Updates on Service Tax Policies 2025

There were amendments and new service tax policies 2025 released by the Royal Malaysian Customs Department between 17 October 2025 and 24 October 2025. The updates are:

Service Tax Policy	Service	Policy Date
i. Service Tax Policy No. 1/2025 (Amendment No. 3)	Financial services	17 October 2025
ii. Service Tax Policy No. 2/2025 (Amendment No. 2)	Rental or leasing services	17 October 2025
iii. Service Tax Policy No. 3/2025 (Amendment No. 1)	Construction works services	17 October 2025
iv. Service Tax Policy No. 4/2025 (Amendment No. 2)	Education services	17 October 2025
v. Service Tax Policy No. 5/2025 (Amendment No. 2)	Private healthcare services	23 October 2025
vi. Service Tax Policy No. 6/2025	Private healthcare services	23 October 2025
vii. Service Tax Policy No. 7/2025	Construction works services	24 October 2025

Among others, the key highlights relating to the service tax policies above are:

Financial services

- Service tax exemption on the prescribed exempted financial services ends on 30 September 2025. These exempted financial services are subject to service tax from 1 October 2025.
- Service tax exemption applicable to federal and state governments is limited to services provided under the new scope expansion effective 1 July 2025.
- Exemption from payment of service tax is available on acquisition of re-insurance services or re-takaful services subject to conditions.

Rental or leasing services

- Service tax exemption applicable to federal, state governments and local authorities is limited to services provided under the new scope expansion effective 1 July 2025.
- Business-to-Business ("B2B") exemption is available for two months from 1 July 2025 to 31 August 2025 to persons who have newly reached the registration threshold in July 2025 and have applied for service tax registration on or before 31 August 2025, subject to conditions.

Education services

- Exemption from payment of service tax is available to children and dependents of foreign diplomats subject to condition.
- Exemption from payment of service tax is available on education fees or service charges that are fully sponsored by educational institutions, higher learning institutions, companies, foundations and other organisations.

Construction works services

- Exemption from payment of service tax is available on construction work service of residential building and public facilities related to the residential buildings within a mixed development project subject to conditions.
- B2B exemption is available on consultancy services under a single design and build construction contract subject to conditions.
- B2B exemption is available for two months from 1 July 2025 to 31 August 2025 to persons who have newly reached the registration threshold in July 2025 and have applied for service tax registration on or before 31 August 2025, subject to conditions.
- The industry may opt to define shipbuilding of Engineering, Procurement, Construction, And Commissioning ("EPCC") contracts for construction of ships or platforms as either manufacturing or construction, subject to conditions, to determine the sales tax/service tax treatment.
- Supply of construction material/goods is not subject to service tax provided that separate invoices or itemise billing is issued by the construction service provider.

Private healthcare services

- Consultation fee is exempted from service tax provided the fee is separated in the invoice.
- Accommodation and food and beverage services provided by private healthcare facilities registered under Group I are subject to service tax.
- Exemption of service tax is available to providers of health screening management services for non-citizen workers (eg. FOMEMA).
- Exemption from payment of service tax is available to all foreign diplomats or international organisations and dependents subject to conditions.
- Healthcare services provided by a private healthcare or private allied health facilities to another private healthcare or private allied health facilities is subject to service tax except for specific scenarios.
- Healthcare treatment invoices with medical aids are subject to service tax regardless of medical aids billed in the same or separate invoice.
- For payment made through government Guarantee Letter ("GL"), service tax charged to the non-citizen patients will not be borne by the government and shall be paid by the non-citizen patient.
- Other ancillary services (eg. luggage service) provided to non-citizen patients are subject to service tax.
- Rental of medical machines or equipment in delivering healthcare treatment falls within the scope of healthcare services which is subject to service tax.

For further details, you may refer to the relevant service tax policies currently available in the website (https://mysst.customs.gov.my/TaxPolicy). Please contact your respective Grant Thornton indirect tax adviser should you require further guidance

Contact us to discuss how we can help with the updates on service tax policies

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