

Qualifying Audit Exemption Criteria for Private Companies in Malaysia

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Introduction

The Companies Commission of Malaysia (“the Registrar”) had on 16 December 2024 issued Practice Directive No. 10/2024 in relation to the qualifying criteria for audit exemption for certain categories of private companies in Malaysia and revoked Practice Directive No. 3/2017 which was issued on 4 August 2017. However, the Practice Directive 3/2017 shall continue to apply to financial statements with financial period commencing on or before 31 December 2024 prepared by companies as though this Practice Directive 10/2024 has not been issued.

As a background, in accordance with subsection 267(2) of the Companies Act 2016, the Registrar may exempt any private company from having to appoint an auditor according to the criteria and conditions as set out below:

1. Previously, certain categories of private companies may dispense with the audit requirement if they fulfil the following qualifying criteria:

- a) Dormant companies – have been dormant since its incorporation or for the immediate past 2 financial years;
- b) Zero revenue companies – have no revenue during the current financial year and immediate past 2 financial years with total assets not exceeding RM300,000 during the same periods;
- c) Threshold Qualified companies – have revenue not exceeding RM100,000 during the financial year and immediate 2 financial years; with total assets no exceeding RM300,000 and having not more than 5 employees during the same periods.

2. New categories of private companies may dispense with the audit requirement if they fulfil at least 2 of the following qualifying criteria:

- a) Annual revenue – the annual revenue during the current financial year and immediate past 2 financial years, do not exceed RM3,000,000;
- b) Total assets - the total assets in the statement of financial position during the current financial year and immediate past 2 financial years, do not exceed RM3,000,000;
- c) Number of employees - Number of full-time employees at the end of the current financial year and immediate past 2 financial years, do not exceed 30.

Implementation

The criteria will be implemented in phases over three years (2025-2027), with increasing thresholds for revenue, assets, and number of employees as follows:

Year	2025 (Phase 1)	2026 (Phase 2)	2027 (Phase 3)
Financial Period	Commencing on or after 1st January 2025 until 31 December 2025	Commencing on or after 1st January 2026 until 31 December 2026	Commencing on or after 1st January 2027
Submission Year	Beginning from 1 January 2026	Beginning from 1 January 2027	Beginning from 1 January 2028
Thresholds:			
• Turnover	RM 1,000,000	RM 2,000,000	RM 3,000,000
• Assets	RM 1,000,000	RM 2,000,000	RM 3,000,000
• Number of Employees	10	20	30

Other Conditions

- Dormant companies are exempt from audit requirements.
- The exemption does not apply to exempt private companies, public companies, subsidiaries of public companies, and foreign companies.

Requirements for Submission

- Companies opting for audit exemption must lodge unaudited financial statements with the Registrar, accompanied by a certificate confirming compliance with the Companies Act 2016.

Overriding Requirement to Audit

Notwithstanding the provisions in Practice Directive 10/2024, a company that is eligible for audit exemption must audit its accounts if it receives a notice in writing requiring the company to audit its accounts during a financial year but not later than one month before the end of that financial year from:

- any member or members eligible to vote and holding in aggregate not less than 5% of the total number of issued shares of the company or any class of those shares;
- not less than 5% of the total number of members eligible to vote in a general meeting of the company; or
- the Registrar directing the company to have its accounts audited.

Effective Date

- Applicable for financial statements with annual periods commencing on or after 1 January 2025.

Reference

For further details, please click on the following:

[QUALIFYING CRITERIA FOR AUDIT EXEMPTION FOR CERTAIN PRIVATE COMPANIES IN MALAYSIA](#)

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