

# Dormant Companies Exempt from Preparing Financial Statements

Applicable from Financial Years Ending on or After 3 January 2016

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# Introduction

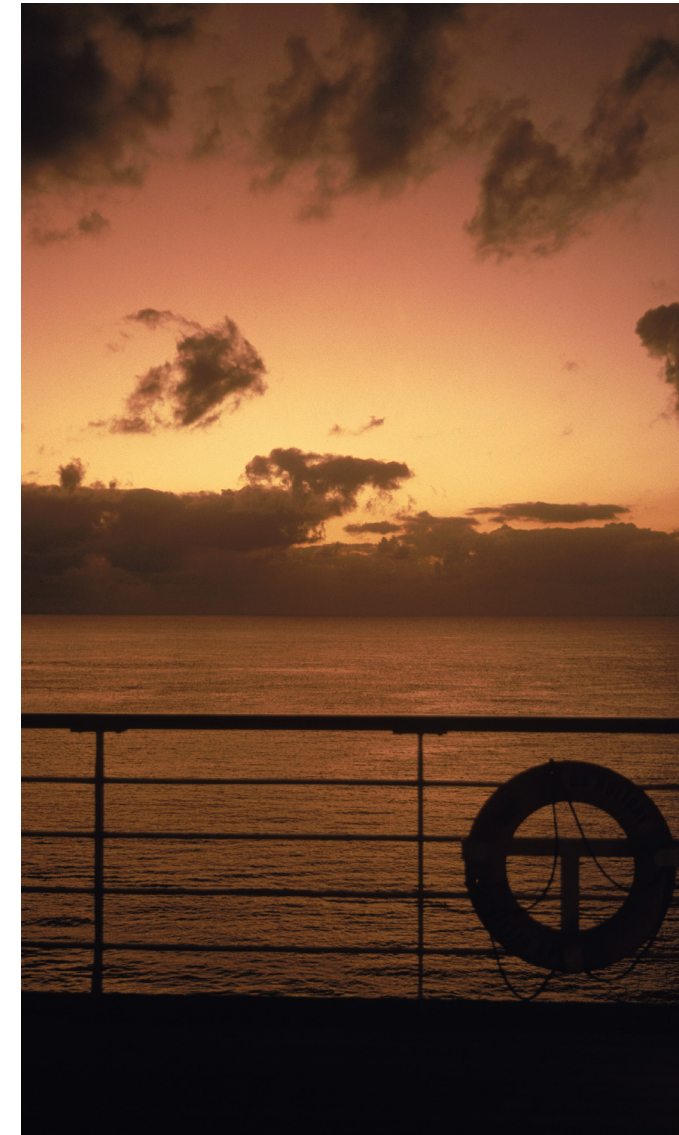
A new section 201A has been enacted on 3 January 2016 which exempts dormant companies that satisfy certain criteria from requirement to prepare financial statements.

## What is a Dormant Company?

According to section 205B of the Companies Act, a company is considered dormant during a period in which no accounting transaction occurs.

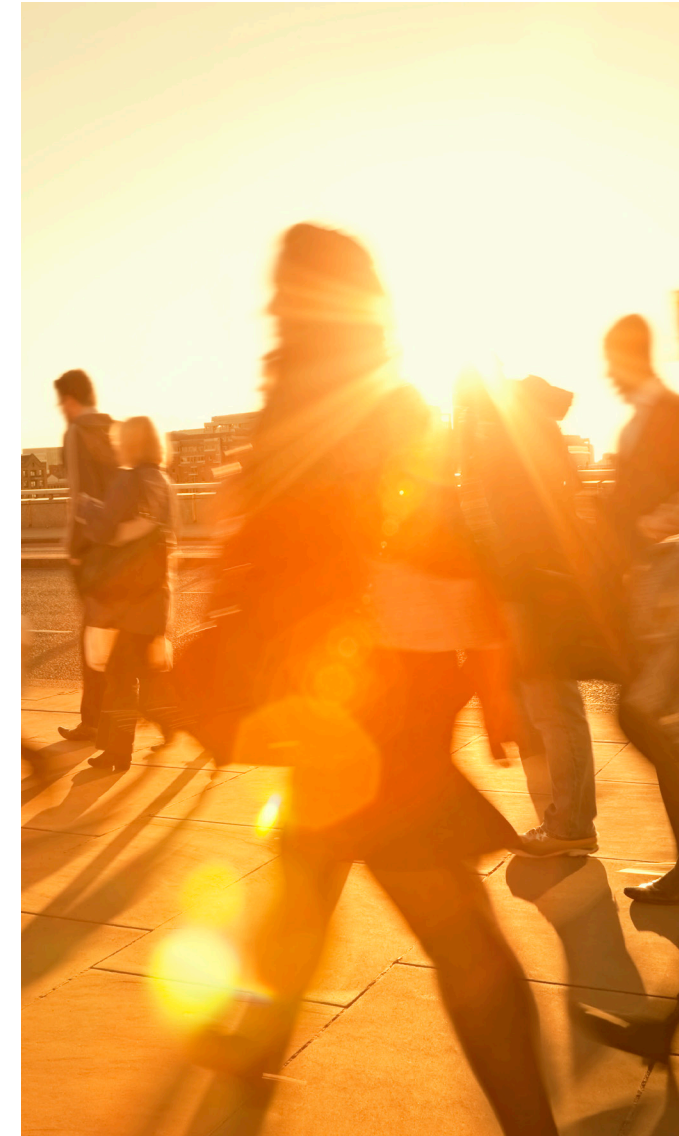
Transactions of a company arising from any of the following shall be disregarded:

- the taking of shares in a company by a subscriber to the constitution in pursuance of an undertaking of his in the constitution;
- the appointment of a secretary of the company under section 171;
- the appointment of an auditor under section 205;
- the maintenance of a registered office under sections 142, 143 and 144;
- the keeping of registers and books under sections 88, 131, 173, 189 and 191;
- the payment of any fee or charge (including any fee, penalty or interest for late payment) payable under any written law;
- the payment of any composition amount payable under section 409B or any other written law;
- the payment or receipt by the company of such nominal sum not exceeding such amount as may be prescribed - currently S\$5,000; and
- such other matter as may be prescribed.



# What are the Exemption Criteria?

- The Company must be a "relevant company", defined as a company:
  - which is not a listed company or subsidiary of a listed company;
  - whose total assets at any time during the financial year does not exceed S\$500,000 in value and;
  - which, if it is a parent company (which is not itself a subsidiary company of another corporation), belongs to a group whose consolidated total assets at any time during the financial year does not exceed S\$500,000 in value.
- The company must be dormant throughout the financial period/year.
- The directors must sign a statement confirming that:
  - the company has been dormant for the financial period/year;
  - no notice has been received from any "relevant person" requiring the directors to prepare financial statements for that financial period/year; and
  - the accounting and other records required to be kept by the company have been kept in accordance with section 199 of the Companies Act.
- The statement by the directors must be lodged with ACRA at the same time that the annual return is required to be lodged.



# Who is a "Relevant Person"?

A "Relevant Person" means:

- the Registrar;
- one or more members holding at least 5% of the total number of issued shares of the company (excluding treasury shares); or
- at least 5% of the total number of members of the company (excluding the company itself if it is registered as a member).

# When do the Exemption Criteria Take Effect?

Dormant companies which satisfy the exemption criteria in respect of a financial year ended on or after 3 January 2016 are exempted from preparing financial statements for that financial year.

For financial years ended prior to 3 January 2016, dormant companies are still required to prepare unaudited financial statements compliant with the Singapore Financial Reporting Standards (SFRS)



# Does a Dormant Company Need to Hold Annual General Meetings (AGMs)?

Yes, all companies are required to hold AGMs unless:

- they have dispensed with it; or
- they qualify for exemption to hold AGMs by sending their financial statements to members within 5 months after the end of the financial year; or
- they are private dormant relevant companies exempt from preparing financial statements.

Exemptions from holding AGMs are subject to the following safeguards:

- A member who wishes to request that an AGM be held must notify the company to hold an AGM not later than 14 days before the last day of the 6th month after the end of the financial year;
- Directors must hold an AGM within 6 months after the end of the financial year if notified by any one member of the company to do so. The company may seek the Registrars approval for an extension of time to hold AGM; and
- Private companies must hold a general meeting to lay financial statements if any member or auditor requests for it not later than 14 days after the financial statements are sent out. Directors must, within 14 days after the date of request, hold a general meeting to lay the financial statements.



# Does a Dormant Company Need to File Annual Returns?

Yes, all companies are required to file annual returns.

A dormant company which is exempted from preparing financial statements must lodge a statement by the directors with its annual return. A dormant company which is not exempted from preparing financial statements must prepare unaudited financial statements compliant with the SFRS. The financial statements need to be lodged with ACRA with the annual return unless the company is a solvent exempt private company (EPC). An EPC is defined as private company which has no more than 20 shareholders and with no corporation holding any beneficial interest in the company's shares. A company is considered solvent if it is able to meet its debts when they fall due.





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