

## A SINGAPORE TRUST?

Singapore is a major international financial centre located in South East Asia. Its remarkable growth story since independence in 1965 is such that Singapore is now a major international player in financial services, shipping, banking, manufacturing, and research & development. Indeed, Singapore is recognised as one of the world's leading financial centres and its port is one of the five busiest in the world.

Regularly voted as one of the most business friendly jurisdictions in the world, Singapore is now seen as the most attractive base for the Asian operations of many banks, hedge funds and family offices.

Singapore's ability to attract private and institutional investors is based on its ability to demonstrate key attributes such as a common law legal framework; excellent infrastructure; economic, social and political stability; a corporate legal structure that is conducive to business; its geographical location; world class regulation; tax treaties with many of its Asian neighbours and internationally; and attractive corporate tax rates.

### A Trust?

The reasons for setting up a trust are varied but for the high net worth family, there is an ever-growing need for maintaining confidentiality, orderly succession of assets, and protecting wealth for future generations, with an emphasis on tax-efficient structuring. A well planned and advised trust structure can go a long way to meeting these needs and is increasingly popular for Asian families.

### Regulatory framework of Singapore

Dovetailing the strength of the private banking and wealth management industries, the strong growth in the Singapore trust services industry prompted the need to ensure high standards of probity, professionalism and business conduct by trust service providers to strengthen Singapore's status as an international financial centre.

The Trust Companies Act ("TCA") seeks to achieve this by ensuring, among other things, that only fit and proper persons are acting as Resident Managers for each licensed trust company and that trust service providers observe rigorous anti-money laundering requirements. R&H Trust Co. (Singapore) Pte. Limited is a fully licensed trust company, regulated by the MAS under the TCA, holding one of only around 60 licenses in Singapore.

Whilst the TCA is the legislation applicable to Singapore trustees and licensed trust companies in Singapore, the Trustees Act ("TA"), together with the terms of the trust deed, determines how a trust is to be managed and the powers conferred to the Singapore trustee.

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## Advantages establishing a Singapore trust

**Choice of law** - a Singapore resident trust with Singapore trustees can be governed by Singapore law or by the law of an alternative jurisdiction, where permissible.

**Exchange controls** - there are no foreign exchange or currency restrictions on the remittance or repatriation of capital or profits in or out of Singapore. As such, there are no controls preventing future distributions from, or additions to a Singapore trust.

**Forced heirship** - in certain jurisdictions, forced heirship is a common issue, it may be possible to address this issue with a Singapore law trust, which has anti-forced heirship provisions.

**Asset protection** - as a general rule, trust assets don't make up part of the settlor's estate. After certain conditions are met, trust assets cannot be accessed by creditors or claimants of the settlor. If it is proven that the trust was settled in contemplation of a credit or claimant suit, the court may, however, set aside a trust against claims made by the settlor's creditors.

**Management of assets** - according to the TA, the settlor of a Singapore law trust may reserve some or all powers of investment or asset management functions. International laws which may be applicable to the settlor, and the drafting of these types of controls within the trust deed should be carefully considered when reserving powers.

**Confidentiality** - as a reputable and well regulated trust jurisdiction, Singapore has joined the OECD's Automatic Exchange of Information program and has adopted CRS and FATCA reporting legislation, thus ensuring the reliability of the jurisdiction internationally. There is no local trust register in Singapore, therefore no searchable database of confidential details is available. Exact reporting and disclosure of information requirements thus depend on specifics of the trust arrangements, and tax residence of the trust principals and beneficiaries. As such, the confidentiality provided by a trust meets the needs of many settlors seeking to maintain their privacy.

## Attractive taxation system in Singapore

Generally, tax authorities look to the residency of the trustees to determine the **tax residency** of the trust. Where this is concluded to be in Singapore, the trust and, in some cases, its underlying holding company are able to benefit from Singapore's attractive tax system and specific trust related exemptions.

### Tax incentives

- **Locally administered trusts** (LATs) are trusts administered by a licensed Singapore trust company with every settlor and beneficiary being an individual and at least one beneficiary not being the settlor. It must be formed in writing and not arising from a will. Eligible LATs and their holding companies benefit from an income tax exemption on most forms of **passive investment income**.
- **Qualifying Foreign trusts** (QFTs) are trusts administered by a licensed Singapore trust company with neither the settlor nor the beneficiaries being Singapore residents or citizens. QFTs and their foreign incorporated holding company benefit from an income tax exemption on "**specified income**" derived from "**designated investments**". The exemption applies on such investments even where the activity is more akin to trading and not merely passive investment activity.

For further information see our detailed guide:

[Taxation of trusts in SG 2020 - \(https://www.rh-singapore.com/wp-content/uploads/2020/02/Taxation-of-trusts-in-SG-2020.pdf\)](https://www.rh-singapore.com/wp-content/uploads/2020/02/Taxation-of-trusts-in-SG-2020.pdf)

## Singapore Private Trust Company

A Singapore Private Trust Company ("PTC") can be established specifically to act as trustee to a trust(s). A PTC is not required to hold a trust business licence, it is instead required to engage a licensed trust company to carry out trust administration services to ensure compliance with the regulations. The PTC must comply with traditional company law and is in the business of providing trustee services to the family trust(s) and not the wider public. The significant benefit of a PTC is that the structure allows the family to maintain an element of control by appointing family members or their advisors to the board of directors of the PTC.

## How Rawlinson & Hunter can help?

R&H Trust Co. (Singapore) Pte. Ltd is a fully licensed trust company providing a comprehensive suite of services including the creation of trusts, provision of trustees, trust administration services, and the provision of directorships and governance assistance on large PTC structures. Rawlinson & Hunter (Singapore) Pte Ltd provides accounting, tax and corporate services and can assist in establishing and structuring around the tax position of the trust as well as all aspects of compliance.

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