

Choosing a Legal Structure

This table gives a basic comparison between the legal structures.

Characteristic	Society	Company Limited by Guarantee (CLG)	Company Limited by Shares	Branch	Representative Office	Charitable Trust
Separate Legal Entity	No.	Yes.	Yes.	No. It is an extension of the foreign company.	No. It is an extension of the parent company.	No.
Personal Liability of the Members for Liabilities Incurred by the Organisation	Full.	Limited to amount guaranteed.	Limited to amount not paid up on shares bought by shareholders.	Parent company is liable for liabilities incurred by the organisation.	Parent company is liable for liabilities incurred by the organisation.	Full.
Place of Business	Specified place.	Registered office within Singapore.	Registered office within Singapore.	Registered office within Singapore.	Registered office within Singapore.	N.A.
Holding of an Annual General Meeting	According to their Constitution.	Necessary.	Necessary.	Necessary.	N.A.	N.A.
Members and Management Committee	At least 10 persons, no qualifications required unless specified by their Constitution.	At least one director and a company secretary, resident in Singapore. Auditor necessarily appointed upon incorporation.	See section on CLGs.	At least two locally resident persons.	A Chief Representative.	At least 3 persons in the board of trustees.
Statutory Reporting Requirements	Comparatively flexible, but organisations must comply with their	Comparatively inflexible, as organisations must comply with the	See section on CLGs.	See section on CLGs.	Organisations must comply with IE Singapore's Terms and Conditions.	Organisations must comply with the Trustees Act.

	Constitution and the Societies Act.	Companies Act.				
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Tax Implications

Whether a non-profit organisation receives tax benefits depends on whether the organisation has been registered as a charity or qualified as an IPC. Generally, all registered charities are exempt from income and property tax and all registered charities that are also qualified as an IPC are eligible to receive donations that are tax deductible at 2.5 times the amount of such deduction.

Please see [the Charity Portal \[https://www.charities.gov.sg/charity/index.do\]](https://www.charities.gov.sg/charity/index.do) for details on the charity registration process and for details on the IPC qualification process.

It should also be noted that the the exemption from income tax is limited by the fact that a registered charity can generally only engage in “business activities” not related (except incidentally) to its “primary charitable purpose” through a separate “business subsidiary,” which is a non-charitable company engaged by the charity to carry on a trade or business on the charity’s behalf. A business subsidiary must also be used if a registered charity wishes to engage in business activities that may expose any charitable assets to “significant risk”. Business subsidiaries are not exempt from income tax, notwithstanding the fact that they are generally owned and controlled by charities, and any profits generated by business subsidiaries must be returned to the charity as a dividend, not as a donation.

For more details and information on what constitutes “business activities,” “primary charitable purpose” and “significant risk” as well as other important considerations, please see the [Guidance for Charities Engaging in Business Activities](#).

Furthermore, there should be an arms-length relationship between the parent charity and the business subsidiary, and, in the event that services are provided free or at cost (e.g. not at arms-length) by a business subsidiary to the parent charity, the chargeable income of the business subsidiary will effectively be assessed at 5% of the total expenditure.

Please see the [IRAS website](#) for further details as to how this assessment may be made.

Other Considerations

A non-profit organisation has several options in choosing what structure it wishes to adopt, but the two most common and effective are a company limited by guarantee and a society, both of which are eligible to register as a charity or qualify as an IPC and receive the corresponding tax benefits.

A company limited by guarantee is a more formal structure with legal obligations such as filing accounts. Much like the company limited by shares (a similar legal structure which is generally used by for-profit organisations) a company limited by guarantee provides limited liability for its members which is a critical advantage for conducting formal commercial activities, whether for charitable purposes or otherwise. The biggest potential drawback to a company limited by guarantee is that registration and administration will be relatively costly and may require that professional advice may be required, as companies limited by guarantee are subject to public disclosure obligations and statutory control, as well as compliance requirements with ACRA and taxation issues.

Alternatively, a non-profit organisation may choose to register as a society. The advantages of establishing a society is that the registration process is efficient and inexpensive. Societies also enjoy operational flexibility as donors can have private arrangements with the society without having to conform to the formal requirements demanded of a company limited by guarantee. Societies are

overseen by ROS as opposed to ACRA. However, a society does not enjoy a separate legal identity and its members are exposed to liability for the actions of the society.

Please refer to other sections of this website for further details on the advantages and disadvantages of the various structural options available to non-profits operating in Singapore.

Businesses with social purposes

Businesses with social purposes may include social enterprises or charities engaging in business activities.

Singapore law requires that certain business-oriented activities (i.e. activities that may generate profits or create risks) be carried out by a business subsidiary of a charity. Furthermore, one of the non-waiveable criteria to register as a charity is that an organisation's purposes must be completely charitable. Accordingly, to pursue both charitable and non-charitable activities, social enterprises must establish separate entities to carry out separate activities.

For more information on business subsidiaries, please see the [Guidance for Charities Engaging in Business Activities](#).

For more information on setting up a social enterprise in Singapore, you may refer to [this recent document from the Social Enterprise Association](#).

Social investment fund

There are currently no incentives specific to social-purpose investment funds. However, you may wish to clarify with the Monetary Authority of Singapore regarding the potential legal issues by contacting them at the following address: webmaster@mas.gov.sg.

Tax benefits of applying for additional statuses

Charity

A foreign charitable trust need not register itself as a charity to be eligible for exemption from income tax in Singapore so long as the source of its funding is foreign. This applies even where the beneficiaries of the foreign charitable trust are local charities.

Grantmaker

Grantmakers are often organised as charitable purpose trusts, but they are not required to be. To qualify as a grantmaker, an organisation must be established for the exclusive purpose of aiding charitable purposes through the provision of grants. Grantmakers cannot, themselves, be IPCs, but donations made to grantmakers are tax deductible as if they were made directly to an IPC if all grants made by a grantmaker are made for the benefit of IPCs. Grantmakers are also prohibited from soliciting donations or charging fees for services in order to qualify for the lighter registration and reporting requirements applicable to grantmakers.

Please see [the IRAS website](#) for the procedures that must be followed to become a grantmaker and maintain that status, as well as a list of the thirteen entities that are currently qualified as such. For additional information on grantmakers, please see [Guidance on Regulation of Grantmakers](#).

Institute of a Public Character ("IPC")

One of the criteria for becoming an IPC is that the IPC must exclusively benefit the community in Singapore. Although the Minister of Community Development, Youth and Sports has the legal authority to waive this condition, it is not likely this discretion would be exercised. An ICO which wants to avail itself of the tax benefits available to an ICP would likely need to establish a subsidiary that would spend its income exclusively on Singaporean causes.

Comparison table

This table summarises the tax implications for various legal statuses available to non-profits in Singapore.

	<u>Description</u>	<u>Registration/Qualification</u>	<u>Tax exemptions</u>	<u>Other considerations</u>
Charity	Any organisation/trust/foundation that is set up exclusively for charitable purposes and carries out activities to achieve these purposes can apply to register as a charity.	Registration as a charity required for income/property tax benefits. See [link] for criteria.	<u>Income</u> - yes, except for the income of "business subsidiaries" (See [link]) <u>Property</u> - yes, upon approval by the Comptroller of Property Tax, if such property is used for charitable purposes conducive to social development in Singapore <u>Donations</u> - no, unless also qualified as IPC	An application for registration should be made within 3 months of the organisation's date of establishment
Institution of Public Character (IPC)	Any organisation/trust/foundation registered as a charity that meets additional requirements for becoming an ICP	Registration as a charity required for income/property tax benefits. See [link] for criteria. Approval as IPC required for donation tax benefits. See [link] for criteria.	<u>Income</u> - yes, except for the income of "business subsidiaries" <u>Property</u> - yes, upon approval by the Comptroller of Property Tax, if such property is used for charitable purposes conducive to social development in Singapore <u>Donations</u> - yes, deductible from the taxable income of the donor at 2.5 times the amount of the donation, except if made for a "foreign charitable purpose"	Approval as IPC has initial term of two years, which may be expended for an additional five years IPCs are also subject to additional legal requirements, such as the issuance of tax deduction receipts and the maintenance of donation records, to ensure that their donors receive the tax benefit provided by law.
International Charitable Organisations (ICOs)	ICOs are charitable organisations with a regional or global charter that are involved in delivering some form of charitable aid or charitable services on a regional	An ICO can apply to register as a charity, which is required for income/property tax benefits. As with every charity, the Commissioner has the discretion	<u>Income</u> - yes, except for the income of "business subsidiaries" <u>Property</u> - yes, upon approval by the Comptroller of Property Tax, if such property is used for	If not registered as charity, a qualified ICO may liaise directly with the EDB International Organisation Programme Office to inquire about the NPO Incentive Scheme. The ICO's

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	or global scale.	<p>to waive the registration conditions that (i) at least two of the three trustees are Singapore citizens / permanent residents; and (ii) the purposes of the organisation must be beneficial wholly or substantially to the community in Singapore.</p> <p>The Commissioner will take ICO qualification into account in assessing waiver of these conditions and the application in general.</p> <p>Application must be made to conduct public fund-raising for foreign charitable purposes.</p> <p>See [link] for criteria for qualification as an ICO</p>	<p>charitable purposes conducive to social development in Singapore</p> <p><u>Donations</u> - no, unless also qualified as IPC</p>	<p>purposes and interests in Singapore, among other things, will be considered in determining whether it is eligible for participation the scheme and what particular benefits may be available.</p> <p>ICOs may also apply for IPC status, but this will not be granted unless 100% of income is spent on local charitable causes</p> <p>See [link] for details</p>
Grantmaker	Grantmakers are typically nonprofit entities such as private (family, corporate, etc.) foundations, community foundations, and businesses' giving programs, which give out grants to specific charitable causes and are subject to a "lighter-touch" oversight regime because they not dependent on public support.	<p>To qualify as a "grantmaker," an organisation must:</p> <ol style="list-style-type: none"> Be a non-profit and non-governmental organisation; Have only private fund sources, from an individual, family or for-profit company (i.e. without a need to solicit donations or grants); Be established to aid exclusively charitable purposes through the 	<p><u>Income</u> - yes, except for the income of "business subsidiaries" (See [link])</p> <p><u>Property</u> - yes, upon approval by the Comptroller of Property Tax, if such property is used for charitable purposes conducive to social development in Singapore</p> <p><u>Donations</u> - yes, to the extent that all donations are used for grants made to IPCs in accordance with IRAS rules (see [link])</p>	<p>Qualified grantmakers are subject to a "lighter-touch" reporting regime and are allowed to file their annual audited reports with the Commissioner's office instead of through the Charity Portal, but must still provide any information requested by the Commissioner.</p>

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		<p>provision of grants; and</p> <p>d. Not be an IPC.</p> <p>Once qualified, normal charity registration requirements are lowered as follows:</p> <p>a. Instead of three to ten total trustees, a minimum of one local trustee (which could be a corporate trustee, such as a bank or a law firm) is required; and</p> <p>b. Instead of being required to apply wholly or substantially all of their funds in Singapore, qualifying grantmakers registered as charities must only apply some (The Commissioner's office will not specify the percentage or amount) of their funds in Singapore.</p>		
Foreign Charitable Purpose Trust (FCPTs)	FCPTs are charitable trusts in which none of the settlors are residents in Singapore, citizens of Singapore or constituted or registered under any written laws in Singapore.	Registration as charity is permitted, but is not required to donate to beneficiaries in Singapore so long as source of funds is foreign or to receive tax exemptions	<p><u>Income</u> - yes, under the Income Tax Act, regardless of whether they are registered as a charity</p> <p><u>Property</u> - yes, upon approval by the Comptroller of Property Tax, if such property is used for charitable purposes conducive to social development in Singapore</p>	

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			<u>Donations</u> - no	

