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RIKVIN/CONNECT

*Changes to the Companies' Act:
How will this impact your business?*





FOREWORD

Thank you for taking the time to read through the Rikvin newsletter. Enclosed you will find many news and updates about the business climate in Singapore and ways to stay competitive in a changing environment.

As we celebrate the SG50 celebrations, it is important to remember the progress made in Singapore in the past 50 years, and ways for local businesses to remain best prepared for the next 50.

The past year saw a huge change in the regulatory landscape for companies incorporated in Singapore, particularly for small and medium enterprises (“SMEs”).

The recent amendments to the Companies’ Act represent the most significant change to the Act since its enactment in 1967; and represent the government’s acknowledgement of the changing business environment and a movement towards more transparent corporate governance practices.

In March 2015, the Global Financial Centres Index (“GFCI”) ranked Singapore as the fourth most prominent financial centre globally; but also reflected a narrowing gap with peers such as Hong Kong, Tokyo, Zurich and Seoul, emphasising the need for Singapore to continuously enhance its global competitiveness, in order to retain or improve its ranking.

At the same time, increasing global concerns from around the globe with regards to anti-money laundering and terrorism financing have pushed countries to implement measures to improve corporate governance and transparency, or risk being blacklisted; which would inevitably impact the economic attractiveness of the said countries for foreign investment.

Faced with these global challenges, Singapore has had to balance the need to step up the standard of its financial regime, while ensuring that these measures do not discourage foreign investment and entrepreneurs from incorporating their companies in Singapore.

These new amendments reflect the government’s attempt to balance both needs; and SMEs in particular can benefit significantly from these changes, provided they are fully aware of how their companies can do so.

Please read through the newsletter to learn more on this important topic and to see how these changes will impact your business.

Yours sincerely,

Christine Lim

General Manager, Rikvin

IN THIS ISSUE

- 03** Rikvin Moves to Prudential Tower
- 04** More companies can now qualify for audit exemptions
- 05** Greater recognition given to the role of auditors, while errant directors and company secretaries potentially face debarment
- 06** Enhanced privacy for officers of the company – how can directors, alternate directors and company secretaries benefit?
- 07** Measures to enhance greater corporate governance and transparency

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RIKVIN SERVICES

- Company Registration
- Singapore Work Visas
- Business Services
- Accounting Services
- Offshore Company Setup



Rikvin Moves to Prudential Tower

Over the years, Rikvin has grown to become one of the top company incorporation service providers in Singapore, and now offers a full spectrum of services that includes corporate secretarial, immigration and work permit procurement, accounting and payroll.

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On 1 August 2015, Rikvin celebrated a new milestone with the opening of its new office in Prudential Tower, located in the heart of Singapore's central business district [Click here to [view map](#)]. This brand new office space will consolidate Rikvin's Telok Ayer and Equity Plaza offices into one common space, which will help further drive Rikvin's growth.

As our two office locations in Singapore have now been consolidated into one office, Rikvin clients can expect even greater ease, efficiency and streamlining of services when engaging Rikvin consultants.

Rikvin's COO, Mr Satish Bakhda said, "This office move signifies a landmark occasion in Rikvin's history, and enables us to further capitalise on the wide range of services that Rikvin has to offer our clients. As all of our major services are now offered from one centralised location, clients can expect even stronger service from Rikvin in the future."

Clients can still contact Rikvin at +65 6320 1888 or email at info@rikvin.com.

More companies can now qualify for audit exemptions

With the number of companies being incorporated in Singapore increasing year on year and the bulk of these companies being SMEs, two of the amendments introduced are intended to help SMEs manage their accounting related costs.

The first is the new “small company” concept for audit exemption. A company qualifies as a “small company” and is exempted from audit if it meets **at least 2 out of 3 of the following quantitative criteria** in each of the immediate past two financial years:

Criteria for new companies incorporated on or after 1 July 2015



Total annual revenue of **not more than \$10 million**



Total gross assets as at the end of the financial reporting period of **not more than \$10 million**



Total number of employees as at the end of the financial year of **not more than 50**

Criteria for companies who are part of a “Small Group”



Parent Company



Subsidiary

Total group should not have more than:



\$10 million annual sales revenue



\$10 million in total gross assets*



50 employees*

*at the end of the financial reporting period

The second category of companies that will benefit from audit exemptions will be dormant unlisted companies, provided it meets all three requirements set out under the Companies' Act. To read more about audit exemptions, please visit: <http://www.rikvin.com/taxation/small-company-concept-for-audit-exemption/>

Greater recognition given to the role of auditors, while errant directors and company secretaries potentially face debarment



Prior to the legislative changes, auditors were only allowed to resign provided that the auditor was not the sole auditor or the auditor's resignation is approved by shareholders at a general meeting, where a replacement auditor is also appointed.

With the new legislative changes however, auditors of non-public interest companies will now be allowed to resign by providing written notice, regardless of whether the company has held a general meeting to note their resignation and appoint new auditors.

This change represents a shift in the company-auditor relationship; as companies will now be incentivised to address issues and queries raised by their auditors, provide adequate co-operation and information; and make settlement of their auditors' fees on a timely

basis. If otherwise, the company's directors and officers run the risk of defaulting on the company's ongoing statutory obligations, if the company's accounts are not prepared in time.

On the other hand, errant directors and company secretaries who have failed to comply with the ongoing statutory obligations will potentially face debarment, as one of the legislative amendments has granted the Registrar the power to debar such individuals.

This ensures that irresponsible directors and company secretaries are unable to take up similar positions with other companies; and protects companies that are possibly ignorant of such errant individuals. By doing so, this promotes transparency in Singapore's business environment.

To read more about the new legislative changes, as well as learn about the implications of failing to meet the ongoing statutory obligations, please visit:

<http://www.rikvin.com/blog/recent-legislative-changes-to-the-companies-act/>



Enhanced privacy for officers of the company – how can directors, alternate directors and company secretaries benefit?

Currently, individuals such as directors, alternate directors and company secretaries are required to report their personal particulars, such as their residential address, to the ACRA. This information is accessible by the public, as it is reflected in the company's Business Profile, which can be purchased from ACRA's electronic portal, known as Bizfile.

With this new amendment, an individual can choose to reflect an alternate address (such as an office address) where he or she can be located at, in ACRA's public records, instead of his or her residential address. This will accord individuals greater privacy. However, there will still be safeguards to minimise fraudulent reporting and filing of invalid addresses. Individuals found to be guilty of doing so will be barred from the option of using alternate addresses for three years.

To find out more, please visit: <http://www.rikvin.com/blog/recent-legislative-changes-to-the-companies-act/>

Measures to enhance greater corporate governance and transparency



Having recognised the increasing importance of the role of CEOs of companies, CEOs will now be required to disclose their conflicts of interests in transactions and shareholdings in the company and its related corporations at the end of each financial year. This annual disclosure is in line with the requirements for directors; and is already mandatory for CEOs of public listed companies under the Securities and Futures Act.

Moving forward, it can be anticipated that CEOs will be expected to take greater ownership and accountability, as the government attempts to push companies to adopt better corporate governance practices.

In tandem with this measure, ACRA will now also take over the role of maintaining registers of members for private companies in electronic form, which will streamline the

administrative process for private companies, while granting the public greater access to the company's register of members.

Particularly for shareholders that are based overseas, this may be seen as a boon, as they can independently access the register of members. However, ACRA has also reduced the grace period for changes in share ownership to be filed, as the date of electronic filing will be considered to be the effective date of change in the company's register of members. This may pose difficulties for companies that may be involved in international major and acquisition deals, where the legal documents may state a specific date of change in ownership.

To find out more, please visit: <http://www.rikvin.com/blog/recent-legislative-changes-to-the-companies-act/>