

Exclusive Insights

Malaysia Budget 2027:

From Wage Floor to Wage Ladder

Oct 2026





Foreword

The minimum wage will rise from RM1,700 to RM2,000 in June 2027, as most employers expected. Budget 2027 also announced a RM2,500 minimum for semi-skilled workers and graduates, and government-linked companies will lift their living wage to RM3,400. The Prime Minister asked private employers to follow. ^[1]

For pay planning, employers now have three wage reference points where there used to be one. The Budget also changes the tax treatment of wage costs, cuts personal income tax, and adds funding for training, AI adoption, and regional hubs.

In our [pre-budget paper](#), we suggested planning for RM2,000 and reviewing pay for staff just above it. The RM2,500 level widens that group considerably. This paper covers the employer measures in the speech, the details still pending, and a timeline to June 2027, with points for companies running regional operations from Malaysia highlighted separately.

Three wage reference points where there used to be one.



Since the Budget, the Human Resources Minister has confirmed that the MSME exemption will be assessed on group turnover, that the RM2,000 rate covers foreign workers at employers subject to the increase, and that the RM2,500 level will start as Starting Basic Salary Guidelines in June 2027. A new e-Wages system will monitor compliance. This paper reflects those updates. ^{[28][29][30]}



Budget 2027 at a Glance for Employers

Budget 2027 totals RM510 billion, up from RM470 billion, and assumes growth of 4.2% to 5.2% in 2027. ^[1] Exhibit 1 lists the measures that affect employers.

Exhibit 1: Key employer measures in Budget 2027

Area	Measure	Timing
Minimum wage	Rises from RM1,700 to RM2,000; more than 4 million workers will see the new rate, according to the government ^[3]	June 2027
MSME exemption	MSMEs with annual sales below RM50 million, assessed on group turnover, exempt from the new rate ^[29]	For now; duration to be confirmed
Semi-skilled workers and graduates	Starting basic salary of RM2,500 a month for graduate-level roles (MASCO 1 to 3) and SKM Level 1 and 2 holders, issued first as guidelines; law to be amended so it can become mandatory ^[30]	June 2027
Living wage	GLICs and GLCs raise their benchmark from RM3,100 to RM3,400 for 230,000 workers; private employers urged to follow	Not stated
Wage payment	Non-MSME companies can only claim tax deductions on wages paid through bank accounts permitted under the Employment Act 1955	Not stated
Wage monitoring	e-Wages system with a live dashboard to monitor minimum wage compliance and on-time payment, proposed for all workers, including non-citizens ^{[28][30]}	Planned for June 2027
Personal income tax	Individual relief up from RM9,000 to RM12,000; RM70,001–100,000 band cut to 18% and RM100,001–150,000 band cut to 24%; 30% above RM1 million	Year of assessment to be confirmed
Gig workers	Matched SOCSO and EPF contributions; minimum earnings rules due early 2027	2027
EPF	Automatic EPF registration for all citizens at age 18	Not stated
Training	HRD Corp RM3 billion for 3 million training places; total TVET funding RM8 billion	2027
AI adoption	MDEC RM30 million to help 4,000 MSMEs adopt AI and automation	2027
Regional hubs	Global Services Hub tax rate of 5%; spouses of Category I Employment Pass holders allowed to work	1 January 2027



1. The Wage Ladder

The speech sets out three pay levels, summarised in Exhibit 2. ^[1]

Exhibit 2: Malaysia's wage ladder after Budget 2027

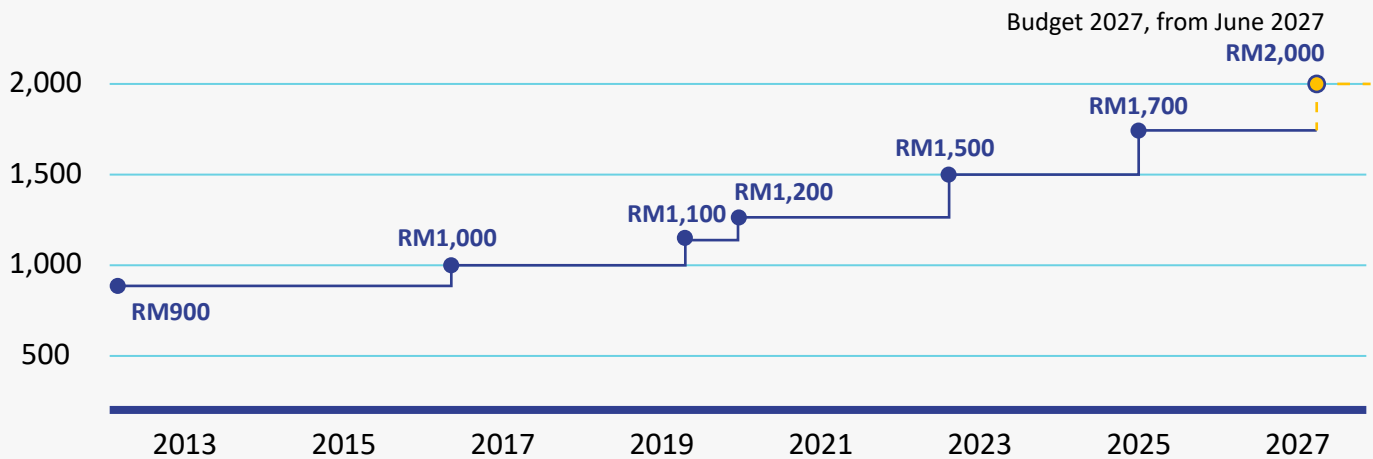
Statutory minimum wage	Semi-skilled workers and graduates	GLC/GLIC living wage
RM2,000 a month Confirmed in the Budget speech. Takes effect in June 2027, with MSMEs below RM50 million in annual sales, assessed at group level, exempt for now. Covers foreign workers at non-exempt employers.	RM2,500 a month To be issued as Starting Basic Salary Guidelines in June 2027, covering graduate-level roles (MASCO 1 to 3) and SKM Level 1 and 2 holders. The ministry plans to amend the law so it can become mandatory later.	RM3,400 a month A commitment by GLICs and GLCs covering about 230,000 workers. Private employers are urged to follow, but it is not a legal requirement for them.

In the speech, the Prime Minister pointed to labour's share of GDP, at 33.9%, as evidence that wages have lagged productivity. ^[1] He described the RM2,500 level as the first step in reforming the workers' income framework, so further changes may follow. ^[1] On 16 October, the Human Resources Minister said it will be issued in June 2027 as Starting Basic Salary Guidelines, covering graduate-level roles (MASCO categories 1 to 3, including degree and diploma holders) and semi-skilled workers holding Malaysian Skills Certificate (SKM) Levels 1 and 2. ^[30] The guidelines will initially be advisory. The ministry plans to amend the National Wages Consultative Council Act 2011 so that graduate minimum pay can be made mandatory in future. ^[30] Employers can now identify the roles likely to be in scope, and treat the legal obligation as a planning scenario until the amendment is passed.



Exhibit 3: Malaysia's minimum wage, 2013 to 2027

Malaysia's minimum wage more than doubles between 2013 and 2027 (+122%)



2013 and 2016: Peninsular Malaysia rates (Sabah, Sarawak, and Labuan: RM800 and RM920). 2020: RM1,200 in 56 city and municipal council areas; RM1,100 elsewhere.

Sources: Minimum Wages Orders 2012, 2016, 2018, 2020, 2022 and 2024; Budget 2027 speech ^{[1][7]}

The floor has risen six times since 2013, and the gaps between increases have shortened since 2022. ^[7]

The RM2,000 floor is likely to mainly affect roles within a few hundred ringgit of it. The RM2,500 level could reach much further: technicians, junior executives, and fresh graduates could all be in scope under the qualification-based criteria. If only the lowest-paid roles are raised, supervisors and experienced staff may end up close to new joiners, and turnover in those roles often rises. Reviewing the grade structure up to about RM3,400 is generally the safer approach.

In the Department of Statistics' 2024 Salaries & Wages Survey, the median monthly wage was RM2,050 for semi-skilled workers and RM1,654 for low-skilled workers. The overall median rose to RM2,940 in 2025. ^[8] If the RM2,500 level applies broadly to semi-skilled roles, it would be above what more than half of these workers earned in 2024.

Exhibit 4: Employer cost of moving from RM1,700 to RM2,000 (illustrative)

Affected employees	1	50	200	500
Extra cost per month	RM345	RM17,240	RM68,970	RM172,430
Extra cost per year	RM4,140	RM206,900	RM827,600	RM2,069,100



The figures cover the RM300 wage increase plus employer EPF (13%), SOCSO (1.75%) and EIS (0.2%), which together add about 15%. ^{[16][17]} They exclude overtime, shift, and other allowances calculated on basic pay, which would rise in line with it.

If the RM2,500 level becomes a requirement, the knock-on effect on pay above it could be significant. Take a graduate earning RM2,200 and a supervisor earning RM2,600. Raising the graduate to RM2,500 costs about RM345 a month with contributions, and cuts the supervisor's lead from RM400 to RM100. Restoring a RM400 gap adds another RM345, so the total cost of the change is about RM690 a month for the pair.

Ways to handle pay compression

Employers typically choose from three broad approaches, often mixing them across job families.

Approach	How it works	Cost and trade-offs
Restore gaps in full	Every grade above the floor moves up by the same amount as the floor	Highest cost, as every grade moves up. Keeps existing pay relativities intact and is the easiest approach to explain to staff and unions.
Restore part of each gap	Grades above the floor receive a share of the increase, tapering off higher up	Moderate cost. Gaps narrow but remain visible, so staff can still see progression. Needs clear, documented criteria on who receives how much, to avoid perceptions of unfairness.
Redesign the bottom grades	Merge or redefine entry grades so the new floor sits within a single grade, with progression based on skills or tenure	Lower cost over time, as fewer grades are close to the floor. Takes longer to design and implement, and staff in merged grades may see it as a loss of status, so careful communication is needed.

There is no fixed rule for how large the gap between adjacent grades should be. Many employers keep a visible step between grades and test it against salary survey data for their sector. Whatever the choice, it helps to record the reasoning for each job family, since staff and unions will likely question how decisions were made.



Linking the increase to the 2027 pay review

Many employers set merit budgets between October and March, before the June effective date. Three questions are worth settling early: whether the floor increase is funded separately from the merit budget, whether to move the review date for affected roles to June, and how merit increases for staff pushed up by the floor will be handled. For reference, the Malaysian Employers Federation's latest salary survey forecast average increments for 2026 of 5.33% for executives and 5.01% for non-executives. ^[18]



Explaining the change to staff

Employees just above the floor are often the group most likely to feel overlooked. A short, factual explanation of what is changing, who it applies to, and how pay progression works above the floor tends to reduce questions and concerns. Line managers need the same briefing before the announcement reaches staff.

The RM3,400 GLC figure appears to have no legal force for private employers. It is still likely to shape what candidates expect, especially in the Klang Valley and in sectors where GLCs hire.

Regional hubs and shared-services centres typically have few roles near RM2,000, but graduate entry pay is often close to RM2,500. Hub employers should check entry grades for degree and diploma hires against RM2,500, and the gap to the next level.



2. Costs Beyond Basic Pay

The minimum wage sets basic pay, but several other costs strongly correlate with the wage shift. Some of them sit outside an employer's own payroll and are easy to overlook in budgeting.

Overtime, rest day, and public holiday pay

Employees earning up to RM4,000 a month, and manual workers regardless of pay, are entitled to overtime, rest day, and public holiday pay under the Employment Act 1955. ^[19] Overtime on a normal working day is paid at no less than 1.5 times the hourly rate, rest day overtime at 2 times, and public holiday overtime at 3 times. For monthly-rated employees, the daily rate is monthly pay divided by 26, and the hourly rate is the daily rate divided by normal daily hours. ^[19] For an employee on an 8-hour day, the normal-day overtime rate rises from about RM12.26 an hour at RM1,700 to about RM14.42 at RM2,000. At 40 overtime hours a month, that is roughly RM490 rising to RM577, an increase of about 18%. Operations that rely on regular overtime should model this alongside the basic pay increase.

Outsourced and contract labour

Employers that pay their own staff well above RM2,000 may still face higher costs from June 2027. Security, cleaning, canteen, logistics, and manpower suppliers employ many workers at or near the minimum wage and are likely to seek price increases. Now is a good time to check service contracts for price-adjustment clauses, ask suppliers how they plan to handle the increase, and budget for it. The bank-payment rule in Section 3 is also worth raising with labour suppliers, since it suggests closer scrutiny of how workers are paid.



Collective agreements

A collective agreement must run for at least three years, and any term less favourable than the law, including the minimum wage, is void to that extent. ^[20] Unionised employers should check whether their agreements set wage scales or fixed differentials that the new floor will overtake, and when they are due for renegotiation. Some recent agreements already set starting pay above the statutory minimum, such as RM1,800 in plantation and hospitality agreements signed in 2025. ^[21]

Foreign workers

The Human Resources Minister has confirmed that the RM2,000 rate will cover foreign workers employed by firms subject to the increase. ^[29] The full cost per head has also already risen. Employers now contribute 2% EPF for foreign workers (from October 2025 wages) and 1.75% SOCSO, on top of the annual levy, which is RM1,850 for manufacturing, construction, and services in Peninsular Malaysia. ^{[22][23][24]} The Multi-Tier Levy Mechanism, which the government has said it will introduce, had not been implemented as of October 2026. The table below shows the monthly cost for a Peninsular manufacturing worker.

Exhibit 5: Estimated monthly cost of a foreign worker in Peninsular manufacturing

Item	At RM1,700	At RM2,000 (from June 2027)
Basic wage	RM1,700	RM2,000
Employer EPF (2%)	RM34	RM40
Employer SOCSO (1.75%)	RM30	RM35
Levy (RM1,850 a year)	RM154	RM154
Total	RM1,918	RM2,229

The figures exclude housing, recruitment and agent fees, insurance, medical costs, and overtime, which vary widely. Comparing the full cost per head with the cost of local hiring or automation gives a clearer basis for workforce planning.



3. Wage Payment, Tax, and Social Protection

Several measures change what payroll teams need to do in 2027.

Hourly and daily rates

The Minimum Wages Order also sets hourly and daily rates for part-time and daily-rated workers, an area where payroll errors are common. Applying the method behind the current rates (monthly rate $\times 12 \div 52$, divided by 45 hours or by working days per week), the new rates would be roughly as shown in Exhibit 6. The new Order will confirm the final figures.^[7]

Exhibit 6: Estimated hourly and daily minimum rates

Basis	Current (RM1,700)	Estimated at RM2,000
Hourly	RM8.72	RM10.26
Daily, 6-day week	RM65.38	RM76.92
Daily, 5-day week	RM78.46	RM92.31
Daily, 4-day week	RM98.08	RM115.38

What counts toward the minimum wage

The minimum wage is defined as basic wages.^[25] Allowances, overtime, commissions, and bonuses are generally understood not to count toward it, so an employee whose basic pay is below the floor cannot be brought up to it with allowances.^[25] Workers paid by piece rate, tonnage, task, trip, or commission must still receive at least the monthly minimum.^[26] The Order's only stated exclusion is domestic servants, and it does not exclude probationers. Part-time workers are covered through the hourly rate.^[26] Deductions from wages are allowed only as the Employment Act permits, and total deductions are capped at 50% of monthly wages.

^[19] Basic pay already agreed above the minimum cannot be cut to fund the increase.^[25]



Wages paid through bank accounts

Companies outside the MSME exemption will only be able to deduct wage costs for tax if wages are paid into a bank account permitted under the Employment Act 1955. ^[1] The government's stated aim is to curb the hiring of undocumented foreign workers. The rule covers wage costs only, and no start date has been given.

Employers that pay any workers in cash, such as site contractors or seasonal staff, will need to move them to bank payment.

e-Wages monitoring

The government plans to launch an e-Wages system alongside the new minimum wage in June 2027, with a live dashboard to monitor compliance with minimum wage rules and whether wages are paid on the designated pay day. ^{[28][31]} The Human Resources Ministry says it will be proposed for all workers, including non-citizens, to reduce unpaid, late, and incorrect payments. ^[30] Which employers must submit data, the reporting format, and any penalties have not been published. Employers with accurate payroll records and bank-paid wages will be better placed when the requirements are announced.

Monthly tax deductions

Individual relief rises to RM12,000, and the RM70,001–100,000 and RM100,001–150,000 bands drop to 18% and 24%. Income above RM1 million will be taxed at 30%. ^[1] Payroll will need the revised MTD/PCB schedule once the Inland Revenue Board issues it, and staff are likely to have questions when their take-home pay changes. Our estimates in Exhibit 7 put the annual saving at about RM640 for an employee with RM80,000 of chargeable income and about RM1,520 at RM150,000.

Exhibit 7: Illustrative annual tax savings for employees

Chargeable income (before the extra RM3,000 relief)	Annual saving	Per month
RM50,000	RM180	RM15
RM80,000	RM640	RM53
RM120,000	RM1,220	RM102
RM150,000	RM1,520	RM127
RM200,000	RM1,550	RM129

These are BIPO estimates based on current resident tax rates and the Budget 2027 changes, excluding rebates and other reliefs. The government puts the maximum saving at RM1,600. ^[1] Final amounts depend on the Finance Bill and the Inland Revenue Board's schedules.



Social protection

All citizens will be registered with EPF at 18. E-hailing and p-hailing workers get matched SOCSO and EPF contributions, and the Gig Workers Consultative Council is expected to set minimum earnings and social protection standards in early 2027. ^[1] Companies using platform or freelance workers should check how the standards will apply to them.



Medical cover for SMEs

The new MediAsas plan starts in January 2027. SMEs with fewer than 75 employees get a first-year premium subsidy of RM200 per employee, for up to 50 employees. ^[1]



Payroll checklist for the changeover

- ☐ Confirm how the effective date applies to monthly, weekly, and daily pay cycles, and how a pay period that spans the date will be pro-rated.
- ☐ Update minimum monthly, daily, and hourly rates in the system once the new Minimum Wages Order is gazetted.
- ☐ Recalculate rates derived from basic pay: overtime, rest day, and public holiday pay; unpaid leave deductions; and any allowances calculated as a percentage of basic pay.
- ☐ Check EPF, SOCSO, and EIS amounts against the official contribution schedules. SOCSO and EIS use wage-band tables, so the percentages in this paper are approximations. ^[17]
- ☐ Load the new MTD/PCB schedule for 2027 once the Inland Revenue Board issues it.
- ☐ Keep records showing wages were paid into bank accounts, to support tax deductions.
- ☐ Review payroll data and payday records in preparation for e-Wages reporting, once the requirements are published.
- ☐ Run a parallel payroll for at least one cycle before go-live and reconcile the results.
- ☐ Prepare employee communications and payslip explanations before the first affected pay day.



4. The MSME Exemption

MSMEs with annual sales below RM50 million are exempt from the RM2,000 rate, to give them room to adjust their business models. MSMEs employ 8 million people, about half the workforce, so many workers will not see the new rate in June 2027. ^{[1][3]}

Larger employers have about eight months to update pay structures, payroll settings, and budgets. They are also likely to be covered first by the RM2,500 level and to be compared against the RM3,400 GLC benchmark when hiring.

The speech presents the exemption as transitional, so exempt MSMEs would be prudent to cost the RM2,000 rate now and use the time to improve productivity. MSMEs also stand to benefit most from the lower MSME tax rates (14% on the first RM150,000 of taxable income and 16% up to RM600,000), the MDEC AI adoption fund, and the MediAsas subsidy.





The Human Resources Minister has since confirmed that the RM50 million test applies to total group turnover. ^{[29][31]} A group with several small Malaysian entities and combined sales of RM50 million or more will need to pay RM2,000 across all of them. Exempt employers remain at RM1,700 and may adopt the higher rate voluntarily. ^{[29][31]} How long the exemption lasts has not been announced.

What employers and others are saying

- The Malaysian Employers Federation backed the increase and called the June 2027 start "a sensible step". It wants clear criteria on how the RM50 million test will be applied, and noted that higher wages also raise statutory contributions and overtime costs. ^[9]
- The SME Association of Malaysia said the 17.6% increase "could affect business margins, hiring, consumer prices, and employment", and asked for phased, sector-specific implementation. ^[10]
- SAMENTA described Budget 2027 as an "SME Budget", citing the exemption among other measures. ^[10]
- Before the Budget, the Federation of Malaysian Manufacturers asked whether the MSME arrangement would be a deferral or an exemption subject to review, and said it should not be read as permission to reduce existing wages. ^[11]
- At a press conference on 16 October, the Human Resources Minister said the RM50 million test will be applied at group level and that the RM2,500 level will start as guidelines. ^{[29][30]}





5. Malaysia as a Regional Base

The speech includes several measures for companies that run regional operations from Malaysia. Approved investments reached RM218.5 billion in the first half of 2026, and the government wants to attract more global companies and senior talent. ^[1]

The main change is to the Global Services Hub (GSH) incentive, which was introduced in Budget 2024 and is administered by MIDA. ^[13] Exhibit 8 compares the current terms with the Budget 2027 changes.

Exhibit 8: Global Services Hub incentive, before and after Budget 2027

Item	Current terms (Budget 2024 GSH incentive)	Budget 2027 changes (from 1 January 2027)
Tax rate for new companies	5% (Tier 1) or 10% (Tier 2)	5% on income from GSH activities
Existing companies	5% or 10% on value-added income	5% on income above a specified baseline, for existing Principal Hub or GSH companies
Incentive period	Up to 10 years for new companies (5 + 5); 5 years for existing companies	Extended in five-year blocks, up to 30 years
Treasury and fund management	No specific exemption	No withholding tax on interest payments; no stamp duty on intercompany loan agreements (also under the JS-SEZ package)
Key conditions	Paid-up capital of at least RM2.5 million; serve at least 7 network companies, including 3 related companies; at least 50% of high-value jobs (minimum basic salary RM10,000) filled by Malaysians	Not yet announced
Expatriate tax	Flat 15% for up to 3 non-citizen C-suite staff earning at least RM35,000 a month, for 3 years	Not mentioned
Application window	To MIDA, 14 October 2023 to 31 December 2027	Not yet announced

PwC Malaysia described the extended period as "three times the current maximum". ^[14] The baseline for existing companies, the conditions for each five-year extension, and whether the 10% tier remains have not been published.



For HR teams, the GSH condition likely to matter most is the jobs requirement: at least half of high-value jobs, with a minimum basic salary of RM10,000, must be filled by Malaysians for the first five years. ^[13] Companies considering the incentive should check their senior hiring plans and local succession pipeline against this before applying.

Three talent measures accompany the GSH changes. From 1 January 2027, spouses of Category I Employment Pass holders on a Dependant Pass may work, subject to conditions. DE Rantau Nomad Pass holders can stay beyond the two-year limit. Initial Employment Pass applications for listed MyABE companies are targeted at five working days. ^[1]

Employers with expatriate staff may want to review mobility policies and assignment packages, for example support for a spouse's job search, once the conditions for the working-spouse rule are published.

A 5% rate that can run for up to 30 years strengthens the case for setting up or expanding a regional centre in Malaysia. The working-spouse rule addresses a common concern in expatriate relocation. Hub employers should still factor higher graduate pay, under the RM2,500 level and the RM3,400 benchmark, into their cost models.

Exhibit 9: Minimum wages in the region (approximate monthly equivalent)

Location	Statutory minimum	Approx. RM a month	In force from
Malaysia	RM1,700 a month; RM2,000 announced	1,700, rising to 2,000	February 2025; June 2027
Jakarta, Indonesia	Rp5,729,876 a month	1,312	January 2026
Metro Manila, Philippines	PHP755 a day (non-agriculture)	1,278	September 2026
Bangkok, Thailand	THB400 a day	1,267	July 2025
Vietnam (Region I)	VND5,310,000 a month	839	January 2026
Singapore	No statutory minimum; firms hiring foreign workers must pay locals at least S\$1,800 a month	5,752	Current

Converted at Bank Negara Malaysia middle rates on 9 October 2026. Daily rates are multiplied by 26 working days. Figures are statutory floors and exclude employer contributions. ^[15]

At RM2,000, Malaysia's floor will be about 50% to 60% above those in Jakarta, Manila, and Bangkok, and well below Singapore's salary threshold. For a regional hub, the higher floor is likely to mainly affect support roles. The GSH terms are aimed at the senior roles a hub is built around.



Funding Employers Can Use

Exhibit 10 lists the main support ^[1] for training, AI adoption, and investment. Each scheme has its own application rules and timelines, so claims are easier to plan alongside the pay review.

Exhibit 10: Support available to employers

Support	What it offers	Best suited to
HRD Corp	RM3 billion for 3 million training places, including continuing professional development	All levy-paying employers
BAKAT MADANI	Tax deduction for companies that run BAKAT MADANI training programmes for young people, 29 June 2026 to 31 December 2030	Employers hiring and training school leavers and graduates
MDEC AI adoption	RM30 million to help 4,000 MSMEs adopt AI and automate operations, and to certify 5,000 AI professionals	MSMEs with repetitive manual work
PTPTN repayments	Tax deduction for employers who repay staff PTPTN loans, 1 January 2027 to 31 December 2028	Employers recruiting graduates
Capital allowances	Accelerated allowances on locally produced machinery and ICT equipment and software extended to 31 December 2030	Employers investing in automation
MSME tax rate	14% on the first RM150,000 of taxable income; 16% on RM150,000 to RM600,000	MSMEs
MediAsas subsidy	RM200 per employee on first-year premiums, up to 50 employees	SMEs with fewer than 75 employees

For employers hiring graduates, the PTPTN deduction is a low-cost way to strengthen an offer while starting pay is rising.

Making use of HRD Corp funding

Employers with 10 or more Malaysian employees must register with HRD Corp and pay a levy of 1% of basic pay plus fixed allowances; for those with five to nine employees, registration is optional at 0.5%. ^[27] Levy balances above RM10,000 that are not used within two years are forfeited. ^[27] Courses listed under the HRD Corp Claimable Courses scheme are paid directly from the levy account, so there is no upfront payment. ^[27] A useful first step is to check the current levy balance and its expiry dates, then match it to training for the roles most affected by the higher floor.



Items Still to Be Confirmed

The speech and the Human Resources Minister's briefing on 16 October leave several payroll details to the Budget annexes, the Minimum Wages Order, and agency guidelines. Until these are published, employers should model the options below without committing to final changes.

RM2,500 level

Whether MSMEs are exempt from the guidelines, whether they apply to foreign workers, and when the law will be amended to make them mandatory.

MSME exemption test

How long the exemption lasts, and how group turnover will be verified.

Hourly and daily rates

The revised rates for part-time and daily-rated workers that follow from the new monthly minimum.

Tax tables

The effective year of assessment for the new personal tax rates, and the updated MTD/PCB schedule.

Bank payment rule

The start date and which payment methods count as permitted under the Employment Act 1955.

GSH incentive

Eligibility criteria and how baselines are set for existing hub companies.

e-Wages

Which employers must submit data, the reporting format, the confirmed launch date, and any penalties.



The speech made no announcement on the Progressive Wage Policy, the foreign worker levy, EIS, or SST. We will update clients as the details are published.



Action Timeline: Now to June 2027

Exhibit 11 sets out a suggested sequence for local employers and regional hubs.

Exhibit 11: Suggested employer timeline

	Local employers	Regional hubs
October to December 2026	<ul style="list-style-type: none">▪ Map roles between RM2,000 and RM3,400, including degree, diploma, and SKM Level 1 and 2 hires▪ Check whether group turnover is above or below RM50 million▪ Prepare payroll for January 2027 tax changes▪ List staff not paid through a bank account	<ul style="list-style-type: none">▪ Review eligibility for the enhanced GSH incentive▪ Identify expatriate roles that benefit from the working-spouse rule
January to May 2027	<ul style="list-style-type: none">▪ Update MTD/PCB settings▪ Move all wages to bank payment▪ Redesign grades for the wage ladder▪ Budget for June increases▪ Apply for HRD Corp and other training support▪ Review payroll records for e-Wages readiness	<ul style="list-style-type: none">▪ Apply for GSH status where relevant▪ Assess graduate entry roles against RM2,500▪ Update hub cost models
June 2027 onwards	<ul style="list-style-type: none">▪ Apply the RM2,000 minimum and new hourly and daily rates▪ Apply the Starting Basic Salary Guidelines and e-Wages requirements as issued▪ Explain changes to staff▪ Track cost and turnover against your baseline	<ul style="list-style-type: none">▪ Track entry-level pay against the market and the RM3,400 benchmark

The work usually spans HR (pay structures), Payroll (system changes and compliance), Finance (cost and tax claims), and business leaders (productivity).



Decisions to Make Before 31 December 2026

Most of the cost likely comes into effect in June 2027, but several decisions are better made before the 2027 budget is finalised:

- 1** How pay compression will be handled for each job family, and how much of the 2027 merit budget goes to it.

- 2** Whether the group as a whole is in or out of the MSME exemption, now that the test applies to group turnover.

- 3** How higher supplier, overtime, and foreign worker costs will be budgeted for 2027.

- 4** Which degree, diploma, and SKM Level 1 and 2 roles are paid below RM2,500, and how much of the gap to close before the guidelines take effect.

- 5** For regional operations, whether the enhanced GSH incentive is worth pursuing, given its jobs and salary conditions.





How BIPO Can Help

BIPO provides payroll, HR technology, and workforce services to employers in Malaysia and across Southeast Asia. For Budget 2027, we can help you:



Model the wage ladder across your workforce, including the RM2,000 and RM2,500 levels and their effect on grade gaps.



Update payroll accurately in [BIPO HRMS](#), including minimum wage, hourly and daily rates, MTD/PCB tables, bank payment records, and the payday records that e-Wages is expected to monitor.



Track cost and results with [Athena BI](#), covering headcount, overtime, turnover, and employment cost.



Support regional hubs through our [multi-country payroll](#) outsourcing and Employer of Record (EOR) services.

Talk to Our Experts About Your Budget 2027 Plans, or Contact Us Directly:



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Important Notice

This publication reflects the Malaysia Budget 2027 speech as tabled on 9 October 2026 and public statements up to 17 October 2026. It is intended for general information and discussion only. The measures discussed remain subject to the Budget documents, the Finance Bill, the Minimum Wages Order, and other legislation, regulations, and official guidelines, which may clarify or change their scope, eligibility criteria, timing, and requirements. Where the English translation of the speech differs from the Bahasa Malaysia version, the Bahasa Malaysia version prevails.

In particular, the Starting Basic Salary Guidelines for the RM2,500 level, and the legislative amendment that would make it mandatory, have not yet been published. The MSME exemption has been described in ministerial statements, including that the RM50 million annual sales threshold is assessed at group level, but its duration and legal terms remain subject to the Minimum Wages Order. Employers should not assume they qualify for the exemption, or that the RM2,500 level applies to them, until the requirements are formally confirmed.

Cost, rate and tax figures in this publication are BIPO's illustrative estimates. Regional comparisons use third-party data and exchange rates as at the stated date. Neither replaces calculations based on an employer's own payroll data.

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