

Setting Up and Maintaining a Company in Singapore

Background on Applicable Regulations

The basis of company law in the Republic of Singapore is the Companies Act (Cap. 50). Under this Act, one or more persons associated for any lawful purpose may incorporate a company by subscribing their names to a memorandum and complying with the requirements.

Three types of companies can be incorporated under the Act but this note only focused on a company limited by shares. In this type of company the liability of members of such a company is limited to the amount paid and unpaid (if any) on the shares held by them (This is the normal type of company formed for carrying on business for purpose of gain or profit). The other two types of companies are a company limited by guarantee and an unlimited company.

A company limited by shares may be either private or public. A company can be incorporated as a private company if it does not have more than 50 shareholders and prohibits any invitation to the public to subscribe to its shares and debentures or to deposit money with it.

Private Limited Companies

This note only focusses on such private limited companies.

- There are no restrictions for foreigners owning 100% of shares of a private limited company, and 100% ownership can be with foreign individual/s or foreign corporations.
- There are no restrictions on the number of directors in a company, and even just one Director is permitted. However the company must have at least one local director. A local director can be a Singapore citizen or Singapore Permanent Resident or a foreigner who has obtained an Employment Pass or Dependent Pass.
- There are no requirements for of qualification for a person to become a director
- Most foreigners incorporate Singapore companies using a local nominee director.
- The proposed name of the company has to be approved by the Accounting and Corporate Regulatory Authority (“ACRA”) before all the documents relating to the company incorporation are filed to ACRA to get the Certificate of Incorporation. The name approval takes 1 to 3 working days.
- The Company must have a registered address in Singapore. Incorporation with a registered address and director details takes at most 1 day.
- The minimum paid up capital is SGD 2/-

Ongoing Requirements

- Within 3 months from the date of incorporation an auditor must be appointed. Annual audits must be adhered to. The tax year end is December although the accounting year end could be set differently.

- Within 6 months from the date of incorporation a company secretary must be appointed. The secretary must possess at least one of the qualifications set out in under Singapore Law. Foreign shareholders setting up a company usually appoint a professional company secretarial firm to undertake this requirement.
- The company must hold an Annual General Meeting (AGM) to lay its audited accounts before its shareholders for approval. The first AGM must be held within 18 months of Incorporation and thereafter the AGM must be held once in every calendar year and not more than 15 months after the last AGM.
- The company must file the Annual Return and the audited accounts of the company within 1 month after the AGM.
- The audited accounts laid before the shareholders at the AGM must be made up to a date not more than 6 months from the date of AGM.
- To be exempt from audit requirement, a company must satisfy all of the following:
 - All shareholders must be individuals;
 - Total number of shareholders must be less than 20;
 - Annual turnover of the company must be less than S\$5 million.

Directors or officers of Singapore companies are held to be legally responsible and accountable for complying with the requirements of the Singapore Company's Act, especially those highlighted above. Failure to comply with these requirements is an offence and may render the Director liable for prosecution.

Taxation

Corporate

The Corporate Tax rate in Singapore is 17% of chargeable income.

Tax exemption for qualifying start-ups for first three consecutive years of assessment,

- First S\$ 100,000 @ 100%
- Next S\$ 200,000 @ 50%

Partial tax exemption for companies after 3rd year of assessment

- First S\$ 10,000 @ 75%
- Next S\$ 290,000 @ 50%

Individual

Singapore follows a progressive tax rate starting at 0% and ending at 20% for income above SGD 320,000. Please look into the IRAS website to find out the detailed tax rates for individuals

<http://www.iras.gov.sg/irasHome/page.aspx?id=7594>

Capital Gains / Wealth Tax / Inheritance Tax

There is no capital gains tax, no wealth tax and no inheritance tax in Singapore

Details Required to Set up a Singapore Company

- Proposed name of the Company (please provide 2 proposed names)
- Registered address of the company (this is usually the address of the corporate secretarial firm used to set up and maintain the company)
- paid up capital of the company
- particulars of directors viz. Full name, address, contact number, Passport No., Nationality, and Date of Birth. Appointment of resident Singaporean as nominee Director.
- Particulars of shareholders (Full name, address, contact number, Passport No, Nationality, Date of Birth)
- Principal activities of the company

Set up and Maintenance Costs

All Figures in SGD (Quotes from three different Corporate Secretarial firms)

	Fee Range
<u>Incorporation Fee</u> Includes ACRA Fee, name application, incorporation, full company kit - company seal, minutes/register books, share certificates and 4 copies of Memorandum & Articles of Association)	1,500 to 4,000
<u>Corporate Secretarial Retainer (Per Year)</u> Includes: provision of company secretaries, 2 resolutions for bank account openings, resignation/ appointment of directors, change of registered address, Preparation of minutes of Annual General Meeting (AGM), preparation of Annual Returns and other statutory returns to be lodged with ACRA, safe custody and updating of the statutory books and register as required by Companies Act, any other routine work.	1,000 to 5,000
<u>Registered Address</u>	300 to 500
<u>Nominee Director</u>	2,000 to 4,000
TOTAL	4,800 to 13,500

Other Secretarial Services (charged by case to case basis)

Assistance in opening of bank accounts, book Keeping and Accounting, preparation of Directors report/Audit report, reparation of Corporate Tax filing and filing of Form C, application of Employment Pass if required, transfer of shares, change of company name, change in Memorandum & Articles of Association, increase in capital and any other non-routine work.

As shown above the fees from the three corporate secretarial firms are different but not too far apart. We recommend that you meet these firms with us and then based on personal comfort, select one of them. The difference in fees should not determine the best long term service provider. A consideration here should also be making sure that the selected firm has the best Singaporean reputation and where you feel you have the most trust.

Other annual fees that will be incurred:

Audit Fees: Varies from SGD 3,000 to SGD 15,000

ACRA Fees: Nominal

Office / Admin Costs

Admin / secretary costs ~ SGD 3,000 to SGD 5,000 / month (SGD 36,000 to SGD 60,000 per annum)

Office Space will vary from SGD 5,000 to SGD 10,000 per month (SGD 60,000 to SGD 120,000 per annum) depending on where the office is located.