



## SERVICE TAX POLICY NO. 3/2025

**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.	Exemption from being subject to compound, prosecution, and penalty until 31 December 2025 for the following offences:  (a) Late registration  (b) Late submission of returns  (c) Late payment  (d) Incorrect declaration (under-declaration & underpayment)  (e) Any errors related to invoices, credit notes, or debit notes	(a) The offence involved is detected by the Royal Malaysian Customs Department (RMCD) or the company makes a voluntary confession or declaration regarding the offence.  (b) The exemption does not apply to fraud offences or offences committed intentionally.  (c) An application for penalty remission must be submitted to the Royal Malaysian Customs Department (RMCD) in accordance with the prescribed procedures.
2.	The federal government and state governments are exempted from imposing and paying service tax.	
3.	The local authorities (PBT) are exempted from charging and paying service tax for the period from 1 July 2025 to 30 September 2025.  ▪ Services provided or acquired starting from 1 October 2025 are subject to service tax.	



NO.	EXEMPTION	CONDITIONS
4.	<p>Non-reviewable contracts are granted an exemption from the payment of service tax for the period from 1 July 2025 to 30 June 2026.</p> <ul style="list-style-type: none"><li>▪ Services provided from 1 July 2026 onwards are subject to service tax.</li></ul>	<p>(a) The service provider is a registered person for service tax;</p> <p>(b) The contract does not contain a price revision clause or any value adjustment mechanism;</p> <p>(c) The contract is made in writing, signed, and stamped by the Inland Revenue Board of Malaysia (LHDN) on or before 9 June 2025;</p> <p>(d) The contract clearly states:</p> <ul style="list-style-type: none"><li>(i) the type of service provided;</li><li>(ii) a fixed contract value (non-variable);</li><li>(iii) the contract duration; and</li></ul> <p>(e) The contract remains in force after 1 July 2025.</p> <p>(f) If the contract includes a Variation Order (VO), the service tax exemption is eligible until 30 June 2026 if:</p> <ul style="list-style-type: none"><li>(i) the variation relates to technical implementation and does not affect the overall contract value; and</li><li>(ii) the variation has been incorporated into the contract through a written document signed and stamped by LHDN on or before 9 June 2025.</li></ul> <p>(g) If the contract includes an Extension of Time (EOT), the service tax exemption is eligible until 30 June 2026 if:</p>



NO.	EXEMPTION	CONDITIONS
		<ul style="list-style-type: none"><li>(i) the EOT is based on the original contract that meets conditions (a) to (d);</li><li>(ii) the original contract value remains unchanged;</li><li>(iii) the original contract ends on or before 9 June 2025; and</li><li>(iv) the EOT document is signed and stamped by LHDN before the expiry of the original contract period.</li></ul>

**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**