

## Transformation from a Partnership to an Incorporated Company: A Case of Kleenson Marketing

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### Abstract

*Many small businesses start with sole proprietorship or partnership. When the business grows or the entrepreneurs intend to expand their businesses to a larger area or export to overseas markets, the current setup might not be suitable anymore. The entrepreneurs might need to transform into another form of business organization, a small and medium enterprise (SME) with an incorporated company status might be more suitable, have better corporate perceptions, ability to raise fund for business expansion, tax planning opportunity, business continuity. This article is aimed at looking at the transformation process that took place in a company from partnership based to an incorporated company. Transformation of businesses for small business owners might not be a big challenge for them, since they know how to run their business and the use of the latest marketing trend. However, transformation in terms of forms of business organizations and corporate compliance requirements would be a challenge for those who are not aware of the requirements. This article provides an understanding of common forms of business organizations in Malaysia, outline the factors to consider, reasons and benefits to convert business from a partnership to an incorporated company, and ensure compliance requirements after incorporation. This article serves as a guideline for a partnership company which is expanding to transform into an incorporated company form of business organization in Malaysia.*

**Keywords:** Partnership, incorporated company, entrepreneur and compliance

### 1.0 Introduction

Looking out his of his office window at the growing skyline, Mr. Chong Kok Hwa had just spoken to Business Consultant of Kleenson. Mr Chong is one of partners for Kleenson Marketing (partnership) who joined in 2012. His is also Head of Sales for Kleenson. Mr. Chong thought about several significant accomplishments his partnership had realized over the past six years. The partnership had accomplished so much over the last six years. The partners started their business from Klang Valley, Mr. Chong lead the sales team, had expanded their footprint to South (Johor Bahru) and North (Perak,

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Penang, Kedah) of Peninsular Malaysia. The other partners of Kleenson Marketing (partnership) are ambitious with future expansion to East Coast, East Malaysia and export to other countries. However, Mr. Chong is cautious about the aggressive future expansion plan from the other two partners, and the unlimited liabilities of each partner with the current setup of the partnership.

There are many factors affecting the growth of entrepreneurship in small-scale businesses. These background factors, such as desire to achieve, accept responsibility, hard work and risk orientation of the entrepreneurs, have a bearing on their success (Khan, Alam, & Khan, 2005). Other factors that contribute to the success of entrepreneurs are strong education and training facilities. In addition to these factors, the socio-economic condition is also important to the success of entrepreneurs, such as uniform commercial law and limited regulation, corruption, social integration, social status, good banking with available credit, encouragement and support from the society and family members (Khan, Alam, & Khan 2005). Personal initiative is one of the major success factors for small and medium-sized entrepreneurs (Rose, Kumar, & Yen, 2006).

Mr. Chong can still remember the facial expression of the Business Consultant during the interview session that they had on transformation / transition challenges for Kleenson Marketing (partnership). Business Consultant explained to Mr. Chong the common forms of business organization in Malaysia:

1. An individual operating: **Sole Proprietor**
2. Two or more (but not more than 20) persons: **Partnership**
3. Two or more persons: **Limited Liability Partnership**
4. A locally incorporated **Company** registered under the provisions of the Company Act 1965.

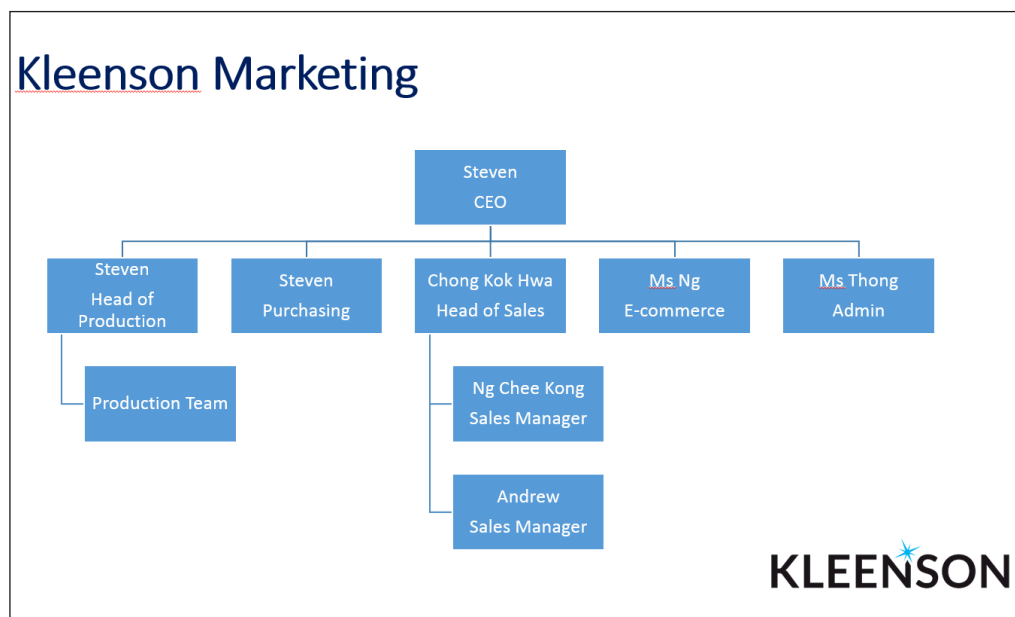
During the meeting session with Business Consultant, Mr Chong did a short introduction on Kleenson Marketing, his company. Kleenson Marketing is a one stop car beauty products, car wash accessories and equipment wholesaler in Malaysia. His company provides auto detailing products that clean, shine and protect every possible surface of a car. When explaining on his company, he showed his enthusiasm in explaining Kleenson's passion for customers to drive a clean and shiny car every day. Kleenson is supplying a variety of industrial and chemicals products for car wash, car spa and car beauty center. Kleenson's products includes car shampoo, tyre shine, degreaser, cushion cleaner, watermark remover, tar remover, glass cleaner, UV shine, diamond polish, diamond wax, microfiber towel, detailing clay, dispenser and sprayers.

In addition, he also explained to Business Consultant that Kleenson was founded with a goal of providing the community, business professionals, clients, auto enthusiasts and friends with the highest quality car care products at a good price. Everyone at Kleenson is committed to serving their customers and the community alike through the highest service standards. At the end of the explanation, Mr. Chong raised his concerns about

the other two partners on the current setup with the aggressive future expansion plan. He accepted the tasks given by the other two partners for Kleenson's transformation plan.

## 2.0 The Organization, Industry and Competitors

Kleenson Marketing has started as a sole proprietor in 2008. Subsequently, two new partners joined, and Kleenson Marketing (partnership) was formed in 2012. Kleenson was a provider of the car care chemicals product, auto detailing, car wash accessories and equipment, and technical advices. Kleenson has established a name in the car care and auto detailing industry. Over the years, Kleenson's team has gained better understanding and experience of the car care and auto detailing industries which has helped them better understand their customers' needs. What gave Kleenson an edge over the others in this trade for about 6 years is simply that Kleenson works on research and development to deliver better products. Kleenson constantly strive to introduce new, if not better products that benefit professionals and car owners alike.



*Figure 1. Organization Chart*

Kleenson believed that there will always be something simpler, yet more effective. The company did not only manufacture or trade products, they also offer technical advices, trainings and support in almost every aspect of auto detailing. They would love to hear from customers' feedbacks, they would be more than happy to share their

experiences and knowledge of auto detailing with customers. With their experience in the car care and auto detailing industry, Kleenson has developed a series of new car care auto detailing products and accessories. Kleenson understand that there are two products that are the same in the market, as an example auto detailing brush or wax applicator. The team in Kleenson knows what type of product works and what does not. Kleenson is confident that the car care chemicals and auto detailing accessories they have designed and developed are passed through extremely thorough and careful tests and that they surpassed others in terms of quality as well as performance.

Kleenson has grown larger in size and greater in knowledge over last 6 years. As the company grows, the entrepreneurs must be able know, how to manage in promoting the company and its product and services. Personal initiative is one of the major success factors for small and medium-sized entrepreneurs (Rose, Kumar, & Yen, 2006). Entrepreneurs must understand the market needs and customer feedbacks (Akbar, Omar, Wadood, & AL-Subari, 2017). As an entrepreneur, one must know the future marketing trends and able to foresee what comes next as accurately as possible which will allow for a long term business continuation. In order to ensure survival of the company, the entrepreneurs must be involved in strategic planning and understand the competition in the market (Rose, Kumar, & Yen, 2006).

In terms of competitors, other companies are present in the car care and auto detailing industry in Malaysia. Apart from Kleenson, there are Osren, Chemical Guys, Waxco, GM-Tech Auto Care, Joywash, Vimake and many others. However, Vimake is the main competitor. Osren has been in the industry for about 20 years. The company was established in 1998 by Osren Heng. The founder has a passion for cleaning solutions. Osren started the enterprise by developing a hand cleaning solution, The Waterless Hand Gel, that does not require water to rinse. In the early 2000, Osren ventured into manufacturing of auto detailing chemicals. Thereafter, a series of surface preparation products were developed, compounds, polishes and glazes. Osren also exports their product to China, the largest automotive market in the world. As for Chemical Guys, it is one of the global manufacturing companies based in southern California, with more than 40 year's experiences in USA. Their products include care chemicals, car wash accessories, buffing pads and machines. Chemical Guys has advantage in Malaysia because it is an international brand.

On the other hand, Waxco started in 1982 as sole proprietor business, which was a production manufacturer/distributor for Audio & Visual Cleaner, subsequently incorporated into a private limited company in 1985. As business improved and progressed, Waxco ventures went into inventing/manufacturing of all types of car care and motor care products from the Original Equipment Manufacturer (OEM) and marketed them under the "Waxco" brand name in 1992 (<http://www.waxco.net/about/>). Waxco's main field business spread throughout Malaysia. Subsequently, the company has successfully built up a comprehensive sales network in Asian Countries (China, Singapore, Thailand, Mongolia, Indonesia, Brunei, Hong Kong, Cambodia, etc.), Middle East Countries (Saudi Arabia, India, Caribbean Island etc.). Waxco has

been qualified by Certification ISO 9001:2000. The other competitors such as GM-Tech Auto Care, Joywash, Vimake are similar, start from a small outfit, then move into a SME (Akbar *et al.*, 2017) manufacturing of car care products and gradually ventured into the high end grooming industry.

### 3.0 Business Issues and Challenges

Kleenson Marketing started as a sole proprietorship in 2008. Subsequently, Kleenson Marketing (partnership) was formed in 2012. Kleenson was a provider of the high quality car care chemicals, car wash accessories, buffing pads, machines and most importantly knowledge. Kleenson has established a name in the car care, car wash, detailing, and car care industry. Kleenson's growth over the last 6 years has expanded their footprints to the South (Johor Bahru) and North (Perak, Penang, Kedah) of Peninsular Malaysia. The future expansion plan is to East Coast, East Malaysia and export to other countries. The Business Consultant highlighted to Mr. Chong the risk and liability on the current partnership setup if Kleenson future expansion plan include export to other countries. One of such is that through the current setup as partnership, it is unlikely to get loan from the bank.

There are many factors affecting the growth of entrepreneurship in small-scale businesses. The background factors such as desire to achieve, accept responsibility, hard work and risk orientation of the entrepreneur have a bearing on the success of entrepreneurs (Khan *et al.*, 2005). Certain environmental conditions and some economic factors also affect the outcome of entrepreneurship growth (Roni, 2003). For development of entrepreneurship in small and medium-scale business, other important factors of entrepreneurship include financial and economic factors- limited liability, greater mobility of capital, better opportunity in making profit, tax planning opportunity for tax incentives and low taxes (Khan *et al.*, 2005). During the discussion between Business Consultant and Mr. Chong, with Kleenson aggressive future expansion planned export to other countries, Kleenson will require more capital or raise fund for business cash flow operations. Business Consultant explained the limitation of the current partnership setup.

Business Consultant explained to Mr. Chong the common forms of business organizations in Malaysia, Sole Proprietor (RBA, 1956), Partnership (RBA, 1956), Limited Liability Partnership (LLP, 2012 and Salim, 2013) and incorporated Company (CA, 1965 and CA, 2016). Those common forms of business organization in Malaysia are listed in Table 1 below.

Table 1

*Common Forms of Business Organization in Malaysia*

	<b>Company</b>	<b>Limited Liability Partnership (LLP)</b>	<b>General Partnership</b>	<b>Sole Proprietorship</b>
Entity Name Appearances	Company name ended with the word “Sdn Bhd” or “Bhd”	Company name ended with the word “PLT” (Perkongsian Liabiliti Terhad)	Choice of Trade Name subjected to ROB approval	Choice of Trade Name subjected to ROB approval
Capital Contribution	Share capital	Partners contribution	Partners contribution	Own contribution
Owner(s) of the business	Shareholders own ‘shares’ in the Company	LLP (partners have a share in the capital and profits of the LLP)	Partners	Sole Proprietor
Legal Status	Separate legal entity	Separate legal entity	Not a separate legal entity	Not a separate legal entity
Party that is liable for debts of the business	Company	LLP	Partners	Sole Proprietor
Responsibility for management of business	Board of Directors	Partners	Partners	Sole Proprietor
Personal liability	No personal liability of individual director or shareholder Liabilities borne by the directors or shareholders are to the extent of unpaid shares only	No personal liability of partner, except for own wrongful act or omission or without authority Liabilities borne by the partners are jointly and severally with the LLP to the extent of unpaid share capital only	Unlimited liability (jointly and severally liable with the partnership) which can extend to personal assets of the partners	Unlimited liability which can extend to personal assets of the sole proprietor
No. of Shareholders/ Partners	Minimum 1 and maximum 50 in private company	Minimum 2 and no maximum limit	2 to 20 partners (Except for partnerships for professional practice with no maximum limit)	Sole proprietor only

(continued)

	<b>Company</b>	<b>Limited Liability Partnership (LLP)</b>	<b>General Partnership</b>	<b>Sole Proprietorship</b>
Company Secretary / Compliance officer	Qualified Company Secretary	Compliance Officer or partner of the LLP	N/A	N/A
Statutory Audit Requirement	Required to be Audited	No compulsory unless it is provided in the partnership agreement	No Audit required	No Audit required
Annual Submission to SSM	Annual Return with Audited / Unaudited Financial Statement	Annual Declaration		
Annual Compliance	Must file annual return and financial statements every calendar year.	Must lodge an annual declaration and solvency statement with CCM (the 1st within 18 months from the date of registration and thereafter, 90 days from the end of the financial year)		
Income Tax Status / Income Tax Rate	Tax on Company / On the first 500K – 20%(SME) After – 25%	Tax on LLP / On the first 500K – 20%(SME) After – 25%	Tax on Partners/ Sole Proprietor From 0% to 26%	Tax on Partners/ Sole Proprietor From 0% to 26%
Rules & Regulations	Company Act 1965 (CA),	Limited Liability partnership Act 2012 (LLP), Limited Liability Partnership Regulations 2012	Registration of Businesses Act 1956 (RBA)	Registration of Businesses Act 1956 (RBA)
Advantages & Disadvantages	– More paperwork & more expensive – Limited Liability	– Less paperwork & additional formalities (registration is easy, fast and fewer documents are needed)	– Less paperwork & additional formalities (registration is easy, fast and fewer documents are needed)	– Less paperwork & additional formalities (registration is easy, fast and fewer documents are needed)

(continued)

Company	Limited Liability Partnership (LLP)	General Partnership	Sole Proprietorship
<ul style="list-style-type: none"><li>– Complexity in Administration (statutory audit, AGM, board resolution and etc)</li><li>– Higher Compliance Cost</li><li>– one local resident director are required to setup a Company</li><li>– Suitable for business affordable to maintain business with higher operation cost</li><li>– Public will have access to financial affairs of the company.</li></ul>	<ul style="list-style-type: none"><li>– Limited Liability, – Simplest Administration (Not compulsory for statutory audit),</li><li>– Local resident compliance officer is required to setup LLP</li><li>– Lower Compliance Cost</li><li>– Suitable for newly start-up business with low entry cost</li><li>– Not required to disclose financial statements to the public.</li><li>– Perpetual succession:</li><li>– The changes status of the partners will not affect the existence of the LLP corporation</li></ul>	<ul style="list-style-type: none"><li>– Unlimited Liability, – Simple Administration (Not compulsory for statutory audit),</li><li>– Lower Compliance Cost</li><li>– Suitable for newly start-up business with low entry cost</li><li>– Not required to disclose financial statements to the public.</li></ul>	<ul style="list-style-type: none"><li>– Unlimited Liability</li><li>– Simple Administration (Not compulsory for statutory audit)</li><li>– Lower Compliance Cost</li><li>– Suitable for newly start-up business with low entry cost</li><li>– Not required to disclose financial statements to the public.</li></ul>

Business Consultant further explained to Mr. Chong the major differences between Partnership and Incorporated Company and highlight the issues and challenges of partnership. It is important for Mr. Chong to understand his current business setup as partnership by providing some guidance to enable his decision to consider an upgrade and conversion from a partnership to an incorporated Company. The current setup as partnership is unlikely to get loan from the bank. He summarizes the issues and challenges of current Kleenson partnership setup. Those challenges and differences are listed in the Table 2 below.



Table 2

*List of Issues/ Challenges in Kleenson Marketing*

No.	Issue/ Challenge	Environment (Internal/ External)	Discussion on Challenges
1	Personal Liability	Internal	Partnership – Unlimited liability. All partners are jointly liable and responsible for all possible losses or business failure. Personal assets & wealth will be jeopardized due to risks exposed in business
2	Business Continuity	Internal	<p>Company – Limited liability. Owners' personal wealth is protected. Owners can take greater risks to gear up the growth of business</p> <p>Partnership – Partner died, business closed OR the beneficiary do not easily get what left by the passing partner. Once any one of the partner is deceased, the partnership will be considered dissolved.</p>
3	Tax Planning Opportunity	Internal	<p>Company – An incorporated company will never expire and company still exist even the key owner has passed away.</p> <p>Partnership – Limited. Business profit will be taxed at Partners personal level. Unfavourably terms in personal tax provisions &amp; practices</p>
4	Corporate Perceptions	External	<p>Company – Better tax planning as company is a separate legal entity.</p> <p>Partnership – Small scale business</p>
5	Ability to Apply Loan	External	<p>Company – Committed and ambitious</p> <p>Partnership – Unlikely. Different partners may have different personal capacity &amp; wealth. Bankers may not accept such differences.</p>
6	Income Tax Risk	External	<p>Company – Easier and higher creditability. It depends on the company cash flow and business prospects. Audited Accounts of an incorporated Company is more reliable &amp; trustworthy.</p> <p>Partnership – Very high. Most business don't keep proper accounting records.</p> <p>Company – Low. Most incorporated company are better managed &amp; regulated.</p>

## 4.0 Solutions

### 4.1 Revisiting the Issues

With the current setup as partnership in Kleenson, it creates issues, challenges and risks for the partners. Entrepreneurs affirmed personal initiative is one of the major key to success (Rose *et al.*, 2006). Kleenson's aggressive future expansion plan to export to other countries will require more capital or raising fund for business cash flow operation. The current setup as partnership is unlikely to get loan from bank. The unlimited personal liability for the current partners is one of the major risk and issues. All partners are jointly liable and responsible for all possible losses or business failure, especially with the potential export to other countries increasing the uncertainty and risk (RBA, 1956).

Kleenson currently is mainly run by three partners comprising of Mr. Steven who head the production team and also responsible for purchasing, Mr. Chong who head the Sales team. Since they have expanded their footprint outside Klang Valley, Mr. Ng assist Mr. Chong to expand the sales coverage in Malaysia. Business continuity has become crucial, with current partnership setup, if any one of partner dies, the partnership will be considered dissolved (SSM). Innovation is one of the key aspects of the entrepreneurial process during transformation. Any new invention, innovation or long processes in the long run can be safeguarded by implementing Intellectual Property Rights (Anuar, Zulhumadi & Udin, 2012). The entrepreneur's critical role in the innovation, the entrepreneur as the driving force of economic development and establishing them as the economy's innovator (Herbert & Link, 2006). Schumpeter (1934) describes five types of innovation as: (1) creation of new good; (2) creation of new method of production; (3) opening of new market; (4) capture of new source of supply; and (5) new organization and industry.

The larger Kleenson grows in size, indicated that innovation is needed particularly when opening of a new market overseas. Tax planning opportunity for partnership is limited from company to incorporated company (MICPA *et al.*, 2018). Business profit will be taxed at Partners' personal level, which is unfavorably terms in personal tax provisions and practices (IRB). Most of partnership businesses don't keep proper accounting records, which later on will increase the income tax risk for the partnership.

From corporate perceptions, a partnership is view as small scale business. Kleenson might face challenges when they plan to expand their footprint in new markets, export to other countries. Kleenson might need raise fund for expansion. Partnership setup might be unlikely to apply loan from bank. Bankers may not accept partners that have different personal capacity & wealth. An incorporated company is easier and has higher creditability, it depends on the company's cash flow and business prospects. Audited account of an incorporated company is more reliable and trustworthy.

## 4.2 SWOT Analysis on Kleenson Marketing

<b>Strengths</b> High quality product Strong, dedicated & experience team	<b>Weaknesses</b> Partnership setup Ability to raise fund
<b>Threats</b> Unlimited liability Business Continuity	<b>Opportunities</b> Business expansion Corporate perception Tax planning opportunity

### 4.2.1 Strengths

Kleenson constantly works on research and development, strive to introduce new and more effective products. The team in the company is very experienced with dedicated partners and employees. The three partners specialize in production, sales and marketing. This strength has made them gain a larger market share in Malaysia and also the potential to expand their market share within and outside Malaysia.

### 4.2.2 Weaknesses

Kleenson's current setup as partnership, has limited ability to raise fund or apply for loan. Corporate perception for partnership is a small scale business. With the future expansion plan to export outside Malaysia, it requires them to raise fund. This is needed for the operation cash flow which is one of their weaknesses. When this happen, it may result inability to expand in the future with the limited fund.

### 4.2.3 Opportunities

Kleenson has high quality product, with strong, dedicated and experience team. These strengths have provided them with good opportunities for business expansion for more footprint throughout Malaysia and oversea market. An incorporated company will help Kleenson with business expansion, increase and have a better corporate perception. It also provides a better tax planning opportunity.

### 4.2.4 Threats

One of the major treats that Kleenson has is its partners' unlimited personal liability, with the expansion plan to export their products to overseas' market, this will increase the risk as unlimited personal liability. The business continuity is another significant treats for Kleenson, once any one of the partner dies, the partnership will be considered dissolved.

4.3 Porter’s 5 Forces Model

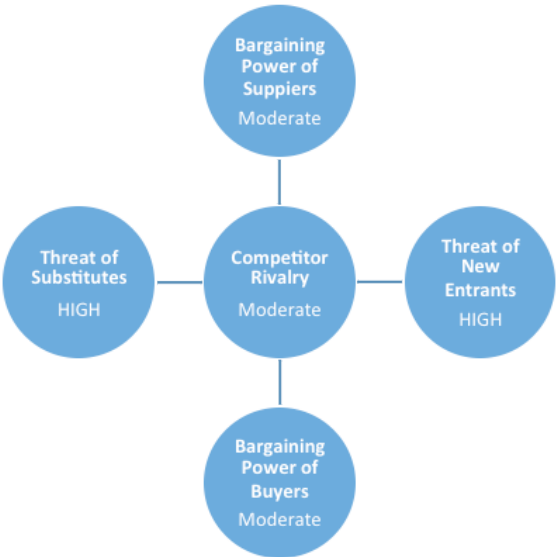


Table 3

Porter’s 5 Forces Analysis

No.	Porter’s 5 Forces Analysis	Explanation
4.3.1	Competitor Rivalry	The competitors of Kleenson have mostly been in the market longer than them, have larger footprint in Malaysia, better resources to support them in their operation processes, a better marketing strategy and a good branding activities.
4.3.2	Bargaining Power of Suppliers	The car care and auto detailing industry is expanding, more car wash, car spa, car beauty center has opened. Customers in Malaysia are putting more care to their car. Many suppliers has enter into the market which increase the competition.
4.3.3	Bargaining Power of Buyers	This has increase number of customers and purchase volumes.
4.3.4	Threat of New Entrants	The barriers to entry for car care and auto detailing industry is easy to enter, low cost of entry.
4.3.5	Threat of Substitutes	The car care and auto detailing industry, there are many substitutes The car care and auto detailing industry. Alternatives price and quality are easily available.

## 5.0 Recommendations

Choosing the right business structure is crucial decision for a business. If the right business structure is chosen, it will boost a business's chance of success. The correct business structure will help businesses to reach their full potential. If a business fails in choosing the right structure it will face several severe difficulties while operating in the long run. Setting up a company in Malaysia by using an incorporated company structure is the best choice for entrepreneurs. This structure should be opted for by entrepreneurs who are committed and ambitious about their businesses. The major benefits of an incorporated company include:

1. Limited liability: Shareholder's personal wealth is protected.
2. Business Continuity: A company using an incorporated company structure will never expire and the company will exist if the key owner passes away.
3. Ability to raise fund: It is easier getting a bank loan using an incorporated company. It is dependent on company's cash flow and business prospects. Audited Accounts of an incorporated company are more reliable and trustworthy.
4. Income tax risk exposure is low: Most of incorporated company are better managed and regulated.
5. Better Tax Planning: An incorporated company is always easier to enjoy the tax benefit such as tax deduction for business expenses and tax incentive for business assets, and able to withstand scrutiny by tax authority.
6. Market Perception: In general, an incorporated company is perceived as more stable and transparent than partnership, due to the stringent reporting requirement. Having Sdn. Bhd. as part of the company's name will help to attract more business. One of the main advantages of an incorporated company is limited liability. It is time for Kleenson to upgrade and convert the partnership to an incorporated company. This will help Kleenson more systematical in management and business operations in professional way. It will provide better image and rebranding for Kleenson business.

### 5.1 Corporate Compliance Requirements after Incorporation

Once a new company is incorporated, the company is required to meet the corporate compliance requirements. After Kleenson Marketing has incorporated a company registered under the provisions of Company Act, below are list of compliance requirements:

1. Obligations under Companies Act.
2. Directors' duties and prohibition under the Companies Act.
3. Responsibilities as Employers
4. Obligations under Income Tax Act
5. Obligations under Goods and Services Tax (GST) Act

### *5.1.1 Obligations under Companies Act*

Company name and company registration number should have in all forms of business correspondences and documentation. Company name and company registration number is immediately required in all business letters, invoices, statement of account, receipts, including office notices and publications. Within 30 days from the date of incorporation, Kleenson is requirement to appoint the company secretary. All registration documents, minutes of all meetings to be kept at Registered Office. Kleenson is required to lodge Annual Return for each calendar year, not later than 30 days from the anniversary of incorporation date. An incorporated company, keeping proper accounting records is required. The accounting records are required to retain for 7 years. Audited Financial Statements is required by an incorporated company. The financial statements and reports has to be lodged with SSM.

### *5.1.2 Directors' Duties and Prohibition under the Companies Act*

Directors are required to disclose who is interested in a contract or proposed contract with the company, and declare the nature of his interest to the Board of Directors. The interested director must refrain from voting at the contract or proposed contract. An incorporated company shall not make loan to the company director. If there are any changes of particulars of director, manager and secretary, or changes to the business address or nature of business, Kleenson is required to notify SSM within 14 days from the date of change.

### *5.1.3 Responsibility as Employers*

Kleenson is required to register with the Employees Provident Fund (EPF) Board within 7 days of employment of first employee. The company is also required to register with SOCSO within 30 days from the date on which the Employees Social Security ACT (ESSA) becomes applicable to the company. They must register Employer Tax File (E number) with Inland Revenue Board (IRB) at any time before payment of salaries to employees.

### *5.1.4 Obligations under Income Tax Act*

Kleenson is responsible to notify Inland Revenue Board (IRB) to obtain Company Tax Registration Number (C Number) any time before filing of first tax return.

### *5.1.5 Obligations under Goods and Services Tax (GST) Act*

It is very important, for Kleenson to register for GST, if annual sales turnover exceeding RM500,000 within 28 days from the end of the month where the taxable turnover exceed or expect to exceed RM500,000.

## 6.0 Conclusion

Choosing the right business structure is crucial decision for a business. If the right business structure is chosen, it may help to enhance a business towards success. The correct business structure will help businesses to reach their full potential. If a business fails in choosing the right structure it will face several severe difficulties while operating in the long run. To sum up, an incorporated company (Sdn Bhd) is preferred for Kleenson which offers limited liability feature. Furthermore, due to the Kleenson's expansion plan, it will be easier to obtain loan under a company compared to Kleenson current setup as partnership. Due to business growth and future expansion plan, after discussion with the Business Consultant, the partners of Kleenson Marketing (partnership) have made decision to transform into a private company. Kleenson Marketing (M) Sdn. Bhd has then been incorporated in 2018.

Among areas that Kleenson should ensure is corporate compliance, and continue to focus for further improvement, such as operation process improvement to safeguard the growth and sustainability of the business. The transformation into private company is part of the expansion program to face the global business challenge. It is a must for the company to grow or they would end up not surviving in the very volatile business environment.

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