

Tax

Tax Exemption Schemes for Single Family Offices: Updates to S13O & S13U Application Criteria and Launch of New Philanthropy Scheme

The Monetary Authority of Singapore ("**MAS**") has implemented the following two key changes to tax schemes related to single family office ("**SFO**").

Updates to S13O & S13U Application Criteria

On 5 July 2023, MAS announced changes to the qualifying criteria for SFO fund vehicles applying for the tax exemptions under sections 13O and 13U of the Income Tax Act 1947 ("**ITA**"). The changes seek to encourage the meaningful deployment of capital and bolster the development and sophistication of Singapore's asset and wealth management industry.

Among the key changes are:

- (a) removal of the two-year grace period after the point of application to enable applicants to satisfy the minimum requirements for the tax incentive schemes;
- (b) clarification that the minimum assets under management (AUM) must now be deployed in Designated Investments, as defined in the Income Tax (Exemption of Income of Prescribed Persons Arising from Funds Managed by the Fund Manager in Singapore) Regulations 2010;
- (c) amendments to the computation of the Tiered Spending Requirement (TSR), such as the exclusion of non-local business spending and the inclusion of eligible donations to local charities;
- (d) expansion of investment options that will be included in the computation of the Capital Deployment Requirement (CDR), with certain investments to be scaled up by a multiplier; and
- (e) for the section 13O tax incentive scheme, applicants must now be managed by a SFO that employs at least two investment professionals, of whom at least one shall not be a family member of the ultimate beneficial owner(s).

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The new application criteria apply to new applicants who have submitted the Annex A preliminary submissions to MAS from 5 July 2023 onwards. However, these changes only affect family-owned fund vehicles which are exempt from Capital Markets Services (CMS) licensing requirements and manage assets for the same family. The application criteria for other applicants, such as family-owned funds managed by MAS-licensed fund managers, remains unchanged.

Launch of Philanthropy Tax Incentive Scheme

Separate from the section 13O and section 13U schemes, MAS launched the Philanthropy Tax Incentive Scheme on 5 July 2023 to encourage SFOs to use Singapore as a base for overseas philanthropy.

- (a) A **100% tax deduction is granted for Overseas Donations** (namely, cash donations made towards any charitable, benevolent, or philanthropic purpose whose main objective is to benefit persons, events or objects outside of Singapore, where donations are as defined in Paragraph 5.1 of IRAS' e-Tax Guide – Guidance on Tax Deductible Donations). This is capped at 40% of the Donor's statutory income.
- (b) **Qualifying SFOs managing section 13O/U funds** must:
 - appoint and maintain a philanthropy professional (whether in-house or outsourced);
 - incur additional local business spending of S\$200,000; and
 - employ an additional local Professional headcount.
- (c) **SFOs may only select one eligible recipient over five years** to receive the tax deduction.
- (d) MAS has stipulated **qualifying local intermediaries**, such as selected registered and exempt charities with a valid Fundraising for Foreign Charitable Purpose (FRFCP) Permit.

Click on the following links for more information:

- [Rajah & Tann Singapore July 2023 Legal Update titled "Updates to S13O & S13U Application Criteria for Family Offices"](#)
- [MAS Schemes and Initiatives "Launch of the Philanthropy Tax Incentive Scheme"](#) (available on the MAS website at www.mas.gov.sg)

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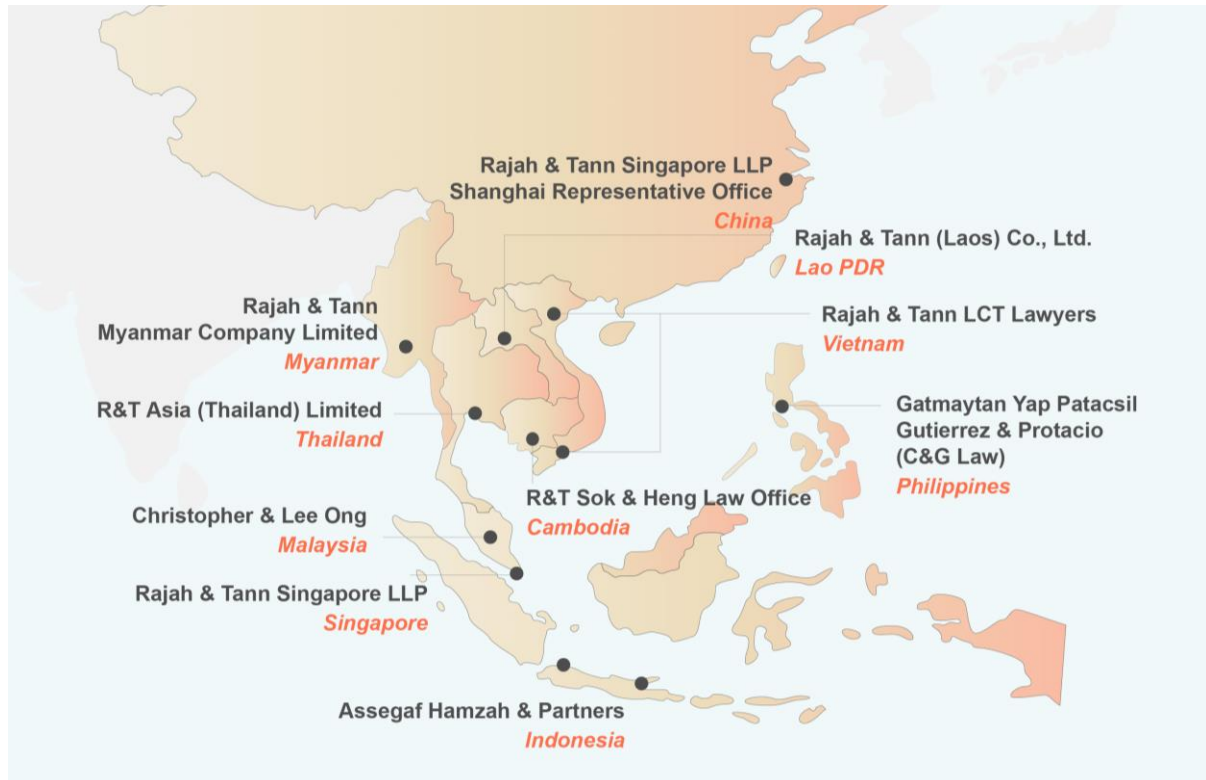
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