BUDGET UPDATES TO TAX INCENTIVES FOR FUNDS IN SINGAPORE

February 2019

The **Singapore Budget 2019** was delivered by Finance Minister Heng Swee Keat on 18 February 2019. Given that the three main tax exemption schemes for Qualifying Funds (i.e. Sections 13CA, 13R and 13X schemes) are due to lapse after 31 March 2019, the tax-related changes came as no surprise to most.

With a view to grow Singapore as an asset and wealth management hub, the tax concessions relating to Qualifying Funds (including GST remission) will be extended to **31 December 2024.** In particular, the qualifying conditions for Section 13X scheme remain unchanged. These include employing at least three investment professionals, a minimum fund size of S$50 million and minimum local business spending of S$200,000 per year.

Other key refinements to the Sections 13CA, 13R and 13X schemes are as follows:

- Basic tier fund (Sections 13CA and 13R schemes) – Previously, the fund could not be 100% beneficially owned by Singapore citizen or resident individuals, resident companies or Singapore PE of a non-resident company. This condition has been removed with effect from Year of Assessment 2020.

- Enhanced tier fund (Section 13X scheme) – Flexibility in structure has been enhanced to include co-investments, non-company SPVs and more than two tiers of SPVs. Debt and credit funds will be able to access the "committed capital concession" enabling the fund to meet the minimum size criteria based on committed and not drawn-down capital (previously available to private equity, real estate and infrastructure funds). Managed accounts will be able to access 13X, being a dedicated investment account where an investor places funds directly with a fund manager without use of a separate vehicle.

- Designated Investments ("DI") – The specific list of DI has been slightly expanded by the addition of certain investments and removal of some restrictions.

- Specified Income ("SI") – The list of SI has been enhanced to include Singapore-sourced interest income which was previously a notable exclusion.

- Qualifying non-resident funds under Sections 13CA and 13X will be able to enjoy a 10% concessionary tax rate when receiving distributions from S-REITs and REITs ETFs.

Specific tax briefings are published on our website including "Tax incentives for Funds in Singapore" and "Singapore Variable Capital Companies" in August 2018 and February 2019 respectively.

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