

**Chandrawat
& Partners**

DOING BUSINESS IN SINGAPORE

A comprehensive guide on Singapore



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INTRODUCTION

Singapore is a prosperous city-state with a thriving economy that is driven by open trade. It's a leading global business hub, located at a geographically strategic location where the major east and west shipping routes converge. The country has a stable government, strong rule of law and effective regulatory system. It's a financial, shipping and trade hub for the Asia Pacific region, and a perfect launchpad for the continent.

World Bank's Ease of Doing Business reports year-after-year rank Singapore as the best country in the world due to its hassle-free business set-up processes. The corporate tax rate is also just 17%, which is the third lowest in the world. Other benefits include the finest quality of life in Asia, robust legal system and strategic placement near the world's largest growing markets.

The World Economic Forum's Global Competitiveness Report "GCR" 2021-22 ranked Singapore as the third most competitive economy in the world, which offers the best intellectual property protection, infrastructure, and incentives in Asia.

Singapore offers foreign investors a highly skilled workforce, English-speaking business environment, business-friendly legal and tax systems, immense logistics and transportation capacities and over sixty double taxation avoidance agreements, among other advantages. Furthermore, the city-state consistently takes measures to align its policies with the international standards emanating from the World Trade Organization, the Organization for Economic Co-operation and Development and even issue-centric organizations like the International Accounting Standards Board.



ECONOMIC OVERVIEW



Singapore has a stable and efficient political system that is conducive to doing business. The country is known for its strong rule of law, low levels of corruption and government policies that encourage entrepreneurship and foreign investment.

The government of Singapore is known for its pro-business policies, including low tax rates, a stable currency and a well-developed infrastructure. Singapore is also known for its strong protection of intellectual property rights, which is important for businesses that rely on innovation and creativity. Singapore's political system is widely regarded as one of the most stable and efficient in the world, which makes it an attractive destination for businesses looking to establish a presence in Southeast Asia.

Singapore's economy is heavily dependent on exports, with a particular focus on electronics, technology and pharmaceuticals. Although these sectors remain a cornerstone of the economy, the recent growth of the financial services sector has been more notable. Other dominant industries include energy and infrastructure, chemicals manufacturing, logistics and transport engineering and tourism.

FOREIGN DIRECT INVESTMENT POLICY

- Foreign Direct Investment (“FDI”) is a critical component of Singapore's economy, with the country being one of the top FDI destinations in the world. Singapore's pro-business policies, strategic location and world-class infrastructure have made it an attractive destination for foreign investors.
- Singapore is the 2nd largest recipient of FDI in Asia and the 5th largest recipient in the world.
- FDI accounts for a significant portion of Singapore's Gross Domestic Product (“GDP”), with the country attracting over US\$110 billion in FDI stock in 2020.
- The top sectors attracting FDI in Singapore are manufacturing, finance and business services.
- The majority of FDI in Singapore comes from the United States, the European Union and Japan.
- The Singapore government has implemented policies to encourage FDI, including tax incentives, grants and subsidies.
- Singapore has also established itself as a hub for startups and entrepreneurship, with the government actively promoting innovation and offering various programs and funding opportunities for startups.
- FDI has played a crucial role in Singapore's economic success, driving growth, creating jobs and contributing to the country's development as a regional and global business hub.

KEY SECTORS

- **Financial Services:** Singapore is a major global financial hub, hosting numerous international banks, investment firms and financial technology (fintech) companies. The country offers a stable regulatory environment and a wide range of financial services.
- **Electronics:** The electronics industry in Singapore encompasses the manufacturing of semiconductors, consumer electronics and other electronic components. The country is a key player in the global electronics supply chain
- **Chemicals:** Singapore's chemical industry involves the production of various chemicals, including petrochemicals, specialty chemicals and industrial chemicals. The country benefits from its strategic location and efficient infrastructure
- **Oil Drilling Equipment and Petroleum Refining:** Singapore's maritime industry is closely tied to the oil and gas sector. The country is involved in petroleum refining and provides services and equipment for offshore oil drilling.
- **Processed Food and Beverages:** The food processing industry in Singapore involves the manufacturing and processing of food and beverages. The country's strategic location facilitates the import and export of goods.
- **Ship Repair and Offshore Platform Construction:** Given its maritime expertise, Singapore is a hub for ship repair and maintenance. The country also has capabilities in offshore platform construction.
- **Entrepot Trade:** Singapore's strategic location has historically made it an important trading hub, known as an "entrepot" for goods passing through the region.



ADVANTAGES

1. Strategic location

Located close to economic superpowers like China and Japan — and emerging markets like Indonesia — Singapore is nestled in the heart of South-East Asia.

In the city-state's capital Changi, the Changi International Airport serves more than 80 international airlines and connects to 330+ cities throughout the world. Catering to around 20 million passengers every year, travellers can quickly and conveniently reach most Asia-Pacific destinations in a matter of hours.

2. Established infrastructure

Anyone who has visited Singapore can testify that the city-state has astonishing infrastructure. This includes its commercial buildings, internet infrastructure, airport, highway systems, subway and public parks.

Moreover, Singapore has experienced marked advances in its technological infrastructure and the agility of its firms. As a regional digital hub, it has also seen steady progress in capital availability and support of regulation for technological development.

3. Robust economy

Singapore is renowned for its established free-market economy that is fuelled by trade, manufacturing and finance. With services accounting for approximately 80% of Singapore's "GDP", the city-state maintains an extremely low unemployment rate and low inflation.

Despite its small domestic market, Singapore is regarded as one of the most stable economies in the world. Driven largely by exports in machinery and electronics manufacturing, alongside financial services, Singapore has high government revenue, no foreign debt, and year upon-year positive surplus.



4. Favourable tax system

Singapore is regarded as having one of the most competitive tax structures in the world, with the highest corporate tax rate on taxable income being 17%. In addition, Singapore charges one of the world's lowest value-added tax rates.

There is no tax on capital gains, and income tax is levied on locally generated income. Income earned by the foreign subsidiaries of these companies is also exempt from tax – thus attracting many entities wishing to form holding companies.

5. Support for startups

The Singapore government provides a host of grants, funding, and subsidies for local and international startups. These include initiatives like Startup SG Tech, the Enterprise Development Grant, and EDB Singapore's Innovation, R&D and Capability Development – which help to subsidize labor costs and enhance the scope of business operations.

6. Easy to conduct business

Consistently topping the World Bank's Ease of Doing Business Report, Singapore is highly regarded as a triple-A-rated economy and a stable location for international expansion. This is particularly evident in the areas of international trade, investor protection, construction permits and insolvency resolution. Investors and entrepreneurs can easily access capital, with 128 commercial banks, 31 merchant banks and 600+ capital market service license holders across the country.

7. Fast & simple incorporation

As one of the world's most bureaucracy-free markets, it's possible to open a company in Singapore with a minimum of one shareholder, one director, one local company secretary, a local address and a share capital of just \$1.

In most circumstances, it takes less than three days to incorporate a company in Singapore (subject to compliance approval), which is fully computerized by Singapore's Accounting and Corporate Regulatory Authority ("ACRA").

TYPES OF BUSINESS

- **Financial Services:**

Singapore is a global financial hub, housing numerous banks, investment firms, and fintech companies. The city's robust regulatory framework and stable economy have attracted international financial institutions to set up shop here.

- **Technology and Innovation:**

As a technological hub, Singapore hosts a burgeoning tech scene, encompassing software development data analytics, artificial intelligence and more. The government's strong support for innovation and research makes it an ideal destination for tech startups.

- **Manufacturing and Logistics:**

Singapore's strategic location, excellent connectivity and well-developed port facilities have positioned it as a key player in manufacturing and logistics. The city is a hub for electronics, pharmaceuticals and aerospace industries.

- **Healthcare and Biomedical Sciences:**

Singapore boasts a robust healthcare ecosystem, including cutting-edge medical research and biotech companies. The biomedical sciences sector has gained international recognition for its advancements.

- **Retail and E-commerce:**

The retail sector in Singapore is a dynamic mix of traditional brick-and-mortar stores and online marketplaces. E-commerce has experienced rapid growth, driven by changing consumer preferences and increased digital adoption.

- **Professional Services:**

From legal and consulting firms to HR and marketing agencies, Singapore's professional services sector offers essential support to businesses across industries, contributing to their growth and success.

- **Real Estate and Construction:**

Singapore's urban development has created opportunities in real estate and construction. The city's skyline is constantly evolving, with residential, commercial and mixed-use developments shaping its landscape.

MINIMUM ELIGIBILITY CRITERIA

At least 1 shareholder

Must have at least one shareholder to register a Singapore company. The shareholder can be an individual or another company. Of course, one can have more than one such shareholder as well. The maximum number of shareholders for a Singapore private limited company is 50. Note that 100% foreign shareholding is allowed i.e. all shareholders can be foreigners.

At least 1 SGD to register a company in Singapore

One can set up a Singapore company with a capital of just 1 Singapore dollar. Later, if required, can increase the capital by injecting additional funds and notifying the company registrar.

Directors

Singapore-resident and foreign-resident persons can be directors of a Singapore company as long as there is at least one Singapore-resident director. Corporate directors are not permitted in other words a company cannot be a director; it must be a person.

Company Secretary

A Singapore company must appoint a company secretary who resides in Singapore. A company secretary is responsible for ensuring the company complies with its regulatory obligations and filings.

Address

The company must have a registered address in Singapore; all statutory documents of the company must be kept at this address. The address cannot be a PO box. When you incorporate your company through us, we will appoint our address as your company's registered address.

HOW TO START A BUSINESS ?

To start a business in Singapore:

1. Select your desired business structure.

2. Register your company with the Singapore Company Regulator, the Accounting and Corporate Regulatory Authority (“ACRA”). This is a statutory board under Singapore’s Ministry of Finance and is the national regulator of business entities, public accountants, and corporate service providers in Singapore.

3. Set up a corporate bank account.

The timeline can vary from a few hours to days. When working with a company secretary the time frame is primarily determined by how quickly each shareholder and director can send the company secretary their personal documentation (e.g., proof of identification, residential address) for verification.



TAXATION

Singapore has a well-established and business-friendly taxation system, which makes it an attractive location for businesses to operate in. Here are some key points about the taxation system for doing business in Singapore:

- **Corporate tax rate:** The corporate tax rate in Singapore is flat 17%, which is one of the lowest in the world. This rate applies to all companies regardless of their size or industry.

- **Goods and Services Tax ("GST"):** ("GST") is a value-added tax ("VAT") that is levied on the supply of goods and services in Singapore. The current ("GST") rate is 7%.

- **Personal income tax:** Singapore has a progressive personal income tax system with tax rates ranging from 0% to 22% for residents. Non-residents are taxed at a flat rate of 15% on their employment income.

- **Double Taxation Avoidance Agreements ("DTAAs"):** Singapore has signed ("DTAAs") with over 80 countries to avoid double taxation of income earned in these countries. This helps to reduce the overall tax burden for businesses operating internationally.





1. Tax incentives: Singapore offers various tax incentives to encourage investment in certain industries or activities. For example, companies that invest in research and development ("R&D") can enjoy tax deductions of up to 400% of the ("R&D") expenditure incurred.

2. Compliance requirements: Businesses in Singapore are required to file their tax returns annually and comply with various tax regulations. However, the process is generally straightforward and efficient, and the government provides various online tools and resources to help businesses stay compliant.

Singapore's taxation system is transparent, efficient, and supportive of businesses, making it an ideal location for entrepreneurs and companies looking to expand their operations.

ACCOUNTING STANDARDS



In Singapore, companies are required to prepare their financial statements in accordance with the Singapore Financial Reporting Standards ("SFRS"). The ("SFRS") is based on the International Financial Reporting Standards ("IFRS") and is designed to provide a common financial reporting framework for companies in Singapore.

The Accounting and Corporate Regulatory Authority ("ACRA") is the national regulator of business entities and public accountants in Singapore, and it is responsible for setting and enforcing accounting standards for companies in Singapore.

The Singapore Financial Reporting Standards cover various aspects of financial reporting, including the recognition, measurement, presentation and disclosure of financial information. The standards also provide guidance on the treatment of specific transactions and events, such as leases, revenue recognition, and financial instruments.

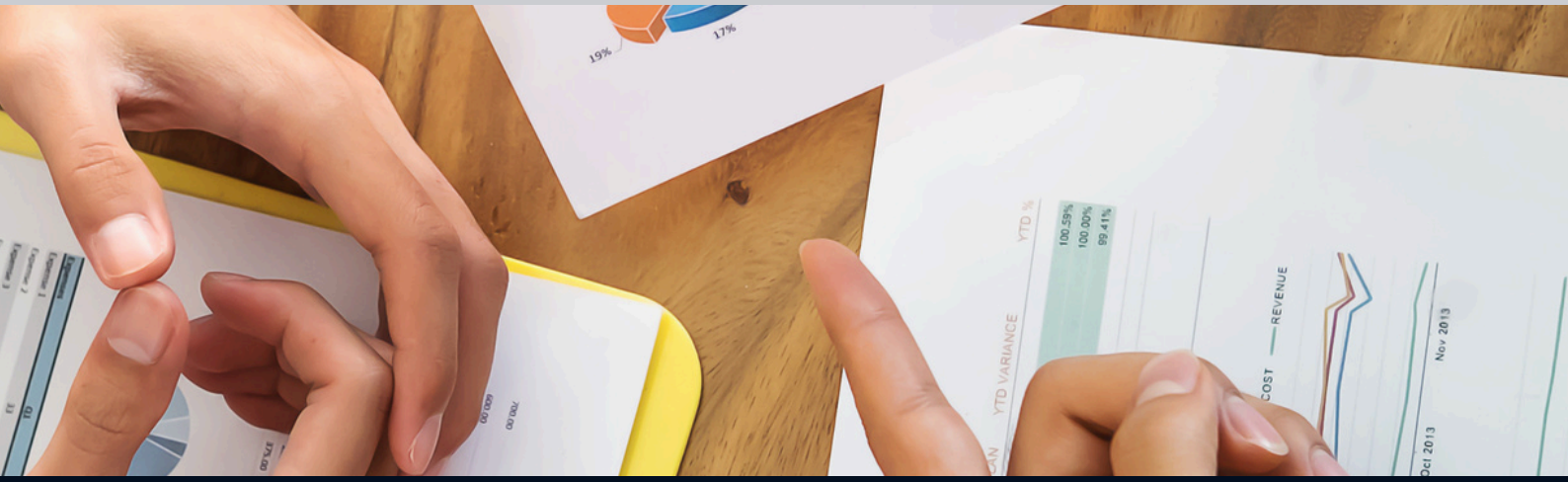
Companies in Singapore are required to comply with the ("SFRS") when preparing their financial statements. Failure to comply with the SFRS can result in penalties and fines.

EMPLOYMENT AND LABOR LAWS

Singapore has a comprehensive set of employment laws and regulations that businesses must comply with. These laws are designed to protect the rights of employees and ensure fair and equitable treatment in the workplace.

Some of the key employment laws and regulations in Singapore include:

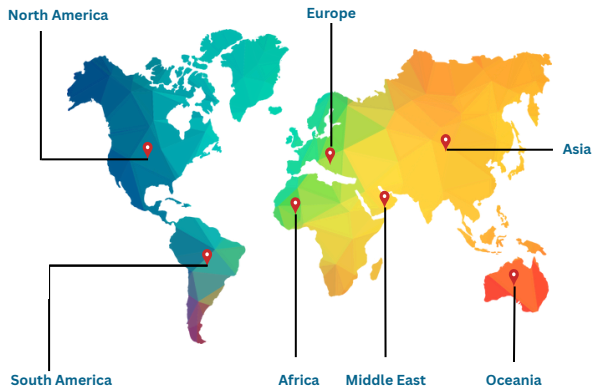
- 1. Employment Act** - The Employment Act is the main employment law in Singapore and sets out the basic terms and conditions of employment, such as working hours, overtime, annual leave, sick leave and termination of employment.
- 2. Central Provident Fund ("CPF")** - The ("CPF") is a mandatory social security savings scheme for employees in Singapore. Employers are required to make contributions to their employees' CPF accounts on a monthly basis.
- 3. Workplace Safety and Health Act** - The Workplace Safety and Health Act requires employers to ensure the safety and health of their employees while they are at work.
- 4. Personal Data Protection Act** - The Personal Data Protection Act regulates the collection, use and disclosure of personal data by businesses in Singapore.
- 5. Foreign Employee Work Passes** - Businesses that wish to employ foreign workers in Singapore are required to apply for work passes on behalf of their employees.
- 6. Employment of Foreign Manpower Act** - The Employment of Foreign Manpower Act sets out the rules and regulations governing the employment of foreign workers in Singapore.
- 7. Fair Consideration Framework** - The Fair Consideration Framework is a set of guidelines that aim to ensure that Singaporeans are given fair consideration for job opportunities before companies hire foreign workers.



HOW WE CAN HELP ?

- Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends and potential competitors.
- Our experts can help set clear objectives, outline actionable steps and identify opportunities for growth and expansion.
- Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business. They can then recommend risk mitigation strategies to safeguard against adverse events.
- Our team offers advice on the optimal legal form for an enterprise, such as a corporation, partnership, limited liability company ("LLC") or sole proprietorship. Our team describes the legal and tax implications of each option and assists in picking the best option based on objectives and circumstances.
- Our team can investigate and identify any licenses, permissions or registrations required for the client's specific area or industry. The business assists with the application process and ensures that the organization complies with all legal criteria.

SERVING CLIENTS WORLDWIDE



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