

Overview of Singapore Business Entities



CHOOSE A TYPE OF BUSINESS STRUCTURE

Choosing the right structure for the business is very critical for the success of a venture. Tax and regulatory compliance requirements varies depending on the type of entity. Moreover, to a large extent, the entity type conveys an image and status of the business among the commercial community in which it operates, thereby showcasing the strength of the entity's relationship with internal and external partners such as employees, suppliers, clients, financial institutions etc.

Asiabiz is the business incorporation expert and aims to help business owners choose the best option for their business.

Our Incorporation Specialists are available for consultation should you have questions about a suitable type of business structure for your investment.

Here is a snapshot of the various plausible business entities in Singapore, their features, merits and their demerits.



SOLE PROPRIETORSHIP



This type of entity is suitable for small businesses that have negligible or no risks. It is owned by one person who is the decisive authority and owns all the assets and liabilities of the business.

The business is not separate from the Owner who has unlimited liability. Therefore a Sole Proprietorship may be the simplest type but it also the riskiest business entity.

Foreign individuals and companies can register a Sole proprietorship but must appoint a local resident manager. Citizens, Residents, Employment Pass holders can register a Sole Proprietorship.

Advantages

- Quick, easy and least expensive to set up.
- Easy to administer and manage because of undivided authority and control.
- Less administrative duties, on going compliance requirements.
- All the profits generated by the business will be taxed at personal income tax level.
- Easy to close.

Disadvantages

- The owner's personal assets are at risk since the liability is passed through to the owner, who is responsible for all debts and losses.
- Earnings are charged at personal income tax rates and is deprived of incentives offered to companies.
- Lack of continuity; the business is identified with the owner therefore not perpetual and it ceases with the death of owner and is not transferable by part.
- Raising capital through loans from institutions or investors is difficult due to inferior image and dependency on sole owner.
- Must renew business registration annually and top up CPF account.
- Sole proprietors do not enjoy tax exemptions and rebates available to corporations

Income (\$)	Personal Tax Rate	Corporate Tax Rate
20,000	0%	0%
50,000	(8.5%) \$4,250	0%
100,000	(14%) \$14,000	0%
200,000	(17%) \$34,000	(8.5%) \$8,500

Online Resources

[Singapore Sole Proprietor](#) | [Sole Proprietorship Singapore](#) | [Sole Proprietorship vs Limited Liability Partnership](#)

GENERAL PARTNERSHIP



A General Partnership is most suitable for low risk, low profile businesses.

It allows the possibility of acquiring capital, talent and strategic assets based on mutually agreed terms.

The business must have a minimum of at least 2 partners, and may have a maximum of 20 partners. The partners are responsible for all liabilities.

Singapore citizens, permanent residents and Employment Pass holders may register a general partnership firm.

Foreign individuals and companies may also register a general partnership firm, but must have a local manager.

Advantages

- Partnerships face fewer statutory control than companies.
- Not required to audit or publish accounts or to register the Partnership Agreement. No government returns are required to be filed by partnerships, except for income tax.
- The internal structure of partnerships is very flexible.
- Partnerships can be simple and cheap to set up. A Partnership Agreement is, however, advisable.
- All the profits generated by the business will be taxed at personal income tax level.

Disadvantages

- Partners are jointly liable for partnership debts.
- A Partner's personal assets are at risk since the liability is passed through and partners are liable for all debts and losses.
- Does not have a separate legal identity from the partners. Therefore, unless otherwise agreed, the partnership will come to an end each time a partner leaves.
- The channels to raise further capital and expansion are limited by the amount of security an individual partner can provide.
- The generous corporate tax rates and rebates that corporations are normally entitled to are not applicable to partnerships.
- A partnership must renew its business registration annually and top up CPF account.

Online Resources

[Singapore General Partnership](#) | [Singapore Business Types](#) | [Singapore Business Registration](#)

LIMITED LIABILITY PARTNERSHIP



A Limited Liability Partnership (LLP) is a perfect blend of a partnership setup and a Private Limited Company.

The LLP allows owners the flexibility of operating as a partnership while having a separate legal identity like a private limited company. There must be a minimum of 2 partners. However there is no limit on the maximum number of partners in a LLP.

This type is highly favored by and suitable for individuals engaged in professional services such as lawyers, architects, accountants, management consultants etc. Foreign individuals and companies can form a LLP but must appoint a local manager. Citizens, Residents, Employment Pass holders, local companies can register a LLP.

Advantages

- Separate legal entity, hence partners are not personally liable for losses or debts, or wrongful acts of other partners. However a partner is personally liable for claims against his personal wrongful acts or omissions.
- It has perpetual succession. Any change in the partners of a LLP does not affect its existence, rights or liabilities.
- Compliance requirements are simpler compared to a private limited company.
- No annual return filings required for LLPs, except for income tax.

Disadvantages

- Constraints in transfer of ownership
- Still does not command a distinguished image like a private limited company

Online Resources

[LLP Singapore](#) | [Register a Singapore LLP](#) | [Requirements for Singapore LLP](#)

PRIVATE LIMITED COMPANY



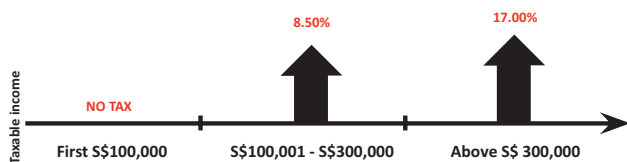
There are four types of companies in Singapore:

Private Limited Company - Not more than 50 corporate or individual shareholders.

Exempt Private Company - Not more than 20 individual shareholders.

Public Company Limited by Shares - It is locally incorporated where the number of shareholders can be more than 50.

Public Company Limited by Guarantee - It is one that carries out non-profit making activities that have some basis of national or public interest, such as for promoting art, charity etc.



*** Qualifying conditions:**

- No more than 20 individual shareholders.
- Where there are corporate shareholders, at least 1 shareholder is an individual holding at least 10% of the shares.

Advantages

- The Shareholders' personal assets are protected and they are not personally liable for any debts and losses of company.
- Ownership is transferable and additional shareholders can be appointed at any time, thus, enabling additional capital injection easily.
- Conveys a professional commitment and vision, hence maximizes the potential of loans from banks and other financial institutions and also establishes a credible image among the business community.
- The Company is perpetual and business operations are undisturbed by changes in shareholders or the holding pattern.

Disadvantages

- Companies can be more expensive to set up
- Companies are governed by tighter rules and regulations
- Liquidation or winding up can be more difficult and costly
- Companies must maintain ongoing compliance with ACRA/IRAS

Online Resources

[Singapore Private Limited Company](#) | [Form a Singapore Company](#) | [Types of Singapore Companies](#)

Helpful Links:

[Company Registration](#)

[Incorporation](#)

[Immigration](#)

[Accounting](#)

[Taxation Services](#)



AsiaBiz Services Pte Ltd

120 Telok Ayer Street, Singapore 068589

Main Line : (+65) 6303 4614

Fax : (+65) 6303 2670

Email : sales@asiabizservices.com

Website : www.asiabizservices.com

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