



INCORPORATION OF COMPANY IN SINGAPORE

WHY SINGAPORE?



Singapore has received many accolades for its business-friendly policies. It has a unique position in the global economy as an attractive destination for business corporations and entrepreneurs. The city-state is counted as one of the major global business hubs due to its unique features such as – developed infrastructure, skilled workforce, liberal business policies, political stability, acknowledgment towards IPR and most importantly the use of English as a working language.

Various business corporations have chosen Singapore as their base for operation while rest treating it as a gateway to the Asian market. Singapore as a reputable financial and regional trading center is one of the busiest ports for investment in the Asia Pacific region. Previously a British colony, Singapore's legal and financial structure finds resemblance with the common law culture.

Major financial institutions, international banks and multinational organizations are present in Singapore. Singapore has earned the tag of "Lion City" due to its growing economy, strong infrastructure and stable currency making it an ideal destination for setting up overseas corporations.

FACTORS THAT BOOST BUSINESS IN SINGAPORE

- Among the other major business hubs, Singapore is most feasible for setting up a new company. The ease of business in Singapore is the best among the top countries.
- A friendly business ecosystem is the reason behind various accolades conferred on Singapore by World Bank, Economic Forum and other international institutions. A world-class infrastructure and capability of boosting businesses have earned Singapore such high regard among its peers.
- Singapore is in proximity to leading emerging markets and well connected to major hubs through air and water. It is easy to enter the Singapore market and reach out to world economies from Singapore. Apart from these considerations, Singapore is also a signatory to various Foreign Trade Agreements (FTAs) and Investment Guarantee Agreements, these agreements allow the companies set up in Singapore to trade across borders and expand their businesses.
- One of the most advantageous factors for companies in Singapore is that it offers the best intellectual property protection and incentives in Asia and is only second to countries like Finland and Luxemburg.
- The Economic Development Board of Singapore offers incentives to regional headquarters and international headquarters set up in its territory. The regional headquarters and international headquarters enjoy a concessional tax rate of 15% and 0-10% respectively, for the income generated through operations carried out in headquarters.

REQUIREMENTS FOR INCORPORATION OF COMANY

The Accounting & Corporate Regulatory Authority (ACRA) is the Company Registrar and governs the process to incorporate a company in Singapore. Following requirements are to be fulfilled to incorporate a company -



COMPANY NAME

BUSINESS ACTIVITY

COMPANY ADDRESS

FINANCIAL YEAR END

APPOINTMENT OF DIRECTORS

SHARE CAPITAL

APPOINTMENT OF CEO



COMPANY NAME

Before beginning the registration process, the name of the company should be finalized and such name should not be identical to the existing company or contain any prohibited or undesirable words. Once the company name is approved, the registration process is to be completed within 120 days of the grant of such approval.

BUSINESS ACTIVITY

While applying for registration, it is mandatory to specify the type of company applied for among the 7 types of companies along with the kind of business operations undertaken by the company.

LOCAL ADDRESS

There must be a local office address of the company which shall be used for communication with the company and other purposes.

FINANCIAL YEAR END

The company needs to decide by the Financial Year End, the final day of the accounting period. It is the interval to complete the accounting cycle of a business, the cycle determines the profitability of the business and has to be reported to the tax department in the form of a financial statement. Either 12 months or 52 weeks of the accounting period can be chosen.

APPOINTMENT OF DIRECTOR

The company needs to appoint at least one and a maximum of 50 directors, among which one director has to be a resident of Singapore. There are four conditions that need to be satisfied by a person to act as a director-

- Should be of 18 years and above.
- Should be a legal person
- Should be a Singapore citizen, permanent resident of Singapore, EntrePass or Employment Pass ("EP") holder
- Should not be disqualified from acting as director of a company

SHARE CAPITAL

The share capital of the company should be a minimum of S\$1 at the time of its incorporation, the share capital may or may not be paid up in full. There must be at least one shareholder and a maximum of 50 shareholders.

APPOINTMENT OF CEO

A company can choose to appoint a Chief Executive Officer (CEO) who will manage and monitor the company's business, if CEO has been already appointed then his personal information has to be filed with ACRA.



POST INCORPORATION REQUIREMENTS

Once the company is granted registration in Singapore, there are a few other compliances that need to be adhered to, failing which the registration might be revoked or a penalty may be levied upon the company.

- OPENING BANK ACCOUNT
- BUSINESS LICENSE
- GST REGISTRATION
- APPOINTMENT OF COMPANY SECRETARY
- APPOINTMENT OF AUDITORS
- ANNUAL GENERAL MEETING
- COMPANY SEAL
- ISSUE SHARE CERTIFICATES

OPENING BANK ACCOUNT

The company once registered with ("ACRA"), needs to open a corporate bank account. Singapore is host to various renowned international banks along with its domestic institutions, the company can opt to open a bank account with any one of them. The following documents would be required for opening the bank account-

- filled application for the opening of a bank account
- Certificate of incorporation
- Board's resolution sanctioning opening of bank account
- Identity proof of beneficiaries
- Copy of Constitution
- Copy of the passport of the beneficiary
- Copy of residential proof
- Reference letter from personal bank

On most occasions, the physical presence of the account signatories and directors of the company is required at the time of opening a bank account. Exceptions can be made towards physical presence requirements depending upon a case-to-case basis.



OBTAINING BUSINESS LICENSE

There are certain businesses that need to obtain a mandatory license for commencing their operations. The business licenses are to be mandatorily required for the following industries-

- Retail
- Construction
- Hotel
- Restaurant
- Spa
- Medical clinic
- Employment agency
- Travel agency
- Event management
- Asset management
- Financial services
- Real estate
- Publishing
- Telecommunication
- Education



GOODS AND SERVICE TAX REGISTRATION

GST is a Goods and Services tax or value-added tax. ("GST") registration in Singapore is compulsory if your company's turnover is over S\$1 million a year.

As of 1 January 2023, the ("GST") rate is 8%. The ("GST") rate for the goods and services one sells to someone outside Singapore is 0%.

A voluntary ("GST") registration is also an option and might bring you perks. Since 2020, ("GST") is applied not only to the goods and services rendered in Singapore but also to some of those coming and going from overseas.

Outsourcing book-keeping and accounting can minimize the risk of missing the ("GST") changes. It also helps you grasp the requirements and choose the most beneficial scenario for your particular type of business when dealing with ("GST").



APPOINTMENT OF COMPANY SECRETARY

A Company Secretary is to be appointed by the company within 6 months of its incorporation. The company secretary would be undertaking administrative and reporting responsibilities in the company. He should also ensure that all the directors and shareholders of the company are well informed about their statutory obligations.

There is no defined list of work that a company secretary would undertake, as it would vary from company to company. Only a person who is a legal person and a resident of Singapore can be appointed as Company Secretary. Although when a company has a single director, he can't act as a Company Secretary at the same time.

APPOINTMENT OF AUDITOR

If the company requires performing audits, then the company must appoint an entity that specializes in conducting audits in Singapore. This must be done within three months of the incorporation of the company. A public accountant who has the requisite skills under the ("ACRA") can be appointed to audit the company.

The auditor's appointment term will be until the next Annual General Meeting ("AGM"). If the company is newly incorporated, the auditor will hold office until the first annual general meeting.

After this, the company has to appoint another auditor or use the same auditor for the ("AGM"). The same auditor can be rotated as per the requirements of the company.

ANNUAL GENERAL MEETING

The company needs to hold Annual General Meeting ("AGM") once a year, unless it is exempted. AGM is necessary as it keeps all the stakeholders updated about the operations and finances of the company.

COMPANY SEAL

The company needs to get a company seal which would be required for officiating the company documents. The board has to pass a resolution before affixing the common seal and it should be signed by two directors or one director and company secretary. The company secretary shall be the person controlling the seal.

ISSUE OF SHARE CERTIFICATE

The company needs to issue share certificates to its shareholders, as proof of their ownership in the company. The company secretary appointed by the company shall undertake the task of issuing the share certificates.



ANNUAL RETURN AND TAXATION

Every company irrespective of whether it is a dormant or inactive company, needs to file annual returns by 30th November of the year of assessment. Singapore follows the preceding year's basis of taxation, profits made in the financial year ending in a preceding year would form the basis of tax filing in the current year. The tax rate for corporate income is 17%. Companies may enjoy partial or full tax exemption depending upon a case-to-case basis.

- Companies limited by guarantee are eligible for partial tax exemption, and such companies would enjoy a 75% exemption on S\$10,000 of normal chargeable income and a further 50% exemption on S\$ 190,000 of normal chargeable income.
- The exemption for new start-ups is initially 75% on S\$100,000 normal chargeable income and then a further 50% on S\$100,000 normal chargeable income. This exemption would be available for initial 3 years.

QUICK FACTS ABOUT CORPORATE TAXATION IN SINGAPORE

➔ A company would only be considered a resident company of Singapore if they are managed and controlled in Singapore, only these companies enjoy tax incentives and exemptions.

➔ Singapore follows a single-tier tax system thus once tax is levied on the profits of the company no further levy is made on post-tax profit distribution. No tax would be charged on dividends and capital gains

➔ Double taxation would be avoided when the company is involved in overseas operations.

➔ Singapore follows a territorial tax system, no double tax is levied on the income earned from the treaty countries. Double taxation is avoided through foreign tax credits granted by those treaties.

➔ Singapore offers various incentives and tax breaks on investments made in new and promising industries.

➔ There are certain exemptions on the foreign-sourced income of companies set up in Singapore. These exemptions are applied in the following cases-

- The income was subjected to tax in a foreign jurisdiction
- The corporate tax rate of foreign jurisdiction at the time income is earned from such jurisdiction is at least 15%.
- The comptroller is satisfied that the exemption would be beneficial to the person resident in Singapore.

Only if all of the three conditions are met, tax exemption shall be granted to the company making foreign-sourced income.

➔ Documents submitted for claiming tax returns should specify the following-

- Nature and amount of income received from a foreign jurisdiction
- Jurisdiction from which income is claimed
- Headline tax rate of the foreign jurisdiction
- Confirmation of levy of tax in a foreign jurisdiction
- Confirmation that the income was subject to tax in a foreign jurisdiction

RELOCATION OF WORK FORCE

If the company needs to bring its employees into the company, some can be residents who do not require any license or pass but those professionals who reside outside need to obtain an Employment Pass ("EP"). Here are the following facts and requirements related to ("EP")-

- The EP application is decided on merits and there is no quota system applicable to it
- The application would be successfully accepted if one has good educational background and work experience
- There is a salary cap of S\$ 4,500/month, the minimum requirement may differ on the work experience of the individual but it should not be less than the stated figure

Apart from EP, the Singapore government also allows Entrepreneur Pass to those individuals who are serial entrepreneurs, and experienced investors who intend to operate a business in Singapore. certain requirements need to be satisfied by the applicant to get the EntrePass-

- The applicant intends to set up a private limited company registered with ("ACRA") and should be venture-backed or innovative
- Worked in a registered company that is not more than six years old
- Meet any of the innovative criteria set out by the Ministry of Manpower



IDENTIFICATION DOCUMENTS

In case the non-residents involved in the company need to provide the following documents to the registrar of the company in Singapore, any of the following documents would suffice-

For Non- Residents

- Copy of passport
- Overseas residential address proof

For Residents

- Copy of identity card issued in Singapore
- Copy of passport

For Corporate Shareholder

- Certificate of registration
- Copy of the constitution
- Company profile from extracted company profile

Important Note

It is important to note that all the above-mentioned documents have to be presented in English. In case the documents are not in some other language originally then their translated copies endorsed by officials are to be provided.



TIMELINE



Name Approval

The registration of the name of the company can be completed within one hour unless any objections are raised against it.

Company Incorporation

The incorporation of the company would be completed as soon as the compliance requirements are approved and the documents are filed. If all the proceedings go smoothly and without any hassle then the process for incorporation can be completed within a day.

Bank Account

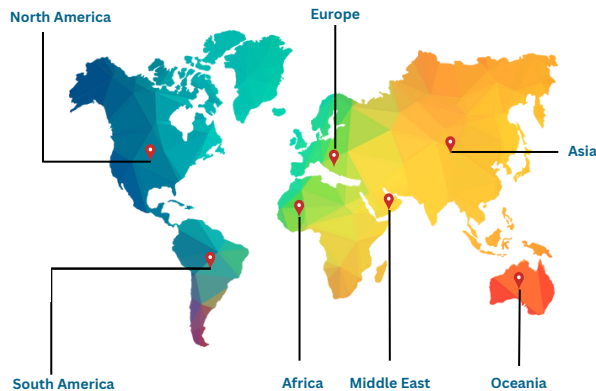
Among all the procedures required for opening a corporate bank account would take a time between 7 to 21 days.

HOW WE CAN HELP?

- Our team can provide consultation to clients to understand their business goals, structure, and requirements and based on this information, they advise on the most suitable legal entity for incorporation, such as a corporation, limited liability company, partnership or sole proprietorship.
- Our professionals can, before incorporating a company, check availability of the name of the company and reserve it by performing a name search and reservation to ensure the chosen name is unique and legally acceptable.
- Our team can guide clients in choosing the appropriate legal structure for their company, such as sole proprietorship, partnership, limited liability company or corporation and can explain the benefits and drawbacks of each option based on their specific needs and circumstances.



SERVING CLIENTS WORLDWIDE



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Key Contact



Surendra Singh Chandrawat

Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on

[LinkedIn](#)

[WhatsApp](#)

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