



SGM

# Annex 1 - Restructuring SGM childcare business under company limited by guarantee in Singapore



This document is prepared for the purpose of clarifying the intention of SGM Board of Directors in restructuring the childcare business to enable better governance, enhances funding opportunities, offers tax benefits, increases accountability, and aligns the business with community-driven goals.

## Examples of Companies Limited by Guarantee (CLG):

- **7oaks Preschool by PPIS (Singapore Muslim Women's Association)** - operated by PPIS, which is a charitable organization structured as a Company Limited by Guarantee (CLG). PPIS manages various social services, including preschools like 7oaks, focusing on serving the needs of the Muslim community in Singapore.
- **Iyad Perdaus Child Development** - Keeping the essence of our mission as a provider of quality early childcare services for the community, we have taken on the new Company by Limited Guarantee (CLG) entity with effect from 23 April 2021 and it is now known as Iyad Perdaus Ltd
- **Kidz Meadow Childcare & Development Centre Limited (KMCDCL)** - recently incorporated on 29 April 2021 as a company Limited by Guarantee, and on 15 October 2021, it became a registered charitable organisation with the Commissioner of Charities as of 15 October 2021. These milestones affirm its long-term commitment and dedication to developing young children from all backgrounds through our established programmes and supporting our educators with continuous professional training and development.



## Examples of Companies Limited by Guarantee (CLG):

- **REACH Community Services Society** – Provides a range of family-focused services, including childcare and family support.
- **NTUC First Campus** - While NTUC itself is a co-operative, it functions closely with government bodies, making it a unique social enterprise offering early childhood education.
- **Care Corner Singapore Ltd** - Provides a variety of childcare and family support services.
- **Methodist Welfare Services** - Operates childcare centres alongside other community services.
- **Morning Star Community Services** – A non-profit organization offering services like student care and parent-child bonding programs.
- **The Salvation Army (Singapore)** - Offers a range of community services, including childcare
- **AWWA** - Known for its support services and education programs, including early intervention services for children with disabilities.



## Examples of Companies Limited by Guarantee (CLG):

- **Singapore Children's Society** - Focuses on children's development and offers several care services, including for young children.
- **Thye Hua Kwan Moral Charities** - Offers childcare and family support services.
- **Metta Welfare Association** - Operates early intervention centres for children with special needs.
- **St. Andrew's Autism Centre** - operates as a **Company Limited by Guarantee (CLG)**. It is a non-profit, voluntary welfare organization that provides services for individuals with autism, including special education, day activity programs, and other forms of support. As a CLG, it functions under a charitable framework, focusing on serving the autism community in Singapore.



- 1 Understanding the concept of a company limited by guarantee**
- 2 Benefits of setting up a company limited by guarantee in Singapore**
- 3 Legal requirements for setting up a company limited by guarantee**
- 4 Steps to register a company limited by guarantee in Singapore**
- 5 Tax considerations for a company limited by guarantee in Singapore**
- 6 Comparison between company limited by guarantee and other business structures in Singapore**



A close-up photograph of two people shaking hands in a business setting. The person on the left is wearing a blue suit jacket, and the person on the right is wearing a grey suit jacket. The background is blurred, showing other people in a meeting. A yellow rectangular box is overlaid on the center of the image, containing the text. There are dark green triangular shapes in the top-left and bottom-right corners of the image.

**01 Understanding the concept of a company limited by guarantee**

# Legal Structure



## Distinct Legal Entity

A company limited by guarantee is a distinct legal entity that is separate from its members, providing limited liability protection.



## Perpetual Existence

It enjoys perpetual existence, meaning its operations are not affected by changes in its membership.



## Corporate Governance

The company is governed by a separate board of directors or committee, ensuring compliance with statutory requirements.

# Membership & Funding



## Membership Structure

Members contribute a nominal guaranteed amount, establishing their commitment to the company's objectives.



## Funding Sources

Funding is acquired through school fees and ECDA grants, financing supporting the company's initiatives and operations. This can be enhanced if the CLG also obtains COC and IPC



## Financial Accountability

The company maintains financial accountability, ensuring transparency in the utilization of funds for its charitable or non-profit purposes.



# Regulatory Compliance

## 1 **Statutory Reporting**

The company must comply with statutory reporting requirements, including annual filings and disclosures to regulatory authorities.

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## 2 **Tax Exemptions**

It may qualify for tax exemptions on income generated from approved activities, promoting its charitable or non-profit objectives. While CLGs are still liable to pay corporate tax at the prevailing corporate tax rate of 17%, there are tax exemptions or deductions that may be granted. However, a CLG that has been awarded charity status is exempt from tax.

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## 3 **Compliance Oversight**

CLGs are treated as separate legal entities and its members enjoy limited liability. Society and trust are not treated as separate legal entities.

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## **02 Benefits of setting up a company limited by guarantee in Singapore**

# Legal Protection



## Limited Liability

Setting up a company limited by guarantee in Singapore provides legal protection through limited liability, safeguarding members from personal financial risk.



## Separate Legal Entity

The company is considered a separate legal entity, ensuring that the personal assets of members are not at risk in case of company obligations.



## Perpetual Succession

The company enjoys perpetual succession, meaning it continues to exist regardless of changes in membership, providing stability and continuity.

# Tax Exemptions



## Charitable Activities

Companies limited by guarantee engaged in charitable activities may qualify for tax exemptions, reducing the financial burden.



## Donations and Grants

Such companies may receive tax exemptions on donations and grants, encouraging support for their charitable initiatives.



## Fundraising Events

Income from fundraising events may be exempt from taxes, promoting the organization's fundraising efforts.

# Credibility and Trust

## 1 Professional Image

A company limited by guarantee projects a professional image, enhancing credibility and trustworthiness among stakeholders.

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## 2 Transparency and Accountability

Such companies are often perceived as transparent and accountable, fostering confidence among donors, partners, and the public.

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## 3 Enhanced Partnerships

The structure may attract partnerships with government agencies, corporations, and other organizations due to its reputable nature.

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## **03 Legal requirements for setting up a company limited by guarantee**

# Company Registration Process



## ACRA Application Submission

The company must submit an application to the Accounting and Corporate Regulatory Authority (ACRA) for approval, providing details such as the company's name, activities, and constitution.



## Approval and Registration

Upon approval, the company will be registered with ACRA and will receive a Unique Entity Number (UEN) as well as a certificate of incorporation.



## Constitutional Documents

The company must prepare a constitution outlining its objectives, rules, and governance structure, which must comply with the Companies Act.

# Membership and Guarantors

## Membership details

Member will be SGM co-operative. a member is an individual or entity that plays a role similar to a shareholder in a traditional company, but without owning shares. Members do not receive profits from the company but have certain governance rights, such as voting at general meetings, appointing board directors, and approving significant decisions like changes to the company's constitution. They also guarantee a nominal amount (usually a small sum) in the event the company winds up.



## Guarantors' Obligations

Guarantors must commit to contributing a nominal amount (guarantee) towards the company's debts in the event of winding up, as specified in the company's constitution.



## Guarantor Limitations

The liability of guarantors is limited to the amount specified in the constitution and is typically a nominal sum, such as S\$1. We will put \$5.





# Compliance and Reporting

- 1 Annual Compliance Requirements**

The company must adhere to annual compliance requirements, including filing annual returns, holding an Annual General Meeting (AGM), and maintaining proper accounting records.

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- 2 Financial Reporting Standards**

The company must prepare annual financial statements in accordance with the Singapore Financial Reporting Standards (SFRS) and have them audited if required.

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- 3 Regulatory Notifications**

The company must notify ACRA of any changes to its constitution, registered office address, directors, and key officers within the stipulated timeline.

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## **04 Steps to register a company limited by guarantee in Singapore**

# Understanding the Concept of Company Limited by Guarantee

## Definition and Purpose

A company limited by guarantee is a type of business entity commonly used by non-profit organizations. It does not have share capital, and members guarantee to contribute a nominal amount in the event of winding up.

## Legal Requirements

The company limited by guarantee must have at least 3 directors, a registered office in Singapore, and a company secretary.

## Tax Exemption Criteria

To qualify for tax exemption, the company must be a non-profit organization and its income should be used to promote its objectives.

## Regulatory Compliance

The company must comply with the regulations set by the Accounting and Corporate Regulatory Authority (ACRA) and the Charities Unit under the Singapore government.



# Preparing the Necessary Documents



## Memorandum and Articles of Association

These documents outline the company's objectives, rules, and regulations. They must be prepared and submitted to ACRA.



## Board Resolutions

Resolutions passed by the board of directors authorizing the incorporation of the company limited by guarantee.



## Director's and Secretary's Particulars

Details of the directors and company secretary including their names, addresses, and identification documents.



## Registered Office Address

Proof of the company's registered office address in Singapore, such as a tenancy agreement or utility bill.

# Filing for Company Registration

1

## ACRA Online Filing

The company limited by guarantee can be registered online through ACRA's BizFile+ portal, by submitting the necessary documents and paying the registration fee.

2

## Approval and Incorporation

Upon successful submission, ACRA will review the documents and, if compliant, approve the incorporation of the company limited by guarantee.

3

## Issuance of Certificate of Incorporation

Once approved, ACRA will issue a Certificate of Incorporation, confirming the legal existence of the company.

4

## Company Seal and Stamp

The company should arrange for the creation of a company seal and stamp, which are often required for official documentation.

# Status of CLG incorporation for SGM

THE COMPANIES ACT (CHAPTER 50)  
A COMPANY LIMITED BY GUARANTEE  
CONSTITUTION OF  
SGM HAPPY HEARTS LIMITED

**NOTICE OF INCORPORATION UNDER  
SECTION 19(4)** Dear Sir/Mdm,

Entity Name: SGM HAPPY HEARTS LIMITED  
UEN: 202433674G  
Transaction Name: Incorporation of Local  
Company  
Transaction No.: C240542837

This is to confirm that SGM HAPPY HEARTS LIMITED is incorporated under section 19(4) of the Companies Act on 16/08/2024 and that the company is PUBLIC COMPANY LIMITED BY GUARANTEE.

You will receive a free Business Profile of this entity via email shortly.

Thank you.

Regards,  
Accounting and Corporate Regulatory Authority  
(ACRA)

1. The name of the company is **SGM HAPPY HEARTS LIMITED**

2. The registered office of the company is situated in the Republic of Singapore.

411 TAMPINES STREET 41 #01-241  
Singapore 520411

3. The liability of the members is limited.

4. Each member of the company undertakes to contribute to the assets of the company in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member, for payment of the debts and liabilities of the company contracted before he or she ceases to be a member, and the costs, charges, and expenses of winding up and for the adjustment of the rights of the contributors among themselves, such amount as may be required not exceeding the amounts shown in paragraph 6.

5. The number of members with which the company is applying to be registered is 1.

6. We, the persons whose names and occupations are set out in this Constitution, are desirous of being formed into a company in pursuance of this Constitution.

<u>Name of Members</u>	<u>Occupation of Members</u>	<u>Amount Guaranteed</u>
SINGAPORE MUSLIM TEACHERS' CO-OPERATIVE LIMITED		5

# Status of CLG incorporation for SGM

ACCOUNTING AND CORPORATE REGULATORY AUTHORITY  
(ACRA)



Whilst every endeavor is made to ensure that information provided is updated and correct, ACRA disclaims any liability for any damage or loss that may be caused as a result of any error of omission.

## Business Profile (Company) of SGM HAPPY HEARTS LIMITED (202433674G)

Date: 21 Aug 2024

Name of Company	:	SGM HAPPY HEARTS LIMITED
Former Name if any	:	
Date of Change of Name	:	
UEN	:	202433674G
Incorporation Date	:	16 AUG 2024
Company Type	:	PUBLIC COMPANY LIMITED BY GUARANTEE
Status of Company	:	LIVE COMPANY
Status Date	:	16 AUG 2024
Registered Office Address	:	411 TAMPINES STREET 41 #01-241 SINGAPORE (520411)
Date of Address	:	16 AUG 2024
Date of Last AGM	:	
Date of Last AR	:	
FYE As At Date of Last AR	:	

### Business Activities

Primary Activity	:	NURSERIES AND KINDERGARTENS(85101)
Primary User-Described Activity	:	EARLY CHILDCARE CENTRE

# Post-Incorporation Compliance

## Opening a Bank Account

The company must open a corporate bank account to manage its finances and transactions.

## Tax and GST Registration

If applicable, the company should register for taxes and Goods and Services Tax (GST) with the Inland Revenue Authority of Singapore (IRAS).

## Compliance with Annual Requirements

The company must hold annual general meetings, file annual returns, and maintain proper accounting records as per regulatory requirements.

## Maintaining Communication with ACRA

Regularly updating ACRA on any changes to the company's particulars, such as directorship or registered office address.





# Maintaining Non-Profit Objectives



## Operational Transparency

Ensuring that the company's activities and finances are transparent and aligned with its non-profit objectives.



## Fund Utilization Reporting

Periodically reporting on the utilization of funds, demonstrating that they are used for the company's intended non-profit purposes.



## Compliance with Charitable Purposes

Continuously aligning the company's activities with its charitable or non-profit purposes as outlined during registration.



## Public Benefit Reporting

Providing reports on the public benefits or impact achieved through the company's activities, as required by regulatory bodies.

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**05 Tax considerations for a company limited by guarantee in Singapore**

# Tax implications

1

## Corporate tax obligations

The company limited by guarantee must fulfill its corporate tax obligations as per Singapore's tax laws.

## Tax exemptions

Exploring the potential tax exemptions available for non-profit activities and charitable purposes.

2

3

## GST considerations

Understanding the Goods and Services Tax (GST) implications for the company's activities and operations.

# Regulatory compliance

## Compliance with IRAS regulations

Ensuring adherence to the regulations set by the Inland Revenue Authority of Singapore (IRAS) regarding tax matters.

## Reporting requirements

Understanding the specific reporting requirements related to tax matters for companies limited by guarantee.

## Tax planning strategies

Exploring tax planning strategies to optimize the company's tax position while remaining compliant.

## Tax audit considerations

Considering the potential for tax audits and preparing the company for such scenarios.



# Fundraising activities



## Tax implications of donations

Understanding the tax implications for donors and the company related to fundraising activities and donations.



## Grant funding and tax treatment

Exploring the tax treatment of grant funding received for the company's activities and projects.



## Income tax on fundraising events

Assessing the potential income tax implications for funds raised through events and activities.



## Tax-efficient fundraising strategies

Developing tax-efficient strategies for fundraising while maximizing the impact of contributions.

# Compliance and governance

## Tax governance framework

Establishing a robust tax governance framework to ensure compliance with tax laws and regulations.

## Board oversight of tax matters

The role of the board in providing oversight and governance of the company's tax-related activities.

## Tax risk management

Implementing effective tax risk management practices to mitigate potential tax-related risks for the company.

## Tax compliance reviews

Conducting regular reviews to ensure ongoing compliance with tax laws and regulations.



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**06 Comparison between company limited by guarantee and other business structures in Singapore**

# Legal Structure

## 1

### Company Limited by Guarantee

A non-profit legal entity with members acting as guarantors, typically used by charities and non-profit organizations.

## 2

### Other Business Structures

Includes sole proprietorship, partnership, and company limited by shares, each with distinct legal characteristics and ownership arrangements.





# Liability

## 1

### Company Limited by Guarantee

Members have limited liability, and their guarantee amount is specified in the company's constitution.

## 2

### Other Business Structures

Liability varies based on the structure, with sole proprietors being personally liable and shareholders in a company limited by shares having limited liability.



# Governance

## 1

### **Company Limited by Guarantee**

Governed by a board of directors or committee, with members having the power to vote on key decisions.

## 2

### **Other Business Structures**

Governance structure varies, with sole proprietors having full control and companies limited by shares being managed by directors and shareholders.



# Profit Distribution

**1**

## **Company Limited by Guarantee**

Profits are reinvested in the organization's activities as it operates on a non-profit basis.

**2**

## **Other Business Structures**

Profit distribution varies, with sole proprietors retaining all profits and companies limited by shares distributing dividends to shareholders.



# Taxation

## 1

### **Company Limited by Guarantee**

Eligible for tax exemptions if registered as a charity under the Charities Act.

## 2

### **Other Business Structures**

Taxation varies based on the structure, with sole proprietors being taxed on personal income and companies limited by shares being subject to corporate tax.



**Thank You**

**Prepared by fazrihan**

