

PUBLIC CONSULTATION ON PROPOSED AMENDMENTS TO THE COMPANIES ACT

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Update

The Accounting and Corporate Regulatory (“ACRA”) is currently seeking public feedback on the proposed amendments to the Companies Act (“CA”) from the period 20 July 2020 to 17 August 2020.

The amendments are proposed by the Companies Act Working Group (“CAWG”) set up in 2018 by ACRA to review the CA periodically. The CAWG comprises local and international members from various law firms, industry regulators and associations.

The proposed amendments relate to the streamlining of filing processes and updating regulatory requirements, and the recommendations by the CAWG took into consideration balancing the changing business landscape such as developments in the use of technology by companies, with an effective and efficient regulatory framework and the compliance obligations on companies. Some of the key recommendations by the CAWG are mentioned below:

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Dematerialisation of shares and facilitating digitalisation

One recommendation was for the CA to be amended to introduce an enabling provision which states that companies are not required to have physical share certificates. In arriving at this recommendation, the CAWG considered the use of digital media and technology within the context of the CA, and sought to facilitate digital meetings as well.

Reviewing of company types

The CAWG recommended the introduction of the concept of a “publicly accountable company”, for the purposes of financial reporting to better suit the financial reporting obligations under the CA to a wider group of stakeholders. The CAWG also recommended the introduction of the concept of a “micro” company, defined as a company which fulfils the requirements of total annual revenue and total assets each being not more than \$500,000, and allowing such micro companies that are non-publicly accountable to prepare reduced/simplified financial statements.

Refining financial reporting criteria

The CAWG also reviewed the existing requirements to file financial statements and proposed to retain the current requirements that all companies be required to file financial statements except (i) dormant relevant companies and (ii) prescribed companies that meet the criteria in regulations made under the CA. The CAWG also recommended that all filed financial statements should be made available to the public, except for filed documents relating to Gazetted exempt private companies which are wholly owned by the Government under section 12(2A) of the CA.

Key recommendations by ACRA

Apart from the CAWG, ACRA has also undertaken a review of the existing regulatory processes and requirements found under the CA and some key recommendations by ACRA are mentioned below:

Streamlining and clarifying financial reporting requirements for companies and foreign companies

ACRA recommended the Registrar and the Minister be granted the power to exempt a company from all the requirements in the Accounting Standards and to instead require the company to comply with other accounting standards. ACRA also recommended foreign companies be allowed to prepare financial statements in accordance with accounting standards that are substantially similar to Singapore’s Accounting Standards as these will help reduce compliance costs.

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Removing outdated requirements and clarifying various CA provisions

ACRA recommending that the requirements for public companies limited by shares to hold statutory meetings be removed. ACRA also recommended granting the Registrar the power to update changes in appointments of directors and secretaries of companies in order to improve the accuracy of the information available in the registers of directors and secretaries.

Interested members of the public may retrieve the consultation document [here](#) and submit their comments, via email, to ACRA_Public_Consultation@acra.gov.sg, with “Public Consultation on proposed amendments to the Companies Act” as the subject of the email.

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