SINGAPORE "SMALL COMPANY" CONCEPT FOR AUDIT EXEMPTION

The Small Company Audit Exemption was introduced under the Companies (Amendment) Act 2014 and has been effective for financial periods beginning on or after 1 July 2015.

Qualification as "Small Company"

A private company that fulfils at least two (2) of the following three (3) quantitative criteria in each of the immediate past two (2) consecutive financial years (FYs):

- Total annual revenue of not more than S$10 million;
- Total assets of not more than S$10 million;
- Number of employees of not more than fifty (50)

In order for group companies to be exempted from audit requirements, a parent company or a subsidiary company must be a "small company" and part of a "small group". The question of whether an entity is part of a group is to be decided in accordance with the Singapore Financial Reporting Standards (SFRS).

This principle applies regardless of whether the ultimate parent company is a Singapore or overseas company, and regardless of the financial reporting standards the ultimate parent company may use for the purposes of its consolidation.

A company which has qualified as a "small company" in the first or second FY commencing on or after 1 July 2015 continues to be a "small company" until it is disqualified as a "small company".

Disqualification would occur if it:

- Ceases to be a private company at any time during the FY, or
- Does not meet at least two (2) of the three (3) quantitative criteria for the immediate past two (2) consecutive FYs.

Qualification as "Small Group"

The group must satisfy at least two (2) of the following three (3) quantitative criteria in each of the immediate past two (2) consecutive financial years:

- Consolidated revenue of not more than S$10 million;
- Consolidated total assets of not more than S$10 million;
- Total number of employees of the group of not more than 50.

Application of the new "small company" concept in the following scenarios, assuming the company does not form part of a group of companies:-

- **New companies incorporated after commencement date of "small company" criteria**
  A company incorporated on or after 1 July 2015 would qualify as a "small company" if it is a private company and meets the quantitative criteria in the FY for which the financial statements are being prepared.
- **Transitional Provisions**
  The transitional provisions are applicable to companies that were incorporated before 1 July 2015. Such a company can qualify as a "small company" if it is a private company and meets the quantitative criteria in either the first or second FY commencing on or after 1 July 2015.

Ongoing Obligations

While audit exemption provides greater flexibility, companies must continue to uphold good governance by maintaining SFRS-compliant financial statements, holding AGMs, filing Annual Returns, and meeting their tax obligations.

Other Current Attractiveness

Wholly-owned newly incorporated subsidiary or individually owned private limited Singapore companies may also be accorded various tax exemptions by the Inland Revenue Authority of Singapore (IRAS) when certain qualifying conditions are fulfilled.

From YA2020 onwards, qualifying new start-up companies may enjoy:

- 75% corporate tax exemption from the first S$100,000 normal chargeable income; and
- the next S$100,000 chargeable income is granted a 50% exemption from the prevailing corporate tax rate in Singapore.

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

The tax exemption is open to all new companies except these two types of companies:

- Companies whose principal activity are that of investment holding
- Companies whose principal activity are that of developing properties for sale, investment, or both.

KEY CONTACTS

LINDA WONG

Managing Director
Kensington Trust Singapore Limited

T: +65 9828 7477
E: singapore@kensington-trust.com

WINNIE LIM

Director, Head of Client Relationship
Kensington Trust Singapore Limited

T: +65 6011 8150
E: singapore@kensington-trust.com

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