

Exes Company Secretarial Pte Ltd

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Setting up business in Singapore

1. GENERAL

There is no restriction on foreign ownership and there is no exchange control.

2. BUSINESS ENTITIES

Persons who are interested to carry on business in Singapore must register an entity, and the entities may be any of the following:-

- A sole-proprietorship and partnership
- A Limited liability partnership
- A company incorporated in Singapore
- A branch of foreign companies
- Representative Office

Sole-proprietor and partnership

All sole-proprietor or partnerships are registered under the Business Registration Act, Cap 32. A sole-proprietorship only require 1 member whereas a partnership can take 2-20 members. The advantages of such businesses are that they are easy to form, maintain and dissolve. No annual return is required to be submitted to the Accounting and Corporate Regulatory Authority (ACRA) and the accounts are not subjected to audit. However, registrations have to be renewed annually. However, the disadvantage is that a sole-proprietor is personally liable for the liabilities of the business, whereas in a partnership, all partners are jointly liable for the partnership debts and obligations. The liability of the partners is unlimited.

Limited Liability partnership

A Limited Liability Partnership (LLP) is a relatively new vehicle for doing business in Singapore. An LLP gives owners the flexibility of operating as a partnership while having a separate legal identity like a private limited company.

Characteristics of a LLP:

- ♥ The partners can be individuals or companies.
- ♥ There must be a minimum of 2 partners. There is no maximum number of partners in a LLP.
- ♥ A LLP is a legal entity (i.e. it can sue or be sued in its own name and can own or hold any property, and do such other act in its name).
- ♥ LLP has perpetual succession, which means any change in the partners of a LLP will not affect its existence, rights or liabilities.

LLP are required to submit to the Registrar an annual declaration of solvency or insolvency (i.e. being able or unable to pay its debts respectively) which will be made available to the public. The advantages of LLP are that it has limited liability, perpetual succession and is easy to administer. However, as compared to sole-proprietor business and partnership, it has more formalities and procedure to comply with.

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Companies

A limited liability company is commonly used to carry out business in Singapore. A company may be private or public and may be limited by shares or by guarantee.

Private Company

Characteristics of a private company:-

- Does not have more than 50 shareholders
- Restrict rights to transfer shares
- Prohibit against invitation to the public to subscribe to its shares and debentures
- Can commence business immediately upon receiving certificate of incorporation

A private company may be classified as an exempt private company (EPC) if it is not directly or indirectly owned by any corporation and has less than 20 shareholders. The main advantage of an EPC is that it can advance loan to directors and they are exempted from filing the accounts together with annual return with RCB, if the directors, secretary and auditors certify that the company is solvent and the company has complied with requirements of private company.

Procedure to register a private limited company

- Name of company is submitted to ACRA for approval.
- Certain activities such as education institutions, travel agent, maid agency etc will require approval or licenses from the relevant government authorities before commencement of business
- A minimum of ONE natural persons over 21 years old must be appointed as director, one of which must be a Singapore Citizen, Permanent Residence or Employment Pass Holder.
- A minimum of ONE persons to subscribe to the Memorandum and Articles of Association
- Submit the statutory forms and Memorandum and Articles of association to ACRA together with a registration fee of SGD300, regardless of the share capital.

Public Company

A company has to be registered as a public company if it intent to invite the public to subscribe to its shares or debentures. There will not be any restriction on transfer of shares, and there is unlimited number of shareholders. However, it cannot commence business until Certificate to commence business is issued by ACRA.

Branch of foreign companies

Besides registering a company, foreign companies who wish to commence operations in Singapore may choose to register a branch in Singapore. A branch is an extension of the head office and is not limited in liability as compared to a limited company.

The following documents are required to be submitted to ACRA for registration:-

- Certified copy of the certificate of incorporation
- Copy of memorandum and articles of association
- A list of directors
- Memorandum of appointment or power of attorney stating the names and addresses of two or more persons residents in Singapore as agents and authorised to accept on its behalf notices required to be served on the company
- Notice of situation of the company's registered office in Singapore

The agent of a foreign branch is responsible for the requirements of the foreign branch under the Act and is personally liable for the any penalties imposed on the foreign branch for contravention of such requirements.

The registration fee payable for a foreign company with share capital is SGD300 and those without a share capital is SGD1,200.

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Representative Office

A foreign company may choose to set up a Representative Office (RO) for the carrying out promotional and liaison work. There are minimal reporting requirements and no liability for Singapore Income Tax. The activities are limited and subjected to approval of International Enterprise Singapore.

The terms and conditions of Representative Office (RO) are as follows:-

- The RO must confine its activities to promotion and liaison on behalf of its parent company
- The RO must not engage in any trading (including import and export), businesses activities directly or on behalf of the parent company. The RO must lease warehousing facilities. Any shipment/transshipment or storage of goods should be handled by local agent or distributor appointed by its parent company.
- The RO must not lease its office to other establishment at a fee.
- The RO must not sign business contract, issue invoice/receipt. Open/receive letters of credit and contacts on behalf of the parent company or provide service for a fee
- The RO must be represented by their own HQ/local staff
- The RO must notify International Enterprise Singapore (IE) prior to changing the nature of activities as specified in the registration form.

However, RO are not permanent establishments. The registration of RO grants a temporary business facilities for the company to engage. It is normally intended to last 2-3 years, by then the RO would have sufficient time and opportunity to decide on the types of business entities to register.

3. TAXATION CONSIDERATION

Taxation in Singapore is on territorial basis. Income is levied on a corporate and person's income if it is sourced from Singapore or received in Singapore from other countries.

The following income is subjected to income tax :-

- Gains or profit from any trade, business, profession or vocation
- Gains or profit from employment
- Dividends, interest or discounts
- Pensions, charges or annuities
- Rents, royalties, premiums and any other profit arising from property
- Gains or profits of an income nature not falling within the preceding categories

Corporate Tax Rate

The current tax rate is 18%. 75% of the first \$10,000 and 50% of the next \$290,000 is exempted from tax.

Individual Tax Rate

Individuals who are tax residents are currently assessed at progressive rates ranging from 0% for chargeable income up to \$20,000 to a maximum of 20% for income in excess of \$320,000.

Withholding Tax

Certain payments (eg royalties, interest, directors fees, management fees) paid to non-residents will be subjected to withholding tax. Rates are generally 10% to 20%.

Goods and Services Tax (GST)

7% GST is payable on all imports into Singapore and sales by registered traders must charge 7% on sales except for export and some exempt supplies.