



Requirements on Stamping of Employment Contracts

Stamp Duty on Employment Contracts: Legal and Practical Implications for Employers in Malaysia

Under the Stamp Act 1949, Employment Contracts are subject to a stamp duty of RM10.00 per contract, to be stamped within 30 days upon execution, with an exemption for Employment Contracts involving monthly wages below RM300.00.

Although Employment Contracts have long been considered as chargeable instruments under the First Schedule of the Stamp Act 1949 and are therefore subject to stamp duty, there has been little or no enforcement until recently. This shift in enforcement is prompted by the implementation of the Stamp Duty Audit Framework (SDAF) effective from 1.1.2025, which enhances enforcement and compliance measures, making it imperative for employers to ensure that all Employment Contracts are duly stamped.

While an unstamped Employment Contract remains valid and legally binding between parties, it may be inadmissible as evidence in court pursuant to section 52 of the Stamp Act 1949 and employers may be liable towards the following penalties:

- (a) A fine of RM50.00 or 10% of the duty payable, if within three months of the due date.
- (b) A fine of RM100.00 or 20% of the duty payable, if later than three months.

Penalties and Potential Waiver

The table below outlines the penalties which may be imposed on unstamped Employment Contracts, along with the potential waivers that may apply based on the latest media statement issued by LHDN on 6.6.2025:

Contract Execution Period	Stamp Duty	Penalty	Remarks
Before 1.1.2025	Stamp Duty is waived	Penalty is waived	Full exemption from stamp duty and late penalty under LHDN directive.
1.1.2025 to 30.12.2025	RM10.00	Penalty is waived if stamped by 31.12.2025	Must be stamped by 31.12.2025 to enjoy penalty waiver.
1.1.2026 onwards	RM10.00	Full penalty under Section 47A applies	Full enforcement of stamp duty and penalties. No waiver available.

Exemptions

Agreements or documents relating to confirmation of employment, promotions, internal transfers, secondments, increments and bonus payouts are exempted from stamping.

Practical Recommendations for Employers

To ensure compliance, it will be prudent for employers to now:

- (a) Conduct an Internal Audit: Identify all valid Employment Contracts from 2025 onwards by 1.12.2025 and ensure they are duly stamped to benefit from the waiver.
- (b) Implement a Stamping SOP: Create a standard operating procedure (SOP) for stamping within 30 days of contract execution.
- (c) Digitize and Integrate Systems: Explore integration with LHDN's stamping platforms to streamline digital stamping.
- (d) Train HR and Legal Teams: Provide training on the nuances of the stamp duty requirements to prevent future non-compliance.

Conclusion

In light of the recent enforcement of stamp duty requirements on Employment Contracts, it is crucial for employers to prioritize stamping of all newly signed Employment Contracts within 30 days of execution. Proper compliance not only ensures adherence to legal obligations under the Stamp Act 1949 but also safeguards the enforceability of the contracts. Employers should actively review and stamp their Employment Contracts promptly to avoid potential penalties and the risk of such contracts being deemed inadmissible as evidence.

Waiver

We wish to emphasise that the information provided herein is based on current guidelines and best practices and they may be subject to further revisions or updates based on new developments, guidelines or regulatory changes. Employers are advised to stay informed of official announcements and seek professional legal advice to ensure full compliance with the evolving regulations.

If you have any queries, please contact our Employment Practice Group:

Partner, Mr. Rohan Arasoo Jeyabalah (rohan@hlplawyers.com)

Senior Associate, Ms. Tey Siaw Ling (siawling@hlplawyers.com)

Associate, Ms. Damia Amani (damia@hlplawyers.com)