

GUIDELINES FOR NEWLY INCORPORATED COMPANIES IN SINGAPORE

1. Appointment of Auditors

A company shall appoint an auditor within 3 months from the date of incorporation unless it is exempted from audit requirements under Section 205B or 205C of the Companies Act.

2. Registration for GST

Goods and Services Tax or *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. In other countries, *GST* is known as the Value-Added Tax or *VAT*.

You must compulsorily register for GST when:

- Your taxable supplies for the past 12 months ending March, June, September or December (referred to as "quarter") is more than \$1 million;
- You are making taxable supplies and you can reasonably expect your taxable supplies to exceed S\$1 million for the next 12 months.

You must apply for *GST* registration within 30 days of the end of the quarter when your taxable supplies has crossed S\$ 1 million in the past 12 months or within 30 days of the day you reasonably expect your taxable supplies to cross S\$ 1 million for the next 12 months.

You can choose to register voluntarily when:

- You make taxable supplies below S\$1 million annually; or
- You make Supply of Goods outside Singapore
- You provide all services outside Singapore which is also known as international services.

It is a condition that you must remain *GST*-registered for at least 2 years for voluntary registration. IRAS may also impose other conditions e.g. the requirement of Security Deposits on a case-by-case basis.

Overseas companies must appoint an agent in Singapore to be responsible for its *GST* matters and obligations when applying for *GST* registration.

Exports made out of Singapore are 'ZERO' rated and in order to claim the *GST* you have suffered at the time of import or local purchase of goods it is advisable to register for *GST*, even though you will not exceed S\$ 1 million business in any financial year.

For *GST* registration requirements and any other formalities, kindly contact our Tax Dept for details and information.

3. Maintaining of Books of Accounts in US\$ or other functional currency.

If your functional currency happens to be other than Singapore dollars, considering your group companies overseas, the Singapore Company can maintain the books of accounts in the functional currency. The financial statements can also be presented in the functional currency.

Usually companies would like to maintain the books of accounts in US\$ and it is possible if the functional currency of the group happens to be US\$. For more details, you can refer to FRS 21 and interpretation INT FRS 19 or consult your audit department for details.

4. Maintaining books of accounts in Singapore -

As per section 199 (4) If accounting and other records are kept by the company at a place outside Singapore there shall be sent to and kept at a place in Singapore and be at all times open to inspection by the directors such statements and returns with respect to the business dealt with in the records so kept as will enable to be prepared true and fair financial statements and any documents required to be attached thereto.

5. Skills Development Levy (SDL)

Payments of levy under the skills development levy act (CAP.306) and the skills development levy regulations 1991.

You are required to contribute SDL for all your employees up to the first \$4,500 of each employee's total monthly wages at a levy rate of 0.25% or a minimum of \$2, whichever is higher. Employees here include all full-time, casual, part-time, temporary and foreign employees rendering services wholly or partly in Singapore.

Employers should make full payment on SDL together with the CPF and other monthly contributions to the central Provident Fund (CPF) Board before 14th of the subsequent month. CPF Board collects SDL on behalf of the SkillsFuture Singapore Agency (SSG). In case the company has only foreign employees and makes only SDL contributions, the payments will directly be made to the SkillsFuture Singapore Agency (SSG)

6. Audit of the Books of Accounts

Small companies below the annual sales of S\$10M and total assets below S\$10M are exempt from audit w.e.f the financial year commencing on or after 01.07.2015

Definition of Small Company (w.e.f. 01.07.2015)

To qualify as a small company, it must be a private company and fulfill at least two of the following three quantitative criteria in each of the immediate past two financial years:

- a) Total annual revenue of not more than S\$10M
- b) Total assets of not more than S\$10M
- c) Number of employees of not more than 50.

The criteria are similar to those used for the Singapore Financial Reporting Standards for small entities. For a company which is part of a group, to be exempt from statutory audit, it must qualify as a small company and the group must also meet at least two of the three quantitative criteria on a consolidated basis.

7. Filing of Annual Return of the Company

A local company is required to hold its Annual General Meeting ("AGM") within 18 months of its incorporation and present its accounts to its shareholders. These accounts must not be made up to a date older than 6 months from the date of the AGM for a private company/unlisted public company,

or 4 months for a public listed company. Thereafter, an AGM must be held once every calendar year but not later than 15 months from the date of the last meeting. A company has to file its Annual Return together with the accounts or the Exempt Private Company Certificate online within one month from the date of the AGM. Failure to comply with these statutory requirements may render the company and all its officers liable to prosecution.

In addition, dormant companies and exempt private companies that are exempt from audit requirements under Section 205B and 205C of the Companies Act respectively are also required to file the directors' statement required under Section 205B(4)(d), if their financial year starts on or after 15 May 2003. For companies with more than one director, the statement must be signed by at least 2 directors.

8. Penalty for Non-Compliance/ late lodgment of annual returns

Offence	Penalty Incurred
Did Not File Annual Return Within One Month of AGM Date (S197)	Penalty Fee of \$300
Did Not Hold AGM on Time (S175)	Composition Sum of \$300
Accounts Presented at AGM is more than 6 months old when AGM is held (S201)	Composition Sum of \$300

Please note that the penalties shown above are calculated based on the non-compliance for each section that you breached. Therefore, if you have breached 2 sections, your penalty will be calculated based on the length of default for each section.

9. Changes on Company's Particulars

- a) **Appointment/Resignation/Removal of Director/Secretary** - The changes have to be filed within 14 days from the date of resolution. Every company must appoint a secretary within 6 months of the date of incorporation.
- b) **Changes in the Particulars of Director/Secretary/Shareholders** - The Company at all times must file any changes in the particulars of the Director
- c) **Change of Registered Office**- The Company must notify the ACRA within 14 days from the date of change.
- d) **Allotment of Shares**- The company must file the allotment within 14 days from the date of the resolution.

10. Company Registration No.

With effect from 1st January 2009, all entities that are registered in Singapore, such as businesses, companies, limited liability partnerships, representative offices, embassies and societies will have a Unique Entity Number as its Identification number. This shall be used for all interactions with Singapore Customs.

Singapore Customs will be implementing UEN which will replace the Central Registration Number (CR) Number that you currently use to interact with Singapore Customs.

If you require further information on UEN, please visit the website at <http://www.uen.gov.sg>.

11. CPF e-Submission

Now all employers with 10 or fewer employees can submit CPF via the 300 AXS Stations Island wide!

With AXS stations, you can submit your CPF contribution details without computers or the need to look for Internet access. CPF e-Submission is now right at your doorstep with 300 AXS Stations conveniently located island wide. This is an extra convenience you enjoy as compared to manual submission. Pay with NETS or cash card at the AXS stations and you don't have to worry about late or missing cheque anymore.

It takes just a few steps to complete your CPF submission at AXS stations:

- 1) Select "Employer Contribution"
- 2) Log on with your 7- digit Employer Reference Number followed by your CPF Account Number
- 3) Enter details of payment
- 4) Select mode of payment

12. CPF Contributions for Salary and the Salary Ceiling

- 1) The CPF contribution is compulsory for Singapore Citizens and the Singapore permanent residents employed by the co;
- 2) The CPF salary ceiling the maximum amount of ordinary wages that employee and employer contributions are to be calculated on is S\$6000/-
- 3) The CPF contribution vary for the age group of all employees and make the right contribution after visiting CPF website www.cpf.gov.sg

12. Changes to Form C Deadline and Installment Payment of Tax Based on Estimated Chargeable Income

As per the Income Tax Act

- You are required to file ECI (Estimate chargeable income) which is Advance tax within 3 months from the end of the relevant financial year.
- You are required to file your company's tax returns known as Form C / Form C-S as per the stipulated timelines

Form C / Form C-S

If your annual turnover is less than S\$ 1 million, you can file Form C-S. Otherwise you are required to file Form C. The statutory filing deadline for Form C / Form C-S is as follows:

Financial Year Company closing books between	Year of Assessment	Statutory Filing Deadline
1.1.08 - 31.12.08 / 1.1.13 - 31.12.13	2009 to 2014	30 th November of relevant Year of Assessment for paper filing
1.1.14 - 30.1.14	2015 and thereafter	30 th November of relevant Year of Assessment for paper filing and 15 th December for e-filing

ECI ("Estimate Chargeable Income")

All companies including new companies are required to file ECI **within three months** from the end of their financial year. You can opt to pay the ECI by installments and have to be on GIRO to qualify for installment payment.

You may e-file or paper file your ECI. The earlier you e-file, the greater the number of installments. The number of installments granted is as per the timelines given below:

ECI Filed within	E- Filers	Paper - filers
1 month from accounting year end	10	5
2 months from accounting year end	8	4
3 months from accounting year end	6	3
After 3 months from accounting year end	No Installments allowed	No installments allowed

You are required to E-file by 26th of each qualifying month or paper file by 24th of each qualifying month to enjoy the maximum number of installments allowable for that month.

Exemption from filing ECI: You are exempted from filing ECI if your annual revenue is less than S\$ 1 million for the financial year and the ECI is NIL for the year.

Recordkeeping and Time limit for assessments

You are required to keep business records for up to 5 years for accounting periods ending on or after 1 Jan 2007. The statutory time limit for IRAS to raise an assessment or additional assessment is four years. However, this statutory time limit will not apply to cases where fraud is involved.

13. Deduction of Tax at Source (WHT) for Payment made to Non-Residents Companies or Individuals

Consult our partners when the company makes any payment to non-resident or non-resident directors any fees, commission, royalty, interest for the deduction of tax at source. Detailed as under-

You have to deduct tax at source on the following situations:

NATURE OF PAYMENTS

1. Interest, commission, fee in connection with any loan or indebtedness
2. Royalty or Rent or other payments for the use of or the right to use any movable property
3. Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information
4. Payments of management fees, director's remuneration /fees to a non-resident director
5. Payments for the purchase of real property from a non-resident property trader
6. Structured products (other than payments which qualify for tax, exemption under section 13(1) (zj) of the Income Tax Act)
7. Distribution of real estate investment trust (REIT)

Note:

- 1) **Non-Resident Directors**
A Company director who is physically present in Singapore for less than 183 days in the year preceding the Year of Assessment (YA) is a non-resident director. The director's remuneration and the director's fees of a non-resident director are subject to withholding tax.

2) **Non-Resident Professionals**

The non-resident professional's income attributable to services rendered in Singapore is subject to withholding tax at:15% of the gross income /fees payable and at the rate of 20% (22% for payment made from January 2016) if the non-resident professional has elected to be taxed on net income.

- 3) Kindly extract the details/obtain from client and pass to our Tax Dept. for further follow-up. The details will include amount, party name, country and date of payment.

13A. Digital Economy

The new ecommerce companies, content and web related service providing companies, when they make payment for services rendered to non-residents, the tax department has issued a guideline for deduction of tax at source. Kindly request our office to provide a copy of the guideline published on 8th February 2013 or visit IRAS website www.iras.gov.sg to download or view the same to obtain clarity on your payments to non-residents.

14. Tax Evasion Is an Offence in Singapore

As per MAS "Monetary Authority of Singapore" guidelines issued w.e.f July 1, 2013, all Singapore banks need to comply with the stricter KYC rules to ensure that their clients are fully in compliance with all their Tax obligations, across the world and no source of funds originating in Singapore should be out of the proceeds of serious tax offences such as fraudulent or wilful tax evasion anywhere across the globe.

Singapore IRAS has signed more than 40 agreements with other countries on the exchange of tax information in the past 3 years. Under these agreement IRAS can write to Singapore incorporated companies under the SEC 105 of the income tax act to provide information about their business transaction details with any overseas companies.

15. Employer to File (Form 21) to the Tax Dept a Return on the Cessation of Employment of a Staff

As an employer, you are required to complete the Form IR21 (Notification by Employer of an Employee's Cessation of Employment or Departure from Singapore) at least one month before a non-citizen employee ceases or is about to cease employment with you in Singapore (including a posting to an overseas location of the same employer). Tax clearance is also needed for non-citizen employees who are leaving Singapore for any period exceeding 3 months. Employers who do not comply may be liable to a fine up to \$1000.

16. Workmen Compensation Insurance

The Company has to take insurance for Workmen Compensation for all the staff in the organization.

17. Medical & Personal Accident Insurance

For all the staff who are employed under work permit and S Category of Employment pass, the company has to compulsorily take Medical & Personal Accident Insurance.

18. Appointment of Company Secretary

Every company must appoint a secretary within 6 months of the date of incorporation.

19. Unique Entity Number (UEN)

UEN is the standard identification number of an entity to be used for transactions with government agencies, including IRAS, from 1 January 2009. UEN replaces all other identifications numbers issued by various government agencies. Local businesses and companies registered with Accounting & Corporate Regulatory Authority (ACRA) will retain their existing ACRA registration number as UEN. For others (e.g. the branch of a foreign company) a new UEN will be issued by the government agency that registers the entity (known as UEN Issuance Agency).

20. Registrar of Companies (ACRA)

ACRA on a regular basis keeps a record of non-compliance of the Companies Act and the compliance with the Singapore Financial Reporting Standards. It is most important for the newly incorporated companies to maintain their book of accounts in accordance with the Companies Act of Singapore and also in accordance with Singapore Financial Reporting Standards.

21. Issue of Monthly Pay Slips to All Employees w.e.f 01.04.2016

Employers to issue employment contracts and itemized payslips to their employees w.e.f 1st April 2016.

We have prepared a write up on this issue and a copy is enclosed for your ease of reference.

22. Employment of Foreigners for your Co;

Consult our partners for the employment of foreigners for your co; and we can provide the professional advise relating to obtaining the employment passes to the foreigners.

23. Place Of Effective Management (POEM)

If you have incorporated a subsidiary or a wholly owned subsidiary company, in Singapore, the Indian Income Tax Act, Section 6 has been amended to include the income earned by the subsidiary at Singapore will be included for Income tax as the subsidiary is controlled and managed from India.

The Ministry of Finance has come out with a draft guideline on 23/12/2015 which you can read in the Ministry of Finance website.

Guiding Principles for determination of Place of Effective Management (POEM) of a company was issued on 24th January 2017 (Circular No. 6/2017 of Ministry of Finance).

Clarification for determination of Place of Effective Management (POEM) of a company, other than an Indian Company-Requirement dated 23rd February, 2017 (Circular No. 8/2017 of Ministry of Finance) has stated that the POEM guidelines shall not apply to a company having Turnover or Gross Receipts of Rs.50 Crores or less in a Financial Year.

Our Senior partner has given speeches on 'POEM' and you can consult him on this matter.

**SALARY - ITEMISED PAY SLIP TO EMPLOYEES COVERED UNDER THE EMPLOYMENT ACT.
ISSUE OF ITEMISED PAYSLIP:**

The employment act has been amended to take effect from 1st April 2016 that all employers must issue the itemised payslip to all employees covered under the employment act. If payments are made more than once a month the employers can consolidated the payslip. The itemised payslip should include the following information and the employer must keep record of all pay slip issued, either in soft or hard copy including annual return and for current employees. The record has to be kept to the last two years. Our clients if they need a format of blank pay slip we can assist them in providing the same.

The following items to be included in the itemized pay slip:

1	Full name of employer.
2	Full name of employee.
3	Date of payment (or dates, if the pay slips consolidates multiple payments).
4	Basic salary For hourly, daily or piece-rated workers, indicate all of the following: <ul style="list-style-type: none"> • Basic rate of pay, e.g. \$X per hour. • Total number of hours or days worked or pieces produced.
5	Start and end date of salary period.
6	Allowances paid for salary period, such as: <ul style="list-style-type: none"> • All fixed allowances, e.g. transport. • All ad-hoc allowances, e.g. one-off uniform allowance.
7	Any other additional payment for each salary period, such as: <ul style="list-style-type: none"> • Bonuses • Rest day pay • Public holiday pay
8	Deductions made for each salary period, such as: <ul style="list-style-type: none"> • All fixed deductions (e.g. employee's CPF contribution). • All ad-hoc deductions (e.g. deductions for no-pay leave, absence from work).
9	Overtime hours worked.
10	Overtime pay.
11	Start and end date of overtime payment period (if different from item 5 start and end date of salary period).
12	Net salary paid in total.

KEY EMPLOYMENT TERMS

The employer may issue a letter of appointment along with the office policies and procedures or office manual to include the following key employment terms.

1	Full name of employer.
2	Full name of employee.
3	Job title, main duties and responsibilities
4	Date of start employment
5	Duration of employment
6	Working arrangements
7	Salary Period
8	Basic salary
9	Fixed allowances per salary period.
10	Fixed deductions per salary.
11	Overtime payment period (it's different from payment period)
12	Overtime rate of pay.
13	Other salary-related components
14	Leave.
15	Other medical benefits
16	Probation period
17	Notice period

If the client would like to consult us, you can contact our office.