



TAX FLASH

November 2025

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Tax Incentives for Pulau 1 of Forest City Special Financial Zone

In line with the Government's announcement in September 2024 introducing the Single Family Office ["SFO"] incentive scheme as part of the incentive packages under the Forest City Special Financial Zone ["FCSFZ"], the following incentives have now been gazetted:-

Gazette Order	Incentive
<i>Income Tax (Single Family Office Incentive Scheme) (Pulau 1 of Forest City Special Financial Zone) Rules 2025</i>	<p>Single Family Office Incentive Scheme</p> <ul style="list-style-type: none"> • 0% tax rate for single family fund company ["SFFC"] under the SFO Scheme coordinated by Securities Commission of Malaysia ["SC"]. • An approved company must obtain an annual certification and comply with the following conditions:- <p><u>Initial 10 years of assessment</u></p> <ul style="list-style-type: none"> ○ Employ at least 2 full-time employees, including one professional investor with a minimum monthly salary of RM10,000; ○ No utilisation of bank deposits for local investment; ○ Incur an annual local operating expenditure of at least RM500,000; ○ Hold assets under management ["AUM"] of at least RM30 million; ○ Undertake local investments of at least RM10 million or 10% of AUM, whichever is lower; and ○ Has not carry on any other business in Malaysia. <p><u>Additional 10 years of assessment</u></p> <ul style="list-style-type: none"> ○ Hold AUM of at least RM50 million; ○ Undertake local investments of at least RM10 million or 10% of AUM, whichever is greater; ○ Employ at least four full-time employees; and ○ Incur annual local operating expenditure of at least RM650,000. <ul style="list-style-type: none"> • Approved companies must also comply with Section 65B of the Income Tax Act 1967 ["ITA 1967"] and any guidelines issued by the SC. • Applications can be submitted to the Minister through SC from 1st September 2024 to 31st December 2034. • The Rules deemed to come into operation on 1st September 2024.
<i>Income Tax (Single Family Office Incentive Scheme) (Pulau 1 of Forest City Special Financial Zone) (Exemption) Order 2025</i>	<p>Capital Gains Tax Exemption on Transfer of Unlisted Shares into a SFFC</p> <ul style="list-style-type: none"> • Capital gains tax exemption to a company, Limited Liability Partnership ["LLP"], trust body or co-operative society which is wholly owned, directly or indirectly, by a member of a single family from the payment of income tax in respect of chargeable income from gains or profits received from the disposal of shares of a company incorporated in Malaysia which is not listed on stock exchange to a SFFC.

Gazette Order	Incentive
	<ul style="list-style-type: none"> • The exemption granted is subject to the following:- <ul style="list-style-type: none"> ◦ The SFFC shall obtain a certification letter from the SC; ◦ The disposal of shares:- <ul style="list-style-type: none"> - Shall be made to the SFFC within 12 months from the date of the certification letter issued by the SC; - Shall be made within the period from 1st September 2024 to 31st December 2034; and - The ultimate beneficial owner of the transferor and transferee shall consist of members of the same single family. • The exemption does not change the requirement of a company, LLP, trust body or co-operative society to file tax returns, submit statements of accounts or furnish any required information under the ITA 1967. • Any losses from the disposal of shares shall not be carried forward and will be disregarded. • The Exemption Order does not apply if:- <ul style="list-style-type: none"> ◦ The gains from disposal of shares are subject to tax as business income under Section 4(a) of the ITA 1967; or ◦ Exemptions have been granted under Section 127(3)(b) or Section 127(3A) of the ITA 1967 in respect of the same disposal of shares. • The Order is deemed to come into operation on 1st September 2024.
<i>Stamp duty (Single Family Fund Company) (Pulau 1 of Forest City Special Financial Zone) (Exemption) Order 2025</i>	<p>Stamp Duty Exemption on Instrument of Transfer of Qualifying Assets into a SFFC</p> <ul style="list-style-type: none"> • Stamp duty exemption on instrument of transfer of qualifying assets executed between a SFFC and a member of a single family, or SFFC and a company or trust body which is wholly owned directly or indirectly by a member of the single family. • The exemption applies to a SFFC operating in Pulau 1 of FCSFZ and certified by the SC. • The exemption is subject to the following:- <ul style="list-style-type: none"> ◦ The instrument of transfer of the qualifying asset is executed from 1st September 2024 to 31st December 2034; ◦ The instrument of transfer of the qualifying asset shall be executed within one year from the date of the certification letter is issued by the SC; and ◦ The SFFC shall attach the certification letter.
<i>Income Tax (Deduction of Cost for Relocation of Business) (Pulau 1 of Forest City Special Financial Zone) Rules 2025</i>	<p>Relocation Incentive</p> <ul style="list-style-type: none"> • Special deductions on relocation costs up to RM500,000. • Special deduction to a qualifying person for costs incurred in relocating a business to FCSFZ, up to a maximum of RM500,000 in total, within the period from 1st September 2024 to 31st December 2034, subject to certification by an external auditor. The following are the allowable cost for relocation of business:-

Gazette Order	Incentive
	<ul style="list-style-type: none"> ○ Any cost incurred for planning, execution or supervision of the relocation of business; ○ Packing or unpacking (materials or labour charges); ○ Transportation; ○ Insurance premium for the purpose of relocation of business; and ○ Warehousing. <ul style="list-style-type: none"> ● The Rules deemed to come into operation on 1st September 2024.
<i>Income Tax (Industrial Building Allowance)(Pulau 1 of Forest City Special Financial Zone) Rules 2025</i>	<p>Industrial Building Allowance [“IBA”] Incentive</p> <ul style="list-style-type: none"> ● IBA at annual allowance rate of 10% in respect of the qualifying capital expenditure incurred on or before 31st December 2034 for the construction or purchase of a commercial building in FCSFZ, provided that qualifying person is the owner of the building and is used for the following specified business activities:- ○ Banking business, insurance business or investment banking business; ○ Islamic banking business, takaful business, international Islamic banking business or international takaful business; ○ Regulated or specified activities under the Capital Markets and Services Act 2007 [“CMSA 2007”]; ○ Activity of holding of assets and investment activity undertaken by a SFFC; ○ Services in relation to financial technology company, insurance technology company, regulatory financial technology company or Islamic financial technology company; ○ Operation of a payment system; and ○ Financial global business services. <ul style="list-style-type: none"> ● The Rules shall have effect from the year of assessment 2024.
<i>Real Property Gains Tax (Pulau 1 of Forest City Special Financial Zone)(Exemption) Order 2025</i>	<p>Preferential Real Property Gains Tax [“RPGT”] Rates</p> <ul style="list-style-type: none"> ● The Order has provided RPGT exemption for individual who is a non-citizen or non-permanent resident in respect of the disposal of real property in Pulau 1 of FCSFZ made in the 4th year, 5th year, 6th year and the subsequent years after the date of acquisition of such real property. ● The above exemption allows for a preferential RPGT rates of 20%, 15% and 0% for disposal made in the 4th year, 5th year and 6th year respectively. ● The sale and purchase agreement for the disposal of the real property must be executed from 1st September 2024 to 31st July 2034 and is duly stamped before 1st September 2034. ● For conditional contract which requires Federal Government or State Government’s approval, the exemption only applies if:- <ul style="list-style-type: none"> ○ The contract is executed from 1st September 2024 to 31st July 2034 and is duly stamped before 1st September 2034; and

Gazette Order	Incentive
	<ul style="list-style-type: none"> ○ The approval is obtained on or after 1st September 2024.
<i>Income Tax (Income of Non-Resident Person) (Pulau 1 of Forest City Special Financial Zone)(Exemption) Order 2025</i>	<p>Withholding tax [“WT”] Exemption</p> <ul style="list-style-type: none"> • The payments qualifying for WT exemption are as follows:- <ul style="list-style-type: none"> ○ Any services falling under Section 4A(i) of the ITA 1967; ○ Any advice, assistances or services falling under Section 4A(ii) of the ITA 1967; ○ Any rental or other payments falling under Section 4A(iii) of the ITA 1967; or ○ Any gains or profits falling under Section 4(f) of the ITA 1967. • The above income must be received on or before 31st August 2034 from the qualifying persons who operates in Pulau 1 of FCSFZ. • The Order shall come into operation on 1st September 2024.
<ul style="list-style-type: none"> ➤ <i>Stamp Duty (Instrument of Loan or Financing Agreement in relation to Individual)(Pulau 1 of Forest City Special Financial Zone) (Remission) Order 2025</i> ➤ <i>Stamp Duty (Instrument of Loan or Financing Agreement in relation to Qualifying Person)(Pulau 1 of Forest City Special Financial Zone) (Remission) Order 2025</i> 	<p>50% Stamp Duty Remission on Instrument of Loan or Financing Agreement</p> <ul style="list-style-type: none"> • 50% stamp duty remission for instruments of loan or financing agreement in relation to purchase of residential or commercial unit in Pulau 1 of FCSFZ. • Stamp duty remission applies to instrument executed between individual(s)/qualifying person and:- <ul style="list-style-type: none"> ○ A licensed bank under the Financial Services Act 2013 [“FSA 2013”]; ○ A licensed Islamic bank under the Islamic FSA 2013; ○ A development financial institution prescribed under the Development Financial Institutions Act 2002; ○ A co-operative society registered under the Co-operative Societies Act 1993; ○ Borneo Housing Mortgage Finance Bhd incorporated under the Companies Act 2016 [“CA 2016”]; or ○ Mutiara Mortgage & Credit Sdn Bhd incorporated under the CA 2016. • The sale and purchase agreement of the residential or commercial unit is executed between a developer and individual(s)/qualifying person. • The sale and purchase agreement for the purchase of residential or commercial unit must be executed from 1st September 2024 to 31st December 2034. • The construction of the residential unit or commercial unit must have been completed before 1st September 2024. • The stamp duty remission is not eligible if it is in relation to the same residential unit or commercial unit where a sale and purchase agreement for such residential or commercial unit had been executed before 1st September 2024 and was subsequently cancelled by the same individual/qualifying person.

Gazette Order	Incentive
	<ul style="list-style-type: none"> • The Iskandar Regional Development Authority shall verify that the conditions are complied with. • The Orders have effect from 1st September 2024 to 31st December 2034.
<ul style="list-style-type: none"> ➤ <i>Stamp Duty (Instrument of Transfer in relation to Individual)(Pulau 1 of Forest City Special Financial Zone) (Remission) Order 2025</i> ➤ <i>Stamp Duty (Instrument of Transfer in relation to Qualifying Person) (Pulau 1 of Forest City Special Financial Zone) (Remission) Order 2025</i> 	<p>50% Stamp Duty Remission on Instrument of Transfer</p> <ul style="list-style-type: none"> • 50% stamp duty remission for instruments of transfer in relation to purchase of residential or commercial unit in Pulau 1 of FCSFZ. • Stamp duty remission applies to any instrument of transfer executed between a developer and individual(s)/qualifying person. • The sale and purchase agreement of the residential or commercial unit is executed between a developer and individual(s)/qualifying person. • The sale and purchase agreement for the purchase of residential or commercial unit must be executed from 1st September 2024 to 31st December 2034. • The construction of the residential unit or commercial unit must have been completed before 1st September 2024. • The stamp duty remission is not eligible if it is in relation to the same residential unit or commercial unit where a sale and purchase agreement for such residential or commercial unit had been executed before 1st September 2024 and was subsequently cancelled by the same individual/qualifying person. • The Iskandar Regional Development Authority shall verify that the conditions are complied with. • The Orders have effect from 1st September 2024 to 31st December 2034.

The definition of “**qualifying person**” refers to:-

- A person who is licensed under Section 10 of the FSA 2013 or Section 10 of the Islamic FSA 2013;
- A company which is a holder of a Capital Market Services Licence under the CMSA 2007;
- A recognised market operator who is registered under Section 34 of the CMSA 2007 other than an individual;
- A registered person registered under Section 76 of the CMSA 2007 other than an individual;
- A person providing capital market services registered under Section 76A of the CMSA 2007 other than an individual;
- A SFFC which is verified by the SC;
- A financial technology company, insurance technology company, regulatory financial technology company or Islamic financial technology company which has been awarded Multimedia Super Corridor [“MSC”] Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn Bhd;
- A payment system operator established or incorporated in a foreign jurisdiction approved under Section 11 of the FSA 2013 or Section 11 of the Islamic FSA 2013 to operate a payment system in Pulau 1 of FCSFZ; or

- A centralized services entity providing financial global business services which has been awarded MSC Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn Bhd.

Note : For further information on Tax Incentive for FCSFZ, kindly refer to our [Tax Flash - November 2024](#) and [Tax Flash - July 2025](#) issue.

Remission of Income Tax and Stamp Duty on *Sukuk Murabahah* Programme obtained by *Perumahan Rakyat 1Malaysia Corporation*

Pursuant to the [Loans Guarantee \(Bodies Corporate\) \(Remission of Tax and Stamp Duty\) \(Perumahan Rakyat 1Malaysia Corporation\) Order 2025](#), remission of tax and stamp duty are granted in relation to the guarantee given by the Government of Malaysia in connection with the *Sukuk Murabahah* Programme ["SMP"] issued or to be issued by the *Perumahan Rakyat 1Malaysia Corporation* ["PR1MC"] with an aggregate nominal value not exceeding RM513,600,000.

The remission applies as follows:-

i. Remission of Tax

Any tax payable under the ITA 1967 by:-

- the PR1MC, any holder of the SMP or any other party in respect of any money payable under any agreement, note, instrument and document in relation to the SMP and the guarantee; or
- any party to whom the agreement, note, instrument and document in relation to the SMP is transferred or assigned,

shall be remitted in full.

ii. Remission of Stamp Duty

- Any stamp duty payable under the Stamp Act 1949 in respect of any agreement, note, instrument and document in relation to the SMP and the guarantee shall be remitted in full.

Service Tax Policy No. 1/2025 (Amendment No. 3) – Financial Services

The Royal Malaysian Customs Department ["RMCD"] has published the [Service Tax Policy No. 1/2025 \(Amendment No. 3\) – Financial Services](#) dated 17th October 2025. The salient points extracted from the policy are as follows:-

- The exemption from payment of service tax on management services previously granted to *Permodalan Nasional Berhad* for fixed price funds has now been replaced by *Amanah Saham Nasional Berhad*.
- The exemption from payment of service tax has been expanded to cover acquisition of re-insurance services or re-takaful services by insurance companies or takaful companies, subject to the following conditions:-
 - (a) The service provider must either be a registered person under the Service Tax Act 2018 ["SET 2018"] or a financial service provider outside Malaysia;
 - (b) The recipient of the service must be a registered person specified in column (1) of Group H to the First Schedule of the Service Tax Regulations 2018 ["SET Regulations"]; and
 - (c) The acquired re-insurance or re-takaful services must be used solely for the purpose of providing medical insurance, medical takaful, life insurance or family takaful services.

Note : For further details, kindly refer to our [Tax Flash – October 2025](#) issue.

Service Tax Policy No. 2/2025 (Amendment No. 2) – Rental or Leasing Services

The RMCD has published the [*Service Tax Policy No. 2/2025 \(Amendment No. 2\) – Rental or Leasing Services*](#) dated 17th October 2025. The salient points extracted from the policy are as follows:-

- The group relief is granted to companies within the same group that receive rental or leasing services from other companies in the group, **regardless of whether they are local or foreign entities**.
- The business-to-business [“B2B”] exemption facility on rental or leasing services for the period from 1st July 2025 to 31st August 2025 is granted to rental or leasing service providers who newly meet the registration threshold in July 2025 and have applied for service tax registration on or before 31st August 2025. A refund application is permitted, provided that it fulfills the following conditions:-
 - (a) The service tax has been declared in the SST-02 and duly paid;
 - (b) The application must be submitted on or before 30th November 2025; and
 - (c) The application is made by the rental or leasing service provider after the service tax collected has been refunded to the service recipient.

Note : For further details, kindly refer to our [*Tax Flash – August 2025*](#) issue.

Service Tax Policy No. 3/2025 (Amendment No. 1) – Construction Works Services

The RMCD has published the [*Service Tax Policy No.3/2025 \(Amendment No. 1\) – Construction Works Services*](#) dated 17th October 2025. The salient points extracted from the policy are as follows:-

- The conditions for service tax exemption in respect of “Non-Reviewable Contracts” have been revised as follows:-
 - The contract is made in writing, **signed before 1st July 2025 and duly stamped with stamp duty by the Inland Revenue Board of Malaysia [“IRBM”] before 31st December 2025 (i.e. no later than 30th December 2025).**
 - If the contract includes a Variation Order, the service tax exemption is applicable until 30th June 2026 if:-
 - The variation does not change the overall contract value; and
 - The variation has been incorporated into the contract through a written document **signed before 1st July 2025 and duly stamped with stamp duty by IRBM before 31st December 2025 (i.e. no later than 30th December 2025).**
 - If the contract includes an extension of time [“EOT”], the service tax exemption is applicable until 30th June 2026 if:-
 - The EOT is based on the original contract that complies with the conditions mentioned in items (a) to (d) to the Appendix A;
 - The original contract value remains unchanged;
 - The original contract expires before 1st July 2025; and
 - The EOT document is **signed before 1st July 2025 and duly stamped with stamp duty by Lembaga Hasil Dalam Negeri before 31st December 2025 (i.e. no later than 30th December 2025).**
- Fees related to construction of residential buildings and associated public facilities within a mixed development project are exempted from service tax, subject to the conditions set out in Appendix B.
- The B2B exemption facility is applicable to consultancy services provided under a design-and-build construction contract where such services are provided under a single contract encompassing the entire scope of work rendered by the main contractor to the developer or landowner, subject to the conditions set out in Appendix C. Please note that this B2B exemption does **not** extend to sub-contractors who acquire consultancy services under the applicable items of Group G : Professionals or Skills.

- The B2B exemption facility on construction work for the period from 1st July 2025 to 31st August 2025 is granted to construction service providers who newly meet the registration threshold in July 2025 and have applied for service tax registration on or before 31st August 2025. A refund application is permitted, provided that it fulfills the following conditions:-
 - (a) The service tax has been declared in the SST-02 and duly paid;
 - (b) The application must be submitted on or before 30th November 2025; and
 - (c) The application is made by the construction service provider after the service tax collected has been refunded to the service recipient.

Note : For further details, kindly refer to our [Tax Flash – July 2025](#) issue.

Service Tax Policy No. 4/2025 (Amendment No. 1) – Education Services

The RMCD has published the [Service Tax Policy No. 4/2025 \(Amendment No. 1\) – Education Services](#) dated 17th October 2025. The salient points extracted from the policy are as follows:-

- Children and dependents of foreign diplomats are exempted from paying service tax on educational services. To qualify for this exemption from payment of service tax, the foreign diplomats are required to obtain a confirmation letter from the Ministry of Foreign Affairs, which then be submitted to the relevant private educational institution or higher education institution providing the education service.
- Service tax exemption is also granted on education fees or service charges that are fully sponsored by educational institutions, higher learning institutions, companies, foundations or other organisations.

Note : For further details, kindly refer to our [Tax Flash – August 2025](#) issue.

Service Tax Policy No. 5/2025 (Amendment No. 2) – Private Healthcare Services

The RMCD has published the [Service Tax Policy No. 5/2025 \(Amendment No. 2\) – Private Healthcare Services](#) dated 23rd October 2025. The salient points extracted from the policy are as follows:-

- Service tax exemption for consultation fees:-
 - Consultation fees charged by professional medical practitioners at registered private healthcare facility [“PHF”], private practitioners of traditional and complementary medical [“TCM”] and private allied health service providers are exempted from imposition of service tax, provided that the consultation fee is **separately itemised** from other medical treatment charges within the same invoice.
 - Any service tax that has already been collected by patients or clients must be duly remitted to the RMCD.
- Service tax exemption for provision of accommodation services (Group A) and food and beverage services (Group B):-
 - An exemption from imposing service tax is granted to private healthcare service providers that are registered or licensed under the Private Healthcare Facilities and Services Act 1998 (regardless of whether they are registered under the SET 2018) who also provide other services categorised under Groups A and B of the First Schedule of the SET Regulations for the period from 1st September 2018 to 30th June 2025.
 - No refund shall be granted to any PHF that has collected and remitted service tax on accommodation and food and beverages services during the exemption period from 1st September 2018 to 30th June 2025.

- Effective 1st July 2025, any PHF registered under Group I that also provides other taxable services such as accommodation and food and beverages services is required to **impose service tax** on all taxable and non-taxable services provided.
- Service tax exemption for health screening services / health screening management services for non-citizen workers
 - Providers of health screening management services for non-citizen workers, such as Foreign Workers Medical Examination Monitoring Agency [“FOMEMA”], are **exempted from the payment of service tax**.
 - Health screening services for non-citizen workers provided by PHF through health screening management service providers, such as FOMEMA are also **exempted from imposition of service tax**.
 - Any service tax that has already been collected must be remitted to the RMCD.

Note : For further details, kindly refer to our [Tax Flash – August 2025 issue](#).

Service Tax Policy No. 6/2025 – Private Healthcare Services

The RMCD has published the [Service Tax Policy No. 6/2025 – Private Healthcare Services](#) dated 23rd October 2025. Pursuant to this policy, the Minister of Finance [“MOF”] has determined the service tax treatment for the following matters, which shall take effect retrospectively from 1st July 2025:-

- Service tax treatment for PHF acquiring healthcare services from third parties:-
 - The B2B exemption does not apply where a PHF acquires other healthcare services within the same group of services.
 - Where a non-citizen patient **walks in directly** to a third-party PHF (or allied healthcare provider) and the third-party PHF issues an invoice to the referring PHF, **service tax is applicable** on the invoice issued.
 - However, if the non-citizen patient does **not walk in directly** to the other PHF but instead, the referring PHF sends fluid or lab samples (e.g. blood, urine, etc.) to the third-party PHF for testing or analysis, the invoice issued by the third-party PHF to the referring PHF is **not subject to service tax**.
- Healthcare treatment invoices that include medical aids, whether such items are listed within the same invoice or issued under separate invoices, are subject to service tax.
- In cases involving non-citizen patients with Malaysian spouses who are employed by the Government, where the payment for treatment is made through a Government Guarantee Letter, the service tax will not be borne by the Government. The responsibility for paying the service tax lies with the non-citizen patient. Accordingly, the PHF must collect the applicable service tax from the non-citizen patient upon discharge.
- Other ancillary services, such as luggage storage provided by the PHF, private TCM practitioners and private allied health facilities to non-citizens are within the scope of healthcare services and are subject to service tax under healthcare services at the rate of 6%.
- Rental of medical machines or equipment for healthcare treatment provided by the PHF, private TCM facilities and private allied health facilities falls within the taxable scope of healthcare services. Therefore, such rental services to non-citizen patients are subject to service tax under healthcare services at the rate of 6%.

Service Tax Policy No. 7/2025 – Construction Works Services

The RMCD has published the [*Service Tax Policy No. 7/2025 – Construction Works Services*](#) dated 24th October 2025. Pursuant to this policy, the MOF has determined the service tax treatment for the following matters, which shall take effect retrospectively from 1st July 2025:-

- A company involved in Engineering, Procurement, Construction and Commissioning contracts for the construction of ships or platforms is given the option to impose either service tax or sales tax on the supply, subject to the following conditions:-
 - If the company treats the shipbuilding process as a ship or platform construction service under the scope of service tax, it will be categorised as a construction project and is eligible for the B2B exemption in respect of professional services acquired; or
 - Alternatively, if the company treats the shipbuilding process as ship or platform manufacturing under the scope of sales tax, it will be categorised as a sale of goods. As a result, no service tax will be imposed, but the company will not be eligible for the B2B exemption under the scope of service tax.
- Service tax treatment for installation works:-
 - For installation-related contracts that **separately** state the value of goods and installation works services, **service tax is imposed only on the installation service fee** while the supply of goods is not subject to service tax.
 - For installation-related contracts that **do not separately** state the value of goods and installation services, the service tax treatment depends on the service provider's registration status:-
 - If the service provider is a **registered manufacturer**, the installation works are treated as part of the value of the goods supplied. Accordingly, **sales tax** is imposed on the entire contract value;
 - If the service provider is **not a registered manufacturer**, the value of the goods supplied is regarded as part of the installation service. As such, **service tax** is imposed on the entire contract value.
- [Our commentary : Although the service tax treatment determined by the MOF aims to provide better clarity, it does not expressly address the scenario where the goods supplied by a registered manufacturer are exempted goods (i.e. not subject to sales tax). In such case, it remains unclear whether the installation component would still be subject to service tax or not.]
- Service tax treatment on invoices for supply of construction materials or goods and construction work services:-
 - Where **separate invoices or itemised billings** are issued by the construction service provider for the supply of construction materials or goods and for construction work services, **service tax is only imposed on the value of construction work services**. The supply of construction materials or goods is not subject to service tax.
 - Where the invoice **does not separately** state the value of construction materials or goods and construction work services, **service tax is imposed on the entire value of the invoice**.

Guide on Financial Services

The RMCD has published the *Guide on Financial Services* dated 24th October 2025. The salient points extracted from the guide are as follows:-

- Effective 1st October 2025, provision of all financial services that are charged for a fee, commission or similar payment is subject to service tax at the rate of 8%, unless it is specifically excluded or exempted.
- The registration threshold for financial service providers has been increased from RM500,000 to RM1 million based on a 12-month period.

Note : For further details, kindly refer to our *Tax Flash – July 2025* issue.

Sales Tax Policy No. 1/2025 (Amendment No. 1) – Sales Tax Exemption on Motorcycles

The RMCD has published the *Sales Tax Policy No. 1/2025 (Amendment No. 1) – Sales Tax Exemption on Motorcycles* dated 27th October 2025. The sales tax exemption mentioned in this policy shall take effect from 1st July 2025 instead of 27th September 2025.

Note : For further details, kindly refer to our *Tax Flash – October 2025* issue.

Sales Tax Orders

The following Orders have been gazetted on 31st October 2025 and took effect from 1st November 2025:-

- *Sales Tax (Rate of Sales Tax) (Amendment) (No. 2) Order 2025*; and
- *Sales Tax (Goods Exempted from Sales Tax) (Amendment) (No. 2) Order 2025*.

Service Tax Policy No. 6/2024 (Amendment No. 2) – Exemption from Payment and Imposition of Service Tax on Maintenance or Repair Services for Maintenance, Repair and Overhaul Activities

The RMCD has published the *Service Tax Policy No. 6/2024 (Amendment No. 2) – Exemption from Payment and Imposition of Service Tax on Maintenance or Repair Services for Maintenance, Repair and Overhaul [“MRO”] Activities* dated 7th November 2025 (in *Bahasa Malaysia*). The new insertion of Item 3(d) provides that foreign companies receiving MRO services in Malaysia, specifically in relation to foreign-going ships/aircraft that will depart Malaysia will be exempted from payment of service tax. This amendment will take effect from 1st September 2025 and will remain in force until 31st December 2027.

Note : For further details, kindly refer to our *Tax Flash – December 2024* issue.

Service Tax Policy No. 8/2025 – Rental or Leasing Services

The RMCD has published the *Service Tax Policy No. 8/2025 – Rental or Leasing Services* dated 7th November 2025. Pursuant to the policy, the rental of tangible assets located **within** 12 nautical miles from the baselines, as determined in accordance with the United Nations Convention on the Law of the Sea 1982 is **subject to service tax**. Conversely, rental of tangible assets located **beyond** 12 nautical miles from such baselines is **not subject to service tax**.

Appendices for Application for List of Manufacturing Aids and Cleanroom Equipment under Schedules B and C of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018

The RMCD has on 11th November 2025 published the following appendices:-

- *Application for List of Manufacturing Aids under Schedule B and C of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018; and*
- *Application for List of Cleanroom Equipment under Schedule B and C of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018.*

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