

New Singapore Audit Exemption: Fewer companies to require audit

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Introduction

As part of the first batch of amendments to the Singapore Companies Act (*“Companies (Amendment) Act 2014 Commencement Notification 2015”*), a significant number of companies that previously required an audit will no longer do so.

The changes take effect for financial periods starting on or after 1 July 2015.

Previous audit requirement	New regime
All non-dormant companies that either had a corporate shareholder, or had ANNUAL revenue greater than SGD 5m required an audit.	All <u>private</u> companies that meet the definition of a <u>“small company”</u> and are part of a <u>“small group”</u> in each of the immediate past 2 financial periods are exempt from audit.

Previous audit requirement

Prior to amendments to the Companies Act, a company was required to have an audit if:

- It had at least one corporate shareholder;
- It had more than 20 shareholders; or
- Its annual revenue was greater than SGD 5m

Dormant companies were exempted from this requirement.

New regime

The amended Companies Act has introduced a new concept of a “small company” that is exempted from audit.

A company qualifies as a “small company” for a given financial year if for the immediate past **2 financial periods** it meets the criteria.

A company ceases to qualify if for the immediate past **2 financial periods** it fails to meet the criteria.

Small company definition

The criteria to be defined as a “small company” for a given financial year is as follows:

- It is a private company; **and**
- It meets at least 2 of 3 following criteria for the immediate past 2 financial periods:
 - Total revenue for the financial period \leq SGD 10m
 - Total assets at the financial period date \leq SGD 10m
 - No. of employees at the financial period date \leq 50; **and**
- If the company is part of a group, the above test must be met on a group (consolidated) basis as well.

Transitional provisions

An existing company can qualify as a “small company” if it is a private company and meets the quantitative criteria in either the first or second financial period commencing on or after 1 July 2015.

e.g. ABC Pte. Ltd. with a financial year end of 31 December will only potentially qualify from the year ended 31 December 2016 onwards:

Criteria/ FY	2016	2017
Meets criteria	No	Yes
Qualifies	No	Yes

Criteria/ FY	2016	2017
Meets criteria	Yes	No
Qualifies	Yes	Yes

New incorporations

A company incorporated on or after 1 July 2015 can qualify as a “small company” if it is a private company and meets the quantitative criteria in either the first or second financial year after incorporation.

e.g. DEF Pte. Ltd. (incorporated on 16 August 2015) with a first financial period ended 31 December 2016:

Criteria/ FY	2016	2017
Meets criteria	No	Yes
Qualifies	No	Yes

Criteria/ FY	2016	2017
Meets criteria	Yes	No
Qualifies	Yes	Yes

Existing companies (after Transitional period)

e.g. GHI Pte. Ltd. did not meet the criteria in either FY 2015 or FY 2016. Hence, the transitional provisions did not apply. However, it meets the criteria in 2018.

Criteria/ FY	2017	2018	2019	2020	2021	2022
Meets criteria	No	<u>Yes</u>	<u>Yes</u>	<u>No</u>	<u>No</u>	Yes
Qualifies	No	No	No	<u>Yes</u>	Yes	<u>No</u>

In the above example, the GHI Pte. Ltd. would qualify in FY 2020 but be disqualified in FY 2022.



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