



A guide to setting up business in Singapore

By *Dezan Shira and Associates*

Renowned for its highly skilled workforce and competitive business environment, Singapore is a member of the Association of Southeast Asian Nations. It is filled with investment opportunities for businesses looking to expand themselves in Southeast Asia



Business in

nt, Singapore is a valuable entry point
opportunities for firms seeking to establish

A key advantage of setting up within the city state's borders is its streamlined requirements for businesses wishing to establish and run operations there. As of 2013, this situation, combined with the growing competitiveness of Association of Southeast Asian Nations (ASEAN) in relation to China, means it has retained a 49% share of inward regional foreign direct investment stocks.

But despite being ranked among the top five nations by the World Economic Forum in "[*The Global Competitiveness Report 2015-2016*](#)", ensuring a successful investment strategy in Singapore still requires careful due diligence. All firms considering whether to invest here should conduct a careful review of the potential opportunities and gain a clear understanding of their regulatory responsibilities. If any questions arise, it is important to contact the relevant government officials or professional services firms to ensure compliance.

Options for investment

Two of the most effective investment vehicles for foreign organisations wanting to establish a presence in Singapore are to set up either a representative office (RO) or private limited company (Pte Ltd). The decision on which route to go down will be determined largely by the nature of the activities that a given firm intends to undertake.

For those wishing to conduct fact-finding, market research or negotiations, ROs offer a streamlined form of entry to the market. Although largely barred from undertaking profit-generating activities, the regulatory burden that such entities generate is low. In addition, it is easy to change the status of an RO – which has a three-year ▶

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cap on licensing – into another kind of investment vehicle in order to undertake further expansion at a later date.

In contrast, Ptes offer organisations wanting to operate within the city state an effective option for investment. As a result, this approach tends to

be the preferred vehicle of foreign companies. While they have similar capital requirements to ROs, neither the type nor duration of business activity is subject to the same restrictions. This means that profit-generating activities such as selling services to customers are entirely permissible.

Permitted Activities of Representative Offices and Private Limited Companies

Representative Offices (ROs)	Private Limited Companies (Pte Lts)
<ul style="list-style-type: none"> ✓ conducting market research ✓ conduct feasibility studies ✓ supervising the activities of its main headquarters' local agents and distributors ✓ acting as a liaison office during a negotiation deal ✓ provide customer support 	<ul style="list-style-type: none"> ✓ conducting market research ✓ conducting feasibility studies ✓ supervising the activities of its main headquarters' local agents and distributors ✓ acting as a liaison office during a negotiation deal ✓ providing customer support ✓ entering into business contracts ✓ providing repairs and technical services ✓ shipping or storing goods in Singapore without a designated local distributor or agent ✓ leasing warehousing facilities lease or office(s) to other establishments for a fee ✓ issuing invoices/receipts ✓ opening/receiving letters of credit

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Option 1: Private limited companies

Step 1 – Name approval

Companies investing in Singapore must first obtain approval for the name under which they wish to register in the country. This name must not be already in use and may not infringe upon trademarks recognised by the [Intellectual Property Office of Singapore](#) (IPOS).

Fee: Applying for a name costs S\$15.

Step 2 – Staffing

According to Singapore's Companies Act, all Ptes are required to fill the following positions:

- **Director:** To be incorporated in Singapore, a director of at least 18 years of age who is eligible to work in the country – as a result of citizenship or having been issued with an employment pass – must be appointed. The individual concerned must also be a company shareholder unless the decision is taken to select a secondary shareholder.
- **Company secretary:** They must be appointed within six months of the organisation being incorporated in Singapore and are required to use the city state as their primary place of residence.
- **Auditor:** They must be appointed within three months of incorporation unless the company is exempt from audit requirements as outlined in the Companies Act.

Step 3 – Registration

Once the company's name has been approved and the relevant staff appointed, it is necessary to register at the Accounting and Corporate Regulatory Authority via Singapore's [online BizFile system](#). All foreign companies are currently required to hire a business registration firm to conduct their submission process. But the following

documentation and information is also required to ensure that the process is completed quickly:

- **Memorandum & Articles of Association** setting out the aims and by-laws of the proposed company
- **Form 6** – Statutory Declaration of Compliance
- **Form 7** – Certificate of Identity
- **Form 44** – Notice of Situation of Registered Office and of Office Hours at time of Incorporation
- **Form 45** – Consent to Act as Director & Statement of Non Disqualification to Act as Director.

Step 4 – Licensing

Depending on the nature of work to be conducted in Singapore, additional documentation and licensing may also be necessary. These are the three most common licensing requirements that investors need to comply with:

- 1 **Business Activity License:** The standard permit for companies operating in Singapore, which means that it is required by most
- 2 **Occupational License:** This is vital for professional services firms, including but not limited to doctors, lawyers, accountants, and securities traders
- 3 **Compulsory License:** This is mandatory for specialised fields such as travel agencies, schools and employment agencies.

Note: A full listing of all business licenses can be found on [Singapore's Online Business Licensing Service \(OBLS\)](#).

Step 5 – Compliance

After incorporating in Singapore, all companies are subject to a variety of compliance requirements. Within the first 18 months of operation, the following deadlines should be observed to ensure conformance with existing regulations: ►

- Companies must hold their first annual meeting within 18 months of incorporation
- The Companies Act requires that every organisation's financial statements are audited once a year
- From incorporation onwards, firms must operate a registered office that is accessible to the public for at least five hours each day
- Notification of any changes to capital, shares, articles of association or company name must be made to the relevant authorities.

Option 2: Representative offices

Step 1 – Name approval

As in the case of private limited companies, if organisations want to set up a representative office in Singapore, they must seek approval for the name under which they wish to register in the country. They must also comply with trademarks recognised by the Intellectual Property Office of Singapore (IPOS).

Fee: Applying for a name costs S\$15.

Step 2 – Staffing

All ROs must appoint a member of staff to act as their representative in the country. It should be noted that this individual must bear the title of “representative” and may not position themselves as anything other than a representative of the parent company.

Step 3 – Registration

To successfully register as an RO in Singapore, the following information and documentation must be made available. It is important to note that, as in the case of Ptes, documentation must be submitted by an independent Singapore-based service provider. This documentation comprises:

- An endorsed commitment to abide by the terms and conditions that govern representative offices

- A certified copy of the parent company's certificate of incorporation. This copy must be provided in English or be accompanied by an English translation
- The latest annual report and audited accounts of the RO's parent company.

Note: *If no annual report or audited accounts are available, self-declaration is permissible. To self-declare successfully, companies should be prepared to provide the required information as well as supporting details such as company brochures, contracts and contact information.*

Compliance

Unlike Ptes, ROs are not subject to compliance requirements as, due to the nature of such entities, it is assumed they are not engaged in any activities that would generate profits. ■

SINGAPORE PAYROLL

For more information read
Global Payroll Association fact cards



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Dezan Shira and Associates is a specialist foreign direct investment practice, providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence and financial review services to multinationals investing in emerging Asia. Since its establishment in 1992, the firm has grown into one of Asia's most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam as well as liaison offices in Italy and the United States.

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