



## SERVICE TAX POLICY NO. 3/2025 (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

NO.	EXEMPTION	CONDITIONS
1.	The federal government and the state governments are exempted from paying or imposing service tax on construction work services.	None.
2.	Local authorities (PBT) are exempted from paying or imposing service tax on construction work services from 1 July 2025 to 30 September 2025.	None.
3.	Non-reviewable contracts are exempted from paying service tax for the period from 1 July 2025 to 30 June 2026.	Refer to <b>APPENDIX A.</b>
4.	The construction of residential buildings and public facilities related to those residential buildings within a mixed development project is exempted from service tax.	Refer to <b>APPENDIX B.</b>
5.	The business-to-business (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	Refer to <b>APPENDIX C.</b>



NO.	EXEMPTION	CONDITIONS
	<p>contractor to the developer or landowner.</p> <ul style="list-style-type: none"><li>▪ Therefore, service tax is only imposed at the overall project cost level charged by the main contractor to the developer or landowner.</li></ul>	
6.	<p>The business-to-business (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>



**APPENDIX A**

STP No. 3/2025 (Amendment No. 1)

**Conditions for Service Tax Exemption for the Period from 1 July 2025 to 30 June 2026  
on Non-Reviewable Contracts**

- (a) The service provider is a person registered for service tax;
- (b) The contract does not contain any price review clause or value adjustment mechanism;
- (c) The contract is made in writing, signed before 1 July 2025, and duly stamped with stamp duty by the Inland Revenue Board of Malaysia (LHDN) before 31 December 2025;
- (d) The contract clearly states:
  - (i) the type of service provided;
  - (ii) the fixed contract value;
  - (iii) the contract duration; and
- (e) The contract remains in force after 1 July 2025.
- (f) If the contract includes a Variation Order, the service tax exemption is applicable until 30 June 2026 if:
  - (i) the variation does not change the overall contract value; and
  - (ii) the variation has been incorporated into the contract through a written document signed before 1 July 2025 and duly stamped with stamp duty by LHDN before 31 December 2025.
- (g) If the contract includes an Extension of Time (EOT), the service tax exemption is applicable until 30 June 2026 if:
  - (i) the EOT is based on the original contract that complies with conditions (a) to (d);
  - (ii) the original contract value remains unchanged;
  - (iii) the original contract expires before 1 July 2025; and
  - (iv) the EOT document is signed before 1 July 2025 and duly stamped with stamp duty by LHDN before 31 December 2025.



**APPENDIX B**

STP No. 3/2025 (Amendment No. 1)

**Conditions for Service Tax Exemption on the Construction of Residential Buildings and Public Facilities Related to Those Residential Buildings Built Within a Mixed Development Project**

1. Exemption from the payment of service tax is granted to developers or landowners undertaking the construction of residential buildings and public facilities related to those residential buildings within a mixed development project, subject to the following conditions:

(a) Verification by a surveyor, architect, or any qualified person authorized under the relevant written law currently in force to determine the following components:

(i) residential buildings;

(ii) non-residential buildings;

(iii) public facilities related to residential buildings;

(iv) public facilities related to non-residential buildings; and

(v) public facilities related to residential and non-residential buildings that are shared.

(b) The apportionment to determine the portion referred to in item (a)(v) shall be made using the following apportionment method:

$$\frac{\text{Non-Residential Built-Up Area}}{\text{Total Built-Up Area (Non-Residential + Residential)}} \times 100$$

(c) The construction service contract between the developer or property owner and the construction contractor must be made in writing, signed, and duly stamped with stamp duty by the Inland Revenue Board of Malaysia (LHDN).

(d) The contract referred to in item (b) 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.

(e) The developer or property owner must submit the following documents to the main contractor:



- (i) the pre-computation plan; or
  - (ii) the approved planning permission letter issued by the local authority.
- (f) The developer or property owner and the main contractor must comply with any general directive issued by the Director General of Customs.



**APPENDIX C**

STP No. 3/2025 (Amendment No. 1)

**Conditions for the Business-to-Business (B2B) Exemption Facility on Consultancy Services Under a Design and Build Construction Contract**

1. Exemption from the payment of service tax is granted to the main contractor appointed by the developer or landowner for consultancy services under items 1, 3, 4, 5, 6, 7, 9, and 13 of Group G, First Schedule, Service Tax Regulations 2018, **subject to the following conditions:**
  - (a) The main contractor must be a person registered for service tax;
  - (b) The consultants specified under items 1, 3, 4, 5, 6, 7, 9, or 13 in column (1) of Group G, First Schedule, Service Tax Regulations 2018 must also be persons registered for service tax;
  - (c) The consultancy services provided by the consultants in paragraph (b) that qualify for this exemption are the taxable services listed under items (a), (c), (d), (e), (f), (g), (i), or (n) in column (2) of Group G, First Schedule, Service Tax Regulations 2018;
  - (d) 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;
  - (e) The reference numbers of the planning permission and the design and build construction contract offer must be stated in the invoice;
  - (f) The exemption is only valid for the duration of the approval for the planning permission mentioned in paragraph (d);
  - (g) The exemption only applies to construction projects based on the design and build model;
  - (h) The main contractor must impose service tax on the developer or landowner for the construction services based on the total contract value obtained, at the prescribed tax rate;
  - (i) This exemption may be applied directly through self-compliance; and
  - (j) The main contractor must comply with any general directive issued by the Director General of Customs.



**List of Amendments:**

No.	Description of Amendments	Effective Date
1.	To replace the clauses in the "EXEMPTION" and "CONDITIONS" sections for items 1 to 4.	1 July 2025

**Notification:**

Service Tax Policy No. 3 is **revoked** and replaced with Service Tax Policy No. 3 (Amendment No. 1), effective **from 1 July 2025**.

**Disclaimer:**

The service tax policy issued herein is subject to amendments should there be any changes to the relevant policy.

**INTERNAL TAX DIVISION HEADQUARTERS  
ROYAL MALAYSIAN CUSTOMS DEPARTMENT**

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