



KEMENTERIAN PERDAGANGAN DALAM NEGERI  
DAN KOS SARA HIDUP



SURUHANJAYA SYARIKAT MALAYSIA  
COMPANIES COMMISSION OF MALAYSIA

# NEW QUALIFYING CRITERIA FOR AUDIT EXEMPTION



# TABLE OF CONTENTS



Overview

---

Objectives

---

Current Criteria

---

Review Initiatives

---

New Qualifying  
Criteria

---

Implementation

---

Justifications

---

Implication

---

Responsibilities

---

# OVERVIEW



**267(1) of the Companies Act 2016** - A private company shall appoint an auditor for each financial year of the company.

**267(2) of the Companies Act 2016** - Notwithstanding subsection (1), the Registrar shall have the power to exempt any private company from the requirement stated in that subsection<sup>3</sup> according to the conditions as determined by the Registrar.

**Practice Directive 3/2017** sets out the qualifying criteria for private companies from having to appoint an auditor in a financial year.



# OBJECTIVES



To reduce the financial burden faced by micro and small companies, as well as the cost of preparing audited accounts.



In line with the government's policy to help companies in Malaysia reduce the overall cost of doing business.



Response to the 'Report on the Observance of Standards and Codes in Malaysia - Auditing and Accounting' (ROSC) released by the World Bank in 2012.

*- High demand for statutory audits and the limited number of approved auditors available in Malaysia (As at 31 December 2023 - 666,767 active companies : 1,919 approved auditors)*

# CURRENT CRITERIA

## AUDIT

Companies must have either been dormant since the time of incorporation, or dormant during the immediate past and current financial year

**Dormant companies**

Companies must fulfil the following requirements for the current Statement of Financial Position as well as in the immediate past two financial years:-



Revenue = NIL



Assets = do not exceed RM300,000

**Zero Revenue Companies**

**Threshold Qualified Companies**

Companies must fulfil the following requirements for the current Statement of Financial Position as well as in the immediate past two financial years :-



Annual revenue not exceeding RM100,000



Total assets of RM300,000 or less



Has not more than five (5) employees

Initiated in **early 2023** based on SSM's analysis of the very low submission rate of unaudited Financial Statement

Ensure the policy objectives **remain relevant**



Ensure **more companies** are given the **opportunity** to benefit from this policy

**Recommendations** from industry players

## Consultation

## Comparative Study

## Impact Assessment

- 2 Consultation session
- Various discussions with professional bodies, agencies
- The UK, Australia, Singapore, Myanmar, Cambodia, Brunei, etc.
- Pros and Cons
- Impact to Companies, Audit/Accounting Firms, Professions, Regulator, Economy

# REVIEW INITIATIVES

# NEW QUALIFYING CRITERIA



A private company qualifies for audit exemption if it fulfils any two (2) of the following criteria :

- 1** The **annual income** of the company during the current financial year and in the immediate past two (2) financial years does not exceed **RM3,000,000**;
- 2** The **total assets** of the company in the current statement of financial position and in the immediate past two (2) financial years does not exceed **RM3,000,000**; or
- 3** The **number of employees** at the end of the current financial year and in the immediate past two (2) financial years does not exceed **thirty (30)**.

# IMPLEMENTATION



In order to support a smooth transition, the threshold criteria for audit exemption will be implemented in a **gradual approach** over three (3) years.

This approach will allow companies to adapt progressively to the requirements while ensuring that the qualifying criteria remain achievable for entities of varying sizes.

The thresholds for revenue, assets and number of employees will **increase incrementally over three (3) years.**

# IMPLEMENTATION



The new qualifying criteria is applicable for financial statements with **annual periods commencing on or after 1 January 2025.**



Criteria under current Practice Directive will **remain in force until 31 December 2024**

# IMPLEMENTATION

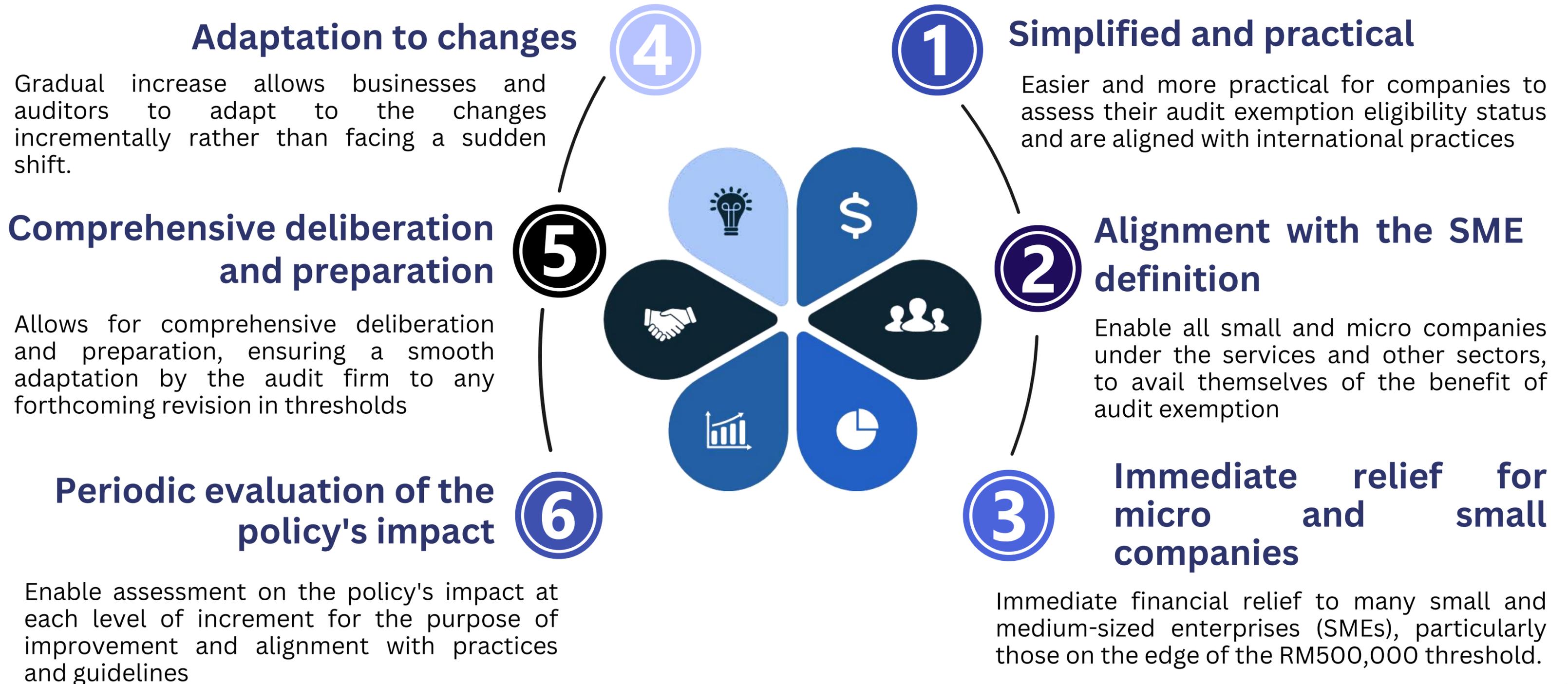
Year	2025 (Phase 1)	2026 (Phase 2)	2027 (Phase 3)
<b>Financial Period</b>	Commencing from 1 <sup>st</sup> January until 31 December 2025	Commencing from 1 <sup>st</sup> January until 31 December 2026	Commencing from 1 <sup>st</sup> January 2027
<b>Financial Statement Submission Year</b>	Beginning from 1st January 2026	Beginning from 1st January 2027	Beginning from 1 January 2028
<b>Thresholds :</b>			
• <b>Turnover</b>	RM1,000,000	RM2,000,000	RM3,000,000
• <b>Assets</b>	RM1,000,000	RM2,000,000	RM3,000,000
• <b>No. of Employee</b>	10	20	30

# OTHER CONDITIONS

-  Companies which are **dormant since the time of incorporation**, or dormant during the immediate past and current financial year will also be **EXEMPTED** from audit requirement.
-  The exemption under this Practice Directive will not be applicable to:
  -  an exempt private company which has opt to lodge a certificate relating to its status as an exempt private company to the Registrar pursuant to section 260 of the CA 2016;
  -  a private company that is a subsidiary of a public company; and
  -  a foreign company.
-  Where a company ceases to be qualified for audit exemption, it shall thereupon cease to be exempted but the company shall remain exempted in relation to the accounts for the financial years in which it qualifies.

*\* The other conditions remain the same as those outlined in the existing practice directive.*

# JUSTIFICATION



# IMPLICATION

- An estimated 42% of active companies are expected to immediately benefit from this first-phase
- Several factors need to be considered that might cause lower number of eligible companies, i.e. :



## EMPLOYEE THRESHOLDS

Number of eligible companies under this proposal does not take into consideration the number of employees employed by companies



## FINANCIAL INSTITUTIONS REQUIREMENTS

Companies with existing commitments to those institutions or plans to secure funding facilities may need to continue auditing financial statements to fulfil their obligations. Based on statistics as of October 2024 on charges registered with SSM, 34% of active companies are having unsatisfied charges and may continue to audit their financial statements.



## REGULATORY REQUIREMENTS

Certain agencies such as government or other relevant authorities might have regulatory requirements that mandate submission of audited financial statement regardless of company or financial status



## OTHER LEGAL OBLIGATIONS

Certain legal obligations such as contracts or grant might stipulate the need for audited accounts, making the company opt to continue with audit

# RESPONSIBILITIES

## COMPANIES AND DIRECTORS

- **Maintain Proper Accounts** - Ensure that financial statements are prepared in accordance with MFRS or PERS
- **Transparency and Reliability** - Ensure that financial statements provide a true and fair view of the company's financial position and performance

## COMPANY SECRETARIES

- Advising on eligibility for audit exemption
- Proper documentation
- Ensuring Compliance with Filing Requirements
- Maintaining Corporate Governance

## AUDITORS

- Provide **guidance and professional advice** to clients
- **Voluntary Audit Services**
- **Focus on Advisory Roles**



# THANK YOU FOR YOUR ATTENTION

Should you have any questions, kindly scan the QR code and submit your inquiry through the form provided.

Question - Qualifying criteria for  
Audit Exemption of Private  
Companies in Malaysia

