



Malaysia's Labour Law & Employment Regulations

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Organiser: BIPO | Make Life Easier.

Speakers



Felicia Leong
Senior Business Development Manager

- **Over a decade of experience** in business development, sales, and strategic partnerships across banking, IT, and enterprise software.
- Expertise in **optimising HR and payroll operations** through innovative technology and global HR strategies.
- Passionate about **leveraging technology** to drive efficiency, scalability, and transformative HR solutions.



Samanda Yong
HR Service Delivery Manager

- **HR Leader with 25 years of experience** in recruitment, employee relations, benefits administration, and performance management.
- **Employer of Record (EOR) & Compliance expert** specialising in Malaysian labour laws, HR policies, and payroll services.

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About Malaysia



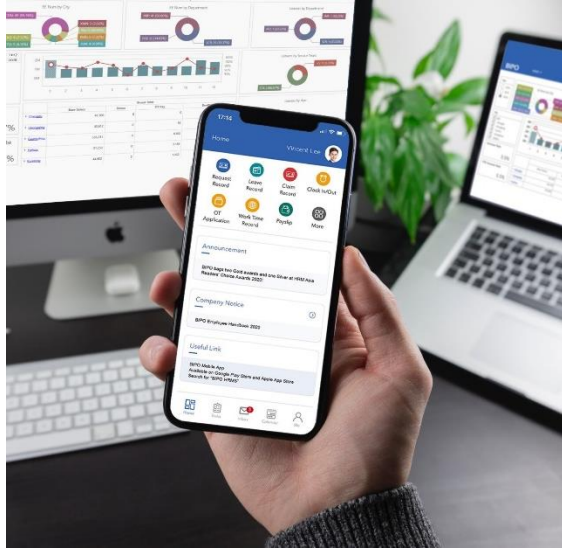
Introduction to Malaysia

- **Language:** English, Bahasa Malay & Mandarin (Multi-lingual)
- **Currency:** MYR
- **Population:** 24.1 million
- **GDP:** RM419.2 billion / USD 93.1 billion
- **Capital:** Kuala Lumpur

Top 4 Sectors Driving Malaysian Economy



Total HR Solutions for your Global Workforce



10+
Years of
experience

560,000
Users
globally

160+
Countries
covered for EOR

Payment in
200
Currencies

900+
Employees
worldwide

40+
International
offices

23
Payroll engines
across countries

More than
4,600
Clients

Leader in Asia

- Based in **Asia**, with **global reach**
- Helping global companies. expand **into and out of Asia**
- Core USP: 23 specialist **payroll engines** in Asia.

Recognised by Peers



About BIPO



HR Digitalisation

- 23 payroll engines in APAC
- Client Service Experience Platform with HRMS Payment related – Leave, Time & Attendance, Claims



Global Payroll Outsource/EOR

- *GPO* services across 63 countries
- Global expertise, local deployment of *Payroll Outsourcing* services



HR Analytics

AI driven dashboard for tracking *Business Diagnoses* and *Predicting Potential Issues/Risks*

Recognised by Peers



Gartner®



BIPO | Make Life Easier.

- Global Headquarter in Singapore
- R&D and Innovation Hub in Singapore
- 40+ offices worldwide
- 900+ employees
- 4,600+ clients
- 560,000+ Users
- ISO27001: Information Security Management System certification
- Hosted on Amazon Web Services (AWS)/AliCloud

Belonging | Integrity | Professionalism | Openness

BIPO

Our Expertise & Product Lines

BIPO's technology-enabled **total HR solutions** streamline the employee lifecycle from onboarding to offboarding. Our integrated suite of cutting-edge HR and payroll solutions empower companies to navigate today's world of work.

Total HR Solutions for your Global Workforce

Human Capital Management Solutions (SaaS)

- **BIPO HRMS**
- **Athena BI**

Global Payroll Outsourcing

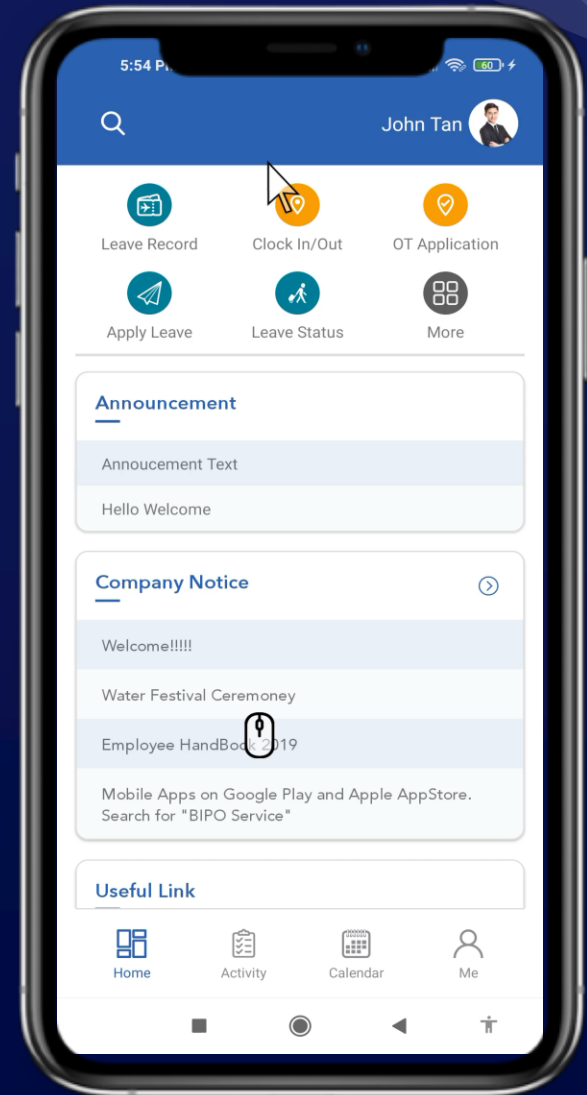
Multi-currency salary payments with BIPO Butter

Employer of Record (EOR)

Hire and manage talents in 160+ global markets With Butter

HR Advisory Services

HR guidance, compliance, and strategic support



Our Global Footprint



Globalisation | Digitalisation | Compliance



Hiring Strategies in Malaysia

Key Considerations Before Hiring



- Expanding into Malaysia requires a well-structured hiring approach.
- Entrepreneurs must consider business incorporation, compliance, and workforce management strategies to establish a strong presence.



Business Structure

Sole Proprietorship, Private Limited Company (Sdn. Bhd.), or Representative Office



Legal & Compliance

Employment laws, tax regulations, and statutory contributions (EPF, SOCSO, EIS, PCB)



Talent Availability






Access to local talent, foreign worker restrictions, and industry-specific workforce demands



Payroll & HR Management

Setting up payroll systems, work permits (if hiring expatriates), and employee benefits administration

Choosing the Right Approach

	 Legal Setup	 Control	 Compliance	 Payroll & HR Management	 Best For
Direct Hiring	Requires entity formation	High	Self-managed	Requires in-house payroll & HR setup	Long-term operations
EOR	Not required	Medium	Fully managed	Fully managed by EOR provider	Market entry testing
Outsourcing	Not required	Limited	Managed by provider	Payroll services managed by outsourcing provider	Long-term operations/Short-term projects



Malaysia Employment

Employment Contract

A labour contract must be formalised in writing.

- The contract must include key terms of the employment relationship including:
 - a) **Parties Involved:** Employer and employee details.
 - b) **Job Title and Scope:** Role and responsibilities.
 - c) **Duration:** Fixed-term or permanent employment.
 - d) **Wage Details:** Rates, period, and payment terms.
 - e) **Working Hours:** Agreed hours and overtime policies.
 - f) **Work Location:** Primary place of employment.
 - g) **Probationary Period:** Terms and evaluation criteria.
 - h) **Leave & Holidays:** Entitlements for leave and public holidays.
 - i) **Benefits:** Provided perks and allowances.
 - j) **Termination:** Notice periods and grounds for termination.
 - k) **Governing Laws:** Compliance with applicable regulations.
 - l) **Health & Safety:** Policies to ensure a safe workplace.

Malaysian Labour Regulation (EA 1955 (Act 265))

Employment Contract (Contractual Basis)

- 12 months

Contract Renewal

- Not allowed continuous renewal. There must be a gap of at least 3 working days to avoid the contract to be classified as permanent contract.

Wages

- Basic Salary
- Fixed Allowances

Note: What is stated in the Employment Contract cannot be removed without the employee's consent and changes made are only allowed for increment. All communication must be in written format.

Work Hours

- Maximum 45 hours per week but not exceeding 8 hours per day.

Bonus

- A bonus is not legally required in Malaysia. It's generally considered a reward for performance and is subject to both company policy and the employee's performance

Malaysian Labour Regulation (EA 1955 (Act 265))

Probation Period

- Range between **3 months to 6 months**
- Extension of Probation: Between 3 to 6 months **subject to the duration of the initial probation period**
- Required Performance Appraisal to be carried out identifying the weakness and the areas of improvement to be specified in the extension.

Termination Notice

- During Probation: Range **between 2 weeks to 1 month**
- Upon Confirmation: **Range between 1 month to 2 months**
- Either written notice serving the required notice period or salary in-lieu of notice period by either party.

Malaysian Labour Regulation (EA 1955 (Act 265))

Type of Leaves	Length
Annual Leave	<ul style="list-style-type: none">• Minimum: 8 days• As earned leave basis• Pro-rated if service is less than 12 months• Leave Period: 1 January – 31 December
Sick Leave	<ul style="list-style-type: none">• 14 days• Not allowed to pro-rate. Must be supported with medical certificates from registered medical practitioners.
Hospitalisation Leave	60 days in aggregate
Maternity Leave	98 consecutive days
Paternity Leave	7 consecutive days If the employee has been employed for at least 12 months with the same employer.

11 Days Gazetted Public Holidays

- 5 days compulsory: National Day, Yang Di-Pertuan Agong's Birthday, The ruler of the State's Birthday, Labour Day & Malaysia Day.
- 6 days can be chosen from the official Malaysian Government website or the relevant state's gazette notification.



Statutory Compliance for Payroll

Payroll Management

Statutory Contributions

- In Malaysia, the employment cost of an employee is not merely confined to the monthly salary.
- There are also **other** monthly contributions that an employer is legally obligated to contribute or to pay on behalf of the employee.
- Such monthly contributions are also known as '**statutory contributions**'.
- Some of these contributions are to be deducted from the employee's monthly salary and some are to be paid by the employer.

Statutory Requirements for Employment

Statutory Contributions	Employee Contributions	Employer Contributions
Employee Provident Fund (EPF)	✓	✓
Social Security (SOCSO)	✓	✓
Employment Insurance Scheme (EIS)	✓	✓
Human Resource Development Fund (HRDF)		✓
Monthly Tax Deduction (MTD)	✓	

Employee Provident Fund (EPF)



What is EPF?

- The EPF manages retirement savings for all its member.
- Membership of the EPF is mandatory for Malaysian citizens employed in the private sectors and non-pensionable public sectors, and voluntary for non-Malaysian citizens.

What do you need to know?

- The contribution is monthly through salary deductions by the employer.
- Total contributions which will comprised of the employee and employer's portion and be credited into the employee's account with the EPF.

Employee Provident Fund (EPF)



Contribution Rate

Employee Contribution: 11% of the monthly salary

Employer Contribution: 12% or 13% of the monthly salary

Example Calculation

If an employee earns less than MYR 5,000 per month:

- **Employee contributes:** MYR 4,900 x 11% = MYR 539
- **Employer contributes:** MYR 4,900 x 13% = MYR 637

*Total monthly contribution to EPF = MYR 539 (employee) + MYR 637 (employer) = **MYR 1,176***

If an employee earns MYR 5,000 per month:

- **Employee contributes:** MYR 5,000 x 11% = MYR 550
- **Employer contributes:** MYR 5,000 x 12% = MYR 600

*Total monthly contribution to EPF = MYR 550 (employee) + MYR 600 (employer) = **MYR 1,150***

Employee Provident Fund (EPF)



Payments Liabe for EPF Contribution, Such As



Salary



Payment for unutilised
annual or medical leave



Bonus



Allowance



Commission



Wages for half day leave



Incentive



Arrears of wages



Wages for maternity leave



Wages for study leave



Other payments under
contract of service or
otherwise

Employee Provident Fund (EPF)



Payments Not Liable for Contribution



Service charge



Overtime payment



Gratuity



Retirement benefit



Retrenchment, temporary lay-off or termination benefits



Any traveling allowance or the value of any travel concession



Any other remuneration or payment as may be exempted by the Minister

Social Security (SOCSCO)



What is SOCSCO?

- Under the Employee's Social Security Act 1969, all private companies in Malaysia are required to register with SOCSCO.
- To give **social security protection** in terms of cash and benefits to employees in the private sector in case of workplace injuries, emergencies, occupational sickness, and death.

What do you need to know?

- The contribution is monthly through salary deductions by the employer.
- Total contributions which will comprised of the employee and employer's portion and will be credited through employer's account with SOCSCO.
- As of July 2024, all employees, SOCSCO contributions are mandatory for all employees, including foreign employees.

How to register?

- Employer is to register within 30 days upon the employee is on board via the employer's account.

Social Security (SOCSO)



Contribution Rate

The contribution rates correspond with the monthly income range:

- **Employee Contribution:** approximately 0.5% of the monthly salary according to the contribution schedule.
- **Employer Contribution:** approximately 1.75% of the monthly salary according to the contribution schedule.

Contribution rates are capped at insured monthly salary of MYR 6,000.

Example Calculation

If an employee earns exceed MYR 5,900 but not exceed MYR 6,000 per month:

- **Employee contributes:** $(\text{MYR } 5,900 + \text{MYR } 6,000) / 2 \times 0.5\% = \text{MYR } 29.75$
- **Employer contributes:** $(\text{MYR } 5,900 + \text{MYR } 6,000) / 2 \times 1.75\% = \text{MYR } 104.15$

Total monthly contribution to SOCSO = MYR 29.75 (employee) + MYR 104.15 (employer) = MYR 133.90

If an employee earns exceed MYR 6,000 per month:

- **Employee contributes:** $\text{MYR } 6,000 \times 0.5\% = \text{MYR } 30.00$
- **Employer contributes:** $\text{MYR } 6,000 \times 1.75\% = \text{MYR } 105.00$

Total monthly contribution to SOCSO = To be capped at MYR 133.90 (Not MYR 30 + MYR 105 = MYR 135)

Employment Insurance Scheme (EIS)



What is EIS?

- The Employment Insurance System (EIS) was first implemented in January 2018 by SOCSO. It is a financial scheme aimed at helping employees who lost their jobs until they find new employment.
- All private sector employers, Malaysian and permanent residents, need to pay monthly contributions for each employee. Civil servants, domestic servants and those who are self-employed are exempted.

What do you need to know?

- The contribution is monthly through salary deductions by the employer.
- Total contributions which will comprised of the employee and employer's portion and will be credited through the employer's account with SOCSO.

How to register?

- Employer is to register within 30 days upon the employee is on board via the employer's account

Employment Insurance Scheme (EIS)



Contribution Rate

The contribution rates correspond with the monthly income range are set at **0.4%**:

Employee Contribution: approximately **0.2%** of the monthly salary according to the contribution schedule.

Employer Contribution: approximately **0.2%** of the monthly salary according to the contribution schedule.

Contribution rates are capped at insured monthly salary of MYR 6,000.

Example Calculation

If an employee earns exceed MYR 5,900 but not exceed MYR 6,000 per month:

- **Employee contributes:** $(\text{MYR } 5,900 + \text{MYR } 6,000) / 2 \times 0.2\% = \text{MYR } 11.90$
- **Employer contributes:** $(\text{MYR } 5,900 + \text{MYR } 6,000) / 2 \times 0.2\% = \text{MYR } 11.90$

*Total monthly contribution to SOCSO = MYR 11.90 (employee) + MYR 11.90 (employer) = **MYR 23.80***

If an employee earns exceed MYR 6,000 per month:

- **Employee contributes:** $\text{MYR } 6,000 \times 0.2\% = \text{MYR } 12.00$
- **Employer contributes:** $\text{MYR } 6,000 \times 0.2\% = \text{MYR } 12.00$

*Total monthly contribution to SOCSO = To be capped at **MYR 23.80** (Not MYR 12.00+MYR 12.00 = MYR 24.00)*

Human Resource Development Fund (HRDF)



What is HRDF?

- The Human Resources Development Fund (HRDF) is a pool of funds that consists of Human Resources Development levies collected from employers.
- The purpose is to enable employee training and skills upgrading of the Malaysian workforce.

What do you need to know?

- The contribution is monthly through salary deductions by the employer.
- Total contributions which will comprised of the employer's portion and be credited into the employer's HRDF account.

Who is eligible?

- As of 1 January 2022, HRDF has been expanded to include ALL INDUSTRIES.
- The only exemptions are for federal statutory bodies, state government and NGOs with social welfare activities.
- Compulsory Registration : Malaysia employers with a minimum of 10 employees.
- Optional Registration : Malaysian employer with 5 to 9 local employees.

Human Resource Development Fund (HRDF)



Contribution Rate

The contribution to the Human Resource Development Fund (HRDF) are set at **1%** of the monthly salary.

Example Calculation

If an employee earns Basic MYR 5,000 and Mobile Allowance MYR 150:

- **Employer contributes:** $(\text{MYR } 5,000 \times 1\%) + (\text{MYR } 150 \times 1\%) = \text{MYR } 51.50$

*Total monthly contribution to HRDF = MYR 50.00 (Basic) + MYR 1.50 (Mobile Allowance) = **MYR 51.50***

Levy Calculation

- Basic Salary
- Paid Leaves
- Wage Arrears
- Fixed Allowances (paid to employee regularly and are unchanged on a monthly basis)

Monthly Tax Deduction (MTD)



What is MTD?

- Monthly Tax Deduction (MTD) is a mechanism in which employers deduct monthly tax payments from the employment income of their employees.
- This mechanism is designed to avoid the issues that come with requiring payment of a large sum of income tax when the actual tax amount has been determined.

What do you need to know?

- The contribution is monthly through salary deductions by the employer.
- Employer to deduct the MTD from the remuneration of employee in each month in accordance with the Schedule of Monthly Tax Deductions or Computerised Calculation Method and make payment to the Inland Revenue Board.



Key HR Regulatory Changes in Malaysia (2022-2025)

Key HR Regulatory Changes in Malaysia (2022-2025)

No	Changes	Before	After	Year	Employment Act Section
1	Maternity Leave	60 days of maternity leave	Increased to 98 days for female employees	2022	Section 37(1)
2	Paternity Leave	No paid paternity leave	7 days of paid paternity leave for male employees with 12+ months of service	2022	Section 37(2)
3	Flexible Work Arrangements	No legal obligation for flexible work requests	Employees can apply for flexible working arrangements ; employers must respond in 60 days	2022	Section 60F
4	Pregnancy Protection	No explicit job protection during maternity leave	Employers cannot terminate employees during maternity leave or for pregnancy-related illnesses	2022	Section 37(3)
5	Sexual Harassment Awareness	No legal requirement for notices	Employers must display sexual harassment notices ; failure may result in fines up to MYR 50,000	2022	Section 81A (Sexual Harassment)

Key HR Regulatory Changes in Malaysia (2022-2025)

Continued

No	Changes	Before	After	Year	Employment Act Section
6	Overtime Wages	Overtime calculated with varied standards	Overtime paid at 1.5x on weekdays, 2x on weekends and 3x on public holidays for employees with wages up to RM4,000	2022	Section 60A(3)
7	Minimum Wage	Variable minimum wage rates across regions	Minimum wage raised to RM1,700/month in Peninsular Malaysia	2025	Section 2 (Definition of Wages)
8	SOCSSO Contributions	Foreign employees not covered by SOCSSO	Foreign employees now contribute to SOCSSO for Employment Injury and Invalidity	2024	SOCSSO Act 1969
9	EIS Contributions	EIS applied only to Malaysian employees	Both employees and employers contribute to EIS with a salary cap of RM6,000	2024	Employment Insurance System Act 2017
10	Foreign Employees Employment Reporting	No mandatory reporting of termination	Employers must report foreign employees termination or repatriation	2024	Employment Act (Part III)
11	Contractor Labour	No written contracts for contractors	Written contracts are now mandatory for contractors	2024	Section 2 (Definition of Employee)

Upcoming HR Regulatory Changes in Malaysia (2025)

Mandatory EPF Contributions

- Foreign employees will be required to contribute to the Employees Provident Fund (EPF).
- This mandatory contribution will depend on their employment contract status and is a new requirement in 2025.

THANKS



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