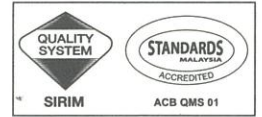




MASTER BUILDERS ASSOCIATION MALAYSIA PERSATUAN KONTRAKTOR BINAAN MALAYSIA

(PPM-002-14-26051954)

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



Certified to ISO 9001: 2015
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Yee Wing Peng
Deloitte Tax Services Sdn Bhd

Honorary Advisor (Education)

Chua Siow Leng *KMN*

Website

mbam.org.my

REF: MBAM/25/01/2025/10/21/334

DATE: 22 OCTOBER 2025

TO: MBAM Members

Dear Sir/Madam,

SERVICE TAX POLICY NO. 3 / 2025 (AMENDMENT NO.1) EXEMPTION ON CONSTRUCTION WORKS SERVICES

The Royal Malaysian Customs Department has issued Service Tax Policy (STP) No. 3/2025 (Amendment No. 1) dated 17th October 2025, providing important updates and exemptions under the Service Tax Act 2018 for construction works services (Group L, First Schedule, Service Tax Regulations 2018).

Effective 1st July 2025, the following exemptions apply:

- Federal Government and State Governments** – Exempted from service tax on rental or leasing services.
- Local Authorities (PBT)** – Exemption on rental or leasing services from 1st July to 30th September 2025.
- Non-Reviewable Contracts** – Exemption for the period 1st July 2025 to 30th June 2026 (see Appendix A).
- Construction of Residential Buildings and Public Facilities** – Exemption for residential buildings within mixed developments (see Appendix B).
- B2B Exemption for Design & Build Construction Contract** – Applies to consultancy services under a single design-and-build contract (see Appendix C).
- B2B Exemption Facility on Construction Work (1st July – 31st August 2025)** – For newly registered construction service providers reaching the threshold in July 2025.

The amendment takes effect 1st July 2025. It replaces the previous Service Tax Policy No. 3, which is now revoked.

Members are advised to:

- Review current and upcoming contracts to confirm eligibility for exemptions.
- Ensure contracts are **signed and stamped before 1st July 2025** where applicable.
- Verify the **service tax registration** status of contractors and consultants involved in design-and-build projects.

Bangunan Persatuan Kontraktor Binaan Malaysia (MBAM)

Lot 92404, Persiaran Harmoni, Putra Heights, 47650 Subang Jaya, Selangor Darul Ehsan.

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

Founder Member of ASEAN Contractors' Federation (ACF)





MBAM

For more detailed information, **members may refer to the attached document;** Service Tax Policy No. 3/2025 (Amendment No. 1) issued by the **Royal Malaysian Customs Department**, dated **17th October 2025**.

Yours faithfully,

MASTER BUILDERS ASSOCIATION MALAYSIA

LOH MEI LING AMN

Executive Director