

Tax Incentives for Funds in Singapore

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Tax incentives for Funds and Fund Managers in Singapore

Singapore is a key location for fund managers of private equity, real estate and hedge funds to be based in, especially for investments into the Asia Pacific region. Singapore is also increasingly being used as the preferred location for fund vehicles (“funds”).

The outstanding growth of the fund management industry in Singapore can be attributed to several factors, including the ease of doing business in Singapore and attractive tax incentives for funds and fund managers. Outside of the international offshore centres such as the Cayman Islands, Singapore is regarded as having one of the most attractive tax regimes for funds and fund managers.

Singapore tax exposure to 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 liability could be eliminated under Singapore’s tax incentive schemes for funds provided that certain conditions are met.

Tax incentive schemes in Singapore for funds

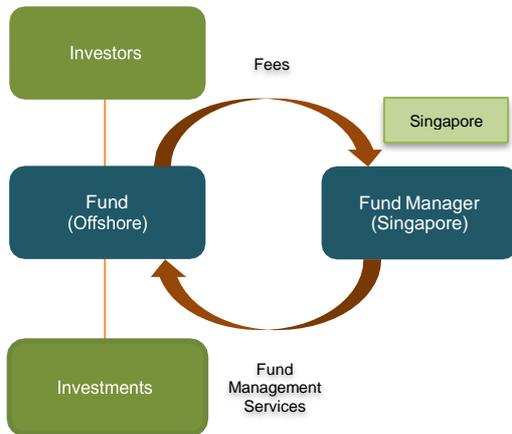
There are tax incentive schemes applicable to funds managed by fund managers in Singapore under which “specified income” (includes gains) derived by the fund from “designated investments” is exempt from tax. The list of designated investments covers a wide range of investments, including stocks, shares, securities and derivatives. A key exclusion is immovable property in Singapore.

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. The three main tax exemption schemes for funds currently available until 31 March 2019 in Singapore are:

- 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]

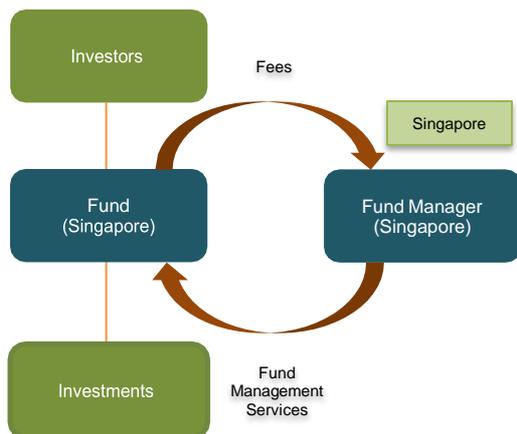
The key features and conditions of these tax incentive schemes are summarised below. This summary should not be regarded as a complete analysis of all the tax considerations relating to this area. We would recommend that specific advice should be taken in relation to any intended activities in Singapore.

1) The Offshore Fund Tax Exemption Scheme [Section 13CA]



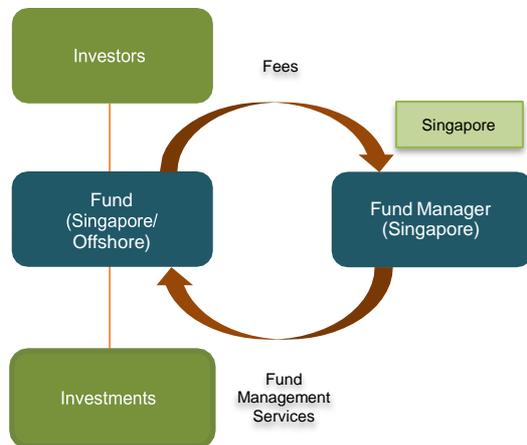
- Fund's legal form: Companies, trusts and individuals. A limited partnership cannot be a qualifying offshore fund since it is treated as a transparent entity for Singapore tax purposes. The partners in such limited partnerships would need to meet the qualifying conditions.
- Fund's residence: Must not be resident in Singapore, must not have any presence in Singapore and must not be 100% beneficially owned, directly or indirectly, by Singapore investors.
- Fund manager: Singapore-based and registered with the MAS or holding a CMS licence.
- Investors: Non-qualifying investors (i.e. Singapore non-individuals investing above a certain percentage in the fund) would need to pay a penalty (effectively a tax although it is not called tax) to the Singapore tax authorities.
- Distinctive features: No approval needed from the MAS.

2) The Onshore Fund Tax Exemption Scheme [Section 13R]



- Fund's legal form: Company incorporated in Singapore.
- Fund's residence: Singapore.
- The onshore fund must not be 100% beneficially owned by Singapore investors (excluding another approved fund holding 100% of the shares in the onshore fund).
- Fund manager: Singapore-based and registered with the MAS or holding a CMS licence.
- Additional requirements:
 - At least S\$200k local business spending per year.
 - Singapore-based fund administrator
 - No change in investment strategy after approval
- Investors: Non-qualifying investors (i.e. Singapore non-individuals investing above a certain percentage in the fund) would need to pay a penalty (effectively a tax although it is not called tax) to the Singapore tax authorities.
- Approval requirement: Approval from the MAS.
- Distinctive features: Access to the Singapore Double Tax Treaty network (currently over 80 treaties in force).

3) The Enhanced Tier Fund Tax Exemption Scheme [Section 13X]



- Fund's legal form: Company, trust (exceptions apply) and limited partnerships (no look-through).
- Fund's residence: Can be offshore or onshore.
- Fund manager: Singapore-based and registered with the MAS or holding a CMS licence.
- Additional requirements:
 - Minimum fund size of S\$50 million
 - At least S\$200k local business spending per year
 - Singapore-based fund administrator if the fund is a Singapore incorporated and resident company
 - No change in investment strategy after approval
 - No other tax incentives enjoyed
- A component of payments made to the fund manager must be charged based on the committed capital (i.e. undrawn amounts included)
- Investors: No restrictions.
- Approval requirement: Approval from the MAS.
- Distinctive features: Can apply to onshore and offshore limited partnerships as well as companies. Can also apply to a Master-Feeder structure, i.e., both funds would be covered without being required to meet all the conditions separately

4) Fund Management Incentive

Fee income derived by a Singapore fund manager from managing or advising a fund is subject to Singapore income tax at the prevailing corporate income tax rate (currently 17%). However, under the Financial Sector Incentive Fund Management scheme, a concessionary tax rate of 10% applies on fee income derived by an approved Singapore fund manager from the provision of fund management or investment advisory services to a qualifying fund in respect of designated investments.

The incentive is subject to application and negotiation with the MAS. For new applicants to qualify for a minimum five year award, the general qualifying criteria are as follows:

- a) the fund manager must be registered with the MAS or hold a CMS licence in respect of its fund management activities; and
- b) the fund manager must have at least three investment professional employees.

The MAS may also consider other factors, for example, projections for growth in professional headcount, assets under management and business spending when considering the granting of the incentive.

Our Team



Peter Milnes
Managing Director

Rawlinson & Hunter's Singapore office is headed by our resident Director Peter Milnes. He has over 10 years of international experience focused in Asia and the Middle East. Peter has extensive experience in statutory accounting in Singapore, Thailand, Indonesia, UK, US, and France, as well as in depth knowledge of trust accounting and structuring in various jurisdictions.

Familiar with management reporting in both large MNC's and smaller organisations, Peter has a unique skill base and understanding of the accounting and structuring requirements of large organisations and boutique enterprises & family offices.

Peter is a Fellow Management Accountant (FCMA/CGMA) and a Chartered Accountant of Singapore, with degrees in Economics and Economic History, and has wide-ranging experience working for family offices and major financial institutions.



Herdin Syafari
Tax Director

Herdin has more than 16 years' experience in Indonesian and International tax consultancy having previously worked for one of the "Big 4" accounting firms for 11 years. Serving multinational clients from various industries, Herdin also has 5 years of experience working as Head of International Tax Department in Indonesia's largest public energy company.

In addition, Herdin is a certified Indonesian Customs and Trade consultant, with a Customs Certification from the Indonesian Ministry of Finance. He has been involved in various customs projects from master list facility application, due diligence, audits and appeals assistance in the tax and customs courts.

Herdin has a Masters Degree in Business Administration (MBA) from the University of Bath, United Kingdom. He is a Certified Indonesian Tax Consultant, Certified Indonesian Customs Expert and holds a License of Tax Power of Attorney for Tax and Customs Appeal in the Indonesian Tax Courts.

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The international structure of Rawlinson & Hunter is unique, both in the way that it operates and in the extensive scope of the financial services that it provides. Our structure gives the client the best of both worlds - an organisation that encourages a close working relationship between client and partner and one that gives immediate access to eleven international offices.

This special relationship stems from the partners in the various offices having worked very closely together over a considerable number of years and from each believing that their clients must be given the best possible service. This enables transactions involving more than one Rawlinson & Hunter office to be effected more quickly, efficiently and professionally than by many other, larger organisations.

Our unique structure allows clients access to the individual advantages and specialist services available in ten different international offices and every office can draw on the expertise and specialist resources available in the rest of the group. All our offices have excellent relationships with leading lawyers, bankers and investment managers in most of the world's major financial centres



Internationally, our network of offices include: Australia, Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Jersey, New Zealand, Switzerland (Zurich and Geneva), Singapore and the United Kingdom.

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