

Business Entities in Singapore

Building up a business is just like constructing a building – solid foundations must be laid. Without sound foundations “cracks” will eventually start to show and it might be costly to salvage a bad situation later. There is a multitude of legal issues to think about when it comes to starting your business. Everything from your business name to its structure to its operation has legal impact.

Choose the right business structure is vital to the success of your business. Did you know how many types of business structures are available to you? Sole proprietor, partnership, limited liability partnership (LLP), limited partnerships, private limited company and limited liability corporation (LLC) - each structure offers different benefits to suit varying business purposes.

Below is a comparison table which provides a summary of the different business structures that are available today -

Business Structure	Main Characteristics	Legal Entity	Business Liability	Succession & Perpetuity	Tax	Setup & Maintenance	Funding	Transfer Ownership	Dissolution Procedures	Public Perception
<i>Sole Proprietor</i>	A business owned by 1 person who has the absolute say in the running of the business.	No separate legal entity	Unlimited liability Owner is personally liable for all debts and losses.	Business has no perpetuity as it is linked to the owner.	Personal Income Tax	Minimum set up & Minimum compliance cost	Difficult to raise fund as limited to 1 owner's assets	Difficult. Will cause business disruption.	Simple	Low public perception
<i>Partnership</i>	A business owned by 2 to 20 partners.	No separate legal entity	Unlimited liability Owners are personally liable for all debts and losses.	Business has no perpetuity as it is linked to the owners.	Personal Income Tax	Minimum set up & Minimum compliance cost	Difficult to raise fund as limited to owners assets	Difficult. May cause business disruption.	Simple	Low public perception

Business Structure	Main Characteristics	Legal Entity	Business Liability	Succession & Perpetuity	Tax	Setup & Maintenance	Funding	Transfer Ownership	Dissolution Procedures	Public Perception
Limited Partnership	<p>A business owned by 2 to 20 partners.</p> <p>At least 1 general partner and 1 limited partner.</p>	No separate legal entity	<p>Unlimited liability for General Partner</p> <p>Limited Partner is only personally liable for claims from losses resulting from his own wrongful act or omission provided he does not take part in the management.</p>	Depends on the agreement and number of partners.	Personal Income Tax	Moderate set up & Moderate compliance cost	Difficult to raise fund as limited to owners assets	Difficult. May cause business disruption.	Simple	Moderate public image
Limited Liability Partnership (LLP)	An LLP operates like a partnership but has the benefits of a separate legal entity.	Separate legal entity	<p>Limited liability</p> <p>Each limited partner's liability is limited to his investment in the LLP.</p> <p>Partner personally liable for claims from losses resulting from his own wrongful act or omission, but will not be held personally liable for such wrongful acts or omissions of any other partners of the LLP.</p>	Depends on the agreement and number of partners	Personal Income Tax	Moderate set up & Moderate compliance cost	Difficult to raise fund as limited to owners assets	Difficult. May cause business disruption.	Simple	Moderate public image

Business Structure	Main Characteristics	Legal Entity	Business Liability	Succession & Perpetuity	Tax	Setup & Maintenance	Funding	Transfer Ownership	Dissolution Procedures	Public Perception
<i>Private Limited Company (Pte Ltd)</i>	Singapore incorporated company where the maximum number of shareholders is limited to 50.	Separate legal entity	Limited liability Each shareholder's liability is limited to his investment in the company.	Business has perpetuity irrespective of status of shareholders.	Corporate Tax	Complex setup & Complex compliance paperwork	Easy to raise funds by way of venture funds, business financing etc.	Easy. No business disruption.	Complex procedures to comply	Highest credibility and strong public perception
<i>Limited Liability Corporation (LLC)</i>		Separate legal entity	Limited liability Each shareholder's liability is limited to his investment in the corporation.	Business has perpetuity irrespective of status of shareholders.	Corporate Tax	Complex setup & Complex compliance paperwork	Easy to raise funds by way of venture funds, business financing etc.	Easy. No business disruption.	Complex procedures to comply	Highest credibility and strong public perception