



FREQUENTLY ASKED QUESTIONS

INCREASE TO THE VALUE OF INDEBTEDNESS FROM RM10,000 TO RM50,000 UNTIL DECEMBER 31, 2020

NO.	QUESTION	ANSWER
1.	How will the increase in the indebtedness threshold from RM10,000 to RM50,000 until 31 December 2020, assist company affected by the COVID-19 pandemic?	<p>Section 466 of the Companies Act 2016 provides that a company may face a winding up action if it failed to comply with the notice of demand within 21 days from that date of receipt and the threshold of the indebtedness is RM10,000.</p> <p>To assist company affected by the COVID-19 pandemic where cash flow is limited to pay the company's debt, the increase of the threshold to RM50,000 and the extension of period to comply with the notice of demand to six (6) months will assist company to restructure and stabilise the financial flow of the company during the said six (6) months' period and may avoid the company from facing a winding up action in Court.</p>
2.	Based on failure to pay the amount of indebtedness, can a winding up action be taken against the company in default?	The creditors can only initiate winding up action against the company on the ground of inability to pay debt if the amount of indebtedness exceeds RM50,000 and the six (6) months period has expired from the day the creditor sent the notice of demand to the company.
3.	How many company is expected to benefit from the increase of the indebtedness threshold and extension period to respond?	Based on the 2019 statistics, they were about 2930 companies being wound up, hence SSM expects about 1,500 companies will benefit from this

		initiative within the six (6) months proposed period.
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