

New SOCSO and EIS Changes

Effective October 2024

Key Updates for Employers

October 2024

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New SOCSO and EIS Changes Effective October 2024: Key Updates for Employers

Introduction

Starting 1 October 2024, significant changes to the Social Security Organisation (SOCSO) and Employment Insurance System (EIS) contributions will take effect. The most notable update is the increase in the salary ceiling, which extends to both local and foreign workers. These changes aim to provide enhanced social protection for a larger portion of the workforce. Employers need to be aware of the new contribution rates, benefit increases, and the transition period, ensuring compliance by March 2025.

This article outlines the key changes, covering updates to the salary ceiling, benefit rates, contribution breakdowns and the necessary actions for employers to remain compliant.



New Salary Ceiling

One of the major updates is the increase in the salary ceiling for SOCSO and EIS contributions, rising from RM5,000 to RM6,000. This applies to both local and foreign employees. While foreign workers are covered under SOCSO, they are not included under the Employment Insurance System Act 2017 (Act 800).

Effective Date:

1 October 2024

Applicability:

Applies to local and foreign workers, but foreign workers are excluded from EIS coverage.



Increase in Benefit Rates

With the increase in the salary ceiling, SOCSO benefit rates will also rise, offering improved protection to employees. This change ensures that workers earning up to RM6,000 will see higher payouts for various SOCSO benefits.

Adjustment:

Benefit rates will increase in line with the new salary ceiling.



Contribution Rates & Employer Resources

Employers are encouraged to familiarise themselves with the updated contribution rates. Detailed information is available on the SOCSO website, including the employer circular explaining the transition from the previous salary ceiling of RM5,000 to RM6,000.

New contribution rates:

Available on the SOCSO website at
<https://www.perkeso.gov.my/>.

Employer circular:

The circular regarding the salary ceiling increase can also be found on the SOCSO website.





Transition Period & Compliance

To facilitate the transition, employers have a six-month grace period from **1 October 2024 to 31 March 2025** to comply with the new contribution rates. No penalties will be imposed for non-compliance during this time, allowing businesses the flexibility to adjust. However, full compliance will be mandatory after the transition period ends.

Transition Period:

1 October 2024 to 31 March 2025

Mandatory Compliance:

Required by 31 March 2025

Coverage & Contribution Breakdown

The amendment also extends to certain public sector employees, specifically those on contract or temporary status, who are now covered under the Employees' Social Security Act 1969 (Act 4). However, they remain excluded from the Employment Insurance System Act 2017 (Act 800).

Public Sector: Contract and temporary public sector employees are covered under Act 4 but not under Act 800.

Maximum SOCSO Contribution Rates:

| Actual monthly wage of the month | First category (Employment Injury Scheme and Invalidity Scheme) | | Second category (Employment Injury Scheme and Invalidity Scheme) | |
|--------------------------------------|---|-------------------------|--|-------------------------------|
| | Employer's Contribution | Employee's Contribution | Total Contribution | Contribution By Employer only |
| Salaries between RM5,900 and RM6,000 | RM104.15 | RM29.75 | RM133.90 | RM74.40 |
| Salaries exceeding RM6,000 | RM104.15 | RM29.75 | RM133.90 | RM74.40 |

Notes:

First Category: For employees under 60 years old, both employers and employees must contribute to the Employment Injury Scheme and the Invalidity Scheme. The contribution rates are 1.75% from the employer and 0.5% from the employee's monthly wages. All employees under 60 must contribute under the First Category, except those who turned 55 without prior contributions due to ineligibility under the Employees' Social Security Act, 1969.

Second Category: Employers must contribute 1.25% of employees' monthly wages for those aged 60 and above, covering them under the Employment Injury Scheme. New employees aged 55 must be covered under the Second Category.





Coverage & Contribution Breakdown (cont.)

Maximum EIS Contribution Rates:

| Actual monthly wage of the month | Employer's Contribution | Employee's Contribution | Total Contribution |
|---|-------------------------|-------------------------|--------------------|
| Salaries between RM5,900 and RM6,000 | RM11.90 | RM11.90 | RM23.80 |
| Salaries exceeding RM6,000 | RM11.90 | RM11.90 | RM23.80 |

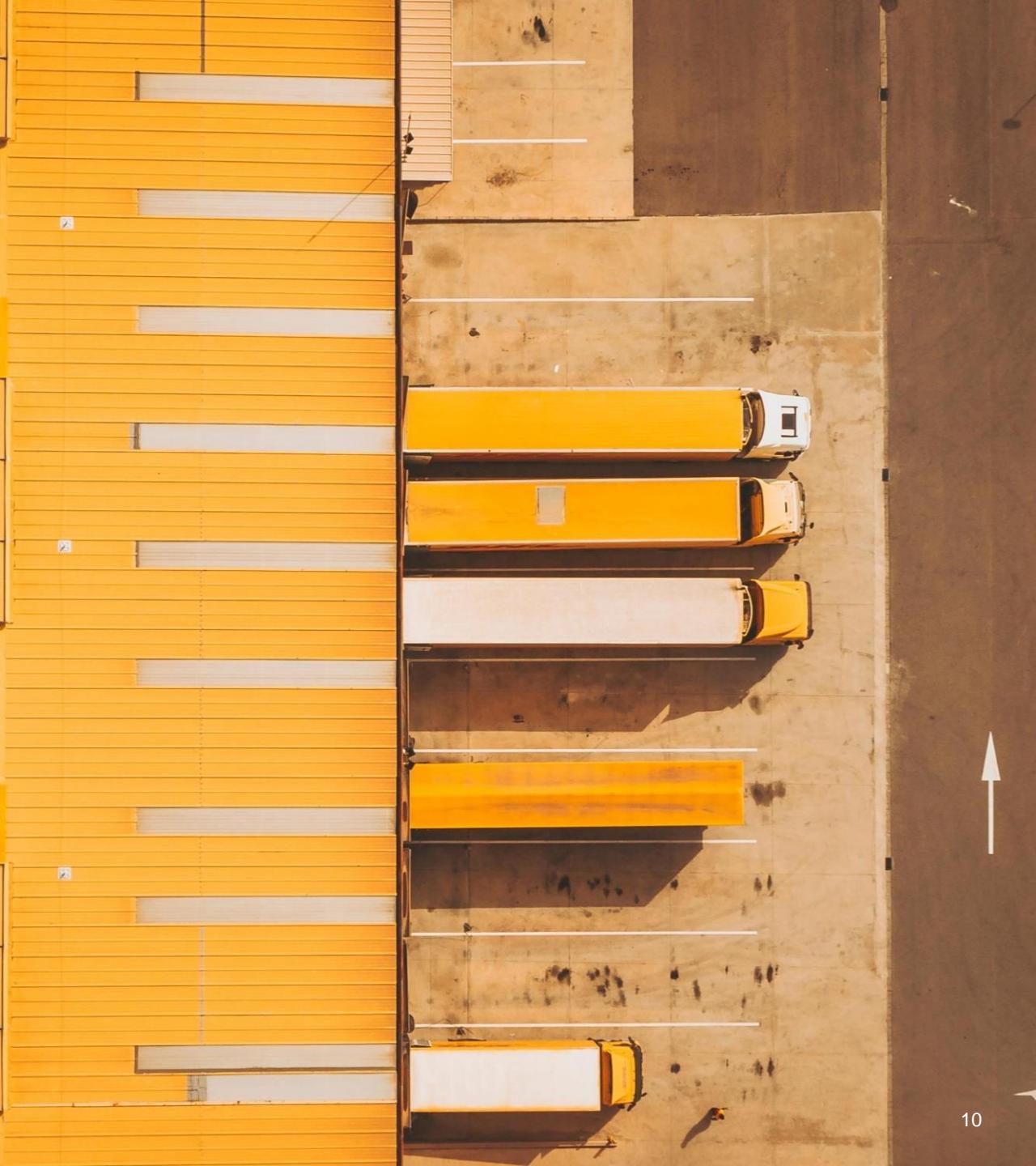
Notes:

Private sector employers must contribute monthly for each employee aged 18 to 60, except for government employees, domestic workers, and the self-employed. Employees aged 57 and above with no prior contributions are exempt, with contribution rates capped at a monthly salary of RM6,000.

Payment Methods

Employers can make SOCSO and EIS contributions through various methods, offering flexibility in payment options.

- Online portal (FPX)
- Internet banking
- Direct debit authorisation (DDA)
- Bank counters: Maybank, Public Bank and RHB bank are among the approved agents.



Impact of Changes

The upcoming changes will affect a significant portion of the workforce and improve the benefit payment rates for employees, particularly those earning between RM5,000 and RM6,000.

Effective Date:

1 October 2024

Coverage:

1.5 million workers, or 15.5% of all SOCSO contributors

Benefit Payment Rate Increase:

Up to 20.2% for employees earning between RM5,000 and RM6,000.



Benefits Overview

Employees will see enhanced protection under both the SOCSO and EIS Acts. SOCSO will provide increased benefits for temporary and permanent disablement, dependents' benefits and pensions. Meanwhile, EIS will offer a safety net for employees facing unemployment or reduced income.

SOCSO benefits:

- Temporary disablement benefit
- Permanent disablement benefit
- Dependents' benefit
- Invalidity pension
- Survivors' pension

EIS benefits:

- Employment search allowance
- Reduced income allowance
- Early re-employment allowance



Got a question?

We're here to help, talk to us today.



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