SERVICE TAX POLICY NO. 5/2026

THE MINISTRY OF FINANCE, pursuant to paragraph 34(3)(*a*) of the Service Tax Act 2018, exempts the payment of service tax and subsection 34(4) of the Service Tax Act 2018, exempts the imposition and collection of service tax with **effect from 1 July 2025** for –

SERVICE TAX FACILITY ON CONSTRUCTION WORK SERVICES FOR OFFSHORE AND ONSHORE FACILITIES, AND SHIP-TO-FLOATING STRUCTURE CONVERSION SERVICES PROVIDED TO CUSTOMERS OUTSIDE MALAYSIA

NO.	EXEMPTION	CONDITIONS
1.	The service tax treatment for construction services regarding offshore and onshore facilities and structures, as well as the conversion of vessels into floating structures, provided **to clients outside Malaysia**, is as follows: (a) Recipients of services from outside Malaysia are exempted from paying service tax on the construction services of offshore and onshore facilities or conversion of ships to floating structures provided by construction service providers in Malaysia, based on paragraph 34(3)(*a*) of the Service Tax Act 2018; and (b) Construction service providers in Malaysia are exempted from charging and collecting service tax on construction services for offshore and onshore facilities or the conversion of ships into floating structures provided to **clients outside Malaysia**, pursuant to subsection 34(4) of the Service Tax Act 2018.	(a) The service provider is a service tax registered person under Group L, First Schedule, Service Tax Regulations 2018; (b) Each contract shall be made in writing, signed with the client outside Malaysia, and duly stamped with stamp duty by the Inland Revenue Board (LHDN); (c) The service tax exemption is granted with effect from **1 July 2025** until the project is completed or upon expiration of the contract; (d) Construction service providers in Malaysia shall ensure that every invoice issued contains the following statement: *"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."* (e) Any service tax collected from customers starting from 1 July 2025 shall be paid to the Royal Malaysian Customs Department (RMCD) pursuant to Section 26 of the Service Tax Act 2018, and no refund of such service tax shall be granted to any

NO.	EXEMPTION	CONDITIONS
		party that has paid the said service tax; (f) Service providers in Malaysia must retain all relevant documents for auditing purposes by the RMCD; and (g) The recipient of services for the construction of offshore and onshore facilities or the conversion of a ship into a floating structure is a client, entity, or company **not** established in Malaysia.

Disclaimer:
The service tax policy issued herein is subject to amendments should there be any changes to the relevant policy:

INTERNAL TAX DIVISION
ROYAL MALAYSIAN CUSTOMS DEPARTMENT HEADQUARTERS