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DOING BUSINESS IN SINGAPORE –
WHAT YOU NEED TO KNOW

1) TO REGISTER A SINGAPORE COMPANY

Before registration

Company Name

The name must be reserved prior to registration. Reservations will only be effective for 2 months. Applications may be made for future extensions. Members are advised to take the initiative to ensure that their names are not undesirable or identical to any other registered businesses in Singapore.

Nature of business

Registration of a company will be refused if the business is deemed to be prejudicial to public peace or is detrimental to national security. Companies that have the ability to influence the political environment in Singapore should consider seeking professional opinion.

Constitution

All companies are to submit the constitution along with their application. The Companies Act provides concession for private companies to either adopt the model constitution in part or in full.

After registration

Regulatory requirements

a) Directors

A minimum of one resident director (a resident is defined as a Singapore Citizen, a Singapore Permanent Resident, or an Employment Pass holder with a residential address in Singapore) is mandatory. Directors must be at least 18 years of age and of full legal capacity. In addition, they must not be an un-discharged bankrupt, or convicted for any malpractices. There is no requirement for the directors to also be shareholders, i.e., non-shareholders can be appointed directors.

b) Shareholders

A Singapore private limited company can have a minimum of 1 or a maximum of 50 shareholders. Joint holders of shares can be considered as 1 person. A director and shareholder can be the same or a different person. The shareholder can be a person or another legal entity such as another company. 100% local or foreign shareholding is allowed. New shares can be issued or existing shares can be transferred to another person anytime after the Singapore Company has gone through the incorporation process.

c) Company secretary

As per Section 171 of the Singapore Companies Act, every company must appoint a company secretary within 6 months of its incorporation. The position shall not be left vacant for more than 6 months at any point in time. It has to be noted that in case of a sole/shareholder, the same person cannot act as the company secretary. The company secretary must be a natural person who is ordinarily resident in Singapore.

d) Auditor

A company shall appoint an auditor within three months from the date of its incorporation. Once appointed, they will hold office until the conclusion of the first annual generation meeting.

The audit exemption is applicable for financial years beginning on or after the change in the law (1 Jul 2015).

<u>Qualification criteria for audit exemptions</u>

Currently, a company is exempted from having its accounts audited if it is an exempt private company with annual revenue of $5 million or less. This approach is being replaced by a new small company concept which will determine exemption from statutory audit. Notably, a company no longer needs to be an exempt private company to be exempted from audit.

A company qualifies as a small company if:

(a) it is a private company in the financial year in question; and

(b) it meets at least 2 of 3 following criteria for immediate past two consecutive financial years:

- (i) total annual revenue ≤ $10m;
- (ii) total assets ≤ $10m;
- (iii) no. of employees ≤ 50.

For a company which is part of a group:

(a) the company must qualify as a small company; and

(b) entire group must be a “small group”

to qualify to the audit exemption.

For a group to be a small group, it must meet at least 2 of the 3 quantitative criteria on a consolidated basis for the immediate past two consecutive financial years.

Where a company has qualified as a small company, it continues to be a small company for subsequent financial years until it is disqualified. A small company is disqualified if:

(a) it ceases to be a private company at any time during a financial year; or

(b) it does not meet at least 2 of the 3 the quantitative criteria for the immediate past two consecutive financial years.

Where a group has qualified as a small group, it continues to be a small group for subsequent financial years until it does not meet at least 2 of the 3 the quantitative criteria for the immediate past two consecutive financial years.

e) Paid-up capital

Minimum paid-up capital for registration of a Singapore company is S$1. Paid-up capital (also known as share capital) can be increased anytime after the incorporation of the company. There is no concept of Authorized Capital for Singapore companies.

f) Registered address

Need to provide a local Singapore address as the registered address of the Company.

Considerations for foreign companies

Under the Companies Act, every foreign company must register in Singapore if it chooses to carry on a business or establishes a place of business in Singapore. While incorporating, they must take into consideration the following points:

a) Must engage a professional firm to register a Singapore company. Singapore law does not allow foreign individuals or entities to self-register a company.

b) There is no requirement for you to obtain any special Singapore visa if you merely want to incorporate a private limited company but have no plans to relocate to Singapore. You are free to operate your company overseas as well as free to visit Singapore on a visitor visa whenever required to attend to company matters on a short-term basis. You will need to find a local resident director since each company must have at least one local director. Our firm provides the professional services of a local nominee director for this purpose.

c) If you plan to relocate to Singapore to operate your company, you are required to obtain an Employment Pass or Entrepreneur Pass type of work pass. Once you obtain it, you can act as the local resident director of your company.

Documents required for Singapore company incorporation

For the purpose of company incorporation in Singapore, the following information is required by the company registrar:

a) Company's name

b) Brief description of business activities

c) Shareholder particulars

d) Directors particulars

e) Registered address

f) Memorandum and Articles of Association (MAA). Our firm provides the standard MAA document that is suitable for most instances.

You will need to have the following documents in order to prepare the necessary company incorporation paperwork:

a) For non-residents: Copy of passport, overseas residential address proof certified by Public Notary, bank reference letter and business profile, etc.

b) For Singapore residents: Copy of Singapore identity card

c) If the shareholder is a corporate entity: Copy of registration documents such as Certificate of Incorporation and Memorandum & Articles of Association.

Notes*

a) Officially endorsed translated versions must be provided for any non-English documents.

b) Under the current Companies Act, there is no official definition for establishing a place of business in Singapore. Professional advice should be sought.

Singapore Company registration procedure and timeline

The actual incorporation of the company with Accounting and Corporate Regulatory Authority (ACRA) is lodged on-line electronically and is immediate when we have all the documents in good order. However, it may take between 14 days to 2 months if the application needs to be referred to other authorities for approval or review.

For example, if the intention of the company is to carry out activities involving the setting up of a private school, the application will be referred
A registration fee of S$300 is payable to the ACRA at the time of incorporating a private limited company (Pte. Ltd.).

Penalty for non-incorporation

Under the Companies Act, any association that consists of more than 20 members shall be formed for the purpose of carrying on a business in Singapore unless it is registered as a company. If the members continue to carry on the business in Singapore, they can neither sue to enforce its rights nor can it be sued by its members.

2) SINGAPORE TAXATION

Income tax filing obligations will apply to all companies, except dormant companies for which IRAS has waived the requirement to file the Income Tax Return (Form C / Form C-S).

Filing of Estimated Chargeable Income (ECI) <u>within three months</u> from Filing of Income Tax Return (Form C / Form C-S) are based on chargeable income and filed by 30 November in the year following the financial year.

Estimated Chargeable Income (ECI) filing obligations

The ECI of the company has to be filed within three months of the accounting year end.

For example, if the accounting year of the company ends on 30 June, it has to furnish the ECI for the financial year ending 30 June 2014 [Year of Assessment (YA) 2015] by 30 September 2014. Singapore adopts a preceding year basis of taxation.

Income Tax Return – Form C / Form C-S filing obligations

A company is required to report its actual income by filing an Income Tax Return (Form C / Form C-S).

There are two types of Income Tax Return, Form C and Form C-S:

a) Form C-S

This is a shortened 3-page form.

Companies that meet qualifying conditions may report their income by filing Form C-S.

The financial accounts, tax computation and supporting schedules are **not** required to be submitted together with Form C-S. They are to be prepared and retained for submission upon IRAS' request.

b) Form C

This is a 7-page form.

Companies are required to report their income using Form C if they do not meet the qualifying conditions for filing Form C-S.

The financial accounts, tax computation and supporting schedules have to be submitted with Form C.

A company and/or its Director may be summoned to Court and fined up to $1,000 for not complying.

If your company is likely to continue to be dormant (No business activities) in subsequent years, please apply for waiver to submit Form C or Form C-S.

Singapore registered companies enjoy very attractive tax exemptions and incentives. Your company pays effective tax of 5.67% (First three years for new company) and 8.64% (After three years) for the first S$300,000 annual profits and 17% flat after that. There are no capital gains or dividend taxes on Singapore companies. There are also government grants available for setting up companies in Singapore.

Corporate Tax exemptions

Under the Singapore Income Tax Act, all companies are required to pay the prevailing corporate tax rate. However, the Singapore government has in place exemptions and incentives to help companies lower their effective tax rate.

a) Partial Tax Exemption

Any company paying the prevailing corporate tax rate is eligible for partial tax exemption.

b) Start-Up Tax Exemption

The scheme allows for 75% tax exemption on the first $100,000 on normal chargeable income and for 50% exemption on the next $100,000. This is subject to meeting all 4 of the qualifying conditions.

(i) The company is incorporated in Singapore.

(ii) The company is a Tax resident in Singapore for that YA.

(iii) Total share capital held by no more than 20 shareholders throughout that basis period for that YA where either all the shareholders are individuals or at least one shareholder is an individual holding at least 10% of the issued ordinary shares of the company.

(iv) The company is not an investment holding company or a company which undertakes property development for sale, investment or both.

c) Corporate Income Tax rebate

The CIT rebate is given to all companies to ease business costs and support of YA 2020, CIT rebate provides for 25% of tax payable, capped at $15,000.

Tax incentives

Global Trader Program

Launched by the Singapore government to promote Singapore as an international hub for trading in specified commodities by encouraging reputable GTP companies to use Singapore as their regional base for trading.

List of approved commodities & products are as follows:

a) Petroleum and petroleum products

b) Agricultural commodities and bulk edible products

c) Building and industrial materials

d) Consumer products

e) Industrial products

f) Machinery components

g) Minerals

h) Electronic and electrical products

i) Carbon credits

j) Liquefied natural gas (LNG)

Targets **well established international players** in their industries with **good track record** for international trading, procurement, distribution and transportation of qualifying commodities & products

Economic Expansion Incentives

For companies that provide either pioneer services or are pioneer industries, they will get to enjoy full exemption from tax up till a maximum of 15 years.

The Minister may declare an industry to be a pioneer industry or a product to be a pioneer product if it is for the public interest or the current industry is not of sufficient scale (i.e. not developed); and there are favourable prospects for development of the industry

A company may be approved as a "pioneer service company" if it intends to engage in any of the qualifying activities set out in s 16 covering engineering or technical services, computer-based information and other computer-related services, development or production of any industrial design or other prescribed services or activities

Intellectual Property Development Incentive

The IDI scheme was introduced to encourage the use and commercialisation of IP arising from R&D activities of the taxpayer. An approved IDI company will be eligible for a reduced tax rate of either 5% or 10% on a percentage of qualifying income derived from the commercialisation of certain IP. The percentage is determined by the modified nexus approach set out in the Action 5 report of the OECD base erosion and profit shifting (BEPS) project. The concessionary tax rate will increase at regular intervals as prescribed in the Income Tax Act.

Mergers and acquisitions allowance

The mergers and acquisitions allowance allows a write-off of 25% of the value of qualifying mergers or acquisitions deals executed between 1 April 2015 and 31 December 2025. The amount of allowance, to be claimed over five years, is subject to a cap of SGD 5 million (for deals executed between 1 April 2015 and 31 March 2016) or SGD 10 million (for deals executed between 1 April 2016 and 31 December 2025) for all qualifying acquisitions made in the basis period for each year of assessment. This incentive is available to companies that are incorporated, tax resident, and carrying on a business in Singapore. A 200% tax allowance is also granted on transaction costs (capped at SGD 100,000 per year of assessment) incurred on qualifying deals.

Financial services incentives

a) Financial Sector Incentive (FSI) scheme

The FSI scheme covers a broad range of financial institutions, including bond intermediaries, derivative traders, fund managers, equity capital market intermediaries, operational headquarters, providers of high-value-added processing services supporting financial activities, providers of trustee and custodian services, and trust management or administration services. Financial institutions that plan to expand their Singapore operations and are prepared to meet various strict qualifying conditions may apply for this incentive.

Under the FSI scheme, income from certain high growth, high-value-added activities, such as services and transactions relating to the bond market, derivatives market, equity market, and credit facilities syndication, may be taxed at 5%, while a broader range of financial activities will qualify for a 13.5% tax rate.

b) Finance and Treasury Centre (FTC)

Income derived by an FTC from approved FTC activities is taxed at a reduced rate of 8%. Approved activities include international treasury and fund management activities, corporate finance and advisory services, economic and investment research and analysis, and credit control and administration.

Interest payments to overseas banks and approved network companies are also exempt from WHT where the funds borrowed are used for approved activities.

c) Debt securities incentives

A package of tax concessions is available to various players in the Singapore bond market, including those involved in certain Islamic financing arrangements.

d) Insurance Business Development (IBD) scheme

The IBD scheme is an umbrella incentive for the insurance sector. Incentives offered under this scheme include a 10% concessionary tax rate for qualifying income of life, general, and composite insurers from carrying on insurance businesses from Singapore, and income derived from the provision of insurance broking and advisory services. This includes income from marine hull and liability insurance and captive insurance businesses. Lower rates may apply for qualifying specialised insurance.

e) Real Estate Investment Trusts (REITs)

Distributions made to foreign non-individual investors by a listed REIT out of rental income from Singapore real estate are subject to a reduced tax rate of 10%, subject to certain conditions being met. Listed REITs investing in foreign properties can apply for tax exemption for certain foreign income received in Singapore. Distributions out of this income similarly are exempt.

Tax transparency treatment may be accorded for specified income of Singapore-listed REIT Exchange-Traded Funds (REIT-ETFs) so that there will be parity in tax treatment between investing in individual S-REITs and via REIT-ETFs with investments in S-REITs.

As a concession, Singapore-listed REITs are allowed to claim GST on expenses incurred for their business and for their special purpose vehicles, regardless of whether the REIT is eligible for GST registration, subject to a specified formula and certain conditions.

f) Islamic financing arrangements

The income tax, stamp duty, and GST treatment of prescribed Islamic financing arrangements and Islamic debt securities (Sukuk) are aligned with that of the conventional financing contracts to which they are economically equivalent, subject to certain conditions.

g) Infrastructure project finance incentives

Tax exemption is available for interest income earned from qualifying investments in qualifying infrastructure projects/assets. FSI companies that provide project finance advisory services related to qualifying projects/assets may enjoy certain tax concessions for their qualifying income, and companies that provide management services to qualifying business trusts and funds pay tax at 10% on their qualifying income.

h) Sovereign wealth funds

Tax exemption is available for income derived by a sovereign fund entity and an approved foreign government-owned entity from funds managed in Singapore.

i) Singapore Variable Capital Companies (VCC)

A VCC will be treated as a company and a single entity for tax purposes. The tax exemptions for income from funds managed in Singapore and the existing GST remission for funds will be extended to qualifying VCC. A 10% concessionary tax rate under FSI incentive for fund managers will be extended to approved fund managers managing an incentivised VCC.

Maritime Sector Incentive

The MSI scheme is the umbrella incentive for the maritime sector. Incentives offered include tax exemption for shipping companies and a 10% concessionary tax rate for international freight and logistics operators. Approved ship investment managers are also taxed at 10% on qualifying management-related income. The

scheme also includes approved ship investment vehicles, which are tax exempt on their qualifying vessel lease income; approved container investment enterprises, which are taxed at 5% or 10% on qualifying income from container-leasing; and approved container investment management companies, which are taxed at 10% on qualifying management fees.
Qualifying ship operators and lessors under the MSI scheme also enjoy automatic tax exemption on gains from the disposal of vessels, vessels under construction, and new building contracts.

Government initiatives

Productivity Solutions Grant

The grant covers sector specific solutions for businesses in areas such as retail, food, logistics, engineering or construction. This includes the adoption of technological solutions such as data analytics, financial management and inventory tracking.

As of the supplementary budget 2020, the PSG will be enhanced to encourage enterprises to continue their digitalization and productivity upgrading efforts. The maximum funding is currently raised to 80% up to 30th September 2021.

To be eligible, SMEs (Small-medium enterprises) have to satisfy the following conditions:

- Registered and operating in Singapore
- Purchase/lease/subscription of the IT solutions or equipment must be used in Singapore
- Have a minimum of 30% local shareholding; with Company's Group annual sales turnover less than S$100 million, OR less than 200 employees (for selected solutions only)

Eligible employers who fulfil the following criteria can also qualify for additional subsidies under the SkillsFuture Enterprise Credits (SFEC) scheme:

- Have contributed at least S$750 Skills Development Levy over the qualifying period
- Have employed at least three Singapore Citizens (SCs) or Permanent Residents (PRs) every month over the same period
- Have not been qualified for SFEC at any of the earlier periods

Market Readiness Assistance Grant

For SMEs that are planning to take their businesses overseas, up to 70% of eligible costs, capped at S$100,000 per company per new market from 1 April 2020 to 31 March 2023 covers the cost of:

- Overseas market promotion (capped at S$20,000)
- Overseas business development (capped at S$50,000)
- Overseas market set-up (capped at S$30,000)

In order to qualify, the companies must:

- Be registered/incorporated in Singapore

- New market entry criteria, i.e. target overseas country whereby the applicant has not exceeded S$100,000 in overseas sales in each of the last three preceding years
- At least 30% local shareholding
- Group Annual Sales Turnover of not more than S$100 million; OR Company's Group Employment Size of not more than 200 employees

Enterprise Development Grant
The Enterprise Development Grant (EDG) helps Singapore companies grow and transform. This grant supports projects that help you upgrade your business, innovate or venture overseas, under three pillars:

1. Core Capabilities

Projects under Core Capabilities help businesses prepare for growth and transformation by strengthening their business foundations. These should go beyond basic functions such as sales and accounting.

2. Innovation and Productivity

Projects under Innovation and Productivity support companies that explore new areas of growth, or look for ways to enhance efficiency. These could include reviewing and redesigning workflow and processes. Companies could also tap into automation and technologies to make routine tasks more efficient.

3. Market Access

Projects under Market Access support Singapore companies that are willing and ready to venture overseas. You may tap into the EDG to help defray some of the costs of expanding into overseas markets.

The grant funds qualifying project costs namely third-party consultancy fees, software and equipment, and internal manpower cost.
As announced at Supplementary Budget 2020, the maximum support level will be raised to 80% from 1 April 2020 to 30 September 2021.
For enterprises that are most severely impacted by COVID-19, the maximum support level may be raised to 90% on a case-by-case basis until 31 December 2020.

To qualify for the grant, companies must:
- Be a business entity registered and operating in Singapore
- Have a minimum of 30% local shareholding
- Be in a financially viable position to start and complete the project

Land Productivity Grant

Companies that are interested to optimise land use through domestic or overseas relocation can tap on the Land Productivity Grant (LPG) to defray part of the initial cost arising from the relocation. The supportable cost components would be one-time, non-capital expenses related to the relocation.
Funding support for approved projects will be between 10% and 70% of the qualifying costs, and is dependent on the amount of land freed up and the remaining lease term
Qualifying costs include:

- Relocation costs (i.e. physical movement of existing plant & machinery to new site. Exclude cost of asset acquisition in equipment, machinery, land, building and taxes and levies paid to foreign or local government).
- Third-party consultancy fees for market and location feasibility studies as well as work flow redesign.
- Manpower cost of project manager or Singapore-based staff posted to the overseas site to oversee training of local labour and new facility setup.

Supportable activities:

- Domestic relocation

Restructuring of production model and relocation of existing operations from a land-based facility to a high-rise one or another land-based development locally with smaller footprint.

- Immediate region relocation

Partial restructuring of business activities to Iskandar Malaysia and/or Batam, Bintan and Karimun in Indonesia (IM-BBK).

Local companies can qualify if:

- It is physically present and registered in Singapore
- It has to be currently situated on industrial land
- For overseas relocation, company must demonstrate strong linkages from the relocated activities to the activities carried out in Singapore
- It must generate a minimum of 0.1 hectare (ha) of land savings

For foreign talent

Global Investor Program

The Singapore Global Investor Programme provides Permanent Residence status in Singapore to investors with substantial business track record and successful entrepreneurial background who intend to drive their business and investment growth from Singapore.

To qualify the applicant must meet eligibility requirements which include:

a) Clean criminal record;

b) Have a substantial entrepreneurial background (at least 3 years' experience), and will need to provide 3 years of audited financial statements;

c) Have run a business with annual turnover of at least SGD50 million in the year prior to application and at least SGD50 million p.a. on average over the last 3 years;

d) Applicants can consolidate their businesses to meet the minimum turnover requirement;

e) If the company is privately owned, the applicant must have a shareholding of at least 30%;

f) Submit a detailed business or investment plan, including key milestones, which must be realised within 3 years of the date of investment; and

g) The business must be in an approved industry sector.

Advantages

- Dependents included:
  - Spouse
  - Children under 21
- Permanent Residence provided to applicant and dependents including right to live, work and study
- Parents and children over 21 can obtain 5-year visit visa
- High quality healthcare and education system
- Tax efficient jurisdiction
- Eligible to apply for Citizenship after holding permanent residence for at least 2 years

For any further information, please do not hesitate to contact Dr Robin Chia at email: robin@rccmgroup.com or Mr Tony Lai, at email: tony@rccmgroup.com.