



Introduction

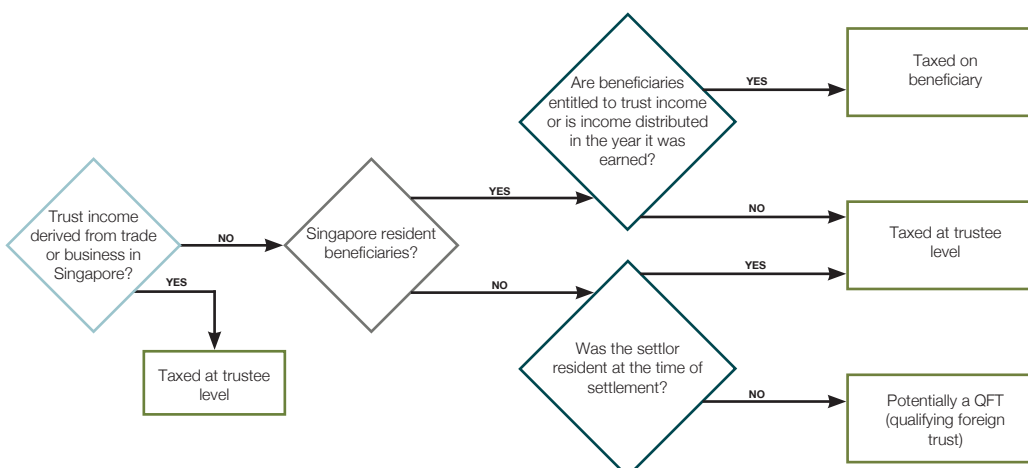
The tax treatment of trusts is dependent on the residency of the trust. Where there is residency in Singapore, and an exemption does not apply, income derived by trusts will be either taxed at the trustee level or in the hands of the beneficiaries. In any case, only one level of tax will be suffered.

- GENERAL FRAMEWORK** – trust income taxed at trustee level on trade/business income, income to which beneficiaries are not entitled, income to which non-resident beneficiaries are entitled
- Registered business trusts** – all income taxable at trustee level
- S-REIT** – trust income not accorded tax transparency taxable at trustee level (exemptions may be available)
- Designated unit trusts** – Qualifying income is exempt from tax
- Foreign trusts** – Specified income from designated investments is exempt from tax
- Philanthropic purpose trusts** – Specified income from designated investments acquired using foreign funds is exempt from tax
- Locally administered trusts** – certain income is exempt from tax

General framework - level at which the trust is taxed

Income derived from a trade or business carried on by the trustees is subject to final tax at the trustee level, taxation of other income at trustee level should be assumed to be the default. The exception is other income (ie not from trade or business) of a trust which is subject to tax in the hands of the beneficiaries where they are resident in Singapore and entitled to the trust income. Entitlement to the trust income can be established by examination of the trust deed. It should be noted that where the trust income is distributed to the beneficiaries within the same year in which the trust income is derived, the beneficiaries are treated as entitled to that income. The beneficiaries are subject to tax on their entitlement to the share of the trust income when they become absolutely entitled, even where it is not immediately distributed. The trust income retains its underlying nature meaning the beneficiaries are entitled to any concessions, exemptions, credits etc.

Summary applying general framework



Rate of taxation

The default taxation is the corporate tax rate with exemptions, concessions and relief available, currently at a headline rate of 17%. Broadly, this will apply when tax is applied at trustee level. Where the income is assessed on the beneficiaries, the applicable rate of income tax to the individual and reliefs available to the individual are applied.

Qualifying Foreign Trusts (QFTs) Section 13G

QFTS are trusts where, broadly, neither the settlor nor beneficiary is either a Singapore resident, citizen or Singapore resident company and is administered by a licensed Singapore trust company. These trusts and their underlying holding company are exempt from Singapore tax on certain "specified income".

Identifying the "specified income" is complex, but broadly it includes interest, dividends and rental income derived from outside Singapore in relation to certain investments and gains derived from the sale of certain investments as well as specific locally sourced investment income. Distributions to beneficiaries are also exempt.

For the purposes of the tax exemption, the trust will continue to be a QFT where a settlor or beneficiary subsequently becomes a citizen or resident of Singapore subject to certain detailed conditions.

Locally administered trusts Section 13Q

Broadly, to qualify, the trust must be administered by a trust company in Singapore, every settlor must be an individual, every beneficiary must be an individual, at least one beneficiary must not be a settlor and the trust must not be arising from a will.

The exemption applies to "relevant income" which includes; specific locally sourced investment income, dividend income and foreign sourced income.

Tax return filings

Form T should be submitted to the Comptroller of Income Tax by 15 April, late filing fees apply.

QFTs are required to submit an annual declaration to certify the trust has met the necessary conditions for the exemption.

How can Rawlinson & Hunter help?

Rawlinson & Hunter (Singapore) Pte Ltd provides accounting, tax and corporate services and can assist in establishing and structuring around the tax position of the trust as well as all aspects of compliance.

Katharine Haggie

Direct Dial: (+65) 6908 8892

Email: Katharine.haggie@rawlinson-hunter.com.sg

R&H Trust Co. (Singapore) Pte Ltd is a fully licensed trust company providing a comprehensive suite of services including the creation of trusts, provision of trustees, and ongoing administration.

Jill Carpenter

Direct Dial: (+65) 6908 8807

Email: jill.carpenter@rawlinson-hunter.com.sg