

## Singapore Family Office Guideline Note

The Singapore Economic Development Board introduced the GIP (Global Investor Programme) as early as 2004, the family office part of the scheme encourages foreign investors to set up a family office in Singapore and apply for immigration once they are approved. In Budget 2020, Singapore will also deepen the family office system that has existed for many years, especially by expanding the scope of tax exemption and extending the current tax exemption policy until 2024.

The Singapore family office is also the government's immigration programme for high net worth individuals. The structure of the Singapore family office is that the principal applicant sets up two companies in Singapore established by himself or his family members, one is a fund company, the other is a family office. The family office provides fund management services to fund entities (private company incorporated in Singapore), which applicable to 13X/13R tax incentive scheme.

The fund manager (principal applicant) manages his own or his family's own assets through the family office to obtain the Employment Pass (EP). Singapore permanent resident status (PR) can be applied for after 6 months of EP holding. Spouses and unmarried children under the age of 21 can apply for a family member permit (DP), parents can apply for a long-term visit pass (LTVP).

This article will focus on the definition of family office, characteristics and tax exemption policy in Singapore to make a brief introduction.

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## 1. Definition of Family Office

The Family Office is defined by the Family Office Association as providing a full range of wealth management and Family services for ultra-wealthy families. A family office provides a wider range of services tailored to meet the needs of high net-worth individuals. It's also an institution that enables its assets to be passed on and maintained and appreciated across generations smoothly.

The family office is an institutional platform that provides integrated wealth and family service management to wealthy families. The main function of the family is to meet the family's requirements through the preservation scheme managed by a special person. Family offices are professional private organizations that help families manage their wealth. The main role is to pay close attention to the family's balance sheet, set up independent institutions, hire investment managers and manage the family's portfolio by themselves, so as to help the family better achieve the wealth management goals in a safe environment without conflicts of interest, realize the family inheritance, and protect the family philosophy. The family office can be a common limited company, or the limited company placed in the structure of family trust, so as to achieve long-term inheritance and asset isolation protection.

## 2. Type of Family Office

### (1) SFO, Single Family Office

Single family offices serve just one ultra-affluent family. It's a private company in which a single family manages its own assets. Assets go into family fund, the fund investment is selected by the client himself or the financial planner; a legal entity established by a wealthy family for the purpose of wealth management, wealth planning for the member of the family.

The SFO, a single family office in Singapore, is exempted from register the fund licenses such as Registered Fund Management Company (RFMC) or Licensed Fund Management Company with the Monetary Authority of Singapore (MAS).

### (2) MFO, Multi Family Office

The MFO is a family office created by a combination of families that are not necessarily related to each other. There are three main sources: the first is the shift from a single family office, the SFO, to accept other family clients; the second category is private banking, set up to better serve big clients; the third category is created by professionals.

MFO (Multi Family Office) require Registered Fund Management Company (RFMC) and Licensed Fund Management Company (LFMC) fund licenses, similar to Enterprise Asset Management (EAM).

### 3. Characteristic of Family Office

Family offices have the following characteristics:

- (1) Family assets are entrusted to a company, separated from a natural person
- (2) When assets are inherited, only the share of the holding company needs to be transferred
- (3) Family assets can be managed by professionals
- (4) Easy to manage

### 4. Tax Exemption

MAS does not define a single family office in its Security and Futures Act, nor does it license or regulate a single family office. In order to encourage the development of family offices, the government of Singapore has granted license exemptions and tax incentives for family offices. Kaizen Singapore office is able to provide clients with family office tax exemption application and consultancy services, please consult our professional accountants for details.

The following table simply compares the tax exemption clauses of 13CA, 13R and 13X.

	Clause 13X	Clause 13R	Clause 13CA
<b>Asset Company Registration Country</b>	Singapore or overseas companies	Singapore local companies	Overseas companies
<b>Minimum Fund Size</b>	At least SGD50M	No requirement (suggest above SGD 5M)	No requirement
<b>Annual Operating Expenses</b>	At least SGD200,000	At least SGD200,000	No requirement
<b>Fund Manager</b>	At least three	At least three	At least one
<b>Investment Entity</b>	All kinds of entities	Company	Company, Trust, Partnership
<b>MAS Approval</b>	Yes	Yes	No
<b>Validity</b>	Once approved, could enjoy the exemption for long term provide that you meet the exemption requirement every year	Once approved, could enjoy the exemption for long term provide that you meet the exemption requirement every year	Maybe expired in 2024
<b>Adequacy</b>	Larger families (in or outside of Singapore) with asset under management at least SGD50M	Family located in Singapore, with less direct shareholding by individual, and the AGM are held in Singapore	Family located outside of Singapore, with direct shareholding by individual and the AGM held outside of Singapore

## 5. Structure of Family Office

A single family office is essentially a private limited company, so how do you structure it to be eligible for tax exemption? According to the interpretation from MAS, the establishment of a single family office in Singapore should be in accordance with the following structure to meet the exemption requirements:

- (1) Set up a holding company
- (2) Set up a single family office and investment fund wholly owned by the holding company
- (3) A single family office manages family wealth through investment funds

Through asset allocation and management in Singapore, family office can be managed by the family members in Singapore. After obtaining the EP for half of year, they can apply for permanent resident status in Singapore and realize true asset migration.

*If you wish to obtain more information or assistance, please visit our official website at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following means:*

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