Key Stamp Duty Changes In Malaysia From 1 January 2026

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For more information, please contact:

Datuk D P Naban
naban@rdslawpartners.com

S Saravana Kumar
sara@rdslawpartners.com

Amira Azhar
amira@rdslawpartners.com

Malaysia will introduce sweeping reforms to its stamp duty framework from 1 January 2026, marking a decisive shift towards self-assessment and tougher enforcement as part of broader tax administration reforms.

The changes, enacted under the Finance Act 2025 and the Measures for the Collection, Administration and Enforcement of Tax Act 2025, amend the Stamp Act (SA) 1949 and significantly alter how stamp duty is assessed, paid and enforced.

Stamp Duty Self-Assessment System (SDSAS)

Prior to the amendments, stamp duty in Malaysia operated under an official assessment system. Under this regime, taxpayers were required to submit chargeable instruments to the Collector of Stamp Duties (Collector) for adjudication, valuation, issuance of assessment notice and payment via the Stamp Assessment and Payment System (STAMPS). This placed primary responsibility for determining stamp duty on the tax authorities rather than on the taxpayers.

With effect from 1 January 2026, stamp duty assessment will transition to a self-assessment system under the newly introduced SDSAS. Under SDSAS, taxpayers will be responsible for assessing, declaring, and paying the correct amount of stamp duty via the e-Duti Setem (e-DS) platform on the MyTax Portal.

The implementation of SDSAS will take in three phases:

- Phase 1 (1 January 2026): Tenancy and lease agreements, general stamping, and securities instruments.
- Phase 2 (1 January 2027): Instruments relating to transfers of property ownership
- Phase 3 (1 January 2028): All other chargeable instruments

The move towards self-assessment aligns stamp duty administration with Malaysia's broader tax compliance framework and places greater responsibility on taxpayers to ensure accuracy and timely compliance.

Higher Stamp Duty Rates For Foreign Buyers Of Residential Property

A new addition to Section 2 of the SA 1949 defines "residential property" as a house, condominium, apartment, flat, service apartment, or small office home office used solely as a dwelling house.

This definition provides certainty for the application of residential-specific stamp duty measures, including the new duty rate applicable to instruments of transfer for residential properties acquired by non-citizen individuals (excluding Malaysian permanent residents) and foreign companies, which has been increased from 4% to 8%.

In tandem with this increase, the stamp duty exemption for first-time homebuyers is extended until 31 December 2027. The exemption applies to instruments of transfer and loan agreements for residential properties priced up to RM500,000, continuing support for home ownership among first-time buyers.

Increased Exemption Threshold For Employment Contracts

One of the most notable amendments concerns the stamp duty exemption for employment contracts. Previously, under Item 4(b) of the First Schedule to the SA 1949, only employment contracts where the employee earned RM300 or less per month qualified for stamp duty exemption.

With effect from 1 January 2026, the exemption threshold will be substantially increased to cover employment contracts where the employee earns RM3,000 or less per month. This amendment applies to contracts of service and employment contracts executed on or after the effective date.

New Offences And Revised Penalties

Under SDSAS, stamp duty is required to be paid within 30 days from the date of return submission. The shift to self-assessment is accompanied by a more robust enforcement framework. Penalties for non-compliance have been revised, and new offences have been introduced under the SA 1949.

Under the previous regime, failure to submit an instrument for stamping within the prescribed time period attracted late stamping penalty under Section 47A of the SA 1949.

The SDSAS introduces a new penalty section for failure to file return under Section 72C as follows:

- Fine of RM 10,000 upon conviction; or
- Penalty of RM 200 to RM 2,000

Additionally, a new offence under Section 72D addresses situations where the submission of a stamp duty return results in an underpayment of stamp duty. Upon conviction, offenders may be liable to:

- A fine ranging from RM1,000 to RM10,000, and a special penalty of 100% of the duty undercharged, or
- A penalty of 100% of the undercharged duty.

The following penalties are also revised:

Offence	Revised Penalty	Previous Penalty
Registration of instruments of transfer for debentures or shares (executed abroad) not duly stamped	RM1,000 – RM10,000	No more than RM250
Failure to pay compound duty to the Collector within the fixed period (on or before the 14th day of the following month)	RM500 or 20% of the amount payable, whichever is higher	RM200 or 10% of the amount payable, whichever is higher
Failure to disclose all facts and circumstances in an instrument duly executed, intending to evade duty	RM2,500 – RM50,000	No more than RM2,500
Executing and signing documents that have not been duly stamped	RM1,000 – RM10,000	No more than RM1,500
Failing to execute and transfer a contract note	RM1,000 – RM10,000	No more than RM1,500
Offenses relating to stamp certificates, such as selling or falsifying stamp certificates	RM2,500 – RM50,000	No more than RM5,000

However, to facilitate a smooth transition to SDSAS, the Inland Revenue Board (IRB) has announced a penalty concession for the first year of implementation. In a statement on 21 December 2025, IRB confirmed that no penalties will be imposed for errors made in 2026 relating to inaccuracies in Stamp Duty Return Form (BNDS) submissions, incorrect information affecting stamp duty assessment, or offences identified under subsection 72D(2) of the SA 1949.

Expansion Of The Collector's Powers

The amendments significantly expand the powers of the Collector. Firstly, a new Section 76B will be introduced to expressly empower the Collector to issue guidelines for the purpose of interpreting provisions of the SA 1949, facilitating compliance, and addressing other matters relating to stamp duty, and reserves the discretion to revoke, revise, or amend such guidelines, in whole or in part, at any time.

Secondly, a new Section 80C will allow the Collector to offset excess stamp duty or tax payments against other outstanding tax liabilities of the same taxpayer. Specifically, the Collector may utilise:

- Any excess stamp duty paid to settle taxes due under the Income Tax Act 1967, Petroleum (Income Tax) Act 1967, Real Property Gains Tax Act 1976, or the Labuan Business Activity Tax Act 1990; and

- Any excess tax paid under those Acts to offset stamp duty payable under the SA 1949

Thirdly, the amendments further curtail the finality of stamp duty assessments under the SDSAS. Although Section 36D of the SA 1949 generally provides that an assessment becomes final once appeal avenues are exhausted, the Collector may nonetheless revisit assessments in certain circumstances, including errors, under-assessment, or valuation adjustments. Under the new Section 36CA, the Collector is empowered to raise additional assessments for understatement of stamp duty within five years, or without time limitation in cases involving fraud, wilful default, or negligence. The Collector will not be bound by finality provisions when exercising these powers, reinforcing the enhanced enforcement framework supporting the self-assessment regime.

Deadline For Refund Of Duty On Agreements Deemed As Conveyance Upon Sale

Section 21(1) of the SA 1949 provides that agreements for the sale of equitable interests or certain properties, such as goodwill and book debts, are chargeable with the same ad valorem duty as an actual conveyance on sale. Under Section 21(7), the Collector may refund the ad valorem duty if the agreement is rescinded, annulled, or otherwise not substantially performed.

The amendments introduce a new limitation period by amending Section 21(7), requiring any application for such refund to be made within 24 months from the date of execution of the instrument by the person who first or alone executed it.

Stamp Duty Liability For Exchange Of Property

Currently, item 7 of the Third Schedule to the SA 1949 provides that stamp duty on an instrument effecting an exchange of property is to be borne equally by the parties. The effect of the amendment now is that the stamp duty will instead be borne by the "grantee or transferee". This amendment shifts the liability for stamp duty in exchange transactions to a single party and aligns responsibility with the recipient of the property interest.

Conclusion

As Malaysia phases in the SDSAS from 2026, taxpayers face heightened compliance obligations and increased financial exposure for errors. The reforms underscore the government's intent to strengthen enforcement and modernise stamp duty administration, bringing it into line with the country's broader self-assessment tax regime.

KUALA LUMPUR
Level 16, Menara 1 Dutamas No. 1, Jalan Dutamas 1, Solaris Dutamas, 50480 Kuala Lumpur
T: +603 6209 5400
F: +603 6209 5411
enquiry@rdslawpartners.com

PENANG
Suite S-21E & F21st Floor, Menara Northam No. 55, Jalan Sultan Ahmad Shah, 10050 Penang
T: +604 370 1122
F: +604 370 5678
generalpg@rdslawpartners.com

JOHOR BAHRU
8-35, Menara Delima Satu, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor Bahru
T: +607 585 6414
F: +607 509 7614
generaljb@rdslawpartners.com