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FAMILY OFFICES IN SINGAPORE

MAY 2022



Overview

With the rise in wealth generation among Asian families over recent decades, Asian families are increasingly taking a more structured approach towards the consolidation, protection, and management of their family wealth.

This has increased the demand for the structures for family offices, such as Single Family Offices (SFOs), Multi-Family Offices (MFOs), Managed Accounts, and Private Trusts, etc.

Various factors play an important part in identifying a suitable structure for a family offices, such as:

- The flexibility of retaining control / decision-making powers within the family;
- The professional investment and management of the family's wealth;
- The governance of family assets and privacy;
- Succession planning and wealth protection;
- Overall tax efficiency; and
- Ease in complying with various tax and regulatory reporting requirements and other compliances.



Singapore as a Global Wealth Management Centre

Singapore has distinguished itself as a prominent global financial services centre through its reputation, strategic location, stable government, robust tax and regulatory environment, and exceptionally efficient yet cost-effective legal and financial ecosystem.

Singapore has emerged as one of the most preferred jurisdictions for wealth management in Asia, as well as globally.¹ There are approximately 400 SFOs in Singapore, and the number has grown over recent years. It is estimated that the total value of the assets that are under the management of such SFOs could be as much as USD 2.9 trillion.²

High Net Worth Individuals (HNIs), especially from the India and ASEAN regions, prefer Singapore as

the jurisdiction for setting up their family offices for various reasons, such as:

- Access to regional and global financial markets;
- The active involvement of the Monetary Authority of Singapore (MAS) in creating a friendly ecosystem for family offices in Singapore;³
- The opportunity for immigration to Singapore through the Global Investor Programme (GIP) and/or employment passes for family office employees / members, etc.; and
- The overall tax efficiencies, due to the local tax incentive schemes, and access to a wide network of tax treaties.



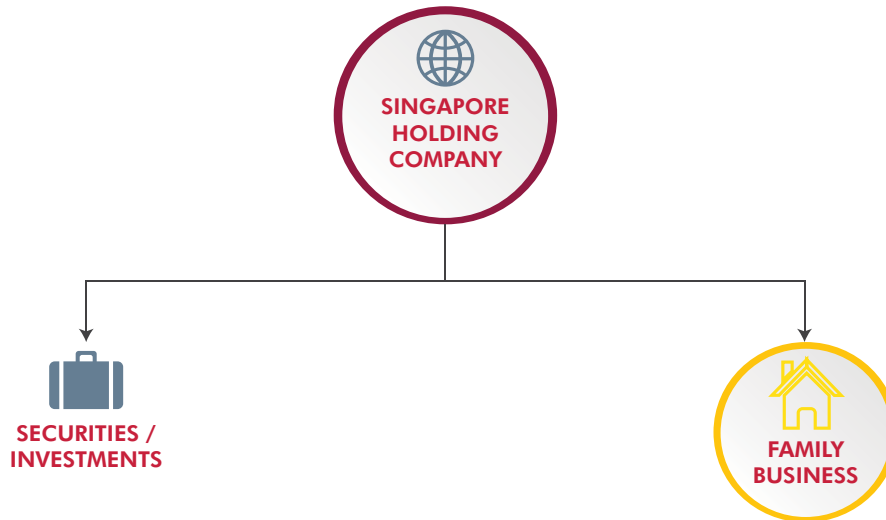
¹As per an independent survey that was undertaken by Asian Private Banker in 2018.

²[Family Office | Singapore EDB](#).

³The MAS, together with the Singapore Economic Development Board (EDB), have jointly established a Family Office Development Team (FODT) in order to enhance Singapore's competitiveness as a global wealth management and family office hub. The MAS also partnered with the Institute of Banking and Finance (IBF) to develop a skills map for Family Office Advisors.

The Direct Holding of Investments by Singapore Residents

Traditionally, HNIs have held their assets directly, through a self-managed holding company, as depicted below:



While capital gains arising from sales of passive investments are not taxable in Singapore for resident individuals and companies,⁴ one duly needs to consider the risk of gains being treated as taxable 'trading gains' in place of non-taxable 'capital gains'.

For substantial share holdings, Singaporean companies may also rely upon the safe harbour exemption under Section 13W⁵ of the Singapore Income-tax Act (SITA) for the non-taxability of gains on such disposals. For other assets, such companies would need to rely upon the principle of badges of trade⁶ in order to determine whether such gains would be classified as 'capital gains' or 'trading profits'. This subjectivity may be addressed by structuring SFOs to avail the fund exemption regime, as further discussed below.

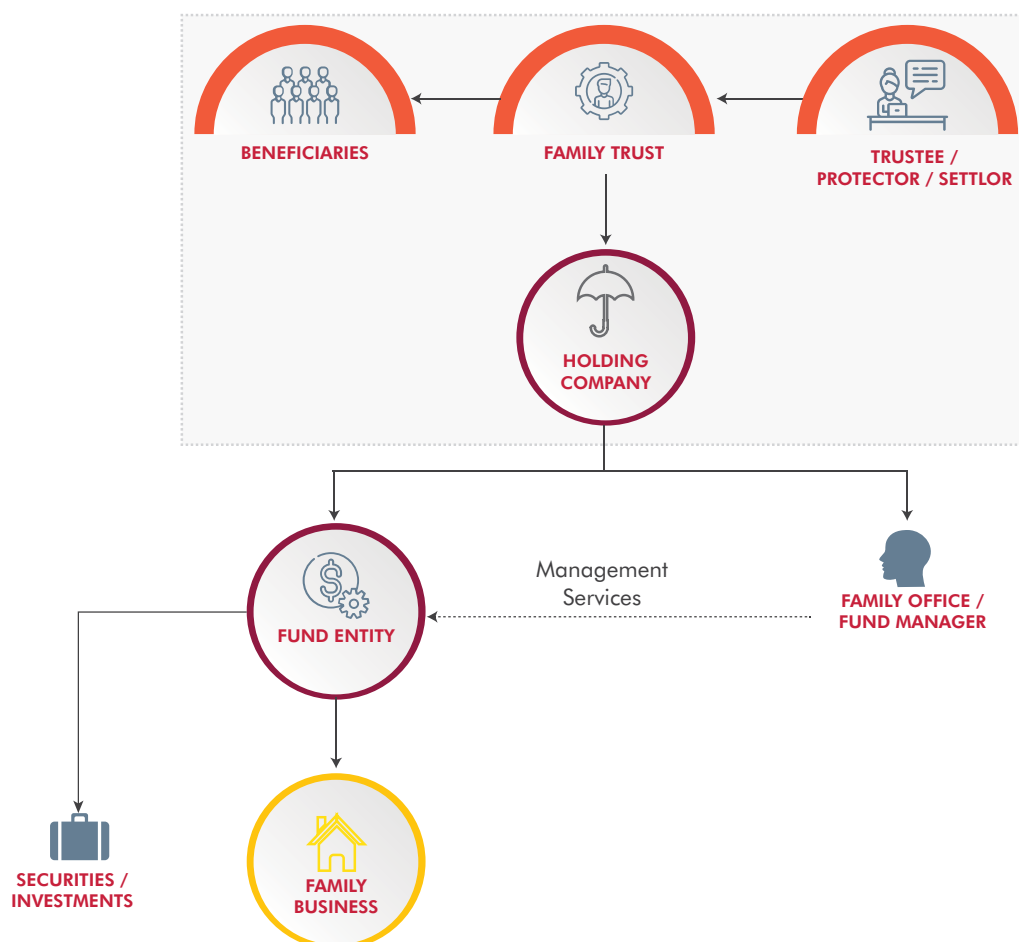
⁴Which are controlled and managed in Singapore.

⁵Previously numbered as Section 13Z.

⁶This includes the motive of the seller at the time of the acquisition of the assets, the period of holding, the frequency of the transactions, the funding of the acquisition of the assets, etc.

The Typical Structure of Single Family Offices in Singapore

In order to facilitate the professional management of funds, succession planning, as well as certainty regarding local taxation, etc., a family office in Singapore typically considers setting up a separate fund entity in Singapore, which will hold various assets inside and outside Singapore:



In the typical structure, a fund entity in Singapore would be controlled and managed by a Family Office entity that has been set up in Singapore. A fund entity can seek approval for tax exemption for gains as well as a wide range of qualifying income under Section 13U⁷ of the SITA where the assets under management (AUM) are at least SGD 50 million. In cases where the AUM is less than SGD 50 million, tax exemption under Section 13O⁸ of the SITA may be sought, according to the facts and circumstances of each case.

MAS has revised the guidelines/ requirements on family office structures which will take effect from 18 April 2022 and shall be applicable for all the applications made on or after such date.

Revised guidelines are applicable only in case where the Fund entity holds assets for or on behalf of family(ies) and are wholly owned or controlled by members of the same family(ies). Such revised conditions shall not be applicable to fund vehicles managed by licensed/ registered fund managers.

⁸ Previously numbered as Section 13X

⁹ Previously numbered as Section 13R

A brief comparison of the tax exemption schemes under Section 13O and 13U is set out below:

Particulars	Section 13O (formerly known as Section 13R)	Section 13U (formerly known as Section 13X)
	Fund entities managed by external licenced or registered family offices/fund managers	Fund entities managed by family offices which is an exempt FMC and is wholly owned or controlled by members of the family
Minimum Asset under Management (AUM)	No minimum AUM required	<ul style="list-style-type: none"> • Minimum fund size of S\$10 million at the point of application • Commitment to increase AUM to S\$20 million within a 2-year grace period
Business Spending per annum	Fund will incur at least S\$200,000 in total business spending	<ul style="list-style-type: none"> • Fund will incur at least S\$200,000 in total business spending (This shall increase upto S\$1 million depending on increase in AUM)
Local investment criteria	No such criteria for local investment	<ul style="list-style-type: none"> • Fund to invest at least 10% of its AUM or S\$10 million, whichever is lower, in local investments at any one point in time. • One year grace period if fund is unable to meet the criteria at the time of application
Investment Professionals (IPs)	Practically, MAS expects at least one IP (the details of the said IP is required to be submitted to MAS during preliminary submission stage)	<ul style="list-style-type: none"> • Single Family Office ("SFO") employs at least two IPs • One-year grace period to employ the second IP

The parent entity of both the fund entity and the family office whether in the form of a holding company, a trust, direct individuals, etc. may be determined according to the objectives as well as the tax and regulatory requirements.

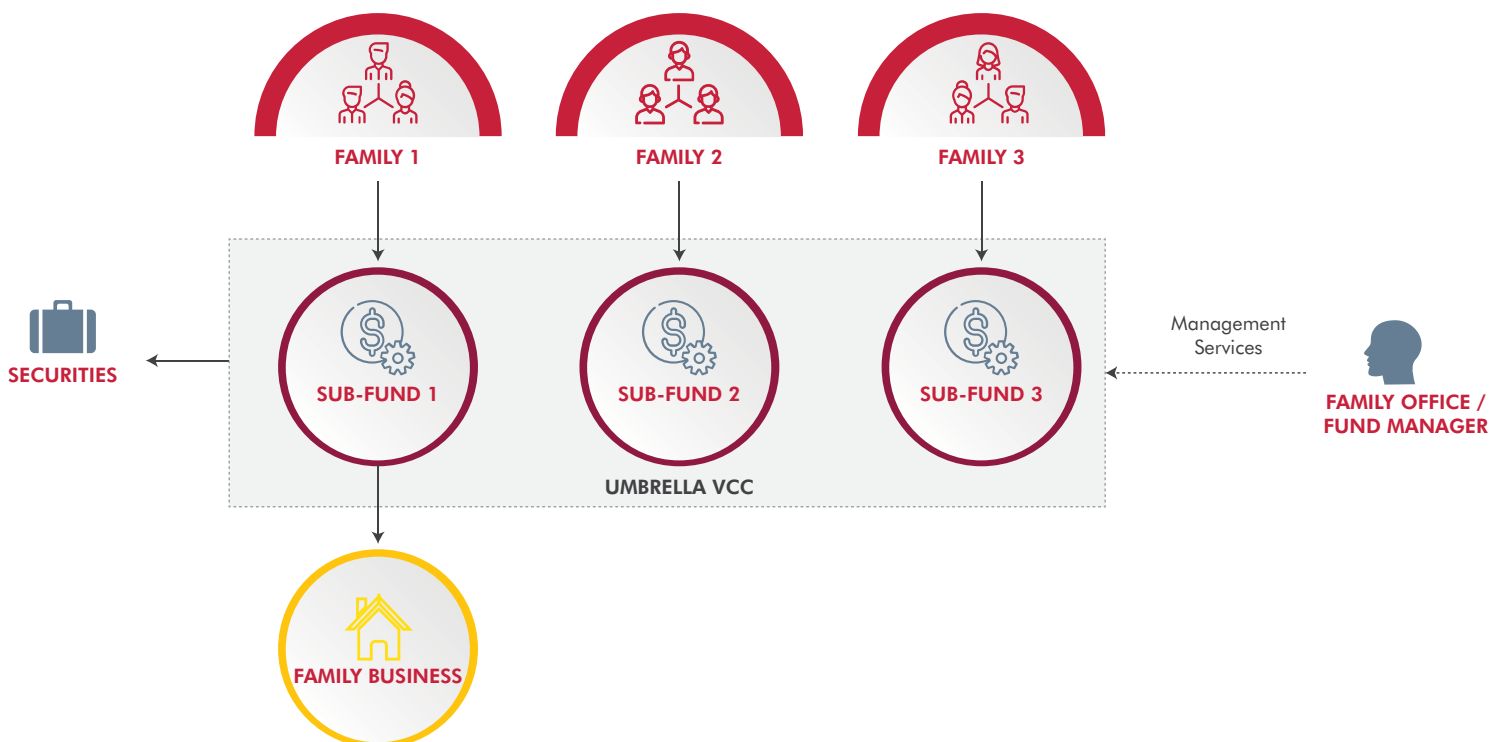
In order to facilitate succession planning, the protection of assets, professional oversight, etc., family offices may also consider interposing a family trust between the corporate structure and the family. Depending upon the location of the family members e.g. whether they are in the United States, the United Kingdom, etc. and whether the family assets are located across the globe, overseas tax and regulatory aspects may also duly need to be considered when finalising a suitable structure.

Multi-Family Offices and Private Wealth Management

The Multi Family Office structure is more suitable for families with relatively small AUMs and which does not have any existing presence in Singapore, since setting-up their own office and staff in Singapore may entail much higher investments, or families which wishes to avail services of external fund manager to manage their portfolio. In fact, certain families with the long-term objective of having their own SFO may start with an MFO, while retaining the flexibility to change the structure to an SFO.

SFOs with a strong track record and experienced staff may also seek a fund management license, if they wish to manage the wealth of other families, thereby creating their own MFO structure.

In addition to corporate structure, Variable Capital Company (VCC) can be explored for MFO structure. Singapore launched VCCs, a new corporate structure for funds, in January 2020. This new framework is designed to offer greater flexibility and facilitate a seamless fund / wealth management experience in Singapore, by allowing the setting up of sub-funds under an Umbrella VCC, with privacy as well as less cumbersome capital maintenance requirements. VCCs also enjoy similar tax incentives as those that are available to traditional fund entities under Section 130 and Section 13U.



How Can We Help?

We can assist you in achieving your commercial objectives in tax in an efficient as well as a compliant manner. An illustrative list of the areas in which we can help you is as follows:

- Assisting families with a cost-benefit analysis of an SFO vs MFO;
- Assisting with the structuring of a family office in Singapore – this would include working with a lawyer to devise a structure in a regulatory-compliant manner in order to avail a fund management license exemption;
- Advising on the migration and consolidation of family assets within the chosen structure (including working with the client’s management team in order to identify the asset classes that may be housed under the SFO structure);
- With the support of our wider network of tax firms across the globe, we would also advise on
 - any cross-border taxation aspects relating to the migration of assets under an SFO structure;
 - Providing end-to-end services in order to set up the identified structure, including:
 - assistance in setting up the corporate entities;
 - reviewing various documents; and
 - co-ordinating with lawyers, fund managers, and other stakeholders;
 - Assisting with obtaining the requisite approvals from the regulators in Singapore (i.e. MAS) and India;
 - Managing the routine tax, accounting, and other compliance and administrative matters for the SFO; and
 - Assisting with any matters relating to transfer pricing.



Contact



Mahip Gupta

Partner

mahip.gupta@dhruvaadvisors.com

+65 9295 9844

Mahip has over 25 years' tax experience, including over 15 years in Singapore. He is a member of the Institute of Chartered Accountant of India (ICAI), where he was amongst the top 20 ranked in his batch. In addition to being a qualified Chartered Accountant (CA), he is also a Chartered Financial Analyst (CFA) and holds degrees in few other professional programs.

Prior to Dhruva, Mahip was in a similar lead tax role within PwC-Singapore and a Fortune 500 Company.

Given his qualifications and experience, Mahip has trained IRAS officers in tax internal controls including TP aspects.

His experience includes dealing with international and local tax planning, business and funds structuring, negotiating tax incentives, due diligence, tax controls, transfer pricing as well as managing tax audit. He has assisted many MNCs in strategising their tax optimisation and reporting prior to an Initial Public Offering (IPO).



KY Choong

Senior Advisor

ky.choong@dhruvaadvisors.com

Mr Choong is a Senior Advisor with Dhruva Advisors and is based in Singapore.

He is an industry stalwart with over 30 years of international tax experience.

Prior to joining Dhruva, Mr Choong worked for the Standard Chartered Bank in Hong Kong and Singapore for 12 years. In his last role of Senior Tax Advisor, he focused on the global implementation of CRS and FATCA reporting (global reporting of tax information on bank and investment accounts).

He was a Tax Partner and the Regional Tax Head of Structured Finance and Financial Products with PricewaterhouseCoopers in Hong Kong and has served in various offices within the APAC region from 1989 to 2006.

During his time as a tax advisor in Hong Kong, Mr Choong's clients included various business units of multinational banks with regional headquarters in Hong Kong. These included JP Morgan, Morgan Stanley, HSBC and Natwest.

Mr Choong's industry experience includes corporate finance, aircraft leasing, lease financing, structured finance, trade finance, private equity, venture capital funds, note-issuing vehicles, securitisation structures, revocable trusts, irrevocable trusts, and various custody structures.

His tax governance expertise in a multinational context includes designing and overseeing tax processes and controls to achieve a high degree of automation in tax reporting. His experience also includes overseeing the continued development of such processes and updating controls in line with regulatory changes, business changes and changes in transaction processing systems.

About Dhruva Advisors Singapore

Dhruva Advisors Singapore is a part of Dhruva Advisors LLP, a top-tier boutique tax and regulatory services organization. At Dhruva, we work closely with our clients in providing practical solutions to their tax and business issues while managing their end-to-end compliance. Dhruva Advisors LLP is headquartered in Mumbai, India, with 8 offices across India and globally, including the Middle East and Singapore. Globally, we have a team of over 300 tax professionals comprising of chartered accountants and tax attorneys, led by 15 partners. We are a member firm of WTS Global, a network of selected tax and specialist regulatory organizations that operates in more than 100 countries.

Key differentiators:

- Strategic approach to complex problems
- In-depth, specialised and robust advice
- Strong track record of designing and implementing pioneering solutions
- Trailblazers in tax controversy management
- Long history of involvement in policy reform
- Technical depth and quality

Our professionals leverage their decades of experience in Fortune 500 companies, as well as the Big 4, to provide value-centric advice and seamless implementation. Our team also has deep industry experience across industry sectors. We leverage our industry experience to provide business focused, practical solutions.

Our clients range from across industries including asset management, technology, infrastructure and real Estate, FMCG, trading, and food and beverages.

Our recognitions

- Dhruva Advisors has been recognised as the "Best Newcomer Firm of the Year" at the ITR Asia Tax Awards 2016.
- Dhruva Advisors has been consistently recognised as the "India Tax Firm of the Year" at the ITR Asia Tax Awards in 2017, 2018, 2019, 2020 and 2021.
- Dhruva Advisors has also been recognised as the "India Disputes and Litigation Firm of the Year" at the ITR Asia Tax Awards 2018 and 2020.
- Dhruva Advisors has been consistently recognised as a Tier 1 firm in India's 'General Corporate Tax' and 'Indirect Tax' ranking tables as a part of ITR's World Tax guide. The firm is also listed as a Tier 1 firm for India's 'Transfer Pricing' ranking table in ITR's World Transfer Pricing guide.
- WTS Dhruva Consultants has been recognised as the "Best Newcomer Firm of the Year" at the ITR European Tax Awards 2020.



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