

# **Fund Management in Singapore**

## Tax and regulatory landscape





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# 1. OVERVIEW

Singapore continues to solidify its position as a premier wealth management hub in Asia, attracting a diverse array of investors, including sovereign wealth funds, pension funds, and family offices. The nation's favorable business environment and stable tax policies continue to bolster its financial sector.

In 2023, Singapore's Assets Under Management (AUM) reached S\$5.41 trillion, marking a 10% increase from the previous year.

This growth aligns with a compounded annual growth rate (CAGR) of 10% over the past five years, reflecting the country's robust financial ecosystem.

Traditionally an asset management hub, Singapore has also emerged as a leading fund domiciliation center with the introduction of the Variable Capital

Company (VCC) framework in January 2020. This innovative structure offers greater operational flexibility and cost savings for investment funds, catering to the evolving needs of sophisticated investors.

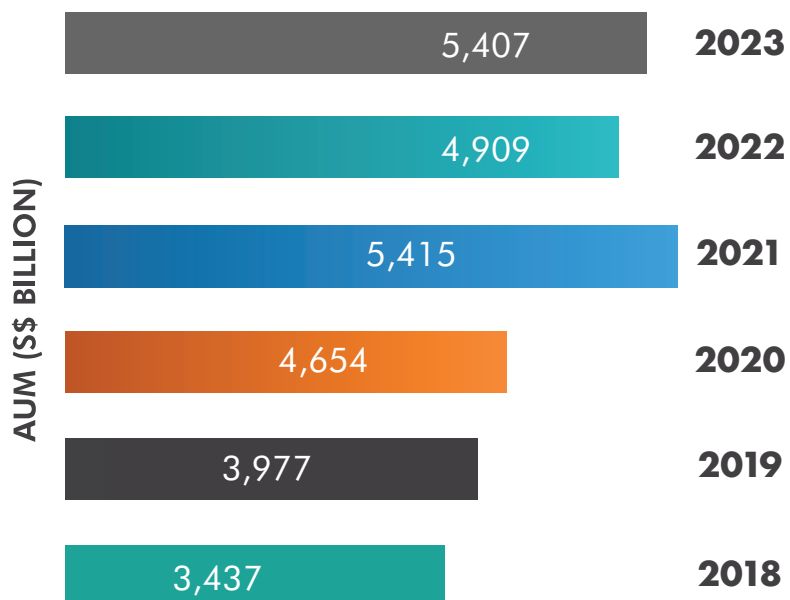
As of December 31, 2023, a total of 1,029 VCCs (representating 2,158 sub-funds and managed by 565 regulated Fund Management companies) were incorporated or re-domiciled in Singapore, demonstrating the framework's widespread adoption.

Singapore's investment funds industry is regulated by the Securities and Futures Act, with the Monetary Authority of Singapore (MAS) overseeing all financial institutions, including fund managers.



## Singapore's Asset Management industry – Some statistics\*

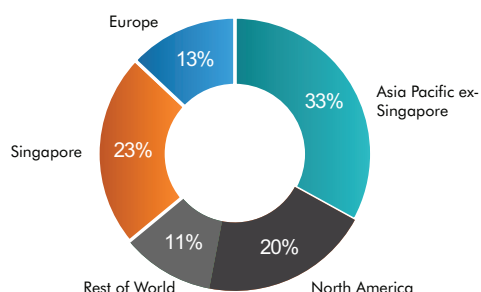
### US\$5.4 TRILLION ASSETS UNDER MANAGEMENT



# 1,250

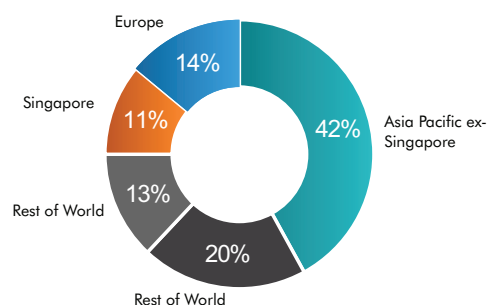
Registered & Licensed Fund Management Companies (as of December 2023)

### SINGAPORE'S AUM – SOURCES OF FUNDS



77% of funds sourced from outside Singapore

### PAN-ASIAN ASSET MANAGEMENT CENTRE



89% of funds invested in outside Singapore

## ALTERNATIVE ASSETS UNDER MANAGEMENT (\$BILLION)

### PRIVATE EQUITY AND VENTURE CAPITAL



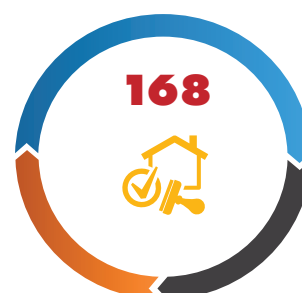
### HEDGE FUND



### REAL ESTATE INVESTMENT TRUST



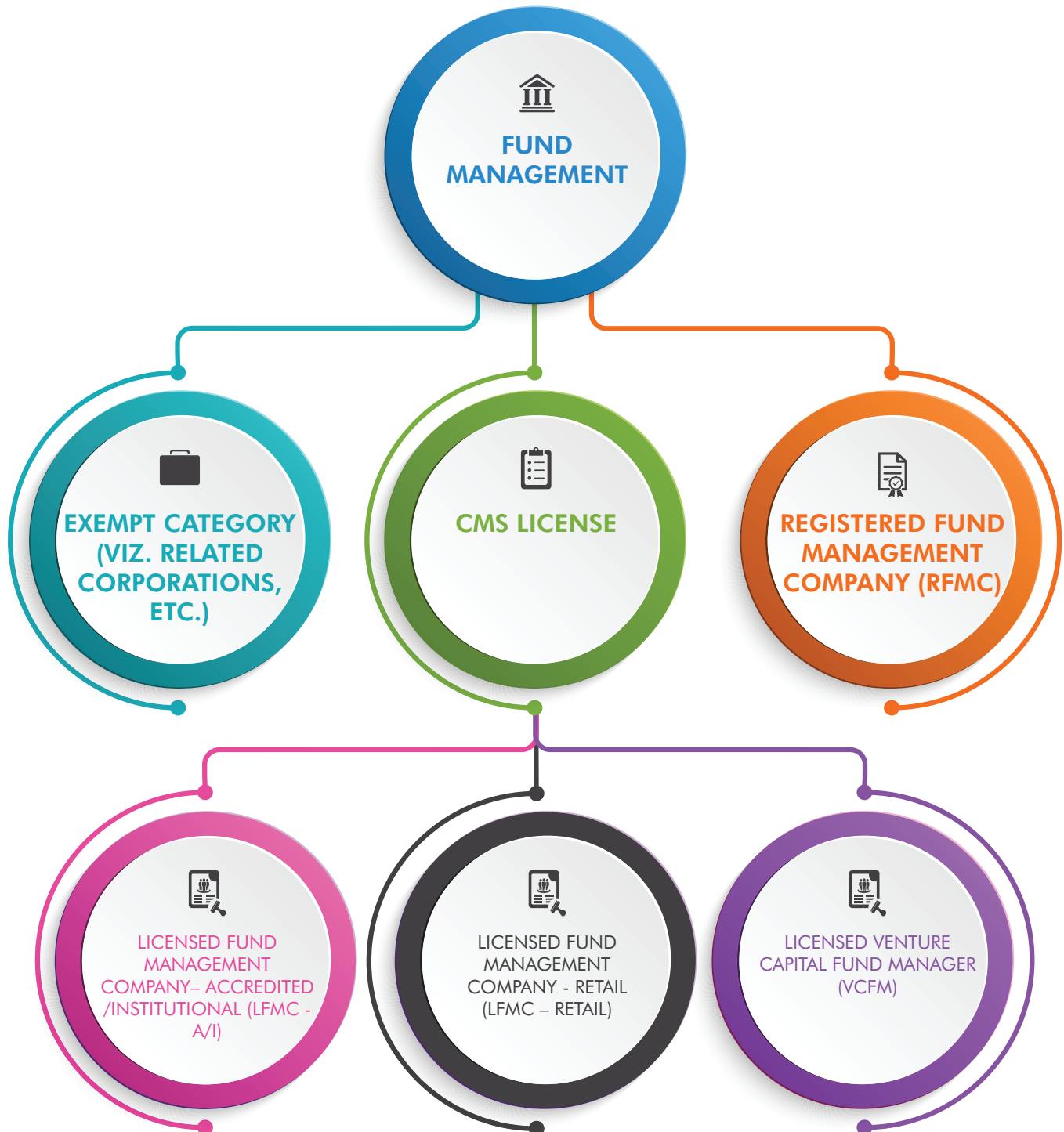
### REAL ESTATE



## 2. LICENSING REGIME FOR FUND MANAGERS IN SINGAPORE

Depending on the size and nature of their businesses, entities engaged in fund management activities must be either registered with MAS or hold a capital markets services

(CMS) license, or be expressly exempted from holding such a CMS license.





Particulars	VCFM	LFMC – A/I	LFMC – Retail
Investors	Qualified Investors only	Qualified Investors only	No restrictions
Minimum Base Capital	None	S\$ 250,000 (plus additional risk-based capital requirement)	<p>S\$ 1,000,000 – in case of collective investment scheme (“CIS”) and</p> <p>S\$ 500,000 – in case of non-CIS</p> <p>S\$250,000 – in case of carrying out fund management other than that described above.</p> <p>In addition to the above, there will be additional risk-based capital requirement .</p>
AUM Restrictions	<p>The funds cannot be invested in listed securities or initial public offerings</p> <p>At least 80% of committed capital must be directly invested in new ventures (less than 10 years old) in the prescribed manner</p>	No restrictions	No restrictions
Minimum number of directors <sup>2</sup>	Two	<p>Two, with minimum 5 years of relevant experience in a managerial or supervisory capacity</p> <p>The board of Directors of the Fund Management Company (FMC) should together have experience in portfolio management and support functions like operations, risk management and compliance</p>	
Singapore-resident executive director	At least 1	At least 1, with 5 years of experience in portfolio management in areas similar to what the FMC intends to do	
CEO	Not mandatory	Singapore-resident with at least 5 years of relevant experience in a managerial or supervisory capacity	Singapore-resident with at least 10 years of relevant experience in a managerial or supervisory capacity
Singapore-resident full-time investment professionals and representatives	Minimum 2 (may include directors)	<p><b>Representatives:</b> Minimum 2, all of whom meet the minimum entry and examination requirements</p> <p><b>Investment Professionals:</b> Minimum 2, with at least 5 years of relevant experience, (they may also be representatives, directors and/or the CEO)</p>	<p><b>Representatives:</b> Minimum 3, all of whom meet the minimum entry and examination requirements</p> <p><b>Investment Professionals:</b> Minimum 3, with at least 5 years of relevant experience, (may also be representatives, directors and/or the CEO)</p>

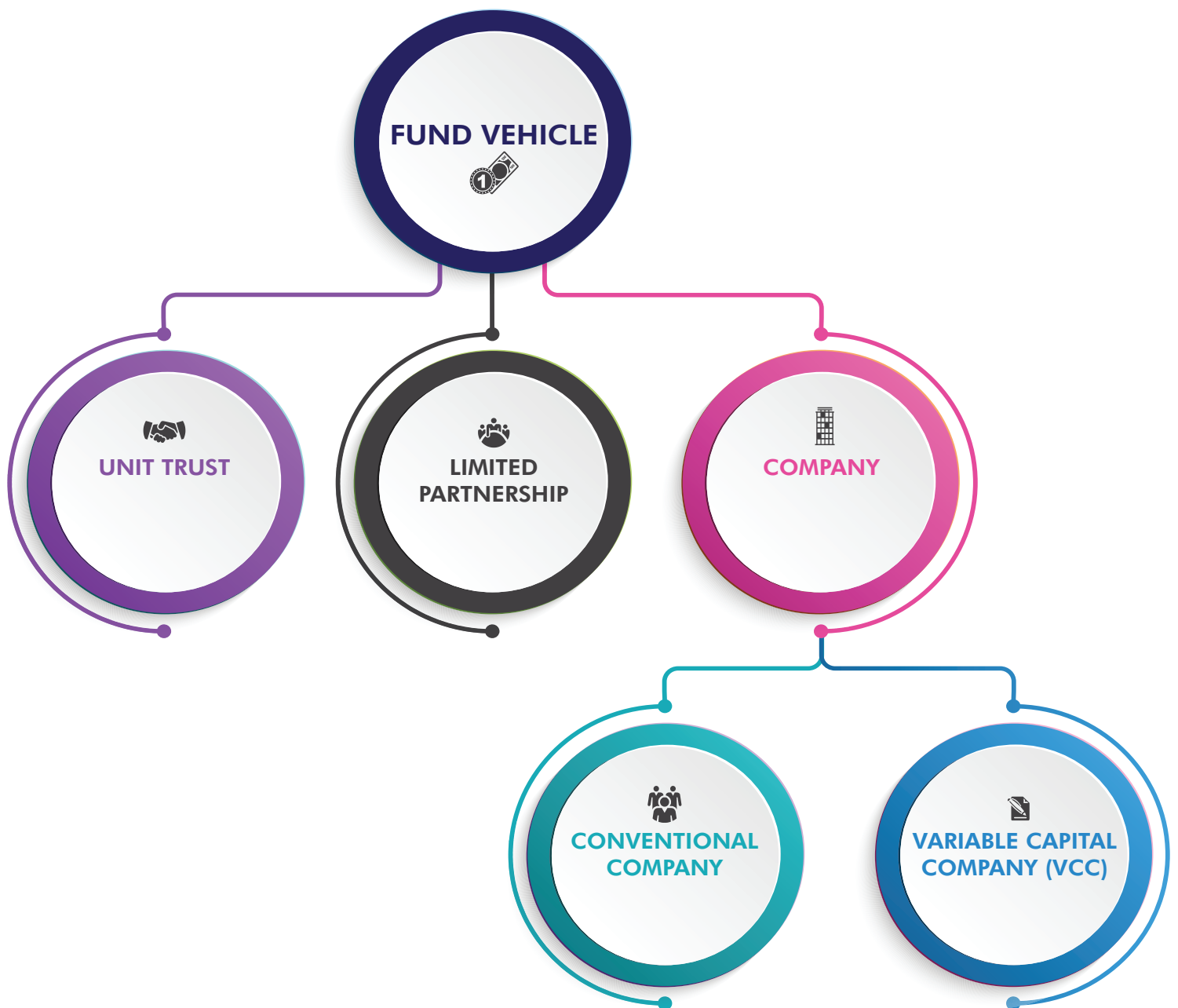
<sup>1</sup> Qualified Investors as defined in the Second Schedule of Securities and Futures (Licensing and Conduct of Business) Regulations and includes specified accredited and institutional investors.

<sup>2</sup> An individual meeting the relevant requirements can double-hat / triple-hat and at the same time fulfil the requirements for a director, relevant professional and/or representative.

### 3. FUND VEHICLES IN SINGAPORE

Funds in Singapore can be structured using various vehicles, each offering unique features suited to different investment objectives. Investment funds can be established as unit trusts, private limited companies under the Companies Act, limited partnerships under the Limited Partnerships Act, or

as Variable Capital Companies (VCCs) under the VCC framework. These structures provide flexibility in fund setup, catering to both open-end and closed-end investment strategies. Please see below our discussion on fund set-up under each of the different



## Unit Trust

This structure has the additional advantage of not being governed by the Singapore Companies Act. However, in this case the compliance cost may be higher as it is mandatory for unit trusts in Singapore to appoint a Licensed Collective Investment Scheme (CIS) Trustee.

## Limited Partnership

In Singapore, onshore funds may also be structured as Limited Partnerships, with fewer compliance requirements and public disclosures, than companies.

Limited Partnership Funds can operate with two or more partners – General Partners (GPs) and Limited Partners (LPs).

	GPs	LPs
Fund's day to day operations / management	Undertake	Not involved
Liability (limited / unlimited)	Unlimited	Limited to the extent of their respective capital commitments

Limited Partnerships are a popular choice for their flexibility and tax transparency. However, unlike a Corporate Fund, a Limited Partnership Fund may not be eligible for the benefits of Singapore's cross-border tax treaties.

In Singapore, a Limited Partnership is not a separate legal entity. Therefore, it is a tax transparent vehicle whereby the LPs are not subject to taxation at entity level. Each partner is taxed on their share of the income from the Limited Partnership.

## Conventional Company vs. VCC






Conventional company has been a popular fund vehicle among private equity funds investing overseas as it has allowed them to benefit from Singapore's wide array of tax treaties with countries across the world. Notably, the island's cross-border tax treaties only apply to corporate funds. However, lack of a specific corporate vehicle for the fund industry was hampering the domiciliation of funds in Singapore up until the launch of the VCC framework in January 2020.

The VCC framework aims to plug the gaps in the conventional fund ecosystem. Its features are designed to offer greater flexibility and a seamless business experience to investment funds in Singapore by allowing the setting up of sub-funds under the VCC umbrella and through less cumbersome capital maintenance requirements.



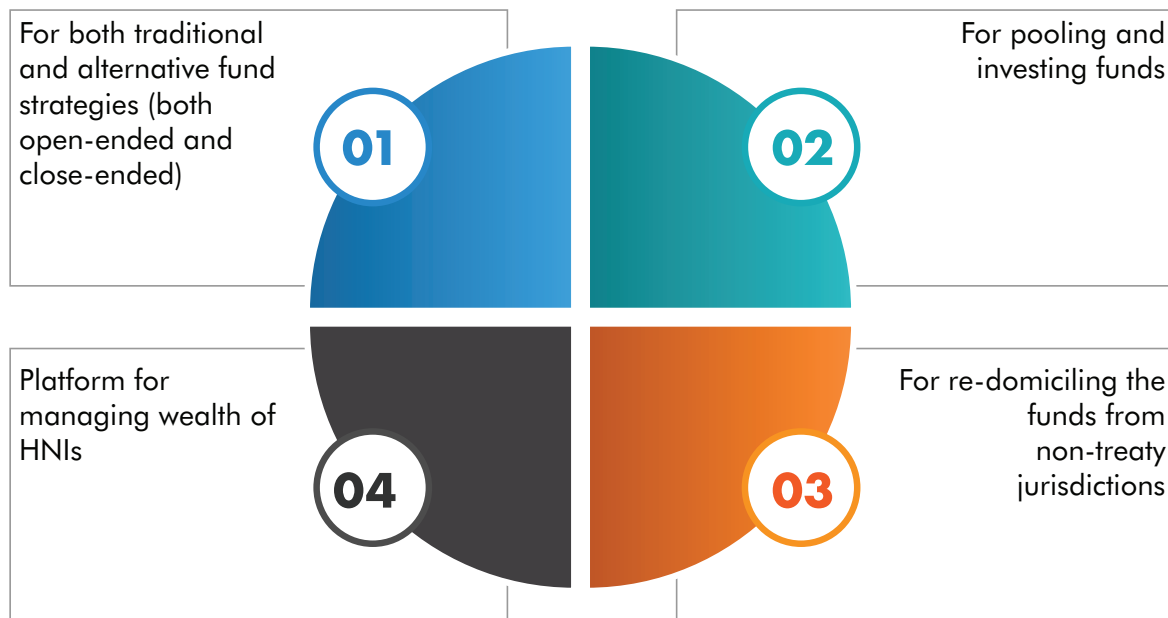


Below is a tabular comparison of the conventional structure and the Singapore VCC framework:

PARTICULARS	LIMITATIONS OF CONVENTIONAL COMPANY	BENEFITS OF THE VCC
 <b>CONFIDENTIALITY OF INFORMATION</b>	The public has access to financial statements and shareholders information	No requirement for financial statements or shareholder information to be made public - offering privacy to investors
 <b>FLEXIBILITY IN ISSUANCE AND REDEMPTION OF SHARES</b>	Redemption of capital requires a solvency statement and shareholder's approval	Redemption of capital at a fund's net asset value (NAV) does not require a solvency statement or shareholder's approval
 <b>DIVIDEND PAYMENTS</b>	Dividends can only be paid out of profits	Dividends can be paid out of capital as well as profits
 <b>ADMINISTRATION COSTS</b>	Additional administrative costs for each additional fund requiring a separate corporate entity	Umbrella VCC structure offers economies of scale and cost efficiency by allowing various sub-funds within a single VCC
 <b>SEGREGATION OF ASSETS AND LIABILITIES</b>	No ring-fencing provisions to facilitate segregation of assets and liabilities	Assets and liabilities of each sub-fund are ring-fenced/segregated. VCC Act voids any other arrangements inconsistent with segregation <sup>1</sup>

<sup>1</sup>For other details, please refer to our flyer on Singapore VCC [here](#).

## What can VCC be used for<sup>5</sup>?



From an income-tax perspective, a VCC will be regarded as a single entity for tax purposes i.e. there is no separate tax compliance required for each of the sub-funds in an umbrella VCC. Further, VCCs that are Singapore tax residents will be eligible to access Singapore's tax treaty network. VCCs will also be eligible to apply for Singapore fund tax exemptions under section 13U or 13O of the Singapore's Income Tax Act (ITA), as well as other WHT exemptions and GST remissions available to conventional corporate funds. Furthermore, the 10% concessionary tax rate under the FSI-FM scheme has been extended to fee income received by the fund managers as a result of managing / advising incentivized VCCs.

<sup>5</sup>For other details, please refer to our flyer on Singapore VCC [here](#).



## 4. INCOME-TAX INCENTIVES FOR FUNDS IN SINGAPORE



Conceptually, funds managed by Singapore-based fund managers may be considered as having a taxable presence in Singapore. Accordingly, the income derived from such funds is typically subjected to tax in Singapore, on account of being sourced in Singapore.

However, as mentioned earlier, Singapore offers an attractive and robust tax environment for its expanding fund management industry. Depending on the size and nature of the fund and fulfilment of relevant conditions, Monetary Authority of Singapore ("MAS") offers tax incentive schemes

under which "Specified Income" derived by the fund as a result of "Designated Investments" is exempt from tax. The said tax incentive schemes have a sunset clause of 31 December 2029 subject to further extension. Even in the absence of an extension, all funds that qualify for the said tax incentives as at 31 December 2029 may continue to enjoy the tax exemption after 31 December 2029 for the duration of their lives, subject to them meeting all of the relevant conditions for each scheme. We have briefly summarised the key aspects and conditions of each of the tax incentive schemes as follows:

**01**

Singapore  
Resident Fund  
scheme  
(Section 13O)

**02**

Enhanced-tier  
Fund scheme  
(Section 13U)

**03**

Offshore Fund  
scheme  
(Section 13D)

## A brief summary of the key features and requirements of each tax incentive scheme

Particulars	13O / 13OA – Singapore Resident Fund scheme	13U – Enhanced-tier Fund scheme	13D – Offshore Fund scheme
To benefit	Singapore-based resident funds managed by a Singapore fund manager	All funds over S\$50 million managed by a Singapore fund manager	Non-Singapore funds managed by a Singapore fund manager
Fund manager	Singapore fund manager should hold a capital markets services (“CMS”) licence for fund management, or is exempted from holding such a licence)		
Investors	Investor is required to be a Qualifying Investor <sup>3</sup> , otherwise any non-Qualifying Investors will have to pay a financial penalty equivalent to an amount of tax on their share of the fund’s income	No restrictions	The same as 13O
Legal form	Singapore incorporated Company under 13O Scheme and Singapore limited partnerships under 13OA Scheme	Company, Limited Partnerships or Trust	Company, Trust or Individual (excludes limited partnership)
Fund residence	Must be a Singapore resident. Inter-alia all board meetings to be conducted in Singapore	No restrictions	Must not be a Singapore resident
Fund administrator	Must be Singapore-based	Must be Singapore-based if the fund is a company incorporated in Singapore, with its tax residency in Singapore	No restriction
Prior approval from MAS	Required	Required	Not required
Local / Total Business spending requirement	Applicable	Applicable	Not applicable
Minimum assets under management (“AUM”)	Minimum AUM requirement applicable	Minimum AUM requirement applicable	No restrictions

<sup>3</sup>Broadly, a Qualifying Investor is either (a) an individual investor; or (b) a bona fide non-resident corporate investor; or (c) a Singapore-based corporate investor owning no more than 30% of the fund (or not more than 50% if there are more than ten investors)

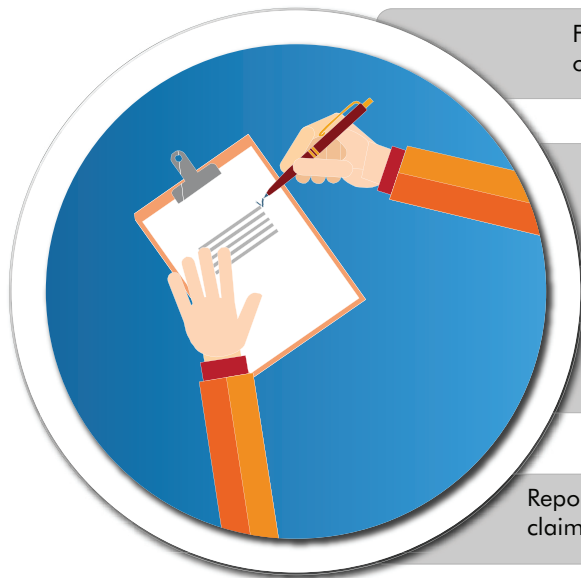


Particulars	13O – Singapore Resident Fund scheme	13U – Enhanced-tier Fund scheme	13D – Offshore Fund scheme
Eligibility of Singapore VCC <sup>4</sup>	Yes	Yes (Singapore incorporated or redomiciled to Singapore)	No
Availability of Singapore tax treaties	Yes	Yes (where the fund is set up as a Singapore corporate entity)	No
Annual declaration to tax authority of non-qualifying investors	Yes (obligation of the fund manager)	Not applicable	Yes (obligation of the fund manager)
Annual statement to investors	Yes (obligation of the fund manager)	No	Yes (obligation of the fund manager)
Annual declaration to MAS	Yes	Yes	No



<sup>4</sup>The Fund Manager of a Singapore VCC should be based and regulated in Singapore.

## 5. GST REMISSION SCHEME FOR FUNDS



Funds are generally not required to be GST registered, on account of not exceeding the threshold for taxable supplies

To promote the asset management industry, the Singapore Government allows incentivised funds (13O /13OA /13U /13D) to recover GST incurred on prescribed expenses at an annual fixed recovery rate, even though such funds are not GST registered

The remission is currently available until 31 December 2024 and the remission rate is prescribed at 88% for the calendar year 2021.

Reporting requirement: the funds should file a periodical statement of claims with the IRAS





## 6. TAX INCENTIVES FOR FUND MANAGERS IN SINGAPORE

In Singapore, fees earned by a fund manager for providing management services to a fund are generally taxed at the prevailing corporate tax rate of 17%, unless specific tax exemptions or incentives apply. However, fund management companies can benefit from a partial tax exemption on the first S\$200,000 of taxable income, which lowers their effective tax rate to below 8.5% for first S\$ 200,000.

To foster the growth of fund management activities in Singapore, the Financial Sector Incentive for Fund Management (FSI-FM) scheme offers a preferential tax rate of 10% on fee income derived from fund management and investment advisory services. This incentive is available to qualifying fund management companies that meet specific qualifications and requirements.

A Singapore-based fund manager with a minimum of S\$250 million in Assets Under Management ("AUM") is eligible to apply for the FSI-FM award from the Monetary

Authority of Singapore ("MAS"). Under this scheme, qualifying fund managers can benefit from a concessional tax rate of 10% on income earned from providing fund management or investment advisory services, as opposed to the standard 17% corporate tax rate..

To qualify for the FSI-FM award, the fund management company must:

1. **Hold a Capital Markets Services ("CMS") licence** issued by the MAS or be specifically exempted from holding CMS licence;
2. **Meet the minimum AUM requirement**, having a certain level of minimum assets under management; and
3. **Employ at least three experienced investment professionals** (e.g. portfolio managers, research analysts and traders), each earning a minimum specified salary and are substantially engaged in the qualifying activity.



## 7. DHRUVA ADVISORS SERVICE OFFERINGS FOR THE FUND MANAGEMENT INDUSTRY



For Fund managers	For Funds
Advising on tax efficient structuring of Fund Manager, related entities and other relevant aspects	Advising on tax efficient structuring of Funds (including VCC structure)
Assistance in incorporation of Fund Managers	Assistance in incorporation / setting up of Fund vehicles / VCC (including inward redomiciliation)
Assistance in seeking CMS license or RFMC registration with MAS	Advising on the appropriate capital structure of Funds from a tax perspective
Assisting in seeking FSI-FM award / VCFM award	Assisting in application to MAS for tax incentives (13H/13D/13O/13OA/13U) for Funds
Advising on structuring investments through family office structures (including immigration planning)	Tax review of fund documentation and drafting of tax chapter / questionnaire
Assistance in MAS grant process for VCC structure	Assistance in obtaining Certificate of Residence from IRAS
Assisting you to connect with other external facilitators (e.g. lawyers, auditors, fund administrators, custodians, etc.) and overall project management	
Advising on GST implications applicable to Fund Managers and Funds (including GST registration for fund managers and obtaining GST remission refunds for funds)	
Assisting Fund Managers and Funds with regular annual tax filings (including Corporate Tax, WHT, GST, etc.)	
Assistance in undertaking regular compliances and filings with various regulators (MAS, IRAS, etc.)	



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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
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- 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 was recognised as the "Best Newcomer of the Year 2016 – ASIA" by International Tax Review at the Asia Tax Awards 2016
- Dhruva Advisors has been consistently recognised as "India Tax Firm of the Year" at the International Tax Review's Asia Tax Awards - 2017, 2018, 2019 2020 and 2021
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- WTS Dhruva Consultants recognised as "Best Newcomer Firm of the Year 2020 Europe" - International Tax Review



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