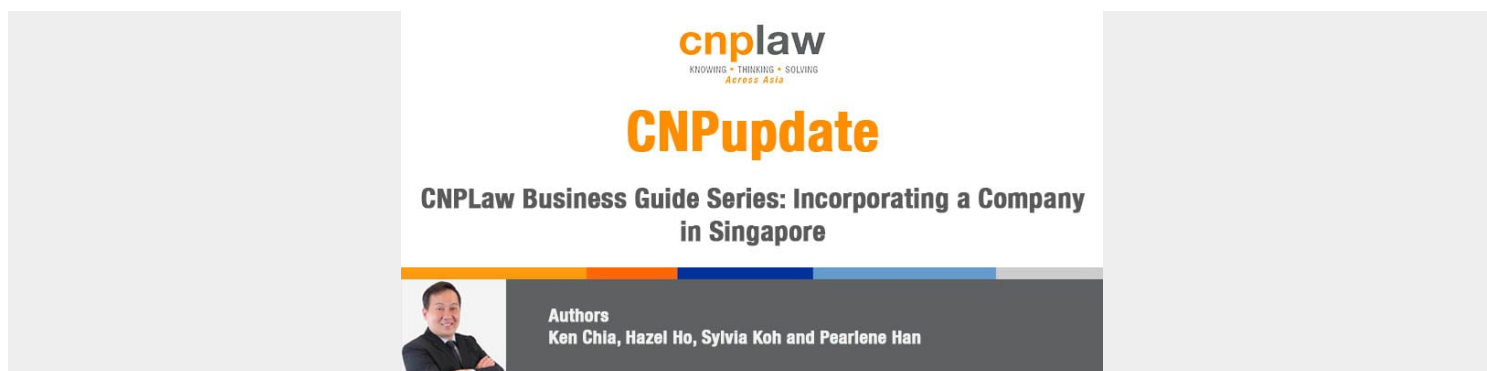


CNPLAW BUSINESS GUIDE SERIES: INCORPORATING A COMPANY IN SINGAPORE

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1. Choosing your business vehicle

If you are looking to do business in Singapore, you can choose to set up a business vehicle which comes in different forms, such as a sole proprietorship, a partnership, a business trust or a branch of a foreign company. However, the most common form is a private company limited by shares ("**company**"). This article focuses on typical considerations for incorporating a company in Singapore.

2. What is a private company limited by shares?

A private company limited by shares is a legal entity with up to 50 shareholders whose liability is limited to the amount to be paid up on their respective shares in the company. It has a legal personality separate from its shareholders and directors (who are generally not liable for the company's debts) and has the capacity to sue or be sued and to hold assets in its own name.

3. Incorporation requirements

Below is summary of the key requirements for incorporating a company in Singapore.

A. Licences

- Generally, no licence is required to incorporate a company in Singapore.
- However, certain business activities may require specific licences or permits to be obtained from

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relevant government agencies before a company can operate, particularly in regulated industries, such as finance, insurance, import trade, etc. This should be considered before incorporating a company in Singapore.

B. Directors

- There must be at least 1 local director resident in Singapore (e.g. a Singapore citizen, Singapore permanent resident or a Singapore employment pass holder).
- An overseas foreigner can be a director, provided that there is at least 1 local director as stated above.
- A director must be at least 18 years old with full legal capacity and not disqualified from acting as a director (e.g. not an undischarged bankrupt).

C. Shareholders

- The minimum number of shareholders is 1 and the maximum number of shareholders is 50.
- A shareholder can be an individual or a legal entity, whether local or foreign.

D. Secretary

- At least 1 secretary must be appointed within 6 months after the incorporation of the company to maintain the corporate records of the company.
- A secretary must be a local individual resident in Singapore who is qualified to act as a secretary (e.g. a Singapore lawyer or public accountant).
- If a company only has 1 director, such director cannot also act as the secretary.

E. Auditors

- A company must appoint auditors within 3 months after the incorporation of the company, unless it is exempt from audit requirements.
- A company is exempt from audit requirements if it is:
 - a small company, i.e. it is a private company throughout a particular financial year and satisfies any 2 of the following 3 criteria for each of the past 2 financial years: (A) its revenue does not exceed S\$10 million; (B) the value of its total assets does not exceed S\$10 million; and (C) it has not more than 50 employees; or
 - part of a small group, i.e. a group that satisfies at least 2 of the above criteria on a consolidated basis for the past 2 financial years.

F. Share capital

- The minimum number of shares is 1 which can have a paid-up capital as low as S\$1 (or in such other

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major currency, such as US\$).

- The share capital can comprise different classes of shares (e.g. ordinary shares and preference shares).

G. Registered address

- A company must have a local registered address in Singapore which can be at a commercial property or, if approved under the Home Office Scheme, a private residential property.
- The registered address must be operational but need not be where the company conducts its activities.

H. Constitution

- A company must have a constitution (previously known as its memorandum and articles of association).
- The constitution is a public document which governs the company and can be in the form of the model constitution provided by the Companies Act or customised based on specific requirements.
- If the shareholders also enter into a private shareholders' agreement to govern the company, it is recommended that the constitution be amended for consistency with such shareholders' agreement to avoid conflicting provisions.

4. Other considerations

A. Bank account

- A company can open a corporate bank account in Singapore once it is incorporated.
- Typically, the banks in Singapore will require face-to-face meetings with the directors for verification purposes.

B. Annual maintenance

A company must comply with annual maintenance requirements, including:

- holding its annual general meeting within 6 months after its financial year end, unless the shareholders resolve to dispense with such requirement;
- filing its annual return with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA") within 7 months after its financial year end; and
- filing its income tax return with the Inland Revenue Authority of Singapore by 30 November every year.

C. Corporate tax

- Corporate tax in Singapore is levied at a flat rate of 17% on chargeable income (i.e. taxable revenues

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less deductible expenses).

- All dividends paid by a company to its shareholders are exempt from taxation.
- There is no capital gains tax in Singapore.
- The Tax Exemption Scheme is available for qualifying new start-up companies for their first 3 years of assessment. It provides 75% tax exemption on the company's first S\$100,000 of chargeable income and a further 50% tax exemption on the next S\$100,000 of chargeable income. To qualify, a company must be a tax resident and have no more than 20 shareholders with all shareholders being individuals or 1 individual shareholder holding at least 10% of its shares. Property and investment holding companies are not eligible.

5. Incorporation process

The incorporation process takes place on ACRA's BizFile e-portal ("**ACRA portal**") which is accessible via a CorpPass or a SingPass issued to local entities or individuals respectively. An overseas foreigner should therefore engage a filing agent registered with ACRA (e.g. a Singapore law firm or accounting firm) to assist with the incorporation process.

A. Name reservation

- The name of a company must be reserved on the ACRA portal before it can be incorporated.
- The name cannot be identical to the name of an existing business, undesirable (e.g. offensive) or prohibited.
- The name reservation can usually be completed in 1 day whereby the name will be reserved for up to 120 days.

B. Application

- The proposed shareholders, directors and secretary must provide and/or sign certain documents to incorporate the company, e.g. the first board resolution, constitution, share certificates, consents to act as director or secretary, copies of valid passports or identity cards, recent proof of address, etc.
- Based on such documents, the application to incorporate the company can be submitted on the ACRA portal with approval usually granted on the same day.

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