SERVICE TAX POLICY NO. 7/2025

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

NO.	SUBJECT	SERVICE TAX TREATMENT
1.	Tax Treatment On Engineering, Procurement, Construction, And Commissioning (EPCC) Contracts For The Construction Of Ships Or Platforms	The industry is given the option to determine the meaning of shipbuilding, whether as manufacturing or construction, subject to the following conditions: (a) If the company treats the shipbuilding process as a ship or platform construction service under the scope of service tax, it will be categorized as a construction project (EPCC/ design & build) and is eligible for business-to-business (B2B) exemption for professional services; or (b) If the company treats the shipbuilding process as ship or platform manufacturing under the scope of sales tax, it will be categorized as a sale of goods, and no service tax will be imposed. (i) However, the company will not be eligible for the business-to-business (B2B) exemption under the scope of service tax for professional services and must adopt the traditional construction model approach.

NO.	SUBJECT	SERVICE TAX TREATMENT
2.	Tax Treatment for Registered Sales Tax Manufacturers Undertaking Contracts Related to Installation Works	(a) For installation-related contracts that **separately** state the value components of goods supply and installation work (services): (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): (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.

NO.	SUBJECT	SERVICE TAX TREATMENT
3.	Tax Treatment on Invoices Related to the Supply of Construction Materials/ Goods and Construction Work Services	(a) If the construction service provider issues **separate invoices or itemised billing** for the value of construction materials/goods supplied and construction work services: (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.

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