BT Explains

Understanding CLGs

SINGAPORE Press Holdings announced that it will be transferring its media business to a company limited by guarantee (CLG). BT explains what a CLG is and other commonly asked questions.

What is a CLG?

A CLG is an entity that does not have share capital or shareholders. Instead, members act as guarantors and agree to pay a fixed sum in the event that the company winds up.

Unlike companies that distribute profits to shareholders, CLGs are prohibited from distributing profits in the form of dividend, bonus or otherwise to its members. They instead retain profits within the company and reinvest them.

CLGs are registered with the Accounting and Corporate Regulatory Authority (Acra) and governed by the Companies Act. It is usually set up by non-profit organisations to carry out non-profit making activities such as promoting arts.

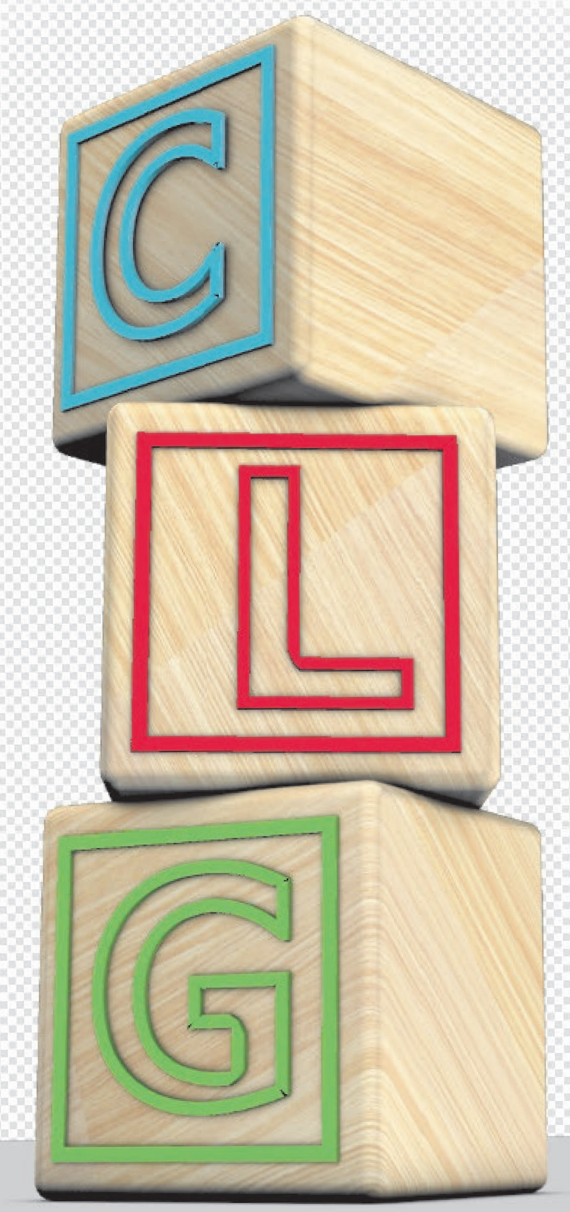
Are CLGs charities?

Not necessarily. CLGs are usually set up by non-profit organisations that require a corporate status. But CLGs may also obtain charity status if they fulfil the criteria set out by the commissioner of charities.

How do CLGs pay staff?

According to Acra, income can be used to provide:

- reasonable and proper remuneration to an officer, member or employee for services rendered to the company
- reimbursement to a director of the company for out-of-pocket expenses
- payment of a reasonable and proper rent to a director or member of the company for premises let to the company



How are CLGs different from other companies?

Private companies		Public companies	
PRIVATE COMPANY LIMITED BY SHARES	EXEMPT PRIVATE COMPANY (EPC)	PUBLIC COMPANY LIMITED BY SHARES	PUBLIC COMPANY LIMITED BY GUARANTEE
■ Has a maximum of 50 shareholders	■ Has a maximum of 20 shareholders ■ No corporation is a shareholder ■ Exempted from certain compliance requirements ■ Has been deemed by the minister to be an EPC under the Companies Act	■ May have more than 50 shareholders ■ May raise capital by offering shares or debentures to the public ■ Must register a prospectus with the Monetary Authority of Singapore before making any public offers	■ Usually formed to carry out non-profit making activities such as promoting arts ■ Have members instead of shareholders. Members agree to pay a fixed sum in case company is wound up

Why set up a CLG?

- Protect members from personal liability for the company's debts
- Have a separate legal entity and is distinct from its members

Must CLGs pay tax?

CLGs are liable to pay corporate tax at the prevailing corporate tax rate of 17 per cent. CLGs with a charity status are exempt from tax.

Are there other CLGs in Singapore?

- The Esplanade
- The Arts House
- National University of Singapore
- Temasek Foundation

Sources: Acra, SingaporeLegalAdvice.com

Compiled by Claudia Tan BT Graphics