KPMG

GMS Flash Alert

Immigration

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Malaysia – Updates on New Immigration Policies and Processes

The Immigration Department of Malaysia and Ministry of Human Resources of Malaysia have recently made announcements on matters related to expatriates and tourists in/to Malaysia.

WHY THIS MATTERS

New policies and changing requirements can cause disruption and confusion for relocating expatriates and the personnel who manage their immigration affairs. It is important to stay abreast of the changes and consider appropriate next steps.

The changes highlighted in this newsletter aim to clarify employers' responsibilities, open up opportunities for hiring and developing local Malaysian talent, and tighten up procedures with respect to renewals of Employment Passes and changing Pass categories, as well as to better address the needs of Malaysia's labour market.

Further amendments may be made by the relevant authority to manage the kinks and hiccups arising from the new policies and procedures, and companies may see extended processing times to procure an expatriate's Employment Pass due to the adjustments in requirements.

Highlights

1. Implementation of the "Progressive Policy on Expatriate Contribution to Local Talent Development" by the Ministry of Human Resources ("KESUMA"), referred to as the "1:3 Internship Policy."
2. Additional requirements by MDEC, the Malaysia Digital Economy Corporation, when changing an expatriate's Employment Pass category.
3. Extension of the Tourist Visa Exemption for Indian passport holders.
4. Guidelines on employment of expatriates under Section 60K of *Employment Act 1955* ["Act 265"].

More Details

1. 1:3 Internship Policy[1]

The Ministry of Human Resources, through Talentcorp[2], is introducing the 1:3 Internship Policy to help balance expatriate hiring with local talent development. Under this policy, companies with approval for Employment Passes for newly-employed individuals will be required to offer internships to local students based on the number of approved Employment Passes, capped at 2 percent of the company's total employees.

The policy's pilot phase will run from 15 February 2025 to 31 December 2025, for Tier 1 and Tier 2 companies registered with the Expatriate Services Division (i.e., mainly consisting of multinational companies, government-linked companies, and conglomerates).

Official implementation is expected to start from 1 January 2026. Companies with specific conditions could be exemp from the policy.

More details can be found in the FAQs from TalentCorp.

2. Additional Requirements by MDEC When Changing Expatriates' Employment Pass Category

MDEC announced via email dated 24 December 2025 (Ref No: BSD–EXPATS–ANNC–MDEC–227 D20241223 which was sent to company representatives on 25 December 2024) that companies applying for renewals of Employment Passes with a change of Pass category (e.g., change from Category 2 to 1 or Category 3 to 2) will need to provide an additional "Change of Pass Category" letter upon submission of the Employment Pass application. The change is effective from 1 January 2025.

After deliberation by MDEC, the application will be returned to the company to proceed with cancellation of the current Pass before MDEC continues the processing of the change of Pass. The validity of the current Pass may be cancelled forward up to 30 days from the date of application. Thereafter, the application for a new category should be completed within the 30-day validity period.

MDEC has yet to post the announcement on the official website.[3]

3. Extension of Tourist Visa Exemption for Indian Passport Holder[4]

The Immigration Department of Malaysia had released an update on the visa exempted duration for tourists holding Indian passports travelling to Malaysia. The exemption is extended until 31 December 2026.

4. Guidelines on Employment of Expatriates under Section 60K of Act 265[5]

There is an enhancement of/change to the implementation of pre-approval requirements for companies located within Peninsular Malaysia in employing foreign workers pursuant to Section 60K of Act 265 which was introduced on 1 January 2023.

Enhancements and changes rolled out on 2 December 2024, are set out below:

- Pre-approval is mandatory for recruitment of new foreign workers defined in Section 2 of the Act 265.
- Applications for various types of foreign workers' employment are to be made via the Integrated Foreign Workers Management System (ePPAx) instead of a separate application platform for each type of foreign worker.
- Special requirements for the construction sector.
- Approval certificate is to be generated through ePPAx instead of an email approval.

The approval will be valid for 12 months effective 1 October 2024, except for approvals under the "Special Employer Change Process."

Approval to employ expatriates under the above Employment Act must be obtained before any application for a new Employment Pass can be submitted.

KPMG INSIGHTS

Based on the FAQ on the 1:3 Internship Policy, mention is made concerning the absence of penalties for non-compliance. However, companies that meet the requirements will be given more weight/greater consideration for Employment Pass applications. Therefore, companies may wish to (1) start workforce planning in advance for the Intern placement and (2) consider matters from a budgeting perspective. Doing so could help foster compliance with the policy and keep control over costs, notwithstanding there will be no penalties for non-compliance. Further information or changes can be expected to be released nearer to the official implementation date, after the pilot phase.

Beside the 1:3 Internship Policy, companies have an interest in obtaining pre-approval from the Department of Labour office ("JTKSM"), without which the application for the Employment Pass will not be processed. Since it is a requirement only for new expatriate employment, the commencement date or on-boarding date may be affected, due to time spent to procure the pre-approval.

The improvement by JTKSM and provision of clear guidelines should make it easier and more efficient to comply with the requirements.

While on the additional requirements pertaining to the change of Pass category announced by MDEC, companies might wish to consider starting the renewal process as soon as the renewal is eligible (i.e., three months from expiry of the Employment Pass) considering the additional time taken for cancellation of the current Pass. Based on verbal clarification with the Expatriate Services Division[6] this requirement is not applicable for Employment Passes applied for by companies registered with them. This requirement may or may not be implemented by the Expatriate Services Division in the future as each authority reserves the right to require (or ask for) additional documents/procedures.

FOOTNOTES:

1 See the government webpage (in English) "The Progressive Policy on Expatriate Contribution to Local Talent Development" at: https://www.talentcorp.com.my/1to3policy/ .

2 TalentCorp is a national agency under KESUMA, tasked to address current talent gaps, fulfil future talent needs, and work to attract, nurture, and retain the right talent and expertise needed to support Malaysia's journey towards achieving greater economic progress. See: https://www.talentcorp.com.my/ .

3 See: https://mdec.my/expats/announcement.

4 See Immigration Department of Malaysia, "VISA Requirement by Country" (in English) at: https://www.imi.gov.my/index.php/en/main-services/visa/visa-requirement-by-country/ .

5 Expatriate Services Division, "Enhancements to the Implementation of Initial Approval for Hiring Foreign Workers under Section 60K of the Employment Act 1955" (08 January 2025) (in English) at: https://esd.imi.gov.my/portal/latest-news/announcement/announcement-241-approval_hiring_foreign_worker/ and Department of Labour Peninsular Malaysia, Foreign Workers Employment: Penggajian Pekerja Bukan Warganegara (in Malay) at: https://jtksm.mohr.gov.my/en/services/foreign-workers-employment .

6 By means of telephone conversation between a KPMG representative and an officer from the Expatriate Services Division on 7 January 2025.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional* or one of the following professionals with the KPMG International member firm in Malaysia:

Long Yen Ping
Partner
Head of Global Mobility Services
KPMG in Malaysia
Tel. +60 (3) 77217018
yenpinglong@kpmg.com.my

Michelle Foo
Associate Director
Global Mobility Services
KPMG in Malaysia
Tel. +60 (3) 77217346
lyeyeefoo@kpmg.com.my

Nur Aliaatul Shahira
Manager
Global Mobility Services
KPMG in Malaysia
Tel. +60 (3) 7721 7613
aliaatulnaguib@kpmg.com.my

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