

Client Alert

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Companies Act 2016

Effective Date

On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism gazetted for the Companies Act 2016 ("Act") and the Companies Regulations 2017 to come into force on 31 January 2017.

All of the provisions of the Companies Act 2016 will come into force on 31 January 2017, save for those relating to the:

- registration regime for practicing company secretaries; and
- corporate rescue mechanism such as corporate voluntary arrangement and judicial management.

Implications

Beginning 31 January 2017, Malaysian companies will need to comply with the Companies Act 2016, including the requirements under the Companies Regulations 2017 which mainly deals with e-lodgment issues and fees payable to the Companies Commission of Malaysia for various required applications and filings.

The Act prescribes a new legal framework for the administration of companies in Malaysia, and includes provisions relating to the incorporation of companies, capital management and corporate governance. Moving forward:

- companies can be incorporated with a single shareholder and the par value regime will be abolished;
- dividends may only be declared and distributed if the company is in a solvent position;
- alternative procedures for share capital reduction and share buy-backs will be available so long as company directors sign off on the requisite solvency statements; and
- the concept of financial assistance whitewash is implemented such that companies may provide financial assistance for the acquisition of its shares so long as the prescribed requirements are fulfilled.

The changes brought by the Act will therefore impact the management, organization and operation of all Malaysian companies as well as affect how transactions will be undertaken in Malaysia.

Our earlier alerts highlight the key implications of the Act.

Click [HERE](#) to view our previous client alert issued in January 2017.

Click [HERE](#) to view our previous client alert issued in April 2016.

Click [HERE](#) to view our previous client alert issued in February 2014.