



## **Fund management in Singapore**

A summary of the regulatory and  
tax framework

# An evolving regulatory landscape

## Introduction

This document summarises the key features of the different licensing requirements and restrictions on business operations for fund management companies in Singapore, along with details on the specific tax incentives schemes for funds managed by Singapore-based fund managers.

## Regulatory framework

Fund management activities in Singapore are regulated by the Monetary Authority of Singapore (MAS) under the Securities and Futures Act (Cap. 289) (SFA). Entities engaged in these activities must either hold a Capital Markets Services (CMS) licence for fund management as a Licensed Fund Management Company (LFMC), be registered as a Registered Fund Management Company (RFMC) or be expressly exempted from holding a CMS licence.

The following table summarises the principal requirements.

**Table 1. Summary of key regulatory compliance requirements**

	RFMC	LFMC – A/I	LFMC - Retail
<b>Type of approval</b>	Notification	Licence Application	Licence Application
<b>Type of investors</b>	Qualified Investors <sup>1</sup>	Qualified Investors <sup>1</sup>	No restrictions
<b>Number of investors</b>	Up to 30 investors (of which no more than 15 may be funds or limited partnership fund structures).	No restrictions	No restrictions
<b>Assets under management (AUM)</b>	Not more than S\$250 million	No restrictions	No restrictions
<b>Minimum base capital funds</b>	At least S\$250,000	At least S\$250,000	At least S\$500,000 (non-CIS) or S\$1 million (CIS)
<b>Risk-based Capital (RBC) adequacy requirement</b>	None	Financial resources at least 120% of operational risk requirement.	Financial resources at least 120% of operational risk requirement.
<b>Professional Indemnity Insurance (PII)</b>	Not mandatory, but recommended	Not mandatory, but recommended	Mandatory
<b>Directorship</b>	Minimum 2 directors with at least 5 years of relevant experience, of which at least one is an executive director and full-time resident of Singapore.	Minimum 2 directors with at least 5 years of relevant experience, of which at least one is an executive director and full-time resident of Singapore.	Minimum 2 directors with at least 5 years of relevant experience, of which at least one has more than 10 years of relevant experience, is an executive director and full-time resident of Singapore.
<b>Relevant professionals (inclusive of directors, CEO and representatives of the FMC)</b>	Minimum 2 relevant professionals with at least 5 years of relevant experience and full-time resident of Singapore.	Minimum 2 relevant professionals with at least 5 years of relevant experience and full-time resident of Singapore.	Minimum 3 relevant professionals with at least 5 years of relevant experience and full-time resident of Singapore.

<sup>1</sup> A Qualified Investor generally refers to an accredited investor, a collective investment scheme (CIS) offered in Singapore only to accredited and/or institutional investors, a closed-end fund offered only to accredited and/or institutional investors, an institutional investor, or a limited partnership comprising solely of partners who are accredited and/or institutional investors.

	RFMC	LFMC – A/I	LFMC - Retail
<b>Representatives</b>	Minimum two representatives and full-time residents of Singapore.	Minimum two representatives and full-time residents of Singapore.	Minimum two representatives and full-time residents of Singapore.
<b>Examination requirements</b>	Not mandatory	Not mandatory	Mandatory
<b>Corporate track record</b>	None	May be applicable	Shareholder of the FMC, or the FMC, has a corporate track record of operating a regulated entity that conducts fund management for retail investors in an equivalent jurisdiction for at least 5 years and managing a global AUM of at least S\$1 billion.
<b>Custody arrangement</b>	Mandatory for all FMCs to place customers' monies and assets with a custodian who is licensed, registered or authorised (to perform custodial function) in the jurisdiction where the monies or assets are being held.		
<b>Fund administration</b>	Mandatory for all FMCs to ensure independence, or adequate segregation of duties, particularly in the performance of functions such as valuation or fund accounting, acting as a fund register, and client reporting (e.g., sending of monthly account statements).		
<b>Compliance arrangement</b>	No requirement for a dedicated compliance function – may take the form of an independent compliance function, compliance support from overseas affiliates and/or use of external service providers.	For AUM of minimum S\$1 billion, compliance function to be dedicated and independent from front office – for those carrying out only research and advisory activities, may obtain compliance support from an independent and dedicated compliance team at holding company or at an overseas related entity.  Otherwise, function may be outsourced.	Compliance function to be dedicated and independent from front office – for those with AUM exceeding S\$1 billion but carrying out only research and advisory activities, may obtain compliance support from an independent and dedicated compliance team at holding company or at an overseas related entity.
<b>Internal audit</b>	Mandatory for all FMCs to be subject to adequate internal audit that is commensurate with the nature, scale and complexity of business operations.  Internal audit may be in-house, from Head Office or outsourced to an external service provider.		
<b>Independent audit</b>	Mandatory for all FMCs to have an external audit arrangement in place for annual independent audit of financial statements and provide an auditor's report to the MAS on their compliance with key licensing and business conduct requirements.		
<b>Risk Management Framework</b>	Mandatory for all FMCs to have a risk management framework with appropriate tools and methodologies to ensure timely identification, measurement, monitoring and reporting of risks.		
<b>Anti-Money Laundering (AML) Framework</b>	Mandatory for all FMCs to put in place an anti-money laundering framework to identify, assess, understand and address its money laundering and terrorism financing risks.		
<b>Reporting requirements</b>	Annual reporting	Quarterly and annual reporting	Quarterly and annual reporting

## Tax framework

Singapore is a key base for managers of family office, private equity, real estate and hedge funds, especially for investments into the Asia Pacific region. Singapore is also increasingly being used as a preferred location for fund vehicles (funds).

The outstanding growth of the fund management industry in Singapore can be attributed to several factors, including the ease of doing business in Singapore and attractive tax incentives for funds and fund managers. Outside of the traditional offshore funds jurisdictions such as the Cayman Islands, Singapore is regarded as having one of the most attractive regulatory and tax regimes for funds and fund managers.

## Singapore tax exposure of funds managed by a Singapore fund manager

Funds which are managed by a Singapore-based fund manager may be liable to tax in Singapore due to the activities of the fund manager in managing the investments of the fund. The fund manager may create a taxable presence in Singapore for the fund (whether onshore or offshore) and, therefore, certain income and gains derived by the fund may be considered as Singapore-sourced and liable to tax in Singapore. However, this tax liability could be eliminated under Singapore's tax incentive schemes for funds, provided that the relevant conditions are met.

## Summary of key features and conditions of tax incentive schemes in Singapore for funds

There are three main tax exemption schemes available to funds managed by fund managers in Singapore under which "Specified Income" (including gains) derived by the fund from "Designated Investments" is exempt from tax. All funds that qualify for any of the following tax exemption schemes as at 31 December 2024<sup>2</sup> may enjoy the tax exemption for the life of the fund, subject to the funds continuing to meet the relevant conditions of each scheme.

The table below summarises the key features and conditions of tax incentive schemes in Singapore for funds.

**Table 2. Summary of key features and conditions of tax incentive schemes in Singapore for funds**

	<b>Offshore Fund Tax Exemption Scheme</b> (Section 13CA of the SITA)	<b>Onshore (Singapore Resident Company) Fund Tax Exemption Scheme</b> (Section 13R of the SITA)	<b>Enhanced Tier Fund Tax Exemption Scheme</b> (Section 13X of the SITA)
<b>Scheme exemption</b>	Specified Income from Designated Investments <sup>3</sup> is tax-exempt		
<b>Fund's legal form</b>	Companies, trusts and individuals <sup>4</sup>	Company incorporated in Singapore	Funds constituted in all forms <sup>5</sup>
<b>Fund's residence</b>	Non-tax resident of Singapore with no presence in Singapore (other than the Singapore fund manager and/or Singapore-based trustee if the fund is organised as a trust).	Must be tax resident of Singapore.	No restrictions
<b>Singapore Variable Capital Company (VCC) eligible<sup>6</sup></b>	No	Yes	Yes (for Singapore VCCs – Singapore incorporated or redomiciled into Singapore)
<b>Fund manager</b>	Singapore-based and holding a CMS licence or expressly exempted from holding a CMS licence or as otherwise approved by the Minister. In addition, the Section 13X funds must be managed or advised directly by a Singapore fund manager that employs at least 3 investment professionals. A VCC fund manager is required to be regulated and cannot be exempt from holding a CMS licence.		

<sup>2</sup> The exemptions are currently available until 31 December 2024, unless further extension is granted.

<sup>3</sup> The list of designated investments covers a wide range of investments, including stocks, shares, bonds, securities and derivatives. A key exclusion is immovable property in Singapore (and shares in unlisted companies which trade or hold such immovable property other than for property development purposes). The list is constantly revised to keep abreast of the market changes and new financial instruments.

<sup>4</sup> A limited partnership cannot be a qualifying offshore fund as it is treated as transparent for Singapore tax purposes. The applicable tests to determine if a fund is a qualifying fund would thus be applied at the level of the partners of the limited partnership. The partner in such limited partnerships would need to meet the qualifying conditions.

<sup>5</sup> Besides companies, trusts and limited partnerships, all fund vehicles will be able to qualify for the Section 13X scheme if they meet all qualifying conditions. The change took effect for new awards approved on or after 20 February 2018.

<sup>6</sup> Variable Capital Company (VCC) is/will be available following the enactment of the VCC regulatory framework in 2019. From a fund tax exemption perspective, a single 13X/13R exemption will be given to a VCC and will cover all sub-funds of the VCC. However, assets and liabilities of each sub-fund will be legally separate from those of other sub-funds. See later for further details.

	<b>Offshore Fund Tax Exemption Scheme</b> (Section 13CA of the SITA)	<b>Onshore (Singapore Resident Company) Fund Tax Exemption Scheme</b> (Section 13R of the SITA)	<b>Enhanced Tier Fund Tax Exemption Scheme</b> (Section 13X of the SITA)
<b>Investors</b>	Non-qualifying investors (i.e., Singapore non-individuals investing above a certain percentage in the fund) would need to pay a financial penalty to the Singapore tax authorities.	Non-qualifying investors (i.e., Singapore non-individuals investing above a certain percentage in the fund) would need to pay a financial penalty to the Singapore tax authorities.	No restrictions
<b>Assets under management (AUM)</b>	No restrictions	No restrictions	Minimum of S\$50 million at the point of application (committed capital concession available for real estate, infrastructure, private equity, debt and credit funds).
<b>Fund expenditure</b>	No restrictions	At least S\$200,000 in expenses in a financial year.	At least S\$200,000 local business spending in a year.
<b>Fund administrator</b>	No restrictions	Singapore-based	Singapore-based if the fund is a Singapore-incorporated and resident company.
<b>Approval requirement</b>	No approval needed from MAS.	Approval required from MAS. No change in investment strategy allowed after approval.	Approval required from MAS. No change in investment strategy allowed after approval.
<b>Other tax features</b>	Not applicable	Access to the Singapore Double Tax Treaty Network.	May have access to the Singapore Double Tax Treaty Network (e.g., where the fund is a Singapore tax resident corporate entity).  Cannot concurrently enjoy other tax incentives.  Scheme is applicable to a Master-Feeder structure <sup>7</sup> , subject to conditions which may need to be satisfied on an aggregate basis.
<b>Reporting requirement</b>	Annual Statements to investors. Tax filing to the Inland Revenue of Singapore (IRAS) for Non-Qualifying investors.	Annual Statements to investors. Tax filing to IRAS for Non-Qualifying investors.	Not required
<b>Income tax filing*</b>	Generally not required	Annual tax returns to IRAS	Annual tax returns to IRAS
*Current position generally taken			
<b>Annual declarations to MAS</b>	Not required	Required	Required

<sup>7</sup> This includes a structure holding investments via special purpose vehicle(s) under a Master-Feeder-SPV or Master-SPV structure. The expansion of the Section 13X scheme to accommodate funds constituted in all forms apply only to:

- Master fund and feeder fund(s) of a master-feeder fund structure; and
- Feeder fund(s) of a master-feeder fund-SPV structure.



### Financial Sector Initiative – Fund Management Award (FSI-FM)

Under the FSI-FM, fee income derived by a Singapore fund manager from managing or advising a qualifying fund is taxed at a concessionary tax rate of 10% instead of the prevailing corporate income tax rate of 17%, subject to certain conditions and MAS approval of the FSI-FM award.

For new applicants to qualify for a minimum 5-year award, the general qualifying criteria are as follows:

- Fund manager must hold a CMS licence or be expressly exempted from holding a CMS licence in respect of its fund management activities or be otherwise approved by the Minister;
- Fund manager must employ at least three experienced investment professionals each earning at least S\$3,500 per month and substantially engaged in the qualifying activity; and
- Fund manager must have a minimum AUM of S\$250 million.

The MAS may also consider other factors - for example, projections for growth in professional headcount, AUM and business spending - when considering the grant of the incentive.

### Tax Framework for Singapore Variable Capital Companies

As announced by the Finance Minister during the Singapore Budget 2018 Statement, the Government has introduced a tax framework for Singapore Variable Capital Companies (VCCs) to complement the existing fund regulatory framework:

- A VCC will be treated as a company and a single entity for tax purposes (for ease of compliance, only a single tax return is required to be filed with the IRAS);
- Tax exemption under Section 13R and Section 13X of the SITA will be extended to VCCs;
- The 10% concessionary tax rate under the FSI-FM scheme will be extended to approved fund managers managing an incentivised VCC; and
- The existing GST remission scheme for funds will be extended to incentivised VCCs.

The changes will take effect on or after the effective date of the VCC regulatory framework, which is expected to commence in the second half of 2019.

A manager of the VCC must be one of the following: (i) an LFMC; (ii) an RFMC; or (iii) a person mentioned in sections 99(1)(a), (b), (c) or (d) of the SFA (i.e., any bank licensed under the Banking Act, any merchant bank approved as a financial institution under the Monetary Authority of Singapore Act, any finance company licensed under the Finance Companies Act; or any company or co-operative society licensed under the Insurance Act in respect of fund management for the purpose of carrying out insurance business).

### Simplified Venture Capital Fund Manager Regime (VCFM Regime)

The MAS announced a simplified regulatory regime for managers of venture capital funds (VC Managers).

The new VCFM Regime will simplify and shorten the authorization process for VC Managers. MAS will no longer require VC managers to have directors and representatives with at least five years of relevant experience in fund management. VC managers will also not be subjected to the capital requirements and business conduct rules that currently apply to other fund managers.

To qualify under the new VCFM Regime, a VC manager has to manage funds that meet the following requirements:

- a. Invest at least 80% of committed capital (excluding fees and expenses) in specified products that are directly issued by an unlisted business venture that has been incorporated for no more than 10 years at the time of initial investment;
- b. invest up to 20% of committed capital (excluding fees and expenses) in other unlisted business ventures that do not meet sub-criterion (a.), i.e., they have been incorporated for more than 10 years at the time of the initial investment, and/or the investment is made through acquisitions from other investors in the secondary market;
- c. Must not be continuously available for subscription, and must not be redeemable at the discretion of the investor; and
- d. Are offered only to accredited and/or institutional investors.

All VCFMs should meet the following requirements at all times:

- Fit and proper;
- Incorporated in Singapore – have a permanent physical office in Singapore;
- Key personnel – Have at least two directors, at least one of whom should be full-time and resident in Singapore; and at least two full-time resident professionals and representatives, who may include the directors;
- Disclose to investors that a VCFM is not subject to all of the regulatory requirements that are imposed on other fund management companies.
- Avoid any conflicts of interests;
- AML/CFT Requirements; and
- Submit the relevant periodic regulatory returns.

### How we can help

Deloitte offers integrated and customised solutions to address your fund management needs. Our team of dedicated regulatory compliance and tax specialists have significant commercial knowledge and experience, coupled with a deep understanding of industry practices. With our global network of professional resources across different advisory practices, we are able to draw on our subject matter experts to address your various needs across different business operations. For more information on how Deloitte can help address your regulatory and tax compliance needs, please contact the personnel listed on the next page.

# Contact us

## Financial Services Regulatory Advisory

### Giam Ei Leen

SEA Regulatory Advisory Leader  
eilgiam@deloitte.com  
+65 6216 3296

### Andrew Ong

Director, Regulatory Advisory  
andong@deloitte.com  
+65 6800 4560

## Financial Services Tax

### Michael Velten

Asia Pacific Financial Services Tax &  
Legal Leader  
mvelten@deloitte.com  
+65 6531 5039

### Larry Low

Director, Tax  
lalow@deloitte.com  
+65 6216 3187

### Matthew Lovatt

Director, Tax  
mlovatt@deloitte.com  
+65 6800 4591

### Daniel Ho

SEA M&A Tax Leader  
danho@deloitte.com  
+65 6216 3189

### Chua Kong Ping

Director, Tax  
kchua@deloitte.com  
+65 6530 5516



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