



Tax Bytes

Concise insights to keep you ahead

Trusted. Transformational. Together.

Key updated conditions of Section 130 and Section 13U applications for family offices

The Monetary Authority of Singapore (MAS) has recently released guidelines on the updated conditions for the Section 130 and Section 13U (previously known as Section 13R and Section 13X) tax incentive schemes, which will take effect from 18 April 2022 (inclusive) onwards.

The updated conditions apply to fund vehicles which are managed or advised directly by a family office which:

- i. Is an exempt fund management company (FMC) which manages assets for or on behalf of the family(ies) and
- ii. Is wholly owned or controlled by members of the same family(ies).

Key updated conditions of Section 130 and Section 13U Applications for family offices are as follow:

Section130 tax incentive scheme

- AUM (Assets Under Management): The fund must have a minimum fund size of S\$10 million at the point of application and commit to increasing its AUM* to S\$20 million within a two-year grace period.
- Investment Professional (IP): The family office has to employ at least two IPs, and the IPs are expected to have the relevant academic background or professional experience. In the event that the family office is unable to

employ two IPs by the point of application, the fund would be given a one-year grace period to employ the second IP.

- Annual business spending: The fund should incur at least S\$200,000 in total business spending in each basis period, subject to a new tiered business spending framework in relation to AUM size (see table below).
- Local investment: The fund must invest at least 10% of its AUM or S\$10 million, whichever is lower, in local investments[^] at any one point in time. In the event that the fund is unable to meet the condition by the point of application, the fund would be given a one-year grace period to do so.

Section 13U tax incentive scheme

- IP: The family office must employ at least three IPs, with at least one IP being a non-family member. In the event that the family office is unable to employ one non-family member as an IP by the point of application, the fund would be given a one-year grace period to do so.
- Local business spending: Minimum local business spending is increased from S\$200,000 to S\$500,000 in any basis period and is subject to a tiered business spending framework (see table below).
- Local investment: The fund must invest at least 10% of its AUM or S\$10 million, whichever is lower, in local investments at any one point in time. If this is not met at the point of application, a one-year grace period would be given.

*AUM refers to the Net Asset Value based on accounting convention. This suggests that monies/assets injected into the fund in the form of a shareholder's loan will not count towards the AUM.

[^] Products may include: i) equities listed on Singapore-licensed exchanges, ii) qualifying debt securities, iii) funds distributed by Singapore-licensed/registered fund managers, iv) private equity investments into non-listed Singapore-incorporated companies (e.g., start-ups) with operating business(es) in Singapore.

Tiered business spending framework

AUM	Section 13O	Section 13U
	Minimum total business spending	Minimum local business spending
< S\$50 million	S\$200,000	S\$500,000
≥ S\$50 million and < S\$100 million	S\$500,000	
≥ S\$100 million	S\$1 million	

How will this affect existing applications for the Section 13O/13U tax incentive scheme?

All new applications submitted to the MAS from 18 April 2022 (inclusive) onwards will be subject to the updated conditions. The following are not subject to the updated conditions:

- Applications where preliminary information (i.e., Annex A) has been submitted before 18 April 2022 and there has been correspondence with the MAS in the last six months; or
- Applications where the MAS had received formal MASNET application before 18 April 2022, but approved after 18 April 2022; or
- Applications which were formally approved, with the issuance of a formal Letter of Offer from the MAS, before 18 April 2022.

Other conditions

For a fund which uses a licensed FMC and has been granted approval of the Section 13O/U scheme, where a family office is set up subsequently (after approval of the Section 13O/U scheme) to replace the licensed FMC, the MAS should be notified of such a change. The existing award would not apply and a new application should be submitted for the fund to continue availing itself of the award, subject to meeting the updated conditions.

Deloitte's view

The introduction of the updated conditions is a step in the right direction to ensure that family offices set up in Singapore have substance and build teams with professional expertise, and the family office industry creates economic spin-offs for Singapore.

Contacts

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the [Singapore Tax & Legal team](#).



Shantini Ramachandra

Deloitte Tax Partner
Deloitte Private Tax Leader
Deloitte Southeast Asia

+65 6800 2295
sramachandra@deloitte.com



Dbriefs

A series of live, on-demand and interactive webcasts focusing on topical tax issues for business executives.



Power of With

Focus on the power humans have with machines.



Tax@hand

Latest global and regional tax news, information, and resources.

Get in touch



Deloitte Singapore | Add Deloitte as safe sender

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Singapore

In Singapore, tax and immigration services are provided by Deloitte Tax Solutions Pte. Ltd. and other services (where applicable) may be carried out by its affiliates.

Deloitte Tax Solutions Pte. Ltd. (Unique entity number: 202008330C) is a company registered with the Accounting and Corporate Regulatory Authority of Singapore.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2022 Deloitte Tax Solutions Pte. Ltd.