

## **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?**  
If a firm is not listed on the main board of the local market or abroad ( ACE market , unlisted or SME exchange ) , but meets the criteria of an SME, it is still considered as an SME . However, if the firm meets the definition by size to be classified as an SME but is listed in the main board in Malaysia or abroad , it is not considered as an SME.

**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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