

TECHNICAL

Direct Taxation

MEDIA RELEASE BY NATIONAL SME DEVELOPMENT COUNCIL (NSDC) AND GUIDELINE FOR NEW SME DEFINITION

Following our [e-CTIM TECH No. 90/2013](#), issued on 19 July 2013, the NSDC issued a Media Release on 9 Dec 2013. The main points in the Release are as follows:

1. Prime Minister, YAB Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak announced that the implementation of the SME Masterplan is on track with the implementation of one of the first **High Impact Programmes** (HIP) to be rolled out in early 2014. The SME Masterplan released in July last year aims at raising the contribution of SMEs to the economy from the current 32% of GDP to 41% by 2020. The Masterplan is based on public-private partnership whereby the lead agencies will undertake this programme in collaboration with the private sector.
2. The Council was also briefed on the status of the **new SME definition** which will come into effect on 1 January 2014. SME Corp. Malaysia has circulated the [Guideline For New SME Definition](#) through its website.
3. At the 14th NSDC Meeting which was held in July 2013, SME Corp. Malaysia was entrusted by the Prime Minister to develop the **Micro Enterprises Breakout Strategy**. The Strategy is aimed at improving productivity and accelerating growth of Micro Enterprises (MEs) in Malaysia that cut across all economic sectors and inclusive enough to address the need and development of youth, women and rural communities. Under this Strategy, there will be five focused programmes that have been planned to be launched by 2014: StartMEup, GrowME, MarketME, FastTrackME and MEMoneymatter.

The Council also agreed that SME Corp. Malaysia will assume the position of a one-stop centre and key driver for ME development.

4. The establishment of an **SME Act** was approved at the 13th NSDC meeting held in July 2012. The Act will cover the entire SME ecosystem including its vital elements whereby a framework has been designed based on several engagements and background research that were duly conducted. These engagements included making comparisons and highlighting the best practices from other countries with similar Act. Based on the deliberations, the Council has agreed that the scope of the Act shall encompass six areas namely General Principle; Institutional Framework; Market Access; Specialised Incentives; Financing for SMEs and Obligations of Parties under the Act.
5. The Council was briefed on the **proposed improvements of Bandar Tun Razak Commercial Community Centre** by Kuala Lumpur City Hall (DBKL). This pilot project is an outcome following a study that was done together with SME Corp. Malaysia to transform and improve non-performing ME hubs with the object of attracting more visitors to the hub and creating more demand for the traders.
6. Currently, there are 75 training and **skills upgrading programmes** being implemented by 13 Ministries and Agencies in Malaysia that covers three main elements such as acculturation, entrepreneurship and skills upgrading. Specific measures to improve and enhance these programmes will be implemented. Effective 1st January 2014, the **Skills Upgrading Programme** will be administered by **Pembangunan Sumber Manusia Berhad** (PSMB), an Agency under Ministry of Human Resources Malaysia as the central coordinating agency for this programme.

7. On **sources of financing** for SMEs, more than 57,000 applications amounting to RM23.9 billion have been approved under BNM's SME funds. As at end September 2013, a total of RM2.4 billion was still available to be utilised by SMEs. In addition, financing outstanding to Micro Enterprises via the *Pembiayaan Mikro* framework stood at RM872 million for more than 69,000 accounts.

You can read the [Media Release](#) in full at the official website of SME Corp and the website of the Institute

Guideline For New SME Definition

The above Guideline was issued by SME Corp Malaysia (Secretariat to the NSDC) in October 2013. The following are the main headings in the Guideline:

1. Background
2. New SME definition
3. Scope of SMEs for Government Programmes
4. Exclusions
5. Applicability of Definition
6. Effective Date
7. Frequently Asked Questions (FAQ)

The following briefly summarizes the essentials of the old and new SME definitions (refer paragraphs 1 and 2 of the Guideline):

Old SME definition (paragraph 1)

The following definition of SME was endorsed by the NSDC from 2005:

- **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.

New SME definition (paragraph 2)

A review of the definition was undertaken in 2013 and a new SME definition was endorsed at the 14th 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 criteria, namely sales turnover or full-time employees whichever is lower.

In addition, the following Table from the Guideline (paragraph 2.1) summarizes the definition for small and medium categories for the respective sectors:

Category	Small	Medium
<i>Manufacturing</i>	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200

<i>Services & Other Sectors</i>	Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75
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The new definition came into effect on **1 January 2014**.

Please refer to the [Guideline](#) for full details relating to the new SME definition.

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any concern or comments you may have on the Guidelines.

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