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Tax Alert

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Updates on Singapore Fund Tax Incentives

Summary

On 31 July 2026, the Monetary Authority of Singapore (“**MAS**”) released FDD Cir 05/2026, setting out how Singapore continues to strengthen its standing as a reputable global financial hub while enhancing its transparency and strong governance through broadened Anti-Money Laundering (“AML”) screening.

This represents a move from the rigid, substance-heavy framework introduced on 1 January 2025, FDD Cir 10/2024, towards a more calibrated approach that balances operational compliance burden with improved transparency and governance.

The headline updates are including:

a) Removal of the requirements to maintain an annual minimum asset annual minimum asset (“**AUM**”) under management invested in Designated Investments (“**DI**”) for non-single family office (“**non-SFO**”) funds;

b) Recalibrate Single Family Office (“**SFO**”) funds requirements to hire investments professionals (“**IPs**”) and minimum AUM in DI and capital deployed requirement (“**CDR**”); and

c) Removal of the 5% cap on investment in physical investment precious metals (“**IPM**”) in the DI list.

Overview of changes

Removal of AUM in DI for non-SFO funds

In view of the challenges non-SFO funds face with divestment and investor redemptions, MAS has removed the requirement to maintain an annual minimum AUM in DI under sections 13O, 13OA, and 13U schemes (“**S13O**”, “**S13OA**”, and “**S13U**”).

Non-SFO funds only need to meet the AUM in DI at the point of application. While the previous requirement to maintain the AUM at the end of each basis period is no longer there, S13O and 13OA funds are required to meet the S$5 million AUM threshold at the point of application. A grace period of up to three years is available where the threshold is not met at the time of application. If this condition is not met by the end of the grace period, MAS could revoke the award retrospectively from the commencement date. The AUM in DI for S13U is S$50 million at the point of application, with no grace period granted.

Recalibration of SFO Fund Conditions

The SFO economic criteria were previously governed by the framework issued on 5 July 2023, FDD Cir 10/2023. For new SFO funds approved on or after 1 Aug 2026, these criteria have been updated.

IPs and AUM in DI

i. S13O/S13OA SFO funds can apply with 1 IP, and have until the end of the basis period of the first Year of Assessment ("**YA**") to employ at least 2 IPs (with at least 1 non-family member)

ii. S13U SFO funds can apply with 2 IPs, with a similar grace period to employ at least 3 IPs (with at least 1 non-family member) by the end of the first YA's basis period.

iii. SFO funds are no longer subject to continuous AUM tracking. They are only required to report meeting the minimum AUM in DI threshold (S$20 million for S13O/OA, S$50 million for S13U) at the point of application and at the end of each basis period.

Tiered Local Business Spending

The tiered local business spending ("**LBS**") has been restructured to align with market norms, utilizing three broad AUM in DI tiers, replacing the previous S$50m and S$100m thresholds.

AUM in DI as at the end of the basis period (S$)	Minimum local spending for the basis period (S$)
AUM in DI < 250 million	200,000
250 million ≤ AUM in DI < 2 billion	500,000
AUM in DI ≥ 2 billion	1,000,000

Streamlined Capital Deployment Requirement

An S13O/OA or S13U SFO fund is required to meet the CDR by investing in specified investments at the end of the basis period relating to the first full YA following the commencement date of the S13O/OA or S13U award, and thereafter at the end of each subsequent basis period.

The update streamlines the CDR by:

i. Reducing the specified investment options under the CDR 3 options:
   a. listed on Approved Exchanges;

b. distributed by MAS-licensed financial institutions in Singapore; and/or
c. non-listed Singapore-incorporated companies with operating businesses and substantive presence.

ii. Investments qualify for enhanced recognition and are counted twice their value, 2x multiplier when computing CDR if the investment is:
   a. equities listed on Approved Exchanges,
   b. funds investing substantially in SG-listed equities,
   c. blended finance instruments distributed by SG FIs, and
   d. non-listed SG-incorporated operating companies

Mandatory Banking Account Condition

An S13O/OA or S13U SFO fund is required to have a private banking account with an MAS-licensed financial institution at the point of application and throughout each basis period relating to any YA. MAS reserves the right to revoke the award if the banking account condition is breached.

For SFOs, where their letter of award did not contain a condition to maintain a private banking account, such SFOs will be provided a 3 -month grace period from 1 August 2026 to obtain a private banking account, failing which the award may be revoked from the end of the grace period.

Removal of the 5% cap on IPMs in the DI list.

On or after 1 August 2026, investments in physical IPMs qualify as DI are no longer restricted to 5% of the fund's total investment portfolio. Previously, if a fund's investment in IPMs that exceed the limit, all physical IPMs would fail to qualify as DI for the corresponding YA and would not enjoy the tax exemption. The removal of this cap increases flexibility in portfolio diversification and support greater capital deployment into physical IPMs in Singapore. However, MAS explicitly reserves the right to deny tax exemptions or permanently revoke the award of any "non-bona fide" IPM fund.

In Summary

Revision	Previously	New Update
IPs – S13O/S13OA	SFO funds were required to have at least 2 IPs, including at least 1 non-family member.	SFO funds can apply with 1 IP and have until the end of the basis period for the first YA to employ at least 2 IPs, including at least 1 non-family member.
IPs – S13U	SFO funds were required to have at least 3 IPs, including at least 1 non-family member.	SFO funds can apply with 2 IPs and have until the end of the basis period for the first YA to employ at least 3 IPs, including at least 1 non-family member.
Tracking AUM in DI	Continuous tracking throughout each basis period	Non-SFO: at the point of application; SFO: at the point of application and the end of each basis period.
LBS	LBS only via local spending	Can be partially met via donations and grants to blended financial instruments

Revision	Previously	New Update
CDR flexibility	Limited to standard categories	CDR streamlined to 3 options at 2x multiplier
IPMs cap	5% cap on physical Investment Precious Metals (IPMs).	Cap removed to allow portfolio diversification and flexibility

Other Operational Clarifications

- A fund may engage more than one Singapore-based FMC to co-manage the fund, provided that each FMC is fully responsible and accountable for its specific portfolio and meets the minimum IP headcount under the scheme.
- Non-SFO S13O, S13OA and S13U funds are strictly prohibited from holding investments (whether equity, debt, or other financing) in family operating businesses.
- Subject to IRAS review and approval, foreign partners and investors of an incentivised Singapore Limited Partnership (“**LP**”) fund who derive only tax-exempt income from the fund may be exempted from filing Singapore tax returns.
- Tokenised interests in an existing DI are eligible as DI if they confer the same legal rights as direct ownership. Guarantee fee income derived from a DI can qualify as Specified Income (SI) if the fund is primarily set up for investment purposes.
- On or after 1 August 2026 updated, standard terms as provided in the updated circular apply to all S13O, S13OA and S13U funds, including new and existing awards, and supersede existing letters of award to the extent of any inconsistency.

DHRUVA INSIGHT

The new updates demonstrate the government’s continued efforts to reduce the local compliance burden while strengthening transparency and governance. Businesses should nevertheless remain mindful that the relaxation of certain conditions is accompanied by enhanced AML screening and enforcement. Fund managers and SFOs should take this opportunity to review their fund structures, IP headcount, AUM in DI, CDR and LBS positions, and banking arrangements against the new requirements. Professional advice should be sought where necessary to ensure a smooth transition to the new requirements.

REACH OUT TO US

Dilpreet Singh Obhan
PARTNER
dilpreet.singh@dhruvaadvisors.com
+65 9144 6415

ADDRESSES

Singapore
Dhruva Advisors Pte. Ltd.
#16-04, 20 Collyer Quay,
Singapore – 049319
Tel: +65 9144 6415

Mumbai
Dhruva Advisors India Pvt. Ltd.
1101, One World Centre,
11th Floor, Tower 2B,
841, Senapati Bapat Marg,
Elphinstone Road (West),
Mumbai – 400 013
Tel: +91 22 6108 1000 / 1900

Ahmedabad
Dhruva Advisors India Pvt. Ltd.
402, 4th Floor, Venus Atlantis,
100 Feet Road, Prahlad Nagar,
Ahmedabad – 380 015
Tel: +91 79 6134 3434

Bengaluru
Dhruva Advisors India Pvt. Ltd.
SKAV 909, 8th Floor,
Ashok Nagar, Lavelle Road,
Bengaluru – 560001
Tel: +91 90510 48715

Delhi / NCR
Dhruva Advisors India Pvt. Ltd.
305-307, Emaar Capital Tower-1,
MG Road, Sector 26, Gurugram
Haryana – 122 002
Tel: +91 124 668 7000

New Delhi
Dhruva Advisors India Pvt. Ltd.
1007-1008, 10th Floor,
Kailash Building,
KG Marg, Connaught Place,
New Delhi – 110001
Tel: +91 11 42953 180

GIFT City
Dhruva Advisor IFSC LLP
510, 5th Floor, Pragya II,
Zone-1, GIFT SEZ, GIFT City,
Gandhinagar – 382050, Gujarat.
Tel: +91 79 6512 3604

Kolkata
Dhruva Advisors India Pvt. Ltd.
4th Floor, Unit No 403, Camac Square,
24 Camac Street, Kolkata
West Bengal – 700016
Tel: +91 33 6637 1000

Pune
Dhruva Advisors India Pvt. Ltd.
406, 4th Floor, Godrej Millennium,
Koregaon Park,
Pune - 411001
Tel: +91 20 6730 1000

Abu Dhabi
Dhruva Consultants
1905 Addax Tower, City of Lights,
Al Reem Island,
Abu Dhabi, UAE
Tel: +971 2678 0054

Dubai
Dhruva Consultants
Emaar Square Building 4, 2nd Floor,
Office 207, Downtown,
Dubai, UAE
Tel: +971 4 240 8477

Saudi Arabia
Dhruva Consultants
308, 7775 King Fahd Rd,
Al Olaya, 2970, Riyadh 12212,
Saudi Arabia
Tel: +971 52 240 3695

KEY CONTACTS

MUMBAI
Dinesh Kanabar
Chairman & CEO
dinesh.kanabar@dhruvaadvisors.com

Mehul Bheda
Partner
mehul.bheda@dhruvaadvisors.com

Punit Shah
Partner
punit.shah@dhruvaadvisors.com

Sandeep Bhalla
Partner
sandeep.bhalla@dhruvaadvisors.com

AHMEDABAD/GIFT CITY
Mehul Bheda
Partner
mehul.bheda@dhruvaadvisors.com

DELHI/NCR
Vaibhav Gupta
Partner
vaibhav.gupta@dhruvaadvisors.com

PUNE
Sandeep Bhalla
Partner
sandeep.bhalla@dhruvaadvisors.com

BENGALURU/ KOLKATA
Aditya Hans
Partner
aditya.hans@dhruvaadvisors.com

MIDDLE EAST
Nimish Goel
Leader, Middle East
nimish.goel@dhruvaadvisors.com