

SME: Navigating Through the Economic Stimulus Package

By Loke Chee Kien, Director of Global Business Solutions

Why are SMEs getting all the focus?

Small Medium Enterprises (SMEs) form the backbone of the Malaysian economy, making up 98.5% (over 900,000 establishments) of all business establishments in the country. From this figure, close to 77% are "Micro Enterprises", about 21% are "Small Enterprises" and about 2% are "Medium Enterprises". Collectively, SMEs easily contribute about two-thirds of the total workforce in Malaysia.

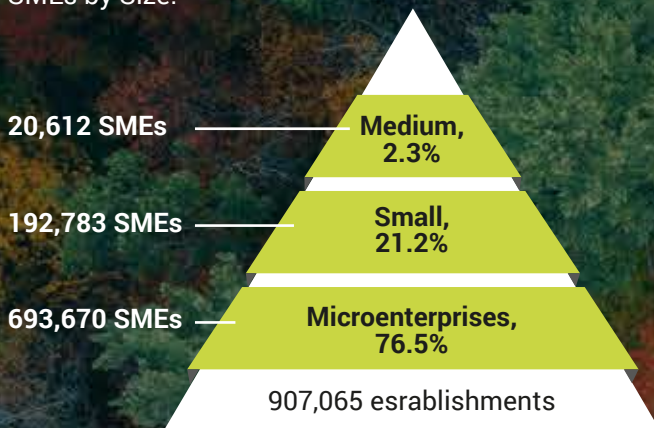
The Government expects the Economic Stimulus Package ("ESP"), announced on 6 April 2020, to benefit about 4.8 million workers.

SMEs are the backbone of the economy



98.5%
business establishments in Malaysia are SMEs
...cut across all sizes & sectors

SMEs by Size:



20.6%
of SMEs are women-owned

Definition of Women-owned Company

≥ 51% of the equity held
by a woman / women

OR

CEO / MD is a woman that owns
at least 10% of the equity

SMEs by Sector:



Services
89.2% (809,126 SMEs)



Agriculture
1.1% (10,218 SMEs)



Manufacturing
5.3% (47,698 SMEs)



Mining & Quarrying
0.1% (865 SMEs)



Construction
4.3% (39,158 SMEs)

Are You an SME?

Many business owners are asking similar questions – Is my company an SME?

Firstly, the **definition of SME covers all sectors.**

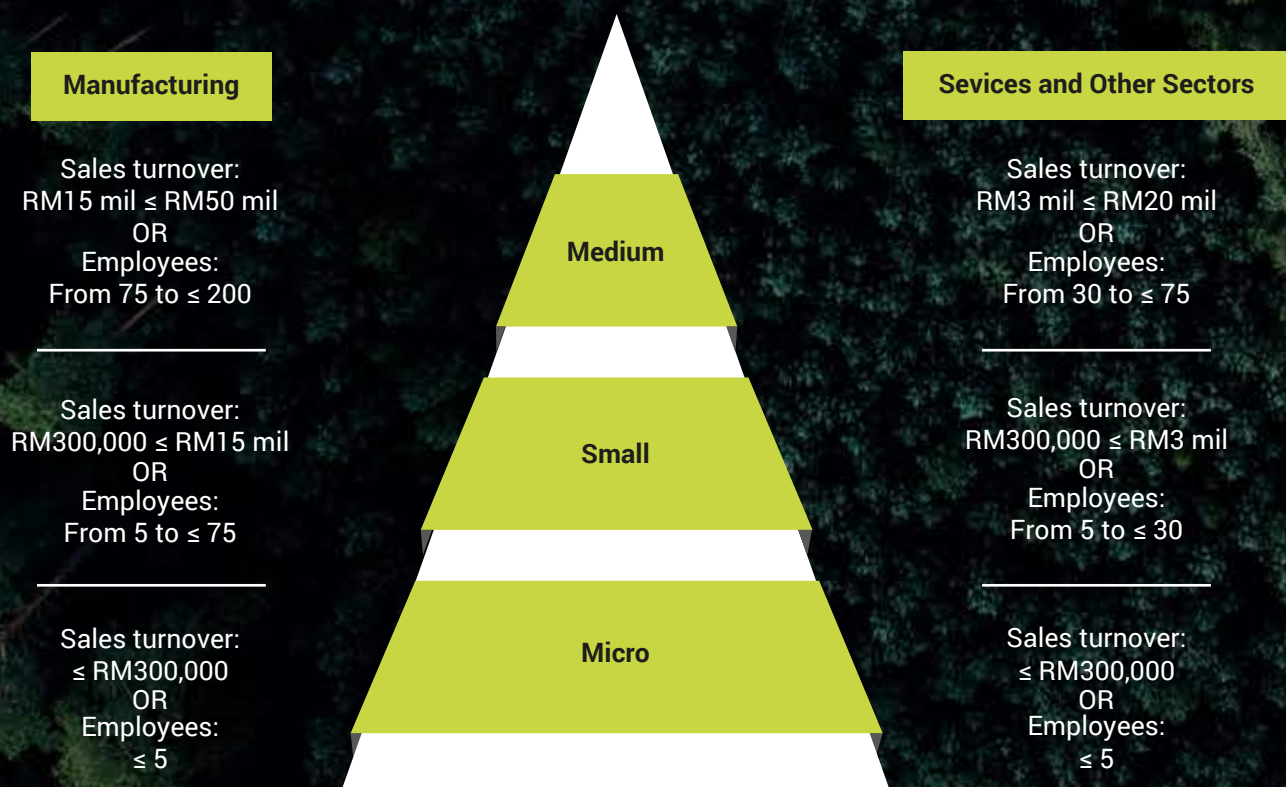
Secondly, **sales turnover and number of full-time employees are the two criteria used in determining the definition of an SME as follows:**

- **For the manufacturing sector**, SMEs are defined as firms with:
 - sales turnover not exceeding RM50 million; **OR**
 - number of full-time employees not exceeding 200.
- **For the services and other sectors**, SMEs are defined as firms with:
 - sales turnover not exceeding RM20 million; **OR**
 - number of full-time employees not exceeding 75.

Thirdly, all SMEs must be **registered with Suruhanjaya Syarikat Malaysia (“SSM”)** or other equivalent bodies.

The definition of an **SME excludes:**

- **Entities that are listed on the main board of Bursa Malaysia; and**
- **Entities that are subsidiaries of:**
 - Companies listed on the main board of Bursa Malaysia;
 - Multinational corporations;
 - Government-linked companies;
 - Minister of Finance Incorporated companies; and
 - State-owned enterprises.



What is the ESP Navigation Map?

By now, hopefully, you would have read our recent article entitled “*How can CFOs Help Businesses Prepare for the New Normal*” and taken actions to regulate your cash flow.

With the many different reliefs and subsidies by the Government, business owners may be cracking their brains navigating through the list to decide what actions to take first. Since **cash flow management should be the TOP PRIORITY**, we would **recommend the following step-by-step Action Plan** –

1. Apply for the **Subsidies**. This improves your cash flow with no obligation for repayment.
2. Apply for the **Grants** that available for your SME category. This improves your cash flow with no obligation for repayment.
3. Apply for the **Special Relief Facility and financing schemes**. Interest rate is as low as ZERO % per annum. You can also enjoy 6 months moratorium on repayment.
4. **Revisit your Cash Flow Projection (“CFP”)**. Incorporate the cash inflow items (i.e. subsidies, grants and loans) and take-out your cash outflow items (i.e. bank loan moratorium, tax instalments, rental waiver (if any, do talk to your landlord), HRDF contribution, discount on TNB bill, etc). Any improvement?
5. Still do not know WHAT to do or HOW to do it? **Talk to your Advisers**.

Economic Stimulus Package For Micro Enterprises & Small-Medium Enterprises

Subsidies

1. Wage Subsidy Programme (“WSP”)
2. Employee Retention Programme (“ERP”)
3. Grant for Tourism & E-Commerce

For Micro Enterprises Only

1. Grant
2. Loan (Zero% interest)

Loans

1. Special Relief Facility
2. Various low interest financing schemes
3. Special for tourism and agro industry

Deferment in Cash Outflow

1. Bank loan repayments
2. Tax (CP204) instalments
3. EPF (to apply)
4. Loan repayment moratorium

Tax Incentives

1. Accelerated capital allowance for machinery & equipment
2. Tax deduction for renovation & refurbishment
3. Double deduction for approved tourism-related training

Exemptions/Reductions

1. HRDF contribution
2. Foreign workers levy
3. Rental reduction or waiver
4. Rental exemption Federal Govt-owned premises
5. Discount on TNB bill

Relief Measures for SMEs Affected by COVID-19

Please find below some of the major/relevant measures to help the SMEs sustain their business operations :

Wage Subsidy Programme (“WSP”)

(Note: Non-SMEs can apply for the WSP as long as they meet the requirements below)

Size of Enterprise	75 employees or fewer	76 – 200 employees	201 employees and above
Subsidy Amount	RM1,200/employee/month	RM800/employee/month	RM600/employee/month
Number of Eligible Employees	75	200	200
Program Duration	3 months between 1 April 2020 and 31 December 2020 Closing date at 15 September 2020 Subject to fund availability and Government decisions.		

Eligibility

Effect on Revenue	Not Applicable	Revenue/Income declined at least 50% compared to January 2020 or subsequent months
Registration	<ul style="list-style-type: none"> • Employer and employees must be registered with SOCSO or Employment Insurance System (EIS) before 1 April 2020 • Employer must be registered with SSM or relevant local authorities before 1 January 2020 • Have been in operation before 1 January 2020 	
Employee Eligibility	<ul style="list-style-type: none"> • Only employees earning wages RM4,000 and below (including overtime, commission, etc) • Employees that have been registered for Employment Retention Programme (“ERP”) for the month, are NOT eligible to be registered for WSP during the same month. • Only for Malaysian employees working in the private sector. Self-employed (e.g. freelancers or without an employer), foreign workers and expatriates are NOT eligible to apply for the WSP. 	
Conditions	<ul style="list-style-type: none"> • Employer must retain the employees under WSP for at least 6 months, which includes 3 months during the subsidy period and 3 months post-subsidy period. • Employer must pay the employees WSP their wages as usual. 	
Payment Method	The WSP payment will be paid to the employer within 7-14 days upon approval of applications.	
Documents Required	<ul style="list-style-type: none"> • List of employees (according to size of enterprise) • Bank statement (front page) • Business Registration Number (“BRN”) • A copy of registration (e.g. Certificate of Incorporation) from SSM or local authority • Form PSU50 • Management accounts or sales report (certified by management) for applicants with 76 employees and above. 	
Application	Application through employer or appointed advisor (on behalf of employer)	

Employment Retention Programme (“ERP”)

(Note: Non-SMEs can apply for the ERP as long as they meet the requirements below)

Definition	Financial assistance of RM600 a month to employees who agree to take No Pay Leave (“NPL”) as his/her employer is affected by the COVID-19 crisis.
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Eligibility

Eligibility	<ul style="list-style-type: none"> • Private sector employees who are full-time or part-time employed that are registered or contributing to the Employment Insurance System (“EIS”). • Only employees earning wages RM4,000 and below
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Conditions	With the agreement between employer and employee, notice of NPL with effect <ul style="list-style-type: none"> • From 1 March 2020 • Minimum 30 days • Between 1 to 6 months
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Payment Method	The ERP payment will be paid to the employee, via the employer, within 7 days after the employer received the ERP payment from SOCSO.
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Program Duration	1 – 6 months
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Application	Using Form ERPC-19. Submission can be emailed to erpc19@perkeso.gov.my
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Comparison Between ERP and WSP

	Employment Retention Programme (“ERP”)	Wage Subsidy Programme (“WSP”)
With Effect From	1 Mac 20 (Application from 20 Mac 20)	1 April 20
Feature	For employees given No Pay Leave (“NPL”) by employers	Wage subsidy for employers, in order to retain employees
Effect – NPL / Pay-Cut	YES / NO	NO / NO
Maximum number of eligible employees	No limit	200
Program Duration	1 – 6 months	3 months
Registration	EIS	EIS or SOCSO
Application	By employer, on behalf of employee undergoing ERP	By employer
Conditions	<ul style="list-style-type: none"> • For employee whose wage is RM4,000 and below • At least 30 days of NPL 	<ul style="list-style-type: none"> • For employee whose wage is RM4,000 and below • Employer must retain the employee for at least 6 months
Eligibility	RM600 for each employee between 1 to 6 months	RM600, RM800 and RM1,200 a month for each employee, depending on size of enterprise, for 3 months

Facility / Loan / Scheme

1. Special Relief Facility ("SRF")

Eligibility :

- Affected by COVID-19 outbreak
- For Working capital
- SME must Malaysian-owned
- Registered with SSM or local authority

Features :

- Loan/Financing up to RM1.0m
- Profit rate (interest rate) up to 3.5% pa
- Max tenure 5.5 years
- 6 months moratorium on principal & interest/profit
- 80% guarantee on loan/financing amount

Application can be made online through: <https://imsme.com.my/>
(Available until 31 Dec 2020)

2. Financing up to RM300,000 for SMEs in operation for less than four(4) years under BizMula-I and BizWanita-i Scheme

<https://imsme.com.my/portal/bizjamin-special-relief-facility/>
Application can be made online through:
<https://imsme.com.my/>

3. RM300 million SME Automation & Digitalisation Facility at 3.75% (BNM)

Application can be made through Participating Financial Institutions (PFIs) nationwide

Only for Micro Enterprises

4. BSN Special Relief Facility ("SRF")

Eligibility :

- Affected by COVID-19 outbreak
- For Working capital
- SME must Malaysian-owned
- Registered with SSM or local authority
- Not for refinancing of existing facilities

Features :

- Loan up to RM250,000
- Interest rate 3.5% pa
- Max tenure 5.5 years
- 6 months moratorium on principal & interest/profit

Requires :

1. Business registration
2. NRIC of sole proprietor / partners / directors
3. Latest 2 years audited / certified account / management account
4. 6 months bank statement

Application can be made online through:
<https://www.mybsn.com.my/content.xhtml?contentId=1598>

5. BSN Mikro Kredit Prihatin

Eligibility :

- Affected by COVID-19 outbreak
- For Working capital & Capital Expenditure
- SME must be Malaysian-owned
- Registered with SSM or local authority
- Business has been in operations at least 6 months

Features :

- Loan/Financing up to RM75,000 (TEKUN provides up to RM10,000)
- Interest rate 0.0% pa
- Tenure between 1 year to 5.5 years
- 6 months moratorium on principal & interest
- 80% guarantee on loan/financing amount

Requires :

1. Business registration
2. NRIC of sole proprietor / partners / ALL directors
3. 3 months bank statement
4. Any other supporting documents required by the bank

Link:

<https://www.mybsn.com.my/content.xhtml?contentId=1633>
<https://www.mybsn.com.my/content.xhtml?contentId=218>
TEKUN Nasional - Application form:
<https://www.tekun.gov.my/ms/inisiatif-tekun-covid19/borang/>

6. Social Finance Program (“SFP”) for B40 entrepreneurs. Social financial donations will be channelled in the form of initial capital for micro entrepreneurs using zakat funds and matched with micro financing at an affordable rate.

Bank Islam Malaysia Berhad
<https://www.facebook.com/BankIslamFB>
<https://www.instagram.com/bankislam/>

Others

7. Approval process for existing loan in Tourism Infrastructure Fund worth RM1.5 billion will be expedited

Guidelines:
<http://insentif.motac.gov.my/>

Application form:
<http://www.motac.gov.my/program/tabung-insentif/tabung-infrastruktur-pelancongan>

8. RM1 billion AgroFood facility at 3.75% (BNM)

Application can be made through Participating Financial Institutions (“PFIs”) nationwide,

* imSME is Malaysia’s online SME financing/loan referral platform managed by Credit Guarantee Corporation Malaysia Berhad (CGC), and is supported by Bank Negara Malaysia as well as participating banks

Grant / Subsidy

1. Special Grant PRIHATIN valued at RM3,000 for each qualified micro enterprise.

Micro enterprises need to register with Lembaga Hasil Dalam Negeri (“LHDN”) to enjoy this facility.

Deferments / Exemptions / Reductions / Reliefs

1. Moratorium on loan repayment to banks and licensed money lenders	Moratorium for 6 months from April 2020;
2. Deferment of monthly income tax instalment payments	Defer automatically for 3 months between April 2020 and June 2020.
3. The Employee Provident Fund ("EPF") introduced a program known as "Khidmat Rundingan Majikan" on 15 April 2020	This service includes options to defer payment, restructure and rescheduling the remittance of the monthly employer portion of the EPF contribution.
4. Human Resource Development Fund ("HRDF") levy exemption for all sectors	Exemption for 6 months between April 2020 and September 2020. Online application: https://apps.hrdf.com.my:8443/INDCERT_EMP/
5. Levy for Foreign workers reduced by 25% for all companies	For work permit expiring from 1 April to 31 December 2020. Does not apply to domestic help sector.
6. Landlord renting to SME is encouraged to reduce their rental by at least 30% during the MCO period and 3 months after the MCO.	Tax deduction equal to the amount of reduction in rental during the month April – June 2020.
7. Exemption of 6 months rental for all Federal Government-owned premises which includes all premises owned by agencies and statutory bodies of the Federal Government Exemption of rental or discount for SME retail traders on premises owned by Government-linked companies	Including the following : <ul style="list-style-type: none"> • Discount & reduced rentals for premises in tourism industry • Rebates on rental for premises at the airport by Malaysia Airports Holdings Berhad ("MAHB")
8. Discount on monthly electricity bills	The discount is as follow : <ul style="list-style-type: none"> • 15% discount for hotels, travel agencies, airlines, shopping malls, conventions and exhibitions centres for 6 months from 1 April 2020. • 2% discount for commercial, industrial & agricultural customer for 6 months from 1 April 2020 • Gradual discount of 15% to 50% on electricity usage with a maximum limit of 600 kilowatts per month, for 6 months from 1 April 2020.

Tax Incentives

1. Accelerated capital allowances (20% initial allowance and 40% annual allowance)	For machinery & equipment including ICT incurred from 1 April 2020 to 31 December 2020.
2. Tax deduction up to RM300,000 on renovation and refurbishment cost.	Only for expenditure incurred from 1 March 2020 to 31 December 2020. The deduction will not be given if the expenditure is claimed as an allowance under Schedule 2 or Schedule 3 of the Income Tax Act 1967. Effective for year of assessment 2020.
3. Exemption of 6% service tax for hotels (March – August 2020)	Info regarding 6% SST exemption: http://mysst.customs.gov.my/assets/document/Service%20Policy/STP%2009-2020%20amendment%206-3-2020.pdf
4. Double deduction on expenses incurred on approved tourism-related training.	Note: Effective for year of assessment 2020.

Author Background



Loke Chee Kien

**Director
Global Business Solutions**

T: +603 2297 1000

D: +603 2297 1535

E: cheekien.loke@bakertilly.my

Loke Chee Kien graduated with Distinction in his Master in Business Administration (Finance) from the University of Hull, United Kingdom and a Bachelor of Business Degree majoring in Accountancy and a second major in Economics and Finance from the Royal Melbourne Institute of Technology University, Australia.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Certified Practicing Accountant with CPA Australia.

Loke has extensive experience in global business solutions and outsourcing services, corporate advisory and planning, corporate trusteeship, private wealth, capital market and investment consultancy.

His clients came from a wide array of industries including healthcare, hospitality, education, plantation, financial services, real-estate, start-ups and more.

Loke was previously with Deloitte, TMF Group, public listed companies, various banking and financial services providers and a pioneer consultant with the Minority Shareholder Watchdog Group.

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Our Offices

Kuala Lumpur Head Office

Baker Tilly Tower
Level 10 Tower 1 Avenue 5
Bangsar South City
59200 Kuala Lumpur
Federal Territory of Kuala Lumpur

T: +603 2297 1000
F: +603 2282 9980

Website: www.bakertilly.my

Penang

9-2, 9th Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Georgetown
Penang

T: +60 4227 9258
F: +60 4227 5258

Johor Bahru

157-B, Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru
Johor.

T: +60 7332 6925 / 6926
F: +60 7332 6988

Batu Pahat

33, Jalan Penjaja 3, Ground Floor
Kim's Park Business Centre
83000 Batu Pahat
Johor

T: +60 7431 5403
F: +60 7431 4840

Seremban

Level 2, Wisma Sim Du
37, Jalan Dato' Bandar Tunggal
70000 Seremban
Negeri Sembilan

T: +60 6762 2518 / 763 8936
F: +60 6763 6950

Labuan

1st Floor, U0509
Lazenda Commercial Centre
Phase 11, Jalan Tun Mustapha
87000 Labuan
Federal Territory of Labuan

T: +60 8744 0800

Kota Kinabalu

Suite No. 1-6-W2, 6th Floor
CPS Tower, Centre Point Sabah
No. 1, Jalan Centre Point
88000 Kota Kinabalu
Sabah

T: +60 8820 4941 / 943
F: +60 8820 4942

Tawau

No. 194, 2nd Floor, Block B
Wisma DS, Jalan Bakau
91000 Tawau
Sabah

T: +60 8977 1040
F: +60 8976 4131

Phnom Penh (Cambodia)

No. 87, Street 294
Sangkat Boueng Keng Kang I
Khan Chamkarmon, Phnom Penh
Cambodia

T: +855 2398 7100
F: +855 2398 7388
info@bakertilly.com.kh
www.bakertilly.com.kh

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