

Tax - Payroll Guide - Free shares / RSU

| Malaysia | |
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| Tax points | <p>Grant: No income tax. No social security.</p> <p>Vesting: Income tax. No social security.</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: No capital gains tax. No social security.</p> |
| Income tax (maximum rate) | 30% (2025). Any change in tax rates usually takes effect from 1 January. |
| Income tax rates | Tax rates are progressive from 1% to 30%. The top rate of tax applies to income over MYR2million. |
| Employer income tax withholding | Yes (unless the employee has made an election in writing to pay the total tax due upon the filing of their income tax return). |
| Employer social security withholding | Generally, no. SOCSO and Employees Provident Fund (EPF) contributions are only payable if the award constitutes wages, so are generally not payable on equity based awards. |
| Employee social security | <p>Employees' Provident Fund (EPF) is a compulsory pension scheme.</p> <p>Contributions by employee: 11%. For employees aged 60 and above, the contribution is reduced to 5.5% (permanent residents) or 0% (Malaysian citizens). From November 2025 (applicable to salary/wages earned in October 2025), expatriates and their employers will pay EPF contributions at a rate of 4% (2% from employees and 2% from employers).</p> <p>SOCSO offers two insurance schemes: the Employment Injury Scheme (EIS) and the Invalidity Scheme (IS) which cover Malaysian citizens and permanent residents only. The rate of the employer's contribution is 1.75% of the employee's monthly wage for both schemes (1.25% for EIS and 0.5% for IS) while the employee contributes 0.5% to the IS only. The contributions are based on the employee's monthly wages and are capped at a maximum of MYR104.15 for the employer and MYR29.75 for the employee.</p> |
| Employer social security | <p>Employees' Provident Fund (EPF) is a compulsory pension scheme.</p> <p>Contributions by employers:</p> <ul style="list-style-type: none"> • 13% (for employees earning MYR5,000 and below a month); and • 12% (for employees earning above MYR5,000 a month). <p>For employees aged 60 and above, the contribution by employers is reduced from 6% to 4% (for Malaysian citizens) and from 13% to 6.5% (for permanent residents earning MYR5,000 and below a month) or from 12% to 6% (for permanent residents earning above MYR5,000 a month). From</p> |

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| | <p>November 2025 (applicable to salary/wages earned in October 2025), expatriates and their employers will pay EPF contributions at a rate of 4% (2% from employees and 2% from employers).</p> <p>Note: generally, there is no EPF payment in relation to equity-based awards, as EPF is only payable on wages. To ensure that the share income under a particular plan does not constitute wages for the purposes of the EPF Act, the employer can seek a confirmation from the EPF Board.</p> <p>SOCSO offers two insurance schemes: the Employment Injury Scheme (EIS) and the Invalidity Scheme (IS) which cover Malaysian citizens and permanent residents only. The rate of the employer's contribution is 1.75% of the employee's monthly wage for both schemes (1.25% for EIS and 0.5% for IS) while the employee contributes 0.5% to the IS only. The contributions are based on the employee's monthly wages and are capped at a maximum of MYR104.15 for the employer and MYR29.75 for the employee. The employer makes a Second Category contribution to EIS only (capped at MYR74.40 per month) for employees who are not eligible to be covered under the IS.</p> |
| Tax reporting - Individual | <p>Yes, the employee must report the taxable amount in the annual tax return. An employee may elect (in writing) to pay the total tax due on share related income through their income tax return in the year following the year of assessment (i.e. the year the shares are settled) instead of having the tax withheld by the employer. If the employee makes this election, they will be responsible for paying the total tax due upon filing of their tax return in the year following the year of assessment.</p> <p>Report name: Annual Tax Return (Forms B/BE/M). The return can be filed online. The tax return can be downloaded from the website here.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: Form BE/M (employment and other personal income) should be filed by 30 April of the following year and Form B (for individuals who have business income in addition to employment and personal income) should be filed by 30 June of the following year.</p> <p>Payment of tax: any unpaid income tax is due and payable in the following year.</p> |
| Tax reporting - Employing company | <p>Yes, the employer must report the employees' incentive related income (share awards) in a specific filing obligation with regard to equity incentive plans. Details of the filing obligation are set out below.</p> <p>Report name: Annual Accounts. The return can be filed online. The return can be downloaded from the website here.</p> <p>Reporting deadline: within 7 months of fiscal year end.</p> |

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| | <p>Payment of tax: the employer withholds in the month of award settlement. Tax is paid by the 15th of the month following the month of settlement.</p> <p>Employee income reporting: the employer declares to the Malaysian Inland Revenue Board (MIRB) on Annual Statement of Remuneration (Form EA), all income and benefits earned by the employee for the prior calendar year. A copy of Form EA must be given to each participant by the end of February in the following year.</p> <p>Equity reporting: the local employer must complete Form BT/MSSP/2012 (the employer share plan notification form) following a share plan grant as follows:</p> <ul style="list-style-type: none"> • Appendix A: to notify the MIRB about the launch of an employee share plan within 30 days of the expiry of the period of acceptance of the offer; • Appendix B: to notify the MIRB of the names of participants who have elected to join the plan (within the same time frame as Appendix A). This Appendix should be completed every year and is filed with Appendix C; and • Appendix C: details of employees who have exercised options/acquired shares during the year. This is an annual filing and although there is no specific deadline it should be filed as soon as possible after the taxable moment. MIRB has previously recommended that Appendix C is completed at the end of February which coincides with the timing of the statutory reporting requirements of Form EA (assuming the taxable moment has occurred). <p>If the equity awards are granted to employees of more than one Malaysian entity, a separate filing should be made by each Malaysian entity as they are separate employers. The filings are made to MIRB by the local employer(s) or by a tax agent.</p> <p>The return can be filed online. The return can be downloaded from the website here.</p> |
| Malus and clawback - Tax points | The existence of a malus or clawback clause does not affect the moment of tax for the individual. |