

Important Changes to Singapore's Section 130 and Section 13U Tax Incentive Schemes

May 2022

On 11 April 2022, the Monetary Authority of Singapore (MAS) announced updated conditions for family offices that wish to apply for the Section 130 (formerly known as 13R) and Section 13U (formerly known as 13X) tax incentive schemes. These conditions came into effect on 18 April 2022.

The updated conditions apply to fund vehicles that are managed or advised directly by a family office that a) is an exempt fund management company, which manages assets for or on behalf of the family, and b) is wholly owned or controlled by members of the same family.

The key changes for new applicants are:

- Higher minimum assets under management (AUM) for Section 130, increasing from no minimum requirement to S\$10 million. The minimum AUM for Section 13U remains at S\$50 million
- Increased minimum business spending according to a tiered framework depending on AUM size
- Requirement to employ investment professionals (IPs) who are Singapore tax residents (increasing from one to two IPs for Section 130; Section 13U remains at three IPs, but at least one of them needs to be a non-family member)
- Introduction of a new requirement for Section 130 and 13U funds to make local investments

Details of the Updated Conditions

The new conditions will not apply to investment funds set up by other types of applicants, for example funds managed by licensed fund managers, such as multi-family offices and institutional fund managers. Additionally, the conditions do not apply to fund vehicles that hold assets for or on behalf of third parties outside of the family which owns or controls the fund vehicles.

The updated conditions are summarised on the next page.

How We Can Assist

Our team has significant experience in helping clients structure their family office. We provide a wide range of services to cater to all their needs, from the establishment of a trust, to creating a family office company and/or asset holding company, to providing ongoing corporate and fund administration. Please contact our team at singapore@tridenttrust.com if you have any questions regarding the updated conditions or the application process for Section 130 and Section 13U.

These guidelines should be read in conjunction with the income tax legislation for S130 and S13U tax incentive schemes, the Income Tax Act 1947.

Criteria	Section 130 (formerly known as 13R)	Section 13U (formerly known as 13X)
Minimum Assets under Management (AUM) ¹	<ul style="list-style-type: none"> - The fund has a minimum fund size of S\$10 million at the point of application - The fund commits to increasing its AUM to S\$20 million within a two-year grace period 	<ul style="list-style-type: none"> - The fund has a minimum fund size of S\$50 million at the point of application
Minimum Total Business Spending (TBS)/ Local Business Spending (LBS)	<p>The fund will incur at least S\$200,000 in TBS² in each basis period relating to any year of assessment, but is subject to the tiered business spending framework³:</p> <ul style="list-style-type: none"> ▪ S\$200,000 with AUM of less than S\$50 million ▪ S\$500,000 with AUM from S\$50 million up to S\$100 million ▪ S\$1 million with AUM equal to and above S\$100 million 	<ul style="list-style-type: none"> - The fund will incur at least S\$500,000 in LBS² in each basis period relating to any year of assessment, but is subject to the tiered business spending framework³: ▪ S\$500,000 with AUM of less than S\$50 million ▪ S\$500,000 with AUM from S\$50 million up to S\$100 million ▪ S\$1 million with AUM equal to and above S\$100 million
Investment Professionals (IPs) ⁴	<ul style="list-style-type: none"> - The fund is managed or advised directly throughout each basis period relating to any year of assessment by a family office in Singapore, where the family office employs at least two IPs⁵ - A one-year grace period can be given to employ the second IP if this requirement is not met at the point of application 	<ul style="list-style-type: none"> - The fund is managed or advised directly throughout each basis period relating to any year of assessment by a family office in Singapore, where the family office employs at least three IPs,⁵ with at least one IP being a non-family member⁶ - A one-year grace period can be given to employ the non-family member as an IP if this requirement is not met at the point of application
Local Investment	<p>The fund managed by the family office will invest at least 10% of its AUM or S\$10 million (whichever is lower) in local investments at any one point in time but with a one-year grace period from the point of application to make the local investments.</p> <p>Local investments include the following:</p> <ul style="list-style-type: none"> - Equities listed on Singapore-licensed exchanges - Qualifying debt securities - Funds distributed by Singapore-licensed and/or registered fund managers - Private equity investments into non-listed Singapore-incorporated companies with operating business(es) in Singapore 	

1 AUM refers to the net asset value based on accounting conventions.

2 TBS/LBS: According to accounting principles, expenses incurred should relate to the operating activities of the fund (as opposed to financing activities). Typical expenditures include, but are not limited to, remuneration, management fees, tax advisory fees and operating costs.

3 Minimum business spending will be based on the AUM of the fund at the end of the reporting period.

4 An individual must be a Singapore tax resident to be considered an investment professional.

5 "Investment professionals" refer to portfolio managers, research analysts and traders who are earning more than S\$3,500 per month and must be substantially engaged in the qualifying activity.

6 "Non-family members" refer to an individual who is not a family member of the beneficial owner(s). "Family members" may refer to individuals who are lineal descendants from a single ancestor, as well as the spouses, ex-spouses, adopted children and stepchildren of these individuals.

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