



**Aspen Group Limited**

# A Guide to Singapore Companies

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**HONG KONG**

**PANAMA**

**PRAGUE**

## BACKGROUND

Located off the south of the Malay Peninsula, Singapore is an island measuring 710 sq km.

Temasek (“Sea Town” in Javanese) was the name of an early settlement on the site of Singapore. From the 14th century, the island is also known as Singapura (which is derived from Sanskrit, meaning “Lion City”). Founded as a British trading post in 1819 by Sir Stamford Raffles, Singapore became a major port of call for ships between Europe and East Asia. During WWII the Japanese occupied Singapore for three and a half years; later returning to British administration until it attained self governance in 1959. A merger with the Federation of Malaysia followed, before Singapore became independent in 1965.

Today, Singapore has state of the art communications, and world class infrastructure. Important financial institutions, banks and recognized law and accountancy firms have a presence in Singapore. It is one of the top global financial centers in Asia.

According to the Bank for international Settlements Survey, Singapore is the fourth largest FOREX centre in the world and the second largest centre in Asia after Tokyo. The 2008 Corruption Perception Index by Transparency International has ranked Singapore as the fourth least corrupt country in the world and the least corrupt country in Asia. To date, it has concluded Free Trade Agreements, Anti-Double Taxation Agreements and other trade agreements with more than 60 countries.

Singapore is a member of the United Nations, ASEAN (Association of Southeast Asian Nations), Commonwealth of Nations, WTO (World Trade Organization), NAM (Non-Aligned Movement), FPDA (Five Power Defense Arrangements), among others and maintains diplomatic relations with 175 countries.

The Port of Singapore is currently the world's busiest port in terms of total shipping tonnage handled (total volume of ships handled), the world's busiest container seaport, transships half of the world's annual supply of crude oil, and is the world's busiest transshipment port. It was also the busiest port in terms of total cargo tonnage handled until 2005, when it was surpassed by the Port of Shanghai.

Despite her small size and lack of natural resources, Singapore ranks among the most competitive economies in the world. Singapore has succeeded because of political stability; an honest and competent government; a competitive economy; an educated workforce; a meritocratic society; a strong social fabric; and a strong defense capability which ensured the security and sovereignty of the country.

The defense capability acts as a deterrent force and underpins her economic success and achievements. Within her borders, two pieces of legislation helps to ensure security. The Internal Security Act allows arrest and detention without trial. It is used to counter threats like terrorism, foreign subversion, espionage, and acts of violence or hatred using race or religion. The Criminal Law (Temporary Provisions) allows for detention, or placement under police supervision, of persons involved in secret society activities, syndicated crimes and unlicensed money lending.

These measures have ensured peace and security and have given investors the confidence to put their money and business in Singapore.

## GOVERNMENT

Singapore is a parliamentary democracy with a Westminster system of unicameral parliamentary government representing different constituencies. Because of its past connection to Britain, the business language is English. English, Malay, Tamil, and Chinese are the official languages.

The Singapore Parliament has a single House and together with the President of Singapore is known as The Legislature. Parliament is one of three organs of the State. The other two are the executive and the judiciary. Parliament makes the laws, the executive exercises its powers according to the law and the judiciary interprets the law.

## SINGAPORE COMPANIES

A company incorporated in Singapore may be limited by shares, by guarantee or may be an unincorporated association. All companies with limited liability may be either public or private. Limited liability partnerships and recently limited partnerships have also been made available.

A company incorporated in Singapore may be exempt or non exempt, depending upon its turnover and shareholders. An exemption from audit and statutory filing of accounts is available if a private limited company's turnover is less than S\$5 million and all shareholders are natural persons and the number of shareholders does not exceed 20. A directors' statement would instead be filed, and an income tax return submitted to the Revenue authorities.

## TAXATION

The current rate of corporation tax is 17% with effect from Year of Assessment (YA) 2009.

For qualifying new start-up companies, the tax exemption scheme is as follows: The first \$100,000 of normal chargeable income excluding franked dividends is 100% exempt from tax. The next \$200,000 is exempt from tax at 50%. In other words, for the first \$300,000 of normal chargeable income excluding franked Singapore dividends, \$200,000 is exempt from tax.

Concessionary tax rates (e.g. at 5% or 10% or such other concessionary rates) are also available to income of certain approved companies derived by them from qualifying transactions. In certain cases, the income may be fully exempt from tax (exemption of income of an approved venture company derived by it from making approved investments. Such concessionary tax rates or tax exemption may or may not have a prescribed qualifying period depending on the specific Act. Singapore has a one-tier corporate tax system by which tax paid by a company on its chargeable income is a final tax. All dividends paid by a company are exempt from tax in the hands of the shareholders.

In Singapore, the tax residence status of a company depends on where the control and management of its business is exercised. A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

Generally, a Singapore branch of a foreign company is not treated as a Singapore tax resident since the control and management is vested with an overseas parent company.

The basis of taxation for a resident company and non-resident company is generally the same. However, there are some benefits that a resident company can enjoy that a non-resident would not:

- Use of Double Taxation Agreements (DTA).
- Tax exemption on foreign-sourced dividends, foreign branch profits, and foreign sourced service income under section 13(8) of the Income Tax Act.
- Tax exemption scheme for new start-up companies.

A Singapore incorporated company may be resident or nonresident depending on its place of central management and control. If the majority of its directors reside outside of Singapore and it does not carry on business in, or derive profits from Singapore, then the company would be considered non resident and generally would not be subject to taxation, unless profits are remitted to Singapore.

Resident companies are only taxed on Singapore sourced based profits and foreign income remitted to Singapore. Where all income is derived outside of Singapore and remitted to Singapore, and the company is substantially controlled from overseas, taxation will be applied on an amount of 5% over the operating costs arising in Singapore.

Tax exemption is granted to a Singapore tax resident company on foreign sourced dividends, foreign branch profits and foreign sourced service income received in Singapore if certain conditions are met. In addition to carrying forward of utilized trade losses and capital allowances to offset future incomes of future YAs and transferring these to related companies (i.e. group relief), companies can “carry back” current year utilized trade losses and utilized Capital allowances of an aggregate amount up to \$100,000. The CAs and losses can be carried back for one YA immediately preceding that YA in which the CAs and/or the trade losses were incurred (effective YA2006) to offset assessed tax provided conditions are met.

All foreign sourced income received in Singapore by individuals on or after 1 Jan 2004 is exempt from tax. However, overseas income is still taxable if:

- 1) Overseas employment is incidental to Singapore employment e.g. you need to work overseas as part of your Singapore employment.
- 2) Income is received through partnerships in Singapore.

However, pursuant to Budget Statement 2009, resident partners of partnerships in Singapore will enjoy tax exemption on foreign sourced income remitted to Singapore from 22 Jan 2009 to 21 Jan 2010 (both dates inclusive) if the income is accrued on or before 21 Jan 2009 outside Singapore.

- 3) Employment is outside Singapore on behalf of the Singapore Government.

## TAX TREATIES

Singapore has negotiated about 60 double tax treaty agreements with many countries around the world. A company must be resident in Singapore to access and benefit these.

## INCORPORATIONS

Company incorporation is made by registration under the Singapore Companies Act. Company names which are the same as or similar to existing names are not permitted. Private limited liability company names must end with the words "Private Limited" or (PTE) Limited.

## SHARE CAPITAL

Companies are not required to have an authorized share capital. Share capital may be denominated in Singapore dollars or other currencies. Separate classes of shares may be created with differing rights to dividends or otherwise. Bearer shares are not permitted.

## SHAREHOLDERS

Shareholders can be individuals or corporate entities. If the shareholder is corporate, a minimum of one corporate shareholder is required and it does not need to be resident of Singapore. If the shareholders are individuals, the companies' law requires a minimum of two (2) individual shareholders who do not need to be Singapore resident.

Shareholders' details are required to be filed with the Registrar and are available on public record. Anonymity can be achieved by using nominee shareholders.

## DIRECTORS

A minimum of one director is required. At least one director must be a resident of Singapore. Corporate directors are not permitted. Directors' details must be filed with the Registrar and are available on public record.

## SECRETARY & REGISTERED OFFICE

A Singapore company must maintain a registered office address in Singapore and must appoint a Singapore resident company secretary. The secretary must be a natural person and whose principal or only place of residence is in Singapore. The secretary must be qualified in terms of the Singapore Companies Act. Persons qualified include chartered secretaries, lawyers and chartered accountants.

The secretary may also be a director. The secretary's particulars must be filed with the Registrar.

## ANNUAL REPORTING

All Singapore companies must prepare full audited accounts and must keep a copy of such accounts at the registered office address, except for exempt private companies. A directors' statement would instead be filed, and an income tax return submitted to the Revenue authorities. However, dormant companies and small exempt private companies' annual revenue of below S\$5million are not mandated by law to audit their accounts but they must continue to maintain proper accounting records and prepare 'true and fair' financial statements that comply with the Financial Reporting Standards.

## CESSATION OF THE COMPANY

### 1. STRIKE OFF

A company may apply to ACRA (Accounting and Corporate Regulatory Authority) to strike its name off the Register pursuant to Section 344 of the Companies Act. Provided the company does not have any debts and the directors file statutory declarations to that effect, ACRA may approve the application if it has reasonable cause to believe that the company is not carrying on business.

### 2. MEMBERS' VOLUNTARY DISSOLUTION

A company may decide to wind up its affairs voluntarily if the directors are of the opinion that the company will be able to pay its debts in full within 12 months after the commencement of the winding up. The company appoints a liquidator or provisional liquidator to wind up its affairs and file the necessary notifications required under the Companies Act.

### 3. CREDITORS' VOLUNTARY WIND-UP

A company may be wound-up by the company's creditors if the company is unable to pay its debts. The court will appoint a liquidator or provisional liquidator to wind up its affairs and file the necessary notifications required under the Companies Act.

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Language	English	English are the official languages.
Level of Confidentiality	High	Achieved through the use of nominee services. There are banking secrecy laws in Singapore.
Type of Company	Limited / Unlimited	Limited by shares, by guarantee or may be an unincorporated association
Tax on Offshore Profits	No	Local profits tax currently 17%
Local Registered Office & Agent	Yes	
Minimum Director	1	
Local Director Required	Yes	
Corporate Directors	No	
Minimum number of Shareholders	2	
Corporate Shareholders Permitted	Yes	
Company Secretary Required	Yes	The Aspen Group provides qualified resident company secretarial services.
Government Register of Directors	Yes	
Government Register of Shareholders	Yes	
Bearer shares	No	
Annual Return filing	Yes	
Audited Accounts	Yes	Audit must be made by Singapore accounting firm.
Shelf Companies Available	Yes	Custom made companies are also available. Incorporation time is approx. 7 days from the time all the correct information of directors & shareholders is received. All company names must end with the word Limited.
Certificate of Incumbency available in Singapore	No	Registered agent certificate can be provided.
Bank accounts, Visa debit cards, on-line banking and other banking services	Yes	We work with major local banks in Singapore.

The foregoing does not constitute legal advice and it is merely Aspen Global Incorporations opinion based on use and experience. If you are not a professional service provider, please consult a tax attorney, solicitor, and/or accountant before you pursue any venture in a tax free environment. Aspen Global Group will be glad to meet with you and assess your requirements. Legal evaluations in each jurisdiction are available at a time cost fee.

If you would like additional information on this jurisdiction or our current shelf list, please contact us at [enquiries@aspenoffshore.com](mailto:enquiries@aspenoffshore.com); or contact any of our offices.

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