

Malaysia

1. Government requirements

Registration requirements

Registration with statutory bodies

Employees Provident Fund (EPF)

Employees Provident Fund (EPF) The EPF is a social security institution formed under the Employees Provident Fund Act 1991 (Act 452). EPF provides retirement benefits for members through management of their savings in an efficient and reliable manner. An employer must register an EPF account with the EPF Board within seven days from the date the employer becomes liable to contribute (i.e., as soon as the first individual is employed). The employer is required to complete Form KWSP1 and submit it together with supporting documents, such as the Certification of Incorporation issued by the Companies Commission of Malaysia or a Business Registration Certificate.

Employees are also required to register upon commencement of employment, in order for their employers to make the necessary EPF contributions in respect of the employees.

Social Security Organisation (SOCSO)

SOCSCO was formed under the Employees' Social Security Act 1969 and is entrusted with the administration of social security schemes to provide protection to employees against contingencies such as invalidity and employment injury. Employers and their employees must be registered with SOCSO not later than 30 days from when the Employee Social Security Act becomes applicable to the employer and its employees. Registration of the employer and employee is done via Form 1 and 2 respectively, together with supporting registration documents in accordance with the business entity type.

Malaysian Inland Revenue Board (MIRB)

All employers are required to register with MIRB and obtain an employer tax reference number. The employer is required to complete and submit Form 600E together with supporting documents such as the Certificate of Incorporation issued by the Companies Commission of Malaysia or a Business Registration Certificate.

Employers are also required to notify the MIRB of the commencement of new employees within one month from the relevant employee's commencement of employment. This is done by completing and submitting Form CP22.

Employment Insurance System (EIS)

The Employment Insurance System (EIS) was first implemented in January 2018 by PERKESO. It is a financial scheme aimed at helping employees who lost their jobs until they find new employment. The contributions are being collected in a fund in order to provide financial assistance to retrenched employees. It also aims to provide extended welfare coverage and aid in job search via career counselling and job-hunting assistance.

Human Resources Development Fund (HRDF)

The Human Resources Development Fund (HRDF) is now broadening its access by expanding the coverage of the Pembangunan Sumber Manusia Berhad (PSMB) Act 2001 effective 1 March 2021 across all industries.

The PSMB Act 2001 imposes collection of a human resources development levy for the purpose of promoting the training and development of employees, apprentices and trainees, the establishment and the administration of the Fund by the Corporation and for matters connected therewith.

Employers of the new sectors are given an exemption of HRD levy for three months under the Act, i.e., from 1 March to 31 May 2021. Therefore, effective registration date commences from 1 June 2021.

Ongoing compliance requirements

Contributions to EPF

Under the Employees' Provident Fund Act 1991, all employees who are Malaysian citizens or permanent residents are required to make monthly contributions to the EPF, and employers are also required to make EPF contributions in respect of such employees. The statutory contribution rate for employer is 12% if the employee's monthly wages are above MYR5,000 per month or 13% if the employee's monthly wages are below MYR5,000 per month. The statutory contribution rate for an employee is reduced from 11% to 9% of his or her monthly wages so as to cushion the impact of COVID-19 pandemic. The new rates will be in effect for an entire year, affecting wages for the months of January 2021 (February 2021's contribution) up to December 2021 (January 2022's contribution).

Members who wish to maintain the contribution rate for employees at 11% may fill in the Borang KWSP 17A (Khas 2021) form, which will be made available on the EPF website (www.kwsp.gov.my) starting 1 December 2020.

The deadline for payment of EPF contributions in respect of each month is the 15th day of the following calendar month.

Contributions to SOCSO

Employer and employee contributions to SOCSO are compulsory for Malaysian citizens. Contributions are capped at the wages ceiling of MYR4,000 (wages above MYR4,000 attracts no further contributions). Various rates are specified for SOCSO contributions.

introduced in January 2018 to provide unemployed workers with financial aid and to assist them in their search for employment. The employer and employee are required to make monthly contributions of an equal amount to SOCSO as set out in the schedule. EIS contribution is in addition to the SOCSO contribution above.

Effective 1 January 2019, employers who hire foreign workers have to contribute to SOCSO. The rate of contribution is 1.25% of the insured monthly wages of the foreign workers (excluding domestic helpers) and to be paid by the employers.

The deadline for payment of SOCSO contributions in respect of each month is the 15th day of the following calendar month

Employee's monthly tax deductions to the MIRB

Every employer is responsible to deduct Monthly Tax Deductions (MTD) from their employee's remuneration each month, in accordance with the Schedule of Monthly Tax Deductions or

Computerised Calculation Method. Deductions must be made from all remuneration (i.e., wages, overtime payments, commissions, tips, allowances, bonuses, benefits-in-kind, living accommodation, etc.).

The deadline for payment of MTD to the MIRB in respect of each month is the 15th day of the following calendar month.

Contributions to EIS

The contribution rate for Employment Insurance System (EIS) is 0.2% for the employer and 0.2% for employee based on the employee's monthly salary. The Contribution rate is based on Section 18 and Schedule 2 of the Employment Insurance System Act 2017.

The deadline for payment of EIS contributions in respect of each month is the 15th day of the following calendar month.

Contributions to HRDF

Employers with five to nine Malaysian employees are given the option to register with HRD Corp and if they choose to register, the monthly levy is charged at the rate of 0.5% of the monthly wages of employees. For employers with 10 or more Malaysian employees, it is compulsory to register with HRD Corp and the monthly levy is charged at the rate of 1% of the monthly wages of employees.

2. Employment obligations

The Employment Act 1955 provides for the minimum terms and conditions of employment in Malaysia. It covers the contracting arrangements between employers and employees and specific terms and benefits such as wages, notice periods, maternity benefits, rest days, hours of work, holidays, etc. It should be noted that while the scope of the Employment Act is limited to employees earning RM2,000 and below, in practice most employers refer to the minimum terms and conditions required under the Employment Act, when determining the minimum terms and conditions to be offered to all employees (regardless of wage levels).

Minimum wages

The Minimum Wages Order 2020 (2020 Order) was gazetted on 10 January 2020 and came into operation on 1 February 2020. The minimum wages payable to an employee who works in a place of employment in any City Council and Municipal Council areas is set at RM1,200 whereas for employees who works in any areas out of the mentioned areas is set at RM1,100.

3. Payroll requirements

Payroll payment and pay-slip

Employers shall make available to each employee, particulars relating to their wages, contributions, deductions, etc. These payslips can be provided either in electronic form or hard copy.

The employer is required to pay its employees in respect of each month, not later than the seventh day of the following month.

4. Banking requirements related to payroll

The employee's wages can be paid by one or a combination of the following:

- Cash
- Check, money order or postal order, payable to the employee
- Electronic funds transfer (i.e., EFT or bank transfer)