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Frequently Asked Questions on Stamping of Employment Contracts in Malaysia

Following the Inland Revenue Board (IRB)'s media release on the Ministry of Finance's decision to grant stamp duty exemption for employment contracts finalised before 1 January 2025, the IRB has now issued Frequently Asked Questions on Stamping of Employment Contract in Malaysia dated 3 July 2025 ("FAQ"). Salient points from the FAQ are as follows:

Recap on stamp duty exemption for employment contracts finalised before 1 January 2025

The FAQ states that employment contracts are subject to stamp duty under the Stamp Act 1949 (SA 1949) and reference is made to the following exemption which was communicated via the earlier media release:

- **Contracts finalised before 1 January 2025** – exempt from stamp duty and late stamping penalties remitted. The FAQ also states that contracts which are exempted can be submitted to the IRB for indorsement to obtain certification of stamp duty exemption, with no fee charged.
- **Contracts finalised from 1 January 2025 to 31 December 2025** – subject to stamp duty but late stamping penalties will be remitted provided the employment contracts are duly stamped on or before 31 December 2025.
- **Contracts finalised from 1 January 2026** – subject to stamp duty and any late stamping is subject to penalties.

The FAQ also points out that instruments which are not duly stamped are inadmissible as evidence in a court of law.

Stamp duty rate for employment contracts

If the contents of the instrument establish an employer-employee relationship, the stamp duty rate for an employment contract or agreement is RM10 for each original copy of the contract under Item 4 of the First Schedule of the SA 1949. If the instrument does not fall under this item, it may be assessed under Item 22(1)(a) as a contract for service where the stamp duty rate of 0.5% on the value of service may apply. Duplicate instruments are eligible for a stamp duty of RM10, provided that the original instrument has been duly stamped.

Person liable for duty

The party who is liable for paying the stamp duty is the first signatory to the contract, which is typically the employer.

Characteristics of employment contract

An employment contract is commonly characterised by the existence of an employer-employee relationship, scheduled (e.g. monthly) payment of remuneration, prescribed working hours and place of work, adherence to employer policies, provision of statutory benefits (such as EPF, SOCSO, annual leave), work performed under the employer's direction, and exclusivity of employment.

The FAQ states that all types of employment contracts are subject to stamp duty including contracts for temporary, short-term, part-time and contract workers. In addition, the FAQ explains the following:

- Renewal of an employment contract is considered a separate instrument and must be stamped separately.
- If an offer letter is the sole document that binds both the employer and employee, it shall be treated as an employment contract and is subject to stamp duty.
- An offer letter to a trainee or an intern is also subject to stamp duty if it establishes an employer-employee relationship.
- A supplementary document or addendum to an offer letter is an instrument which is subject to stamp duty. Examples include addendum in relation to Information Technology (IT) policies, employee benefits explanations and employer sponsorship for studies.
- Employment contracts in languages other than Bahasa Melayu and English must be accompanied by a line-by-line translation from qualified translators such as the Malaysian Translators Association or the Malaysian Institute of Translation & Books for stamping purposes.

Comment: The scope of what constitutes an “employment contract” for stamp duty purposes is notably broader than what employers may traditionally consider. This means each employment-related document, regardless of its title or perceived formality, should be examined for stamp duty implications.

Bulk stamping via the Stamp Assessment and Payment System (STAMPS)

Application for bulk stamping can be submitted through an enquiry related to stamp duty via the IRB's Customer Feedback Form <https://maklumbalaspelanggan.hasil.gov.my/Public/>. Users will be provided with a user manual and XML specifications for batch processing.

The FAQ is available on IRB's website www.hasil.gov.my (Service > Stamp Duty > Frequently Asked Questions).

Have questions?

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