Singapore Business Formation Statistics Report

Q1 (Jan-Mar) 2013
About the Report

Since 2010, the quarterly ‘Singapore Business Formation Statistics Report’ compiled by Janus Corporate Solutions, Singapore’s leading corporate services agency, has provided comprehensive data on new business formation activity in Singapore during the prior quarter. Presented in a reader-friendly format, the report enables end users to gain accurate and up-to-date information about the number of newly started business entities, the profile of recently incorporated companies, the industries that have the highest company incorporation activity and the countries whose residents and firms are establishing the largest number of companies in Singapore. In addition to offering statistical data, the report also analyzes the trends among newly formed companies in Singapore.

The present report provides statistical data about new business formation activity in Singapore during Q1 2013 (January 2013 to March 2013) and offers a comparison with the trends from previous quarters. The report is presented in five parts. The first part provides data for business registrations by entity type. The second and third sections present data for Singapore company registrations by share-capital and by shareholding structure. The fourth and fifth parts provide data on Singapore company formations by industry and by shareholder’s country of origin.

Foreword

While there have occasionally been signs of improvement, recent trends show that the global economic recession will not be dissipating anytime soon.

In the Eurozone, a region that has made headlines over the past two years due to strained finances of its governments and widespread consumer gloom, the situation is not getting any better. The small nation of Cyprus became the latest casualty due to a combination of a depressed economy, heavy losses on investments by its banks in Greek government bonds, and an over reliance on Russian deposits that bloated its financial sector.

All of these factors converged to create the Cypriot banking crisis, which forced the other members of the European Union (EU) to approve a US$13 billion bailout package to keep the country afloat. But unlike earlier bailouts, the EU forced extreme losses on some bank depositors and the country as a whole. The EU’s problems are far from over, though. The Cyprus crisis highlighted the interdependence of the financial sectors of various EU countries, and the chain reaction sparked by the US recession and Greek meltdown is threatening to transmit to the economies of every other country in the region. Recent reports suggest that Slovenia, once touted as an Eastern European economic success story, is encountering a lot of difficulty refinancing its debt. This could result in Slovenia becoming the sixth EU country to require a stimulus package.

In the United States, where much of the current economic crisis began, the situation is just as murky. Recently released government data showed a 3% annual growth in Q1 2013, but economists are warning that it could all just be an illusion. Productivity and overall manufacturing output cooled over the last month, while initial claims for state unemployment benefits rose 4,000 to a seasonally adjusted 352,000. Meanwhile, staggering amounts of student debt are forcing young American consumers to tighten up on their spending. New research shows that 43 percent of Americans under 25 had an average student debt of US$20,326 in 2012. The US government itself is in uncertain shape too, as evidenced by the sequestration bill signed last month that will
ratify US$85 billion in spending cuts. The country’s ability to address the financial downturn is seriously hampered by the lack of political unity. In fact, the two main political parties offer diametrically opposed views on how to grow the economy; this does not bode well for the future.

The turmoil in the West has led many entrepreneurs to Asia. The region’s large populations, growing spending power, and rapid infrastructure developments, are attractive developments. However, even Asia’s biggest economy has not been immune from the economic slowdown. China’s GDP growth surprised many observers by slowing down in Q1 2013 to 7.7%, a quarter-on-quarter drop of 0.2%.

Singapore itself experienced a slowdown, especially in the manufacturing sector. Government data shows that the Singapore economy contracted by 0.6 percent in Q1 2013 compared to Q1 2012. The economy also declined by 1.4 percent on a quarter-on-quarter basis.

Nevertheless, economists are optimistic that there are still many new growth opportunities for companies in Singapore. To spark new growth, the government will be focusing on improving productivity and innovation over the next few years. This will be accomplished through initiative such as the Wage Credit Scheme, in which the Singapore government will help pay companies 40% of the total increases in salary they give to their employees over the next three years.

Other initiatives will also reward Singapore companies for development innovations and investing money to improve the skills of their employees. In a move to stimulate the economy, the government also announced in its Budget 2013 speech that Singapore companies and individuals alike would be getting rebates on their taxes.

So far, some of the world’s most well-known companies have responded positively by moving operations to Singapore. These include Canon, Halliburton, Yokohama, and Dyson, all of which recently expanded their presence in the Asian financial hub. This can be attributed to the many benefits of doing business in Singapore, such as the attractive tax rates, efficient business infrastructure, and strategic location within Southeast Asia.

**Report Highlights**

- New business formations totaled 14,156 in Q1 2013, representing a 6% jump from the 13,351 in the last quarter of 2012 but marginally lower than the 14,596 in Q1 2012.

- Reflecting the trend that started in the last few quarters, the private limited company continued to be the most popular business entity type in Singapore during Q1 2013, followed by sole-proprietorships.

- 85% of the private limited companies were incorporated as exempt private limited companies.

- There was a 10% increase in the number of private limited company formations and a 9% increase in the registration of public companies from Q4 2012 to Q1 2013.

- The top three business sectors with the largest number of new companies were wholesale trade; financial services; and head offices and management consultancies.
Business Formation by Entity Type

There were a total of 14,156 new businesses incorporated in Q1 2013, a substantial increase from the 13,351 business entities that were formed in the last quarter of 2012. Of the newly registered entities, the largest majority continued to be private limited companies, which accounted for 59% of all incorporations. The bulk of these were exempt private limited companies (50% of all incorporations).

Why are Exempt Private limited Companies (EPCs) by far the most popular type of Singapore business entity? Their appeal can be attributed to the fact that they enjoy reduced compliance requirements despite being entitled to the full gamut of tax incentives and privileges given to Singapore companies. EPCs with an annual turnover of less than S$5 million are exempted from statutory auditing requirements. Instead of filing audited annual accounts, these entities are only required to submit a declaration of solvency signed by the directors and company secretary.

The second most popular types of entities were sole proprietorships, which made up 32% of all incorporations. This represented a quarter-on-quarter decrease from 36% in Q4 2012. Even as more Singaporeans look to become entrepreneurs, the marginal decline shows that some may still be daunted by higher rental rates and a general increase in operational costs. Sole proprietorships do not constitute a separate legal entity, and are usually prevalent among local individual owners of very small businesses that do not carry any substantial risks.

Also proving popular were non-exempt private limited companies, which comprised 9% of the total for Q1 2013. While these types of companies generally have more compliance requirements to fulfill, their legal entity status, limited liability, perpetuity, and credible image make them the most flexible and scalable type of business entity in Singapore. They have also proven to be the steadiest in terms of demand - there was virtually no change in the percentage of non-exempt private limited company formations from Q4 2012 to Q1 2013, and a marginal 1% year-on-year increase from Q1 2012.
Business Formation by Share Capital

Three quarters of the total number of businesses incorporated in Q1 2013 registered within our report’s lowest share capital range of S$1 to S$10,000. The share capital of 19% of the companies ranged from S$10,001-S$100,000, while the remaining 6% of the registered entities injected share capital in excess of S$100,001 at the time of incorporation.

The high number of incorporations in the S$1-10,000 range is not an anomaly - in 2012, 74% of the all incorporated entities in Singapore fell in this range. This figure highlights one of the biggest advantages of Singapore company law: the minimum paid-up capital in order to register a company in Singapore is only S$1.00.

This share capital, which may be increased any time after incorporation of the company, allows for greater flexibility and inclusion. Anybody with a good business plan, regardless of age or starting capital, will be able to register their company easily and efficiently.

Overall, an analysis of the share capital structure of newly registered companies in Singapore from 2012 onwards shows that most companies tend to start off with as little capital required as possible, with only a handful of companies declaring over S$500,000 in paid up capital when they incorporate.

*Note: The data reflects the amount of share-capital that was listed by the newly formed companies on the date of incorporation. Most companies increase the paid-up capital after incorporation.*
Business Formation by Shareholding Structure

A majority of 66% of the companies incorporated during Q1 2013 had a local shareholding structure while 24% of the companies were completely foreign-owned. The remaining 10% of companies were comprised of a combination of both local as well as foreign shareholders.

A quick review of the shareholding data over the last year shows that not much has changed in terms of foreign and local shareholding in Singapore. In fact, the year-on-year comparison reveals identical numbers: 66% fully local, 24% fully foreign, and 10% mixed shareholder entities were incorporated in Q1 2012.

Meanwhile, the quarter-on-quarter numbers show that entities with fully local shareholding experienced a 1% increase from Q4 2012, while companies with fully foreign shareholding dropped by 1%. While somewhat marginal, the percentages do show that local entrepreneurship continues to be strong in Singapore. This can be attributed to the Singapore government’s various initiatives to foster the growth of local SMEs, which make up the bulk of the Singapore economy and are key drivers of the country’s revenue and employment.

Some of these initiatives include the new Wage Credit Scheme (WCS) and the upgraded Productivity and Innovation Credit (PIC) scheme, both of which were created to make local businesses more competitive in an increasingly globalized and high-tech economy. SPRING Singapore has also streamlined its various grant schemes to make it easier for local SMEs to apply for government assistance.
Business Formation by Industry

The three most popular business sectors for new Singapore incorporations in Q1 2013 were wholesale trade, accounting for 20% of the total company registrations; financial services, which comprised 15%; and head offices and management consultancies, constituting 10% of the newly setup companies. 6% of the companies were in the retail trade sector while the IT and F&B industry recorded 5% company incorporation activity each. Construction, real estate, education, and business administration accounted for the remaining number of company registrations.

Wholesale trade continues to be the top sector in which to do business in Singapore. This can be attributed to the government’s many performance-driven economic policies which encourage free trade and create a stable, efficient environment in which wholesale trading businesses can operate. Singapore also has a natural advantage due to its strategic location within Asia. Located at the crossroads of major sea lanes, it is easy to import and export to many different growing Asian economies such as India, Malaysia, Indonesia, and China.

Another popular sector in Singapore is financial services. The country has long been building itself as the regional financial hub and this has been manifested through the many top multinational banks and financial companies that have set up a presence here. The government’s conservative financial and banking regulations have also helped give the sector much more stability compared to other major cities, which gives more assurance to investors and smaller players looking to get into the industry in Singapore.
Business Formation by Country

Similar to the trends observed over the last year, Singapore proved to be a popular destination for business setup among foreign companies and entrepreneurs in Q1 2013. The British Virgin Islands, China, India, Hong Kong, Japan, United Kingdom, United States, France, Australia, Netherlands, Malaysia, and Indonesia, were among the top investing countries during Q1 2013.
Comparison of Business Formation Activity for Last 4 Quarters

<table>
<thead>
<tr>
<th>Registration Type</th>
<th>Q1, 2013</th>
<th>Q4, 2012</th>
<th>Q3, 2012</th>
<th>Q2, 2012</th>
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<tbody>
<tr>
<td>Total number of business registrations</td>
<td>14,156</td>
<td>13,351</td>
<td>14,253</td>
<td>14,481</td>
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<tr>
<td>Registrations by entity type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exempt private limited company</td>
<td>7,032</td>
<td>6,293</td>
<td>6,672</td>
<td>6,822</td>
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<td>Non-exempt private limited company</td>
<td>1,248</td>
<td>1,248</td>
<td>1,156</td>
<td>1,253</td>
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<td>Sole proprietorship</td>
<td>4,622</td>
<td>4,618</td>
<td>5,025</td>
<td>5,038</td>
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<tr>
<td>Partnership</td>
<td>586</td>
<td>566</td>
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<td>725</td>
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<tr>
<td>Limited liability partnership</td>
<td>574</td>
<td>540</td>
<td>592</td>
<td>547</td>
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<tr>
<td>Public limited company</td>
<td>94</td>
<td>86</td>
<td>79</td>
<td>96</td>
</tr>
<tr>
<td>Registrations by share capital</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S$1 to S$10,000</td>
<td>75%</td>
<td>74%</td>
<td>74%</td>
<td>74%</td>
</tr>
<tr>
<td>S$10,001 to S$100,000</td>
<td>19%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>S$100,001 to S$500,000</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Above S$500,000</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Registrations by share structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100% local shareholding</td>
<td>66%</td>
<td>65%</td>
<td>65%</td>
<td>66%</td>
</tr>
<tr>
<td>100% foreign shareholding</td>
<td>24%</td>
<td>25%</td>
<td>24%</td>
<td>23%</td>
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<tr>
<td>Both foreign and local shareholding</td>
<td>10%</td>
<td>10%</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>
About Janus Corporate Solutions

Janus provides a complete range of company incorporation, accounting, tax, immigration and related compliance services for entrepreneurs, startups and established companies who want to enter the Singapore market. Janus is based in Singapore and believes that the country offers an ideal environment for firms and individuals who operate in the global economy. Singapore has world-class infrastructure, well-developed capital markets, highly educated work force, liberal immigration policies, stable political institutions, business-friendly economic policies and a very attractive tax regime. Given these characteristics, there is increasing demand for world-class professional services to help organizations establish a presence in Singapore. Janus is at the forefront of offering such services at affordable fees through its experienced team.

Our Services

Our core services include:

- Registration of new Singapore companies;
- Registration of foreign companies in Singapore;
- On-going statutory administration of companies;
- Accounting and tax advisory services;
- Tax preparation and filing for companies and individuals;
- Application for work passes for expatriates;
- Application for business licenses; and
- Other related corporate services.

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