

Guide to Registration of Limited Liability Partnership in Malaysia

Unless otherwise indicated, the Malaysia Limited Liability Partnership (LLP) stated in this article refers to a business entity registered in Malaysia in accordance with the Malaysia Limited Liability Partnerships Act 2012 (LLP Act 2012).

Limited Liability Partnership (LLP) is an alternative business vehicle offering a hybrid of characteristics between conventional partnership and a company governed by the Limited Liability Partnerships Act 2012 (LLP Act 2012). Its special features are that of a conventional partnership in terms of the flexibility in its administration and a company in terms of the limited liability status conferred to its partners.

In order to register an LLP in Malaysia, you are required to provide a proposed name of the LLP, identification documents of the partners, such as passport or Certificate of Incorporation, and the proof of address, such as utility bill or address of registered office, of each partner of the LLP.

The registration of an LLP in Malaysia can be completed in about 14 working days, from the day of receipt of the duly completed and signed registration documents.

The Malaysia LLP is advised to obtain the necessary licence or permit from the relevant authorities before commencing business.

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1. Key Features of Malaysia LLP

(1) Proposed Name of LLP

For the purpose of registration of an LLP, a confirmation of availability of the proposed name from the Registrar must first be obtained by applying to the Registrar for reservation of name. The name of an LLP shall end with the words “Perkongsian Liabiliti Terhad” or the abbreviation “PLT”.

Certain words will slow down the approval process, including account, law, consultancy which may indicate the LLP is formed for the purposes of carrying on any professional practice. If such circumstances, the application shall be accompanied by an approval letter from the governing body.

The application for the name reservation once approved by the Registrar will be reserved for a period of 30 days from the date of the application.

(2) Nature of Business

The proposed LLP cannot be used for a charitable purpose, an unlawful purpose or purposes prejudicial to the public peace, welfare or good order or morality in Malaysia.

Approval letter from the governing body as specified in the third column of the First Schedule of the LLP Act 2012 must be obtained if the LLP is to be formed for the purpose of carrying on any professional practice, i.e. chartered accountant, advocate and solicitor and secretary.

(3) Registered Office Address

An LLP shall at all times have a registered office in Malaysia to which all communications and notices may be addressed. Kaizen can provide a Malaysia local address to be used as the registered office of your Malaysian LLP.

(4) Partners

An LLP can be formed by 2 or more partners consisting of individuals or bodies corporate. An LLP to be formed for the purpose of carrying on a professional practice is required to have a minimum of 2 partners who are natural persons and practising the same professional practice. There is no limit for maximum number of partners and no requirement for the partners to have a principal or only place of residence in Malaysia.

Partners shall have in force professional indemnity insurance cover for an amount of not less than the amount approved by the Registrar after consultation with the governing body.

(5) Limited Liability Partnership Agreement

The mutual rights and duties of the LLP and its partners shall be governed by the LLP agreement. The LLP agreement shall be in national language or English language and shall consist of the following particulars:

- (a) Name of the LLP;
- (b) Nature of business of the LLP;
- (c) Amount of capital contribution by each partner; and
- (d) Agreement from partners to become partners of the LLP

(6) Compliance Officer

Every LLP must appoint at least 1 compliance officer from amongst its partners or a person qualified to act as a secretary under the Companies Act 2016 who:

- (a) is at least 18 years of age;
- (b) is a citizen or permanent resident of Malaysia;
- (c) ordinarily resides in Malaysia;
- (d) is not an undischarged bankrupt; and
- (e) is not disqualified to act as a director or secretary under the Companies Act 2016.

A compliance officer must register with the Registrar and is required to go to the nearest office of the CCM for identity verification purpose so as to enable him to lodge or submit documents on behalf of the partners or the LLP.

Where no compliance officer is appointed then all partners shall be deemed as the compliance officer of the LLP.

The main responsibilities of a compliance officer are as follows:

- (a) Registering any changes in registered particulars of the LLP;
- (b) Keeping and maintaining registers and records of the LLP; and
- (c) Ensuring publication of names of the LLP in accordance with the provisions of the LLP Act 2012.

A compliance officer is personally liable to the administrative penalties imposed on the LLP for any contravention of Sections 17, 19 and 20 of the LLP Act 2012 unless he can prove that he is not liable.

2. Malaysia LLP Registration Procedure

Firstly, a name search must be conducted to ensure that the desired name is available. If the name is approved by the Registrar, it will be reserved for 30 days (or up to a maximum of 180 days upon application).

Secondly, submit registration application to the Registrar by paying prescribed fee. Once the Registrar is satisfied with the application for registration of the LLP, the Registrar will register the LLP and allocate a registration number for the LLP and issue a notice of registration which shall be the conclusive evidence of such registration.

The Registrar may issue a certificate of registration to the LLP upon application by the LLP and on payment of the prescribed fee.

Normally, the whole process of registration can be completed within 14 working days (assuming no licence or permit is required).

Lastly, to open bank account for the Malaysia LLP. Please note that certain bank might require all the authorised signatories and at least a partner to visit the bank in Malaysia personally for the purpose of due diligence.

3. Continuous Obligation of Malaysia LLP

Upon registration, every LLP must comply with the requirements under the LLP Act 2012 as set out below:

(1) Registration of Changes in Particulars

An LLP shall lodge a notification to the Registrar for any changes made or occurred in the registered particulars within 14 days from the date of such changes.

(2) Keeping of Registers and Statutory Records

An LLP shall at all times keep at its registered office the following:

- (a) Notice of registration;
- (b) Register of partners and compliance officers;
- (c) A copy of the most recent annual declaration;
- (d) A copy of any statement lodged under the LLP Act 2012;
- (e) A copy of any certificate, if any, issued under the LLP Act 2012;
- (f) A copy of the LLP agreement and any amendment thereto;
- (g) A copy of any instrument relating to any charge created by the LLP; and
- (h) Any other documents that the Registrar may, from time to time, require to be kept.

(3) Keeping of Accounting Records

Every LLP shall keep such accounting and other records as will sufficiently explain the transactions and financial position of the LLP and enable profit and loss accounts and balance sheets to be prepared from time to time which give true and fair view of the state of affairs of the LLP at the registered office or such other place as the partners think fit provided that a notification of that place has been made to the Registrar.

An LLP shall retain the abovesaid accounting and other records for a period of not less than 7 years from the end of the financial year in which the transactions or operations to which those records relate are completed.

Subject to the LLP agreement, the accounts of an LLP shall not be required to be audited.

(4) Annual Declaration

An LLP shall lodge with the Registrar on an annual basis within 90 days from the end of its financial year, a declaration made by any two of its partners whether the LLP is able to pay its debts as they become due in the normal course of business and the declaration shall be accompanied by such other particulars as may be required by the Registrar.

In the case of the first annual declaration, it shall be lodged not later than 18 months from the date of registration of the LLP.

(5) Tax Treatment

LLP have a similar tax treatment like company where chargeable income from LLP will be taxed at the LLP level at tax rate of 24% generally. However, LLP with capital contribution of RM2.5 million or less will enjoy a preferential tax rate of 17% on the first RM 600,000 of its chargeable income.

Partners are not liable to tax on the profits received from LLP (whether distributed or not). Nevertheless, they will be taxed on remunerations, perquisites and benefits-in-kind received from the LLP.

The highest income tax rate of LLP is 24% while highest income tax rate of individual can up to 28%. Distribution of income wisely may help in income tax saving.

Kaizen, together with its associate firms in Malaysia, can help the clients to perform these compliances formalities so as to maintain the Malaysia company in good standing. Please call and talk to our professionals in Kaizen for further clarification.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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