



Establishing a family office in Singapore

Structuring considerations and tax incentive schemes



What is a family office?

The idea of a family office is a flexible one. Fundamentally, a family office is an entity that has been established to provide services to high-net-worth (“HNW”) families.

A key function of the typical family office is the management of the assets of one or more HNW families. These assets may be held by captive investment vehicles which form part of a broader wealth planning structure. A family office may also provide concierge services. These can range from routine matters of family administration through to the management of luxury assets and properties.

A single family office (“SFO”) is one that provides services to members of the same family. This may be contrasted with a multi-family office (“MFO”) which provides services to members of different families. SFOs in particular are becoming an increasingly important part of the wealth planning landscape.



Why establish a family office?

The services that may be provided by a family office are almost infinitely varied. They are loosely grouped as follows:



INVESTMENT MANAGEMENT

Managing accumulated wealth. This may be on a discretionary basis or supervising external managers.



LUXURY ASSETS

Managing the administration of luxury assets such as residential properties, aircraft and yachts

FAMILY ADMINISTRATION



Providing administration services to individual family members

FAMILY GOVERNANCE



Centralising and formalising decision-making

PHILANTHROPY



Furthering philanthropic objectives through direct initiatives or grant-making

FUNCTIONS OF A FAMILY OFFICE



Single Family Offices (“SFOs”) in Singapore



Why Singapore?

Singapore is a leading financial services hub and is regarded as a gateway to the region.

It is renowned for having an open and well-regulated economy that is well served by a vibrant ecosystem of bankers, fiduciaries and advisors.

Singapore has low rates of both personal and corporate taxation.

It has a measured approach to regulation with agencies such as the Monetary Authority of Singapore (“MAS”) and the Economic Development Board (“EDB”) adopting a pro-business approach.

Singapore is a place where many HNW individuals and their trusted advisors are happy to live and work.

It is well connected internationally with direct flights to most investment and lifestyle destinations

A Singapore SFO can be used as part of the personal planning of HNW family members.

A Singapore SFO may sponsor employment passes and may even be used as part of an application for permanent residency by HNW family members under the Global Investor Programme which is administered by the EDB.

What are the different SFO structures to consider?

The SFO structures in Singapore are typically designed to be exempt from regulation under local securities law. This avoids the need for the SFO to obtain a license or become registered to provide fund management services to the investment vehicles held by a HNW family.

There are two exemptions which are typically relied upon:

1. **Exemption for 'related corporations' which applies automatically**
2. **Application to the MAS for an exemption from regulation**

The MAS may grant this exemption where an SFO only manages assets which are held by members of the same family.

An SFO which is either licensed to provide fund management services, or is exempt from licensing, is considered to be a fund manager for the purposes of Singapore's fund tax incentives. These are established by specific provisions in the Singapore Income Tax Act 1947 ("ITA"). These incentives provide an exemption from Singapore tax on income and gains made in relation to most types of financial assets. Notably, this tax exemption does not apply to income or gains from Singapore real estate and certain other financial assets which confer an indirect ownership interest in Singapore real estate.

Tax incentive schemes for SFOs

The Enhanced-Tier Fund Tax Incentive of Section 13U (formerly known as 13X) and the Singapore Resident Fund Scheme of Section 13O (formerly known as 13R — both part of the ITA — are commonly used as part of the establishment of an SFO-based structure in Singapore. The following are key incentive conditions applicable to investment vehicles which are managed by an SFO that is exempt from licencing under the Securities and Futures Act 2001.

Section 13O

Singapore Resident Fund Scheme (formerly 13R)

- Minimum Assets Under Management (AUM) of S\$20 million in Designated Investments at the point of application and throughout the incentive period
- Family office will need to employ a minimum of two investment professionals, of whom at least one is not a family member at the point of application and throughout the incentive period
- Scheme must be approved by the MAS
- Changes in investment strategy must be approved by the MAS
- Subject to a tiered spending requirement with minimum S\$200,000 in local business spending. The overall spending requirements* per year is as follows:
 - S\$200,000 for AUM of less than S\$50 million
 - S\$500,000 for AUM of S\$50 million and above, but less than S\$100 million
 - S\$1,000,000 for AUM of S\$100 million and above

*Includes eligible donations to local charities and grants to blended finance structures with substantial involvement of financial institutions in Singapore

Section 13U

Enhanced-Tier Fund Tax Incentive Scheme (formerly 13X)

- Minimum AUM of S\$50 million in Designated Investments at the point of application and throughout the incentive period
- Family office will need to employ a minimum of three investment professionals, of whom at least one is not a family member at the point of application and throughout the incentive period
- Scheme must be approved by the MAS
- Changes in investment strategy must be approved by the MAS
- Subject to a tiered spending requirement with minimum S\$200,000 in local business spending. The overall spending requirements* per year is as follows:
 - S\$500,000 for AUM of S\$50 million and above, but less than S\$100 million
 - S\$1,000,000 for AUM of S\$100 million and above

*Includes eligible donations to local charities and grants to blended finance structures with substantial involvement of financial institutions in Singapore

Tax incentive schemes for SFOs (Cont'd)

Section 13O

Singapore Resident Fund Scheme (formerly 13R)

- Invest lower of S\$10 million or 10% of AUM per year in:
 - Prescribed local investments (i.e. Singapore-listed equities, REITs, business trusts and ETFs, qualifying debt securities, private funds distributed from Singapore-licensed financial institutions, investments into non-listed Singapore-incorporated companies with substantive operating business(es) in Singapore)
 - Climate-related investments
 - Blended finance structures with substantial involvement of financial institutions in Singapore

Investments into certain eligible investments will be scaled up by 1.5x or 2x

- Subject to ownership restrictions or liable for financial penalty restrictions
- Legal form must be a Singapore company and must not have previously carried on business in the country
- Must have a private banking account with a MAS-licensed financial institution at the point of application and throughout the incentive period

Section 13U

Enhanced-Tier Fund Tax Incentive Scheme (formerly 13X)

- Invest lower of S\$10 million or 10% of AUM per year in:
 - Prescribed local investments (i.e. Singapore-listed equities, REITs, business trusts and ETFs, qualifying debt securities, private funds distributed from Singapore-licensed financial institutions, investments into non-listed Singapore-incorporated companies with substantive operating business(es) in Singapore)
 - Climate-related investments
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- Must have a private banking account with a MAS-licensed financial institution at the point of application and throughout the incentive period

Singapore's fund tax incentives are complemented by an exemption on interest withholding tax which can be relied upon by qualifying funds. These qualifying funds are also able to reclaim most of the Singapore Goods and Services Tax ("GST") charged by local suppliers which includes GST which may be charged by a Singapore SFO.

The combination of an exemption from regulation and Singapore's fund tax incentives mean that a Singapore SFO structure can be highly tax-efficient with a relatively low regulatory burden. Where a Singapore company is used to hold the accumulated wealth of a HNW family, this tax efficiency can be further enhanced by the ability to claim benefits under Singapore's extensive network of double taxation agreements.

Why are Singapore SFOs becoming popular amongst HNW families?

A key advantage of a Singapore SFO structure is that it may be easily integrated into almost any type of wealth planning structure.

Singapore is a well-regarded jurisdiction for the establishment and administration of trusts.

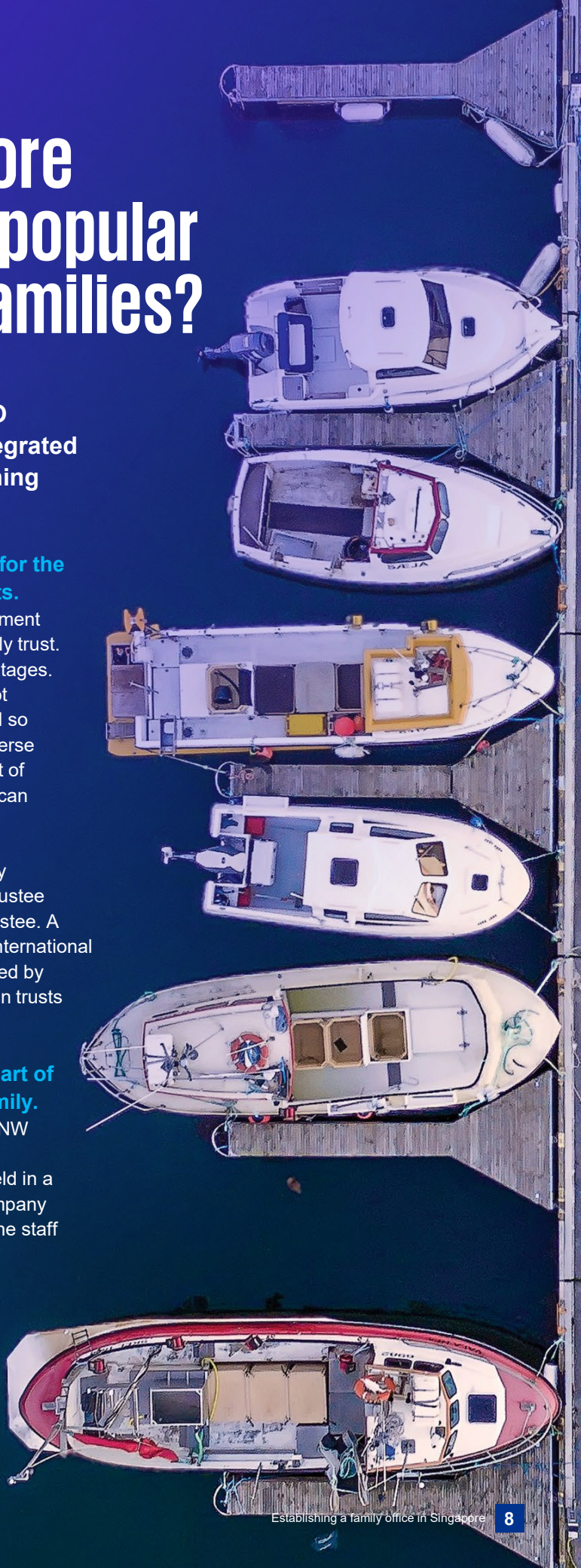
It is common for a Singapore SFO and the investment funds that it manages to be held as part of a family trust. The use of the trust provides a number of advantages. Structured correctly, the assets in the trust are not considered to be owned by a HNW individual and so are much more difficult for a creditor or other adverse party to claim. These assets also do not form part of the estate of a HNW when they pass away. This can have a number of succession planning benefits.

Trusts in Singapore are generally administered by professional trustees with either an institutional trustee or a private trust company being appointed as trustee. A Singapore SFO may also be used as part of an international wealth planning structure which is ultimately owned by foreign succession vehicles. These include foreign trusts and civil law entities such as foundations.

A Singapore SFO may be used as a key part of the philanthropic objectives of a HNW family.

It may be appointed to manage the assets of a HNW family which have been allocated to charitable or philanthropic objectives. These assets may be held in a separate vehicle such as a charitable trust or company limited by guarantee. An SFO may also employ the staff who are responsible for identifying grant-making opportunities and for implementing projects.

There is a wide variety of structuring possibilities and this flexibility is one of the reasons why Singapore SFO structures have become so popular amongst HNW families.



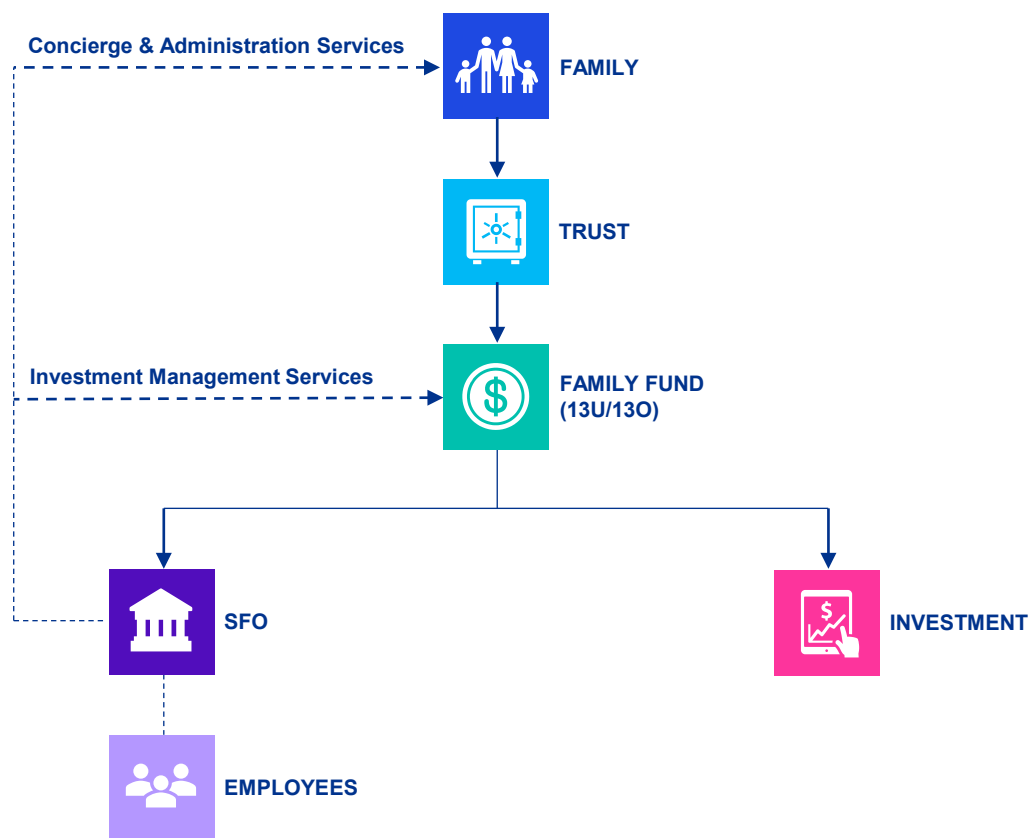
Structuring Considerations

There are a number of important structuring considerations to bear in mind in the development of an SFO managed structure. For example:

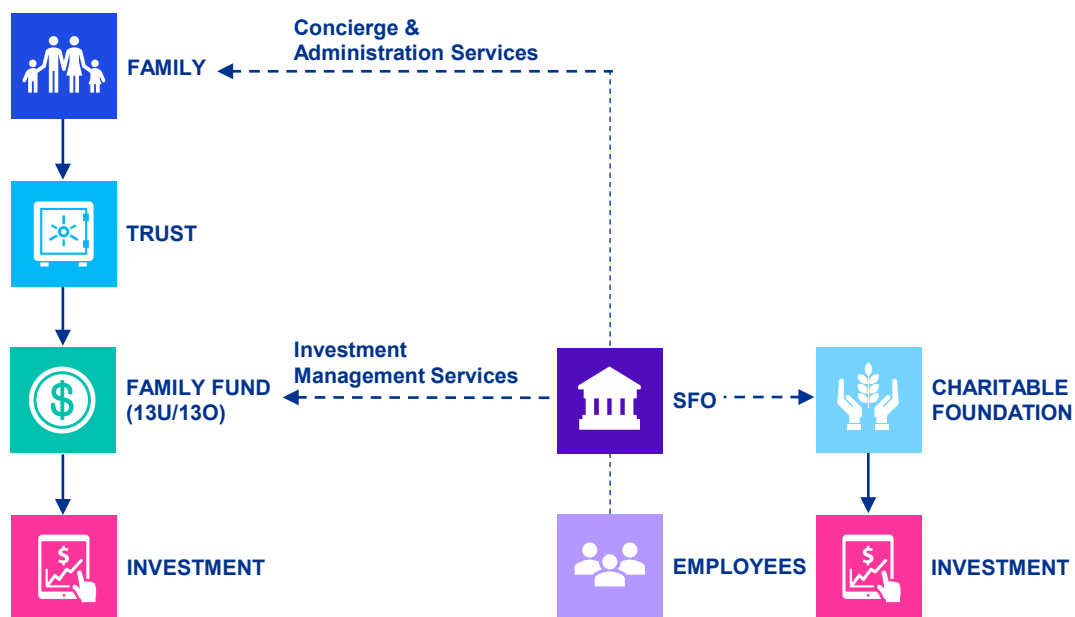
- Will there be foreign gift tax issues associated with a contribution of assets?
- How are the assets in the structure treated for foreign inheritance tax or estate tax purposes?
- What is the most efficient way to own the structure from a foreign tax perspective? In particular, will income be attributed to family members who may have contributed assets?
- Can the SFO structure help as part of a transfer of wealth to the next generation? Does it accommodate the intended governance in relation to the management of assets and the making of distributions to family members?
- Are the assets managed by the SFO protected from adverse creditor or other claims?
- Is further structuring required given the nature of the assets that are to be managed by the SFO?
- How will income and assets be taxed when they are distributed to family members?



SFO structure example 1



SFO structure example 2



*SFO requires a license or an exemption from the MAS



How we can help

Our services:

- Structuring and tax advisory
- Application of tax incentives for Singapore funds involving Sections 13U and 13O
- Corporate governance, regulatory and compliance advisory
- Corporate finance and deal advisory
- Dispute advisory
- Due diligence and transaction support
- Philanthropy consulting
- Corporate secretarial
- Virtual family office – accounting, bookkeeping and payroll
- Statutory and non-statutory audit
- Accounting advisory, including forensic accounting
- Licensing and regulatory compliance
- CRS and FATCA advisory and compliance
- Income tax and GST compliance
- Personal tax and immigration
- Transfer pricing analysis and documentation

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