



# COMPANY FORMATION IN SINGAPORE

## MAIN FORMS OF COMPANY/BUSINESS IN SINGAPORE

The different types of business entities in Singapore are:

- Private Limited Liability Company
- Branch Office/Foreign Company
- Representative Office
- Limited Liability Partnerships
- Sole Proprietorship and Partnerships

Companies may be formed by individuals or existing companies. Most companies in Singapore are private companies limited by shares. There are also a small percentage of unlimited private companies and public companies. Private and public companies are incorporated and regulated under The Companies Act, Cap. 50.

### PRIVATE LIMITED LIABILITY COMPANY

The main features of a private limited liability company are as follows:

- The liability of a shareholder is limited by Memorandum of Association to the amount if any, unpaid on his shares.
- There is a minimum of one shareholder and a maximum of fifty.
- The right to transfer shares in the company is restricted.
- The invitation to the public to subscribe for any shares or debentures is prohibited.

### Incorporation of a Private Limited Liability Company

A company incorporated in Singapore must comply with certain registration requirements, and the most important requirements are:

- The company's name must be approved by the Registrar of Companies for incorporation. The approved name will be reserved for two months or for an extended period upon request. For specialized business activities, prior approval from the relevant government authorities must be obtained.
- The company must maintain a registered office in Singapore. Any changes in the registered office address should be lodged with the Registrar of Companies within fourteen days of the change.

### Shareholders

From 1 April 2004, the statutory minimum for a company is one member. There is no restriction on the citizenship or residence status for shareholders.

### Directors and Secretary

Directors must be natural persons. There must be at least one director, who is ordinarily a resident in Singapore. A person who meets the residence requirement would be either a Singapore citizen, permanent resident or a holder of a valid employment pass.

The secretary must be a natural person who is resident in Singapore. A secretary of a public company must possess the professional qualifications prescribed under the Companies Act. A public company refers to a company which has more than 50 shareholders or a company whose stocks are listed and traded in a stock exchange.

Where a company has only one director, he must not be the secretary of the company.



### Annual General Meeting

The Directors of a company are required to present audited financial accounts to the members at general meetings. Private companies that are dormant and exempt private companies with an annual turnover of S\$5 million or less are exempted from having their accounts audited. The First Annual General Meeting (AGM) must be held within eighteen months of incorporation of the company. Subsequent AGMs are to be held every calendar year and not more than fifteen months after the holding of the last preceding AGM.

### **BRANCH OFFICE/FOREIGN COMPANY**

Foreign companies wishing to operate in Singapore may set up subsidiaries or register as foreign company branches. Both are under the legislation of the Companies Act, Cap. 50. Under the Companies Act, an overseas company may register as a foreign company branch by filing the following documents with the Registrar of Companies with a certified copy of the Certificate of Incorporation and charters, statute or memorandum and articles of the foreign company; and a memorandum of appointment of two or more local agents of the foreign company.

### **REPRESENTATIVE OFFICE**

A foreign company may establish a presence in Singapore by setting up a representative office. A representative office, as the name suggests, should operate as the representative of the foreign company. It must confine its activities to promotion or acting as a liaison office on behalf of its parent company. And it must not engage in any trading (including import and export) or business activities directly or on behalf of the parent company.

### **LIMITED LIABILITY PARTNERSHIP (LLP)**

A Limited Liability Partnership (LLP) is a body corporate formed by being registered under the LLP Act. It is essentially a separate legal entity from that of its partners, meaning that it has perpetual succession and any change in the partners of the LLP will not affect its existence, rights or liabilities. A LLP can also enter into contracts and hold property. Combining the benefits of partnerships with those of companies, a LLP offers much flexibility in its operation.

### **SOLE PROPRIETORSHIP AND PARTNERSHIP**

Persons carrying on business under a sole proprietorship or partnership are required to register under the Business Registration Act. A partnership cannot have more than twenty members.

Although a LLP remains fully liable to its clients for the actions of its partners, the LLP gives the benefit of limited liability to its partners. Nevertheless, a partner may be held personally liable for claims from losses resulting from his/her own negligence. For other partners who were not negligent, their liabilities will be limited only to the amount they have contributed to the LLP. A LLP must have at least 2 partners, who may be individuals or a body corporate. A business or company may convert to LLP, following the conditions and conversion process as set out in the LLP Act.

### **ACCOUNTS**

All Singapore-incorporated companies are required under the Companies Act to comply with Financial Reporting Standards (FRS). The FRSs are based on International Accounting Standards or International Financial Reporting Standards issued by the International Accounting Standards Board. Other than private exempt company, all companies are required to file their annual accounts with the government authorities and these accounts are available for inspection by the general public.