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Our ref: **Circular 5/2009**

To all our valuable clients & Associates

STAMP DUTY ON CONSTRUCTION CONTRACT

Effective from 1 January 2009, stamp duty payable on construction contracts has been revised (standardised with other service contracts) to be levied at ad valorem rates which is every RM5/- for every RM1,000/- value of contract.

The Ministry of Finance (MOF) recognises that these stamp duties may be a burden to the construction industry as multi-tier contract agreements are normally entered into by the constructors for a single project.

Accordingly, in order to minimise the stamp duties, the MOF has pursuant to Section 80(2) Stamp duty Act 1949 declared that:-

(i) A contract made between the government and the main contractor will be exempted from stamp duty. The ad valorem rate will only apply to its 2nd tier contract between the main contractor and its sub-contractor. For 3rd tier contract agreements onwards, stamp duty will be fixed at RM50/-;

(ii) If the contract agreement is entered into by private sector, the 1st main contract agreement will be subject to ad valorem rate stamp duty and its subsequent sub-contract agreement will be charged at a fixed rate of RM50/-; and

(iii) In the event of stamp duty duly paid contract has been cancelled, only stamp duty paid at ad valorem rates is refundable. Stamp duty paid at the concessionary rate of RM50/- will not be refunded.

If you have any query, please do not hesitate to contact us at 012-2130138 for further clarification.