



MASTER BUILDERS ASSOCIATION MALAYSIA PERSATUAN KONTRAKTOR BINAAN MALAYSIA

(PPM-002-14-26051954)

*The Prime Mover and the Recognised Voice
of the Malaysian Construction Industry*



Certified to ISO 9001: 2015
Cert. No: QMS 00721

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Website

mbam.org.my

TO : MBAM MEMBERS

DATE : 07 JULY 2025

REF : MBAM/25/01/2025/07/07/46

Dear Sir/Madam,

LISTS OF TAX EXEMPTION FOR CONSTRUCTION WORKS SERVICES EFFECTIVE 1ST JULY 2025

We are pleased to inform you that the Royal Malaysian Customs Department (RMCD) has issued a notice on **Service Tax Policy No. 3/2025**, dated 29th June 2025. In accordance with paragraph 34(3)(a) of the Service Tax Act 2018, the **Minister of Finance has approved a lists of exemption of service tax for Construction Works Services, Group L, First Schedule Service Tax Regulations 2018, effective 1st July 2025.**

Attached here is a copy of the RMCD Services Tax Policy No. 3/2025, for your attention.

Thank you.

Yours sincerely,

MASTER BUILDER ASSOCIATION MALAYSIA

LOH MEI LING AMN

Executive Director

Bangunan Persatuan Kontraktor Binaan Malaysia (MBAM)

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Regular Member: International Federation of Asian & Western Pacific Contractors' Associations (IFAWPCA)

Founder Member of ASEAN Contractors' Federation (ACF)





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.	<p>Exemption from being subject to compound, prosecution, and penalty until 31 December 2025 for the following offences:</p> <p>(a) Late registration</p> <p>(b) Late submission of returns</p> <p>(c) Late payment</p> <p>(d) Incorrect declaration (under-declaration & underpayment)</p> <p>(e) Any errors related to invoices, credit notes, or debit notes</p>	<p>(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.</p> <p>(b) The exemption does not apply to fraud offences or offences committed intentionally.</p> <p>(c) An application for penalty remission must be submitted to the Royal Malaysian Customs Department (RMCD) in accordance with the prescribed procedures.</p>
2.	<p>The federal government and state governments are exempted from imposing and paying service tax.</p>	
3.	<p>The local authorities (PBT) are exempted from charging and paying service tax for the period from 1 July 2025 to 30 September 2025.</p> <ul style="list-style-type: none">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">▪ Services provided from 1 July 2026 onwards are subject to service tax.	<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">(i) the type of service provided;(ii) a fixed contract value (non-variable);(iii) the contract duration; and <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">(i) the variation relates to technical implementation and does not affect the overall contract value; and(ii) the variation has been incorporated into the contract through a written document signed and stamped by LHDN on or before 9 June 2025. <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">(i) the EOT is based on the original contract that meets conditions (a) to (d);(ii) the original contract value remains unchanged;(iii) the original contract ends on or before 9 June 2025; and(iv) the EOT document is signed and stamped by LHDN before the expiry of the original contract period.

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**