



Tax Whiz

Tax highlights from your advisers

Service Tax Policies (“STPs”)

- Amendment to STP 5/2025
- STP 6/2025
- STP 7/2025



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Service Tax Policies ("STPs")



The Royal Malaysian Customs Department ("Customs") has issued the following amendment and new Service Tax Policies, in relation to private healthcare services and construction works services.

A summary of the salient amendments/ updates is set out below, all of which are effective retrospectively from **1 July 2025**.

1) STP 5/2025 (Amendment No. 2) – Private Healthcare Services dated 23 October 2025

- Consultation fees charged by professional doctors at registered private healthcare facilities, practitioners of traditional and complementary private medical practices, and private allied health services are exempted from the imposition of Service Tax.

Condition

The consultation fee must be separated from other medical treatment charges in the same invoice.

Note that any Service Tax already collected are to be remitted to Customs.

- Private healthcare service providers registered or licensed under the Private Healthcare Facilities and Services Act 1998 [Act 586] (whether registered or not under the Service Tax Act 2018) who also provide other services under Group A and Group B or other services as listed in the First Schedule, Service Tax Regulations 2018, other than healthcare services, are exempted from charging Service Tax for the period from **1 September 2018 to 30 June 2025**.

No refund shall be granted for Service Tax that has been imposed and remitted to Customs during the exemption period.

Effective 1 July 2025, private healthcare facilities registered under healthcare services (Group I) who provides other taxable services such as accommodation services (Group A) and food and beverage services (Group B) are required to impose Service Tax on all taxable and non-taxable services provided.

- Providers of health screening management services for non-citizen workers, such as FOMEMA, are exempted from the payment of Service Tax.

In addition, health screening services for non-citizen workers provided by private healthcare facilities through health screening management service providers such as FOMEMA are exempted from Service Tax.

Note that any Service Tax already collected are to be remitted to Customs.

- All foreign diplomats or international organisations and their dependents are exempted from payment of Service Tax for private healthcare services, upon verification by the Ministry of Foreign Affairs.

2) STP 6/2025 – Private Healthcare Services dated 23 October 2025

- Services provided by private healthcare facilities or other private allied health facilities to private hospitals:-

Scenario	Treatment
a) Healthcare services provided within the same group of services	No Business-to-Business ("B2B") exemption
b) Private healthcare facility A refers non-citizen patient to private healthcare facility B, and the patient <u>walks in directly</u> to facility B	Invoice issued by facility B to facility A is subject to Service Tax
c) Private healthcare facility A sends a non-citizen patient's fluid samples to private healthcare facility B, and the patient <u>did not walk in directly</u> to facility B	Invoice issued by facility B to facility A is not subject to Service Tax

- Medical aids is subject to Service Tax, regardless if it is in the same invoice with healthcare treatment or in separate invoices.
- The Service Tax charged on non-citizen patients who have Malaysian spouses and are employed by the government where payment for treatment is made through a Government Guarantee Letter ("GL"), will not be borne by the Government.
- The provision of ancillary services (other than healthcare treatment) to non-citizen patients, such as luggage storage, by private healthcare facilities, private traditional and complementary medicine practitioners and private allied health facilities is subject to Service Tax under healthcare services (6%).
- The rental of medical machines or equipment for healthcare treatment by private healthcare facilities, private traditional and complementary medicine facilities and private allied health facilities to non-citizen patients is subject to Service Tax under healthcare services (6%).

3) STP 7/2025 – Construction Works Services dated 24 October 2025

- Shipbuilders or platform construction service provider who enter into Engineering, Procurement, Construction, And Commissioning ("EPCC") contracts for the construction of ships or platforms are given the option to determine the Service Tax treatment based on whether it is regarded as construction or manufacturing:-

Option	Treatment
a) Shipbuilding process is a <u>construction service</u>	• Subject to Service Tax (EPCC/ design & build) • Eligible for B2B exemption
b) Shipbuilding process is a <u>manufacturing activity</u>	• Subject to Sales Tax • Not-eligible for B2B exemption

- Installation-related contracts undertaken by registered Sales Tax manufacturers:-

Contract	Treatment	
a) <u>Separately states</u> the value of goods and services (installation work)	• Installation work is subject to Service Tax (if registered for Service Tax) • Goods not subject to Service Tax	
b) <u>Does not separately state</u> the value of goods and services (installation work)	Sales Tax registered manufacturers	The installation work is treated as <u>part of the value of goods</u> supplied, hence Sales Tax is imposed on the entire contract value
	Non-Sales Tax registered manufacturers	The value of the goods supplied is treated as <u>part of the installation work</u> , hence Service Tax (if registered for Service Tax) is imposed on the entire contract value

- Invoices related to the supply of construction materials/ goods and construction work services:-

Invoice	Treatment
a) <u>Separate invoices or itemized billing</u> for construction works services and construction materials/ goods	• Construction work service is subject to Service Tax • Construction materials/ goods are not subject to Service Tax
b) <u>Invoice does not separate the value</u> of construction works services and construction materials/ goods	• Service Tax is imposed on the total value of the invoice

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