



SINGAPORE KNOWLEDGE SERIES #14 – DORMANT COMPANY



Dormant Company

A **dormant company** is generally a company that **does not engage in business activity**. Such activity may include buying or selling goods, paying dividends, or receiving income.

In Singapore, both ACRA (Accounting and Corporate Regulatory Authority) and IRAS (Inland Revenue Authority of Singapore) are **involved with conferring the Dormant status and each has its own definition**.

ACRA considers a company Dormant if it has no business activity within a given period. **For IRAS**, the important part is that the company is not generating income. Incurring of statutory expenses does not affect the Dormant status of the company.



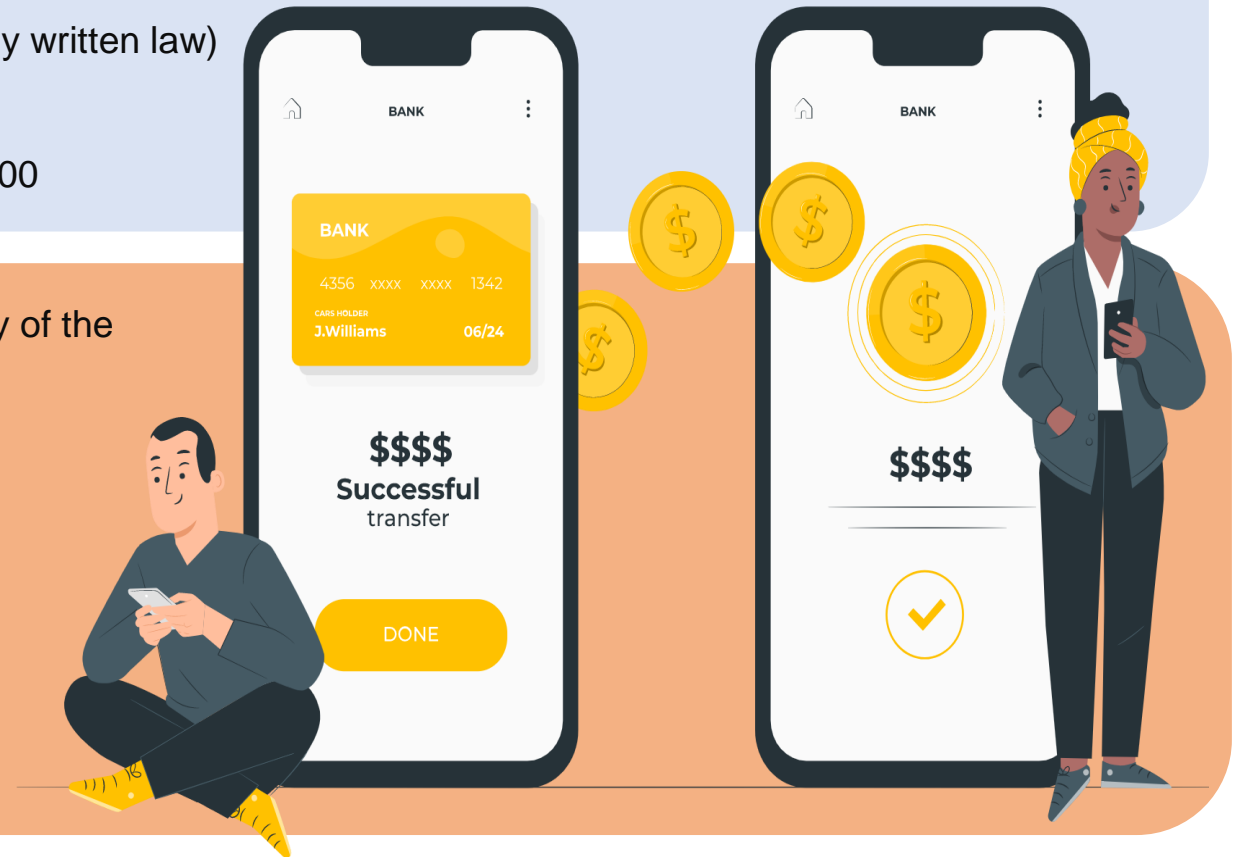
Factors affecting Dormant company status

Carrying out the following transactions **will not affect the dormant status** of a company

- The appointment of Secretary / Auditors
- Maintenance of a registered office
- Payment of any fee or charge (including penalty, interest for late payment payable under any written law)
- Payment of any composition amount
- Maintenance of books and registers
- Payment or receipt of a nominal sum not exceeding SGD 5,000

A company is **considered dormant** if it **does not carry out** any of the following trading activities :

- Any accounting transactions
- Employing staff
- Selling and buying of goods or services
- Buying or leasing property
- Issuing dividends to shareholders
- Paying directors' salaries
- Receiving dividend payments or managing investments
- Investments in subsidiaries



Advantages to a Dormant Company

ACRA exempts dormant companies from preparing financial statements and holding physical AGMs (i.e., the company can dispense off with the requirement of holding AGM if there are no other resolutions which need to be tabled) provided the following conditions are satisfied:

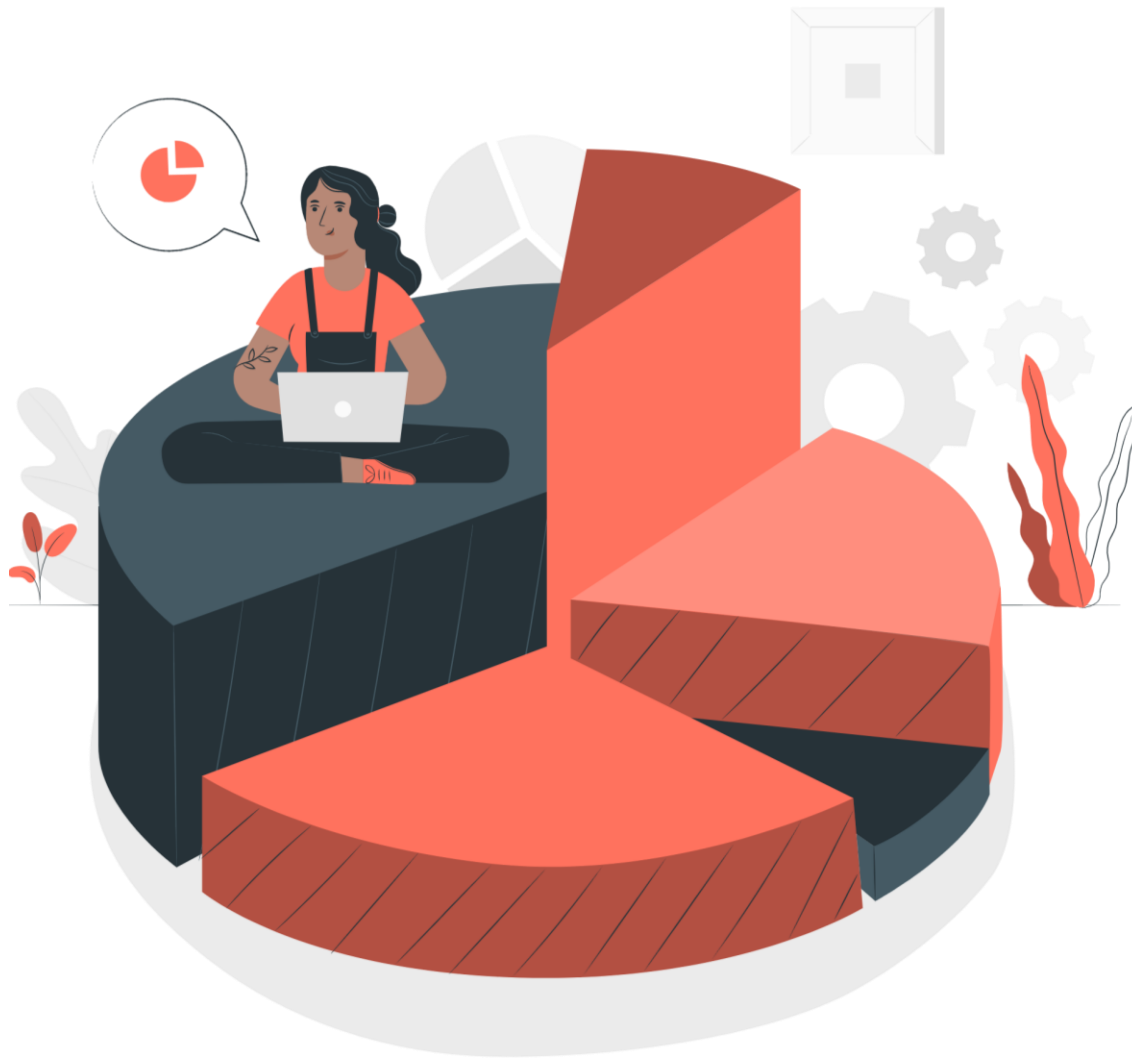
- It is not a listed company or a subsidiary of any listed company.
- Its assets are not more than SGD 500,000 (consolidated if it is a parent company)
- It has been dormant since the end of the previous financial year

IRAS accepts applications for waivers that exempts a dormant company from filing of Form C / C-S, if :

- Taxes and financials for the operating period of the company have been properly filed up to the date of cessation of business
- The company owns no investments, and if it does, they generate no income;
- There is no intention of the company to operate for the next two years
- The company has de-registered for GST purposes (if applicable)



Tax Treatment



A dormant company **cannot claim capital allowances** and deduction of expenses incurred in the basis period relating to the Year of Assessment (YA) in which it is dormant, as it is not carrying on any trade or business during that period.

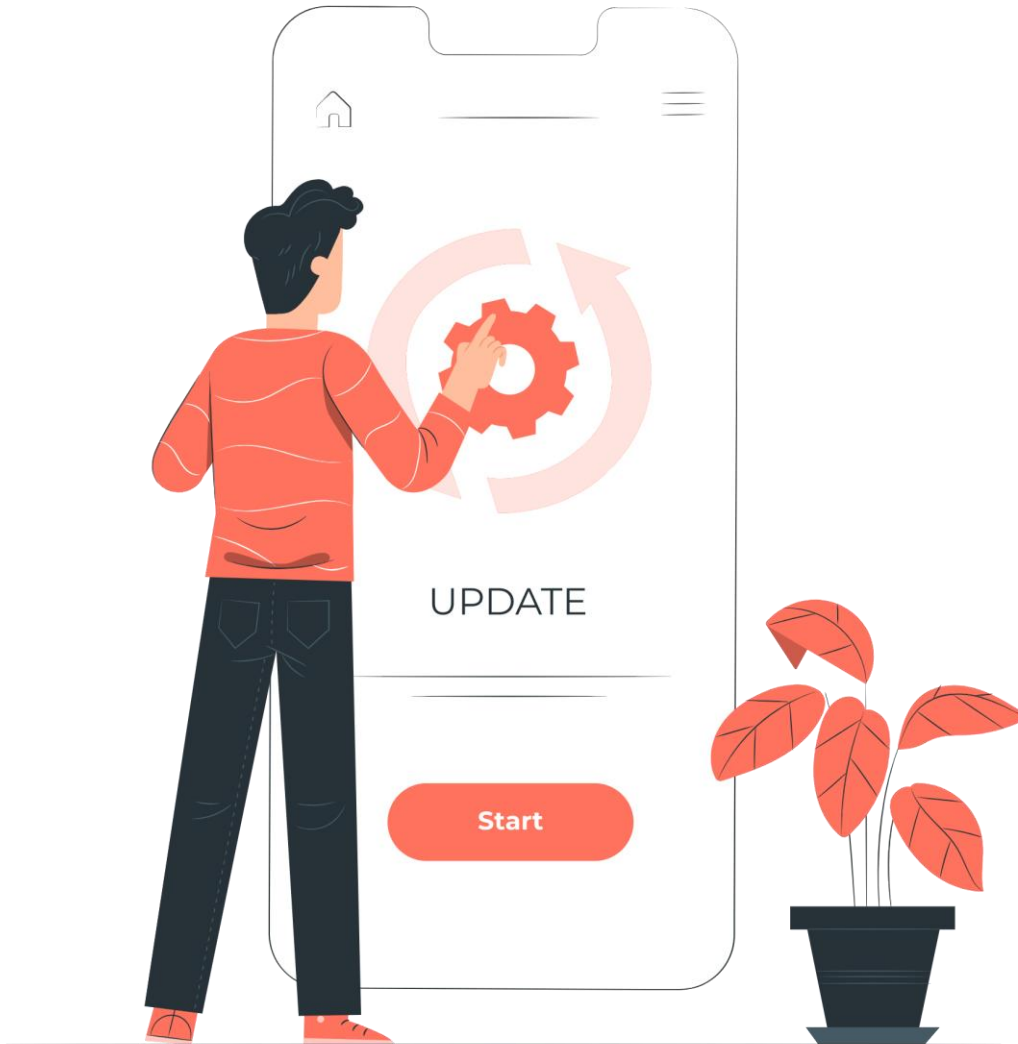
However, **unutilized losses brought forward from a previous YA**, in which the company was not dormant, can be deducted against income for a subsequent YA.

The dormant company can make a **claim for donations**, if the donations were made to an **approved Institution of a Public Character or to the Singapore Government** for the benefit of the local community.

Recommencing of Business

The company has to inform IRAS within one month after it started earning income again with the following particulars:

- **Subject header:** “Recommencement of business and request for Income Tax Return”
- **Name and Unique Entity Number (UEN)** of the company
- **Date of recommencement** of business and new **principal activity** (if any)
- **Date of receipt** of other source(s) of income e.g., interest, dividend, rent, etc. (if applicable)



Upcoming Singapore Knowledge Series

Please find below the list of completed & upcoming alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.

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| 1. Incorporation of Company | 6. XBRL Filing |
| 2. Allotment of shares | 7. Annual General Meeting |
| 3. Issuance of share certificate | 8. ACRA Return filing |
| 4. Register of registerable controllers | 9. Audit requirements |
| 5. Employment Pass | 10. Strike off company |

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| 13. Certificate of Residence (TRC) | 17. Withholding tax |
| 14. Dormant Company | 18. Auto Inclusion Submission |

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