

GMS Flash Alert

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Malaysia - Wage Ceiling and Other Changes to Social Security System

Effective 1 June 2016, the ceiling of wages for contributions to Malaysia's Social Security Organisation ("SOCSO") has been raised from MYR 3,000 per month to MYR 4,000 per month and all local employees must contribute, regardless of the amount of their salaries; however, expatriate employees are excluded.¹

SOCSO provides coverage for local employees in the event of any accidents or disability.

WHY THIS MATTERS

With this new amendment, *all* employees (excluding non-citizens) who are employed under a contract of service or apprenticeship in the private sector, as well as contractual/temporary staff, need to be insured under the Employees' Social Security Act 1969 ("SOCSO Act") regardless of their salary – this includes outbound Malaysian assignees where their payrolls remain in Malaysia. However, contributions will be capped at a monthly remuneration of MYR 4,000.

Unregistered employers with employees not liable under the SOCSO Act (i.e., who have never paid SOCSO contributions), should register themselves and their workers through Employer/Employee Registration Forms (Form 1 & 2) and send the same to the nearest SOCSO Office with supporting documents.

In view of the above changes, employment costs would increase. However, the increase may not be substantial as the maximum contribution for employers is RM 69.05 per employee per month.

From the employees' perspective, effective from 1 January 2016, they would be able to claim a tax relief of up to RM 250 for their contribution to SOCSO.

Details of the Change

Prior to 1 June 2016, local employees who had never contributed to SOCSO and whose monthly wages exceeded MYR 3,000 were not obliged to contribute to SOCSO. However, for employees who have contributed to SOCSO and if their monthly wages at any time exceed MYR 3,000, their wages for the purpose of the SOCSO Act shall be capped at MYR 3,000 only.

The following groups are excluded from SOCSO's coverage:-

- Government employees;
- Domestic servants;
- Self-employed persons;
- Foreign workers (*this refers to non-citizen employees and includes expatriate employees/workers*);
- Business owners and spouses of Sole-Proprietors or Partnerships.

The rates of contribution remain unchanged at 1.75 percent for employers and 0.5 percent for employees based on the employees' total monthly wages. The maximum amount of contribution for the employer is MYR 69.05 and for the employee it is MYR 19.75 per month.

The deadline to submit monthly SOCSO contributions by employers is on the 15th day of each following month (e.g., the SOCSO contribution for June 2016 wages is due by 15 July 2016).

KPMG NOTE

The increase of the monthly salary for eligibility for mandatory contributions to SOCSO from MYR 3,000 to MYR 4,000 was announced earlier by the prime minister in his 2016 Budget Speech in October 2015. The objective was to enable more local employees to benefit from SOCSO coverage.

MYR 1 = AUD 0.33 | MYR 1 = USD 0.253 | MYR 1 = GBP 0.189 | MYR 1 = EUR 0.228

FOOTNOTE:

1 The Social Security Organisation's Frequently Asked Questions and Rates of Contribution (in English) can be found at:

<http://www.perkeso.gov.my/en/component/k2/item/3191-perluasan-liputan-perlindungan-keselamatan-sosial-pekerja-bi.html>.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Malaysia.



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