



Overview of funds in Singapore

Factors including a stable political system, strategic geographical location, access to foreign investors, and the relative ease of doing business in Singapore as well as the pool of skilled professionals have assisted Singapore to become one of the most attractive global asset and wealth management hubs.

Singapore has concluded over 80 double taxation treaties from which tax residents can benefit and tax incentives in the fund management industry have further cemented Singapore's positioning in this space, these are considered in further detail below.

Singapore tax exposure for funds managed by a Singapore fund manager

Funds which are managed by a Singapore based fund manager may be liable to tax in Singapore due to the activities of the fund manager in managing the investments of the fund. The fund manager may create a taxable presence in Singapore for the fund (whether onshore or offshore) and, therefore, income and gains derived by the fund may be considered as Singapore-sourced and liable to tax in Singapore. However, such tax exposure could be eliminated under Singapore's tax incentive schemes for funds provided that certain conditions are met.

Singapore tax incentive schemes for funds

There are three possible tax incentive schemes applicable to funds managed by fund managers in Singapore under which "specified income" (includes gains) derived by the fund from "designated investments" is exempt from Singapore corporate income tax. The list of designated investments covers a wide range of investments, including stocks, shares, securities and derivatives. Following the Budget 2019 announcements, Singapore-sourced interest income is now included in the list of specified income. Certain notable exclusions remain, such as distributions from REITs listed on the Singapore Exchange and income in respect of immovable properties in Singapore (other than those in the business of developing properties).

To qualify for the tax incentive schemes, the fund manager must be registered with the Monetary Authority of Singapore (MAS) or hold a capital markets services (CMS) licence unless it is specifically exempted under the Securities and Futures Act (Cap.289). This exemption may apply in the case of a single family office.

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Fund tax incentive schemes

The tax exemption schemes for funds currently available until 31 December 2024 are:

- Basic Tier Fund Tax Incentive Schemes
 - The **Offshore** Fund Tax Exemption Scheme (“**Section 13CA**”)
 - The **Onshore** Fund Tax Exemption Scheme (“**Section 13R**”)
- The **Enhanced Tier** Fund Tax Exemption Scheme (“**Section 13X**”)

A S13CA fund has to be tax resident and incorporated outside Singapore whereas a S13R fund has to be incorporated in Singapore and be a Singapore tax resident. There is more flexibility in a S13X structure in terms of the choice of fund vehicle as well as the place of constitution and tax residence.

S13CA does not require approval from the MAS, which is in contrast to S13R and S13X. Conditions around licensing for the fund manager equally apply to all three incentives (as set out above), potential investors may seek comfort in the MAS approval of their fund. As above, S13X offers flexibility but also specific conditions must be met, S13R requires a minimum local business spend, but no further conditions (including minimum fund size) apply to S13CA or S13R structures. Notwithstanding the Budget 2019 announcement that S13CA and S13R are now available to 100% Singapore beneficially owned structures, the financial penalty regime continues to apply to S13CA and S13R for “non-qualifying investors”, broadly discouraging investment through Singapore companies.

An overview of the tax incentives is set out below:

	S13CA	S13R	S13X
Fund manager	Must be based in Singapore		
Tax exemption on	“Specified Income” derived from “Designated Investments”		
Validity	Throughout life of fund		
Ownership	Can be 100% owned by Singapore persons		
Location of fund	Offshore	Onshore	Offshore / onshore
Minimum fund size	-	-	S\$50 million
Minimum spend	-	S\$200,000 p.a.	S\$200,000 p.a.
MAS approval	-	Required	Required
Investment professionals	-	-	Fund manager must employ at least three investment professionals
Financial penalty	Non-qualifying investors	Non-qualifying investors	-
Tax residency	Not tax resident in Singapore / no PE in Singapore (other than the fund manager)	In Singapore	In / outside Singapore
Fund vehicle	Foreign fund company; Trust fund; Foreign individual	Singapore incorporated company (includes VCC)	Constituted in all forms (includes VCC)

GST remission

GST may be incurred when funds procure services from GST- registered business. Funds which are not GST-registered are, *prima facie*, not allowed to reclaim GST expenses. Remission for GST was introduced on 22 January 2009, with the latest extension up to 31 December 2024. In respect of qualifying funds, GST remission is available at an annual fixed recovery rate.

Recent developments

A Variable Capital Company (“VCC”) is a new corporate structure for investment funds which provides flexibility in the distribution and reduction of capital, it will be treated as a company and single entity for tax purposes. Funds structured as VCCs can benefit from S13R and S13X incentives as well as GST remission. VCCs are largely welcomed in the industry, as they will put Singapore on the same level playing field with other global fund hubs and attract more fund managers to base their funds and carry out their fund management activities in Singapore.

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