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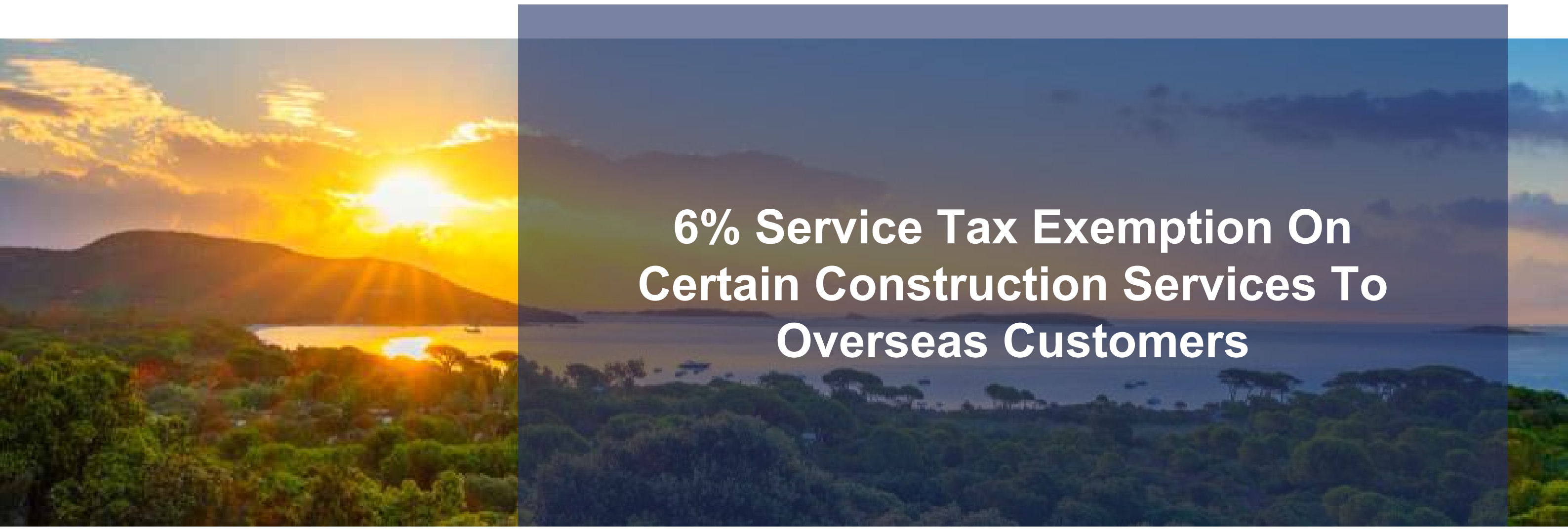
ideas & insights



# 6% Service Tax Exemption On Certain Construction Services To Overseas Customers

**Key Takeaway**

❖ Qualifying construction services to overseas customers are exempt from service tax.

The Royal Malaysian Customs Department has issued Service Tax Policy No. 5/2026, introducing a service tax exemption for certain construction services provided to customers outside Malaysia.

The exemption covers:

- Construction of offshore facilities
- Construction of onshore facilities
- Conversion of ships into floating structures

The exemption applies where the customer is not established in Malaysia.

## What Does This Mean For Businesses

If you are a Malaysian construction service provider carrying out qualifying work for a foreign customer, you generally do not need to charge or collect service tax on the qualifying services, provided the conditions under the policy are met.

The exemption applies with effect from 1 July 2025, notwithstanding that Service Tax Policy No. 5/2026 was only issued by the Royal Malaysian Customs Department on 8 September 2026.

However, the exemption is subject to specific conditions and documentation requirements.The service provider must:

- Be registered under Group L of the Service Tax Regulations 2018;
- Have a written and signed contract with the overseas customer;
- Ensure the contract is stamped for stamp duty purposes;
- Include the prescribed exemption statement on the invoice;

  **"Service tax exemption under paragraph 34(3)(a) and subsection 34(4) of the Service Tax Act 2018 pursuant to Service Tax Policy No. 5/2026 dated 8 September 2026."**

- Maintain the relevant contracts, invoices and supporting documents to substantiate the exemption and for verification by the Royal Malaysian Customs Department.

## Service Tax Already Collected

Where service tax has already been charged and collected from customers from 1 July 2025 onwards, the amount collected must still be accounted for and paid to the Royal Malaysian Customs Department. Businesses should note that the policy does not provide for a refund of service tax that has already been collected, even if the services may now qualify for the exemption.

For more details, please refer to :
Source : Royal Malaysian Customs Department, Service Tax Policy No. 5/2026 dated 8 September 2026.

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- ✓ Approved Training Employers
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