



The Comprehensive Guide to

Starting a Self-Funded Business in Singapore

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Starting your own side business in *Singapore*

Whether you call it a side job, a home business or a side hustle, people are finding ways to earn extra income. This could include anything from freelancing to dabbling in ecommerce to starting a home-bakery business. And it can be while you keep your day job or perhaps in addition to your spouse's income.



Why Singapore ?

Singapore is situated in the heart of Southeast Asia. It is a gateway to an emerging market of more than 600 million people, including India, China, Hong Kong, Indonesia, Malaysia, and the Philippines. It consistently ranks high in the "Ease of Doing Business" Index and tax incentives. Therefore, it is still considered one of the top places for businesses to be incorporated.

Becoming a business owner is not limited to Singaporean citizens only; whether you are a permanent resident or arrive here with a dependent pass, it is an ideal place to start a business. The Merlion City welcomes residents with entrepreneurial aspirations as long as they are eligible and comply with several criteria.

Requirements to set up a business in Singapore

There are several options for setting up a company in Singapore, namely a **sole proprietorship**, a **limited liability company (LLC)**, and a **limited liability partnership (LLP)**.



1. *Sole Proprietorship*

This type of business is when you have complete control of running and operating the business yourself. It is not an incorporated legal entity, meaning that your personal finance is entangled in the company. If someone sues your business, they can make claims against your personal bank accounts, statements, and wealth. You are personally responsible for everything that happens in the business.

When you opt for a sole proprietorship, you must come up with funds yourself for expansion and growth purposes. Not only that, you will be taxed via your personal income tax, and the business will lack a line of succession if something bad happens to you. That being said, a sole proprietorship is the easiest to register for. You only need to pay a \$65 annual fee after filing the paperwork at the beginning.



2. *Limited liability company (LLC)*

Unlike a sole proprietorship, a limited liability company or LLC is a separate legal entity from its owners. This means that if the company is sued, the personal wealth of the members of the LLC will not be liable; only the amount of investment to the company is. Essentially, your personal wealth is protected, and only your investments are exposed for scrutiny.

In a limited liability company, managers, not shareholders or investors, run the day to day business operations. As an LLC, the business will pay corporate tax instead of taxing the personal income of its shareholders.



3. *Limited liability partnership (LLP)*

Similar to an LLC, a limited liability partnership is a separate legal entity from its owners. The same liabilities that apply to an LLC are also applicable to an LLP; partners only lose and are liable for what they have invested into the business. They are not responsible for the negligence of the other partners unless the negligence is caused by him or herself.

However, unlike an LLC, having the partners own and run the business is common; they do not have a separate management team. That is why they can be personally liable for mismanagement.

When it comes to taxes, their earnings from the business will be taxable as part of the partners' personal income tax returns. And registering for an LLP is relatively simpler than an LLC. You need to pay a \$165 registration fee and a legal partnership agreement. You will also need to submit an annual declaration of solvency or insolvency to the authorities in terms of compliance.

Regardless of which type of company or structure you choose, you are still required to register your company with Accounting and Corporate Regulatory Authority (ACRA) and comply with the following requirements:

Appoint a Director

To register your company in Singapore, you need to have at least one resident director, either a local citizen, a permanent resident or someone with a work permit. If you are from overseas you can appoint a local professional service to do that for you, or hire local talent (employees) to be appointed as a resident director.

Please note that In the case of sole proprietorship, the owner functions as jack of all trades, including the director.

Appoint a Secretary

To comply with Section 171 of the Singapore Companies Act, you will need to hire a qualified secretary within six months of your company being incorporated or registered.

The secretary's job is to perform administrative duties, such as filing taxes and ensuring the company adheres to the latest laws and regulations.

Registered address

Setting up a company in Singapore means having a business name and a local business address.

Please note that if you are a first-timer and have no clue what to do, you can partner with a corporate services provider like Lanturn. We will assist you in finding and appointing the right director and secretary, along with registering your business address.

Obtain shareholders

Companies in Singapore should have a minimum of one and a maximum of 50 shareholders. Shareholders can come either in the form of an individual, another legal entity, or trust. All shareholders can be foreigners; having a Singaporean is not a requirement.

*In the case of sole proprietorship, the owner functions as jack of all trades, including becoming the shareholder and sole beneficiary.

Capital

To register your company in Singapore, you must have at least S\$1 paid-up capital that can be increased to any amount after incorporation.

Please note that Dependent's Pass (DP) holders who wish to operate a business in Singapore should apply for a Letter of Consent (LOC). They must fulfil one of the following criteria to obtain the LOC:

- The sole proprietor of an ACRA-registered business.
- A partner of an ACRA-registered business.
- A company director with at least 30% shareholding in an ACRA-registered business.

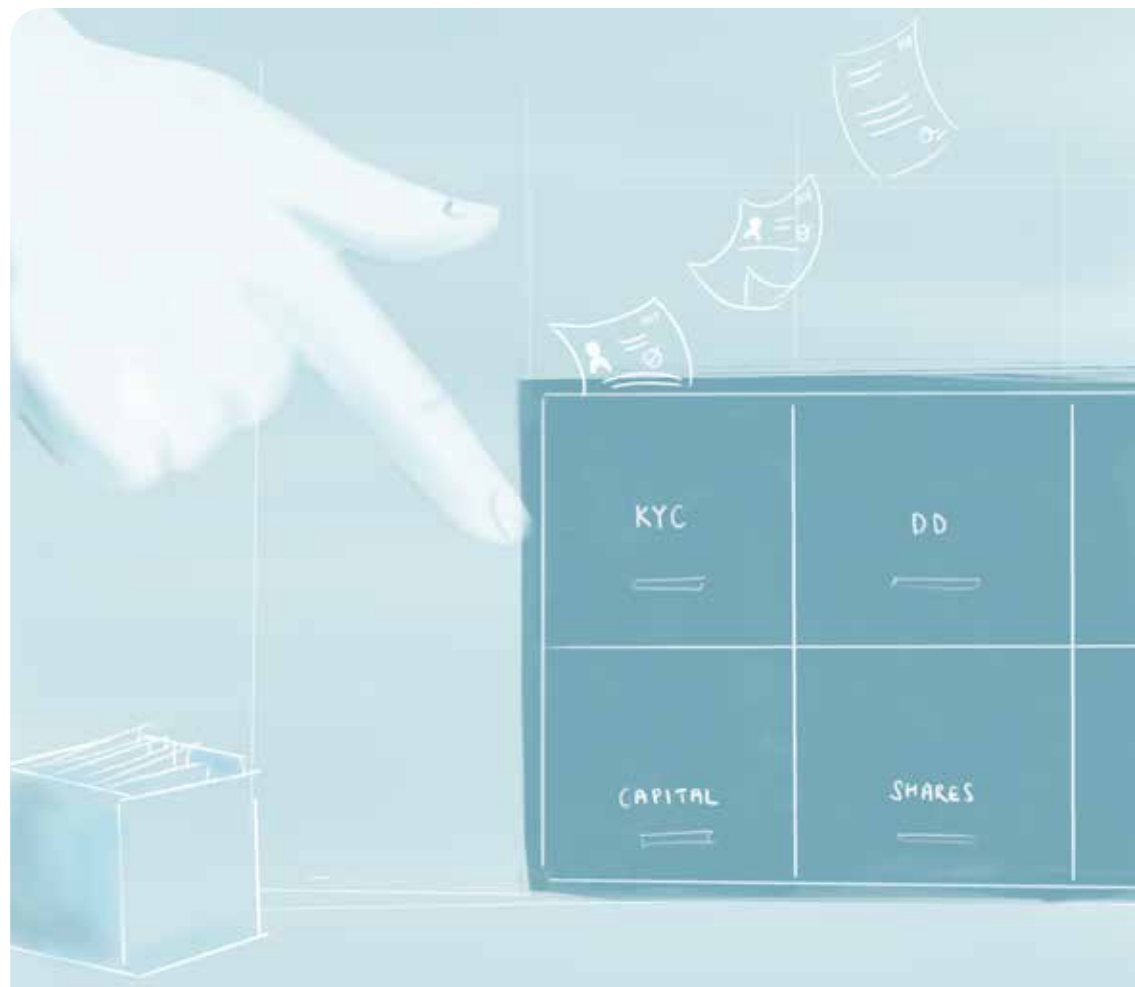


To be eligible for a renewal of the LOC, you will also need to hire at least one **Singaporean / Permanent Resident** who earns at least the prevailing Local Qualifying Salary and receives CPF contributions for at **least 3 months**.

Why do you need a corporate secretary?

Appointing a corporate secretary is a requirement to establish your business in Singapore. The corporate secretary is responsible for functioning as the representative between the company and external parties, such as Singapore's Accounting and Corporate Regulatory Authority. They will be the ones to ensure that all the deadlines for tax filings and other paperwork are met. They will also need to keep tabs on the ever-changing regulations and compliance set by the government.

Additionally, a good corporate secretary may be extra handy if and when you are ready to start fundraising. There are three advantages that will come with having them at your beck and call.



1. Expediting a lengthy process

Fundraising often takes a lot longer than expected. Potential investors usually ask their legal counsel to conduct due diligence before investing in a startup. By the time the investor is ready to transfer their money, delays caused by a poorly prepared service provider can be frustrating.

It is important to ensure your corporate secretary has sufficient capacity to be highly responsive during a critical time. An experienced corporate secretary has the knowledge of what kind of information or paperwork is needed to finalise the fundraising round. They can be your secret weapon in expediting the lengthy process with ease.

2. Preventing unhappy investors

Singapore is a highly-regulated region to ensure that financial activities conducted in the country are done properly. Doing so will secure Singapore's place as the premier financial and investment hub worldwide.

One of those regulations is the **know-your-customer (KYC) procedure**, including during your fundraising rounds. This protects all stakeholders involved and the business interests of companies, investment firms, and investors.

While the KYC process can be burdensome, it builds trust and mitigates risks for all parties involved. For founders, it ensures that the potential investors are legitimate and have the capacity to invest in one's company. For the investors, they can ensure that the business is legal and registered, minimising the risk of fraud.

Conducting a KYC is a delicate process that is often irritating to founders and investors alike. A responsive and experienced corporate secretary guarantees that the process is as seamless as possible.

3. Preparing resolutions

Issuing new shares for investors is necessary during the fundraising round. This process will be conducted once the Board of Directors and shareholders pass a resolution authorising the increase in share capital through issuing new shares to shareholders.

Often, inexperienced corporate secretaries will require you to seek the help of legal counsel. That comes with higher fees. A comprehensive corporate secretary service can help you minimise the expenses required.

The need for a director

Incorporating your business in Singapore is necessary to conduct business in the region. You need to be registered with the Accounting & Corporate Regulatory Authority (ACRA) and abide by the Companies Act. One of the criteria for registering your business as outlined by the aforementioned act is the appointment of one residential director. Without it, your registration will be rejected.

As outlined by Section 4 of the Companies Act, a director refers to “any person occupying the position of director of a corporation by whatever name called and includes a person in accordance with whose directions or instructions the directors or the majority of the directors of a corporation are accustomed to act.”

Appointing a director is pretty straightforward. It’s usually done via an ordinary resolution taken during a general meeting. A general resolution means a formal decision where at least 50% of the votes cast at the meeting agreed to the director’s appointment, whether an executive director, a non-executive director or any other types mentioned above. Generally, the resolution will include the director’s title and the date when he or she first will start carrying out duties.



Once the appointment is agreed upon, the company must notify ACRA within 14 days from the appointment date through the BizFile+ portal. Your company is required to disclose the following information regarding the appointed director:

- Name
- Appointment
- Identification number
- Nationality
- Residential address
- Contact number/email address
- Appointment date

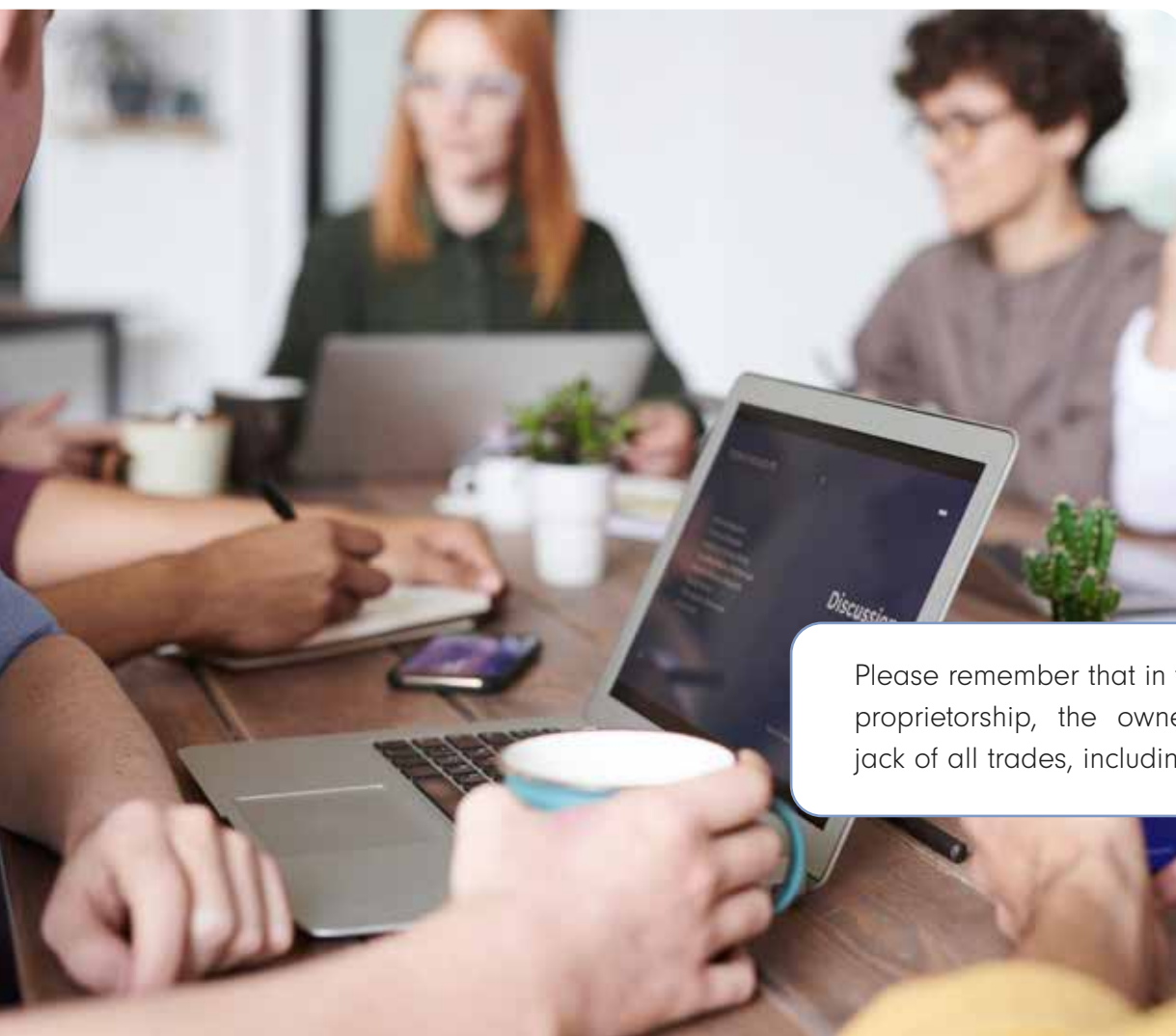
The company director should ensure that the company complies with the two most crucial statutory requirements; convening and holding the company's Annual General Meeting (AGM) and subsequently filing its annual returns to ACRA. Failure to do so can result in penalties for the company or legal action against the director.

While a private company may opt-out of holding an AGM, the director is still required to file its annual returns with ACRA.

Aside from that, a director must perform two types of duties, statutory and common law duties. Statutory duties refer to duties written in legislation, including the Companies Act. Meanwhile, common law duties refer to duties that are established due to past court cases. Inevitably, these duties will often overlap.

Examples of statutory duties include disclosing a director's interest in doing business transactions as written under Section 156 of the Corporate Act or the duty of acting honestly and using reasonable diligence as outlined under Section 157 of the Corporate Act.

Meanwhile, common act duties may include but are not limited to exercising power in good faith for the company's interests or avoiding conflicts of interest.

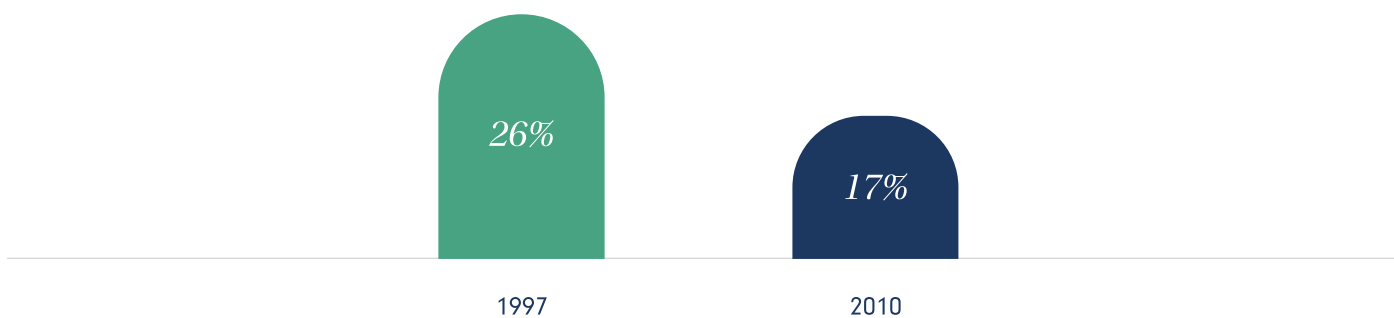


Please remember that in the case of sole proprietorship, the owner functions as jack of all trades, including the director.

Corporate and personal income tax in Singapore

Singapore's corporate tax has consistently decreased over time; from 26% in 1997 to 17% since 2010. If your company earns less than S\$300,000, you will only need to pay a rate of 8.5%. Singapore adopts a single-tier income tax system, meaning that the corporate tax paid by the company is the final one; there are no dividend or capital gain taxes for shareholders to pay.

Singapore's Corporate Tax



Startups, defined as entities with their first three tax filings, will experience tax incentives, where the first S\$100,000 income will be reduced by 75% from the normal rate. Meanwhile, the next S\$100,000 income will be reduced by 50%, and the next tier of income will be charged using the usual rate. The due date for corporate tax filing for Singapore companies is 30 November (for hard copy forms) and 15 December (for e-filing).

Tax Incentives for Startups

First S\$100,000 :  Reduced by 75% from normal rate

Next S\$100,000 :  Reduced by 50% from normal rate

Meanwhile, the Singapore income tax rate is progressive; the more you earn, the more you will pay. The rate starts at 0 (for the first S\$20,000) and increases incrementally afterward until it reaches 22% for those who earn more than S\$320,000.

This will be increased in 2024 to 23% for those who make between S\$500,000 and S\$1 million. Meanwhile, a 24% tax rate applies to those who earn more than 1 million.

The full table of the current tax rate can be seen below:

Chargeable Income	Rate (%)	Gross Tax Payable (\$)
On the first 20,000	0	0
On the next 10,000	2	200
On the first 30,000	-	200
On the next 10,000	3.50	350
On the first 40,000	-	550
On the next 40,000	7	2,800
On the first 80,000	-	3,350
On the next 40,000	11.5	4,600
On the first 120,000	-	7,950
On the next 40,000	15	6,000
On the first 160,000	-	13,950
On the next 40,000	18	7,200
On the first 200,000	-	21,150
On the next 40,000	19	7,600
On the first 240,000	-	28,750
On the next 40,000	19.5	7,800
On the first 280,000	-	36,550
On the next 40,000	20	8,000
On the first 320,000	-	44,550
In excess of 320,000	22	

Remember that personal income tax does not apply to inheritance or capital gains from stocks or Singaporeans who work overseas. The due date for individual tax filing is on 15 April each year.

Please note that the corporate tax rate is applicable to registered companies (LLC) only, whereas sole proprietorship and LLPs are categorised as personal income tax. These figures are applicable to companies or individuals (SPRs and DPs included) that have stayed in Singapore for 183 days in a given year.

The available grants

Singapore is a supportive and conducive place for startups and small businesses. The small island has a long track record of attracting businesses of all sizes, from established companies like IBM to startups like Grab. This is no surprise given that Singapore has remained one of the most business-friendly countries in the last decade.

Under Enterprise Singapore, various grants are available to assist startups from all industries to flourish in the Merlion City. One grant funding that is applicable for all industries is the Startup SG Founder. It provides mentorship and startup capital grants of S\$50,000 to first-time entrepreneurs with innovative business ideas. Startups are required to commit S\$10,000 as a co-matching fund to the grant.

Another available grant is the Productivity Solutions Grant, which supports companies keen on adopting IT solutions and equipment to enhance business processes. This may include going digital for document management, having comprehensive cyber security solutions, or digital marketing services and courses to get your small business out there.



For first-time entrepreneurs



For companies keen on adopting **IT solutions and equipment** to enhance business processes

There are also a few solutions for those who want to get their e-commerce business up and running. Such solutions include setting up your business online by creating a user-friendly website and giving you 101 learning topics such as Search Engine Optimisation (SEO). You must fulfil the following criteria to be eligible:

- It is a business entity registered and operating in Singapore.
- Has at least a 30% local shareholding.
- The company's group annual sales turnover should be no more than S\$100 million, **OR** the company's group employment size should be no more than 200 employees.
- Purchase / lease / subscription of the IT solutions or equipment must be used in Singapore.



Supports projects that help you upgrade your business, innovate or venture overseas under **3 pillars**

Meanwhile, the Enterprise Development Grant (EDG) helps Singapore companies grow and transform. This grant supports projects that help you upgrade your business, innovate or venture overseas under three pillars:



Core Capabilities

Helping businesses prepare for growth and transformation by strengthening their business foundations beyond basic accounting or sales.



Innovation and Productivity

Support companies that explore new growth areas, look for ways to enhance efficiency, or optimise resource usage to improve their sustainability performance.



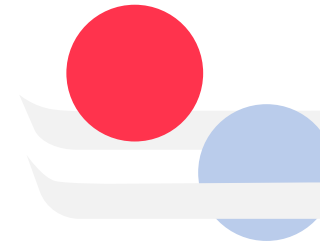
Market Access

Support Singapore companies willing and ready to venture overseas. You may tap into the EDG to help defray some of the costs of expanding into overseas markets.

Please visit the official website for more in-depth information about the available grants.¹

¹ <https://www.enterprisesg.gov.sg/financial-assistance/grants>

The SME and SMB toolkit



Starting a business is not something that you can do overnight. It takes careful planning and the right timeline to get your business running smoothly. There are **four things** that you need to take care of to get your business ready:

1. Choose the right bank

Setting up a bank account is essential for every business, regardless of the size or age of one's company. A company as established as Coca-Cola or a startup with a year under its belt can benefit from having a business account. It gives you complete visibility of your business' financial operations as it is the central repository to track deposits received from customers or withdrawals to pay for employees and vendors.

Having a separate business bank account from your personal one makes it easier for proper bookkeeping. Doing so will allow you to comply with various legal requirements, such as tax and accounting reporting. Not only that, if someone decided to sue your business, they would only be able to scrutinise and access your business bank records, not your personal ones. Some examples include OCBC Business Growth Account, DBS Business Digital Account, and UOB eBusiness Account.

2. Accounting make easy

There is no denying that accounting plays a crucial role for every business. Having good accounting practices ensures clean financial health for companies. It allows businesses to stay compliant with the law regarding tax-filing purposes, gives them complete visibility of the company's income and expenses, and provides accurate financial information to investors, management, and other stakeholders to assist them in making the proper business decisions.

One solution that can be used for an easy accounting process is Xero and Dext, previously known as Receipt Bank. Established in 2006, Xero is a web-based accounting system designed for small and medium-sized businesses. It can be accessed from any device as long as you are connected to the internet.

This means that as a business owner, you get complete visibility of your business's financial position, ranging from cash flow, money transactions, and account details from anywhere in the world.



3. Marketing

With the emergence of social media, small businesses and startups can get their name out there without breaking the bank. Traditional media, such as advertisements on television, known to be pricey, may no longer be relevant, especially if your target audience mainly comprises millennials and Gen Z, sometimes referred to as the “Always On” Generation.

Marketing tactics can include promotions, referrals, and many others to entice new customers to try your product. However, sustaining a customer base and being viable for the long run requires not only gimmicks but developing an excellent product that people need and cultivating good relationships with existing clients.



4. Hiring

Good employees are the backbone of creating a successful and profitable business. Richard Branson said, “Take care of your employees, and they will take care of your clients,” and this saying remains true to this day. While you may be a one-man band at the start, you will need to hire employees as your business grows.

Singapore’s talent pool is diverse and equipped, as evidenced by the fact that universities such as Nanyang Technological University (NTU) and the National University of Singapore (NUS) are still among the top-rated institutions in Asia. Yes, the talent competition might be fierce, but with tech advancements, you can outsource several back-office tasks to third parties, meaning that your talent pool is not only limited to Singapore, but you can outsource it to more affordable regions like the Philippines and Indonesia.

“
*Take care of your employees, and
they will take care of your clients*
”

- Richard Branson

Tips for the most common side businesses

1. e-Commerce



Did you know Singapore has the fastest broadband download speeds worldwide, a crucial component for e-commerce businesses? Additionally, statistics show that Singapore's B2C e-commerce sector has an 8.35% CAGR (compound annual growth rate). Market volume forecasts for 2025 are approximately USD4,079 million, with 90% of the population online. This makes Singapore an ideal market for budding e-commerce businesses.

The process and requirements for incorporation are similar to those explained above. Remember, having a good and navigable website is vital. Moreover, choosing the right platform for your e-commerce is important, meaning that it has features to ensure ease of use for your customers and the availability of customer support 24x7, as most online stores have no opening or closing hours.

2. Home-baking and Catering



Under the **Home-Based Business Scheme**, homeowners can start a catering or bakery business right from home without needing a licence. However, there are still a few rules to abide by:

- They are not allowed to advertise their service or products to the public by putting up a sign outside their home.
- They could not utilise paid advertising to promote their business. Kindly use social media platforms to promote your products.
- They must be considerate of their neighbours. Minimise smoke, noise, or smells that could make neighbours uncomfortable.
- Home bakeries must not load goods via vans or trucks.
- They are not allowed to sell their products at food stalls or fairs.

However, as your business grows, you might want to incorporate it under an LLC structure. Doing so means you are no longer allowed to bake from the comfort of your home. You must either choose to open a proper store or bake from co-working kitchens. Both require a food shop licence from the Singapore Food Authority. Please visit their website and PDF guidelines for more information on how to apply.²

² https://www.sfa.gov.sg/docs/default-source/default-document-library/gobusiness_food-shop-licence-application-guide_4-jul-226f0fd04a4d0e41759d336ad3f6d797e1.pdf

3. Freelancers and private tuition



Being a freelancer may give some a sense of flexibility that may not exist in the corporate world. By utilising technology, becoming a freelancer is easier than ever, as long as you have a marketable skill, such as copywriting, photography, painting, graphic design or tutoring. Most of these can be done in the comfort of your own home in pyjamas and not in a formal suit. Again, such activities are outlined and regulated under the Home-Based Business Scheme.

Please note that for tutoring, there should be no more than three students per session.



Venturing out with a new business idea may seem complicated and daunting for some, especially if you're new to Singapore. This is why corporate services firms like **Lanturn** exist. We have the expertise to help you set up your business efficiently. Not only with the incorporation process, we can guide you through your yearly tax and accounting needs or work with you to raise funds and grow.

Essentially, we provide comprehensive incorporation and corporate secretarial services, so you don't have to stress about repetitive monthly or annual tasks. You have the time and resources to think about how to run your business instead.

