

Are you ready for stamp duty self-assessment?

By LIM WAI YIN and JAMES HOW

BUDGET 2026 has sent an unequivocal message: the stamp duty self-assessment system (SDSAS) will proceed next year.

This development represents a key milestone in the ongoing tax modernisation journey, signalling a gradual shift toward greater self-governance and compliance across all tax regimes.

While this consistency is a welcome shift towards voluntary tax compliance, the reality on the ground is that taxpayers may not be adequately prepared.

This gap is rooted in a widespread misconception among taxpayers that instruments are only required to be stamped if they are to be admitted as evidence in court. This, coupled with the Inland Revenue Board's (IRB) lack of enforcement in the past, has contributed to a compliance culture where stamp duty obligations were regularly deprioritised.

Historically, stamp duty has not been a primary focus area for fiscal collection.

In 2025, stamp duty collection is estimated to be RM10.1bil, with a projected increase to RM10.3bil in 2026, against total estimated direct tax revenue of RM177.1bil in 2025 increasing to RM187.4bil in 2026.

Challenges and misconceptions

With the issuance of the stamp duty audit framework on Jan 1, 2025, there has been a noticeable uptick in stamp duty

audit activities, reflecting the IRB's efforts to educate businesses and raise compliance awareness ahead of SDSAS.

In the course of the stamp duty audits, businesses commonly face the following challenges:

> **Limited understanding of stamp duty rules:** Businesses are unsure what documents are stamp-able and who is liable to duty given a lack of stamp duty knowledge.

> **Lack of awareness of regulatory updates:** Businesses are often unaware of the latest developments. For instance, while the IRB issued a media statement exempting employment contracts signed before Jan 1, 2025, many remain unaware that such contracts must still be submitted for adjudication.

> **Poor record-keeping:** Many businesses, especially small and medium enterprises (SMEs), do not have a comprehensive depository of all their contracts and agreements, resulting in missing or incomplete documentation, resulting in panic when faced with a stamp duty audit.

Act now, not later

The SDSAS is not just another procedural change; it is a fundamental shift in responsibility. For businesses which are adopting the wait-and-see approach or hoping for deferments, it is time to take immediate action. As there is no de minimis threshold, SMEs are also in-scope.

To improve stamp duty compliance, businesses must adopt a strategic, proactive approach. A crucial first step is to perform a gap assessment to identify a list of all executed agreements and contracts, including often-overlooked intercompany agreements and letters signed by two or more parties which contain binding terms and conditions.

Where stamp duty gaps are detected, a voluntary disclosure to the IRB before an audit could significantly reduce penalties.

Secondly, businesses should review their current stamp duty practices and establish clear standard operating procedures. Employees must also be trained to correctly identify, assess, and stamp all dutiable instruments in a timely manner.

It is also in businesses' interest to evaluate whether its contracts contain stamp duty clauses and ascertain whether the company or its counterparty is liable to duty.

For individuals: The need for awareness goes beyond property

Individuals face a steep learning curve. While common instruments like sale and purchase agreements and tenancy agreements are widely known to be dutiable, awareness of other chargeable instruments is often low. Many remain unclear about what constitutes a dutiable instrument and who is responsible for filing the

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stamp duty return.

The authorities must take the lead in a robust public awareness campaign that goes beyond property transactions.

Clear, accessible information is needed to educate the public on the breadth of stamp-able documents, from employment contracts to security instruments.

The authorities' pivotal role: clarification, not just enforcement.

The IRB will play a vital role in ensuring a smooth transition to SDSAS. With less than three months to go before the SDSAS, it is imperative for authorities to issue comprehensive, user-friendly guidelines to ensure that taxpayers could classify and calculate stamp duty accurately.

The current Stamp Act, enacted in 1949, remains complex and difficult to interpret.

Many instruments listed in the First Schedule, which outlines the list of dutiable instruments, are not contemporaneous.

A comprehensive reform focusing on simplifying, modernising terminology, and potentially limiting the list of instruments would make it more easily administrable similar to developed countries like Singapore and Hong Kong, is long overdue.

To support the rollout, the IRB has also indicated that a new e-Stamp duty system under MyTax will be introduced to facilitate all stamp duty transactions moving forward.

Duty payers must quickly familiarise themselves with the new system once it is released and the IRB providing an accessible frequently asked questions platform and responsive support channels would go a long way in helping taxpayers navigate the transition confidently.

Recognising the learning curve involved, the government has proposed for a remission (waiver) of penalties for offences relating to the submission of incorrect stamp duty returns or incomplete information to be given to duty payers from

Jan 1, 2026, to Dec 31, 2026.

This grace period for the non-imposition of penalty in the first year of the SDSAS would ease duty payers' transition to the new SDSAS and provide comfort to duty payers that the intention is not to penalise but to encourage voluntary compliance.

It is also hoped that a waiver for past non-compliance, similar to the one offered for employment contracts executed prior to 2025, can be considered to provide a much-needed fresh start to move forward from past non-compliance which stemmed from widespread misconceptions rather than purported evasion.

The path to a mature tax ecosystem

The successful implementation of the SDSAS is a collective responsibility.

The government's decisive stance marks an important first step, but it must be complemented with a concerted effort

by all stakeholders.

A collective effort is essential – businesses must be proactive, individuals must be educated, and the authorities must provide the necessary clarity and support.

For tax practitioners, this is an opportunity to play a constructive role in raising awareness, assisting duty payers, and supporting the authorities in implementing the SDSAS effectively.

Ultimately, by collaboratively bridging the gap between policy and practice, Malaysia can usher in a new era of fiscal maturity – where stamp duty evolves from a long-overlooked formality into a seamlessly administered, digitally enabled component of a modern, self-compliant tax framework.

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