

5. Accounting and Auditing Procedure and Requirements

According to Singapore regulations, there are certain reports that companies need to file to the relevant government bodies each year. The mandatory requirements consist of the following:

- **Annual Financial Statements,**
- **Audit of Financial Statements (if applicable),**
- **Annual General Meeting (AGM),**
- **Annual Return (AR) Filing with ACRA,**
- **Annual Tax Return Filing with IRAS.**
- **XBRL if needed**

→ Annual Financial Statements

In Singapore, all companies and branches of foreign companies are required to have annual financial statements prepared in accordance with the Singapore Financial Reporting Standards (SFRS), which are consistent with the International Financial Reporting Standards (IFRS). Financial statements cannot be prepared more than 6 months prior to the date of an AGM. Since 2014, the Singapore government has required companies to file their financial statements in eXtensible Business Reporting Language (XBRL). The format is open source and free to use.

It is crucial to have accurate financial statements. Not only is it a compliance obligation, but also a demonstration of the financial status of a company at any point of time. Financial statements can be considered also when assessing the creditworthiness of a business and its future growth opportunities.

The financial statements must be prepared the following way (the information required is of the financial year that is ending or has just passed):

- Statement of Financial Position (Balance sheet)
- Report of Directors and Statement by Directors
- Statement of Comprehensive Income (Profit and Loss statement)
- Cash Flows Statement
- Statement of Shareholder's Equity
- Corresponding Notes to Financial Statement (for accounting policies or explanatory information)
- Independent Auditor's Report (if applicable)

→ Audit of Financial Statements (if applicable)

In Singapore, only a public accountant or an accounting entity approved by ACRA may provide an audit opinion on financial statements. ACRA registers public accountants, monitors their work, publishes information about audit quality in Singapore and works with partners in the profession and the business community to strengthen the financial reporting system.

Understanding audit procedures in Singapore is essential for business owners and company heads as Singaporean companies are required to conduct periodic audits on their financial

statements as established in the Singapore Companies Act. Our company provides the detailed consultation and assists you in understanding all the requirements.

In compliance with the law, Singapore companies must appoint auditors during the first 3 months immediately following their incorporation. Financial statements of a private company must undergo a statutory audit at least once a year unless the company meets certain criteria to be exempted from such a requirement.

Audit Exemption

To make the filing process easier, Singapore exempts some companies from having their financial statements audited. The criterias are as following:

- **Small companies:** A small company is any company that meets 2 of the 3 following criteria:
 - Total annual revenue is less than S\$10 million
 - Total assets are less than S\$10 million
 - Maximum of 50 employees
- **Dormant companies:** A dormant company is any company that has not carried on business and has not generated any income in the past tax year.

Such companies can prepare unaudited financial statements.

→ Annual General Meeting (AGM)

The Singapore Companies Act requires companies to hold Annual General Meetings (AGM) of their shareholders unless the company has chosen not to hold AGMs by passing it through a shareholders' written resolution.

An AGM is a shareholders' meeting every calendar year at specified intervals. This meeting gives the company's shareholders the right to participate in certain decisions of the company which requires their approval. One of the primary purposes of the AGM is to consider the company's financial statements, which shareholders must approve on the basis of simple majority.

→ Annual Return (AR) Filing with ACRA

An Annual Return is a set of documents containing up-to-date information on:

- Company name and registration number
- Principal activities
- Registered office address
- Details of company officers (directors, secretary)
- Shareholder details, share capital, etc.
- Annual financial statements

Exemption From Attaching Financial Statements

Certain companies are exempt from having to attach their financial statements in the Annual Return. They are the following:

- Small companies that meet 2 of the 3 following criteria:

- Total annual revenue is less than S\$10 million
- Total assets are less than S\$10 million
- A maximum of 50 employees
- Exempt private companies (EPC):
 - No more than 20 shareholders
 - No corporate shareholders
- Dormant EPC, a company that has not carried on any business nor generated any income in the past financial year.

→ Annual Tax Return Filing with IRAS

IRAS (Inland Revenue Authority of Singapore) is the government agency responsible for collecting taxes in Singapore. All Singapore companies are required to file annual tax returns with IRAS.

Annual tax returns include two filings:

- Estimated Chargeable Income that must be filed within 3 months of the company's financial year-end
- Corporate income tax return that must be filed by November 30 for paper filing or by December 15 for electronic filing

Corporate Tax Rates in Singapore

One of the reasons why businessmen want to incorporate a company in Singapore is the low corporate tax rate.

Corporate tax rates are as follows:

- Corporate profits tax rate - **17%**
- Capital gains tax rate by the company - **0%**
- Dividends distributed to shareholders tax rate - **0%**
- Foreign-sourced income that was already subjected to taxation overseas tax rate overseas - **0%**

Tax exemption for companies in Singapore

The tax exemption scheme for new start-up companies was introduced to support entrepreneurship and to grow the local enterprises. It includes: 75% exemption on the first \$100,000 of normal chargeable income; and a further 50% exemption on the next \$100,000 of normal chargeable income.

This exemption scheme applies to qualifying companies only for their first 3 consecutive YAs. From the fourth Year of Assessment (YA) onwards, companies can enjoy the partial tax exemption.

Qualifying Conditions for Tax Exemption

All new start-up companies are eligible for the tax exemption scheme, **except**:

- Companies whose principal activity are that of investment holding,
- Companies that undertake property development for sale, investment, or both.

The new start-up company must also:

1. Be incorporated in Singapore
2. Be a tax resident of Singapore for that YA
3. Have its total share capital beneficially held directly by no more than 20 shareholders throughout the basis period for that YA where:
 - a. All the shareholders are individuals; or
 - b. At least 1 shareholder is an individual holding at least 10% of the issued ordinary shares of the company

How to Claim Tax Exemption

To claim the tax exemption, you need to complete the relevant sections of the

- Estimated Chargeable Income (ECI) filing,
- Form C-S/ Form C-S (Lite)/ Form C.

The Sino Secretary team is pleased to offer Accounting and Audit services. We strive to provide the best service to our clients in a professional and timely manner. Our team has all the required skills and expertise to assist you in the accounting and audit services with the lowest possible costs. The service prices depend on the turnover for the period and the number of transactions.

Benefits of working with Sino Secretary:

- Our goal is to understand our client's business and all the requirements profoundly.
- We make sure that your financial statements meet all the regulatory requirements.
- We offer our clients practical audit recommendations, which enhance corporate governance and operational procedures.
- We have accreditation from the Institute of Singapore Chartered Accountants (ISCA).
- We are a practicing member of the Institute of Certified Public Accountants of Singapore (ICPAS).

