

Singapore Business Formation Statistics Report

Q2 (April-June) 2013



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Preface

Since 2010, the *Singapore Business Formation Statistics Report* has been compiled quarterly by Janus Corporate Solutions, Singapore's premier corporate services firm, to provide data on new business formation activities in the country. In addition to offering statistical data, the report also analyzes the factors affecting business formations in Singapore.

In Q2 2013, emerging countries like Brazil and India struggled economically because of the reversal of capital flow brought about by improved conditions in the United States. As a result, countries have been rationalizing their corporate tax rates and investment policies in order to attract more foreign capital.

Singapore has had these policies for several years now. Aside from the low tax regime and liberal investment policy that allows 100% foreign ownership of companies, Singapore's advantages are its stable government, strategic location and robust infrastructure.

As a result, Singapore has not been hit hard by the economic downturn when compared with other countries. The country even registered a 3.8% growth in its gross domestic product (GDP) on a year-on-year basis in Q2 2013. There was also a marked improvement in business formations during this period.

The improvement will be discussed in this report by using the latest statistics about the number and profile of new business formations, the industries that have the highest number of business formations, and the top investing countries in Singapore for Q2 2013. It also offers a comparison of current data with those of the three previous quarters. The report is presented in five parts:

1. Business formation by entity type
2. Business formation by share-capital
3. Business formation by shareholding structure
4. Business formation by industry
5. Business formation by shareholder's country of origin

Report Highlights

- There were 16,027 business formations in Q2 2013, registering a significant increase compared to the 14,156 business formations in Q1 2013 and the 14,481 recorded in Q2 2012.
- As in previous quarters, the private limited company continued to be the most common business entity type in Singapore during Q2 2013 with 9,145 formations. This is followed by sole proprietorships with 5,433.
- 85.04% of the private limited companies were incorporated as exempt private limited companies (EPC).
- There was a 10.45% increase in the number of private limited company formations and an even more impressive 24.47% rise in the registration of public companies from Q1 to Q2 2013.
- The top three industry sectors with the largest number of business formations were wholesale trade, financial services, and head office and management consultancy activities.
- The British Virgin Islands, the United States, China, Japan and India were among the top investing countries in Singapore during the quarter.

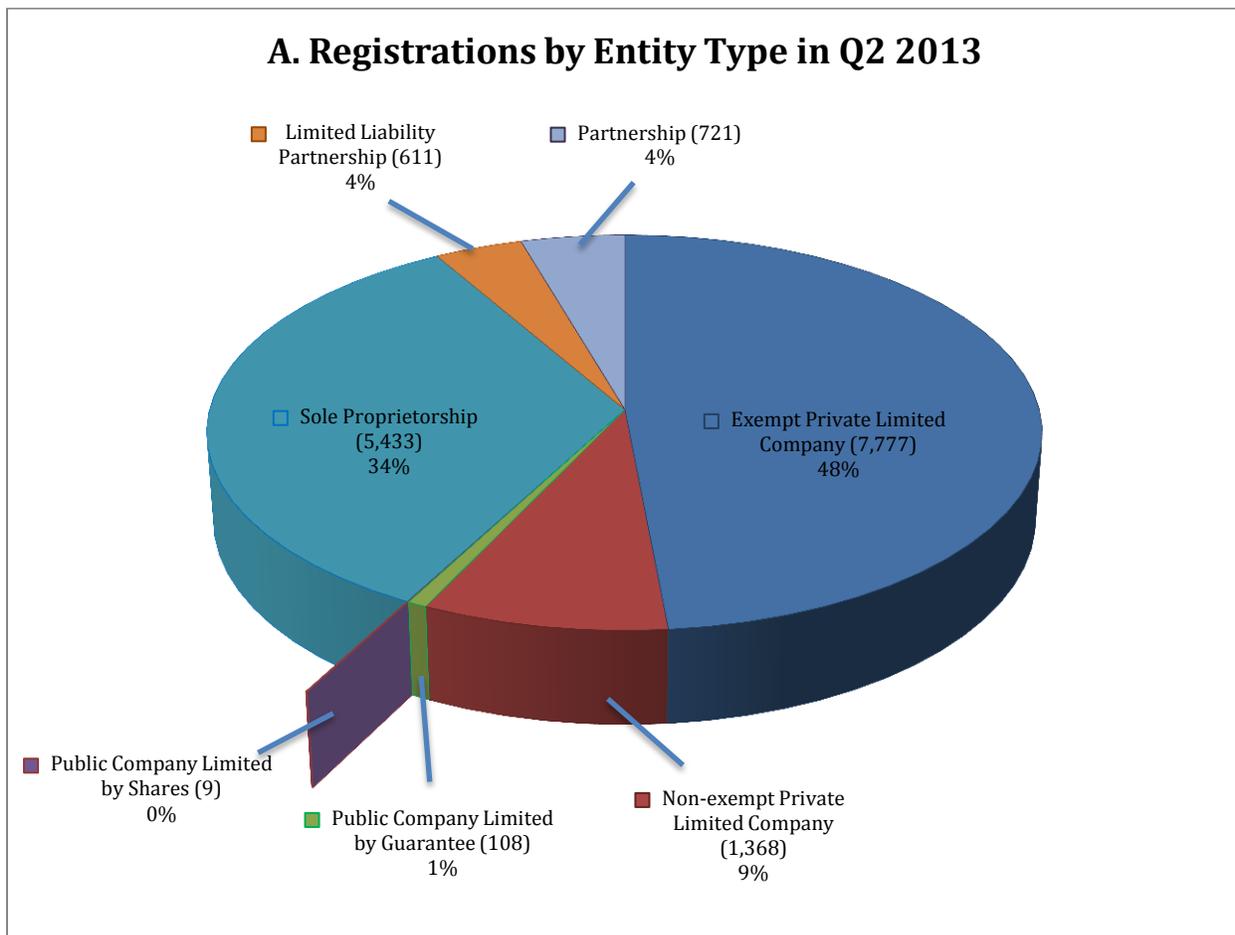
Business Formation by Entity Type

There were 16,027 business formations in Q2 2013. The number is a 13.22% increase from the previous quarter; it was also a 10.68% hike from Q2 2012. Of these new business entities formed, 57.06% were private limited companies. A total of 7,777 were registered as exempt private limited companies, i.e. companies with less than 20 shareholders, all of whom are individuals.

Sole proprietorships constituted a significant 34% of business formations. This type of business entity is suitable for local individuals who have small businesses that do not carry any substantial risks.

There were 1,332 new partnerships recorded, 45.87% of which were limited liability partnerships. A limited liability partnership gives owners the flexibility of operating as a partnership while enjoying many of the benefits that come with a corporate body like a private limited company. This type of entity is primarily suited for professions like accountants, law firms and architects, where two or more professionals would like to build a joint practice in a common field.

There were also 117 public companies incorporated this quarter. Most of these were public companies limited by guarantee; only 9 were public companies that are allowed to offer shares to the general public.



The types of entities registered in Q2 2013 maintained the trend of the previous quarters. What is notable is the substantial jump in the business formations this quarter when compared with the previous 3 months and to the same period in 2012.

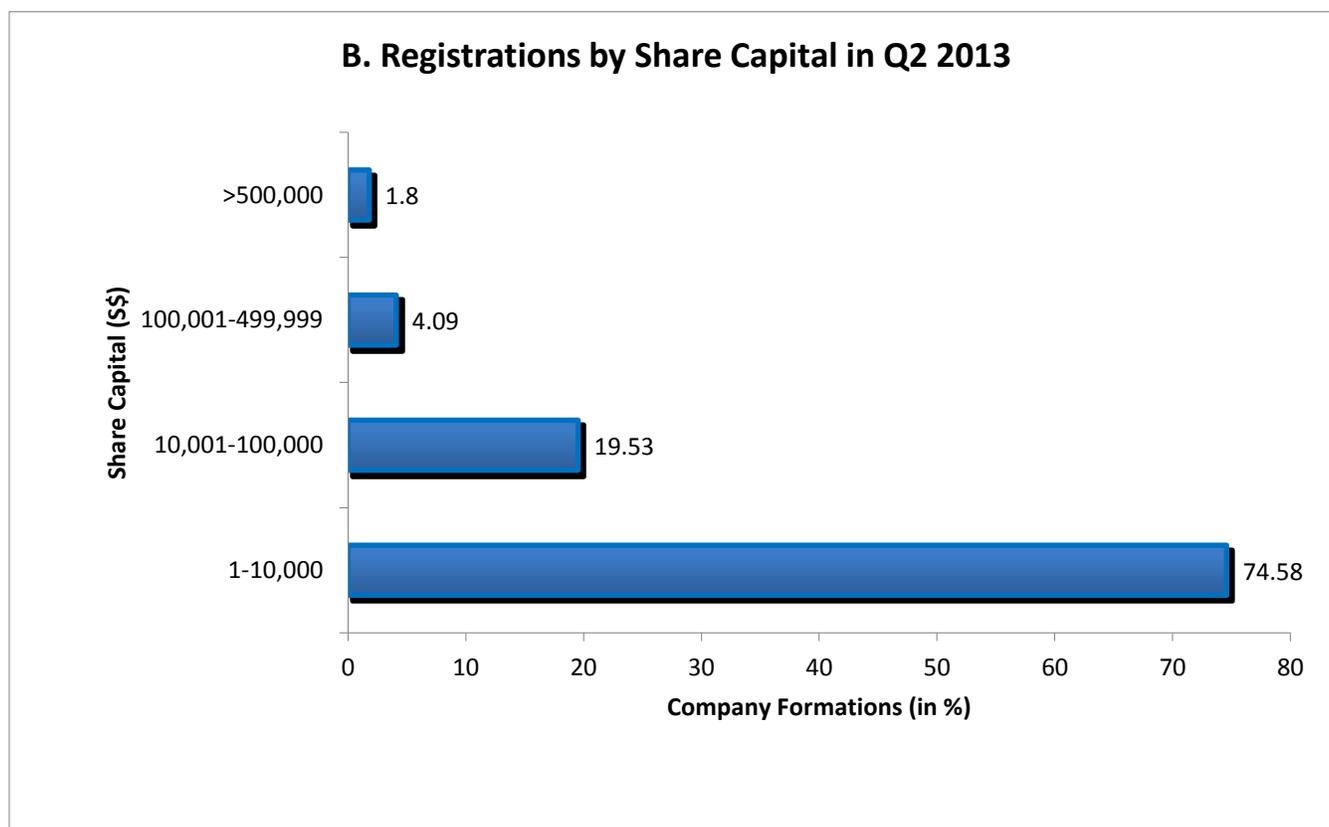
Type of Entity	Increase (Decrease) from Q1 2013	Increase (Decrease) from Q2 2012
Exempt Private Limited Company	10.59%	14%
Non-exempt Private Limited Company	9.62%	9.18%
Sole Proprietorship	17.55%	7.84%
Partnership	23.04%	(0.55%)
<i>Limited Liability Partnership</i>	6.44%	11.7%
Public Limited Company	24.47%	21.88%

The increase was across the board, except for non-Limited Liability Partnerships when compared with Q2 2012. However, the decrease was negligible as the 721 partnerships formed were only slightly less than 725 partnerships formed in Q2 last year, or a decline of just 0.55%.

The increase in business formations was indicative of the confidence of businesses and entrepreneurs in the Singapore economy. With the Department of Statistics Singapore reporting that inflation rate had held steady at its lowest levels in 3 years and the Singapore Economic Development Board stating that industrial production had risen after a first quarter decline, it appears that investors and entrepreneurs came in to take advantage of the opportunity.

Business Formation by Share Capital

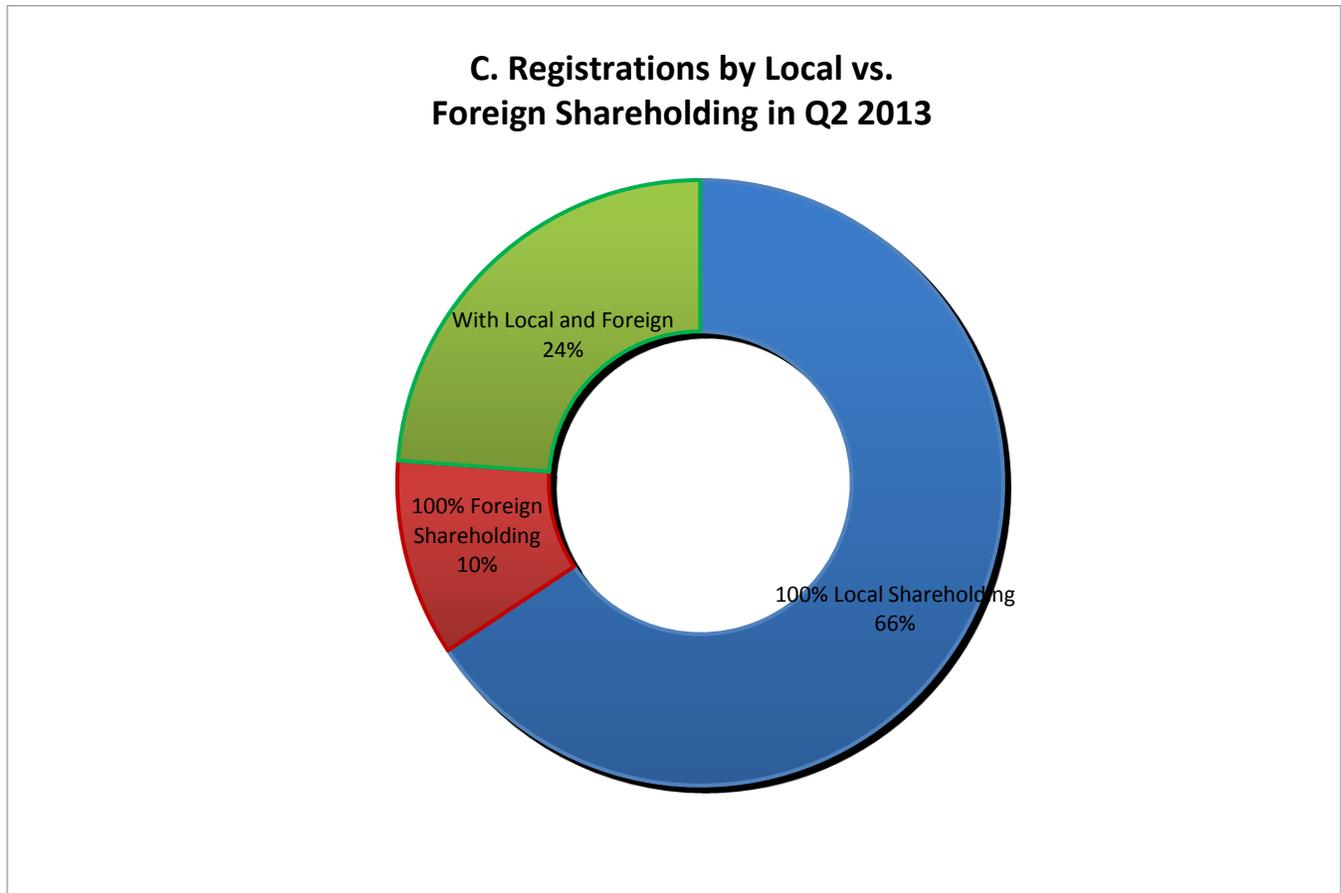
Nearly 75% of the business formations in the quarter had a capital of S\$10,000 or less, while 20% had between S\$10,001-100,000. The remaining had more than S\$100,000 at the time of setup, with around 288 injecting an initial capital of more than S\$500,000.



The Singapore Companies Act requires a minimum paid-up capital of only S\$1 in order to establish a company in the country. Most new firms prefer a low share capital of S\$10,000 or less at the time of their establishment. This can be increased at any time after incorporation.

Business Formation by Shareholding Structure

Entities fully owned by Singapore-resident shareholders made up 66% of business formations in Q2 2013. Entities with a combination of local and foreign shareholders accounted for 24%, while the remaining 10% had full foreign ownership.

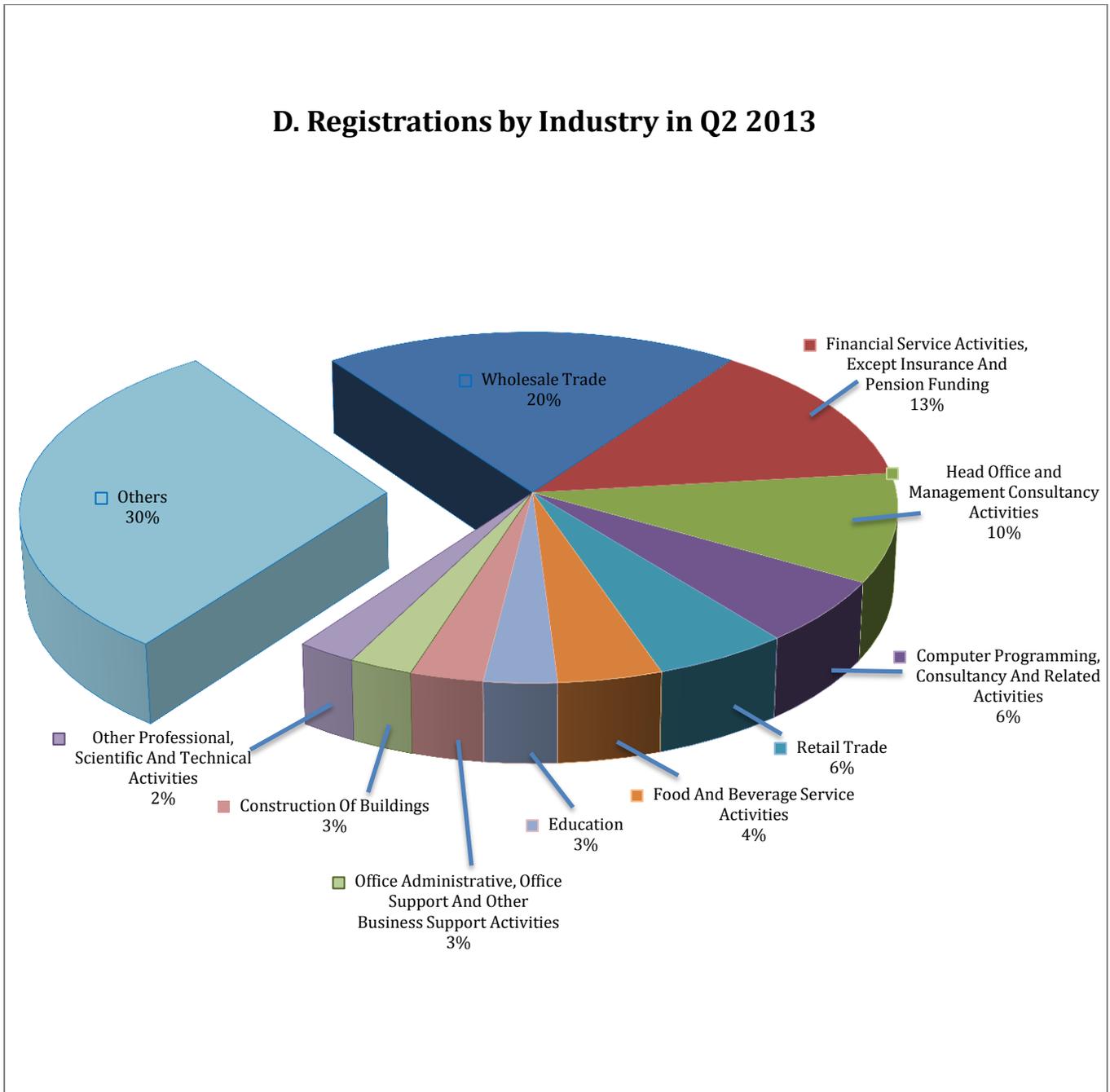


The availability of funding, mentorship and networking are just some of the factors that drive Singapore’s strong local entrepreneurial economy. This may have been further bolstered by the Youth Social Entrepreneurship Programme for Start-Ups (YSEP Start-Ups) introduced by the Ministry of Social and Family Development (MSF). The program has an annual budget of S\$250,000 and aims to fund youths between 18 to 35 years of age who have startup plans for the social services sector. Each approved startup can potentially be granted up to S\$50,000.

Business Formation by Industry

Wholesale trade, financial services (outside of insurance and pension funding), and head office and management consultancy activities accounted for the most number of formations this quarter. A significant number of new companies involved in information technology-related activities and retail trade were also established in Q2 2013.

D. Registrations by Industry in Q2 2013



Singapore has always been known for its rational trade policy characterized by simple tariff structure and transparent administration. This has made the country an attractive trade hub, especially for companies that want to take advantage of Singapore's strategic location in order to expand to the rest of the region. The country's extremely efficient transportation infrastructure is also a boon for these companies.

Financial service activities have always played a key role in the Singapore economy. Three of its banks have consistently ranked on Bloomberg Market's list of strongest banks in the world. Oversea-Chinese Banking Corporation (OCBC) is currently ranked second, after being adjudged as the strongest bank for 2011 and 2012. Development Bank of Singapore (DBS) is ranked at number 5, while United Overseas Bank (UOB) is just a notch lower.

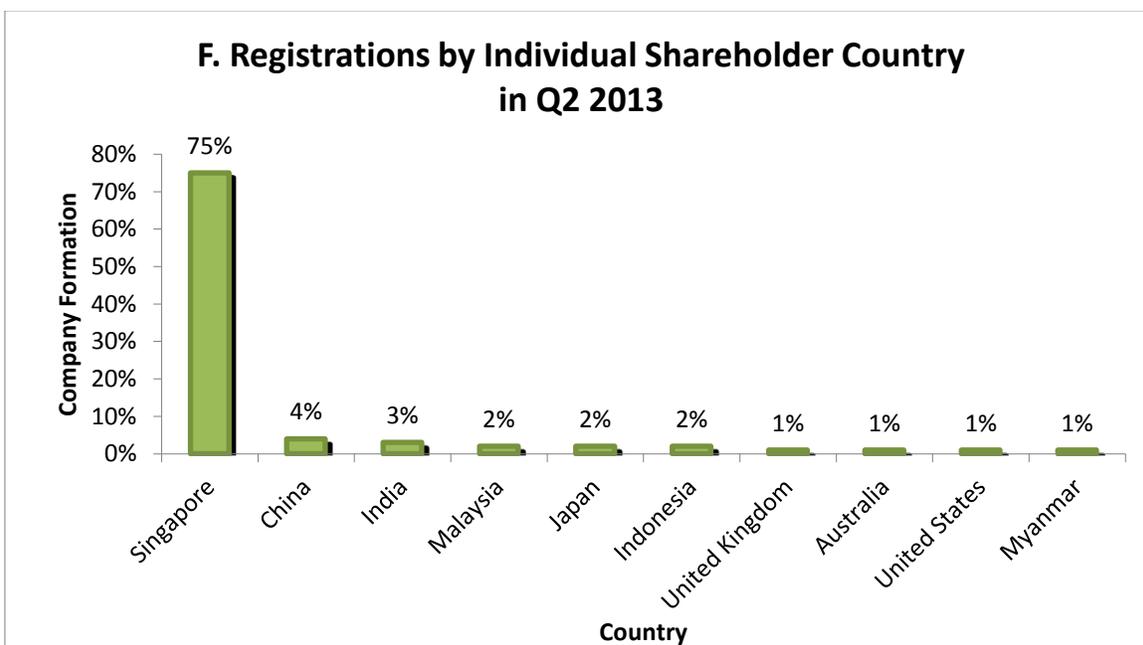
The country plays host to over 700 local and foreign financial services firms. PricewaterhouseCoopers ranks Singapore second in its latest survey of Global Private Banking and Wealth Management and predicts that Singapore will overtake Switzerland as the top international finance centre for private client assets by 2015.

Head office and management consultancy activities took up 10% of business formations as Singapore reinforced its reputation as a regional hub. Top companies, such as BMW, IBM, Nestle, Microsoft and Oracle, expanded their presence in the country in Q2 2013.

Retail trade business formations experienced a slight increase from the previous quarter. This is consistent with the report of the Department of Statistics Singapore that retail sales registered a 2.1% increase in the month of May.

Business Formation by Country

Singapore attracted businesses and entrepreneurs from countries like the United States, China, India, Japan, United Kingdom and Hong Kong. There were also investors from the British territories of the British Virgin Islands and Cayman Islands.



Singapore's reputation as an investment haven is further enhanced by the wide range of Free Trade Agreements and Avoidance of Double Taxation Agreements that the country has with several countries. All the countries listed above have different treaties with Singapore.

Comparison of Business Formation Activity for the Last 4 Quarters

	Q2, 2013	Q1, 2013	Q4, 2012	Q3, 2012
Total Number of Business Registrations	16,027	14,156	13,351	14,253
Registrations by Entity Type				
Exempt Private Limited Company	7,777	7,032	6,293	6,672
Non-Exempt Private Limited Company	1,368	1,248	1,248	1,156
Sole Proprietorship	5,433	4,622	4,618	5,025
Partnership	721	586	566	729
Limited Liability Partnership	611	574	540	592
Public Limited Company	117	94	86	79
Registrations by Share Capital				
S\$1 to S\$10,000	75%	75%	74%	74%
S\$10,001 to S\$100,000	19%	19%	20%	20%
S\$100,001 to S\$500,000	4%	5%	5%	5%
Above S\$500,000	2%	1%	1%	1%
Registrations by Share Structure				
100% Local Shareholding	66%	66%	65%	65%
100% Foreign Shareholding	24%	24%	25%	24%
Both Local and Foreign Shareholding	10%	10%	10%	11%

About Janus Corporate Solutions

Janus Corporate Solutions is a leading Singapore-based corporate services firm that can be your one-stop partner for starting and managing a business in Singapore. The Janus team consists of seasoned professionals with extensive experience in the country's legal, financial, tax and regulatory frameworks. Our aim is to build a lifetime relationship with you by ensuring that you receive the highest quality service each and every time you interact with us.

Specifically, we can provide services for:

- Incorporation of local companies
- Registration of subsidiaries and branches of overseas companies
- On-going statutory administration of companies
- Bookkeeping and payroll services
- Tax filing for companies and individuals
- Application for work passes for expatriate staff and business owners
- Application for business licenses
- Other related corporate services

We offer clear and concise explanations of all your compliance requirements. Combined with our standardized operating procedures and personalized approach, we provide timely and accurate service to ensure that your business needs are well met.

To learn more about doing business in Singapore and our services, please visit our website at www.guidemesingapore.com.

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