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# Costs of setting up an office in Singapore

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## Business registration

Every business in Singapore must be registered with the Accounting and Corporate Regulatory Authority (ACRA). The types of organisations that could be registered are sole proprietorships, partnerships, limited liability partnerships (private limited company limited by shares and exempt private company), foreign companies or as a Singapore branch (public company limited by shares and public company limited by guarantee).

There are no restrictions on the types of businesses that may be set up in Singapore. Some businesses however, do require special licences such as stock broking firms, insurance companies, banks and finance companies, employment agencies (including executive recruitment), etc.

Foreign companies, which intend to set up a branch office in Singapore, must be registered as foreign companies under the Companies Act. They may establish representative offices but cannot engage directly or on behalf of their parent companies, or undertake activities such as sales, business consultancy or the negotiation of letters of credit. Companies may seek the assistance of IE Singapore, which is the approval body for setting up representative offices.

Businesses can be incorporated online at ACRA's website ([www.acra.gov.sg](http://www.acra.gov.sg)), with professional firms (lawyers, accountants and chartered secretaries) or a service bureau. ACRA has appointed DP Bureau to offer a one-stop business filing and solutions centre. The cost of filing a S\$2 company (the most simple business structure) is about S\$1,000 and S\$2,000 for an authorised share capital of S\$100,000. The cost of filing a BVI company (i.e. a company located in tax havens such as the British Virgin Islands) is about S\$2,000.

## Office rentals

While office rentals have increased substantially elsewhere in the region, Singapore registered a marginal increase of 1.1% in prime office rentals. In its market report, property consultancy CB Richard Ellis quoted US\$2.81 psf for the 2<sup>nd</sup> Quarter of 2005. Rentals are generally found to be much cheaper than rates in Hong Kong (US\$3.69 psf), Japan (Tokyo, US\$9.38 ptsubo), and China.

## Rental and office fit out

Colliers International indicated rents in the Central Business District (comprising Raffles Place, Shenton Way, Tanjong Pagar, Marina Bay and City Hall), to vary from S\$4 psf to S\$4.68 psf, in its July 2005 research report.

Serviced offices cost anywhere between S\$2,000 to S\$5,000 per month, depending on the size, location and facing of the suite and whether it has a view. Servcorp and Regus have serviced office suites in the Central Business District. Other players include the Wangz Business Centre and CEO Suites. Tenants are normally permitted to use their business address as their registered address.

Rental deposits and rentals in advance are the norm for taking up rental properties (commercial and residential) and they usually range from 3 months (1 month's down deposit, one month's real estate commission plus one month's prepayment) to 6 months.

Furniture and fittings can be sourced cheaply either by lease/rental per month or they can be purchased from second-hand furniture stores.

Computer equipment such as PCs (desktops and laptops) and accessories can be purchased at a reasonable cost from Sim Lim Square or Funan IT Mall. Alternatively, buyers can source on a lease basis from furniture retailers such as Courts and Harvey Norman, with the option to purchase the unit later on. Desktop PCs can also be bought directly from vendors such as Hewlett Packard/Compaq and Dell on a zero-interest instalment basis, with the ownership given to the purchaser after all instalments are fully paid up.

## Telecommunications and internet costs

Internet access can be via dial-up, dedicated ISDN or high-speed ADSL at a cost varying between S\$22 and S\$2,400 a month. ISPs such as Singapore Telecommunications (SingTel), Pacific Internet and Starhub offer broadband connectivity at 256 or 512 kbps, and from as low as S\$28 per month. The government will soon be extending the number of broadband operators to six.

There are three mobile phone operators in Singapore, although SingTel is currently the only provider of fixed lines. There's a one-off connection fee for local and international telephone calls. Telephone calls are charged at 6 cents a minute for local calls and international calls are subject to the IDD rates offered by SingTel.

Besides SingTel, the other mobile phone operators are MobileOne and Starhub.

## Recruitment and staff costs

Recruitment can be undertaken via newspaper advertising, or through employment agencies, headhunters or advertising agencies. Advertisement costs could be as low as S\$20 for a simple “Wanted” advertisement with contact details, and up to S\$10,000 for half a page in the mainstream newspapers.

Headhunters usually charge their clients/recruiters a retainer fee plus a one-off percentage payment derived from the employee’s total annual compensation. The retainer fee and the percentage vary from 15% to 33%, depending on the complexity and level of the search.

Indicative Base or Salary Bands including incentives for a Marketing Executive or BDM  
 (Source: Figures extracted from the Singapore’s Ministry of Manpower & Statistics’ website)

Sales & Marketing Executive ..... S\$2,680 (NZ\$2,290)  
 (Basic salary of an executive with 1-2 year’s sales/marketing experience)

Business Development Manager ..... S\$6,000 (NZ\$5,127)  
 (Basic salary of an executive with > 5 years’ business development experience)

Notes:

1) The basic salary does not include a mandatory contribution by employers to the Central Provident Fund. Both employees and employers contribute to this fund.

The rate of CPF contribution decreases with different age groups, as listed below:

Age of Workers	Employer’s Contribution	Employee’s Contribution	Total
50 years and below	13%	20%	33%
Above 50 to 55	11%	19%	30%
Above 55 years	6%	12.5%	18.5%

2) Compensation packages for sales, marketing and business development staff typically include allowances for transport, travel, communication, performance bonuses and stock options.

**NZTE assistance for setting up an office in Singapore**

To assist New Zealand firms with their internationalisation efforts, New Zealand Trade and Enterprise’s beachhead programmes offer a low cost, low risk entry in selected markets. The beachhead programmes provide financial and in-market assistance directly to New Zealand firms for a period of two years.

In Singapore, New Zealand Trade and Enterprise partners with a global serviced office provider, Servcorp to provide a comprehensive range of business support facilities and services. This includes office space, virtual office solution for firms wishing to maintain a pseudo presence in the market, secretarial services, meeting rooms, etc.

New Zealand firms can lease office space directly from Servcorp (costs range from S\$2,000 to S\$4,000 per month for a 2 – 4 person office space). Under New Zealand Trade and Enterprise's beachheads programme, clients who meet specific eligibility criteria may qualify for a 50% rent reduction on office space, up to a maximum of NZD25,000 per annum; 50% reduction in connectivity charges up to a maximum of NZD5,000 and virtual office solution, also up to a maximum of NZD 5,000 per annum.

By participating in the beachhead programme, New Zealand firms have access to the Advisory Board, and tap onto local market knowledge, expertise and networks.

For further information on how you could participate in the beachheads programme, please contact your Client Manager.

## Other costs

### Auditing and Corporate Secretarial Services

Besides the big three accounting firms - Deloitte & Touche, Ernst & Young and PricewaterhouseCoopers, which provide auditing and corporate secretarial services at a premium, there are local companies offering similar services and at lower rates. Auditing fees are charged according to man-hours. Corporate secretarial services are usually charged on a quarterly basis, at S\$240 per quarter (lowest).

### Legal Fees

Many of the law firms in Singapore are joint venture partners, typically with British or American law firms. For companies without an in-house legal counsel, they usually pay a retainer fee to these firms who could put a lawyer to work at the client's office for a few hours each day or each week.

### Filing penalties

Failure to meet mandatory deadlines for filing of company documents attracts a fine, which could be compounded over time. These documents include filing of the annual return or shareholders' return.

Deadlines by government agencies for filing of company information tend to be observed strictly. Late returns are penalised. These are CPF contributions, GST returns, Statistics Survey Forms, TV licences, etc.

## Estimated costs of setting up an office in Singapore as at September 2005

Establishment Costs	<u>Scenario A:</u> <u>Servcorp</u>	<u>Scenario B:</u> <u>Direct Lease</u>
	S\$	S\$
Rental of 290 sq foot	1,000 (2,000 @ 50%)	1,360.00
Rental deposit (1 year's lease for commercial office space)	---	1,360.00
Furniture & Fittings :		
Lighting	---	150.00
Airconditioner (1 unit)	---	1,200.00
Tables & chairs	---	500.00
Sliding door filing cabinets	---	480.00
Carpeting & Renovations	---	1,000.00
Desktop PC (Pentium 4 with 17" Monitor @\$1,750)	---	1,750.00
Laptop (Pentium 4)	2,460.00	2,460.00
Printer (Laserjet x 1)	---	390.00
Plain Paper Fax Machine (1)	Charges as incurred	300.00
Telephones	Charges as incurred	25.00
<b>Sub Total (1)</b>	<b>3,460.00</b>	<b>10,975.00</b>
<b>Operating Costs:</b>		
Utilities – Electricity Deposit	---	150.00
Utilities – as incurred @ 16.01 cents per kWh		*150.00
Building maintenance fee - estimated figure for usage of common facilities	---	*300.00
Telephone/Fax Connection Fee (5 lines x \$30)	100.00 (one-time setup fee)	150.00 (one-time setup fee)
Telephone/Fax charges (normal phone charges per minute)	---	*300.00
Internet Access via dial-up registration S\$41.20 (incl GST) Unlimited usage plan S\$100	70.60 (141.20 @ 50%)	141.20

Internet Access vial ISDN registration S\$41.20 (incl GST) Unlimited usage plan at 128kbps S\$1524.40	(\$1,565.60)	(\$1,565.60)
Meeting room @ Serviced Office (charges range from S\$25 to S\$40 an hour)	(20 hrs x 6.50) 500.00	(20 hrs x 25) 500.00
Corporate Secretariat Services - retainer	80.00	80.00
Legal fees - estimated retainer	4,000.00	4,000.00
Auditor - estimated audit fee	4,000.00	4,000.00
Real Estate Commission	---	1,450.00
<b>Sub Total (2)</b>	<b>8,750.60</b>	<b>11,221.20</b>
<b>Staff Costs:</b>		
Sales/Marketing/BD Exec (1) Salary	3,000.00	**3,000.00
Incidentals***		
<b>Sub Total (3)</b>	<b>3,000.00</b>	<b>3,000.00</b>
<b>Grand Total</b> (Set up plus annual operational)	<b>19,750.60</b>	<b>25,196.20</b>

\*Estimated figures

\*\*Salary excludes advertising costs, medical benefits, CPF, transport allowance, mobile communications reimbursement, 13<sup>th</sup> month and performance bonuses.

\*\*\*Incidentals such as air fares, accommodation, meal, transport and entertainment allowances for visiting executives.

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