

Latest Updates on Service Tax

November 2025





On 17 October 2025 and 23 October 2025, the Royal Malaysian Customs Department (RMCD) issued the following amended Service Tax Policies relating to exemption for the following industries:



Financial Services

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



Rental or Leasing Services

Service Tax Policy No. 2/2025
(Amendment No. 2)



Construction Works

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



Education Services

Service Tax Policy No. 4/2025
(Amendment No. 1)



Private Healthcare Services

Service Tax Policy No. 5/2025
(Amendment No. 2)

In addition, on 23 October 2025 and 24 October 2025, the RMCD issued Service Tax Policies No. 6/2025 and No. 7/2025, which provide further clarification on the Service Tax treatment for private healthcare services and construction works.

Key Updates on Financial Services

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



1. Service Tax Exemption on Acquisition of Re-Insurance and Re-Takaful Services.

The Minister of Finance (MOF) has granted an exemption from payment of Service Tax on the acquisition of re-insurance services or re-takaful services by insurance and takaful companies.

Service Provider

The service provider must be either:

- a person registered under the Service Tax Act 2018; or
- a financial service provider located outside Malaysia.

Recipient

The recipient of the service must be a registered person under Group H in the First Schedule of the Service Tax Regulations 2018.

Purpose of Service Acquired

The re-insurance or re-takaful services acquired must be used solely for the purpose of providing medical insurance, medical takaful, life insurance or family takaful services.

Key Updates on Rental or Leasing Services

Service Tax Policy No. 2/2025 (Amendment No. 2)

1. Clarification on Service Tax Group Relief for Rental or Leasing Services

The revised Service Tax Policy provides clarification on the application of group relief for rental or leasing services. The group relief applies to the following situations:

Provision of Services within Malaysia

Provision of rental or leasing services by a company in a group of companies to another company in the same group of companies in Malaysia.

Imported Services

Acquisition of rental or leasing services by a company within a group of companies in Malaysia from another company in the same group of companies located outside Malaysia.

2. New Business-to-Business (B2B) Exemption for Rental or Leasing Services from July 2025 to August 2025

The B2B exemption for rental or leasing services is granted for the period from 1 July 2025 to 31 August 2025. This exemption applies to rental or leasing service providers who:

Newly reached the Service Tax registration threshold in July 2025.

and

Have applied for Service Tax registration on or before 31 August 2025.

A refund claim for any Service Tax declared and paid in the SST-02 return is allowed, provided that the claim is submitted to RMCD on or before 30 November 2025 and the relevant conditions are fulfilled.

Key Updates on Construction Works

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

1. Amendment on Timeline for Signing and Stamping of Non-Reviewable Contracts

Non-reviewable contracts are exempted from the payment of Service Tax for a period of one (1) year, from 1 July 2025 to 30 June 2026.

Previously, one of the conditions to qualify as a Non-Reviewable Contract required that the contract be made in writing, signed and stamped by the Inland Revenue Board of Malaysia (IRBM) on or before 9 June 2025.

Under the revised policy, the timeline has been extended as follows:

The contract must be made in writing, signed before **1 July 2025**.

and

The contract must be duly stamped with stamp duty by the IRBM before **31 December 2025**.

The timeline for Variation Order (VO) and Extension of Time (EOT) has also been amended to align with the revised dates.

2. New Service Tax Exemption for Construction of Residential Buildings and Related Public Facilities within Mixed Developments

An 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 fulfillment of the prescribed conditions.

Where public facilities are shared between residential and non-residential buildings, apportionment is allowed using the following formula:

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

Key Updates on Construction Works

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

3. New B2B Exemption for Consultancy Services Under a Design and Build Construction Contract

Exemption from the payment of Service Tax is granted to the main contractor appointed by the developer or landowner for the following consultancy services under Group G, subject to the fulfillment of specified conditions:

- Legal services;
- Accounting, auditing and book-keeping services;
- Surveying services including valuation, appraisal and estate agency;
- Engineering consultancy services;
- Architectural services;
- Consultancy services;
- Management services; and
- Maintenance or repair services.

4. New B2B Exemption for Construction Works from July 2025 to August 2025

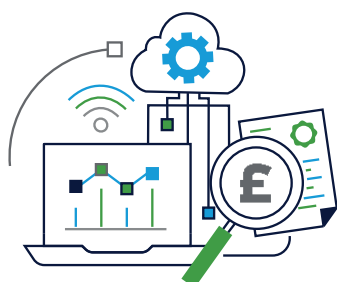
The B2B exemption for construction works is granted for the period from 1 July 2025 to 31 August 2025. This exemption applies to construction service providers who:

Newly reached the Service Tax registration threshold in July 2025.

and

Have applied for Service Tax registration on or before 31 August 2025.

A refund claim for any Service Tax declared and paid in the SST-02 return is allowed, provided that the claim is submitted on or before 30 November 2025 and the relevant conditions are fulfilled.



Key Updates on Construction Works

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

5. Clarification on Sales Tax and Service Tax Treatment for Engineering, Procurement, Construction and Commissioning (EPCC) Contracts for the Construction of Ships or Platforms

EPCC contracts for construction of ships and platforms are granted the option to determine the tax treatment of shipbuilding, whether it is classified as manufacturing activities under Sales Tax or construction works under Service Tax, subject to the fulfillment of the prescribed conditions.

6. Clarification on Sales Tax and Service Tax Treatment for Contracts related to Installation Works

Contracts with separate value components for goods and installation work:

- Service Tax is imposed only on the installation work.
- Supply of goods is not subject to Service Tax.

Contracts without separate value components for goods and installation work:

- If the service provider is a registered manufacturer under Sales Tax Act 2018:
 - The installation work is treated as part of the value of the goods supplied.
 - Sales Tax is imposed on the entire contract value.
- If the service provider is not a registered manufacturer under Sales Tax Act 2018:
 - The value of the goods supplied is treated as part of the installation work.
 - Service Tax is imposed on the entire contract value.

Key Updates on Construction Works

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



7. Clarification on Service Tax Treatment for Supply of Materials under Construction Works

Invoices with Separate or Itemised Billing

If the construction service provider issues separate invoices or itemised billing for the value of construction materials or goods and construction works, Service Tax is imposed only on the value of construction works. The supply of construction materials or goods is not subject to Service Tax.

Invoices without Separate or Itemised Billing

If the invoice does not separate the value of construction materials or goods and construction works, Service Tax is imposed on the total value of the invoice.

Key Updates on Education Services

Service Tax Policy No. 4/2025 (Amendment No.1)

1. New Service Tax Exemption for Children and Dependents of Foreign Diplomats

Children and dependents of foreign diplomats are exempted from paying Service Tax on educational services.

To qualify, the foreign diplomat must obtain a confirmation letter from the Ministry of Foreign Affairs and submit it to the private educational institution or higher education institution concerned for the purpose of exemption.

2. New Service Tax Exemption for Fully Sponsored Education Fees or Service Charges

Exemption from Service Tax is also granted on education fees or service charges that are fully sponsored by:



Educational institutions;



Higher learning institutions;



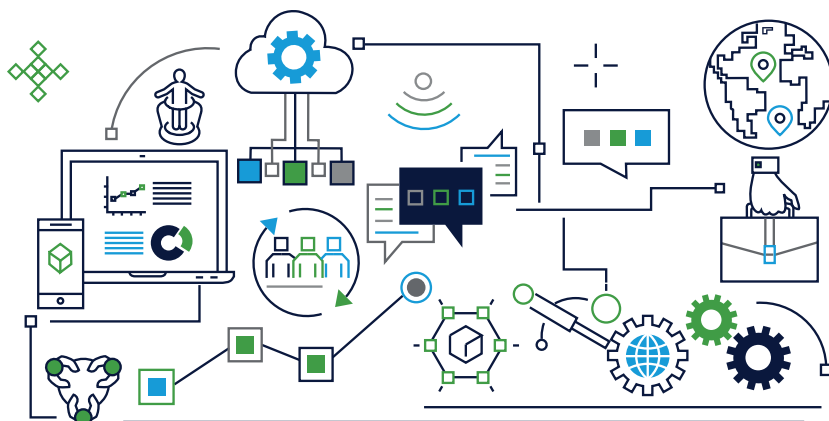
Companies;



Foundations; or



Other organisations.



Key Updates on Private Healthcare Services

Service Tax Policy No. 5/2025 (Amendment No. 2)

1. New Service Tax Exemption for Doctor's Consultation Fees

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, provided that the consultation fees are separately shown from other medical treatment charges in the same invoice.

2. New Service Tax Exemption for Health Screening Services

The MOF has granted the following Service Tax exemptions:

Health screening management services for non-citizen workers provided by service providers, such as FOMEMA.

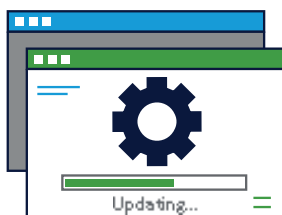
and

Health screening services for non-citizen workers provided by private healthcare facilities through health screening management service providers such as FOMEMA.

3. New Service Tax Exemption for Non-Healthcare Services Provided by Private Healthcare Providers until 30 June 2025

An exemption from the imposition of Service Tax is granted to private healthcare service providers registered or licensed under the Private Healthcare Facilities and Services Act 1998, whether or not registered under the Service Tax Act 2018.

This exemption applies to other services listed in the First Schedule of the Service Tax Regulations 2018, excluding healthcare services, for the period from **1 September 2018 to 30 June 2025**.



Key Updates on Private Healthcare Services

Service Tax Policy No. 5/2025 (Amendment No. 2)

4. Clarification on Service Tax Treatment for Private Hospitals Using Third-Party Healthcare Services

No B2B exemption is granted for private hospitals that obtain healthcare services from third parties (such as other private healthcare facilities or allied health facilities).

The Service Tax treatment depends on whether the patient walks in directly to a third-party facility.

If the patient walks in directly to the third-party facility, the healthcare service provided by a third-party facility to the private hospital is subject to Service Tax. <i>Example: Private healthcare facility A refers a non-citizen patient to private healthcare facility B, but facility A bills the patient. Facility B's invoice to facility A is subject to Service Tax.</i>	If the patient does not walk in directly to the third-party facility, the healthcare service provided by a third-party facility to the private hospital is not subject to Service Tax. <i>Example: Private healthcare facility A sends a non-citizen patient's fluid samples (e.g. blood or urine) to private healthcare facility B, but facility A bills the patient. Facility B's invoice to Facility A is not subject to Service Tax</i>
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5. Clarification on Service Tax Treatment for Other Services

No B2B exemption is granted for private hospitals that obtain healthcare services from third parties (such as other private healthcare facilities or allied health facilities).

The Service Tax treatment depends on whether the patient walks in directly to a third-party facility.

Healthcare treatment invoices that include medical aids, whether charged on the same invoice or on a separate invoice.	and	Ancillary services such as luggage storage.	and	Rental of medical machines or equipment used for delivering healthcare treatment to patients.
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Key Updates on Private Healthcare Services

Service Tax Policy No. 5/2025 (Amendment No. 2)



4. Clarification on Service Tax Treatment for Payments under Government Guarantee Letter (GL)

For non-citizen patients who have Malaysian spouses and are employed by the Government, and whose treatment payments are made through a GL, the Government does not bear the Service Tax under a GL arrangement.

The non-citizen patient is responsible for paying Service Tax. Therefore, the private healthcare facilities must collect the Service Tax from the non-citizen patient upon discharge.





Conclusion and Next Steps

Following the issuance of the revised and new Service Tax Policies by the RMCD in October 2025, businesses are advised to review and assess the impact of these changes, particularly for those who are affected under financial services, rental or leasing, construction works, education and private healthcare services.

Key actions include ensuring timely stamping of construction contracts by 31 December 2025, updating internal billing procedures to comply with revised exemption conditions and claiming eligible Service Tax refunds where applicable.



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