

Guide To Singapore Companies And Trusts

Introduction

Professional Directors Limited, as a corporate service provider, has become increasingly aware of the ever-diminishing number of jurisdictions that may be successfully used for tax planning purposes. As such, we seek to source only those jurisdictions that have a future for our mainly Eastern European clients. At the same time, we are not interested in promoting expensive jurisdictions. We believe that Singapore, as a jurisdiction, represents a long-term tax planning location that our clients can be very confident to promote. We are aware of no government blacklists that have included Singapore and have managed to secure some very low costs given this excellent product.

Below, you will read some of the main details about Singapore registered companies (and we have included some information about Trusts also). You will observe that to achieve a classic type of end product using Singapore as the company jurisdiction, for example, a company with non-resident status, it would be necessary to meet certain criteria. For the majority of our clients it will be necessary to have a local (Singaporean) resident director and local professionally qualified secretary. In addition it will be necessary to maintain a local registered office. At the same time, in order to gain non-resident status it is necessary to have the majority of directors residing outside of Singapore. Obviously this means two non-resident directors in addition to the resident director.

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Additionally, we should meet the requirement to hold a minimum of two shareholders and in order to ensure future bank account applications run smoothly our experience dictates that they should be physical persons. If a company is set out in this manner, then the board of directors may choose to reduce the overall running costs of the company by further electing for Exempt Company status. This allows the company to file a Directors Statement once annually together with a tax return therefore avoiding the statutory requirement to file audited accounts.

We have worked very hard with our Singaporean partners to achieve the above whilst remaining within acceptable pricing boundaries. You will note that our solution to the above is to provide the necessary local officers whilst also appointing two of our own UK resident directors who will also act as shareholders (where required). In the above scenario, typically a company would cost 1430 GBP in the first year and subsequently 1180 GBP each year thereafter. If this company were to opt for the exempt status by remaining dormant or by having a sales turnover of less than 5 million Singaporean dollars then you will note that we can conclude all of the company's annual affairs for 500 GBP or 800 GBP for an active exempt company. Therefore a classic exempt non-resident company would cost 1430 GBP for the first year plus 500 GBP at the year-end. The following year the company would cost 1180 GBP plus 500 or 800 GBP at the year-end. These prices are fully inclusive of all required directors, secretary and shareholders.

Whilst we appreciate that these companies are more expensive than US LLC's, we would ask you to consider the advantages to your client. Clients would purchase a reputable long-term jurisdiction for which bank accounts and international trade are welcomed. The management of the company includes two UK physical directors and a professionally qualified Singaporean director. The beneficial owner remains anonymous from the Singapore public register, as it is only the shareholders that are listed. The owner may receive timely signed documentation through the usual order processing channels arranged through Professional Directors in the UK and therefore the differing time zones will not affect the issue of contracts, powers of attorney etc. Most importantly of all however is the flexibility of these companies for the client. Clients may opt for resident status as Singapore has many double taxation treaties.

Resident companies are taxed only on their Singaporean source income and foreign income remitted to Singapore. Where all income is derived outside of Singapore and remitted to Singapore, and the company is substantially controlled from overseas, taxation will be applied on an amount of 5% over the operating costs arising in Singapore.

Whether the company should be exempt, non-exempt, resident or non-resident is a decision to be made with the client at the outset based on projected annual activity. We will be pleased to confirm your recommendation.

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BACKGROUND

Located off the south of the Malaysian peninsula, Singapore is an island measuring 640 sq km. Founded as a British trading post in 1819 by Sir Stamford Raffles, Singapore became a major port of call for ships between Europe and East Asia. During WWII the Japanese occupied Singapore for 3 ½ years, and it returned to British administration before attaining self-governance in 1959. A short-lived merger with the Federation of Malaysia followed, before Singapore became independent in 1965.

Today, Singapore as a Commonwealth country has state of the art communications, and world-class infrastructure. Most of the major banks and recognised law and accountancy firms have a presence in Singapore. With a large international airport it serves as a regional hub to many destinations. The port of Singapore is one of the largest and busiest in the world, handling a volume of over 1 billion tons per year.

GOVERNMENT

Singapore is governed under a parliamentary republic system. The Constitution was adopted in 1959 and was amended in 1965 and 1991. Because of its past connection to Britain, the business language is English and Singapore uses the British common law system.

Political authority rests with the Prime Minister and the Cabinet. The Prime Minister is the leader of the political party or coalition of parties having the majority of seats in Parliament. The President, who is chief of state, previously exercised only ceremonial duties. As a result of 1991 constitutional changes, the President is now elected and exercises expanded powers over legislative appointments, government budgetary affairs, and internal security matters. Nominated members of Parliament enjoy the same privileges as members of Parliament but cannot vote on constitutional matters or expenditures of funds. The maximum term of anyone remaining in Parliament is five years. Voting has been compulsory since 1959.

Judicial power is vested in the Supreme Court. The High Court exercises original criminal and civil jurisdiction in serious cases as well as appellate jurisdiction from subordinate courts. The Chief Justice, senior judge, and judges are appointed by the President. The Court of Appeal hears appeals from the High Court. The right of appeal to the Privy Council in London was abolished in 1994.

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SINGAPORE COMPANIES

TYPE OF COMPANIES

A company incorporated in Singapore may be limited by shares, by guarantee or may be an unincorporated association. All companies with limited liability may be either public or private. Recently limited liability partnerships and companies have also been made available.

A company incorporated in Singapore may be exempt or non-exempt, depending upon its turnover and shareholders. An exemption from audit and statutory filing of accounts is available if a private limited company's turnover is less than S\$5 million and all shareholders are natural persons and the number of shareholders does not exceed 20. A directors' statement would instead be filed, and an income tax return submitted to the Revenue authorities.

TAXATION

The current rate of corporation tax is 20%, with a remission of 75% for taxable profits below S\$100,000. A Singapore incorporated company may be resident or non-resident depending on its place of central management and control and where its trading income is derived. If the majority of its directors reside outside of Singapore and it does not carry on business in, or derive profits from Singapore, then the company would be considered non resident and generally would not be subject to taxation, unless profits are remitted to Singapore.

Resident companies are only taxed on Singapore sourced based profits and foreign income remitted to Singapore. Where all income is derived outside of Singapore and remitted to Singapore, and the company is substantially controlled from overseas, taxation will be applied on an amount of 5% over the operating costs arising in Singapore.

All foreign sourced income received in Singapore by individuals is exempt from tax.

TAX TREATIES

Singapore has negotiated double tax treaty agreements with many countries around the world. Treaties that have been concluded include Australia, Bangladesh, Belgium, Canada, China, Denmark, Finland, France, Germany, India, Indonesia, Israel, Italy, Japan, Korea, Malaysia, The Netherlands, New Zealand, Norway, Philippines, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, and United Kingdom. Please note that for the company to gain the benefit of the double taxation treaties signed by Singapore it is likely that the company would have to be resident in Singapore.

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INCORPORATION

Company incorporation is made by registration under the Singapore Companies Act. Incorporation usually takes 2 weeks but confirmation of the incorporation through computer-generated verification can be obtained within 48 hours. Company names which are the same as or similar to existing names are not permitted. A holding company can however, consent to its name being included as part of a subsidiary's name. Private limited liability company names must end with the words "Private Limited".

SHARE CAPITAL

Since January 2006 the need to have authorised share capital has been abolished. Share capital may be denominated in Singapore dollars or other currencies. Separate classes of shares may be created with differing rights to dividends or otherwise. The following classes of shares are permitted: ordinary shares, preference shares and redeemable preference shares. Bearer shares are not permitted.

SHAREHOLDERS

Shareholders can be individuals or corporate entities. If a corporate shareholder, a minimum of one corporate shareholder is required and they do not need to be Singapore resident. If an individual shareholder, there is a minimum requirement of two and they do not need to be Singapore resident. Shareholders' details are required to be filed with the Registrar and are available on public record. Anonymity can be achieved by using nominee shareholders.

DIRECTORS

A minimum of one director is required. At least one director must be a resident of Singapore. Corporate directors are not permitted. Director's details must be filed with the Registrar and are available on public record.

SECRETARY/REGISTERED OFFICE

A Singapore company must maintain a registered office address in Singapore and must appoint a Singapore resident company secretary. The secretary must be a natural person and whose principal or only place of residence is in Singapore. The secretary must be qualified in terms of the Singapore Companies Act. Persons qualified include chartered secretaries, lawyers and chartered accountants. The secretary may also be a director. The secretary's particulars must be filed with the Registrar.

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ANNUAL REPORTING

All Singapore companies must prepare full audited accounts and must keep a copy of such accounts at the registered office address, except for exempt private companies. A directors' statement would instead be filed, and an income tax return submitted to the Revenue authorities.

CESSATION OF COMPANIES

1. Striking Off

A company may apply to ACRA (Accounting and Corporate Regulatory Authority) to strike its name off the Register pursuant to Section 344 of the Companies Act. Provided the company does not have any debts and the directors file statutory declarations to that effect, ACRA may approve the application if it has reasonable cause to believe that the company is not carrying on business.

2. Members' Voluntary Winding up

A company may decide to wind up its affairs voluntarily if the directors are of the opinion that the company will be able to pay its debts in full within 12 months after the commencement of the winding up. The company will appoint a liquidator or provisional liquidator to wind up its affairs and file the necessary notifications required under the Companies Act.

3. Creditors' Voluntary Winding up

A company may be wound-up by the company's creditors if the company is unable to pay its debts. The court will appoint a liquidator or provisional liquidator to wind up its affairs and file the necessary notifications required under the Companies Act.

SINGAPORE FOREIGN TRUSTS

BACKGROUND

Singapore has a specific "foreign trust" regime. In summary, where the settlor and the beneficiary are non Singaporean resident or citizens and the trustee is an "Authorised Trust Company", then the trust is exempt from Singaporean Income Tax on "specified income" of "designated investments". The categories are reasonably wide however require examination prior to setting up the trust in order to make sure the foreign trust is right for the client.

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NEW LEGISLATION

Comprehensive new trust legislation has been introduced in Singapore and is effective from February 2006. The extent of regulation now rests on the trustee being "authorised" to act in that capacity. Features of the new legislation provide for a "statutory duty of care" in relation to the powers of trustees. This is included to strengthen the reputation of the industry in relation to how a trust's assets are managed, how powers can be delegated, insurance or remuneration.

The legislation also now provides that the perpetuity period of private trusts in Singapore be limited to 100 years. The law also allows for income to be accumulated through the trust period as long as Singaporeans are not connected and there is now an ability to ignore foreign rules on forced heirship. Although reserved powers are not in a wider context part of the amending legislation, the provisions of a trust may allow a reservation of the power of direction of investments to a settlor of the trust, giving the settlor a greater degree of control over such a specific area.

The changes are an extremely positive step for providing practical, conservative regulation and upholding the credibility of what is essentially a new jurisdiction in the face of continual modern day pressures of compliance with other higher taxed nations.

TAX EXEMPT INCOME

There are various categories of tax exempt income under the foreign trust regulations, among them: interest and dividends derived outside Singapore from designated investments, interest derived from deposits with and certificates of deposits issued by approved banks and from approved Asian dollar bonds, gains or profits from the sale of any designated investments, gains from foreign exchange transactions in currencies other than Singapore dollars and various prior currency gains.

DESIGNATED INVESTMENTS

In general these include: stocks and shares in foreign currency on non-Singapore companies, foreign currency denominated securities outside of Singapore, futures contracts denominated in foreign currency and held in any futures exchange, immovable property outside of Singapore, various deposits and foreign exchange transactions not in Singapore currency.

TARGET MARKET

Singapore's wide double tax treaty network makes its foreign trust regime comparable with that of New Zealand. While the fees on Singapore foreign trusts will be substantially higher than Belize, Cook Islands or the British Virgin Islands, Singapore is ideal for the holding and administration of substantial investment portfolios. PDL will be happy to provide further details.

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INDICATIVE FEES FOR PRIVATE LIMITED COMPANY

	GBP	SGD
First Year Fees To Form Private Limited Company In Singapore		
<i>Incorporation</i>		
- Incorporation fees including government fees	330	990
<i>Corporate Secretarial Services</i>		
- Singapore Resident individual director	350	1050
- Singapore Resident company secretary	200	600
- Provision of Non Resident Director and two shareholders (UK)	350	1050
- Provision of registered office	200	600
Sub-total	1430	4290
<i>Bank Accounts</i>		
- Open bank account (for each account) (Singapore)	600	1,788
- UK or other Jurisdiction		
- Internet / web banking application (for each account)	200	596
Main total	800	2384
Subsequent Year Fees		
<i>Corporate Secretarial Services</i>		
- Resident individual director	350	1,050
- Provision of company secretary	200	150
- Provision of Non Resident Director and two shareholders (UK)	350	1,050
- Provision of registered office	200	300
- Filing annual fees and annual general meeting	80	240
Sub-total	1180	3540
<i>Statutory Reports for Authorities</i>		
<i>For Dormant Company</i>		
- Director's statement, reports & notes to account	200	600
- Tax return	300	900
Total	500	1500
<i>For Active Company (Exempt Private Company)**</i>		
- Director's statement, reports & notes to account	400	1,200
- Tax return	400	600
Total	800	2400

** The fees exclude bookkeeping and audit (if sales turnover per year is more than S\$5million, the account needs to be audited).

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