SINGAPORE BRIEFING

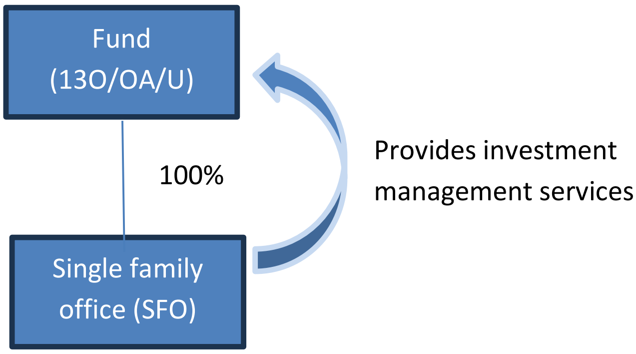
Tax Incentives for funds managed in Singapore - Part I (New applicants from 1 August 2026)

September 2026

This tax update seeks to provide a high-level briefing for potential applicants considering setting up family-owned investment holding vehicles in Singapore. We have incorporated the effects of announcements by the Monetary Authority of Singapore ("MAS") on 15 June 2026 on revised framework for Single Family Office ("SFO") and the announcement on 31 July 2026 in respect of tax incentives for funds managed in Singapore.

1. Single-Family Office ("SFO") Structures

A SFO structure refers to one with a Singapore incorporated SFO to provide investment management services to a fund (i.e. the family-owned investment holding vehicle). A simplified structure is depicted below:



The SFO can employ family and/or non-family members to provide investment management services to the fund. The fund may avail to the Sections 13O, 13OA and 13U tax incentive ("Fund Incentives") for tax exemption if conditions are met. The Fund Incentives are not automatically granted, needs to be applied for and is subject to MAS' approval.

For completeness, the key economic conditions for Section 13D are included in Appendix 3. The availing of Section 13D is on self-assessment and there is no need to make an application with the MAS.

Key economic conditions for Fund Incentives

The key economic conditions for the Fund Incentives for the fund vehicle are summarized in Appendix 1. A notable change is that the minimum assets under management ("AUM") in Designated Investments ("DI") requirement is assessed at the end of the basis period instead of throughout the year.

SFO can be held via trust, foundation or any other legal structure

The SFO no longer needs to be directly connected in shareholdings to the fund. However, the SFO must be exclusively funded by family members (directly or indirectly), or key employees. The SFO must be incorporated in Singapore and can only conduct fund management for family members and charitable organisations funded exclusively by the family.

Key employees' ownership

Key employees are allowed a non-controlling stake of up to 10% in the funds managed by the SFO. The MAS considers Executive Directors, CEO, CFO and investment professionals to be key employees.

Hiring non-family members

The Fund Incentives for SFO structure requires at least one non-family member to be employed as an investment professional ("IP"). From 1 August 2026, the MAS allows the IP requirement to be met by the end of the basis period of the first YA of the award instead of at the point of application.

To illustrate, for a 31 December year-end entity that received its approval for the Fund Incentive on 1 August 2026, the non-family member must be employed by the SFO by 31 December 2026. However, if the SFO fails to do so, the Fund Incentives will be **automatically revoked** from 1 August 2026 (i.e. date of award of tax incentive). The revocation of a Fund Incentive could give rise to tax liability.

Definition of family member

The definition of family members now includes all lineal descendants of a common ancestor which includes:

- Spouses (current or former)
- Legally adopted children or stepchildren
- Parents-in-law
- Siblings-in-law

The common ancestor (living or deceased) must not be more than 5 generations removed from the youngest generation that established the SFO in Singapore. Subsequent generations can be served by the SFO.

Legal opinion for exemption not required to be furnished

A legal opinion (which comes at a cost) is no longer mandatory to support the SFO application for licensing exemption to manage funds. The SFO is now required to self-assess to ensure that all conditions are met.

Maintaining of documentation is now crucial to substantiate that all conditions (i.e. funding are from family members or key employees, Singapore bank account, definition of family members are met, etc.) of the application for SFO set-up are complied with. Families with complex structures could still consider obtaining a legal opinion even though it is not compulsory.

Removal of screening report requirements

The requirement to obtain a screening report by appointed screening providers has been removed

Bank account requirements

The SFO must maintain a bank account with a MAS-licensed bank.

Notification and reporting requirements

SFOs are required to notify the MAS within 14 days of commencement of fund management activities. An annual return is also required to be submitted within 4 months from the SFO's financial year end following the Notification.

2. Non-SFO Structures

Families may prefer to have their investments being professionally managed instead of setting up a separate investment management company. These are considered as non-SFO structures for Fund Incentives purposes.

This section is relevant for funds whose investments are managed by licensed financial institutions. The focus below is limited to **family-owned investment holding vehicles** availing to non-SFO structures.

Key economic conditions for Fund Incentives

The key economic conditions for the Fund Incentives for the fund vehicle are summarized in Appendix 2. The key economic conditions for Section 13D are included in Appendix 3.

The most significant change relevant to family-owned investment holding vehicles is:

Assets under Management in Designated Investments

The minimum AUM in DI requirement now only needs to be met at the point of application. The annual minimum AUM in DI condition has been removed retroactively from 1 January 2025.

With the removal of the minimum AUM in DI requirement, fluctuations in asset values of investments alone will not adversely impact the enjoyment of tax exemption. Families that decide to wind down their funds are now assured that tax exemption can still apply during the winding down process.

3. Other key changes

The following changes are relevant to both SFO and non-SFO structures.

5% cap on physical Investment Precious Metals ("IPM")

The 5% cap on investment in physical IPM is lifted from 1 August 2026 onwards and gains on investments in physical IPM are tax-exempted.

Tokenised interests

The MAS clarified that tokenised interests in designated investments qualify for tax exemption if the token holder has the same interests, rights and obligations as direct ownership of an underlying designated investment.

We recommend that care should be taken to review the contractual and ownership rights of the token holder and not to regard this as a blanket exemption.

4. Taking a step back

Before embarking on a SFO set-up, a holistic discussion that goes beyond tax benefits should take place. Important considerations, including your unique circumstances, goals and succession plans, are important aspects in considering how your family-owned investment vehicle should be structured.

A standalone SFO entity could be suitable for some families, while other families may prefer a trust—SFO structure that could provide certain guardrails for family members. Please feel free to get in touch with us to explore the options that could work for you.

About Us

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Appendix 1 – Section 13O, 13OA and 13U: New Applicants of SFO Funds from 1 August 2026

<table>
<tr><th>Criteria</th><th>Section 13O / Section 13OA</th><th>Section 13U</th></tr>
<tr><td>AUM
(defined as value of designated investments from 1 January 2025)</td><td>Minimum fund size of S$20 million in Designated Investments at the point of application and at the end of each basis period.</td><td>Minimum fund size of S$50 million in Designated Investments at the point of application and at the end of each basis period.</td></tr>
<tr><td>Fund administrator</td><td>Must use a Singapore based fund administrator.</td><td>Must use a Singapore based fund administrator if the fund is a Singapore incorporated company & tax resident.</td></tr>
<tr><td rowspan="2">Investment Professionals (“IPs") employed by SFO</td><td>Employ at least 2 IPs, with one IP being a non-family member throughout the incentive period.

The 1st IP needs to be employed at the point of application The 2nd IP must be employed by the end of the 1st YA.</td><td>Employs at least 3 IPs, with at least one IP being a non-family member throughout the incentive period.

The non-family member IP must be employed by the end of the 1st YA.</td></tr>
<tr><td colspan="2">IPs refer to individuals who are Singapore tax residents with relevant work or academic qualifications. They should be substantially engaging in performing the role of portfolio manager, research analyst or traders and earn more than S$3,500 per month.</td></tr>
<tr><td>Minimum annual local business spending</td><td colspan="2">Incur at least Local Business Spending (“LBS”) of S$200,000, depending on their AUM:

AUM less than S$250 million:
LBS of S$200,000

AUM more than (or equal to) S$250 million but less than S$2 billion:
LBS of S$500,000*

AUM more than (or equal to) S$2 billion:
LBS of S$1million^

LBS can include the following <u>after</u> incurring a minimum LBS of S$300,000* or S$500,000^ respectively:
- Eligible local donations to local charities
- Grants to blended finance instruments distributed by licensed financial institutions in Singapore (recognized as 2 times spending)</td></tr>
<tr><td>Minimum annual Capital Deployment Requirement (“CDR”)</td><td colspan="2">Invest at least 10% of its AUM or S$10 million, whichever is lower in:

• Listed on MAS-approved exchanges
• Distributed by MAS licensed financial institutions
• Non-listed Singapore-incorporated operating companies with operating business and substantive presence in Singapore

The CDR is to be met by the end of the first full YA and every subsequent YA thereafter.

Investment in the following will yield a 2X multiplier for computing CDR:
- Equities listed on MAS-approved exchanges
- Funds investing substantially in Singapore-listed equities
- Blended instruments distributed by licensed financial institutions in Singapore
- Non-listed Singapore-incorporated operating companies with operating business and substantive presence in Singapore</td></tr>
<tr><td>Private bank account</td><td colspan="2">Have a private bank account with a MAS-licensed financial institution at the point of application and throughout the incentive period.</td></tr>
</table>

Appendix 2 – Section 13O, 13OA and 13U: New Applicants for Non-SFO Funds from 1 August 2026

<table>
<tr><th>Criteria</th><th>Section 13O / Section 13OA</th><th>Section 13U</th></tr>
<tr><td>AUM
(defined as value of designated investments from 1 January 2025)</td><td>Minimum fund size of S$5 million in Designated Investments at the point of application.

A grace period of up till YA 2028 (financial year 2027) is available to meet the AUM requirement.

For awards commencing from YA 2028 onwards, there is a 3-year grace period to meet the AUM requirement.</td><td>Minimum fund size of S$50 million in Designated Investments at the point of application.</td></tr>
<tr><td>Fund administrator</td><td>Must use a Singapore based fund administrator.</td><td>Must use a Singapore based fund administrator if the fund is a Singapore incorporated company & tax resident.</td></tr>
<tr><td rowspan="2">Minimum Investment Professionals (“IPs") employed by fund management company
(from 1 January 2025)</td><td>Employ at least 2 IPs throughout the year.

A grace period of up till YA 2028 is available to meet the IP requirement.

For awards commencing from YA 2028 onwards, the IP requirement is to be met by the end of the first YA.</td><td>Employ at least 3 IPs throughout the year.</td></tr>
<tr><td colspan="2">IPs refer to individuals who are Singapore tax residents with relevant work or academic qualifications. They should be substantially engaging in performing the role of portfolio manager, research analyst or traders and earn more than S$3,500 per month.</td></tr>
<tr><td>Minimum annual local business spending
(from 1 January 2025)</td><td colspan="2">Incur at least Local Business Spending (“LBS”) of S$200,000*, depending on their AUM:

AUM less than S$250 million:
LBS of S$200,000

AUM more than (or equal to) S$250 million but less than S$2 billion:
LBS of S$300,000

AUM more than (or equal to) S$2 billion:
LBS of S$500,000</td></tr>
<tr><td>Private bank account
(applicable only if fund vehicle is wholly owned or controlled by a single family)</td><td colspan="2">Have a private bank account with a MAS-licensed financial institution at the point of application and throughout the incentive period.</td></tr>
</table>

*The MAS allows a grace period for incentive award holders to meet the tiered local business spend requirements:

i. *13O/OA award commencing from 1 January 2025 to financial year ending 2026:* meet LBS requirements by financial year 2027, and in all subsequent years.

ii. *13O/OA award commencing on or after financial year ending 2027: meet* LBS requirements to be met from the first year of the incentive.

Appendix 3 – Section 13D: Requirements for SFO & non-SFO Funds

Criteria	Section 13D
AUM *(defined as value of designated investments from 1 January 2025)*	No minimum fund size.
Tax residency	Non-Singapore tax resident
Minimum Investment Professionals ("IPs") employed by fund management company or SFO *(from financial year ending 2027)*	Employs at least 1 IP throughout the year. IPs refer to individuals who are Singapore tax residents with relevant work or academic qualifications. They should be substantially engaging in performing the role of portfolio manager, research analyst or traders. There is no specific salary requirement.
Beneficial owner's presence in Singapore	If owned by an individual, the individual is not a Singapore citizen or tax resident in Singapore. If owned by a company, the company does not carry on a business in Singapore and if it had derived taxable income from investments, those investments were transferred at market value. If owned by a trust, the trustee does not have a Singapore permanent establishment or carry on business in Singapore apart from its function as trustee of the trust. Additionally, if the trustee had derived taxable income from investments, those investments were transferred at market value.