



Singapore is an attractive base for family offices due to its status as a financial hub situated in Southeast Asia. High net worth individuals in the city state have access to a range of investment/private banks and financial institutions, and the ease of investing is underpinned by a pro business environment, political stability and legal certainty. While SFOs are not formally defined nor regulated by the Monetary Authority of Singapore (MAS), they are eligible for licensing exemptions and tax incentives provided that they meet certain criteria.

This business primer will give you what you need to know about family offices in Singapore, and what to look out for when consulting various professionals (i.e legal, compliance, tax).

WHAT IS A SINGLE FAMILY OFFICE

Single Family Offices (SFOs) are not legally defined by MAS, but it states that the term generally refers to an entity controlled by members of a family, for the purposes of managing that family's funds and assets. Activities that a family office may engage in include investment management, advisory services and tax planning (among others), thus allowing for a tailored vehicle that ensures multigenerational wealth over a long period of time.

According to GYK

What are Family Offices?

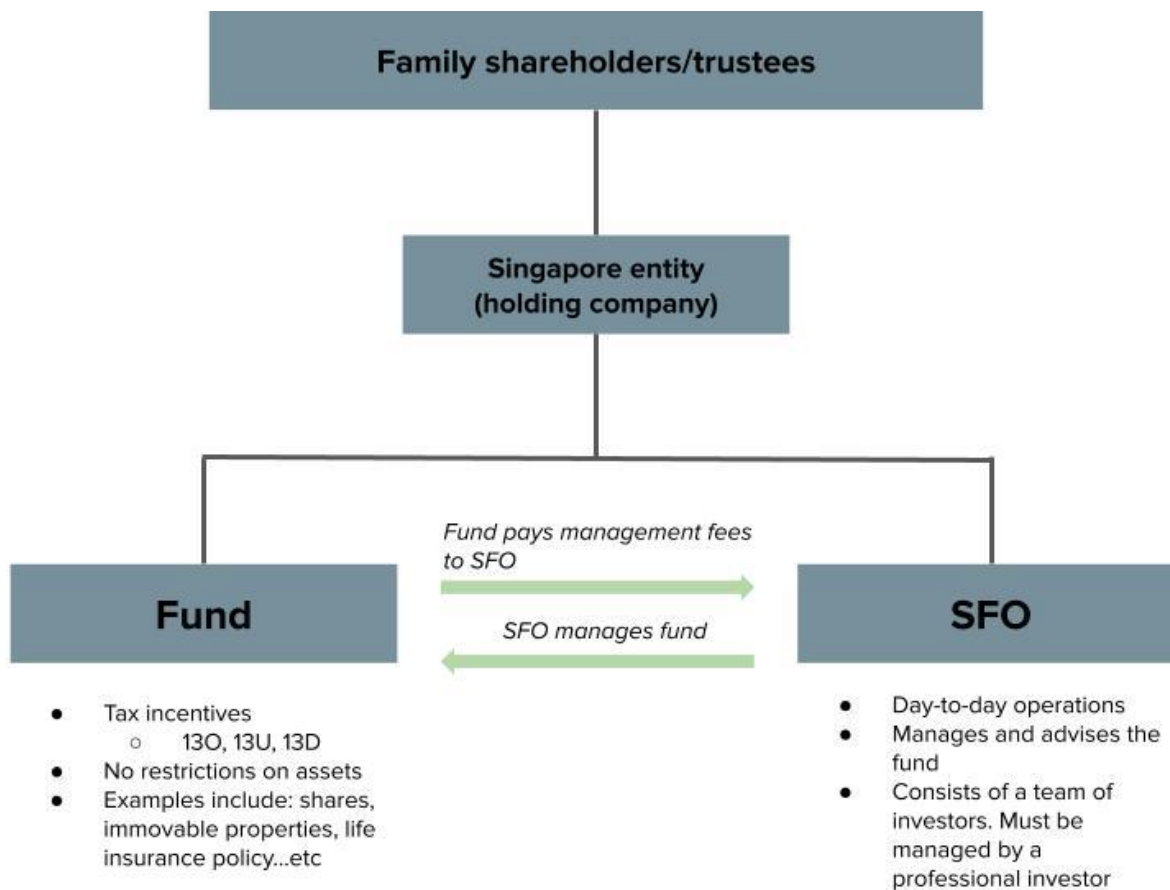
- Family offices are private wealth management advisory firms that serve ultra-high-net-worth individuals (“UHNWI”). They are distinct from traditional wealth management shops in that they offer a total outsourced solution to managing the financial and investment side of an affluent individual or family. This is with the goal being to effectively seize opportunities, manage risk, transfer wealth across generations and protect family legacy.

According to MAS (FAQs)

- The term ‘single family office’ is not defined under the SFA. [...]
 - It is not MAS’ intention to license or regulate SFOs. There are existing class exemptions from licensing under the SFA and FAA for the provision of fund management and financial advisory services respectively to related corporations.
 - The term ‘single family office’ is not defined under the [SFA \(Securities and Futures Act\)](#). An SFO typically refers to an entity which manages assets for or on behalf of only one family and is wholly owned or controlled by members of the same family. The term ‘family’ in this context may refer to individuals who are lineal descendants from a single ancestor, as well as the spouses, ex-spouses, adopted children and step children of these individuals.
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STRUCTURING A SINGLE FAMILY OFFICE IN SINGAPORE

In most SFO structures, the actual “family office” is an entity that manages the day-to-day operations/services to the family served. An example of a family office structure in Singapore can be summed up below:



The structure above illustrates the SFO as a “related corporation” to the family’s investment fund. This is ideal because SFOs are eligible for licensing exemptions ([Capital Markets Services Licence](#)) by operating where “*a corporation which carries on business in fund management for or on behalf of any of its related corporations*”. This is stated in [paragraph 5\(1\)\(b\) of the Second Schedule to the SF\(LCB\)R \[Securities and Futures \(Licensing and Conduct of Business\) Regulations\]](#). In this scenario, the investment fund should ideally be 100% owned by the holding company.

FinReg business tip:

This structure will likely exempt you from MAS’ licensing requirements. However, do consult a legal professional to advise you on how best to structure your SFO based on your family’s financial needs.

VARIABLE CAPITAL COMPANY (VCC)

Another legal structure you may consider is the Variable Capital Company (VCC). The VCC is a new corporate structure introduced in 2021 to make investment management easier as it is able to accommodate a variety of investment strategies.

As its name suggests, the entity has a variable capital structure – allowing for the flexible issuance and redemption of shares. It can be constituted as a single fund or as an umbrella of multiple sub-funds for asset segregation.

Family Offices might be wondering if this is a possible option for them. Unfortunately, the VCC framework was not conceived with Family Offices in mind. All VCCs must be managed by a Permissible Fund Manager. Permissible Fund Managers must be licensed, and families who opt for the flexibility of the VCC **will not be eligible for the licensing exemption detailed in the next section. They will also be subject to much stricter requirements and regulations as they would have to operate as a conventional company offering financial services.**

According to ACRA

Generally, a VCC will have to be managed by a fund manager which is

- **a licensed fund management company** (i.e. a holder of a capital markets services licence for fund management under section 86 of the Securities and Futures Act (Cap. 289)),
- **a registered fund management company** (i.e. a corporation exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations)
- or a person exempted under the Section 99(1)(a), (b), (c), or (d) of the Securities and Futures Act (Cap. 289) from the requirement to hold a capital markets services licence to carry on business in fund management
 - (i.e. a **bank licensed** under the Banking Act (Cap. 19), a **merchant bank** approved under the Monetary Authority of Singapore Act (Cap. 186), a **finance company** licensed under the Finance Companies Act (Cap. 108), or a **company or cooperative society licensed under the Insurance Act** (Cap. 142)).

FinReg business tip:

While MAS did consider amending the VCC to accommodate Family Offices by relaxing the requirement on Permissible Fund Managers as early as December 2020, they have yet to take any action. Hence, it is unlikely that there will be any such change in the near future. Talk to a legal professional to determine if a VCC is suitable for you.

APPLICATION FOR EXEMPTION

Exemption from holding a Capital Markets Services licence means not having to adhere to strict requirements. As an SFO, you are able to qualify for an exemption.

In order to formally qualify for an SFO exemption (once your SFO structure follows the applicable exemption requirements under the SF(LCB)R) you will need to submit an application to MAS. What you will need to provide is as follows.

According to MAS (FAQs)

- **An entity that is in substance managing funds on behalf of a single family only, but that does not fall neatly within the scope of existing class licensing exemptions may seek a licensing exemption from MAS under section 99(1)(h) of the SFA.**
- The following information would be useful to facilitate MAS' assessment of such an application for exemption to be an SFO:
 - Names of the shareholders and directors of the SFO;
 - A chart depicting the shareholding structure of the SFO;
 - A description of how the SFO is related to the investment fund vehicle and the family/beneficiaries;
 - A description of the profile of the family whose assets will be managed by the SFO; and.
 - A description of the nature of activities to be carried out by the SFO.
- MAS considers the following arrangements to be broadly typical of SFO arrangements. An SFO which has (or plans to have) these arrangements is advised to include the information when applying for licensing exemption:
 - Where there is no common holding company, but the assets managed by the SFO are held directly by natural persons of a single family;
 - Where assets are held under a discretionary trust, the settlor of the trust and the beneficiaries are members of the same family;
 - Where a family trust is set up for charitable purposes, the charitable trusts are funded exclusively by settlor(s) from a single family;
 - Where non-family members such as key employees of the SFO are shareholders in the SFO for the purpose of alignment of economic interest and risk-sharing, the initial assets and additional injection of funds are funded exclusively by a single family.

MAS may take between **2 and 4 months** to review an application for licensing exemption, depending on the complexity of the arrangement, quality of the information submitted, and responsiveness of the applicant. **Applicants should submit**

their application via go.gov.sg/sfo.

TAX INCENTIVES

As a SFO, you will also be eligible for various tax exemption schemes available to funds managed by fund managers in Singapore. These are prescribed under the Income Tax Act 1947.

Tax exemption schemes:

- Onshore fund tax exemption scheme **section 13O** (formerly 13R)
- Enhanced tier fund tax exemption scheme **section 13U** (formerly 13X)
- Offshore fund tax exemption scheme **section 13D** (formerly 13CA)
 - Applies where the SFO fund is an offshore entity

The 13O, 13U and 13D schemes exempt your fund from tax on “specified income from designated investments”, including capital gains tax. Any fund that qualifies for the above exemptions (until 31 December 2024) may enjoy tax exemption for the life of the fund subject to the fund meeting the criteria set out below.

	13O Scheme	13U Scheme	13D Scheme
Jurisdiction of incorporation	Singapore	No restriction	Must be offshore Must not be resident in SG No presence in SG
Minimum Assets Under Management (AUM)	S\$10 million at point of application Growth in AUM to S\$20 million within a 2-year grace period	S\$50 million at point of application	None
Minimum Investment Professionals (IP) employed by the SFO who are Singapore tax residents	2 (1 year grace period between 1st and second IP)	3, with at least 1 being a non-family member (1 year grace period to hire a non-family member)	None
Local Investments	At least 10% of the fund’s AUM or S\$10m, whichever is lower, ‘at any one point in time’ <ul style="list-style-type: none"> • This appears to be an ongoing requirement but if it cannot be met at the point of application, a grace period of 1 year may be 		None

- given
- Local investments include
- Equities listed on Singapore-licensed exchanges
 - Qualifying debt securities
 - Funds distributed by Singapore-licensed/registered fund managers
 - Private equity investments into non-listed Singapore-incorporated companies (with operating business in Singapore)

There is also a minimum business spending criteria depending on your SFOs AUM.

	13O Scheme	13U Scheme	13D
Fund AUM:	Total business spending per year	Local business spending per year	No minimum spending
• <S\$50 million	S\$200,000	S\$500,000	
• S\$50 million ≤ AUM < S\$100 million	S\$500,000		
• AUM ≥ S\$100 million	S\$1 million		

FinReg business tip:

As of 18 April 2022, amendments have been made to the 13U and 13O tax incentives by MAS to increase the quality and professionalism of the Family Office sector. Applications submitted/approved before this date will not be affected, while applications submitted after the 18th will be subject to the new criteria.

Tax payable:

Companies in Singapore without any tax exemptions, or earning income from any non-tax exempt investments will have to pay an income tax of **17%** (flat rate) on taxable income, after the deduction of eligible expenses.

A non-exhaustive list of deductible and non-deductible business expenses can be found on the IRAS website [here](#).

Do check if there are any other rebates or concessions that may apply to your specific business. For instance, as Singapore is trying to strengthen the fund management industry, there are tax incentives for funds managed by Singapore-based Fund Managers.

Note that even if the Family Office is eligible under the tax exemption schemes detailed above, and even if they calculate their taxable income to be \$0, **annual tax returns must still be filed with the Inland Revenue Authority of Singapore (IRAS)**. Singapore uses the preceding year basis for taxation. Hence the chargeable income tax is assessed based on the financial accounts of the previous fiscal year.

Family Offices must also adhere to the recordkeeping requirements stipulated by IRAS, maintaining records of its financial transactions for a minimum of 5 years from the relevant year of tax assessment. This is similar to the current requirement to retain business records for 5 years under [section 199\(2\) the Companies' Act](#). The Family Office will also have to abide by the other statutory requirements for recordkeeping under the legislation of their relevant legal entity – Companies Act for companies, Limited Partnership Act for limited partnerships, etc.

SETTING UP A SFO IN SINGAPORE

Setting up a Single Family Office in Singapore essentially means setting up a fund structure with the aforementioned SFO and tax exemptions, while taking into account the needs of the family. Apart from that, the rest is similar to setting up a legal entity, where you will need to incorporate, conduct due diligence, submit applications and employ the relevant directors/staff.

That being said, it is essential that you structure your SFO according to the needs of your family's wealth. Do consult a professional to advise you on how best to proceed.

A rough timeline on what you can expect in setting up an SFO in Singapore can be summed up below (non-exhaustive):

- ☐ Incorporate the relevant entities + due diligence + ACRA submissions
 - ☐ Holding company
 - ☐ Fund management company
 - ☐ Single Family Office entity
- ☐ Settle company requirements
 - ☐ Company secretary
 - ☐ Tax + accounting
 - ☐ Corporate governance
 - ☐ Staffing requirements (i.e employment passes)

- ☐ *Submission to MAS for SFO exemption
 - ☐ Due diligence
 - ☐ Business plans
 - ☐ Other relevant documentation
- ☐ *Submission to MAS for 13U, 13O and/or 13D tax exemption incentives
- ☐ *Submission to Ministry of Manpower (MOM) regarding employment of staff and relocation of family members

* *Essential to SFO entity*

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