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Singapore Exempted Private Limited Company

I. INTRODUCTION

With the 2004 Singapore budget and revisions to the Companies Act, exempted Singapore Pte companies are becoming an increasingly popular tax-free, flexible alternative to the traditional offshore company, e.g. the International Business Company or IBC, particularly since the introduction of blacklists in certain Latin American countries.

II. USE AND PURPOSE

An exempted Pte can be used for any number of activities. Examples of typical business activities include: investment portfolio holding; shareholding (in private or listed companies); property investment; financing; ship or yacht registration; and trading. With the recent abolition of the doctrine of 'ultra vires' in Singapore¹, companies are no longer required to include an 'objects' clause in the Memorandum of Association.

Exempted Ptes are often used as holding companies for international trusts or private foundations established for private clients. Singapore does not feature on the blacklists of certain Latin American jurisdictions.

Companies can now also raise capital through public offerings without first having to convert into public companies.

III. TAXATION

As a general rule, a Singapore Pte company will only be subject to tax on income derived or accrued from within Singapore. It is possible for income derived outside of Singapore that is remitted to Singapore to be taxable in Singapore if this income does not fall under the IRAS exemptions for foreign sourced dividend, foreign branch profits or foreign-sourced service income. There are no withholding taxes levied on dividends paid by Singapore companies.

For non-exempt income, the corporate income tax rate was reduced to 18% with effect from the year of assessment 2008. There is, however, an income exemption of S\$52,500 on the first S\$100,000 of chargeable income, which results in an effective tax rate of 9.5% on a company's first S\$ 100,000 of chargeable income.

For all Singapore Pte companies, there are some forms of indirect taxation that need to be considered:

- Stamp duty of 0.2% is typically charged on a transfer of shares in a Singapore company. Transfers of other Singapore property held by the Pte are subject to a stamp duty of 3%. Other indirect taxes such as property tax and estate duty are only levied on property or assets held in Singapore. If the assets are held outside of Singapore, these taxes will be avoided.*
- Goods and Services Tax (GST) of 5% is levied on all goods and services consumed within Singapore. Most of ATC Primasia's clients will only become subject to this tax in respect of the services billed and provided by ATC Primasia in Singapore. As a result, provided the Pte owns assets outside of Singapore and no income is generated from within Singapore or remitted to Singapore, the GST is inapplicable.*

IV. COMPANY INFORMATION

Registration

Singapore companies are incorporated under the Singapore Companies Act and must have a registered office in Singapore. Most companies incorporated at the present time are private companies limited by shares, although public companies, unlimited companies or companies limited by guarantee can also be incorporated. Private limited company names must end with "Private Limited" or "Private Sendirian" or the abbreviation "Pte".

Authorised Share Capital

The concept of authorised share capital and par value is abolished effective from 30 January 2006. Minimum issued and paid-up share capital is 1.00 and there is no restriction on type of currency.

Shareholders

A minimum of one shareholder is required. Corporate shareholder is permitted. Bearer shares are not allowed. Shareholders may be any nationality. Singapore companies cannot issue bearer shares

Directors

A Pte company may have just one director, who can also be the sole shareholder. However, there must always be one director that is a private individual resident in Singapore. A director can also act as company secretary, except where there is only one appointed director. Corporate director is not permitted. Details of the directors must be filed with the Registrar of Companies.

Secretary

A Pte company must have one secretary, who must be a natural person and resident in Singapore. However, the company does not need to appoint professionally qualified secretaries. Details of the company secretary must be filed with the Registrar of Companies.

Local Requirements

The company must maintain a registered office address in Singapore.

Each company must hold an Annual General Meeting (AGM) once in every calendar year and not more than 15 months after the holding of the last preceding AGM. The first AGM must be held not later than 18 months from the date of incorporation. The directors must lay before the AGM the statutory financial statements made up to a date not more than 6 months before the meeting. An application can be made to the Accounting and Corporate Regulatory Authority (ACRA) for an extension of time to hold an AGM. Private companies may dispense with the holding of an AGM if a resolution is passed to that effect by all the shareholders of the company at a general meeting. Once the resolution is passed, it shall have effect for the year in which the resolution was passed and for all subsequent years until a different resolution is passed.

Audit

Unless exempt, a Singapore company must appoint an auditor and have its audited financial statements approved by the annual general meeting of shareholders. The audited and approved accounts must be filed with the Registrar of Companies together with the company's annual return.

A company does not need to have its annual accounts audited if it qualifies as an exempted Pte. The Pte is exempt from audit if the shareholders are individuals and not corporate and if the turnover of the company is less than 5,000,000 Singapore dollars per year.

Every company must file an annual tax return. The fiscal year is the same as the calendar year.

While Buttar & Associates has made every effort to ensure that the information included herein is up to date and accurate, we do not accept any responsibility for any inaccuracy, and we recommend that appropriate professional advice be taken before purchasing any company.