



LEGAL UPDATES

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STAMP DUTY ON EMPLOYMENT CONTRACT

*Understanding the New Stamp Duty Amendment on
Employment Contracts*

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Introduction

On 6 June 2025, LHDN announced the renewed enforcement of stamp duty on employment contracts under the **Stamp Act 1949**, effective 1 January 2025. Previously overlooked in practice, this change formalises employment documentation and introduces new compliance responsibilities for both employers and employees.



Key Highlights

The amendment highlighted that employment contracts signed prior to **1 January 2025** are fully exempted from stamp duty, failure to conduct the stamping within the 30 days limit **would not amount** to penalties as well.

In addition, the amendment Act imposes a standard **RM10 stamp duty** to employment contracts signed between **1 January 2025 to 31 December 2025**. However, **no late stamping penalties** would apply as long as the contracts are stamped on or **before 31 December 2025**.

Starting from **1 January 2026**, employment contracts signed will be subjected to a standard **RM10 stamp duty**, and late stamping will **incur a penalty**.

IMPACT ANALYSIS

In fact, this act has been dormant for decades and remained unenforceable. The sudden enforcement of it will greatly affect the group of employers and employee.

- For employers, this means an immediate obligation to review internal HR procedures to ensure all contracts are stamped within the prescribed timeline. Failure to do so may render the **contract inadmissible** in court, undermining legal protection in the event of disputes.
- Employees, particularly new hires or those renewing contracts from 2025 onwards, should also be aware that an unstamped contract cannot be relied upon in legal proceedings. Only a properly stamped contract carries **full legal enforceability**.
- From a broader perspective, the implementation generates a new and substantial revenue stream for the government, with over **16.73 millions** employed persons as of February 2025, mandatory stamp duty on employment contracts, generating a **new source of revenue for government**.

CONCLUSION

In shorts, the implementation of the stamp duty on employment contract is not merely a requirement, but a **legal safeguard**.

It ensures that the employment agreements are properly documented and legally enforceable. All stakeholders, including employers, employees, HR personnel and legal advisors, must act promptly to align with these regulatory expectations.



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