



## Stamp Duty Treatment on Employment Contracts



### Inland Revenue Board (IRB) Clarifies Stamp Duty on Employment Contracts

- Under the Stamp Act 1949, all agreements executed in Malaysia, including employment contracts, must be stamped within 30 days of execution ("**Prescribed Period**").
- Enforcement of stamp duty on employment contracts has historically been minimal. However, with the Stamp Duty Audit Framework taking effect on 1 January 2025 and the self-assessment regime starting 1 January 2026, the IRB is intensifying audits to ensure compliance.
- Given the common practice of not stamping employment contracts, there has been growing public concern about the potential for retrospective enforcement and the associated penalties that may be imposed on such contracts.
- To address this, the IRB announced on **6 June 2025** that employment contracts are subject to a nominal duty of **RM10\***, as provided under Item 4, First Schedule of the Stamp Act 1949. The IRB also announced a **stamp duty exemption** and **penalty remission** for late stamping of such contracts.

### Stamp Duty Exemption and Penalty Remission

Contract Execution Date	Stamp Duty	Penalty
Before 1 January 2025	Exempted	N/A
1 January 2025 – 31 December 2025	RM10*	Penalty remitted (Must be stamped on or before 31 December 2025)
1 January 2026 onwards	RM10*	Penalty applies

### Penalty for Late Stamping

Time Period	Penalty Rate
If stamped within 3 months from the Prescribed Period	RM50 or 10% of the stamp duty (whichever is higher)
If stamped after 3 months from the Prescribed Period	RM100 or 20% of the stamp duty (whichever is higher)

\*Please note that stamp duty treatment may vary in certain circumstances (such as if the employment contract is structured akin to a service or consultancy agreement).

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