



SERVICE TAX POLICY NO. 3/2025 (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 –

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 Jun 2027.	Refer to APPENDIX A.
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 APPENDIX 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 APPENDIX C.



NO.	EXEMPTION	CONDITIONS
	<p>contractor to the developer or landowner.</p> <ul style="list-style-type: none">Therefore, service tax is only imposed at the overall project cost level charged by the main contractor to the developer or landowner.	
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>	<ol style="list-style-type: none">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; andThe claim is made by the construction service provider after refunding the amount of service tax collected to the recipient of the construction service.
7.	<p>Service tax exemption facility for the construction of buildings used for religious worship and public facilities solely related to the religious worship buildings.</p>	<p>Refer to APPENDIX D.</p>
8.	<p>Service tax exemption is granted for renovation works carried out on non-residential buildings that are converted into places of worship</p>	<p>Refer to APPENDIX E.</p>



APPENDIX A
STP No. 3/2025 (Amendment No. 3)

Conditions for Service Tax Exemption for the Period from 1 July 2025 to 30 June 2027 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 2027 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 2027 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. 3)

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. 3)

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.



APPENDIX D
STP No. 3/2025 (Amendment No. 3)

1. Conditions for Service Tax Exemption on the Construction of Religious Buildings and Related Public Facilities.

An exemption from charging and payment of service tax is granted in respect of the construction of buildings for religious worship, including public facilities related thereto, solely for religious worship purposes, subject to the following conditions:

(a) The provider of construction work services is a service tax-registered person under Group L;

(b) The construction contract shall clearly state that the construction is a project for the construction of a building for religious worship, including public facilities related to such religious building;

(c) The implementation of this exemption shall be determined based on the construction contract, the approved planning permission issued by the Local Authority (PBT), the Pre-Com Plan, and/or any other relevant documents relating to the construction project of the building for religious worship.

(d) The construction of any non-residential building for commercial purposes (for example, shop lots) within the same area as an existing religious worship building shall not be eligible for exemption under this provision.

(e) Any building for religious worship that is developed together with a commercial building, whether within the same building or within the same site, shall not be eligible for exemption under this provision. However, the administrator of such religious worship building may make a **separate application** for service tax exemption on the constructions works of the religious worship building to the Tax Division, Ministry of Finance; and

(f) Any other additional operational conditions as may be determined or imposed by the Director General of Customs through Public Rulings or Guidelines.



APPENDIX E
STP No. 3/2025 (Amendment No. 3)

Conditions for Service Tax Exemption on Renovation Works of Non-Residential Buildings Converted into Buildings for Religious Worship.

1. An exemption from charging and payment of service tax shall be granted in respect of renovation works on non-residential buildings to be converted into buildings for religious worship, subject to the following conditions:
 - (a) The provider of construction work services is a service tax-registered person under Group L;
 - (b) The contract documents or any other documents related to the construction works shall clearly state that the construction works are renovation works carried out on any residential or non-residential building for the purpose of conversion into a building for religious worship.
 - (c) For completed non-residential premises/buildings (whether or not a Certificate of Completion and Compliance (CCC) has been issued) where service tax had previously been imposed on the construction works, and which are subsequently converted for use as a place of worship, such conversion shall not qualify for any refund of service tax;
 - (d) Renovation works carried out on completed (existing) non-residential buildings that are renovated and converted into spaces/places of worship are eligible for service tax exemption;
 - (e) Construction works involving the extension or addition of spaces/places of worship to the existing structure of a non-residential building are eligible for service tax exemption; and
 - (f) Any other additional operational conditions as may be determined or imposed by the Director General of Customs through Public Rulings or Guideline.



List of Amendments:

No.	Description of Amendments	Effective Date
1.	Amendment to Item 3 to provide for the extension of the exemption period in respect of non-reviewable contracts until 30 June 2027.	1 July 2025
2.	Editorial amendments to Items 7 and 8.	1 July 2025

Notification:

Service Tax Policy No. 3 (Amendment No. 2) is **revoked** and replaced with Service Tax Policy No. 3 (Amendment No. 3), effective **from 30 January 2026**.

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**