Services
- ▶ Service Tax Policy No 2/2025 - Rental or Leasing Services
- ▶ Service Tax Policy No 3/2025 & No 7/2025 - Construction Works Services
- ▶ Service Tax Policy No 4/2025 - Education Services
- ▶ Service Tax Policy No 5/2025 & 6/2025 - Private Healthcare Services



Service Tax Policy No 1/2025 - Financial Services (Amendment No. 3)

The Minister of Finance, pursuant to paragraph 34(3)(a) of the Service Tax Act 2018, exempts the payment of service tax with effect from 1 July 2025 for Financial Services, Group H, First Schedule, Service Tax Regulations 2018.

Key Highlights

- ▶ Item 1: Clarification that all financial services that are charged are subject to service tax from 1 October 2025.
- ▶ Item 2: Clarification that the exemption does not apply for financial services rendered by the federal and state governments prior to 1 July 2025.
- ▶ Item 9: Clarification that the exemption from payment of service tax covers management services for fixed price funds under Amanah Saham Nasional Berhad (ASNB), being the unit trust management subsidiary of Permodalan Nasional Berhad (PNB).
- ▶ Item 11: A new exemption from the payment of service tax is available on the acquisition of re-insurance services or re-takaful services by insurance companies or takaful companies.

Key Changes to Service Tax Policy No 1/2025 - Financial Services (Amendment No. 3)

Item no.	Exemption	Key Conditions
1.	<p>Service tax exemption on all financial services in the First Schedule, Group H, Service Tax Regulations 2018, excluding the list of financial services in APPENDIX A for the period of 1 July 2025 until 30 September 2025.</p> <ul style="list-style-type: none"> ▶ The provision of all financial services that are charged for fees, commissions, or similar payments is subject to service tax from 1 October 2025. 	None
2.	The federal and state governments are exempted from charging and paying service tax.	The exemption applies to services provided under the new scope expansion. Exemption from payment of tax does not apply to the services that were subject to tax before 1 July 2025.

Key Changes to Service Tax Policy No 1/2025 - Financial Services (Amendment No. 3) - Continued

Item no.	Exemption	Key Conditions
9.	<p>Exemption from payment of service tax on management services for fixed price funds under Amanah Saham Nasional Berhad (ASNB) including:</p> <p>a) Amanah Saham Bumiputera (ASB); or b) Amanah Saham Malaysia (ASM).</p>	None
11.	<p>Exemption from the payment of service tax on the acquisition of re-insurance services or re-takaful services by insurance companies or takaful companies.</p>	<p>Exemption from the payment of service tax on the acquisition of re-insurance services or re-takaful services by insurance companies or takaful companies.</p> <p>a) The service provider is a person registered under the Service Tax Act 2018 or financial service provider outside Malaysia;</p> <p>b) The recipient of the service is the registered person specified in column (1), Group H, in the First Schedule to the Service Tax Regulations 2018; and</p> <p>c) The re-insurance or re-takaful services acquired are used for the purpose of providing medical insurance, medical takaful, life insurance, or family takaful services.</p>

Commentary

- ▶ The amendment expands the scope of service tax on financial services in two phases, beginning 1 July 2025 and 1 October 2025. To comply with RMCD regulations, financial institutions must identify taxable fees, review existing contracts for applicable exemptions, and update their systems, billing processes, and invoices.
- ▶ Institutions should also train staff to distinguish between taxable and exempt services, maintain accurate records, and implement timely compliance measures to avoid penalties and audit issues.



Service Tax Policy No 2/2025 - Rental or Leasing Services (Amendment No. 2)

The Minister of Finance, pursuant to paragraph 34(3)(a) of the Service Tax Act 2018, exempts the payment of service tax with effect from 1 July 2025 for Rental or Leasing Services, Group K, First Schedule, Service Tax Regulations 2018.

Key Highlights

- ▶ Item 5: Clarification that the group relief exemption is granted to companies within a group that receive rental or leasing services from any other company within the same group, whether inside or outside Malaysia.
- ▶ Item 7: A new exemption allows for a refund of service tax for rental or leasing service providers who newly reach the registration threshold in July 2025 and have applied for service tax registration on or before 31 August 2025 under a business-to-business (B2B) exemption.

Key Changes to Service Tax Policy No 2/2025 - Rental or Leasing Services (Amendment No. 2)

Item no.	Exemption	Key Conditions
5.	Group relief is granted to companies within a group that receive rental or leasing services from any other company within the same group, whether inside or outside Malaysia.	<p>Additional clarification has been provided to align the group relief exemption with the Service Tax Regulations 2018:</p> <ul style="list-style-type: none"> a) Rental or leasing services acquired by a company within the same group from another company outside Malaysia (excluding foreign registered persons) are exempt from service tax. b) Where rental or leasing services is provided to any person outside the group, such services become taxable, regardless of whether the recipient is inside or outside the group. c) However, rental or leasing services provided within a group of companies will remain exempt from service tax if the total value of such services supplied to external parties in the current month and the following 11 months does not exceed 5% of the total value of rental or leasing services.

**Key Changes to Service Tax Policy No 2/2025 - Rental or Leasing Services (Amendment No. 2)
- Continued**

Item no.	Exemption	Key Conditions
7.	The B2B exemption facility on rental or leasing services for the period from 1 July 2025 to 31 August 2025 is granted to rental or leasing service providers who newly reach the registration threshold in July 2025 and have applied for service tax registration on or before 31 August 2025.	<ul style="list-style-type: none"> a) A refund claim on service tax that has been declared and paid in the SST-02 return is allowed and must be submitted on or before 30 November 2025; and b) The claim is made by the rental or leasing service provider after refunding the amount of service tax collected to the recipient of the rental or leasing service.



Commentary

- ▶ **Group Relief Exemption:** This applies exclusively to rental or leasing services between related companies within the same group—whether domestic or foreign—provided they meet the control relationship criteria outlined in Appendix A. The exemption is not available if the service provider earns more than 5% of its total taxable service value from non-group companies.
- ▶ **Refund under Transitional B2B Exemption:** Providers that met the registration threshold in July 2025 and registered by 31 August 2025 qualify for exemption on services rendered between 1 July and 31 August 2025. As this 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 November 2025.

Service Tax Policy No 3/2025 - Construction Works (Amendment No. 1)

The Minister of Finance, pursuant to paragraph 34(3)(a) of the Service Tax Act 2018, exempts the payment of service tax with effect from 1 July 2025 for Construction Works Services, Group L, First Schedule, Service Tax Regulations 2018.

Key Highlights

- ▶ Item 3: Addendum that the service tax exemption for non-reviewable contracts (including Variation Order (VO) and or Extension of Time (EoT) applies until 30 June 2026, if the contract is made in writing, signed before 1 July 2025, and duly stamped with stamp duty by the Inland Revenue Board of Malaysia (IRBM) before 31 December 2025.
- ▶ Item 4: A new exemption on the construction of residential buildings and public facilities related to those residential buildings built within a mixed development project via an apportionment method.
- ▶ Item 5: A new B2B exemption on certain professional services acquired under a design and build construction contract.
- ▶ Item 6: A new exemption allows for a refund of service tax for construction work providers who newly reach the registration threshold in July 2025 and have applied for service tax registration on or before 31 August 2025 under a B2B exemption.

Key Changes to Service Tax Policy No 3/2025 - Construction Works (Amendment No.1)

Item no.	Exemption	Key Conditions
3.	Non-reviewable contracts are exempted from paying service tax for the period from 1 July 2025 to 30 June 2026.	<p>The additional conditions with regards to the service tax exemption on non-reviewable contracts are as follows:</p> <ul style="list-style-type: none"> a) For an existing contract, this has to be signed before 1 July 2025 and duly stamped with stamp duty by the IRBM before 31 December 2025. b) If the contract includes a VO, the VO has to be incorporated into the contract signed before 1 July 2025 and duly stamped with stamp duty by the IRBM before 31 December 2025. c) If the contract includes an EoT, the EoT document has to be signed before 1 July 2025 and duly stamped with stamp duty by the IRBM before 31 December 2025. <p>Kindly refer to APPENDIX A for further details on this exemption.</p>

Key Changes to Service Tax Policy No 3/2025 - Construction Works (Amendment No.1) - Continued

No.	Exemption	Key Conditions
4.	<p>The construction of residential buildings and public facilities related to those residential buildings within a mixed development project is exempted from service tax.</p>	<p>a) An apportionment method is introduced to establish the percentage of non-residential portion in a mixed development:</p> $\frac{\text{Non-residential Built-Up Area}}{\text{Total Built-Up Area (Non-residential and Residential)}} \times 100$ <p>b) The construction service contract between the developer or property owner and the construction contractor must be in writing, signed, and stamped with stamp duty by IRBM</p> <p>c) Such contract must clearly state that the construction is a mixed development project (comprising residential and non-residential buildings) and must include clauses relating to the scope of work, responsibilities, types of residential building construction, technical specifications, and pricing.</p> <p>d) Developer or property owner must submit either the pre-computation plan, or approved planning permission letter from the local authority to the main contractor.</p> <p>e) The developer or property owner and the main contractor must follow any general directives issued by the Director General of RMCD.</p> <p>Kindly refer to APPENDIX B for further details on this exemption.</p>
5.	<p>The B2B exemption facility is granted for consultancy services under a design and build construction contract when such services are provided under a single contract that covers the entire scope of work supplied by the main contractor to the developer or landowner.</p> <p>► Therefore, service tax is only imposed at the overall project cost level charged by the main contractor to the developer or landowner.</p>	<p>a) This B2B exemption facility only applies to construction projects based on the design and build model.</p> <p>b) The main contractor must obtain copies of the planning permission letter, letter of award, contract, letter of acceptance, and other relevant documents related to the design and build construction work from the developer.</p> <p>c) The exemption is only valid during the approved planning permission period and can be applied directly through self-compliance.</p>

Key Changes to Service Tax Policy No 3/2025 - Construction Works (Amendment No.1) - Continued

No.	Exemption	Key Conditions
		<p>d) Services provided by the following consultants are eligible under this B2B exemption facility:</p> <ul style="list-style-type: none"> ▶ Registered advocate and solicitor; ▶ Registered accountant; ▶ Licensed or registered surveyor; ▶ Registered professional engineer; ▶ Registered architect; ▶ Consultancy services provider; ▶ Management service provider; and ▶ Maintenance and repair service provider. <p>e) Invoices issued by the abovementioned consultant(s) will need to specify the reference numbers of the planning permission and the design and build construction contract offer.</p> <p>f) Main contractor must charge service tax to the developer or landowner based on total contract value.</p> <p>g) The main contractor must follow any general directives issued by the Director General of RMCD.</p> <p>Kindly refer to APPENDIX C for further details on this exemption.</p>
6.	<p>The B2B exemption facility on construction work for the period from 1 July 2025 to 31 August 2025 is granted to construction service providers who newly reach the registration threshold in July 2025 and have applied for service tax registration on or before 31 August 2025.</p>	<p>a) A refund claim on service tax that has been declared and paid in the SST-02 return is allowed and must be submitted on or before 30 November 2025; and</p> <p>b) The claim is made by the construction service provider after refunding the amount of service tax collected to the recipient of the construction service.</p>

Key Changes to Service Tax Policy No 3/2025 - Construction Works (Amendment No.1) - Continued

Commentary

- ▶ **Non-Reviewable Contracts:** Existing agreements without price review or value adjustment clauses are exempt for a period of one year, from 1 July 2025 to 30 June 2026, provided they were signed before 1 July 2025 and properly stamped by **31 December 2025**.
- ▶ **Residential in Mixed Development:** When residential buildings and their connected public spaces are constructed as part of a mixed development project, service tax does not apply. This requires verification and apportionment by a qualified professional (such as a surveyor or architect) and supported by a written, stamped contract.
- ▶ **B2B for Design and Build:** A B2B exemption applies to specific consultancy services (under items 1, 3, 4, 5, 6, 7, 9, and 13 of Group G, First Schedule, Service Tax Regulations 2018) acquired by a main contractor under a Design and Build contract. This ensures service tax is imposed only once on the overall contract value charged by the main contractor to the developer or landowner.
- ▶ **Refund under Transitional B2B Exemption:** A temporary B2B exemption is available for construction services provided between 1 July and 31 August 2025 to new service providers who reached the registration threshold in July 2025. This relief is conditional upon the service provider refunding the collected service tax to the recipient and operates as a refund claim for tax already paid, which must be submitted to RMCD by **30 November 2025**.



Service Tax Policy No 4/2025 - Education Services (Amendment No. 2)

The Minister of Finance, pursuant to paragraph 34(3)(a) of the Service Tax Act 2018, exempts the payment of service tax with effect from 1 July 2025 for Education Services, Group M, First Schedule, Service Tax Regulations 2018.

Key Highlights

- ▶ Item 2: A new exemption for children and dependents of foreign diplomats obtaining education services.
- ▶ Item 3: A new exemption for education fees or service charges that are fully sponsored by educational institutions, higher learning institutions, companies, foundations, or other organisations.

Key Changes to Service Tax Policy No 4/2025 - Education Services (Amendment No. 2)

Item no.	Exemption	Key Conditions
2.	Children and dependents of foreign diplomats are exempted from paying service tax on educational services.	Foreign diplomats are required to obtain a confirmation letter from the Ministry of Foreign Affairs to be submitted to private educational institutions or higher education institutions for the purpose of exemption from payment of service tax.
3.	Exemption from service tax is granted on education fees or service charges that are fully sponsored by educational institutions, higher learning institutions, companies, foundations, or other organisations.	None

Commentary

- ▶ The service tax exemptions have now been extended to cover educational fees for children and dependents of foreign diplomats, supported by a confirmation letter from the Ministry of Foreign Affairs. This exemption may potentially arise due to reciprocal arrangements in place for diplomatic missions under the Vienna Convention on Diplomatic Relations 1961 (VCDR).
- ▶ Additionally, educational institutions, higher learning institutions, companies, foundations, or other organisations which provides sponsorship on education fees or service charges are now exempted from service tax. This addresses as well as reaffirms the government's commitment to not impose any service tax on scholarships, educational loans, and fee exemptions on education services.

Service Tax Policy No 5/2025 - Private Healthcare Services (Amendment No. 2)

The Minister of Finance, pursuant to paragraph 34(3)(a) of the Service Tax Act 2018, exempts the payment of service tax with effect from 1 July 2025 for Private Healthcare Services Items 14, 15 dan 16, Group I, First Schedule, Service Tax Regulations 2018.

Key Highlights

- ▶ Item 1: Clarification that consultation fees of doctors are exempted from the imposition of service tax.
- ▶ Item 2: A new exemption is granted on other services under Group A (accommodation services) and Group B (food and beverage services) of the First Schedule, Service Tax Regulations 2018 to private healthcare service providers for the period from 1 September 2018 to 30 June 2025.
- ▶ Item 3: A new exemption is granted to health screening management services for non-citizen workers, such as the Foreign Workers Medical Examination Monitoring Agency (FOMEMA).
- ▶ Item 4: A new exemption is granted on other services under the First Schedule, Service Tax Regulations 2018 to private healthcare service providers for the period from 1 September 2018 to 30 June 2025.
- ▶ Item 5: A new exemption for all foreign diplomats or international organisations and their dependents in obtaining private healthcare services.

Key Changes to Service Tax Policy No 5/2025 - Private Healthcare Services (Amendment No. 2)

Item no.	Exemption	Key Conditions
1.	<p>a) 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.</p> <p>b) However, any service tax that has been collected from customers must be remitted to the RMCD in accordance with Section 26 of the Service Tax Act 2018. The RMCD may take any necessary action to recover any amount of service tax not accounted for to RMCD in accordance with the prevailing legislation in force.</p>	<p>The consultation fee must be separated from other medical treatment charges in the same invoice.</p>

Key Changes to Service Tax Policy No 5/2025 - Private Healthcare Services (Amendment No. 2) - Continued

Item no.	Exemption	Key Conditions
2.	<p>a) An exemption from imposing service tax is granted to private healthcare service providers registered or licensed under Act 586 (whether registered or not under the Service Tax Act 2018) who also provide other services under Group A and Group B of the First Schedule, Service Tax Regulations 2018, other than healthcare services, for the period from 1 September 2018 to 30 June 2025.</p> <p>b) No refund shall be granted to any private healthcare facility that also provides other services under Group A and Group B and has imposed and remitted service tax on those services during the exemption period from 1 September 2018 to 30 June 2025.</p> <p>c) Therefore, private healthcare facilities registered under healthcare services (Group I) and providing other taxable services such as accommodation services (Group A) and food and beverage services (Group B) are required to impose service tax on all taxable and non-taxable services provided, effective from 1 July 2025.</p>	None
3.	<p>a) Providers of health screening management services for non-citizen workers, such as FOMEMA, are exempted from the payment of service tax.</p> <p>b) Health screening services for non-citizen workers provided by private healthcare facilities through health screening management service providers such as FOMEMA are exempted from the imposition of service tax.</p> <p>c) Any service tax that has been collected from customers must be remitted to the RMCD in accordance with Section 26 of the Service Tax Act 2018. The RMCD may take any necessary action to recover any amount of service tax not accounted for to RMCD in accordance with the prevailing legislation in force.</p>	None
4.	<p>a) Any private healthcare facility that provides taxable services such as accommodation services (Group A) and food and beverage services (Group B) is required to register and impose service tax on all other services (both taxable and non-taxable) provided by the premises.</p> <p>b) An exemption from imposing service tax is granted to private healthcare service providers registered or licensed under Act 586 (whether registered or not under the Service Tax Act 2018) who also provide other services as listed in the First Schedule of the Service Tax Regulations 2018, other than healthcare services, for the period from 1 September 2018 to 30 June 2025.</p>	None

Key Changes to Service Tax Policy No 5/2025 - Private Healthcare Services (Amendment No. 2) - Continued

Item no.	Exemption	Key Conditions
	<p>c) No refund shall be granted to any private healthcare facility that also provides other services under Group A and Group B and has imposed and remitted service tax on those services during the exemption period from 1 September 2018 to 30 June 2025.</p> <p>d) Therefore, private healthcare facilities registered under healthcare services (Group I) and providing other taxable services such as accommodation services (Group A) and food and beverage services (Group B) are required to impose service tax on all taxable and non-taxable services.</p>	None
5.	Service tax exemption is granted to all foreign diplomats or international organisations and their dependents upon verification by the Ministry of Foreign Affairs.	<p>a) The implementation of the exemption is subject to a verification letter from the Ministry of Foreign Affairs issued to the foreign diplomat or international organisation.</p> <p>b) A copy of the verification letter must be submitted by the foreign diplomat or</p> <p>c) international organisation to the private hospital or clinic for record purposes.</p>



Key Changes to Service Tax Policy No 5/2025 - Private Healthcare Services (Amendment No. 2) - Continued

Commentary

- ▶ The amendments clarified that consultation fees of doctors as well as health screening management services are exempted from the imposition of service tax. This is in line with the item g (i) and item i (xiii), column 2, First Schedule, Service Tax Regulations 2018, whereby provision of consultancy services as well as management services relating to healthcare are exempted from service tax. In addition, the healthcare screening of foreign workers, which involves a pre-employment and/or periodic medical examination, is a mandatory requirement imposed by the Immigration Department of Malaysia on employers to ensure these workers are healthy, fit for their job, and do not pose a risk of spreading infectious diseases.
- ▶ The amendments clarified for the period from 1 September 2018 to 30 June 2025, services provided by a private healthcare service provider (except for accommodation and food and beverage services by those registered under Groups A and or B) are not subject to service tax. Effective 1 July 2025, all services provided by a private healthcare service provider to a non-citizen patient will be subject to service tax.
- ▶ The service tax exemptions have also been extended to cover private healthcare fees for all foreign diplomats or international organisations and their dependents, supported by a confirmation letter from the Ministry of Foreign Affairs. This exemption may potentially arise due to reciprocal arrangements in place for diplomatic missions under the VCDR as well as applicable conventions, articles of agreement, and international treaties governing the privileges of personnel affiliated with such international organisations.



Service Tax Policy No 6/2025 - Private Healthcare Services

The Minister of Finance has decided the service tax treatment on the following services effective 1 July 2025, namely Private Healthcare Services Items 14, 15 dan 16, Group I, First Schedule, Service Tax Regulations 2018.

Key Highlights

- ▶ Item 1: Clarification as to whether the third-party healthcare facility is required to account for service tax on the healthcare services of the non-citizen patient.
- ▶ Item 2: Clarification that medical aids provided as part of a healthcare treatment to non-citizen patients are subject to service tax.
- ▶ Item 3: Clarification that non-citizen patients who have Malaysian spouses employed by the government that receives medical treatment at private health care facilities covered under Government Guarantee Letter (GL), are still required to pay service tax.
- ▶ Item 4: Clarification that ancillary services (other than healthcare treatment) provided by private health care facilities to non-citizen patents are subject to service tax.
- ▶ Item 5: Clarification that rental services of medical machines or equipment provided as part of a healthcare treatment to non-citizen patients are subject to service tax.

Service Tax Policy No 6/2025 - Private Healthcare Services

Item no.	Subject	Service Tax Treatment
1.	Service tax treatment for private hospitals that obtain healthcare services from third parties (other private healthcare facilities or other private allied health facilities).	a) No B2B exemption is granted for other healthcare services within the same group of services. b) The service tax treatment for private hospitals that obtain healthcare services from third parties (other private healthcare facilities or other private allied health facilities) is determined as follows: <ul style="list-style-type: none"> ▶ Situation 1: Private healthcare facility A refers a patient to private healthcare facility B, but the final invoice is issued to the patient by facility A. The invoice issued by facility B to facility A for a non-citizen patient is subject to service tax, as the patient walked in directly to facility B; and

Service Tax Policy No 6/2025 - Private Healthcare Services - Continued

Item no.	Subject	Service Tax Treatment
		<ul style="list-style-type: none"> ▶ Situation 2: Private healthcare facility A sends a patient’s fluid samples, such as blood or urine, to private healthcare facility B, but the final invoice is issued to the patient by facility A. The invoice issued by facility B to facility A for a non-citizen patient is not subject to service tax, as the patient did not walk in directly to facility B.
2.	The service tax treatment on medical aids is subject to service tax.	Healthcare treatment invoices that include medical aids, whether in the same invoice or in separate invoices, are subject to service tax.
3.	Service tax treatment for non-citizen patients who have Malaysian spouses and are employed by the government, where payment for treatment is made through a Government GL.	<p>The rate of service tax will not be borne by the Government under the GL arrangement.</p> <ul style="list-style-type: none"> ▶ The responsibility for the payment of the service tax lies with the non-citizen patient. ▶ Therefore, private healthcare facilities must collect the applicable service tax amount from the non-citizen patient upon discharge.
4.	Private hospitals providing ancillary services (other than healthcare treatment) to non-citizen patients, such as luggage storage.	Other ancillary services, such as luggage storage (other than healthcare services), provided by private healthcare facilities, private traditional and complementary medicine practitioners, and private allied health facilities to non-citizens are included within the scope of healthcare services and are subject to service tax under healthcare services at the rate of 6%.
5.	Private healthcare facilities that provide rental services of medical machines or equipment for the purpose of delivering healthcare treatment to patients.	<ul style="list-style-type: none"> a) The rental services of medical machines or equipment for healthcare treatment provided by private healthcare facilities, private traditional and complementary medicine facilities, and private allied health facilities fall within the taxable scope of healthcare services for these respective facilities. b) Accordingly, the rental services of medical machines or equipment provided by private healthcare facilities, private traditional and complementary medicine facilities, and private allied health facilities to non-citizen patients are subject to service tax under healthcare services at the rate of 6%.

Service Tax Policy No 6/2025 - Private Healthcare Services - Continued

Commentary

- ▶ For private healthcare services provided at a third-party facility, taxability is determined based on whether the non-citizen patient walks in directly to that facility. In the absence of a B2B exemption, this approach may result in potential tax cascading for the recipient private hospital.
- ▶ The Government GL does not cover service tax imposed on non-citizen patients, even if their spouses are employed by the government.
- ▶ The RMCD has determined that medical aids, rental services for medical machines or equipment provided as part of healthcare treatment, as well as ancillary services unrelated to healthcare treatment, are classified as private healthcare services to non-citizen patients and are therefore subject to a 6% service tax.



Service Tax Policy No 7/2025 Construction Works Services

The Minister of Finance has decided the service tax treatment on the following services effective 1 July 2025, namely Construction Works Services, Group L, First Schedule, Service Tax Regulations 2018.

Key Highlights

- ▶ Item 1: Flexibility for companies constructing ships or platforms under Engineering, Procurement, Construction, And Commissioning (EPCC) contracts to treat the shipbuilding process as either subject to service tax or sales tax.
- ▶ Item 2: Installation-related contracts that do not separately state the value components of goods supply and installation work (services) can be subject to either service tax or sales tax, depending on the status of the service provider.
- ▶ Item 3: Clarification that service tax is imposed only on the value of the construction work services if the value of construction materials or goods supplied and construction work are billed separately.

Service Tax Policy No 7/2025 - Construction Works Services

Item no.	Subject	Service Tax Treatment
1.	Tax treatment on EPCC contracts for the construction of ships or platforms	<p>The industry is given the option to determine the meaning of shipbuilding, whether as manufacturing or construction, subject to the following conditions:</p> <p>a) If the company treats the shipbuilding process as a ship or platform construction service under the scope of service tax, it will be categorised as a construction project (EPCC/ design & build) and is eligible for B2B exemption for professional services; or</p> <p>b) If the company treats the shipbuilding process as ship or platform manufacturing under the scope of sales tax, it will be categorised as a sale of goods, and no service tax will be imposed.</p> <ul style="list-style-type: none"> ▶ However, the company will not be eligible for the B2B exemption under the scope of service tax for professional services and must adopt the traditional construction model approach.

Service Tax Policy No 7/2025 - Construction Works Services - Continued

Item no.	Subject	Service Tax Treatment
2.	Tax treatment for registered sales tax manufacturers undertaking contracts related to Installation works	<ul style="list-style-type: none"> a) For installation-related contracts that separately state the value components of goods supply and installation work (services): <ul style="list-style-type: none"> i. service tax is imposed only on the installation work; ii. the supply of goods is not subject to service tax. b) For installation-related contracts that do not separately state the value components of goods supply and installation work (services): <ul style="list-style-type: none"> i. If the service provider is a registered sales tax manufacturer, the installation work is treated as part of the value of the goods supplied. Therefore, sales tax is imposed on the entire contract value; ii. If the service provider is not a registered sales tax manufacturer, the value of the goods supplied is treated as part of the installation work. Therefore, service tax is imposed on the entire contract value.
3.	Tax treatment on invoices related to the supply of construction materials/ goods and construction work services	<ul style="list-style-type: none"> a) If the construction service provider issues separate invoices or itemised billing for the value of construction materials/goods supplied and construction work services: <ul style="list-style-type: none"> i. service tax is imposed only on the value of the construction work services; ii. the supply of construction materials/goods is not subject to service tax. b) If the invoice issued does not separate the value of construction materials/goods supplied and construction work services, service tax is imposed on the total value of the invoice.

Service Tax Policy No 7/2025 - Construction Works Services - Continued

Commentary

- ▶ The introduction of this new policy is timely as it clarifies ambiguities regarding the overlap between sales tax and service tax for companies involved in ship or platform construction and manufacturers performing installation works. Although sales tax and service tax are governed by separate legislations, the RMCD has provided flexibility based on principles of equity, thereby alleviating the burden on such manufacturers who would otherwise be required to register for and collect both taxes.
- ▶ To ensure that only construction work services are subject to service tax, the RMCD emphasises that service providers should issue separate invoices or itemised billing for the value of construction materials or goods supplied and for construction work services. This applies regardless of whether the supply of construction materials or goods and construction work services are provided under the same contract. Such clarification aligns with the principle that service tax is levied only on prescribed taxable services, not on the provision of goods.
- ▶ Overall, this new policy not only addresses existing ambiguities relating to construction works services but also reaffirms the government's commitment to supporting businesses by prioritising economic inclusivity and public sentiment, thereby making service tax more business friendly.



Recommendations for 2025 and Beyond

1. Review Service Tax Policies (STP) Conditions:

- ▶ Carefully review the conditions outlined in the relevant STPs and ensure full compliance before implementing any exemption.

2. Stamping of Documents:

- ▶ Following recent developments on stamp duty, the government and RMCD emphasise that agreements or documents must be stamped, where required, for businesses to qualify for the exemption.

3. Maintain Proper Records:

- ▶ Keep all relevant documents organised and accessible to substantiate the exemption claimed by the business in the event of an RMCD audit.

4. Seek Professional Advice:

- ▶ When in doubt, consult a qualified professional, such as a tax advisor or tax lawyer, to assist with compliance and mitigate potential risks.

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