



Thinking beyond borders: Management of extended business travelers – Malaysia

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01

Key message

1 Key message

Residents and non-residents in Malaysia are taxed on employment income accruing in or derived from Malaysia. Residence status affects the amount of tax paid. Income tax in Malaysia is territorial in scope and based on the principal source, regardless of the tax residency of the individual in Malaysia. The source of employment income is the place where the employment is exercised, regardless of where the employment contract is signed or remuneration is paid.

Extended business travelers who are in Malaysia for more than 60 days are likely to be taxed on employment income attributable to their Malaysian assignments.

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Income tax

2 Income Tax

2.1 Liability for income tax

Income derived from Malaysia by residents and non-residents is subject to Malaysian tax, irrespective of where the employment contract is made or where the remuneration is paid. Employment income is regarded as Malaysian-sourced income if the employment activities are exercised in Malaysia. Generally, an individual becomes a tax resident for the tax year if the aggregate number of days the individual stays in Malaysia during the year is 182 days or more.

2.2 Definition of source

Malaysian-sourced income is defined as income accruing in or derived from Malaysia. Employment income is generally treated as Malaysian-sourced compensation where the individual performs the services while physically located in Malaysia.

2.3 Tax trigger points

A non-resident individual who exercises employment in Malaysia for not more than 60 days is exempt from Malaysian tax. An individual whose employment period in Malaysia exceeds 60 days would be taxable unless the individual is able to seek exemption from Malaysian tax under the dependent personal services article of the relevant double tax treaty.

2.4 Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income and other Malaysian-sourced income.

2.5 Tax rates

A tax-resident individual would be subject to tax at graduated rates ranging up to 30 percent, after the deductions of personal reliefs (such as relief for oneself, a dependent spouse, life insurance premiums, etc.). The maximum tax rate is 30 percent.

A non-tax-resident individual would be taxed at a flat rate of 30 percent. Non-tax-residents are not entitled to personal reliefs.

2.6 Double taxation treaties

Malaysia has concluded double taxation treaties with at least 77 countries/jurisdictions. The treaties prevent double taxation and allow cooperation between Malaysia and overseas tax authorities in enforcing their respective tax laws. Qualification for treaty relief is not automatic.

Submission of treaty exemption can be made in the tax return along with the documentary proof to the Malaysian Inland Revenue Board (MIRB).

2.7 Permanent establishment implication

A permanent establishment could potentially be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

03

Social Security

3 Social Security

3.1 Liability for social security

The Malaysia social security system includes:

- Employee Provident Fund (EPF);
- Social Security Organization (SOCSO)

EPF is a mandatory retirement saving plans for all employees who are Malaysian citizens or permanent residents in Malaysia. However, foreign employees are given an option to contribute to the EPF if they wish. There is no wage limit on EPF contribution.

During the 2025 Budget announcement on 18 October 2024, it was proposed that all non-Malaysian citizen employees are mandatory to contribute to EPF. However, this proposal is still under review by the Government.

Contributions to SOCSO are capped at a monthly wage ceiling of MYR6,000 and it comprises three protection schemes, as follows:

- Employment Injury Scheme – covering occupational accidents or disease arising out of and in the course of employment; and
- Invalidity Scheme – providing coverage for employees suffering from invalidity or death due to any cause and not related to employment; and
- Employment Insurance System (EIS) – providing income replacement for employees who have lost jobs.

Effective 1 July 2024, all Malaysian citizen and permanent residents, including foreign nationals (i.e. expatriate employees) employed under a contract of service or apprenticeship in the private sector, and who are under the payroll of or receive payment from companies registered in Malaysia, are required to contribute to SOCSO under Employment Injury Scheme and Invalidity Scheme.

Additionally, Malaysian citizens, permanent residents and temporary residents who are employed in the private sector are required to contribute to EIS. Foreign nationals are not covered under EIS.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

The Year of Assessment ("YA") runs from 1 January to 31 December. Tax returns must be filed by 30 April of the following year. For individuals who derive business income, the filing deadline is 30 June of the following year.

Employees whose total income tax is equivalent to the total amount of Monthly Tax Deduction (MTD), may elect not to submit tax returns. The amount of the MTD remitted represents as the final tax paid. This is only applicable if the following conditions are fulfilled:

- the taxpayer only has employment income;
- MTD has been made by the employer in respect of such gains or profits from an employment;
- employed by the same employer for that year of assessment;
- taxes are not borne by the employer; and
- if married, the spouse has not elected for joint assessment.

4.2 Employer compliance obligations

An employer is required to notify the MIRB of the commencement of employment of its employees in Malaysia within 30 days from the date of commencement of employment via e-CP22 through the electronic platform.

An employer must declare the total remuneration paid to employees for employment performed in Malaysia via e-Form E and Form EA (where employee's remuneration cost is borne by / recharged to the Malaysian entity) or Statement of Income (where employee's remuneration cost is borne by / recharged to the overseas entity). This requirement applies regardless of whether the employees' salary and/or allowance are paid in Malaysia or abroad. The deadline for submitting e-Form E is 31 March, while the issuance of Form EA or Statement of Income is by the last day of February of the following year. Form E must be filed electronically.

An employer is also required to notify the MIRB of the cessation of employment of an employee who is liable for tax. In the case of an expatriate employee, the notification is required when the expatriate's assignment in Malaysia ends or the expatriate ceases employment in Malaysia. The notification (via e-CP21 / e-CP22A) must be submitted to the MIRB online using e-SPC application not less than 30 days before the employee's expected date of departure / cessation.

The employer is required to withhold any money in the employer's possession owing to the expatriate who has ceased or is about to cease employment until 90 days after the MIRB receives the e-CP21 / e-CP22A or upon receipt of the tax clearance letter, whichever is earlier.

The employer can then release the balance of money withheld to the expatriate after the settlement of the outstanding taxes (if any) as shown in the tax clearance letter.

4.3 Employer reporting and withholding requirements

Under the MTD system, it is mandatory for an employer to deduct tax from an employee's total gross monthly remuneration (which includes perquisites, benefits-in-kind and accommodation provided, etc.) whether it is paid in Malaysia or abroad. The tax deducted must be remitted to the MIRB by the 15th of the following month. Payments must be submitted together with a Statement of Tax Deduction by an Employer (e-CP39) through the e-PCB Plus system. Further, it is mandatory for the employer to allow employees to claim allowable deductions and rebate; and make any adjustment at least twice per calendar year using the prescribed form (Form TP1).

It should also be noted that the MTD applicable to an employee who is not a tax resident or not known to be a tax resident, shall be at the rate of 30 percent of the employee's taxable remuneration.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

A visitor may or may not require a visa prior to entering Malaysia, depending on the issuance country/jurisdiction of the passport. The Immigration officer at the point of entry to Malaysia usually grants the visitor (except for certain nationalities who require visas applied for in the home country/jurisdiction before entering Malaysia) a social visit pass for social visit purposes only when the entry requirements are met. The duration of the social visit pass granted depends on the issuance country/jurisdiction of the passport.

A visitor is not allowed to work or render professional services under the social visit pass. An Employment Pass (“EP”), Professional Visit Pass (“PVP”) or Permission to Work for foreign professionals with Social Visit Pass (“PLS@XPATS”) is required for this purpose.

The EP is applied for the visitor who has an employment contract with the Malaysian Company. The duration ranges from 1 to 5 years.

As for the PVP, the visitor is allowed to render professional services (e.g. training, technical expertise, internship). The visitor continues to be employed by the employer in the home country/jurisdiction and the remuneration is paid by the employer in the visitor’s home country/jurisdiction. The visitor is entitled to apply a PVP for a maximum duration of 12 months per application to work in one project/assignment. If the company wishes to apply for an extension, the company will need to provide justification why the project/assignment is prolonged or to apply for an EP instead, in accordance with the requirements for EP application.

PLS@XPATS is a facility by Immigration Department of Malaysia (“IDM”) to facilitate foreign professionals to enter Malaysia for implementation of critical and urgent work. The PLS@XPATS allows foreign professionals to carry out the approved work in Malaysia for the sponsoring Malaysian Company, for a maximum thirty (30) days from the date of arrival to Malaysia.

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