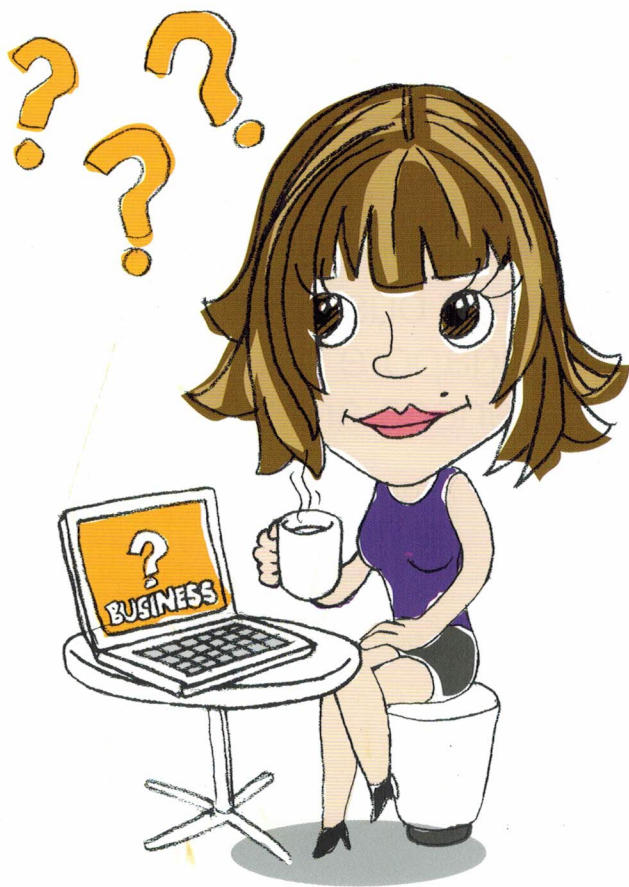


What BUSINESS ENTITY TO REGISTER?



ACRA
ACCOUNTING AND CORPORATE
REGULATORY AUTHORITY

This guide provides an overview of the various types of business entities in Singapore and the differences among them.

What are the different business structures I can register?

When starting a business, the owner needs to be aware of the business he intends to start, and select the business structure that best fits his business plan. The owner can choose to register any of the following business entities:

- (i) Sole Proprietorship
- (ii) Partnership
- (iii) Company
- (iv) Limited Liability Partnership (LLP)
- (v) Limited Partnership (LP)

Which business structure is the right one for me?

(i) Sole Proprietorship

A sole proprietorship is the simplest type of business form which is owned by one person or one company. There are no partners.

If you are looking at registering a small business where you will be the only owner, it might be easier for you to register your business as a sole proprietorship. However, the sole owner assumes all the risks of business and is solely responsible for the results of its operations.

In future, if you have plans to add partners to your business, you may refer to the information on partnership.

The registration is valid for one year and is renewable for subsequent periods of one year each.

(ii) Partnership

A partnership is a business firm formed by 2 to 20 partners with a common view to gain profit. Once there are more than 20 partners, the partnership must be registered as a company under the Companies Act (Cap. 50).

Partners are personally liable for the partnership's debts and losses incurred by other partners. However, as a partnership is not a separate legal entity from its owners, the partnership does not pay income tax on the income earned by the partnership. Instead, each partner will be taxed on his share of the income from the partnership. Similar to sole proprietorships, partnerships must also be registered under the Business Registration Act Chapter 32. The registration is valid for one year and is renewable for subsequent periods of one year each.

(iii) Company

A company is a business entity registered under the Companies Act, Chapter 50. It has a legal personality, that is, it has rights to own properties, has perpetual succession and can sue or be sued in its own name. It usually has the words 'Pte Ltd' or 'Ltd' as part of its name.

There are three main types of companies in Singapore:

1. Private Company – Has 50 or fewer shareholders and restricted rights in share transfers
2. Public Company – Has more than 50 shareholders and can offer shares and debentures to the public
3. Foreign Company – Is a branch of a foreign company registered in another country

The shareholders of a company are not personally accountable for the debts and losses of the company.

(iv) Limited Liability Partnership (LLP)

An LLP gives you the flexibility of operating as a partnership whilst having a separate legal identity like a private limited company.

Please note that the partners of the LLP will not be held personally liable for any business debts incurred by the LLP. A partner may, however, be held personally liable for claims from losses resulting from his own wrongful act or omission, but will not be held personally liable for such wrongful acts or omissions of any other partner of the LLP.

(v) Limited Partnership (LP)

This is a new vehicle for doing business in Singapore. It is a partnership consisting of a minimum of two partners, with at least one general partner and at least one limited partner. An LP does not have a separate legal entity from the partners, that is, it cannot sue or be sued or own property in its own name.

Please note that an individual or a corporation may be a general partner or a limited partner. Appointing a local manager is not mandatory unless all the general partners are residing outside Singapore.

More details on the differences amongst the different types of business entities can be found on our website at http://www.bizfile.gov.sg/mybizfile/prod/pop_up/Comparison_Chart.pdf

How do I decide on my business structure?

Some factors you should think about to help you decide on the business structure include:

- **The Number of Owners**
If you are the sole owner, you can register a sole proprietorship or a company. If there is more than one owner involved, you may like to consider registering a partnership, limited liability partnership (LLP) or limited partnership (LP).
- **Legal Status of the Business**
Do you intend to let the business become a separate legal entity? A legal entity will have limited liability. It can sue and be sued or own property, in its own name.
- **Formalities and Expenses**
Are you prepared to handle the formalities and expenses associated with each type of business entity? For example, a company has to comply with more formalities and procedures than a sole proprietorship.
- **Continuity and Transferability**
Do you desire the business to have perpetual succession? For example, a limited liability partnership and company have perpetual succession until wound up or struck off.

Related Brochures

- Registering a New Sole Proprietorship/Partnership
- Registering a New Company
- Registering a New Limited Liability Partnership
- Registering a New Limited Partnership

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