

# Tax Alert

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## Singapore introduces new Financial Sector Incentives to boost capital markets and fund management activities

### Summary

The Monetary Authority of Singapore (“**MAS**”) has released a circular on 3 July 2025 (referred as “**MAS Circular**”), providing further clarity on enhancements to the Financial Sector Incentive (“**FSI**”) scheme announced during the 2025 Budget. The MAS Circular outlines two new initiatives for fund managers under the FSI scheme to enhance the dynamism of Singapore's capital markets, support domestic listings, and incentivize fund managers to allocate investments in Singapore-listed stocks. Additionally, to complement the existing FSI-Standard Tier (“**FSI-ST**”), FSI-Trustee Companies (“**FSI-TC**”), and FSI-Headquarter Services (“**FSI-HQ**”), three new Basic Tier schemes have been introduced for each of the respective schemes.

### Overview of MAS Circular

#### New schemes for fund managers

To strengthen participation in Singapore’s capital markets, MAS has introduced two new fund management-focused incentives:

No.	Criteria	FSI-FM Listing scheme	FSI-FM SG Equities scheme
1	<b>Objective</b>	<p>Supports fund managers scaling via public fundraising.</p> <p>Applies to:</p> <ul style="list-style-type: none"> <li>Fund managers newly listed on a Singapore exchange; or</li> <li>Wholly owned subsidiaries of newly listed holding companies not already benefiting from the Listing CIT rebate.</li> </ul>	Encourages fund managers to manage funds heavily invested in Singapore-listed equities, boosting market depth and liquidity.
2	<b>Commencement Date &amp; Scheme Duration</b>	Starts 1 July 2025; open for applications until 31 Dec 2028; 5-year award tenure, non-renewable.	
3	<b>Tax Exemption Rate</b>	5% concessionary tax rate (“ <b>CTR</b> ”) on qualifying income for the fund manager.	Tax exemption (0%) on qualifying income derived by the fund manager.
4	<b>Qualifying income</b>	The scope of qualifying income for the FSI-FM Listing scheme is the same as the existing FSI-FM-ST scheme	Qualifying income refers to fees earned from managing or providing investment advisory services (including through another fund manager) to an approved fund
5	<b>Eligibility Criteria</b>	<p>a. The entity availing the enhanced CTR of 5% is a fund manager.</p> <p>b. The fund manager (or its holding company) achieves a primary listing on a Singapore exchange on or after 19 February 2025.</p> <p>c. The fund manager must have a minimum AUM of S\$800m, in addition to meeting the minimum number of investments professionals (“<b>IPs</b>”).</p>	<p>a. The entity must be a fund manager</p> <p>b. The fund manager must have a minimum AUM of S\$250m, along with the minimum number of investment professionals (“<b>IPs</b>”).</p> <p>c. The fund manager must manage or provide investment advisory services (directly or through another fund manager) to an approved fund.</p>
6	<b>Annual Criteria</b>	<p>a. The fund manager or its holding company must remain listed on a Singapore exchange;</p> <p>b. Must comply with minimum “IP” conditions</p> <p>c. at least 20% of after-tax profits must be distributed as dividends (“<b>Profit distribution condition</b>”)</p>	<p>a. Must comply with minimum “IP” conditions.</p> <p>b. fund manager must ensure the fund has at least 30% AUM in Singapore-listed equities (“<b>30% AUM condition</b>”)</p> <p>c. At least 5% net inflow in AUM in the preceding year for Existing Funds (“<b>Net inflow condition</b>”)</p>

No.	Criteria	FSI-FM Listing scheme	FSI-FM SG Equities scheme
7	<b>Incentive Revocation Conditions</b>	Revoked if delisted or fails to meet conditions and 10% CTR under FSI-FM-ST shall take effect.	Revoked if conditions on IP are not met or temporarily suspended if AUM or net inflows are not met; separate application for FSI-FM-ST scheme will need to be applied to avail 10% CTR.

### Introduction of FSI – Basic Tier (15%)

In addition, three new schemes, which will be introduced alongside the existing FSI-Standard Tier (FSI-ST), FSI-Trustee Companies (FSI-TC), and FSI-Headquarter Services (FSI-HQ), are as follows:

- **FSI-Basic Tier (FSI-BT):** Offers a concessionary tax rate of 15%, in addition to the existing 13.5% for FSI-ST.
- **FSI-Trustee Companies (Basic Tier) (FSI-TC-BT):** Provides a concessionary tax rate of 15%, in addition to the existing 12% or 13.5% under FSI-TC.
- **FSI-Headquarter Services (Basic Tier) (FSI-HQ-BT):** Provides a concessionary tax rate of 15%, in addition to the existing 10% rate for FSI-HQ.

The scope of qualifying activities for FSI-BT, FSI-TC-BT and FSI-HQ-BT will follow the scope of qualifying activities for FSI-ST, FSI-TC and FSI-HQ respectively.

The withholding tax (“**WHT**”) exemption that is currently granted on interest payments on qualifying loans made to qualifying non-residents by FSI-HQ companies during their FSI-HQ award tenure will be extended to such interest payments made by FSI-HQ-BT companies during their FSI-HQ-BT award tenure.

Financial institutions may apply for the new basic tier awards during the period from 19 February 2025 to 31 December 2028 (both dates inclusive), for incentive periods starting on or after 1 January 2025. Existing FSI-ST, FSI-TC and FSI-HQ award recipients may also apply for the new basic tier awards. For such recipients, once their applications are approved, the approved basic tier awards granted to them will be for a period of 5 years and their existing awards will be terminated concurrently.



### Dhruva Comments

The introduction of the new FSI schemes, alongside the existing FSI schemes, reflect a timely and strategic response to the evolving global tax environment, particularly in light of BEPS Pillar 2, ensuring that Singapore remains aligned with international tax standards.

Simultaneously, the two new fund management-focused incentives - FSI Fund Management Listing and FSI Fund Management Singapore Equities, further reinforce Singapore's position as a competitive, resilient capital markets hub.

Simultaneous grant of FSI-FM Listing award alongwith FSI-FM-ST award is a unique feature providing an automatic fall-back incentivized rate although still higher than the attractive rate under FSI-FM Listing scheme. Although for these awards are non-renewable, they are designed to incentivise fund managers to list in Singapore, or invest significantly in Singapore-listed equities, thereby deepening liquidity and anchoring capital within the domestic stock market.

Together, these enhancements support Singapore's broader aim to balance alignment with international tax rules and maintaining its competitive edge.



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