

# **GUIDELINE FOR NEW SME DEFINITION**

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National SME Development Council**

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## 1. Background

Since 2005, a common definition for SMEs endorsed by the National SME Development Council (NSDC)<sup>1</sup> 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**

## 2. New 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 14<sup>th</sup> NSDC Meeting in July 2013. The definition was simplified as follows:

- **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**

A business will be deemed as an SME if it meets **either one of the two specified qualifying criteria**, namely sales turnover or full-time employees, **whichever is lower**.

Details of the new definition are as follows:

### 2.1 Definition by Size of Operation

- **Microenterprises across all sectors:** Sales turnover of less than RM300,000 OR less than 5 full-time employees.
- **Table 1 on page 2 summarises the definition for the small and medium categories** for the respective sectors.

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<sup>1</sup> NSDC 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 1: Definition by Size of Operation**

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

- **If a business fulfills either one criteria 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.

## **2.2 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.

### 2.3 Details of 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 fulfills the qualifying criteria of SMEs for **2 consecutive years**.
- For statistical purposes, all business establishments including foreign businesses that fulfill the SME definition **will be classified as SMEs**.

## 3. Scope of SMEs

In addition to the qualifying criteria i.e. sales turnover and full-time employees, there are additional conditions that must be fulfilled to be classified as SMEs:

### 3.1 Types of Establishment

**SMEs refer to only pure business entities** registered with the following bodies:

- (i) **Companies Commission of Malaysia (SSM)** either under the Registration of Business Act (1956) or Registration of Company Act (1965) or Limited Liability Partnerships (LLP) Act 2012; or
- (ii) **Respective authorities** or district offices in **Sabah and Sarawak**; or
- (iii) **Respective statutory bodies** for professional service providers.

### 3.2 Shareholding Structure

- (i) Companies that are **public-listed but are in the secondary bourses** such as the ACE market, Malaysia Online Trading Platform for Unlisted

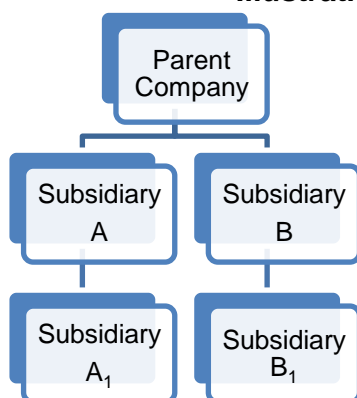
Market (MyULM) or in secondary markets / SME exchanges / unlisted markets in other countries will still be considered as SMEs for as long as they fulfil the qualifying criteria.

- (ii) **Subsidiaries of firms in (i)** will also be considered as SMEs for as long as they fulfill the qualifying criteria.

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 (i) and (ii) will apply (refer to Illustration 1.1).

**Illustration 1.1**



These are also pre-conditions to be eligible for Government assistance programmes. It is also 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.

#### **4. Exclusions**

The following businesses **will not be deemed as SMEs** and also do not qualify for Government assistance:

4.1 **Public-listed companies in the main board** such as Bursa Malaysia or main bourses in other countries.

4.2 **Subsidiaries of the following entities:**

- (i) Public-listed companies in the main board.
- (ii) Large firms, multinational corporations (MNCs), Government-linked companies (GLCs), Syarikat Menteri Kewangan Diperbadankan (MKDs) and State-owned enterprises.

In this case, if the parent company in the Illustration 1.1 falls under (i) and (ii), then its subsidiaries (A and B) and their next level of subsidiaries (A<sub>1</sub> and B<sub>1</sub>) are not eligible for assistance.

## 5. Applicability of Definition

- 5.1 The new SME definition is applied to **all relevant stakeholders** implementing SME development initiatives. These include Ministries and agencies<sup>2</sup> at the Federal and State levels (including statutory bodies and local authorities), regulators as well as financial institutions.
- 5.2 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.
- 5.3 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.
- 5.4 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.

## 6. Effective Date

The new SME definition will come 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.

## 7. Frequently Asked Questions (FAQ)

Please refer to **Annex 2**.

### For any queries, please contact:

- i) Cik Kausalya Gopal (03-2775 6288)/ [kausalya@smecorp.gov.my](mailto:kausalya@smecorp.gov.my)
- ii) Pn. Suraini Sulaiman (03-2775 6290/ [suraini@smecorp.gov.my](mailto:suraini@smecorp.gov.my))

Economics and Policy Planning Division  
SME Corporation Malaysia

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<sup>2</sup> 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.

Economic Activities under Broad Sectors  
(Based on MSIC 2008 divisions and descriptions)

<p><b>Primary Agriculture</b></p> <p><b>A. AGRICULTURE, FORESTRY AND FISHING</b></p> <p><b>01 Crops and animal production, hunting and related service activities</b></p> <p>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><b>02 Forestry and logging</b></p> <p>021 Silviculture and other forestry activities 022 Logging 023 Gathering of non-wood forest products 024 Support services to forestry</p> <p><b>03 Fishing and aquaculture</b></p> <p>031 Fishing 032 Aquaculture</p> <p><b>Mining &amp; Quarrying</b></p> <p><b>B. MINING AND QUARRYING</b></p> <p><b>05 Mining of coal and lignite</b></p> <p>051 Mining of hard coal 052 Mining of lignite</p> <p><b>06 Extraction of crude petroleum and natural gas</b></p> <p>061 Extraction of crude petroleum 062 Extraction of natural gas</p> <p><b>07 Mining of metal ores</b></p> <p>071 Mining of iron ores 072 Mining of non-ferrous metal ores</p> <p><b>08 Other mining and quarrying</b></p> <p>081 Quarrying of stone, sand and clay 089 Mining and quarrying n.e.c.</p> <p><b>09 Mining support service activities</b></p> <p>091 Support activities for petroleum and natural gas extraction 099 Support activities for other mining and quarrying</p> <p><b>Manufacturing</b></p> <p><b>C. MANUFACTURING</b></p> <p><b>10 Manufacture of food products</b></p> <p>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><b>11 Manufacture of beverages</b></p> <p>110 Manufacture of beverages</p> <p><b>12 Manufacture of tobacco products</b></p> <p>120 Manufacture of tobacco products</p>	<p><b>Manufacturing</b></p> <p><b>13 Manufacture of textiles</b></p> <p>131 Spinning, weaving and finishing of textiles 139 Manufacture of other textiles</p> <p><b>14 Manufacture of wearing apparel</b></p> <p>141 Manufacture of wearing apparel, except fur apparel 142 Manufacture of articles of fur 143 Manufacture of knitted and crocheted apparel</p> <p><b>15 Manufacture of leather and related products</b></p> <p>151 Tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness; dressing and dyeing of fur 152 Manufacture of footwear</p> <p><b>16 Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials</b></p> <p>161 Sawmilling and planing of wood 162 Manufacture of products of wood, cork, straw and plaiting materials</p> <p><b>17 Manufacture of paper and paper products</b></p> <p>170 Manufacture of paper and paper products</p> <p><b>18 Printing and reproduction of recorded media</b></p> <p>181 Printing and service activities related to printing 182 Reproduction of recorded media</p> <p><b>19 Manufacture of coke and refined petroleum products</b></p> <p>191 Manufacture of coke oven products 192 Manufacture of refined petroleum products</p> <p><b>20 Manufacture of chemicals and chemical products</b></p> <p>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><b>21 Manufacture of basic pharmaceutical products and pharmaceutical preparations</b></p> <p>210 Manufacture of pharmaceuticals, medicinal chemical and botanical products</p> <p><b>22 Manufacture of rubber and plastics products</b></p> <p>221 Manufacture of rubber products 222 Manufacture of plastics products</p> <p><b>23 Manufacture of other non-metallic mineral products</b></p> <p>231 Manufacture of glass and glass products 239 Manufacture of non-metallic mineral products n.e.c.</p> <p><b>24 Manufacture of basic metals</b></p> <p>241 Manufacture of basic iron and steel 242 Manufacture of basic precious and other non-ferrous metals 243 Casting of metals</p> <p><b>25 Manufacture of fabricated metal products, except machinery and equipment</b></p> <p>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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## **Manufacturing**

### **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

## **Services**

### **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

## **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 employee?**

Full-time employees basically refer to workers who work for at least six hours a day and at least 20 days a month, including foreign and contract workers.

**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. Why change the definition?**

The current definition has been in place for the past nine years and there have been many developments in the economy such as price inflation, structural changes and change in business trends. All these factors have been taken into account in coming out with the new definition.

**5. 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 accounting period or equivalent) then it can no longer be deemed as SMEs. Similarly, a business that is previously large can regress to an SME if it fulfills the qualifying criteria of SMEs for 2 consecutive years.

**6. If a business can fulfill one criteria i.e sales turnover under the micro category and another criteria i.e employment under the small category, which category does the business belongs to?**

In this case, the lower category will prevail i.e business will be deemed as a micro enterprise.

**7. What if a particular SME owns a few subsidiaries to undertake different activities i.e sales & marketing, R&D, distribution etc. Does the definition take into account the total sales turnover or employees of the SME?**

The calculation of the sales turnover and employees is based on a separate entity, not on a group basis. Therefore, as long as the businesses are registered under different entity, the subsidiaries are also SMEs if they meet the official criteria to be classified as SMEs. However, there are costs in setting up many subsidiaries such as company registration cost, accounting and auditing costs, company secretarial costs, management and other administrative costs.

**8. Can a listed company be classified as SMEs?**

As long as a company meets the definition criteria to be classified as a SMEs, it does not matter if the SME is a public listed company or not. For example, an SME could be a listed in the Bursa Malaysia ACE market or any publicly-traded market in Malaysia.

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

No, because these entities are not solely established for business purpose and they often have other purposes such as to provide social welfare for its members. The new definition has specified the scope of SMEs to only cover entities established for business purposes only.

**10. With the revision in the definition, how many more firms will be considered as SMEs, and what is the total number of SMEs in the country?**

Our technical analysis shows that an additional 8,100 firms will enter the ranks of SMEs hence bringing the total SMEs in the country to 653,000 or 98.5% of total establishments.

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SME Corp. Malaysia