Comparison of Business Entities in Malaysia

Updated in accordance with the Companies Act 2016 and latest statutory tax rates

Feature	Private Company (Sdn Bhd)	Limited Liability Partnership (LLP)	Conventional Partnership	Sole Proprietorship
Ownership	1 or more shareholders	2 or more individuals/entities	2 or more parties	1 individual owner
Capital Contribution	Share capital	Partners' capital	Partners' capital	Self-funded
Owners of the Business	Shareholders	Partners who contributed capital	Partners	Sole Proprietor
Legal Status	Separate legal entity	Separate legal entity	No separate legal entity	No separate legal entity
Ability to Sue / Be Sued	Can sue or be sued in the company's name	Can sue or be sued in the LLP's name	Cannot sue or be sued in its own name; actions are taken by/against individual partners	Cannot sue or be sued in its own name; actions are taken by/against the sole proprietor
Extent of Financial Loss & Liability if Sued	• Entity Liable: Company's assets only • Shareholder Loss Limit: Capped strictly at unpaid share capital amount	• Entity Liable: LLP's assets • Partner Loss Limit: Capped at capital contribution (except partner committing wrongful acts/negligence)	• Entity Liable: Individual partners jointly & severally • Partner Loss Limit: Unlimited (personal assets like house, bank account at risk)	• Entity Liable: Sole proprietor personally • Owner Loss Limit: Unlimited (all personal assets at risk)
Limitation of Liability	Limited	Limited	Unlimited	Unlimited
Party Liable for Debts	Company	All Partners	All Partners	Owner
Profit Sharing	Dividend distribution based on shareholding proportion	Specified in LLP Agreement	Specified in Partnership Agreement	Entitled to all profit
No. of Shareholders / Partners	Minimum 1, Maximum 50	Minimum 2, No maximum limit	Minimum 2, Maximum 20 (No limit for registered professional practices)	Exactly 1
Audit / SSM Requirements	Financial accounts required to be lodged with SSM. Audit-exempt if qualifying under SSM criteria (e.g. dormant, zero-revenue, or threshold-qualified small company); otherwise audit mandatory.	Accounts required but not mandatory to be audited unless stated in LLP agreement. Must lodge Annual Declaration & solvency statement with SSM.	Not required	Not required
Income Tax Rate	Eligible SME: • 15% (First RM150k) • 17% (Next RM450k) • 24% (Exceeding RM600k) Non-SME: 24% flat	Eligible SME: • 15% (First RM150k) • 17% (Next RM450k) • 24% (Exceeding RM600k) Non-SME: 24% flat	Personal tax rates (0% to 30%)	Personal tax rates (0% to 30%)

Feature	Private Company (Sdn Bhd)	Limited Liability Partnership (LLP)	Conventional Partnership	Sole Proprietorship
Submission of SSM Yearly Report	**Financial Statement Deadlines:** Must be circulated to shareholders within 6 months from Financial Year End (FYE) and lodged with SSM within 30 days of circulation.	**Annual Declaration Deadline:** Must be lodged within 90 days from the end of the LLP's Financial Year.	Not Required, only renewal	Not Required, only renewal
Personal Tax Impact	- *Dividends:* Single-tier dividends are tax-exempt at personal level, except a 2% dividend tax applies to total annual dividend income exceeding RM100,000. - *Director Salary/Bonus:* Taxed under personal progressive rates (0% to 30%) with PCB/STD deductions. (if declared)	- *Profit Distributions:* Tax-exempt at personal level, except a 2% tax applies to profit distributions exceeding RM100,000/year. - *Partner Remuneration:* Taxed under personal progressive income tax rates (0% to 30%).	Business profits pass through to partners based on profit share.	100% of net business profits are added directly to the owner's personal income.
Succession	Perpetual succession	Perpetual succession	No perpetual succession	No perpetual succession
Formation	High paperwork and higher setup cost	Moderate paperwork and formalities	Minimal paperwork and formalities	Minimal paperwork and formalities
Administration	Complex statutory duties	Moderate / Simple	Simple	Simple
Cost	High	Medium	Low	Low

SSM Audit Exemption Framework for Sdn. Bhd.

Under **SSM Practice Directive No. 10/2024**, the audit exemption criteria for private companies (Sdn Bhd) were significantly expanded across a 3-year phased implementation:

- **Qualifying Condition:** A private company must meet **at least 2 out of 3** of the following threshold criteria for the current financial year and the immediate past 2 financial years:
  - **Phase 1 (FY commencing 1 Jan 2025 onwards):** Revenue ≤ **RM1,000,000** | Total Assets ≤ **RM1,000,000** | Employees ≤ **10**
  - **Phase 2 (FY commencing 1 Jan 2026 onwards):** Revenue ≤ **RM2,000,000** | Total Assets ≤ **RM2,000,000** | Employees ≤ **20**
  - **Phase 3 (FY commencing 1 Jan 2027 onwards):** Revenue ≤ **RM3,000,000** | Total Assets ≤ **RM3,000,000** | Employees ≤ **30**

Corporate Advisory & Contact Information

Need Strategic Clarification on Your Malaysian Expansion?
Every business model is unique. Contact our senior corporate secretarial and foreign direct investment advisory team for a confidential structural review, capital planning, and fast-track digital incorporation.

• **WhatsApp Hotline:** +6019-888 9910 | **Company Secretary (Mr. Jee):** +6016-465 7355
• **West Malaysia Hub:** Prima Tanjung Business Centre, Tanjong Tokong, Penang
• **East Malaysia Hub:** Miri, Sarawak — GZ Corporate Services (Sarawak) Sdn. Bhd.

DISCLAIMER: This guide is prepared for comparative reference under the Companies Act 2016. Final statutory approvals remain subject to SSM and other relevant authorities. All above information is subject to change from time to time without notification, and merely for reference only