A Practice Note providing an overview of the key corporate features of various trading vehicles that are commonly used when setting up a business in Singapore. It includes an overview of sole proprietorships and private and public companies limited by shares.

**Sole Proprietorship**

- Key Features of a Sole Proprietorship

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Most jurisdictions offer several alternative methods for establishing a business and engaging in local commercial activities. Common alternatives range from registering as a sole proprietor or trader, to forming or incorporating an entity with one or more owners and with a separate legal personality. Variations of trading vehicles exist across jurisdictions based on the development of local laws as influenced by local economic and political systems and cultural norms.

When entering a new market, whether by establishing a new subsidiary, joint venture, or through acquisition of an existing business, it is important to understand the differences among the trading vehicles available in the jurisdiction. Many trading vehicle types may appear similar to, or the same as, stock corporations, limited liability companies, or partnerships from an investor's home jurisdiction and seem distinguished by name only. Some differences, however, may exist in the details. Understanding the differences may help a foreign investor choose a trading vehicle that best suits its business purposes in the new jurisdiction.

Several different trading vehicles or business structures can be used for carrying on business in Singapore. According to the Accounting and Corporate Regulatory Authority of Singapore (ACRA) in its latest annual report, the trading vehicles most used in Singapore as of 31 March 2021 include:

- Companies (69.78% of all live entities).
- Sole proprietorships (23.82% of all live entities).
- Limited liability partnerships (3.31% of all live entities).
- Partnerships (2.94% of all live entities).
- Limited partnerships (0.09% of all live entities).
- Variable capital companies (0.04% of all live entities).

Businesses can also be structured as a business trust in Singapore.

This Practice Note sets out the key corporate features of sole proprietorships and companies, the main trading vehicles used for carrying out commercial activities in Singapore.

Many companies incorporated in Singapore are limited by shares. However, it is also possible for a company to be incorporated as a public company limited by guarantee, which is seen most often in the context of charitable organizations and companies set up mainly for not-for-profit purposes (such as foundations and associations). A company can also be incorporated as a private or public company with unlimited liability. A variable capital company (VCC) is another form of company in which all members have limited liability. Business trusts and companies other than private and public companies limited by shares are outside of the scope of this Note.

This Practice Note also does not consider tax-related issues arising from the choice of trading vehicle, or the differing tax treatment that applies to each type of vehicle.

Unless otherwise stated, a reference in this Note to:

- ACRA means the Accounting and Corporate Regulatory Authority of Singapore.
- BizFile+ means the online filing and information retrieval system of ACRA.
- Companies Act means the Companies Act 1967 of Singapore.

Sole Proprietorship

A sole proprietor runs a business alone, makes all decisions affecting the business and owns all the assets of the business personally. Small businesses often operate as sole proprietorships because of the lack of legal formality and the low administrative costs involved in setting up and running the business.

Key Features of a Sole Proprietorship

The key features of a business operating as a sole proprietorship are as follows:

- **No separate legal personality.** The legal status of a sole proprietorship is not separate from the sole proprietor, and the sole proprietorship cannot own assets in its own name or grant security over them.

- **Unlimited financial liability.** The financial liability of a sole proprietor is generally unlimited save for specific properties that are excluded from the bankrupt's estate, such as flats sold by the Housing & Development Board (HDB), Singapore's public housing authority. To limit their liability, it is possible for sole proprietors to incorporate companies.
limited by shares. However, this would be more costly compared to a sole proprietorship and incurs additional formation and filing requirements.

- **One owner.** A business operated by a sole proprietor can only have one owner, although a sole proprietor can have employees.

- **No distinction between management and ownership of the business.** A sole proprietor owns all the assets of the business personally and has full control over running the business. They also make all the decisions affecting the business.

- **Minimal formation and ongoing filing requirements.** There is no requirement to adopt constitutional documents, but the sole proprietorship must be registered with ACRA (sections 5(1) and 6(1) of the Business Registration Act). The registration can be submitted to ACRA via the BizFile+ portal by the applicant or a filing agent for and on behalf of the applicant. A step-by-step guide on how to submit the application can be found on ACRA’s website. Filing fees such as a name application fee of SGD15 and a registration fee of SGD100 are also payable to ACRA. A foreigner who is residing overseas and wants to register either a sole proprietorship or partnership must:
  
  - appoint at least one locally resident authorized representative; and
  
  - engage a filing agent (such as a law firm, accounting firm or corporate secretarial firm) to submit the application via BizFile+.

Sole proprietors are exempted from annual auditing and are not required to file annual financial statements.

## Companies

### Types of Companies

Singapore companies can take a variety of forms, including a private company limited by shares, a public company limited by shares, a public company limited by guarantee, an unlimited private company, and an unlimited public company. A VCC is another form of company in which all members have limited liability. This Practice Note will focus on the following forms of companies:

- **A private company limited by shares (private company).** A private company is the company that is closest conceptually to a UK private limited company or a US limited liability company. For more information, see [Private Company Limited by Shares (Private Company)].

- **A public company limited by shares (public company).** A public company is the company that is closest conceptually to a UK public limited company or a US corporation. For more information, see [Public Company Limited by Shares (Public Company)].

### Private Company Limited by Shares (Private Company)

A company limited by shares can be either a private company or a public company.
A private company limited by shares is the most common and preferred type of trading vehicle used in Singapore and is the trading vehicle most likely to be used by a foreign company seeking to establish a subsidiary in Singapore. Although similar to a public company in many ways, a private company does not generally have more than 50 members. In addition, private companies generally face fewer compliance obligations as compared to public companies (see Key Features of a Public Company).

Key Features of a Private Company

The key features of a private company are as follows:

- **Separate legal personality.** A private company has a separate legal personality from that of its owners (otherwise known as members or shareholders) and can own assets in its own name or grant security over them.

- **Number of shareholders.** There should be a minimum of one shareholder and generally no more than 50 shareholders in a private company (sections 18(1)(b) and 20A, Companies Act).

- **Restriction on transfer of shares.** A private company's constitution must restrict the right to transfer its shares (section 18(1)(a), Companies Act). Directors of a private company usually have the discretion to decline to lodge a notice of transfer of shares with ACRA in certain circumstances specified in the private company's constitution. Typical examples include where the shares are not fully paid or where the directors do not approve of the transferee.

- **Capital.** A private company must have an issued share capital comprising at least one share (section 22(2), Companies Act) and an initial paid-up share capital of at least SGD1.

- **Limited liability.** A private company is liable for its own debts. The liability of each shareholder in relation to the private company’s debts or other liabilities is generally limited to the amount which remains unpaid on that shareholder's shares.

- **Separation of management and ownership.** There is separation between the management and ownership of a private company. The owners of the private company are its shareholders. Responsibility for the management of the private company falls to its directors, who have fiduciary duties under common law and statutory duties under the Companies Act. Although in many instances the directors of a private company will also be shareholders, this is not a legal requirement.

- **Listing.** A private company must be converted into a public company (section 31(2), Companies Act) before it can be listed and traded on a stock exchange.

- **Formation and filing requirements.** A private company can be incorporated in accordance with the procedures prescribed under the Companies Act. The registration can be submitted to ACRA via the BizFile+ portal by the applicant or a filing agent for and on behalf of the applicant. A step-by-step guide on how to submit the application can be found on ACRA’s website. Filing fees such as a name application fee of SGD15 and a registration fee of SGD300 are also payable to ACRA. Foreign companies seeking to establish a private company in Singapore typically do so through a filing agent, who can advise on the steps required for the registration of a private company and the ongoing ACRA compliance obligations. The steps would include reserving the company name and preparing documents to be filed together with the application, such as the constitution of the private company.

- **Ongoing administration and filing requirements.** Private companies are subject to ongoing filing obligations such as the lodgment of an annual return with ACRA after its annual general meeting within seven months after the end of its financial year (section 197(1), Companies Act).

- **Exempt private company.** An exempt private company is a private company that is exempted from statutory annual audits. To qualify as an exempt private company, the beneficial interest in the private company's shares must not
be held directly or indirectly by any corporation, and the private company must have no more than 20 shareholders (section 4(1), Companies Act).

Public Company Limited by Shares (Public Company)

A public company limited by shares differs from a private company in several ways. For example, it can have more than 50 shareholders and is not required to have restrictions in its constitution in relation to its shareholders' right to transfer shares. A public company is generally preferred by a foreign investor where the foreign investor intends to access the capital markets.

Key Features of a Public Company

The key features of a public company are as follows:

- **Separate legal personality.** A public company has a separate legal personality from that of its owners (known as members or shareholders) and can own assets in its own name or grant security over them.

- **Number of shareholders.** There is no statutory upper limit on the number of shareholders in a public company, but there should be a minimum of one shareholder (section 20A, Companies Act).

- **Capital.** A public company must have an issued share capital comprising at least one share (section 22(2), Companies Act) and an initial paid-up share capital of at least SGD1.

- **Limited liability.** A public company is liable for its own debts. The liability of each shareholder in relation to the public company's debts or other liabilities is generally limited to the amount which remains unpaid on that shareholder's shares.

- **Separation of management and ownership.** There is separation between the management and ownership of a public company. The owners of the public company are its shareholders. Responsibility for the management of the public company falls to its directors, who have fiduciary duties under common law and statutory duties under the Companies Act. Although in many instances the directors of a public company will also be shareholders, this is not a legal requirement.

- **Listing.** A public company may be listed and traded on a stock exchange.

- **Formation and filing requirements.** A public company can be incorporated in accordance with the procedures prescribed under the Companies Act. The registration can be submitted to ACRA via the BizFile+ portal by the applicant or a filing agent for and on behalf of the applicant. The steps and fees payable to ACRA are broadly similar to those relating to the formation of a private company.

- **Ongoing administration and filing requirements.** Public companies are subject to ongoing filing obligations such as the lodgment of an annual return with ACRA after its annual general meeting within seven months after the end of its financial year or within five months if it is listed on the official list of an approved exchange in Singapore (section 197(1), Companies Act). Public companies also face additional compliance obligations, as compared to private companies. For example, every public company and every subsidiary company of a public company are required to devise and maintain a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and transactions are properly authorized and recorded (section 199(2A), Companies Act).