COUNTRY PAYROLL GUIDE

# Malaysia Payroll, Benefits and Tax 2026

What employing someone in Malaysia costs, what your employee takes home, and the two thresholds that catch foreign employers out.

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Current as at August 2026
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## The headline numbers

| | | | |
|---|---|---|---|
| **14.5%** Employer contributions on an RM8,000 salary | **11%** Employee EPF rate, before SOCSO and EIS | **RM1,700** National monthly minimum wage | **RM6,000** SOCSO and EIS ceiling. EPF has none |

EPF has no wage ceiling. SOCSO and EIS stop above RM6,000 a month, but EPF applies to the full salary, so the employer burden barely falls as salary rises. An RM8,000 hire carries about 14.5%, and an RM20,000 hire still carries 13.6%.

## Statutory contributions

Percentages of monthly wages.

| | Employer pays | Employee pays |
|---|---|---|
| **EPF** | 13% up to RM5,000, then 12% | 11% |
| **SOCSO** | 1.75%, capped at RM6,000 | 0.5%, capped at RM6,000 |
| **EIS** | 0.2%, capped at RM6,000 | 0.2%, capped at RM6,000 |
| **HRD Corp levy** | 1% at 10+ Malaysian staff | None |
| **Typical total** | About 14% | About 11.5% |
| **Foreign employees** | EPF 2% since Oct 2025 | EPF 2%, phasing up |

SOCSO and EIS are administered by PERKESO against a published table in wage bands, so exact ringgit amounts can differ slightly from a straight percentage.

**EPF is now mandatory for foreign workers**

Since 1 October 2025, EPF applies to non-Malaysian employees under 75, where it used to be voluntary. The phase-in starts at 2% from each side, well below the Malaysian rates. Budget for the rate rising rather than treating 2% as permanent.

## Income tax

Resident progressive rates, withheld monthly through PCB. Budget 2026 left them unchanged.

| Chargeable income (RM) | Rate on the band |
|---|---|
| 0 to 5,000 | 0% |
| 5,001 to 20,000 | 1% |
| 20,001 to 35,000 | 3% |
| 35,001 to 50,000 | 6% |
| 50,001 to 70,000 | 11% |
| 70,001 to 100,000 | 19% |
| 100,001 to 400,000 | 25% |
| 400,001 to 600,000 | 26% |
| 600,001 to 2,000,000 | 28% |
| Over 2,000,000 | 30% |

Annual chargeable income after reliefs. Non-residents pay a flat 30% with no personal reliefs. Residency generally turns on 182 days of presence in a calendar year.

## What a hire actually costs

Malaysian citizen under 60, personal and EPF relief only, employer with 10 or more Malaysian staff. RM per month.

| | Gross RM8,000 | Gross RM20,000 |
|---|---|---|
| Employee statutory deductions | 922.00 | 2,242.00 |
| Monthly income tax (PCB) | 514.17 | 3,429.17 |
| Employee takes home | 6,563.83 | 14,328.83 |
| Employer contributions | 1,157.00 | 2,717.00 |
| Total cost to employer | 9,157.00 | 22,717.00 |
| Effective employer uplift | 14.5% | 13.6% |

The uplift falls only from 14.5% to 13.6% across a salary that more than doubles, because only SOCSO and EIS stop growing.

## The RM4,000 line

Since 2023 the Employment Act covers every employee. Five entitlements still turn on monthly wages, unless the work is manual.

| Applies to every employee | Only at RM4,000 a month or less |
| --- | --- |
| **Annual leave of 8, 12 or 16 days** | Overtime pay at 1.5 times the hourly rate |
| **Sick leave of 14, 18 or 22 days** | Rest day pay at 2 times the hourly rate |
| **Maternity 98 days, paternity 7 days** | Public holiday pay at 3 times the hourly rate |
| **Notice of 4, 6 or 8 weeks** | Shift work allowance |
| **Discrimination protection** | Termination and lay-off benefits |

Contractual overtime above the threshold is still enforceable if you promised it, so audit offer letters rather than relying on the statute alone.

## Hours, leave and termination

- **Hours:** 45 per week, no more than 8 in a day. Overtime capped at 104 hours a month.
- **Annual leave:** 8 days under 2 years of service, 12 days for 2 to 5 years, 16 days beyond 5.
- **Sick leave:** 14, 18 or 22 days by the same bands, plus up to 60 days where hospitalisation is required.
- **Public holidays:** at least 11 paid days, 5 of them compulsory national days. The rest vary by state, so set the calendar per worksite.
- **Notice:** 4 weeks under 2 years, 6 weeks for 2 to 5 years, 8 weeks beyond 5.
- **Termination benefits:** 10, 15 or 20 days of wages per year of service, for employees at or below the RM4,000 line.

> **Malaysia has no at-will employment**
> Dismissal needs just cause or excuse, and an employee who disputes it can bring an unfair dismissal claim to the Industrial Court, where reinstatement and back pay are live remedies. The process and the paper trail matter as much as the commercial decision.

## Hiring foreign nationals after 1 June 2026

Employment Pass salary floors roughly doubled, for renewals as well as new applications.

| Category | Minimum salary from 1 June 2026 | Previously |
|---|---|---|
| **Category I** | RM20,000 and above | RM10,000 and above |
| **Category II** | RM10,000 to RM19,999 | RM5,000 to RM9,999 |
| **Category III** | RM5,000 and above | RM3,000 to RM4,999 |

Cumulative employment is capped at 10 years for Categories I and II and 5 years for Category III. Categories II and III also require a local succession plan. Global Business Services roles needing native or near-native language skills keep the old Category III thresholds until 1 June 2027.

## Registration and the monthly cycle

- **Register** with EPF (within 7 days of the first hire), PERKESO for SOCSO and EIS, LHDN for PCB, and HRD Corp at 10 Malaysian employees.
- **Pay wages** within 7 days of the end of the wage period.
- **Remit EPF, SOCSO, EIS, PCB and the HRD levy** by the 15th of the following month.
- **File Form E** annually and issue Form EA to each employee by the end of February.

Late payment attracts interest and penalties from each agency separately, so one missed cycle can produce four different charges.

## Sources


- KWSP (EPF) employer contribution rates, and the mandatory EPF extension to non-Malaysian employees from 1 October 2025.
- PERKESO SOCSO and Employment Insurance System contribution tables, wage ceiling RM6,000 since October 2024.
- HRD Corp levy: 1% at ten or more Malaysian employees, 0.5% voluntary at five to nine.
- Employment Act 1955 as amended by the Employment (Amendment) Act 2022, in force 1 January 2023, and the First Schedule wage threshold.
- Minimum Wages Order 2024: RM1,700 from February 2025, extended to employers with fewer than five employees from August 2025.
- Immigration Department (ESD) revised Employment Pass salary policy, effective 1 June 2026.



**Hiring in Malaysia?** Second Talent employs staff in Malaysia on our own entity and handles contracts, EPF, SOCSO, EIS and PCB. We also source the candidates. secondtalent.com/find-the-talent-you-need


This guide is general information, current as at the date shown, and is not tax or legal advice. Contribution tables and thresholds change, and the foreign worker EPF rate is explicitly phasing upward. Confirm your position with a qualified adviser before acting.