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New Screening Report Requirement for S13O, S13U Tax Incentive Applications by Family Offices

Introduction

In December 2023, the Monetary Authority of Singapore ("**MAS**") [extended the scope of due diligence checks](#) to a wider group of individuals and entities associated with family offices who are applying for tax incentives. Depending on the screening results, applicants may be required to provide further documents to support their application.

On 5 August 2024, MAS [published a list of specialist firms](#) that may conduct these screening checks on family offices ("**Screening Service Providers**") for money laundering and terrorism financing ("**ML/TF**") risks. It also stipulated that all new tax incentive applications for fund vehicles managed by family offices must be accompanied by a screening report issued by a Screening Service Provider, beginning from 1 October 2024.

This new requirement is part of a series of moves by MAS to heighten regulatory scrutiny of family offices, with a focus on money laundering risks. In this Update, we look at the new requirement and comment on the broader context of its implementation.

Background

Sections 13O and 13U of the Income Tax Act 1947 provide for tax exemptions to fund vehicles managed by Singapore-based fund managers, including family offices ("**S13O and S13U Schemes**"). To be approved for the S13O or S13U Schemes, fund vehicles managed by family offices must meet certain criteria in relation to:

- (a) assets under management;
- (b) investment professionals;
- (c) business spending;
- (d) capital deployment; and
- (e) maintaining private banking accounts.

The qualifying criteria were last updated on 5 July 2023, which we covered in our July 2023 Legal Update titled "[Updates to S13O & S13U Application Criteria for Family Offices](#)".



Client Update: Singapore

2024 AUGUST

Tax | Private Client | Financial Institutions Group

New Requirement

What is the new requirement and who does it apply to?

From 1 October 2024 onwards, all new tax incentive applications by fund vehicles managed by family offices for the S13O and S13U schemes must be accompanied by a screening report. The screening checks are targeted at identifying ML/TF risks.

The screening report must be issued by a Screening Service Provider on the list published by MAS as follows:

- (a) Avvanz Pte. Ltd. (cdd.cs@avvanz.com);
- (b) BDO Advisory Pte. Ltd. (info-fs@bdo.com.sg);
- (c) DC Frontiers Pte. Ltd. (duediligence@handshakes.ai);
- (d) Ernst & Young Advisory Pte. Ltd. (screening@sg.ey.com);
- (e) KPMG Services Pte. Ltd. (sg-fmkpmgscreensvcs@kpmg.com.sg); and
- (f) PricewaterhouseCoopers Professional Services Pte. Ltd. (foss@awms.sg.pwc.com).

Applicants should directly contact Screening Service Providers for more information on their services, including the estimated costs.

How long will it take to issue a screening report?

The screening process is likely to take around two weeks. Applicants should take this timeframe into consideration when applying for the S13O or S13U Schemes.

Concluding Remarks

The issue of ML/TF risks has been thrust into the spotlight by the [S\\$3 billion money laundering case](#) uncovered in August 2023, with [six family offices linked to the scandal having received tax incentives](#). Since then, and even before the case emerged, MAS has been intensifying its scrutiny of family offices for ML/TF risks.

In July 2023, MAS held a public consultation on a proposed framework for single family offices ("**SFOs**"). The consultation included proposed requirements to ensure that all SFOs, regardless of whether they apply for tax incentives, are subject to strict anti-money laundering controls. For more details, please see our August 2023 Legal Update titled "[MAS Consults on Revised Licensing Exemption Framework, New Notification and Annual Reporting Requirements for Single Family Offices](#)".

In the [3 October 2023 supporting statement](#) by Minister of State, Ministry of Trade and Industry, and Board Member of MAS Mr Alvin Tan ("**Minister**"), the Minister noted that MAS would continue to consider further measures to ensure that Singapore's approach to SFOs remains robust. By December

Client Update: Singapore

2024 AUGUST

Tax | Private Client | Financial Institutions Group

2023, as mentioned above, MAS extended the scope of due diligence checks to a wider group of individuals and entities associated with tax incentive applicants, leading to the present screening report requirement for all new tax incentive applications by family offices.

Nonetheless, Singapore remains mindful of the need to avoid jeopardising Singapore's attractiveness to investors due to layers of checks that are disproportionate to the assessed risk levels. In the [Second Reading of the Anti-Money Laundering and Other Matters \(AMLOM\) Bill](#), which was passed on 6 August 2024, the Second Minister for Home Affairs Mrs Josephine Teo noted that Singapore's anti-money laundering checks "need to be sensible and calibrated, and not unduly impede legitimate businesses and investors".

As the regulations in this area continue to evolve, Rajah & Tann Singapore stands ready to assist you. For more information on these developments, please contact our team below.

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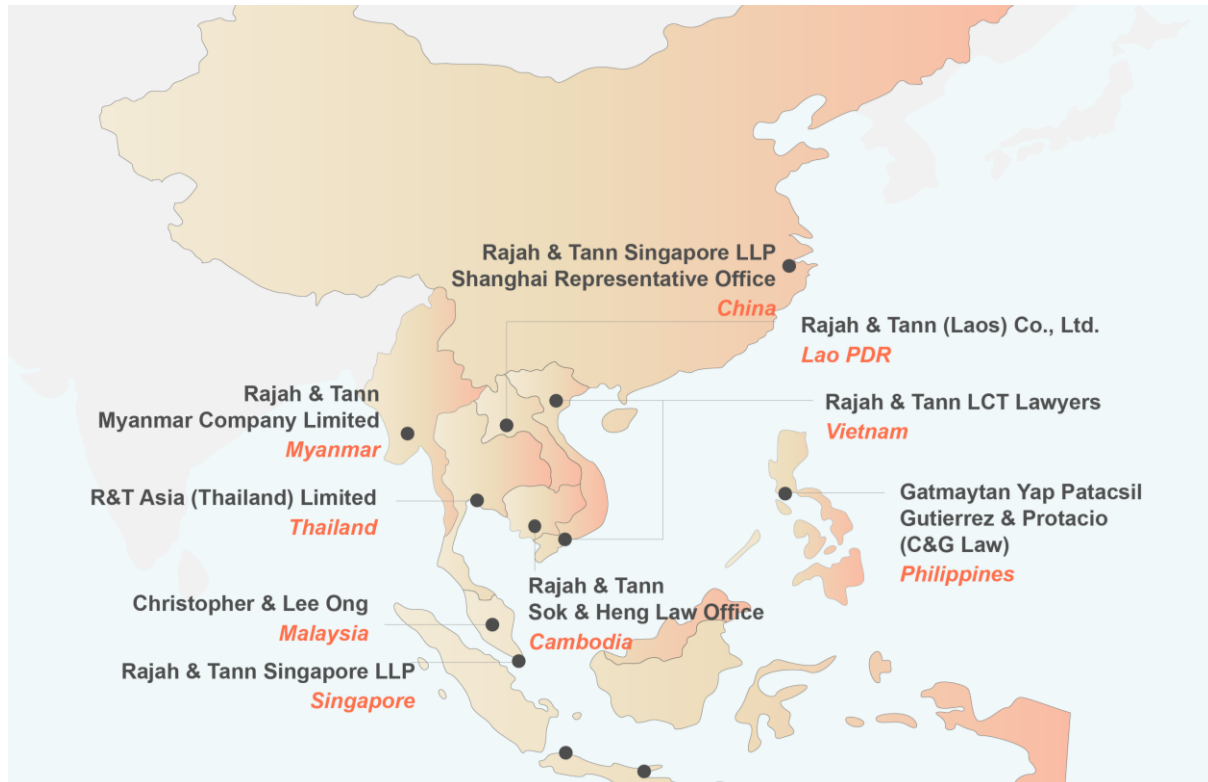
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Client Update: Singapore

2024 AUGUST

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