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Dormant RM2 firms face stiff levy (HL)

Ahmad Suffian

KUALA LUMPUR, Mon. - The Cabinet has instructed the Domestic Trade and Consumer Affairs Ministry to impose a stiff levy or fine on those wishing to register companies but do not conduct any business activities after registering them.

This move is to prevent unscrupulous people from "selling off" RM2 companies to those wishing to establish a local entity quickly to conduct their business transactions here.

The quantum will be determined by the Registrar of Companies for inclusion in the amendments to the Registrar of Companies Act in Parliament next month.

Minister Datuk Seri Megat Junid Megat Ayub said today the ROC uncovered more than 100,000 registered RM2 companies which were dormant.

"During the Cabinet meeting last week, the Prime Minister (Datuk Seri Dr Mahathir Mohamad) raised the issue of the existence of many RM2 companies which were not functioning or had not been involved in any business activities for more than a year.

"These companies also have many grandiose names, with some connected to the country's future development projects like Multimedia Super Corridor and Putrajaya. They also do not have a board of directors.

"We suspect these RM2 companies were established with the intention of selling them to businessmen or foreign companies wishing to set up local entities here," he said after the ministry's monthly gathering.

Also present were the ministry's secretary-general Datuk Mohamad Noor Rahim, Registrar of Companies Ramly Ali and staff from the various divisions.

Megat Junid said this unscrupulous tactic had also deprived businessmen and foreign companies from registering their own companies as "similar companies had already been registered earlier".

"Our investigations show these RM2 companies are actually for sale to businessmen who face time constraints in registering their companies.

"Some businessmen are also willing to buy these companies from individuals at a price on a buyer-seller basis depending on the importance and size of the purchase, which sometimes can range from RM2,000 to RM100,000."

Displaying a recent advertisement in a newspaper for the sale of 600 companies, Megat Junid said this was proof of the existence of such activities.

The single-column advertisement offers a company for sale at RM1,899, inclusive of the relevant documents and within an hour of applying through a listed telephone number.

Megat Junid said at present there was no legislation to enable the ministry to take action against anyone who registered a company without the intention of doing business.

The ministry may impose a certain levy for those wishing to register new companies and also institute a minimum fine of RM10,000 for the first year the company is found dormant or inactive.

"We are studying the quantum since an appropriate fine will discourage individuals who do not intend to conduct business activities from registering the RM2 companies."

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