

If you want to carry out charitable activities in Singapore, you have the following three options to establish the institution:

- 1) Registration as a Public Company Limited by Guarantee
- 2) Registration as a Society
- 3) Registration as a Charitable Trust

We recommend you to register as a Public Company limited by Guarantee. It is easy to carry out your charitable objectives as a Company. You have to appoint a Company Secretary who should be a qualified person as per the provisions of the Companies Act. The Financial Statements have to be audited annually.

Subsequent to the registration of the institution, you can make an application to the Commission of Charities to get the charity status. The last paragraph of our write up explains about applying for charitable status.

The Details are mentioned below-

Reference – Registration of a Charitable Institution in Singapore

The Details in regards to above are mentioned as below:

1) Registration as a Public Company Limited by Guarantee

Forming a *company limited by guarantee* for setting up a non-profit organization has the distinct advantages of incorporating a separate legal entity with limited liability for its members. Out of the various choices available, this form of entity is the most advanced and the most desirable type of structure. Companies limited by guarantee are typically engaged in non-trading charitable, religious, scientific, or artistic activities.

What is a Company Limited by Guarantee?

1. A public company limited by guarantee is one which carries out non-profit making activities that have some basis of national or public interest, such as for promoting art, charity etc.
2. The company has no share capital.
3. A company limited by guarantee has members, rather than shareholders, the members of the company guarantee/undertake to contribute a predetermined sum to the liabilities of

the company which becomes due in the event of the company being wound up. The sum set aside as guarantee may be as low as SGD 1.

4. A Singapore company setup as a *public company limited by guarantee* must include the suffix “Limited” in its name. However after incorporation, the company may apply to Singapore authorities for the removal of the word “Limited” from its name. One condition of this exclusion is that the company does not distribute profits.
5. A company limited by guarantee is a legal entity which exists in its own right in the eyes of the law, separate and distinct from the individuals who are involved in it. A company is like a person in law. It can sue, or to be sued, in its own name; it can enter into contracts, and can own property all in its own name.

Benefits and Drawbacks

- Enjoys an independent legal personality
- Members’ liability is restricted
- Subject to ongoing public disclosure obligations and statutory control
- Professional assistance required for incorporation and ongoing statutory compliance
- More complex annual reporting requirements that are not always suitable for small groups

Tax exemptions

Associations registered as company limited by guarantee in Singapore are exempt from income tax if surplus funds are from members’ contributions; or if over 50% of gross revenue receipts are from members and are not tax-deductible for members. For full tax exemption, the company must apply for Charity status after its registration.

Key facts at a glance

1. Requires at least 2 directors, 2 members, and qualified Company Secretary. One director and secretary must be ordinarily resident in Singapore i.e. a Singaporean Citizen, a Singaporean Permanent Resident. A foreigner who wishes to act as a local director of a company has to be a person who has been issued a Employment Pass or a Dependent Pass.
2. Must draft a Memorandum & Articles of Association setting out the objects and by-laws of the organization.
3. Must audit accounts annually.
4. Must hold Annual General Meetings.
5. Must file its Annual Returns with ACRA.

Public companies limited by guarantee are registered with Accounting and Corporate Regulatory Authority (ACRA) and are governed by the Singapore Companies Act. You should seek professional assistance if you are interested in registering a Public Company Limited by Guarantee in Singapore.

2) Registration as Society

A society is defined as a club, company, partnership or association of 10 or more persons, whatever its nature or objective, and not already registered under any other law. Society is suitable for membership or volunteer based groups, especially smaller groups with strong community links and not heavily dependant on donations and external funding.

Benefits and drawbacks

- Quick, easy and inexpensive to establish
- Donors prefer more formal business structure arrangements such as public company limited by guarantee
- Does not enjoy a separate legal identity status thus members are exposed to liability issues

Tax exemptions

Societies registered with the Registrar of Societies (ROS) are exempt from income tax if surplus funds are from members' contributions; or if over 50% of gross revenue receipts are from members and are not tax-deductible for members. For full tax exemption, the society must apply for Charity status after its registration

Statutory Requirements

1. A minimum of 10 persons are required to form a society.
2. Mandatory 3 key office bearers, i.e. President, Secretary and Treasurer who should be Singapore Citizens or Singapore Permanent Residents.
3. Must audit accounts annually.
4. Must file Annual Returns with Registrar of Societies
5. Must draft a Constitution that governs the society

Societies are registered with the Registrar of Societies (ROS) and are governed by the Singapore Societies Act. You should seek professional advice if you are interested in registering a Society in Singapore.

3) Registration as a Charitable Trust

A trust is an arrangement, set out in a written document (called the trust deed) in which an owner or founder hands over property and/or funds to a group of people (called trustees) who administer the assets for the benefit of other people (called beneficiaries) for a stated objective. A charitable trust is a type of purpose trust in that it promotes a purpose and does not primarily benefit specific individuals.

Who should register a charitable trust?

- A charitable trust or foundation in Singapore is a legal entity which can be set up by anyone who has decided they want to commit to setting aside some of their assets or income for charitable causes and who wishes to take a structured and ongoing approach to giving.
- A common use of a charitable trust is for the administration of a scholarship or bursary.
- It is not usually a useful structure if it will be exposed to a significant risk of liability arising from its operations and transactions e.g when the organization intends to own or lease real estate (such as a sports facility), enter into a number of contractual relationships, etc.
- It is useful where the trustees are primarily to hold and invest funds or other similar property and to disburse the income from available funds.

Benefits and drawbacks

- Limited public disclosure – there need not be an auditor or audited financial statements unless these are required by the trust deed
- Expensive and time consuming to establish and requires professional assistance
- No independent legal personality
- Control is with the trustees – there is no accountability to a wider membership base

Statutory Requirements

1. Must have a board of trustees.
2. Must have a trust deed – the constitution of the charitable trust, which sets out the framework within which the trustees must operate.

Trusts are licensed by the Monetary Authority of Singapore (MAS) and are governed by the Singapore Trust Companies Act. You should seek professional advice if you are interested in registering a Charitable Trust in Singapore.

Applying for charity status

After the non-profit entity (society, company limited by guarantee, trust) has been registered and obtained a legal status in Singapore, it is possible to secure charitable status. When reviewing the application for charity status, the Commissioner of Charities will look at whether the objectives of the organisation are acceptable as charitable.

Being a charity is a matter of status, not of organisational structure. Charity status brings certain benefits such as

1. All registered charities in Singapore enjoy automatic tax exemption.
2. It gives a standing and credibility to the organisation.
3. Charitable status is beneficial for fund raising. Many grant-giving trusts and foundations can only give funding to recognised charities. “Charity” is a very emotive word and can be very persuasive in encouraging the general public to donate.

Charitable purposes can be classified into 4 main categories:

- the relief of poverty
- the advancement of education
- the advancement of religion
- other purposes beneficial to the community with the following purposes explicitly recognized as charitable:
 - the advancement of health;
 - the advancement of citizenship or community development;
 - the advancement of arts, heritage or science;
 - the advancement of environmental protection or improvement;
 - the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages and
 - the advancement of animal welfare.

All charities in Singapore are governed by the Singapore Charities Act and must be registered with the Commissioner of Charities within 3 months of its set-up. Processing time takes about three months. There is no charge for registering a charity under the Charities Act.

Statutory compliance

On acquiring charity status the following compliances must be adhered to. All charities must:

- submit financial statements and an annual report detailing activities conducted and proposed future plans
- ensure that accounting and donations records are maintained properly
- submit annual returns
- hold AGMs
- disclose fund-raising information online

Tax exemptions

To grow Singapore as a philanthropy hub, automatic tax exemption is now available for all registered charities.

Applying for Institutions of a Public Character (IPC) status

An approved IPC is an NPO with a charity status whose activities are 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. IPC are approved by the Commissioner of Charities to receive tax-deductible donations (i.e. donors are given tax deduction for donations made to these organizations). Most IPCs are charities, and the rest are sports associations. The processing time on applying for IPC status takes about two months.

Who can apply for IPC status?

1. a hospital not operated or conducted for profit;
2. a public or benevolent institution not operated or conducted for profit;
3. a public authority or society not operated or conducted for profit and which is engaged in research or other work connected with the causes, prevention or cure of disease in human beings, where the gift is for such activities;
4. a university or a public fund for the establishment, maintenance, enlargement or improvement of a university;
5. an educational institution not operated or conducted for profit, or a public fund for the establishment, maintenance, enlargement or improvement of such an educational institution;
6. a public or private fund for the provision, establishment or endowment of a scholarship, exhibition or prize in a university, or an educational institution not operated or conducted for profit;
7. a public fund established and maintained for the relief of distress among members of the public;
8. a charitable institution or a body of persons or a trust established for charitable purposes only; or
9. An organization not operated or conducted primarily for profit which is engaged in or connected with the promotion of culture or the arts or with the promotion of sports.

Statutory Compliance

On acquiring IPC status, the following compliances must be adhered to. All IPCs must:

1. issue Tax Deduction Receipts to donors upon receiving tax deductible donations
2. maintain Donation Records
3. post financial and non-financial information online
4. submit audited financial statements
5. submit an annual return of donations
6. submit an annual report detailing the use of donation money and proposed future plans

7. be administered by a group of independent trustees i.e. there must be independent control

Tax deductible donations

Only donations to a charity that is an approved Institution of a Public Character are tax deductible (i.e. donors are given tax deduction for donations made to these organisations). Not all registered charities are approved IPCs. Donations made to a charity without approved IPC status is NOT income tax-deductible.

The following types of donations normally qualify you for a tax deduction:

- Cash Donations
- Shares Donations
- Computer Donations
- Artefact Donations
- Public Art Tax Incentive Scheme
- Land and Building Donations

If the donations or gifts are for a “foreign charitable purpose”, they are not tax deductible even though they are made to an approved Institution of a Public Character (IPC).

Secretary

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

The company secretary must be residing locally in Singapore and he/she must not be the sole director of the company.

The Secretary may also be held liable for the company's failure to comply with the law in certain situations.

The secretary of a public company must comply with section 171(1AA) of the Companies Act i.e. must possess at least one of the following qualifications:

Been a secretary of a company for at least 3 of the 5 years immediately before his appointment as secretary of the public company.

- Qualified person under the Legal Profession Act (Cap. 161).
- Public accountant registered under the Accountants Act (Cap. 2).
- Member of the Institute of Certified Public Accountants of Singapore.
- Member of the Singapore Association of the Institute of Chartered Secretaries and Administrators.
- Member of the Association of International Accountants (Singapore Branch).
- Member of the Institute of Company Accountants, Singapore