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Malaysia's Labour Law & Employment Regulations

Overview

Malaysia continues to strengthen its position as one of Southeast Asia's most attractive business destinations, supported by strong economic fundamentals, a strategic geographic location, and a highly diverse workforce. With a multicultural population consisting primarily of Malays, Chinese, Indians, and other ethnic communities, Malaysia offers businesses access to multilingual talent and a dynamic consumer market.

Malaysia's economy demonstrated resilience in 2024 with a GDP growth rate of 4.7% ([IMF](#)), outperforming many regional expectations. The country continues to attract foreign direct investment across sectors such as manufacturing, semiconductors, shared services, digital economy, AI infrastructure, renewable energy, and financial services.

Basic Country Facts



Capital
Kuala Lumpur



Population
34.23 million
[IMF](#)



Currency
Malaysian Ringgit (MYR, RM)



GDP per Capita
USD 15,090 (as of 2026)
[IMF](#)

Labour Law & Employment Regulations

Employment Contract Format

In Malaysia, employment contracts must be in writing for any employment exceeding one month. The contract should include:

- Employer and employee details
- Job title and responsibilities
- Salary structure and allowances
- Working hours and overtime terms
- Leave entitlements
- Probation terms
- Benefits and allowances
- Termination clauses
- Renewal terms for fixed-term contracts
- Governing laws and workplace policies

Well-drafted employment contracts help minimise disputes and establish clear expectations between employers and employees. Contracts must comply with the Employment Act 1955 (for Peninsular Malaysia).

Malaysia Labour Regulations

Aspect	Key Regulations
Contract Period & Renewal	<ul style="list-style-type: none">• Can be permanent, fixed-term, or temporary• Fixed-term contracts should state renewal terms• Employees on fixed-term contracts should not be continuously renewed without justification
Wages	<ul style="list-style-type: none">• Minimum wage: RM 1,700 per month (as of latest update)• Paid monthly and must be within 7 days after the wage period ends• Overtime pay is required for work beyond standard hours
Work Hours	<ul style="list-style-type: none">• Maximum 8 hours per day, 45 hours per week• Overtime is paid at 1.5x normal rate on regular workdays, 2x on rest days, and 3x on public holidays• Overtime limits will be 104 hours per month
Probation Period	<ul style="list-style-type: none">• Typically, 3 to 6 months, but can be extended based on performance• Probationers are entitled to statutory benefits
Termination	<ul style="list-style-type: none">• Notice period: Depends on contract (usually 1 month)• Dismissal must be based on valid reasons (misconduct, redundancy, performance issues, etc.)• Unlawful termination can be challenged under Industrial Relations Act 1967

Aspect	Key Regulations
Leave Types	<ul style="list-style-type: none"> Annual Leave: 8–16 days (based on years of service) Sick Leave: 14–22 days (based on years of service with medical certificate) Hospitalisation Leave: Up to 60 days per year Maternity Leave: 98 days (fully paid for eligible employees) Paternity Leave: 7 days (for private sector employees) Compassionate Leave: Usually 1–3 days (based on company policy)
Public Holidays	<ul style="list-style-type: none"> Mandatory: 11 days (The 5 days compulsory include: National Day, Malaysia Day, Labour Day, King’s Birthday and State Ruler’s Birthday) Additional state & company-declared holidays apply
Bonus	<ul style="list-style-type: none"> Not mandatory but commonly given based on company performance Types: Fixed annual bonus, performance-based bonus, profit-sharing bonus

Malaysia’s labour laws ensure fair wages, reasonable work hours, and statutory leave benefits to protect employees. Employers must comply with employment regulations to maintain a fair and productive workplace.

Malaysia Payroll Statutory Compliance Overview

In Malaysia, employers must comply with various statutory payroll obligations to ensure compliance with labour laws and government regulations. These statutory requirements include salary payments, tax deductions, social security contributions, and reporting obligations.

Payroll Calendar & Payment Deadlines

Employers in Malaysia typically follow a monthly payroll cycle, and payments must be made within 7 days after the end of the wage period.

Component	Payment Deadline
Salary Payment	By 7 th of the following month
EPF	By 15 th of the following month
SOCSO & EIS	By 15 th of the following month
PCB (Monthly Tax Deduction - MTD)	By 15 th of the following month
HRDF - if applicable	By 15 th of the following month

Failure to meet these deadlines may result in penalties and fines imposed by respective statutory bodies.

Key Statutory Contributions

Malaysia's payroll statutory contributions ensure employees are covered for retirement savings, social security, employment insurance, and taxation compliance.

Statutory Contribution	Employer Contributions	Employee Contributions	Remarks
EPF	12% – 13%	11%	Mandatory retirement savings for Malaysian citizens and PR holders
SOCSCO	1.75%	0.5%	Covers injury & disability benefits
EIS	0.2%	0.2%	Provides temporary financial aid for retrenched employees
PCB/MTD	Based on tax bracket	Based on tax bracket	Income tax deduction on salary before disbursement
HRDF	1% (for eligible employers)	N/A	Applies to companies with 10 or more employees in selected industries

Statutory Requirement for Payroll Processing

Employers must adhere to various statutory payroll regulations under Malaysian labour laws:

1. Salary Payments

- Employees must be paid in Malaysian Ringgit (MYR).
- Payments must be deposited into employees' bank accounts.

2. EPF Contribution

- Mandatory for Malaysian employees and permanent residents.
- As of 2025, foreign employees and employers are also required to contribute 2% each under the EPF amendment.

3. SOCSCO Contribution

- Covers occupational injuries, disabilities, workplace injuries and invalidity coverage.
- Mandatory for Malaysian and PR employees.
- Foreign employees are now also covered under SOCSCO requirements.

4. EIS Contribution

- EIS provides temporary financial support to retrenched employees.
- Mandatory for Malaysian and PR employees.
- Foreign employees are exempted under SOCSCO requirements.

5. HRDF

- HRDF supports employee training and upskilling initiatives.
- Mandatory for employers with 10 or more employees.
- Optional for employers with 5 to 9 employees.
- Applies across most industries at 1% employer contribution rate.

6. Monthly Tax Deduction (PCB/MTD)

- Employers must deduct and remit employees' income tax based on LHDN (Inland Revenue Board) tax rates.
- Employers must provide EA Forms to employees by 28th February each year for tax filing.

7. Annual & Compliance Reporting

- Form E submission (Employer's declaration of employee earnings) is due by 31st March.
- CP 8A / EA Form for employees must be issued by end of February.
- Final PCB (MTD) tax clearance is required for employees leaving the company.

Payroll statutory compliance is critical for employers to ensure legal and financial responsibility. Failure to comply can lead to penalties, fines, and legal consequences. Employers must keep up to date with regulations to maintain accurate payroll processing and compliance.

Key HR Regulatory Changes in Malaysia (2022–2026)

1. Maternity Leave

- Maternity leave for female employees has been increased to 98 days (from 60 days).
- Employers are required to provide full pay for this leave, ensuring financial protection for employees during their recovery period.

2. Paternity Leave

- Paternity leave entitlement was introduced for the private sector in 2022, allowing male employees to take 7 days of paid leave upon the birth of their child.
- This applies to employees who have worked for the employer for at least 12 months.

3. Flexible Work Arrangement

- As of 2022, the Employment (Amendment) Act 2022 mandates that employers with more than 10 employees must allow employees to request flexible work arrangements (FWAs).
- This includes options such as telecommuting, adjusted work hours, or compressed workweeks.
- Employers are required to provide written reasons if they deny a request, ensuring transparency and fairness in the process.

4. Pregnancy Protection

- The Amendment to the Employment Act 1955 includes specific protections for pregnant employees, ensuring they are not subjected to discriminatory dismissal or detrimental treatment during and after pregnancy.
- Employers must ensure that employees on maternity leave are not terminated during the leave period unless justified by other lawful grounds.

5. Sexual Harassment Awareness

- As of 2022, employers are required to take proactive measures to prevent sexual harassment in the workplace, including:
 - a. Implementing a Sexual Harassment Policy and educating employees about appropriate workplace conduct.
 - b. Employers must conduct sexual harassment training for employees to ensure awareness of what constitutes harassment and how to report it.
 - c. Employers should establish clear internal reporting mechanisms for affected employees.
- Failure to comply may result in fines of up to RM 50,000.
- This is one of the most overlooked compliance obligations among employers.
- Many companies have sophisticated HR systems, beautifully written policies, and excellent office coffee machines, but still forget to display the legally required notice.

6. Overtime Wages

- Under the Employment Act 1955, employees earning RM 4,000 and below per month or manual labourers, regardless of salary, are entitled to overtime pay when working beyond standard hours.
 - a. **Overtime Pay Rates**
 - Normal working days: 1.5 times the hourly wage
 - Rest days: 2 times the hourly wage
 - Public holidays: 3 times the hourly wage
 - b. **Overtime Limits**
 - Maximum overtime hours: 104 hours per month
 - Maximum working hours per day (including overtime): 12 hours
 - c. **Exemptions**
 - Employees earning above RM 4,000 may not be automatically entitled to overtime unless stated in their employment contract.

7. Minimum Wage

- In 2025, Malaysia raised its minimum wage to RM 1,700 per month for employees in Peninsular Malaysia.
- This new rate applies to both full-time and part-time employees, regardless of whether they are local or foreign workers.

8. SOCSO

- Starting from 2022, the contribution rate for SOCSO was revised for self-employed individuals, particularly for those in the gig economy.
- Employers and employees still contribute towards SOCSO for work-related injuries, disabilities, and pensions.
- Foreign employees are now required contributing to SOCSO.

9. EIS

- The EIS scheme, introduced in 2018, saw enhanced benefits in 2022 and 2023, with higher payouts for laid-off employees.
- Contributions to EIS are mandatory for all employees (including local and foreign workers), and both employees and employers must contribute at 0.2% of the employee's wages.
- The scheme provides temporary financial aid, training opportunities, and job search assistance for retrenched employees.

10. Foreign Employee Employment Report

- In 2023, Malaysia introduced stricter foreign employee employment reporting requirements.
 - a. Employers must submit regular reports detailing the employment status and contributions of foreign workers, ensuring compliance with work permit regulations.
 - b. This includes reporting on employee's wage details, type of contract, working hours, and social security contributions.

11. EPF Contributions for Foreign Employees

- Beginning 2025:
 - a. Employers contribute 2%
 - b. Foreign employees contribute 2%
- This marks a major shift in payroll cost planning for expatriate employment.

12. SOCSO LINDUNG 24/7

- Introduced in 2026, SOCSO LINDUNG 24/7 expands protection beyond work-related accidents to include non-work-related incidents outside working hours.
- Contributions are fully borne by employees, while employers remain responsible for payroll deduction and remittance.

13. Higher Employment Pass Salary Thresholds

- a. Malaysia introduced higher salary requirements for Employment Pass applications.
- b. Category I Employment Pass applications now generally require salaries of RM 20,000 and above.
- c. For many foreign employers, this became the moment they realised: “The salary budget discussion just became much more interesting”.
- d. Contributions are fully borne by employees, while employers remain responsible for payroll deduction and remittance.

The HR regulatory changes between 2022–2026 in Malaysia focus on increasing employee protection, improving working conditions, and ensuring fair treatment in the workplace. Employers must stay updated on these legislative changes to ensure compliance and create a fair and supportive working environment for all employees.

Key Labour Regulations

1. Employment Act 1955: Governs employee rights, working hours, wages, and termination policies.
2. Minimum Wages Order 2024: Sets the minimum wage at RM 1,700 per month nationwide.
3. Employees Provident Fund Act 1991: Requires employers to contribute at least 12–13% of employees’ salaries to EPF.
4. Employees’ Social Security Act 1969: Employers must register employees under SOCSO for workplace injury and disability protection.
5. Employment Insurance System (EIS) Act 2017: Provides financial support for retrenched employees.
6. Industrial Relations Act 1967: Governs dispute resolution and unfair dismissal claims.

Article contributed by

Samanda Yong

HR Service Delivery Manager, BIPO Malaysia

E: samanda.yong@biposervice.com

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