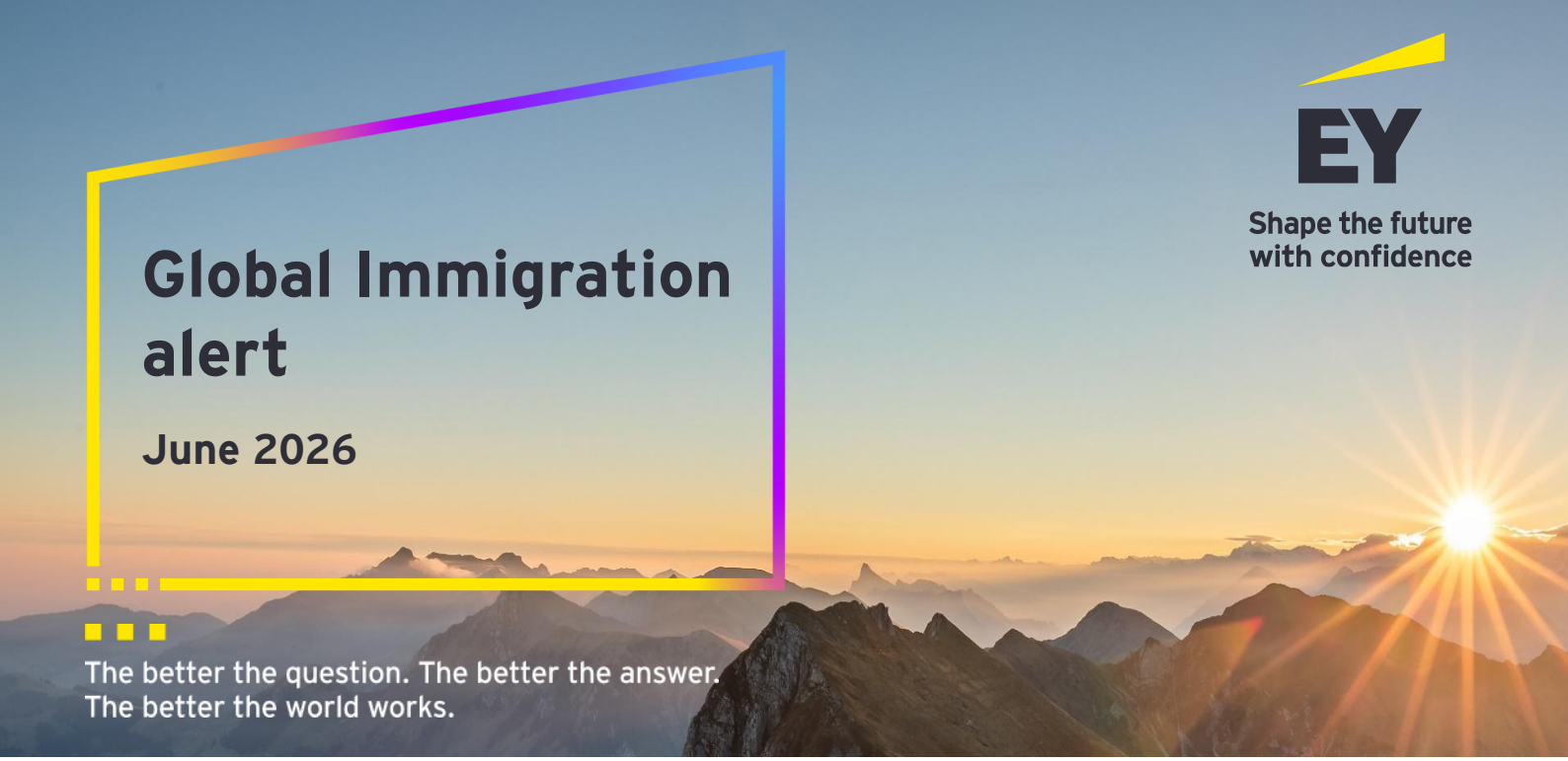

Malaysia

Malaysia introduces stricter Foreign Knowledge Worker headcount approval process and documentation requirements

Executive summary

The Malaysia Digital Economy Corporation (MDEC) has revised the process for Foreign Knowledge Worker (FKW) headcount declarations effective 1 June 2026, with further procedural changes from 3 June 2026. Under the updated framework, companies must undergo a formal evaluation process for headcount approvals and submit additional supporting documentation prior to filing individual applications. These changes affect MDEC-registered companies sponsoring expatriates holding Employment Passes (EP).

Background

FKW headcount represents the approved quota of expatriate employees that a company may hire under MDEC oversight. Previously, companies submitted FKW applications through the eXpats system along with supporting documents to justify the company's hiring needs for expatriates. In 2024, the process was streamlined into a headcount declaration model, which streamlined the process to an automatic approval upon submission of expatriate hiring justification and headcount data.

The revised process is a resurrection of the FKW application process before the streamlined model introduced in 2024, but with a slight change to include supporting documents aligned with broader updates to Malaysia's revised expatriate salary and EP policy framework taking effect in June 2026.

Key developments

MDEC has implemented several significant changes to the FKW headcount and application process:

- *Discontinuation of the previous declaration function:* Effective 25 May 2026, the existing FKW headcount declaration request function in the eXpats system has been discontinued.
- *Introduction of a new projection-based approval process:* From 3 June 2026, companies must submit an FKW projection request through the system. Each request is subject to review by MDEC and approval by an FKW Approval Committee, replacing the previous automatic or near-instant approval approach. The chartered processing time for this process is 14 working days.
- *Additional documentation requirements for specific cases:* For companies under the Global Business Services (GBS) sector that hire new expatriates or renew applications for existing EP category III holders with roles requiring native or near-native language proficiency, the following information/documents must be provided as evidence of eligibility for continued assessment under previous salary requirements until 1 June 2027:
  - Evidence of operations within GBS sector (e.g., membership with GBS Malaysia, Contact Centre Association of Malaysia (CCAM))
  - Justification for roles requiring native or near-native language proficiency

Companies are required to ensure that all supporting documents are complete at submission. Incomplete filings may result in delays or non-processing of applications. Existing approved FKW headcount may continue to be used for individual applications submitted after implementation; however, once existing approved FKW headcount has been fully utilized, companies must request additional headcount under the new projection-based process. Only companies with approved projection headcount requests may proceed with EP applications under the revised process.

Overall, the changes shift the process from a streamlined, system-driven model to a more controlled, review-based approval framework. These changes are only specific to MDEC. There are no changes to the expatriate projection process for companies under the purview of the Expatriate Services Division (ESD), where instant approval is still in place.

Impact on employers

The revised FKW headcount process is expected to have several implications for employers:

- *Longer planning timelines:* Employers should anticipate longer lead times for expatriate hiring due to the introduction of manual review and approval processes.
- *Increased documentation burden:* Companies must prepare comprehensive supporting documentation upfront, particularly for specialized roles or sector-specific applications.
- *Greater scrutiny of workforce planning:* The requirement for projection-based approvals may require companies to more carefully justify expatriate workforce needs relative to local headcount.
- *Operational disruption risks:* Companies relying on rapid hiring of foreign talent may face delays, particularly during the transition period following implementation.
- *Strategic workforce alignment:* Employers may need to align hiring strategies with broader policy objectives, including localization and knowledge transfer initiatives.

Key steps

EY will continue to monitor these developments. Should you have any questions, we encourage you to contact one of our immigration professionals.

Irene Ang
Partner, People Advisory Services, Global Immigration
Tel: +603-7495-8306
Email: irene.ang@my.ey.com

Cynthia Wong
Associate Partner, People Advisory Services, Global Immigration
Tel: +603-7495-8129
Email: cynthia.wong@my.ey.com

Jehan Iskandar
Senior Manager, People Advisory Services, Global Immigration
Tel: +603-7495-8286
Email: jehan.iskandar@my.ey.com

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SCORE 112686-26-GBL

2101-3682263
ED None

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