

GUIDELINE FOR SME DEFINITION

**Issued by:
SME Corp. Malaysia
Secretariat to the
National Entrepreneur and SME Development Council**

I. Background

Since 2005, a common definition for SMEs endorsed by the National Entrepreneur and SME Development Council (NESDC)¹ [formerly known as the National SME Development Council (NSDC)] has been adopted across Ministries and agencies, financial institutions and regulators involved in SME development programmes. The definition is as follows:

- **Manufacturing (including agro-based) and Manufacturing-related Services:** Sales turnover of less than **RM25 million** OR full-time employees of less than **150**
- **Primary Agriculture and Services (including ICT):** Sales turnover of less than **RM5 million** OR full-time employees of less than **50**

II. SME Definition

Given that there have been many developments in the economy since 2005 such as price inflation, structural changes and change in business trends, a review of the definition was undertaken in 2013 and a new SME definition was endorsed at the 14th NSDC Meeting in July 2013.

A business will be classified as an **SME** if it **fulfils** all the **three (3) conditions** in regards to the **qualifying criteria**, **type of establishment** and **shareholding structure** as below:

(A) Qualifying Criteria

Meet either one of the two specified qualifying criteria, namely sales turnover or full-time employees, **whichever is lower**.

Table 1: Summary of the Qualifying Criteria

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|---|
| <ul style="list-style-type: none">• Manufacturing: Sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 workers• Services and other sectors: Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers |
|---|

Details of the qualifying criteria are as follows:

(i) Definition by Size of Operation

- **Microenterprises across all sectors:** Sales turnover of less than RM300,000 OR less than 5 full-time employees.

¹ NESDC which serves as the highest authority to chart the national policy on SME development is chaired by YAB Prime Minister with members from 16 Ministries and key agencies.

- **Table 2 summarises the definition for the small and medium categories** for the respective sectors.

Table 2: Definition by Size of Operation

Category	Small	Medium
Manufacturing	Sales turnover from RM300,000 to less than RM15 million <u>OR</u> full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million <u>OR</u> full-time employees from 75 to not exceeding 200
Services & Other Sectors	Sales turnover from RM300,000 to less than RM3 million <u>OR</u> full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million <u>OR</u> full-time employees from 30 to not exceeding 75

- **If a business fulfils either one criterion across the different sizes of operation**, then the **smaller size will be applicable**. For example if a firm's sales turnover falls under microenterprise but employment falls under small, the business will be deemed as a microenterprise.

(ii) Terms of the qualifying criteria

- Sales turnover refers to **total revenue** including other incomes.
- **Full-time employees** include all paid workers working for **at least 6 hours a day and 20 days a month**; or at least **120 hours a month**. Full-time workers also include foreign and contract workers. However, the definition excludes working proprietors, active business partners and unpaid family members or friends who are working in the business and do not receive regular wages.
- **'OR' basis** means that a business will need to satisfy **either one of the two criteria** used in the definition (whichever is lower).
- If a business **exceeds the threshold** set under both criteria for **2 consecutive years** (based on its financial year/ accounting period) then it **can no longer be deemed as SMEs**. Similarly, a business that is previously large can become an SME if it fulfils the qualifying criteria of SMEs for **2 consecutive years**.

(B) Type of Establishment

Pure business entity that is:

- i. Locally incorporated under the Companies Act 2016 (replaced Companies Act 1965) ; or
- ii. Registered under the Registration of Business Act (1956) or Limited Liability Partnerships (LLP) Act 2012; or
- iii. Registered under respective authorities or district offices in Sabah and Sarawak; or
- iv. Registered under respective statutory bodies for professional service providers.

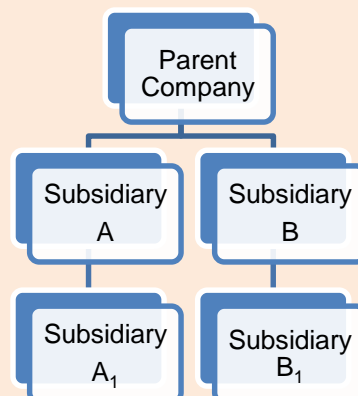
(C) Shareholding Structure

- i. Companies that are **public-listed in the secondary bourses** such as the ACE market, Malaysia Online Trading Platform for Unlisted Market (MyULM) or in secondary markets / SME exchanges / unlisted markets in other countries and their **subsidiaries** will be **considered as SMEs**.
- ii. **Public-listed companies in the main board** such as Bursa Malaysia or main bourses in other countries and their **subsidiaries** will **not** be considered as **SMEs**.
- iii. **Subsidiaries of large firms, multinational corporations (MNCs), Government-linked companies (GLCs), Syarikat Menteri Kewangan Diperbadankan (MKD) and State-owned enterprises** will **not** be considered as **SMEs**.

Subsidiaries refer to entities where the **parent company has controlling power** over the entities either via:

- The **composition** of its **board of directors**; or
- **Has more than 50%** of its **voting power/ share capital** (excluding preference shares); or
- **Indirectly**, through another entity which is a subsidiary that is owned by the parent company (two level subsidiary). For this, again the conditions in **(C)** will apply (refer to Illustration 1.1).

Illustration 1.1



III. Foreign-owned Businesses

For statistical purposes, all business establishments including foreign businesses that fulfil the SME definition **will be classified as SMEs**. However, it is **recommended** that a **minimum local equity of more than 50%** be imposed depending on the objectives of the programmes, in order to qualify for Government assistance.

IV. Classification of Sectors

- **‘Manufacturing’** refers to physical or chemical transformation of materials or components into new products.
- **‘Services’** refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering etc.
- **‘Others’** refer to the remaining 3 key economic activities, namely:
 - (i) **Primary Agriculture**
 - Perennial crops (e.g. rubber, oil palm, cocoa, pepper etc.) and cash crops (e.g. vegetables, fruits etc.)
 - Livestock
 - Forestry & logging
 - Marine fishing
 - Aquaculture
 - (ii) **Construction**
 - Infrastructure
 - Residential & non-residential
 - Special trade
 - (iii) **Mining & quarrying**
- Classification of economic activities for purposes of definition will be based on the Malaysian Standard Industrial Classification (MSIC) 2008 codes as per **Annex 1**. This is to ensure comparability of data from various sources and to facilitate data harmonisation across the various providers of SME statistics. However, the list of activities is **not exhaustive** and may be subject to amendments from time to time.

V. Applicability of Definition

- i. The new SME definition is applied to **all relevant stakeholders** implementing SME development initiatives. These include Ministries and agencies² at the Federal and State levels (including statutory bodies and local authorities), regulators as well as financial institutions.
- ii. This is for **identification of eligibility status** for SME development programmes, formulation of SME policies as well as compilation of SME statistics. However, in addition to these criteria, additional eligibility criteria may be imposed by the implementing institutions depending on the scope and objectives of the SME development programmes.
- iii. For purposes of data collection, at all times, the relevant Ministries, Government Agencies and financial institutions should maintain **data on companies and businesses based on both criteria** i.e. sales turnover and number of full-time employees. If for any particular reason the stakeholders are unable to compile or maintain both these data, then they should notify the Secretariat.
- iv. All stakeholders involved in SME development programmes are required to **harmonise their data collection** procedures based on the size and sectoral classifications mentioned. This will enable comparability of data across institutions and provide valuable statistics to better understand the status, issues and development needs of SMEs across all sectors.

VI. Effective Date

The new SME definition came into effect as of **1 January 2014**. This means that eligibility for SME development programmes and SME statistics compiled from 2014 onwards shall follow this new definition. All statistics compiled prior to 2014 will remain status quo and will not be affected by the new definition.

VII. Frequently Asked Questions (FAQ)

Please refer to **Annex 2**.

VIII. Registration of SME Status

SME Registration Status System has been established by SME Corp. Malaysia to validate SME status. Verifying the status of an SME will facilitate the business from repeatedly submitting the same document or information to the relevant party to verify the status of the business. Further details on the registration can be referred at <https://smereg.smecorp.gov.my> or at SME Corp. Malaysia official website.

² Currently, the definition of small scale companies for incentives under Malaysian Investment Development Authority (MIDA) and corporate tax treatment under the Inland Revenue Board (IRB) is based on their respective legislations.

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**ECONOMIC ACTIVITIES UNDER BROAD SECTORS
(BASED ON MSIC 2008 DIVISIONS AND DESCRIPTIONS)**

<p>Primary Agriculture</p> <p>A. AGRICULTURE, FORESTRY AND FISHING</p> <p>01 Crops and animal production, hunting and related service activities 011 Growing of non-perennial crops 012 Growing of perennial crops 013 Plant propagation 014 Animal production 015 Mixed farming 016 Support activities to agriculture and post-harvest crops activities 017 Hunting, trapping and related service activities</p> <p>02 Forestry and logging 021 Silviculture and other forestry activities 022 Logging 023 Gathering of non-wood forest products 024 Support services to forestry</p> <p>03 Fishing and aquaculture 031 Fishing 032 Aquaculture</p> <p>Mining & Quarrying</p> <p>B. MINING AND QUARRYING</p> <p>05 Mining of coal and lignite 051 Mining of hard coal 052 Mining of lignite</p> <p>06 Extraction of crude petroleum and natural gas 061 Extraction of crude petroleum 062 Extraction of natural gas</p> <p>07 Mining of metal ores 071 Mining of iron ores 072 Mining of non-ferrous metal ores</p> <p>08 Other mining and quarrying 081 Quarrying of stone, sand and clay 089 Mining and quarrying n.e.c.</p> <p>09 Mining support service activities 091 Support activities for petroleum and natural gas extraction 099 Support activities for other mining and quarrying</p> <p>Manufacturing</p> <p>C. MANUFACTURING</p> <p>10 Manufacture of food products 101 Processing and preserving of meat 102 Processing and preserving of fish, crustaceans and molluscs 103 Processing and preserving of fruit and vegetables 104 Manufacture of vegetable and animal oils and fats 105 Manufacture of dairy products 106 Manufacture of grain mill products, starches and starch products 107 Manufacture of other food products 108 Manufacture of prepared animal feeds</p> <p>11 Manufacture of beverages 110 Manufacture of beverages</p> <p>12 Manufacture of tobacco products</p>	<p>120 Manufacture of tobacco products</p> <p>13 Manufacture of textiles 131 Spinning, weaving and finishing of textiles 139 Manufacture of other textiles</p> <p>14 Manufacture of wearing apparel 141 Manufacture of wearing apparel, except fur apparel 142 Manufacture of articles of fur 143 Manufacture of knitted and crocheted apparel</p> <p>15 Manufacture of leather and related products 151 Tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness; dressing and dyeing of fur 152 Manufacture of footwear</p> <p>16 Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials 161 Sawmilling and planing of wood 162 Manufacture of products of wood, cork, straw and plaiting materials</p> <p>17 Manufacture of paper and paper products 170 Manufacture of paper and paper products</p> <p>18 Printing and reproduction of recorded media 181 Printing and service activities related to printing 182 Reproduction of recorded media</p> <p>19 Manufacture of coke and refined petroleum products 191 Manufacture of coke oven products 192 Manufacture of refined petroleum products</p> <p>20 Manufacture of chemicals and chemical products 201 Manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms 202 Manufacture of other chemical products 203 Manufacture of man-made fibres</p> <p>21 Manufacture of basic pharmaceutical products and pharmaceutical preparations 210 Manufacture of pharmaceuticals, medicinal chemical and botanical products</p> <p>22 Manufacture of rubber and plastics products 221 Manufacture of rubber products 222 Manufacture of plastics products</p> <p>23 Manufacture of other non-metallic mineral products 231 Manufacture of glass and glass products 239 Manufacture of non-metallic mineral products n.e.c.</p> <p>24 Manufacture of basic metals 241 Manufacture of basic iron and steel 242 Manufacture of basic precious and other non-ferrous metals 243 Casting of metals</p> <p>25 Manufacture of fabricated metal products, except machinery and equipment 251 Manufacture of structural metal products, tanks, reservoirs and steam generators 252 Manufacture of weapons and ammunition 259 Manufacture of other fabricated metal products; metalworking service activities</p>
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26 Manufacture of computer, electronic and optical products

261 Manufacture of electronic components and boards
262 Manufacture of computers and peripheral equipment
263 Manufacture of communication equipment
264 Manufacture of consumer electronics
265 Manufacture of measuring, testing, navigating and control equipment; watches and clocks
266 Manufacture of irradiation, electromedical and electrotherapeutic equipment
267 Manufacture of optical instruments and photographic equipment
268 Manufacture of magnetic and optical media

27 Manufacture of electrical equipment

271 Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus
272 Manufacture of batteries and accumulators
273 Manufacture of wiring and wiring devices
274 Manufacture of electric lighting equipment
275 Manufacture of domestic appliances
279 Manufacture of other electrical equipment

28 Manufacture of machinery and equipment n.e.c.

281 Manufacture of general-purpose machinery
282 Manufacture of special-purpose machinery

29 Manufacture of motor vehicles, trailers and semitrailers

291 Manufacture of motor vehicles
292 Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers
293 Manufacture of parts and accessories for motor vehicles

30 Manufacture of other transport equipment

301 Building of ships and boats
302 Manufacture of railway locomotives and rolling stock
303 Manufacture of air and spacecraft and related machinery
304 Manufacture of military fighting vehicles
309 Manufacture of transport equipment n.e.c.

31 Manufacture of furniture

310 Manufacture of furniture

32 Other manufacturing

321 Manufacture of jewellery, bijouterie and related articles
322 Manufacture of musical instruments
323 Manufacture of sports goods
324 Manufacture of games and toys
325 Manufacture of medical and dental instruments and supplies
329 Other manufacturing n.e.c.

33 Repair and installation of machinery and equipment

331 Repair of fabricated metal products, machinery and equipment
332 Installation of industrial machinery and equipment

Services**D. ELECTRICITY, GAS, STEAM & AIR CONDITIONING SUPPLY****35 Electricity, gas, steam and air conditioning supply**

351 Electric power generation, transmission and distribution
352 Manufacture of gas; distribution of gaseous fuels through mains
353 Steam and air conditioning supply

E. WATER SUPPLY;SEWERAGE, WASTE MANAGEMENT & REMEDIATION ACTIVITIES**36 Water collection, treatment and supply**

360 Water collection, treatment and supply

37 Sewerage

370 Sewerage

38 Waste collection, treatment and disposal activities; materials recovery

381 Waste collection
382 Waste treatment and disposal
383 Materials recovery

39 Remediation activities and other waste management services

390 Remediation activities and other waste management services

F. CONSTRUCTION**41 Construction of buildings**

410 Construction of buildings

42 Civil engineering

421 Construction of roads and railways
422 Construction of utility projects
429 Construction of other civil engineering projects

43 Specialized construction activities

431 Demolition and site preparation
432 Electrical, plumbing and other construction installation activities
433 Building completion and finishing
439 Other specialized construction activities

Services**G. WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES****45 Wholesale and retail trade and repair of motor vehicles and motorcycles**

451 Sale of motor vehicles
452 Maintenance and repair of motor vehicles
453 Sale of motor vehicle parts and accessories
454 Sale, maintenance and repair of motorcycles and related parts and accessories

46 Wholesale trade, except of motor vehicles and motorcycles

461 Wholesale on a fee or contract basis
462 Wholesale of agricultural raw materials and live animals
463 Wholesale of food, beverages and tobacco
464 Wholesale of household goods
465 Wholesale of machinery, equipment and supplies
466 Other specialized wholesale
469 Non-specialized wholesale trade

47 Retail trade, except of motor vehicles and motorcycles

471 Retail sale in non-specialized stores
472 Retail sale of food, beverages and tobacco in specialized stores
473 Retail sale of automotive fuel in specialized stores
474 Retail sale of information and communications equipment in specialized stores
475 Retail sale of other household equipment in specialized stores
476 Retail sale of cultural and recreation goods in specialized stores
477 Retail sale of other goods in specialized stores
478 Retail sale via stalls and markets
479 Retail trade not in stores, stalls or markets

H. TRANSPORTATION & STORAGE**49 Land transport and transport via pipelines**

491 Transport via railways
492 Other land transport
493 Transport via pipeline

50 Water transport

501 Sea and coastal water transport
502 Inland water transport

51 Air transport

511 Passenger air transport
512 Freight air transport

52 Warehousing and support activities for transportation

521 Warehousing and storage
522 Support activities for transportation

53 Postal and courier activities

531 Postal activities
532 Courier activities

I. ACCOMMODATION & FOOD SERVICE ACTIVITIES**55 Accommodation**

551 Short term accommodation activities
552 Camping grounds, recreational vehicle parks and trailer parks
559 Other accommodation

56 Food and beverage service activities

561 Restaurants and mobile food service activities
562 Event catering and other food service activities
563 Beverage serving activities

J. INFORMATION AND COMMUNICATION**58 Publishing activities**

581 Publishing of books, periodicals and other publishing activities
582 Software publishing

59 Motion picture, video and television programme production, sound recording and music publishing activities

591 Motion picture, video and television programme activities
592 Sound recording and music publishing activities

60 Programming and broadcasting activities

601 Radio broadcasting
602 Television programming and broadcasting activities

61 Telecommunications

611 Wired telecommunications activities
612 Wireless telecommunications activities
613 Satellite telecommunications activities
619 Other telecommunications activities

62 Computer programming, consultancy and related activities

620 Computer programming, consultancy and related activities

63 Information service activities

631 Data processing, hosting and related activities; web portals
639 Other information service activities

K. FINANCIAL AND INSURANCE/TAKAFUL ACTIVITIES**64 Financial service activities, except insurance/takaful and pension funding**

641 Monetary intermediation
642 Activities of holding companies
643 Trusts, funds and similar financial entities
649 Other financial service activities, except insurance/takaful and pension funding activities

65 Insurance/takaful, reinsurance/retakaful and pension funding, except compulsory social security

651 Insurance/takaful
652 Reinsurance/retakaful
653 Pension funding

66 Activities auxiliary to financial service and insurance/takaful activities

661 Activities auxiliary to financial service activities, except insurance/takaful and pension funding
662 Activities auxiliary to insurance/takaful and pension funding
663 Fund management activities

L. REAL ESTATE ACTIVITIES**68 Real estate activities**

681 Real estate activities with own or leased property
682 Real estate activities on a fee or contract basis

M. PROFESSIONAL, SCIENTIFIC & TECHNICAL ACTIVITIES**69 Legal and accounting activities**

691 Legal activities
692 Accounting, bookkeeping and auditing activities; tax consultancy

70 Activities of head offices; management consultancy activities

701 Activities of head offices
702 Management consultancy activities

71 Architectural and engineering activities; technical testing and analysis

711 Architectural and engineering activities and related technical consultancy
712 Technical testing and analysis

72 Scientific research and development

721 Research and experimental development on natural sciences and engineering
722 Research and experimental development on social sciences and humanities

73 Advertising and market research

731 Advertising
732 Market research and public opinion polling

74 Other professional, scientific and technical activities

741 Specialized design activities
742 Photographic activities
749 Other professional, scientific and technical activities n.e.c.

75 Veterinary activities

750 Veterinary activities

N. ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES**77 Rental and leasing activities**

771 Renting and leasing of motor vehicles
772 Renting and leasing of personal and household goods
773 Renting and leasing of other machinery, equipment and tangible goods
774 Leasing of intellectual property and similar products, except copyrighted works

78 Employment activities

781 Activities of employment placement agencies
782 Temporary employment agency activities
783 Other human resources provision

79 Travel agency, tour operator, reservation service and related activities

791 Travel agency and tour operator activities
799 Other reservation service and related activities

80 Security and investigation activities

801 Private security activities
802 Security systems service activities
803 Investigation activities

81 Services to buildings and landscape activities

811 Combined facilities support activities
812 Cleaning activities
813 Landscape care and maintenance service activities

82 Office administrative, office support and other business support activities

821 Office administrative and support activities
822 Activities of call centres
823 Organization of conventions and trade shows
829 Business support service activities n.e.c.

**O. PUBLIC ADMINISTRATION AND DEFENCE;
COMPULSORY SOCIAL SECURITY**

84 Public administration and defence; compulsory social security

841 Administration of the State and the economic and social policy of the community
842 Provision of services to the community as a whole
843 Compulsory social security activities

P. EDUCATION

85 Education

851 Pre-primary and primary education
852 Secondary education
853 Higher education
854 Other education
855 Educational support activities

Q. HUMAN HEALTH AND SOCIAL WORK ACTIVITIES

86 Human health activities

861 Hospital activities
862 Medical and dental practice activities
869 Other human health activities

87 Residential care activities

871 Residential nursing care facilities
872 Residential care activities for mental retardation, mental health and substance abuse
873 Residential care activities for the elderly and disabled
879 Other residential care activities

88 Social work activities without accommodation

881 Social work activities without accommodation for the elderly and disabled
889 Other social work activities without accommodation n.e.c.

R. ARTS, ENTERTAINMENT AND RECREATION

90 Creative, arts and entertainment activities

900 Creative, arts and entertainment activities

91 Libraries, archives, museums and other cultural activities

910 Libraries, archives, museums and other cultural activities

92 Gambling and betting activities

920 Gambling and betting activities

93 Sports activities and amusement and recreation activities

931 Sports activities
932 Other amusement and recreation activities

S. OTHER SERVICE ACTIVITIES

94 Activities of membership organizations

941 Activities of business, employers and professional membership organizations
942 Activities of trade unions
949 Activities of other membership organizations

95 Repair of computers and personal and household goods

951 Repair of computers and communication equipment
952 Repair of personal and household goods

96 Other personal service activities

960 Other personal service activities

**T. ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS;
UNDIFFERENTIATED GOODS- AND SERVICES
PRODUCING ACTIVITIES OF HOUSEHOLDS FOR
OWN USE**

97 Activities of households as employers of domestic personnel

970 Activities of households as employers of domestic personnel

98 Undifferentiated goods- and services-producing activities of private households for own use

981 Undifferentiated goods-producing activities of private households for own use
982 Undifferentiated service-producing activities of private households for own use

**U. ACTIVITIES OF EXTRATERRITORIAL
ORGANIZATIONS AND BODIES**

99 Activities of extraterritorial organizations and bodies

990 Activities of extraterritorial organizations and bodies

FREQUENTLY ASKED QUESTIONS (FAQ)

- 1. What is the definition of sales turnover?**
Sales turnover refers to **total revenue** including other incomes.
- 2. What is the definition of full-time employees?**
Full-time employees include all paid workers working for **at least 6 hours a day and 20 days a month**; or at least **120 hours a month**.
- 3. What if a business can fulfill only the sales turnover but not the employment criteria?**
A business will only need to satisfy **one of the two criteria** used in the definition in order to be classified as SMEs. The use of 'OR' basis in the definition provides greater flexibility for businesses to comply with the definition and thus be classified as SMEs.
- 4. What happens if a business goes above or fall below a particular threshold?**
If a business exceeds the threshold set under both criteria for **2 consecutive years** (based on financial year/ accounting period) then it can no longer be deemed as SMEs. Similarly, a business that is previously large can become an SME if it fulfills the qualifying criteria of SMEs for **2 consecutive years**.
- 5. If a business can fulfill one criteria i.e sales turnover under micro enterprise and another criteria i.e employment under small, which category does the business belongs to?**
In this case, the **smaller size will prevail** i.e. the business will be deemed as a micro enterprise.
- 6. What if a firm has separate entity to undertake sales & marketing, R&D, distribution etc. Does each of this entity be considered as a separate SME or do they come under one SME?**
This depends on how the firm and entities are registered under the Companies Commission of Malaysia (SSM). If they are registered as separate entities, then each of these are treated as different SMEs, even if there are related companies. However, if they are registered as one entity, then it is only one SME.
- 7. Can a public-listed company be classified as SME?**
It depends. If the firm is listed not in the main bourse of the local market or outside the country (ACE market, unlisted market or SME exchange) but meets the criteria of an SME, it is still deemed as an SME. However, if the firm meets the SME criteria but is listed in the main board in Malaysia or in a country outside Malaysia, then it is not an SME.
- 8. Can a subsidiary of a holding company listed on ACE Market / LEAP Market be classified as SME?**
Yes, since ACE Market/LEAP Market is not a main market, the subsidiary of the holding company will qualify as long as the holding company meets the sales and employees threshold of the definition.

9. **If there is another level of Ultimate Holding Company listed under Main Board and an immediate holding company under ACE Market, can the subsidiary be classified as SME?**

Public-listed companies in the main board such as Bursa Malaysia or main bourses in other countries and their subsidiaries will not be considered as SMEs. **Subsidiary includes indirect entity** that is owned by a parent company (**two level subsidiary**).

10. **How does the definition apply to an associate company of a holding company listed under Main Board?**

As long as the holding company **does not own majority shares (50% and above)** of the associate company, then it can be classified as SME. If not, it will be deemed as a subsidiary thus the subsidiary rules shall apply.

11. **Can a subsidiary of a holding company with a majority share (more than 50%) held by a foreign individual be classified as SME?**

Foreign ownership **does not indicate the size** of a business. Therefore, if the holding company is not a large company/MNC/GLC or listed on main market and the subsidiary meets the sales and employees threshold of the definition, then it is a SME. Foreign equity usually is taken into account for Government funded programmes.

12. **If the parent company which qualified under SME classification owned a subsidiary which is a non-SME or exceeded the SME definition threshold, do we still consider the parent company as SME?**

The setting of the thresholds for sales turnover and employees are based on a separate entity, not on a group basis. Therefore in this scenario, and if the accounting treatment for the parent and subsidiaries are detached, the parent company can be considered as an SME.

13. **Can revenue generating organisations such as youth associations, trade unions, consumer associations etc. be defined as SMEs?**

These will not be defined as SMEs as they are not considered as pure business entities. These entities are established for socio-economic reasons and come under a different legislation (not under SSM).

14. **How can a company / business obtain a verification of its SME Status?**

Companies / businesses can browse the SME Corp. Malaysia website at www.smecorp.gov.my or at link <https://smereg.smecorp.gov.my>.