

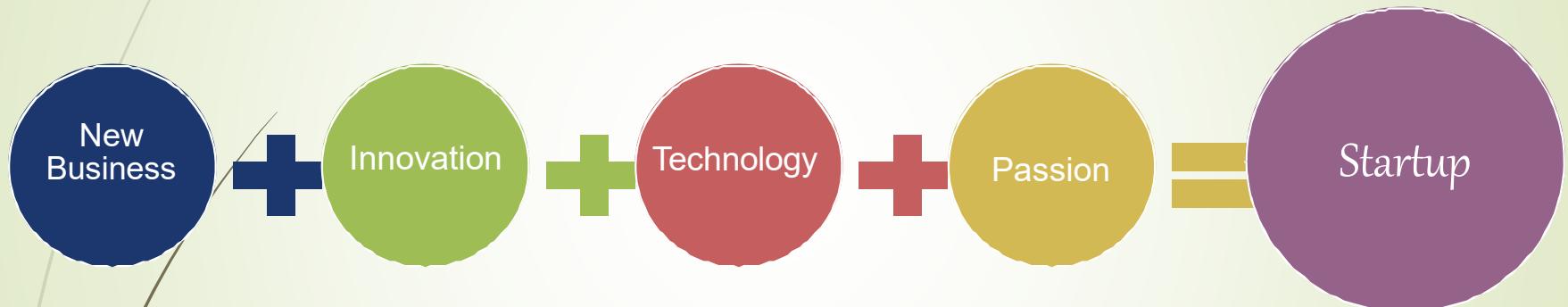
BTMW 4012: TECHNOLOGY ENTREPRENEURSHIP

FORMATION & REGISTRATION OF BUSINESS IN MALAYSIA

Lecture 3



EQUATION OF A STARTUP





THEY ARE
CREATING
DISRUPTION

Disruption in Taxi Services

Then



now



Disruption in books

Then



now



amazon kindle



Types of Ideas That Develop into Startups

New Market

Example:
Providing health conscious Utah consumers with fruit smoothies.

New Technology

Example:
Providing alternatives to incarceration by using high technology ankle bracelets for home arrest programs.

New Benefit

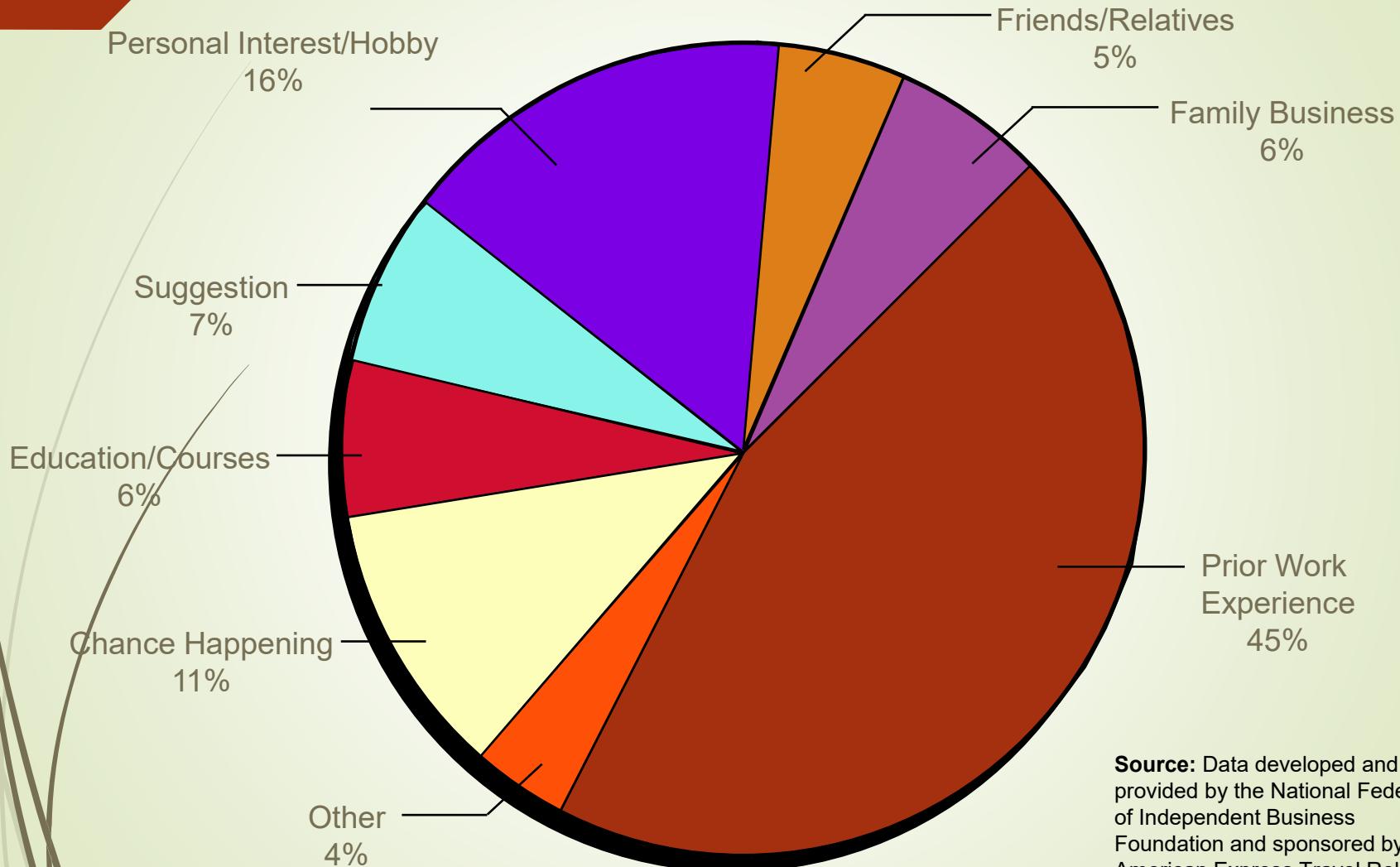
Example:
Providing same day drain cleaning services with a money-back guarantee.

New Market: Providing customers with a product/ service that is not in their market but already exists elsewhere.

New Technology: Using a new technical process that provides the basis for new product or service ideas.

New Benefit: Performing an old function for customers but in a new and improved way.

Sources of Startup Ideas



Source: Data developed and provided by the National Federation of Independent Business Foundation and sponsored by American Express Travel Related Services Company, Inc.

INTRODUCTION



Technopreneurs need to know the forms of business organizations available and the strengths and weaknesses of each business form before they register their business.

They should also be aware of the rules and regulations governing business organizations and the business support system available for them.

INTRODUCTION

- ▶ It is the responsibility of all business operators who conduct business activities with the objective of making profit to register their businesses. The registration works to legalize a company's business activities.
- ▶ Business registration in Malaysia is managed by the Companies Commission of Malaysia (SSM), an agency under the Ministry of Domestic Trade, Consumer Affairs, Cooperative and Consumerism.



Introduction (cont.)

- ▶ Basically, there are four types of business entities that must be registered with the SSM—sole proprietorship, partnership, limited liability partnerships and private limited companies.
- ▶ Cooperatives are another option of doing business. Cooperatives have different objectives and the registration must be done at the Cooperatives Commission of Malaysia (SKM).
- ▶ Each of the entity above has its own advantages and disadvantages, which should be considered by an entrepreneur prior to registration.



Types of Business Entities in Malaysia

- ▶ Sole proprietorship
 - ▶ A sole proprietorship is a business entity that is solely owned, funded and managed by one owner only. Sole proprietorship is the most popular and the simplest or easiest form of business entity in Malaysia.
- ▶ Partnership
 - ▶ A partnership is a business entity that is owned by two or a maximum of 20 people. However, for professional businesses such as accounting, legal, quantity surveyors, architects, engineer firms, etc., the maximum number of members could be up to 50 people.

Both Sole Proprietorship and Partnership business entities are registered under the Business Registration Act 1956.



Types of Business Entities in Malaysia (cont.)

► Limited Liability Partnership (LLP)

- Limited Liability Partnership (LLP) is an alternative business vehicle regulated under the Limited Liability Partnerships Act 2012, which combines the characteristics of a private limited company and a conventional partnership.
- LLP has a legal personality separate from partners (separate legal entity), like private limited company.
- LLP has perpetual succession and offers benefits of a private limited company without the painful reporting requirements.



Types of Business Entities in Malaysia (cont.)

- ▶ The LLP concept also supports start-ups, small and medium enterprises (SMEs), joint ventures and venture capitals to grow without having to worry too much about personal liabilities, personal assets and strict compliance requirements.
- ▶ An LLP can be formed by a minimum of two persons up to an unlimited number of members.



Types of Business Entities in Malaysia (cont.)

► Private Limited Company

- A business that is registered as a company is allotted under the Companies Act 1965. A company is a body that has a legal entity separate from members or the founder.
- The concept of a company is based on several individuals who are entrepreneurs contributing to a bigger capital sourcing to make the business easily manageable and expandable.



Types of Business Entities in Malaysia (cont.)

- ▶ Several improvements have been made in the Companies Act 2016 whereby the total number of members or partners in a company starts from a minimum of one or single director to a maximum of 50 individuals.
- ▶ All kinds of management and monetary financing in the company is contributed by and among members, based on ownership percentage, from the total agreed upon by all.



Types of Business Entities in Malaysia (cont.)

- ▶ Shareholders liability is limited to the amount of share own or held by the members only.
- ▶ The establishment of a company is quite complicated. For example, there is legal requirements to appoint a Company Secretary responsible for company's secretarial function and an Auditor responsible for financial matters and financial reporting.



Types of Business Entities in Malaysia (cont.)

- ▶ There are two legal documents that should be completed to form a private limited company: the Memorandum of Association and Articles of Association.
- ▶ A Private Limited Company is not allowed to invite the public to buy company shares.
- ▶ This type of company must use 'Sendirian Berhad' or 'Sdn Bhd' at the end of the company name.



Types of Business Entities in Malaysia (cont.)

► Cooperative

- A cooperative (also known as co-operative, co-op or coop) is an autonomous association of people united voluntarily to meet common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled business.
- In Malaysia, the minimum number of members in a primary cooperative is 100; and in the Farmers' Cooperative, it is 50.



Types of Business Entities in Malaysia (cont.)

- ▶ A cooperative has a separate legal entity and members, directors, managers and employees are not liable for any debts incurred unless the debts are the result of recklessness, negligence or fraud, or if the members were guarantors to the cooperative's loan.
- ▶ A cooperative usually only allows a limited distribution of profits to members.
- ▶ Every cooperative society must be registered under the cooperatives law, supervised by the Malaysia Co-operative Society Commission or Suruhanjaya Koperasi Malaysia (SKM).

Benefits and Limitations of Sole Proprietor

Sole Proprietorship	
Benefits	Limitations
<ul style="list-style-type: none">Profit The owner has 100% control of the profit earned from the business.Registration Registering a sole proprietorship is easy and can be done by the owner him/herself.	<ul style="list-style-type: none">Sources Capital is limited to the ability of the owner. It can be difficult to generate capital. Sole proprietorships do not issue stocks or other money-generating investments like corporations do.

Benefits and Limitations of Sole Proprietor (cont.)

Sole Proprietorship	
Benefits	Limitations
<ul style="list-style-type: none">Cost The cost of registering is low—only RM60 (plus RM10 for documentation).Management Management is also easy since only the owner will make decisions.Flexibility It is less regulated by law where no audited account is required to be submitted to SSM.Decision-making A sole proprietor has complete control and decision-making power over the business.Business affairs Any transactions or business affairs made in a partnership is private.	<ul style="list-style-type: none">Decision-making If problems encountered are complex, the owner might have some difficulty in making decisions.Liability The business owner will be held directly responsible for any losses, debts, or violations coming from the business.Lack of business continuity The business does not continue if the owner becomes deceased or incapacitated, since they are treated as one and the same.Taxes Owner must pay self-employment taxes.

Benefits and Limitations of Partnership

Partnership	
Benefits	Limitations
<ul style="list-style-type: none">Capital By having more partners, more capital/money available for the business since each partner will bring in capital.Responsibility Partners who have different knowledge, skills and abilities can share the responsibility in managing a partnership. Thus, management of the business will be more efficient.Flexibility Like a sole proprietorship, a partnership is less regulated by law where no audited account is required to be submitted to SSM.Decision-making Partners can share views in a decision-making situation before deciding on the best option. This situation will ensure better decision-making.Business affairs Any transactions or business affairs made in a partnership is private.	<ul style="list-style-type: none">Liability The liability of the partners for the debts of the business is unlimited. Thus, each partner is liable for actions taken by other partners being liable for all the debts.Disagreement Obviously, people are likely to have different ideas on how the business should be run, who should be doing what and what the best interests of the business are. This can lead to disagreements and disputes.Liability Ordinary partnerships are subject to unlimited liability, which means that each of the partners shares the liability and financial risks of the business.Taxation Partners must pay tax in the same way as sole traders.Profit sharing Partners share the profits equally if there is no partnership agreement prepared.



What if there is **NO** contract agreement?

How is the business managed **WITHOUT** a contract agreement?

Section 26 and 27 of the Act

(To cover those business entities without contract agreement)

- ▶ Profits or losses are to be shared equally.
- ▶ No interest is payable on partners' capital.
- ▶ Each partner is entitled to actively participate in the management of the business.
- ▶ No partner is entitled to a salary for participating in the partnership business.
- ▶ Partners have the right to be paid based on their contribution to the business.



Section 26 and 27 of the Act (Cont').)

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- ▶ Daily normal things in business can be decided by the majority of the partners, but any changes that regularly occur need to be made with consensus from all partners.
- ▶ A partner may withdraw after getting the consent of the other partners.
- ▶ The introduction of a new partner must have the unanimous consent of all existing partners.
- ▶ All business accounts books need to be kept at the main business premises. Partners are allowed to check through the books and they have the right to keep a copy of the books.

Benefits and Limitations of Limited Liability Partnership

Limited Liability Partnership (LLP)	
Benefits	Limitations
<ul style="list-style-type: none">Owners There is no limit on the number of owners that can be involved with the business.Inexpensive It is inexpensive to register LLP compared to private limited company (RM500 registration fee).Separate legal identity It has a separate legal identity and can own property, enter into contracts, sue or be sued in its own name.Ease of compliance Compliance requirements are simpler than a private limited company, where accounts need not be audited but are to be maintained in the business premise only.	<ul style="list-style-type: none">Recognition Due to the tax benefits and tricky workings of an LLP, some parties do not recognize LLPs as a legal business. This gives a further burden to the owner to explain on LLP, etc.Additional taxes There are large tax limits on limited liability partnerships. These taxes can come in as additional taxes when registering as well as creating issues with personal tax filing.Credibility Other businesses and many consumers or clients do not see LLPs as a credible business. Corporations gain much more respect and are generally more successful than LLPs.

Benefits and Limitations of Limited Liability Partnership (Cont.)

Limited Liability Partnership (LLP)	
Benefits	Limitations
<ul style="list-style-type: none">Perpetual succession Any changes (e.g. resignation or death of partners) do not affect its existence, rights or liabilities.Liability All of the risks of the business are spread out among partners. The partners will not be held personally liable for any business debts caused by wrongful acts of another partner.Tax benefits Each individual partner must file a variety of different tax forms regarding the business.Flexibility Each partner has the ability to decide the amount they want to contribute and the number of partners are to be in the business.	-

Benefits and Limitations of Private Limited Company

Private Limited Company	
Benefits	Limitations
<ul style="list-style-type: none">Limited liability This is the biggest benefit any private company can enjoy. In future, if the company goes through financial turmoil, the assets of shareholders and business are protected.Professional status A private limited company enjoys good value in the market. More and more national and international companies show keen interest on doing business. These companies are established and hold credibility in the market.Management Management is better compared to sole proprietorship and partnership as the organization structure is more systematic and assisted by a group of workers paid according to their skills and capabilities to manage the company.Credit terms/Financing Private limited companies are well-known which may result in more creditors, bankers and governments, which in turn allows easier financing and credit terms.	<ul style="list-style-type: none">Registration process and formalities The process to register the company is quite consuming and needs individuals who are in law practice. Moreover, there can be issues post registration, e.g. while opening a bank account, as the company is considered unregistered. Once registered, the company needs to hold a board meeting, audit accounts and other processes, which can be time consuming.Costly There is a high cost which involves registration fees, legal fees and company operation fees.Secrecy A company's information (e.g. company owners' information, company's operations and finances) is to be conveyed to all members and shareholders. This information can be obtained by public.Winding-up procedures The procedure to wind up is quite complicated and is costly. It is best to register a company only if promoters are serious.

Benefits and Limitations of Private Limited Company (cont.)

Private Limited Company	
Benefits	Limitations
<ul style="list-style-type: none">Existence The company continues to run, even if the members die, loss or other reasons. It has perpetual succession and runs until it is legally dissolved by the members.Separate legal entity The legal entity is separate and is established under the Companies Act, allowing wide legal capacity and can own properties without any limitation.Expansion scope Private companies can raise capital from individuals or investment companies for further expansion.	<ul style="list-style-type: none">Taxes Company taxes are compulsory to be paid to the government every year, compared to no tax imposed to sole proprietorships and partnerships.

Benefits and Limitations of Cooperative

Cooperative	
Benefits	Limitations
<ul style="list-style-type: none">Easy formation Formation of a cooperative society is very easy compared to a joint stock company. Any ten adults can voluntarily form an association and register with the Registrar of Co-operative Societies.Open membership People with common interests can form a cooperative society. Any competent person can become a member at any time he/she likes and can leave at will.Democratic control A cooperative society is controlled in a democratic manner. The members cast their vote to elect their representatives to form a committee that looks after day-to-day administration. This committee is accountable to all the members of the society.Limited liability The liability of members of a cooperative society is limited to the extent of capital contributed by them. Unlike sole proprietors and partners, the personal properties of cooperative society members are free from any kind of risks.	<ul style="list-style-type: none">Limited capital The amount of capital that a cooperative society can raise from members is very limited because the membership is generally confined to a particular section of the society. Due to low rate of return, members do not invest more capital. Government's assistance is often inadequate for most of the cooperative societies.Management problems Generally it is seen that cooperative societies do not function efficiently due to lack of managerial talent. The members or their elected representatives are not experienced enough to manage the society. Again, because of limited capital, they are not able to get the benefits of professional management.Lack of motivation Every cooperative society is formed to render service to its members rather than to earn profit. This does not provide enough motivation to the members to put in their best effort and manage the society efficiently.

Benefits and Limitations of Cooperative (cont.)

Cooperative	
Benefits	Limitations
<ul style="list-style-type: none">Elimination of middlemen's profit Members or consumers control their own supplies through cooperatives, thus eliminating any middlemen's profit.State assistance Both central and state governments provide all kinds of assistance, e.g. capital contribution, low interest loans, tax exemptions, subsidies in repayment of loans, etc.Stable life A cooperative society has a fairly stable life and it continues to exist for a long period of time. Its existence is not affected by the death, insolvency, lunacy or resignation of any of its members.	<ul style="list-style-type: none">Lack of co-operation Cooperative societies are formed with the idea of mutual co-operation. But it is often seen that there is a lot of friction between members because of personality differences, ego clash, etc. The selfish attitude of members may sometimes bring an end to the society.Government dependence The inadequacy of capital and various other limitations make cooperative societies dependant on the government for support and patronage in terms of grants, loans subsidies, etc. Due to this, the government sometimes directly interferes in the management of the society and also audits their annual accounts.



Registration Procedures

A start-up entrepreneur will need to know where and how to register the business entity. There are only two places to register:

- ▶ the Companies Commission of Malaysia, or
- ▶ the Cooperative Commission of Malaysia.

For more details, visit the websites available:
www.ssm.com.my and www.skm.com.my.

Explore Digital Entrepreneurship With



BUSINESS ETHICS

Digital Commerce – Cross Border Commerce

Let's Get Started



Intellectual Property Protection

Intellectual property are protected by laws in our country. When the rights are protected, they allow creators to benefit from their work and encourage investment and trade as it spurs economic growth, creates new products and jobs.

Some of the related acts:



Patents Act (1983)

Patent protect processes, methods and inventions that are “novel”, “non-obvious” and “useful”.



Trade Marks Act (1976)

- ▶ Trademark refers to the brand name of your business. It can be a name or symbol that represents your brand.
- ▶ Provides protection to trademarks and services in Malaysia
- ▶ When a trademark is registered it cannot be used by after parties.



Copyright Act (1987)

- ▶ This includes work such as creative arts, literary work, music, graphic, motion picture and computer program
- ▶ The copyright holder has exclusive right to copy, modify, distribute, perform and display the work
- ▶ Ideas or concept do not have copyright protection

Intellectual Property Protection

As business owners, you may come across issues such as:



Copyright Infringement

- ▶ Stealing content that are produced by others is a form of copyright infringement
- ▶ This issue is quite common. For example, someone uses your photo / image for their advertisement campaign or they simply share your video on their page to get more Clicks and Likes



Patent Infringement

Competitors see that your product is kicking off well so they come out with the exact same copy, violating your patent rights. Normally, the clone / replica products are sold at a cheap price.



TIPS

Intellectual property is a form of capital asset and it is important for innovative entrepreneurs to protect their inventions.

Online Entrepreneur Regulation & Etiquette

Entrepreneurs should abide by transaction regulation to increase the consumer's confidence in online transaction.

Entrepreneurs should:

1

Disclose these information on their business website:

- ▶ Online trader's name (individual / business / company)
- ▶ Business or company registration number
- ▶ Online trader's email address, telephone number or address
- ▶ Description of the main characteristics of the goods / services
- ▶ Full price of the goods / services including transportation costs, taxes and any other costs
- ▶ Methods of payment
- ▶ Terms and conditions
- ▶ Estimated delivery time of goods / services



2

Must provide the appropriate platform / method to enable the customers to rectify any errors prior to confirming the orders



3

Must acknowledge receipts of the payment to the customers without delay



BUSINESS SUPPORT SYSTEM

MIDA sasar luluskan lebih RM2 bilion pelaburan industri solar

KUALA LUMPUR 16 Mac – Lemaga Pemimpinan dan Pelaburan Malaysia (MIDA) menyatakan untuk meluluskan beberapa lagi pelaburan bernilai lebih RM2 bilion dalam industri pengeluaran berikan panel solar pada tahun depan.

Timbang Ketua Eksekutif MIDA, Datuk Phang Ah Tong berkata, pelaburan ini buat adalah tamadun kepada dia potongan yang diluluskan tahun lalu dan satu pelaburan tahun ini yang dibuat oleh pengeluar gaya hidup dan teknologi berikan berikan bernilai RM2 bilion.

Katanya, kedudukan strategik

Malaysia dalam industri itu kini menarik pengeluar modul solar fotovoltaik (PV) global sekali gus menyempurnakan ekosistem teknologi boleh diperbaiki ini.

Menurutnya, ekosistem solar PV Malaysia meliputi 250 syarikat dan organisasi pengeluaran hilir dan hujan teknologi solar termasuk perkhidmatan, rantaian pasokan dan sistem pengeluaran dan sistem nyatakan.

"Pasaran Asia Tenggara merupakan ketara di sana dengan teknologi tenaga suria yang jaya meletakkan kedua-dua panel utama dunia sidang akbar selepas PV Celtech 2016 di

PHANG AH TONG

pembukaan industri sokongan teknologi dan sistem pengeluaran dan sistem nyatakan.

"Pasaran ASIA Tenggara merupakan ketara di sana dengan teknologi tenaga suria yang jaya meletakkan kedua-dua panel utama dunia sidang akbar selepas PV Celtech 2016 di



Advisory Services

spits, quality, excellence and of lower quality, reliability and via Dr. Nazrin Shah Iboni Sultan

TECHNOPRENEUR

Financial Assistance

- Existing Certification;
- MeSTI Certification (Safe Food Industry Responsibility);
- GMP Certification; and
- MyGAP Certification.

Research and Development

- Develop R&D managed by subsidiary
- Develop sales office from subsidiaries.

Courses, Seminars And Workshops



25 A

Kuala Lumpur, Bangsar

THANK YOU

Q & A

