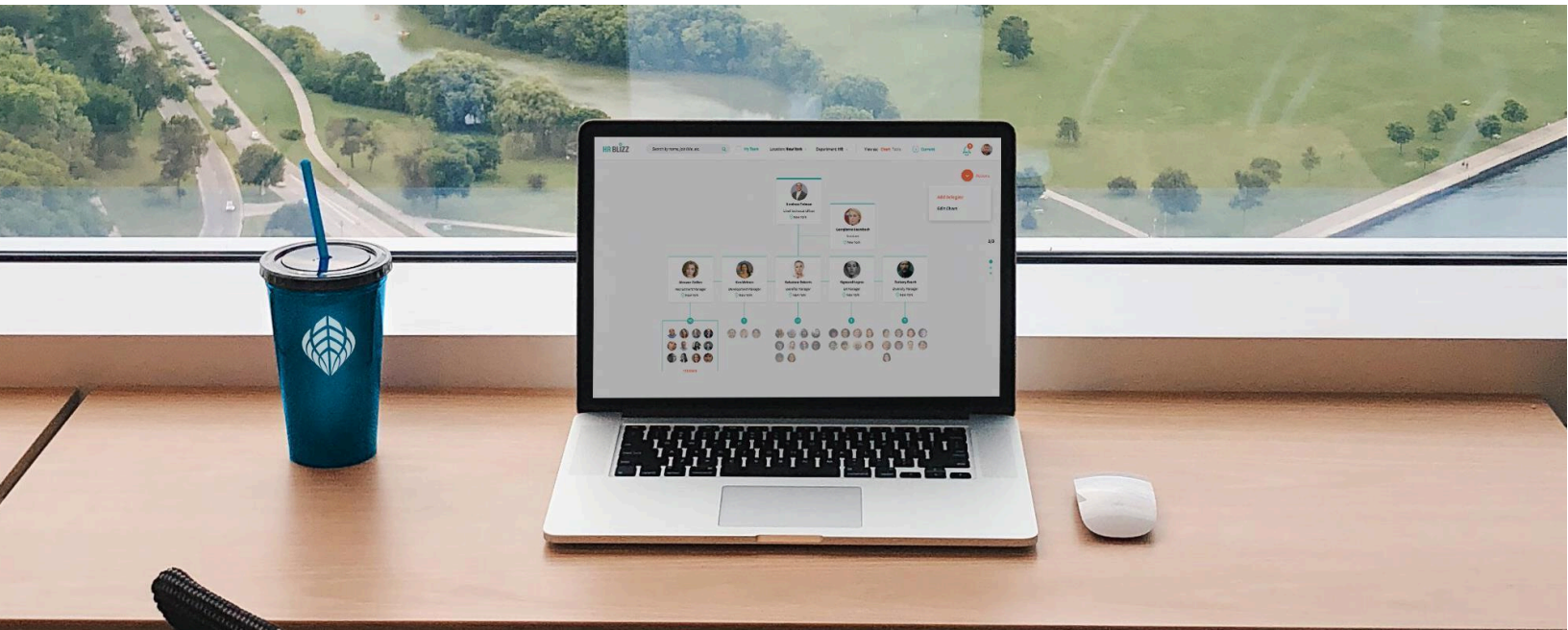


Statutory Change Alert

Malaysia – Finance Act 2025 Changes to Statutory Contributions

October 2025



MALAYSIA



Aug 1, 2025

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Malaysia – Finance Act 2025 Changes to Statutory Contributions

On October 1, 2025, the Employees Provident Fund (EPF) of Malaysia will implement new mandatory contributions for non-Malaysian citizen employees. This change is part of the government's effort to expand social protection coverage to all workers.

Implementation Notes: Key Details

The EPF is intensifying its readiness measures for the implementation of the new legislation mandating EPF contributions. The legislation will take effect with the wages for October 2025.

- **Who is Affected?**
 - All non-Malaysian citizen employees who hold a valid passport and an employment pass issued by the Immigration Department of Malaysia are now subject to mandatory EPF contributions.
 - This excludes domestic workers (as defined by the Workmen's Compensation Act 1952), such as maids, cooks, gardeners, and drivers.
 - This is applicable to all eligible employees who are below 75 years of age.
- **Contribution Rates**
 - The mandatory contribution rate is set at **2%** of the employee's monthly wages for both the employer and the employee.

Detailed Guidance for Payroll Compliance

This section provides additional details to help with payroll system updates and compliance.

What are "Monthly Wages"?

- According to **Section 2 of the Employment Act 1955**, "wages" are defined as: "Basic wages and all other payments in cash payable to an employee for work done in respect of his contract of service."
- **This includes:**
 - Basic Salary
 - Fixed Allowances (e.g., housing, meal, or shift allowances)
 - Guaranteed Commissions (if contractually promised)
- **This excludes:**
 - Non-Cash Benefits (e.g., company-provided accommodation or car)
 - EPF/SOCSSO Contributions



- Bonuses and Reimbursements (e.g., discretionary bonuses, overtime pay, and travel allowances)
- Gratuities and retirement or termination benefits
- **Reporting Requirements**
 - Employers must remit contributions to the EPF by the **15th of the following month**. For the wages of October 2025, the payment must be made on or before **15 November 2025**.
 - The submission is typically done electronically through the EPF's i-Akaun (Employer) portal using the Form A submission.
 - Employers are required to maintain accurate monthly payroll records and provide employees with payslips that clearly show the EPF deductions.
- **Calculation Logic for Mid-Month Joiners and Terminations**
 - For employees who join or leave mid-month, the EPF contribution is calculated based on the prorated wages they actually earned during that period.
 - While the EPF does not specify a single method for prorating, common practices in Malaysia include:
 - **Calculation by Calendar Days:** (Monthly Salary / Total Calendar Days in the month) x Number of days worked.
 - **Calculation by Working Days:** (Monthly Salary / Total Working Days in the month) x Number of days worked.
 - The final contribution amount must be paid in only Ringgit denominations, without any cent value.

Example Calculation

Scenario: An employee with a monthly salary of RM 3,000.00 starts work on October 16, 2025.

- **Prorated Salary (October):** $(RM\ 3,000.00 / 31\ \text{days}) \times 16\ \text{days} = RM\ 1,548.39$
- **Employee's Contribution (2%):** $RM\ 1,548.39 \times 0.02 = RM\ 30.9678$. Rounded to **RM 31.00**.
- **Employer's Contribution (2%):** $RM\ 1,548.39 \times 0.02 = RM\ 30.9678$. Rounded to **RM 31.00**.

Please contact your Mercans' services delivery team for any additional information regarding the implications of the above change.

They already trust Mercans





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