

Singapore Company Law



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Company Statutory Obligations



Introduction

- In Singapore, companies are governed by Singapore Companies Act of 1963. All companies must abide by the regulations of this Act;
- According to the Singapore Companies Act, all Singapore private limited companies must comply with the annual filing requirements of two of Singapore's government agencies:
- Inland Revenue Authority of Singapore (IRAS). IRAS is the statutory board which oversees all tax matters in Singapore.
- Accounting and Corporate Regulatory Authority (ACRA) - ACRA is the national regulator of business entities, public accountants, and corporate service providers in Singapore. It includes the Registrar of Companies (ROC). ACRA also runs Bizfile. Bizfile is ACRA's government agency website, where company details including, company director and shareholder details are publicly available;

Annual Filing Obligations

- **Annual General Meeting (AGM)** - Companies, unless exempted, are required to hold AGM in an annual basis;
- **Annual Return and Financial Statements**- Companies must file their annual return and financial statements within 7 months with ACRA after the closing of the financial year end;
- **Annual Tax Return** – Companies are required to file Tax Return with IRAS before 30 November every year;
- **Electronic Register of Members, Directors, Secretaries and Auditors** - All companies must maintain with ACRA an electronic Register of Members, Directors, secretaries and Auditors with ACRA. Companies are required to update ACRA within 14 days after changes in appointment, including change of personal particulars. All information is electronically available to public;
- **Audited Financial Statements** – companies are subject to an audit of their financial statements unless they meet at least two of the following criteria for an exemption: **i)** less than 50 employees **ii)** turnover below SG\$10 million **iii)** assets below SG\$10 million;

Compliance issues for Directors Under the Companies Act



Company Director

- A director is the person in charge of managing the affairs of the company. He must make decisions objectively and in the best interests of the company. Here are the basic requirements for a company director:
 - 145(1) Every company shall have at least 1 director who is ordinarily resident in Singapore
 - (2) Must be a natural person who has attained 18yrs of age and who is otherwise of full legal capacity.
 - (5) A director shall not resign or vacate his office unless there is at least one remaining director in the company ordinarily resident in Singapore.
 - Cannot be disqualified from acting as a director of a company;

Company Director – Statutory Duties

- S 157 – Duty to act honestly and with reasonable diligence.
- S 157 – Duty to use powers for a proper purpose.
- S 165 – Duty to avoid conflict of interests.
- S 156 – Duty to disclose potential conflicts.
- All directors (de facto, shadow, nominal, nominee, independent, executive and non-executive) are equally liable under the law.
- Directors commit an offence when statutory duties are breached and may be subject to criminal prosecution and penalties.

Company Director – Statutory Duties (Meetings & Proceedings)

- S 171 –Duty of directors to appoint secretary with requisite knowledge and experience;
- S 175 –Holding of Annual General Meeting (AGM);
- S 197 –Filing of annual returns;
- S 201 –Present audited accounts, balance sheets and directors' report at AGM. Accounts must comply with Accounting Standards.

Summary of Criminal Sanctions for Breach of Key Statutory Duties

Duties Governed by Statute	Section	Penalty
Duty to act honestly and with reasonable diligence	157(1)	Fine not exceeding \$5,000 or imprisonment for a term not exceeding 1 year
Duty to disclose interests that directors have in the company	165(1)	Fine not exceeding \$15,000 or imprisonment for a term not exceeding 3 year; further fine of \$1,000 for every day offence continues after conviction
Duty to disclose potential conflicts of interests in transactions or ownership or property	156(1) & (6)	Fine not exceeding \$5,000 or imprisonment for a term not exceeding 1 year
Duty to keep proper accounts	199(1)	Fine not exceeding \$2,000 or imprisonment not exceeding 3 months and also to a default penalty

Singapore Corporate Tax Summary



Singapore corporate tax summary

- The corporate tax rate for resident Singapore companies is 17%;
- GST is charged at 7% on the supply of goods and services made in Singapore;
- A Singapore company is obliged to register for GST if annual sales exceeds or is expected to exceed S\$1 million in any calendar year;
- A non-resident company can be legally tax exempt from Singapore corporate taxes if the certain conditions are met including: **i)** no income remitted to Singapore **ii)** no staff nor customers in Singapore **iii)** the company's legal control is outside of the country;

Corporate Bank Account Identifying Risks



Red Flag Indicators – Type of Client (Country/territory risk factors)

- The transaction relates to, any country or jurisdiction in relation to which the FATF has called for countermeasures or enhanced client due diligence measures.
- Client is from or in any country or jurisdiction known to have inadequate measures to prevent money laundering and the financing of terrorism.
- Companies registered in Singapore with no apparent business and low paid up capital.
- Frequent large incoming remittances into bank accounts from different individuals and companies, located mainly overseas.
- After receipt of funds in the bank accounts, the funds are usually moved out of Singapore within the next few days. These bank accounts generally have low balances.
- Transaction patterns in the bank accounts are often not in line with the company' principal business.

Red Flag Indicators – Corporate bank account closure

- Unusual method of funding, e.g. funding from a third party who is not related to the company, or lack of logical explanation.
- Payment to third parties without substantiating reason or corresponding transaction.
- Company with complicated ownership structures where there is no legitimate or economic reason.
- An absence of documentation to support the company's story, previous transactions or company activities.
- Transactions with PEPs, sanctioned jurisdictions, and jurisdiction identified as having significant corruption and/or criminal activity (e.g. as listed on the Corruption Perceptions Index).
- Transaction without legitimate or economic reason.
- Transfer made overseas without legitimate supporting document (contracts, invoices)

Corporate Banking Mitigating the Risks



Ongoing Monitoring

- Once a business relationship with the customer has been established, the bank continues to monitor the customer corporate bank account;
- Every transaction to have legitimate proof of business with supporting documents;
- Create Singapore Nexus and strong business presence in Singapore – having physical office premise, dealing with local clients and suppliers, employ local employees and active management in Singapore;
- It is essential that companies put in place internal systems and processes to ensure continuing compliance

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For additional information on our business registration services in Singapore, please visit our [Doing Business in Singapore web page](#) (click link) or contact our [Singapore Head Office](#) (click link).



Thank you

