



Stamp Duty

The First Steps to a New Era for Stamp Duty Reform

October 2025

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Overview and Commentary



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Key Message

“The modernisation of the stamp duty framework is a progressive step forward towards reforming an inherited legislation – particularly, as Malaysia continues to chart its path towards a high-income nation.

However, it remains important for the Malaysian Government to consider concessions and clear mechanisms to ease the burden of taxpayers, as well as consider the impact of stamp duty reforms that may deter the inflow of foreign investments.”

Self-assessment for stamp duty continues its momentum towards a 2026 implementation



The Malaysian Government is intent on the implementation of a self-assessment system for stamp duty starting from 2026, marking it as the latest tax regime in Malaysia to undergo a shift towards self-assessment following Real Property Gains Tax back in 2025.

Whilst a move to self-assessment places greater emphasis on voluntary compliance by taxpayers, a key concern that remains at the forefront for most, if not all, taxpayers is whether they are ready to assume the responsibilities of correctly reporting duties owed to the Malaysian Government.

Historically, the assessment on duties on dutiable instruments has always been undertaken by the Stamp Office of the Inland Revenue Board of Malaysia (“IRBM”). In this respect, taxpayers have generally been reliant on the Stamp Office to determine the stamp duty payable on instruments submitted for stamping. A shift to self-assessment would therefore create a host of factors to be considered in preparing taxpayers for a new landscape of stamp duty assessment.

a) **Clear, user-friendly guidelines to be issued by the IRBM**

The Stamp Act 1949 (“SA 1949”) is modeled after the United Kingdom’s legislative framework from the British colonial era. The language used in the SA 1949 is archaic and grounded in legalese that is challenging for the everyman taxpayers to interpret – this is also not limited to individuals and small business owners as larger businesses are known to face difficulties in interpreting the provisions of the SA 1949. Accordingly, a set of guidelines by the IRBM with simplified and modernised terms (along with clear practical examples on the application of stamp duty rates across various instruments) would go a long way in guiding taxpayers to correctly assess their own duties.

b) Simplification of instruments subjected to stamp duty within the First Schedule of the SA 1949

The First Schedule of the SA 1949, which is the primary reference point of dutiable instruments and the applicable stamp duty rates, includes an expansive list of instruments subject to various stamp duty rates. The need to parse through numerous types of dutiable instruments is also exacerbated by the ambiguity of certain instruments which have sub-categories with differing rates. A longer term and gradual policy reform of the SA 1949 will need to factor in a structured categorization of the instruments within the First Schedule for better navigation by taxpayers, as well as simplifying the list of dutiable instruments, depending on their relevance to taxpayers in the current landscape.

c) Concessions to be introduced in the face of a new assessment mechanism

The enforcement by the IRBM on stamp duty matters in the past has been limited and centered around the official assessments of dutiable instruments led by the Stamp Office. The implementation of the self-assessment system, compounded with the introduction of a new stamp duty audit framework (effective from the beginning of 2025) and ramp-up of stamp duty audits on the ground is rather unsettling, as taxpayers have, to-date, typically relied on the Stamp Office to determine the correct stamp duty owed. In this respect, the Malaysian Government should consider introducing concessions in the form of grace periods or voluntary disclosure programs which may grant waivers for penalties to ease the transition of taxpayers into the self-assessment system.

d) Intercompany instruments to be excluded from the scope of stamp duty to reduce the cost of doing business

Stamp duty was introduced in Malaysia with the intent of formalizing and authenticating legal documents and for such documents that have been submitted for stamping to be legally admissible in a court of law. With this spirit of the law in mind, instruments executed between companies within the same group is unlikely to have a need to be legally admissible in a court of law – rather, such instruments are typically in place to formally outline the terms of reference between the companies involved. Therefore, such intercompany instruments should be excluded from the scope of stamp duty so that it does not unnecessarily increase the cost of doing business for a group of companies.



Increased stamp duty costs to foreign purchasers of Malaysian property may deter foreign investments

Foreign companies and non-citizens are allowed to own properties in Malaysia subject to meeting certain rules and regulations. Generally, these rules limit the types of properties that can be purchased by foreigners as well as establish minimum price thresholds. This is done in an effort to protect local interests and ensure affordable housing for Malaysian citizens.

The Budget 2026 has proposed to increase the existing fixed stamp duty rate of 4% on instruments of transfer of property (i.e. memorandum of transfer) executed by foreign companies and non-citizens (excluding permanent residents of Malaysia) to an 8% fixed flat rate from 1 January 2026. This proposal by the Malaysian Government is intended to be a real property price control mechanism.

Although such a measure is not expected to discourage genuine foreign buyers and long-term investors from purchasing residential properties in Malaysia, it is a significant rate increase and hence its impact on foreign direct investments and the Malaysia My 2nd Home ("MM2H") participation should be closely monitored as the increase in stamp duty costs to foreign purchases of Malaysian property may contradict the spirit of the MM2H initiative.

A broad comparison of regional comparators with respect to stamp duty on instruments relating to property purchases by foreign buyers is outlined below:-

Country	Stamp duty rates for foreign buyers of property
Singapore	1% - 6% Buyer's Stamp Duty ("BSD") + 60% Additional Buyer's Stamp Duty ("ABSD")
Indonesia	Fixed rate of Rp10,000
Thailand	1 Baht
Vietnam	0.5% in the form of a Registration Fee (same rate as local buyer)
Philippines	1.5% (same rate as local buyer)
Hong Kong	1.5% - 4.25% Ad valorem duty ("AVD") BSD is no longer applicable for residential property transactions after 28 February 2024

The above information is intended to provide an illustrative comparison to Malaysia. For matters specific to your real estate needs, please seek advice from qualified professionals on real estate matters.

With the exception of Singapore, all other regional comparators observe a lower stamp duty rate for instruments relating to property purchases by foreign buyers compared to the proposed 8% flat rate tabled in the Budget 2026. Hong Kong in particular has also abolished its BSD for instruments relating to residential property transactions executed after 28 February 2024, which reflects the Hong Kong Government's bid to further attract foreign investments into the country. Hence, it is crucial for the Malaysian Government to consider the broader implications on foreign investment behavior and the residential property market in Malaysia to ensure that any stamp duty reform that is proposed in the interests of Malaysian citizens does not deter foreign investments into Malaysia.

On the positive side for Malaysian citizens and permanent residents, the Budget 2026 has extended the exemption on stamp duties for first time buyers of homes with values not exceeding RM500,000 for a further two years to 31 December 2027.

Change in wage threshold for stamp duty exemption on employment contracts paves the way for further reforms to the stamp duty framework



Amidst a list of extensions to existing stamp duty exemptions of key instruments, a notable change that was introduced by the Malaysian Government in the Budget 2026 is the increase in the exempted monthly wage threshold from RM300 to RM3,000 applied to employment contracts executed from 1 January 2026.

The need to stamp employment contracts has been a polarising development recently with the introduction of the new stamp duty audit framework by the IRBM effective 1 January 2025. The main concerns of businesses is the change to the previously accepted notion that employment contracts are not required to be

stamped and the administrative burden of stamping numerous employment contracts. This proposed change in the wage threshold for the stamp duty exemption of employment contracts is a welcome move by the Malaysian Government as it may slightly reduce the cost of certain businesses, particularly those with large numbers of lower-wage employees.

Notwithstanding the above, the exempted employment contract is still required to be submitted for endorsement by the Stamp Office and hence continues to represent a significant administrative burden to businesses.

As the stamp duty on employment contracts, if not exempted, is a nominal duty of RM10, the Malaysian Government should consider removing the procedural requirement to submit an exempted instrument for validation.

The need for timely and immediate guidance in the face of stamp duty self-assessment implementation followed by further reforms moving forward

The stamp duty proposals highlighted in the Budget 2026 set the tone for bigger picture reforms that can be made to the SA 1949 which has been long overdue since its inception. However, in light of the forthcoming implementation of the self-assessment system in 2026, there is an urgency to prioritise the issuance of guidelines to facilitate the understanding of taxpayers with respect to dutiable instruments. In addition, the Malaysian Government will need to ensure adequate time and guidance are provided for taxpayers to adopt the new platform that will be used for the stamp duty self-assessment system.

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