

1:3 INTERNSHIP POLICY

A PROGRESSIVE POLICY ON EXPATRIATE CONTRIBUTION TO LOCAL TALENT DEVELOPMENT

Frequently Asked Questions (FAQs)

GENERAL POLICY OVERVIEW

1. What is the 1:3 Internship Policy?

The 1:3 Internship Policy on Expatriate Hiring and Local Talent Development is a government-led initiative implemented by the Ministry of Human Resources (KESUMA) through Talent Corporation Malaysia Berhad (TalentCorp). The Policy connects expatriate employment approvals to the development of local talent by mandating that companies offer structured, paid, and quality internship placements under the National Structured Internship Programme (MySIP) for every expatriate hired. This ensures that local students gain industry-relevant experience, enhancing their readiness for the workforce, while companies benefit from double tax deductions for costs incurred in the internship programmes.

2. Why was the 1:3 Internship Policy introduced?

The Policy is essential to meet the growing need for quality internships or work-based learning opportunities for 250,000 to 280,000 students, who make up 2% of the workforce. These students are required to complete an internship or work-based learning to fulfil their academic requirements. The policy ensures that local students receive effective training that bridges the gap between their skill sets and the needs of industries. By implementing the Policy, more than 100,000 internship or work-based learning placements can be created annually, striking a balance between expatriate needs and the development of industry-ready local talent.

3. What are the main objectives of the 1:3 Internship Policy?

The Policy aims to strengthen local talent by providing them with hands-on industry exposure, making them more competitive and workforce-ready while still attracting necessary foreign expertise. It encourages companies to contribute to national talent development by offering structured, paid, and high-quality internship placements. This gives young talent valuable industry experience and increases their employability upon graduation. Additionally, companies benefit from the National Structured Internship Programme (MySIP), which offers double tax deductions for costs incurred during the internship period.

4. Who oversees the implementation of the 1:3 Internship Policy?

With the key decision made at the Cabinet Meeting on 5th June 2024, TalentCorp is mandated to oversee the implementation of this policy to tie the approval of expatriate employment passes to internship placement quotas, aiming to foster the development of young local talents enrolled in public and private higher education institutions, as well as technical and vocational education and training (TVET) institutes.

5. Who will benefit from the 1:3 Internship Policy?

The Policy will benefit the following groups:

- i. Students of TVET and higher education institutions undergoing industrial training during their studies at the Bachelor's, Diploma, or Certificate Level
- ii. Employers and companies that have received approval for expatriate employment passes
- iii. Industry and International chambers of commerce
- iv. Relevant ministries and government agencies

6. When will the 1:3 Internship Policy take effect?

The pilot implementation of the Policy will run from 15 February 2025 to 31 December 2025. After which, the official implementation will take place starting 1 January 2026.

ELIGIBILITY AND REQUIREMENTS

7. Which companies are required to comply with the 1:3 Internship Policy?

The companies involved are those that have been granted approval for expatriate employment passes under the Malaysia Expatriate Service Centre (MYXpats) and Malaysia Digital Economy Corporation (MDEC). For every expatriate Employment Pass (EP) approved, companies are required to offer three (3) internship or work-based learning placements for local talent (1:3 ratio). Adjustments to the ratio may be made based on company and workforce size.

8. Does the 1:3 Internship Policy apply to all expatriates?

The Policy applies to every expatriate Employment Pass (EP) approved – Employment Pass Category 1 (EPI), Employment Pass Category 2 (EPII), and Employment Pass Category 3 (EPIII).

However, the pilot implementation of the Policy will only focus on MYXpats registered companies in Tier 1 and Tier 2 categories (EPI and EPII), which mainly consist of multinational companies, Government-related companies, and conglomerates.

9. Are there any exemptions or specific conditions under which companies may be excluded from implementing the 1:3 Internship Policy?

Exceptions to this policy will be granted to companies or organisations that meet the following conditions:

- a. New companies that have been operating in Malaysia for less than two (2) years;
- b. Companies with Representative or Regional Offices (RERO);
- c. Companies that receive tax exemptions from the government, especially in key sectors like digital and energy (not subject to); and
- d. Other exemption requests may also be considered by the relevant committee based on feedback from the trial phase of the policy.

10. What types of internship placements qualify under the 1:3 Internship Policy?

Any internship placements that qualify under the National Structured Internship Programme (MySIP) qualify under this policy.

The company must offer quality structured internship placements with a minimum duration of 10 weeks, pay a minimum of RM500 or RM600 per month according to the level of study, and get the endorsement of the structured internship programme from TalentCorp. All intern and internship programme requirements must follow those specified under the MySIP.

APPLICATION AND APPROVAL PROCESS

11. How will the 1:3 Internship Policy be implemented?

The Policy will be implemented entirely online through TalentCorp's MyNext internship-focused online platform as a conduit to the Immigration Department of Malaysia's Expatriate Services Division (ESD) platform for expatriate-related employment passes. Through this cooperation, the Government will be able to identify job market demand trends through expatriate application data as well as 360° evaluation of industrial training (company to trainee and vice versa) in a systematic, current (real-time), and strategic manner.

Companies are required to provide a quota of internship placements for local students from public and private higher education institutions as well as technical and vocational education and training (TVET) institutes based on the following ratio:

| No. | Employment Pass Category | Proposed Ratio | Company Requirement |
|-----|--|----------------|---|
| 1. | Employment Pass (EPI) | 1:3 | 1 EPI approval, 3 internship placements establishment |
| 2. | Employment Pass (EPII) | 1:2 | 1 EPII approval, 2 internship placements establishment |
| 3. | Employment Pass (EPIII) | 1:1 | 1 EPIII approval, 1 internship placement establishment |
| 4. | In the scenario where internship placement over the number of organisation manpower is more than 2% | | Companies' internship placement quota will be set at 2% of the total organisation manpower |

Sample calculation:

Company A, with a workforce of **1,200** employees, received EP approval as of March 2025 with the following breakdown:

| EP category | Number of expats |
|-------------|------------------|
| EP1 | 2 |
| EP2 | 4 |
| EP3 | 2 |

Therefore, the regulated minimum number of internship placements established for Company A are as follows:

| EP category | Number of expats | Ratio Calculation | Internship Placement |
|--------------------------------------|------------------|-------------------|----------------------|
| EP1 | 2 | 1:3 | 6 |
| EP2 | 4 | 1:2 | 8 |
| EP3 | 2 | 1:1 | 2 |
| Total number of Internship Placement | | | 16 |

Percentage of internship placement over the number of organisation manpower = $(16/1,200) \times 100 = 1.3\%$

Based on this, Company A has met the requirements of the 1:3 Internship Policy, and the number of internship placements captured for the year 2025 is 16.

However, in September 2025, Company A receives **additional EP approvals** as below:

| EP category | Number of expats (March 2025) | New approvals | Number of expats (September 2025) |
|-------------|-------------------------------|---------------|-----------------------------------|
| EP1 | 2 | +2 | 4 |
| EP2 | 4 | +6 | 10 |
| EP3 | 2 | +1 | 3 |

Therefore, the regulated number of internship placements for Company A has now become the following:

| EP category | Number of expats | Ratio Calculation | Internship Placement |
|--------------------------------------|------------------|-------------------|----------------------|
| EP1 | 4 | 1:3 | 12 |
| EP2 | 10 | 1:2 | 20 |
| EP3 | 3 | 1:1 | 3 |
| Total number of Internship Placement | | | 35 |

Percentage of internship placement over the number of organisation manpower = $(35/1,200) \times 100 = 2.9\%$

With these additional EP approvals, the percentage of internship placement over organisation manpower is more than 2%. Therefore, to fulfil the requirements of the 1:3 Internship Policy, the minimum number of internship placements captured for the year 2025 is $(2/100) \times 1,200 = 24$

12. How does the 1:3 Internship Policy affect the expatriate employment approval process?

The Policy will only be put into effect after the completion of the employment pass approval process and will not interfere with any current approval processes (once the companies involved have received approval for their employment passes). Therefore, the duration and approval requirements of the expatriate employment passes will not be affected.

13. Are companies required to submit proof of internship placements when applying for or renewing expatriate passes?

Companies are not required to provide proof of internship placements offered under this policy as the information will already be captured with the issuance of the Letter of Endorsement under MySIP. The details of the internship offered will be updated back to the ESD online system for future reference, which can be reviewed.

14. Are there resources or support for companies to help implement the 1:3 Internship Policy?

Companies will be invited to offer internship placement under the MySIP, which provides a double tax deduction incentive on expenses incurred on interns. MySIP, which has been implemented by TalentCorp since 2012, acts as a proactive intervention in ensuring that the country's graduates are industry-ready, with emphasis on early exposure and early experience of the real world of work before graduating. MySIP implementation criteria also stipulate that industrial trainees are paid a monthly allowance of at least RM500 or RM600 per month (according to the level of study) throughout the duration of their industrial training, which needs to be at least ten (10) weeks.

15. How can students apply for internships created through the implementation of the 1:3 Internship Policy?

Students can apply for the internships via MyNext Talent at www.mynext.my/talent

16. What is TalentCorp's role in the implementation of the 1:3 Internship Policy?

TalentCorp acts as the Secretariat and Coordinating Agency to the implementation of the Policy through close collaboration with higher learning institutes and industry players to support the development of a sustainable talent pool, bridging gaps between industry and academia, through initiatives such as the Malaysia Critical Occupations List (MyCOL), MyNext, MySIP, MyMAHIR Future Skills Talent Council, and Industry-Academia Collaboration.

IMPACT AND ACCOUNTABILITY

17. How will compliance with the 1:3 Internship Policy be monitored and enforced?

Monitoring and verification will be conducted through the submission of the following documents which is one of the main references for the consideration of issuing the MySIP Letter of Endorsement to qualify the company to apply for the double tax deduction benefits with the Malaysian Inland Revenue Board:

- i. Detailed information on industrial trainees as outlined by TalentCorp
- ii. Feedback and evaluation by industrial trainees and companies at the end of the industrial placement

18. What penalties or consequences will companies face for non-compliance?

No specific penalties will be enforced, as the Policy is deployed to encourage active industry participation in national talent development, which will benefit the industry's future talent pipeline. The MySIP will cushion the impact of the cost of the internship placement offerings.

The approach is in the form of 'encouragement', where companies that meet the requirements will be given more weight/greater consideration for subsequent approvals, and not treated as 'punishment' as a precondition for approval.

19. How will the policy's impact on local talent development be measured?

For the record, over 60,000 employment passes were approved in 2023 (MYXpats and MDEC), and if the 1:3 Internship Policy is implemented according to the recommended ratios, more than 100,000 internship placements could be generated annually. This can be measured by the increase in the number of internship offerings under MySIP captured in the MyNext platform.

ADDITIONAL CLARIFICATIONS AND SUPPORT

20. Where can companies and expatriates get more information about the 1:3 Internship Policy?

Once the 1:3 Internship Policy secretariat receives the number of expatriates' employment approvals together with the quota of internship placements to be offered, companies will receive an invitation email to be part of the MySIP and will be provided with all the relevant details. Companies can also refer to TalentCorp and MyNext websites for more information.

21. Who should companies contact if they have questions or encounter issues?

For any enquiries, please contact the secretariat at mysip@talentcorp.com.my

22. How will this policy evolve or expand in the future? Will there be additional requirements?

Upon completion of the pilot implementation, any further information or updates will be communicated accordingly.

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