

# Tax alert

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## Philanthropy Tax Incentive for Family Offices (PTIS)

In his Budget 2023 speech, the Minister of Finance announced the introduction of the Philanthropy Tax Incentive Scheme (PTIS) for qualifying donors with Single Family Offices (SFOs) operating in Singapore. The PTIS will take effect from 1 January 2024. Once approved, the PTIS will be valid for a 5-year period. The scheme currently has a sunset date of 31 December 2028. On 5 July 2023, the Monetary Authority of Singapore (MAS) released its Circular FDD Cir 10/2023 to provide further details on the scheme.

### Overview of the PTIS

The PTIS seeks to encourage greater philanthropic contributions among SFOs and the growth of philanthropic capabilities in Singapore. It is an approval-based scheme administered by the MAS and extended only to SFOs in Singapore that manage funds incentivised under the Section 13O and/or 13U schemes. The PTIS provides some flexibility for the SFO to irrevocably elect a related party (i.e., the ultimate beneficial owner, a beneficiary of the Section 13O / 13U fund, or a Singapore-based related family business) as a qualifying donor in its PTIS application.

Under the PTIS, qualifying donors will be able to enjoy 100% tax deduction for their overseas donations<sup>1</sup> made through specified qualifying local intermediaries<sup>2</sup> for a period of 5 years, capped at 40% of the approved qualifying donor's statutory income. No carry forward of the excess donations are allowed and the excess cannot be used under any tax group reliefs.

### Economic conditions of the PTIS

Applicants are required to appoint and maintain a Singapore tax resident philanthropy professional to manage the philanthropic activities of the family either through direct employment (e.g., hiring of a new professional or pivoting of an existing

headcount to take up this role) or through the use of a Singapore-based external service provider. In addition, the SFO must meet two economic conditions in the financial year that the overseas donations are made:

- 1) Incur an additional S\$200,000 in local business spending (relative to the amount incurred by the SFO in the financial year preceding the date of application); and
- 2) Employ an additional local professional headcount (relative to the number employed by the SFO prior to the date of application); note that this additional headcount may also include the philanthropy professional.



<sup>1</sup> Overseas donations refer to cash donations made towards any charitable, benevolent, or philanthropic purpose with the main purpose of benefiting persons, events, or objects outside Singapore, where donations are as defined in Paragraph 5.1 of the IRAS e-tax guide "Guidance on Tax Deductible Donations".

<sup>2</sup> Includes selected registered and exempt charities with a valid Fundraising for Foreign Charitable Purpose ("FRFCP") Permit, charitable institutions and not-for-profit organisations established by Financial Institutions in Singapore as specified by MAS, selected grantmakers under the Ministry of Culture, Community & Youth's Grantmaker Scheme and other selected entities, as approved by MAS. The list of qualifying local intermediaries will be made available on the MAS website.

## Administrative requirements

Approved qualifying donors must retain the PTIS donation acknowledgement receipt provided by the qualifying local intermediaries for at least 5 years from the relevant year of assessment. This must be submitted to the Inland Revenue Authority of Singapore (IRAS) upon request.

In addition, the SFO will also be required to submit an annual return to the MAS within 4 months of the end of its financial year.

## Our insights

The introduction of PTIS to encourage greater philanthropic giving among SFOs is also in line with other changes introduced on 5 July 2023 by the MAS for SFOs applying for the Section 13O or 13U incentive. This includes allowing eligible donations to local charities and grants to certain blended finance structures to be recognised in the tiered spending requirements and investments in concessional capital in blended finance structures to be scaled up by a multiplier for purposes of meeting the relevant capital requirements. These changes send a clear signal that the government is focused on attracting quality SFOs that are able to support the country's development into a philanthropic hub whilst contributing to the nation's economic growth.

As philanthropic causes and needs grow in complexity, emerging issues may no longer be unique to a specific jurisdiction and donors would welcome flexibility in tax incentives for cross-border giving. With reports citing more than half of Asia's family offices estimated to be located in Singapore, the new PTIS is a positive step forward to encourage the unlocking of philanthropic capital from Singapore and building upon Singapore's aspirations to become a regional centre for philanthropy.

That said, it could take time for these efforts to yield

the results that are being sought after. Whilst the PTIS comes along with conditions which could provide local economic spinoffs and local job opportunities in the philanthropy advisory space, the spending and headcount requirements are an incremental one, which could be hard in practice for SFOs to achieve. Typically, it would require a relatively large and mature SFO to commit to the requirements set out in the PTIS. Not many SFOs in Singapore are currently focused on philanthropy as they are still predominantly allocating capital to traditional and alternative asset classes.

However, the current changes may pave the way in attracting family offices to deploy capital to purposeful causes and the industry look forward to the implementation of other non-tax related initiatives to further support the development of the philanthropic ecosystem in Singapore.

## How we can help

As a committed advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

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- Corporate finance and deal advisory
- Dispute advisory
- Due diligence and transaction support
- Virtual family office – accounting, bookkeeping and payroll
- Statutory and non-statutory audit
- Licensing and regulatory compliance



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KPMG's tax alerts highlight the latest tax developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time-sensitive, it is advisable to make plans accordingly.

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