

Singapore CLG Compliance Guideline Note

Unless otherwise indicated, the Singapore company stated in this guideline note refers to a public company limited by guarantee (CLG) formed and incorporated in Singapore in accordance with the Singapore Companies Act (Chapter 50).

A CLG is required by the Singapore Companies Act to update its books of accounts, prepare financial statements, engage a public accounting firm to audit its annual financial statements and file certain returns with the Accounting and Corporate Regulatory Authority. In addition, a CLG is required by the Income Tax Act file a corporate income tax return together with supporting documents and file an employer's return once a year with the Inland Revenue Authority of Singapore (IRAS).

This guideline note aims to explain briefly those compliance requirements and the related costs. Sections 1, 2 and 5 introduces in brief the basic compliance and maintenance requirements, such as maintenance of company secretary and registered office, filing of Annual Return imposed by the Companies Act. Section 3 discusses how to apply for charity and IPC status. Corporate income tax and GST are discussed in Section 4. Section 6 briefs Singapore's pension scheme.

The last section show the fees and costs associated with the various basic requirements introduced in sections 1 to 6. The fees and costs shown in section 2 are estimations and for reference only.

This guideline note is not meant to cover all maintenance and compliances imposed on a CLG by the laws and regulations of Singapore. Should you have any doubts to the content of this guideline note, you are welcome to contact and talk to our professional consultants.

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1. Companies Law Related Compliance Requirements

(1) Company Secretary

According to the Companies Act, a Singapore company must appoint a company secretary within six (6) months of the incorporation. The company secretary is appointed by the board of directors. Any subsequent changes, including change of particulars, the company must notify Accounting and Corporate Regulatory Authority of Singapore (ACRA) within fourteen (14) days of the changes.

The person to be appointed as company secretary of a company registered in Singapore is required to be a legal resident of Singapore. In this instance, “legal resident” is defined as a person who is either a Singapore citizen or permanent resident, or someone who is an Employment Pass, S Pass, or EntrePass holder and ordinarily stays in Singapore.

The duties of a company secretary in general include the following:

- (a) Preparation and maintenance of registers of nominee director and controller;
- (b) Preparation and maintenance of minutes and written resolutions of shareholder(s) and director(s);
- (c) Preparation and maintenance of statutory records;
- (d) Filing of changes of particulars of the company with ACRA.

(2) Registered Office

Singapore Companies Act requires all Singapore companies to have a registered office address in Singapore since incorporation. A registered office address refers to the place where all communications and notices to the company may be addressed, and the place where the register and records are kept. A registered office must be operational and accessible to the public at least five (5) hours during ordinary business hours on each business day and it should be a physical office address located in Singapore and cannot be a P.O. Box.

When a CLG changes its registered office address, it should notify ACRA in writing within 14 days after the change.

(3) Local Director

A CLG is required to appoint at least one local resident as its director. However, if the CLG is to apply for charity, then it must have at least three individual directors of which two must be Singapore citizens or permanent residents. The individuals who are to be appointed as directors of a CLG must be over the age of 18 years old and cannot be disqualified from acting as director of a company, i.e. an undischarged bankrupt.

The directors are appointed by members of a CLG. A CLG can regulate the term of appointments of directors in its constitution.

A CLG shall by notice furnish to the Registrar (ACRA) within fourteen (14) days after any changes (e.g. resignation of directors or secretaries) in the appointment of any director.

(4) Display of Company's Name and Registration Number

The name of a company shall appear in legible romanised letters on its seal and all business letters, statements of account, invoices, official notices, publications, bills of exchange, promissory notes, indorsements, cheques, orders, receipts and letters of credit of or purporting to be issued or signed by or on behalf of the company.

The registration number (Unique Entity Number, UEN) of a company shall appear in a legible form on all business letters, statements of account, invoices, official notices and publications of or purporting to be issued or signed by or on behalf of the company.

(5) Constitution

The constitution of a CLG must include the amount each member has guaranteed to pay in the event of winding up and an object clause. The objectives of the CLG must also be clearly stated.

(6) Annual General Meeting (AGM)

An AGM is a mandatory meeting held by a company to update its members on the business health of the company. The company will present the financial statements to the members and members are then given the opportunity to raise queries on the financial performance of the company. Members get to vote at an AGM and make important decisions for the company such as the appointment/removal of a director.

A Singapore CLG is required to hold its AGM once in every calendar year within six (6) months after the company's financial year end. Failing which, the company and every officer of the company shall be liable on conviction to a fine not exceeding SGD5,000 and also to a default penalty.

If a company is unable to hold the AGM within the prescribed period and requires more time to comply with the requirements for preparation of the financial statements for the holding of AGM and the filing of Annual Return, the company may apply one-time extension of time of sixty (60) days before the deadline to hold the AGM and filing of Annual Return. Approval for the extension is entirely at the discretion of ACRA.

(7) Annual Return Filing

Every Singapore CLG must file an Annual Return together with a copy of its audited financial statements with ACRA within seven (7) months after the financial year end. Failing which, the company and every officer of the company who is in default shall be guilty of an offence and shall be liable on conviction to a fine not exceeding SGD5,000 and also to a default penalty. The officers of the company may also be prosecuted in courts and be debarred from acting as officers.

A company can apply, with the payment of a fee of SGD200, for an extension of time of 60 days to file the annual return. ACRA takes up to 14 working days to process an extension application, therefore you are advised to submit the EOT application more than 14 working days before the deadline.

2. Registration and Maintenance of CorpPass Account

CorpPass, short for Singapore Corporate Access, is a corporate digital identity for companies to transact online with Government agencies in Singapore, such as filing of documents with ACRA and filing of corporate tax return with Inland Revenue Authority of Singapore ("IRAS").

CorpPass is required for all entities and is the only login method for businesses to transact with the Singapore Government.

3. Application for Charity and IPC Status

(1) Application for Charity Status

A CLG which meets the conditions of a charity can apply to register as a charity. In accordance with the Income Tax Act, a registered charities will enjoy automatic income tax exemption. For properties which are used for exclusively charitable purposes, property tax may be exempted in full or partially upon application and review by the Comptroller of Property Tax.

Under the Charities (Registration of Charities) Regulations, organisations will have to comply with the following conditions to get registered as charities:

- (a) Purposes or objects of the organisation must be exclusively charitable;
- (b) Organisation must have at least three (3) governing board members, of whom at least two must be Singapore citizens or permanent residents; and
- (c) Purposes or objects of the organisation must be beneficial wholly or substantially to the community in Singapore.

A CLG can apply for the charity status within three (3) months after incorporation.

(2) Application for IPC Status

A CLG with IPC status is allowed to issue tax deductible receipts for qualifying donations to donors. In other words, donors are able to claim tax relief from their assessable income based on the amount donated, at prevailing deduction rate. To apply for the IPC status, the organisation has to be a registered charity or an exempt charity or other charity that is not required to be registered by virtue of section 5(4) of the Charities Act.

In addition, under the Charities (Institutions of a Public Character) Regulations, the activities of an IPC must be beneficial to the community in Singapore as a whole, and not confined to sectional interests or group of persons based on race, creed, belief or religion, unless otherwise approved by the Minister. These activities must meet the IPC's objectives under its governing instruments and the objectives of its Sector Administrator.

The IPC must also be administered by governing board members, at least half of whom are independent and citizens of Singapore.

It is advisable for the charity to operate for at least one (1) year before applying for the IPC status. It is because the authorities will evaluate the performance of the charity before granting the IPC status.

4. Taxes Compliance Requirements

(1) Corporate Income Tax

In Singapore, corporate income tax (CIT) is assessed on a preceding year basis. This means that the basis period for any Year of Assessment (YA) generally refers to the financial year ending (FYE) in the year preceding the YA. For example, in year 2020 you will be filing corporate tax return for your company's financial year that ended anytime between 1 January 2019 to 31 December 2019. Your company's accounts are prepared up to the FYE each year.

The due date for corporate tax filing for Singapore companies is 30 November (for hard copy forms) and 15 December (for e-filing).

A company has to file a complete set of returns including Form C, audited/unaudited accounts, and tax computation. The Form C is a declaration form for a company to declare its income whereas tax computation is a statement showing the adjustments to the net profit/loss as per the accounts of a company to arrive at the amount of income that is chargeable to tax.

After filing the necessary forms, IRAS will review the forms and will then issue a Notice of Assessment (NOA) to the company by 31 May of the following year. Where there are no issues raised in the NOA, the company must proceed to pay the assessed corporate tax within thirty (30) days from the date of the NOA.

(2) Registration and Filing of GST

(a) GST Registration

Goods and Service Tax (GST) is a broad-based consumption tax levied on the import of goods (collected by Singapore Customs), as well as nearly all supplies of goods and services in Singapore. A business is required for GST registration if its taxable turnover at the end of any calendar year on or after 1 Jan 2019 is more than SGD1 million, or at any time, you can reasonably expect the taxable turnover of your business in the next twelve (12) months to be more than SGD1 million.

A Singapore company which engages in the business of export goods and services or at least 90% of the company's total revenue is from supplies that are not subject to GST i.e. they are "Zero-rated" supplies, is exempted from GST registration

If your business (company) is not liable for GST registration, you may still choose to register for GST voluntarily if the company considers it beneficial to do so.

(b) GST Filing

Normally, GST tax return is filed on a quarterly basis. However, a company may apply for approval from the tax authority for monthly or yearly filing.

Companies registered with GST must pay its GST liability within one month after the end of the reporting period. For example, if a company files its GST tax return quarterly, it must pay its GST liability for the first quarter of 2020 on or before 31 April 2020.

(3) Employer's Return (Form IR8A)

Employers are required by the tax law to prepare Form IR8A and Appendix 8A, Appendix 8B or Form IR8S (where applicable) for employees who are employed in Singapore by 1 March each year.

Employers with seven or more employees must submit their employees' income information to IRAS electronically by 1 March each year. Employers who are not under the AIS for Employment Income have to provide the hardcopy Form IR8A and appendices (where applicable) to their employees by 1 March each year to file their income tax returns. Employers need not submit the forms to IRAS.

5. Financial Statements and Audit

(1) Appointment of Auditor

In Singapore, a CLG is required to appoint an auditor within three (3) months of its incorporation. The auditor so appointed will perform an audit of the annual financial statements prepared by the CLG and issue an auditor's opinion on the financial statements.

(2) Financial Statements

A CLG is required to file its audited annual financial statements with ACRA. The financial statements must comply with the Singapore Financial Reporting Standards (SFRS) issued by the Accounting Standards Council and give a true and fair view of the financial position and performance of the company.

A complete set of financial statements should comprise:

- (a) A statement of financial position;
- (b) A statement of comprehensive income;
- (c) A statement of cash flows;
- (d) Notes on significant accounting policies and other explanatory information.

Financial Reporting Standards No. 1 requires that the financial statements be accompanied by directors and auditor reports. Directors must also state that the financial statements are true and fair and reflect the company's financial position and have reasonable grounds to believe that the company is in a position to reasonably repay the debts due.

6. Central Provident Fund

The Central Provident Fund (CPF) is the name for Singapore's social security scheme. It covers health care, retirement and home ownership. The CPF is a mandatory social security savings scheme funded by contributions from employers and employees.

Immediately before a Singapore CLG hires its first employee in Singapore, as an employer, it is required to register with the CPF Board and obtain a CSN for your CLG.

The contribution rate varies depending on the age, the wage band and the status of the employee (i.e. Singaporean citizen or Permanent Resident). The maximum amount of CPF contribution payable is based on a monthly salary ceiling of SGD6,000. Voluntary contributions can be paid in addition to the mandatory contributions.

The employee's share of CPF contribution is deducted from their salary by the employer during the monthly payroll processing. The employer is then required to pay the employer's and employee's share of CPF contributions monthly for all employees (Singapore citizens and Singapore PRs) at the rates set out in the CPF Act. The contributions payable should be based on the employee's actual wages earned for the month.

CPF contributions are due at the end of the month. The employers have a grace period of fourteen (14) days to pay it. Failure to make CPF contribution on time will attract a late payment interest charge at 1.5% per month and a fine of up to SGD5,000 and/or imprisonment of up to 6 months.

7. Singapore CLG Maintenance Costs

Kaizen is equipped with experienced professionals to provide all the compliance and maintenance services to a CLG so as enable it to meet the statutory requirements stated above. We list in the table below the fees for some of our services for your reference.

| Item | Description | Service Fee (SGD) | |
|--|--|-------------------|----------|
| Basic Annual Maintenance Fees | | | |
| 1 | Nominee director per head per annum (Note 1) | Yearly | 3,000 up |
| 2 | Company secretary | Yearly | 750 |
| 3 | Registered office address | Yearly | 400 |
| 4 | Preparation of AGM and filing of annual return | Yearly | 300 |
| 5 | Maintenance of CorpPass account as the CorpPass Administrator (Note 2) | Yearly | Free |
| Other Maintenance Services Fees | | | |
| 6 | Accounting and bookkeeping (Note 3) | Monthly | 300 up |
| 7 | Corporate income tax | Yearly | 1,000 up |
| 8 | Registration of GST (Voluntarily) | One off | 600 |
| 9 | Registration of GST (Mandatory) | One off | 300 |
| 10 | GST reporting (Note 4) | Quarterly | 300 |
| 11 | Financial statement statutory audit (Note 5) | Yearly | 2,000 up |
| 12 | Payroll (Note 6) | Monthly | 80/head |
| 13 | Preparation of IR8A (Employer's Return) | Yearly | 120/head |

Note:

- (1) Our fee for provision of nominee director service is SGD3,000 per annum for company with an annual turnover/revenue of not more than SGD5 million and SGD4,000 for company with an annual turnover/revenue between SGD5 to SGD10 million. Fee for turnover of more than SGD10 million will be quoted separately.
- (2) For maintenance of the CorpPass account as the CorpPass Administrator, we will provide this service without charge if we are the administrator of your company.
- (3) Our bookkeeping fee is charged based on transaction volume, see table below.

| Number of Transaction (month) | Fee/month (SGD) |
|-------------------------------|------------------|
| 1 - 50 | 300 |
| 51 - 100 | 500 |
| 101 - 150 | 700 |
| 151 - 200 | 900 |
| 201 - 250 | 1,100 |
| Above 251 | To be negotiated |

- (4) Our fee for GST filing services is SGD300 per quarter (if the bookkeeping is maintained by Kaizen). This fee will be billed and is due for payment before the provision of service.
- (5) Our fee for financial statements audit services will be quote separately in accordance with the complexity of the business operation and transaction volume. As a general guide, our audit fee starts from SGD2,000.
- (6) Based on the monthly attendance records and leave records provided by management, we shall prepare the following:
 - (a) Computation of CPF contribution and other social security contribution applicable in Singapore.
 - (b) Computation of monthly net salary payable to employee.
 - (c) Preparation and issuance of payslip.
 - (d) Filing of monthly CPF contribution with CPF Board.

If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:

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