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Stamp Duty On Employment Documents: What Employers Need To Know In 2026

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Stamp duty on employment contracts has moved from a largely overlooked administrative requirement to an increasingly important compliance issue for Malaysian employers.

Recent developments have provided greater clarity on the treatment of employment contracts, including which documents require stamping, the position for contracts executed in different periods, and the treatment of subsequent documents such as promotion, transfer and bonus letters.

For businesses with large workforces, however, the issue extends beyond the payment of RM10 on an employment contract. It raises broader questions of governance: who is responsible for stamping, how documents are identified and classified, and whether stamp duty compliance has been properly embedded into the organisation's processes.

Employment Contracts: The Position From 2025

Employment contracts have historically fallen within the general charging provisions applicable to agreements under the Stamp Act 1949 (SA). An employment contract falls within Item 4 of the First Schedule of the SA and attracts a fixed stamp duty of RM10.

The renewed focus on compliance has, however, resulted in different practical treatment depending on when an employment contract was executed.

Contracts executed before 1 January 2025

Based on the position announced by the Inland Revenue Board (IRB), employment contracts entered into before 1 January 2025 are not required to be stamped and penalties will not be imposed.

Contracts executed between 1 January and 31 December 2025

These contracts are subject to stamp duty. However, the penalty for late stamping has been waived.

Employers regularising their historical position should therefore identify employment contracts entered into during 2025 and arrange for the applicable duty to be paid.

Contracts Executed From 1 January 2026

The ordinary stamping requirements apply. Where an employment contract is subject to duty, employers should ensure that stamping is completed within the prescribed period rather than treating it as a subsequent administrative exercise. The present position also distinguishes employment contracts according to the relevant remuneration threshold. Employment contracts falling within the applicable exemption do not require stamping. In particular, employment contracts where the wages do not exceed RM 3,000 are exempt from stamp duty. However, employment contracts falling outside the scope of the exemption remain subject to the RM10 duty.

This makes it important for employers not merely to assume that every employment-related document requires stamping, but to determine whether the particular instrument falls within the charging provision or an applicable exemption.

Does Every HR Letter Need To Be Stamped?

One of the more practical concerns for employers has been whether every document issued during the employment relationship constitutes a separately dutiable instrument. The distinction between the main employment contract and subsequent administrative documentation is therefore important.

The principal employment contract may require stamping. However, documents which merely implement or record matters contemplated by the existing employment relationship such as certain promotion letters, bonus letters and transfer letters would generally not require separate stamping where they do not constitute a new agreement.

This is in line with the IRB's media release dated 7.8.2026, which clarified that only the principal instrument or master employment contract containing the terms and conditions of employment agreed between the employer and employee must be stamped and endorsed. Ancillary or supplementary instruments relating to the same employment arrangement are not required to be stamped or endorsed.

However, the position may be different where a document goes beyond an administrative implementation of the existing contract and materially alters the parties' contractual rights and obligations such as in fixed term employment arrangement.

Employers should therefore consider the substance of the document rather than its title.

A document called a "letter" may in substance constitute a new agreement. Conversely, a document issued following the original employment contract may merely record an administrative change already permitted under the existing contractual framework.

Termination And Settlement Agreements Require Separate Consideration

The position is different for documents such as mutual separation, voluntary separation or retirement agreements.

These are ordinarily standalone agreements governing the termination or settlement of an employment relationship and should not automatically be treated in the same way as administrative HR letters issued during continuing employment. The drafting of such agreements is also important.

Care should be taken in describing payments made under a termination arrangement. Language suggesting that payment is consideration for services may potentially invite questions as to whether the instrument falls within provisions dealing with agreements for services rather than the general provision applicable to agreements.

The legal character of the transaction should therefore be accurately reflected in the document.

Does An Unstamped Employment Contract Become Invalid?

Failure to stamp an employment contract should not be confused with the question of whether an employment relationship exists. Employment status ultimately depends on the substantive relationship between the parties.

Two recent Federal Court decisions in *Acexide Technology Sdn Bhd & Anor v Chang Heng Keong (Civil Appeal No.: 01(f)-8-03/2025(W))*, heard together with the case of *Acexide Technology Sdn Bhd & Anor v Woon Kim Choy (Civil Appeal No.: 08(f)-9-12/2025 (W))* concerning individuals who were directors and shareholders illustrates the point. Despite the absence of conventional written employment contracts, factors including the payment of monthly wages, contributions by the company to the Employees Provident Fund (EPF) and Social Security Organization (SOCSO) and notwithstanding the monthly deduction of income tax (PCB) to the Inland Revenue Board (LHDN) and the manner in which the individuals were treated by the company supported the finding that an employment relationship existed.

This case illustrates the broader principle that the courts may examine the substance and conduct of the parties in determining whether an employment relationship exists. Accordingly, the absence of stamping does not necessarily mean that the underlying employment relationship disappears or that an employer can disregard the contractual obligations arising from it.

Stamp duty compliance and the existence of an employment relationship are separate legal questions.

The Bigger Challenge: Who Owns Stamp Duty Compliance?

For larger organisations, perhaps the more difficult question is not whether an employment contract attracts RM10 duty, but who within the organisation is responsible for ensuring that it is stamped.

Stamp duty is no longer an issue that can safely be regarded as belonging exclusively to the legal, tax, finance or HR function.

A large organisation may execute thousands of documents across multiple business units. Employment contracts are only one category. Purchase orders, service agreements, financing documents, intercompany arrangements and other commercial instruments may all carry separate stamp duty implications.

An effective compliance framework therefore requires clear ownership. Businesses should consider:

1. **Conducting an instrument inventory**

   Identify the principal categories of agreements and instruments executed across the organisation.

2. **Classifying the instruments**

   Determine the relevant charging provision, exemption and applicable rate for each category.

3. **Assigning responsibility**

   Identify the person or business function responsible for ensuring that each category of document is stamped.

4. **Developing practical guidance**

   A decision tree or internal matrix can help non-tax personnel distinguish between instruments attracting nominal duty, ad valorem duty or an exemption.

5. **Training the business**

   Employees responsible for contracting should understand when stamp duty issues arise and when specialist advice should be obtained.

6. **Creating an escalation mechanism**

   Unusual instruments or assessments should be referred to the appropriate legal or tax team rather than accepted automatically.

For employment contracts specifically, stamping should be incorporated into the onboarding process so that compliance occurs as part of the ordinary HR workflow rather than as a subsequent clean-up exercise.

Do Not Automatically Accept A Stamp Duty Assessment

The classification of an instrument can have significant financial consequences. A document which a taxpayer considers subject to nominal RM10 duty may be assessed by the IRB under a provision attracting ad valorem duty.

Businesses should therefore examine the legal basis of an assessment rather than paying simply because the amount involved appears commercially insignificant. Where a business nevertheless decides that disputing a relatively small amount is uneconomic, it should consider documenting that the payment is made as a commercial decision and without conceding the underlying legal position.

This may become important if the same classification subsequently arises in relation to a transaction involving significantly larger amounts.

Self-Assessment Makes Deadlines Critical

The move towards stamp duty self-assessment also increases the importance of internal controls. Where the IRB issues an assessment that a taxpayer disputes, statutory objection and appeal periods may be strict. Businesses should therefore have procedures to ensure that notices are identified immediately and escalated to the appropriate personnel.

This is particularly important where communications are made through electronic portals.

A technically strong objection may be of little assistance if the taxpayer has already missed the statutory deadline for challenging the assessment.

Businesses should therefore consider allocating responsibility for monitoring the relevant portal and maintaining contemporaneous records of when notices and assessments are received.

Employment Due Diligence Is Becoming More Important

Stamp duty compliance should also form part of the wider employment due diligence undertaken in corporate transactions.

An acquisition may expose the buyer not only to questions surrounding historical employment documentation but also to employment obligations which continue following a transfer of the business.

This is particularly important for unionised businesses. Under the Industrial Relations Act 1967, a collective agreement may bind a successor, transferee or assignee of the business.

Employment due diligence should therefore extend beyond checking individual employment contracts. Depending on the business, it should also examine collective agreements, historical HR practices, employee benefits, termination arrangements and compliance with statutory requirements.

The Practical Takeaway

The renewed attention on stamp duty means employers should no longer regard stamping as a minor administrative formality. For HR departments, the immediate task is relatively straightforward: identify the principal employment contracts that require stamping, distinguish them from subsequent administrative correspondence, and incorporate stamping into the onboarding process.

For the wider organisation, the challenge is more significant. Businesses should know what instruments they are executing, who is responsible for assessing their stamp duty treatment, when the relevant deadlines expire and how disagreements with the IRB will be escalated.

In an environment of greater scrutiny and self-assessment, effective stamp duty compliance increasingly depends not simply on knowing the applicable rate of duty, but on having the governance and internal processes necessary to identify an issue before it becomes a dispute.

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