Audit Exemptions in Singapore:
Who Qualifies for Financial Statement Audit Exemptions

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Who Qualifies for Audit Exemption for Financial Statements in Singapore?

Preparing audited financial statements is often a significant compliance cost for businesses. Fortunately, not all Singapore companies are required to undergo a statutory audit. Under the audit exemption framework administered by Accounting and Corporate Regulatory Authority (ACRA), qualifying companies may be exempt from audit requirements if they meet the criteria of a small company or, where applicable, a small group.

Understanding these rules is particularly important for startups, SMEs, and foreign-owned companies operating in Singapore, as audit exemption can help reduce compliance costs while maintaining statutory reporting obligations.

Audit exemption for small companies

A Singapore company may qualify for audit exemption if it satisfies both of the following conditions:

1. **The company is a private company**
   The entity must be a private company in the financial year. Under Section 18 of Singapore's Companies Act 1967, a private company is a company whose constitution restricts the right to transfer its shares and limits the number of members to not more than 50.

   and

2. **The company meets at least two of the following three criteria**
   For the immediate past two consecutive financial years, the company must satisfy at least two of these thresholds:
   - Total annual revenue of S$10 million or less, based on its financial statements prepared in accordance with the accounting standards;
   - Total assets of S$10 million or less, based on its financial statements prepared in accordance with the accounting standards;
   - 50 employees or fewer, based on the number of full-time employees at the end of its

financial year.

Example

A private company reports the following:
- Annual revenue: S$8 million
- Total assets: S$7 million
- Employees: 70

Although its headcount exceeds 50 employees, the private company is under the thresholds for the revenue and asset criteria. Since it meets two out of the three conditions, it may qualify as a small company and be exempt from audit, subject to the applicable assessment period.

What about newly incorporated companies?

Special rules apply to companies that have been incorporated for less than two years.

For a newly formed company, eligibility is assessed based on the current financial year. This provision allows startups and early-stage businesses to benefit from audit exemption without having to wait for two full years of operating history.

Audit Exemption for Ccompanies Within a Group

If the company is part of a group, to qualify audit exemption, it must satisfy both of the following conditions:

1. The Singapore company itself qualifies as a small company; and

2. The entire group (including foreign entities) meets at least two of these quantitative criteria for the immediate past two consecutive financial years:
   - Total annual revenue of S$10 million or less, based on the holding company's consolidated financial statements prepared in accordance with the accounting standards
   - Total assets of S$10 million or less, based on the holding company's consolidated financial statements prepared in accordance with the accounting standards
   - 50 employees or fewer, based on the number of full-time employees at the end of the financial year.

This means that a Singapore company with relatively small operations may still require an audit if it belongs to a larger group that exceeds the small group thresholds.

Audit Exemption for Dormant Companies

In addition to the small company regime, Singapore law provides an audit exemption for dormant companies under Section 205B of the Companies Act 1967, where:

- A company is considered dormant during a period in which no accounting transactions occur (excluding specific administrative transactions such as paying filing fees or penalties to ACRA).
- A dormant company is exempt from statutory audit requirements from the time it becomes dormant until the end of that financial year, provided it is not a listed company or a subsidiary of a listed company.

Maintaining audit exemption status

Once a company qualifies as a small company, it generally continues to enjoy audit exemption in subsequent years unless:

- It ceases to be a private company; or
- It no longer satisfies at least two of the three qualifying criteria for the immediate past two consecutive financial years.

Similarly, a group that qualifies as a small group will remain eligible until it fails to meet the required thresholds for two consecutive financial years.

Important Points to Note

While an eligible company may be exempt from audit, it is important to remember that:

- Audit exemption does not exempt the company from preparing financial statements.
- Audit exemption does not change the company's statutory filing obligations with ACRA.
- The assessment of group eligibility must consider the entire group, including foreign entities, where applicable.

Conclusion

Not every Singapore company is required to have its financial statements audited. A private company may qualify for audit exemption if it meets the small company criteria, while companies within a group must additionally ensure that the wider group qualifies as a small group. Understanding these requirements can help businesses manage compliance costs and determine whether an audit is legally required for a given financial year.

How Alitium can help

At Alitium, our Singapore team supports companies with corporate secretarial matters, ACRA filings and regulatory compliance reviews. If you would like us to review your records in Bizfile before your next annual return, speak to your Alitium adviser or contact our team at singapore@alitium.com.

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