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WORKING FROM HOME

Operating a business from home under the Home Office Scheme can be a viable option for SMEs as it eliminates the financial outlay of setting up a business in a conventional office space

BY **CARISSA CHIN**

AMID rising office rents buoyed by the active office leasing market and steady economic sentiments, it has become increasingly costly for small businesses or startups to operate in Singapore. Small businesses or startups are often left with limited options as the newer office buildings with state-of-the-art facilities in the Central Business District (CBD) often come with hefty rental costs. Other options such as strata-titled office units and shophouses are also beyond the reach of some small and medium-sized enterprises (SMEs) or new startups, given the surge in rents and capital values in such spaces in recent years. Adding to the list of challenges for startups is the limited availability of affordable office space outside the CBD.

A residential home might just present a viable alternative for office space, especially if the startup company is small, and its business operations can be managed and facilitated through the application of technology. Entrepreneurs in small startups and businesses working from home could enjoy substantial cost-savings by not incurring recurring occupancy expenses in commercial buildings.

Be it a private home or a Housing Development Board (HDB) flat, such residences can serve as a place of operation for small businesses under the Home Office Scheme. Prima facie, it appears to be relatively easy to set up a home office compared with setting up a conventional office space. However, small startups that are keen to operate from home should have a clear understanding of the scheme before embarking on it.

HOME OFFICE SCHEME

Under the Home Office Scheme, registration for home office authorisation is easily done online, and entrepreneurs are able to commence their businesses immediately upon successful registration. Hence, this scheme is particularly suitable for startups that wish to minimise time and costs in setting up an office.

In addition, business owners need not worry about the expiry of their home office authorisation as the permit is valid for as long as the business remains in operation. Prior to December 2010, business owners were required to renew the permit every five years.

Before registering, it is important to verify if the prospective business activity meets the prevailing home office guidelines. The nature of business must fall under the list of businesses permitted under the Home Office Scheme. Furthermore, the number of non-residents including employees, partners and directors engaged for the business is capped at two.

As such premises are primarily for residential use, businesses that operate within the home would have to meet the performance criteria stipulated by the Urban Redevelopment Authority (URA). That is, the business operation must not cause any

disturbance and inconvenience to the neighbours.

In general, businesses that could potentially become a nuisance or introduce extraneous human or vehicular traffic to the surroundings or the neighbourhood are not permitted. According to the URA, some of the permitted businesses under the Home Office Scheme can include accountancy services, consultancy services, real estate agencies, technology-based and knowledge-intensive businesses and trading offices. However, businesses such as beauty and hair dressing services, clinics, pharmacies, commercial schools, and employment and maid agencies are not permitted in residential units.

This arrangement of operating a business from home is suitable for startups that do not require a fully-equipped office environment. For instance, an entrepreneur who is planning to venture into an online retailing business (e-commerce) can consider the Home Office Scheme, as the business usually does not require a brick-and-mortar outlet but just a small office space for daily administrative functions. Other examples where home offices will be suitable for businesses include freelancers from the creative industries, such as photographers, designers and writers.

SMALL OFFICE HOME OFFICE (SOHO)

While the Home Office Scheme provides an alternative for small businesses, one should not confuse the scheme with the term "small office home office" – or SOHO –

that is commonly used in the market.

The term SOHO originated from South of Houston Street, a neighbourhood in Lower Manhattan, New York City that transformed from an industrial district to a vibrant commercial district featuring high ceilings and cast iron architectural elements. Consequently, the term SOHO was casually adopted to describe the concept of having a small office set-up within a residence, in Singapore.

In recent years, public and private residential property purchasers may be under the impression that the term SOHO is an official term of use, enabling SOHO units to be used interchangeably as both a home and an office. However, SOHO is basically a development concept and a marketing theme coined for property developments. The term SOHO does not refer to any specific use or type of development allowed for or approved by the URA under the Planning Act. Instead, developments being marketed as SOHO today are classified either as office or residential, and not use simultaneously for both.

An office development that is marketed as residential apartments with the term SOHO may not fully meet the guidelines and technical requirements of various government agencies for residential use (eg provision of sufficient parking facilities).

Small or startup businesses should take precaution and not be misled by the casual term SOHO. They need to check and understand the allowable limits to which

they can occupy premises for both office and residential use before renting or buying such units for their business operations. Business owners who are looking to conduct small-scale business from their homes are still required to make an application under the Home Office Scheme, even if their premises are marketed as SOHO.

VIABLE OPTION

Operating a business from home under the Home Office Scheme can be a more viable option for startups and small businesses, as it eliminates the huge financial outlays of setting up a business in a conventional office space. The initial financial outlays such as rental costs, fit-out costs and security deposits, among others, could break a company while it is at the infant stage.

Even though business owners must appreciate some of the limitations of operating from home – such as a lack of facilities (meeting rooms, business lounges, etc) and inflexibility in changing the amount of space needed for expansion – working from home could still be the most suitable space solution for businesses that have yet to establish themselves in the marketplace or where business owners are still testing the feasibility of a trade or operation. ■

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Setting up at home

TERMS AND CONDITIONS (PRIOR TO REGISTRATION)

- The premises used by its occupants are primarily for residential purposes with part or parts of the premises being used by the occupants as an office.
- The number of non-residents (including employees, partners and directors) engaged in the business at the home office unit is limited to a maximum of two.
- The business does not fall under the list of businesses not permitted under the Home Office Scheme.
- There should not be any display of business signages outside the residential premises.
- The use may be terminated if the business results in dis-amenity to the environment and complaints from neighbouring residents.
- The change in use of the relevant premises does not result in any increase in the floor area of the building.
- Where the person lodging the registration form is not the owner of the premises, the prior written consent of the owner of the premises has been obtained for the lodgement of the registration form.

PERFORMANCE CRITERIA (POST-REGISTRATION)

- The person(s) conducting the business must continue to use the residential unit as his place of residence. The business activities shall be confined wholly within the premises.
- The business must not generate noise, smoke, odour, effluent or dust that could cause more nuisance than is normally expected from the use of the premises for residential purposes.
- The business activities must not be illegal or unlawful. It also must not have any bad and immoral influences (eg gambling or pornography-related activities).
- The business activities must not introduce extraneous human or vehicular traffic to the surrounding neighbourhood.
- There must be no solicitation of business that may cause annoyance to the residents or public. There should be no selling of physical goods.
- There must be no advertisements or posters displayed.
- Consumption of electricity and structural load must not exceed the normal (residential) load. Storage and use of dangerous chemicals and hazardous substances are strictly prohibited.