

Singapore: Overview of Family Offices

December 2021

Tetsuo Kurita

Lawyer (Singapore, Japan and NY, USA)

In Singapore, there has been an increase in the number of Family Offices established to manage the affairs of wealthy families in recent years.

This article provides an overview of family offices and how to establish it in Singapore.



1. Overview of Family Offices

A family office is generally a company that provides a number of services for a wealthy family such as asset management. The Monetary Authority of Singapore ("MAS") defines a single-family office ("SFO") as "an entity which manages assets for or on behalf of only one family and is wholly owned or controlled by members of the same family"¹. In addition to SFO, there are other types of companies, such as a multi-family office which manages the assets of several families.

Managing your assets through a family office is a safe way to manage your assets for the benefit of your family and to leave the assets to your descendants. Also, there are tax advantages available in some countries making a family office an effective way to save on taxes.

Global examples of family offices include Cascade Investment, founded by Bill Gates in Washington State, USA, and Bezos Expeditions, founded by Jeff Bezos, the founder of Amazon.com.

2. Family Offices in Singapore

In recent years, there has been an increase in the number of family offices established in Singapore². In 2020, 400 family offices were established³. The reason for this increase is not only the political and economic stability of Singapore but also the existence of the Family Office Development Team ("FODT"), established jointly by MAS and the Singapore Economic

¹ "an entity which manages assets for or on behalf of only one family and is wholly owned or controlled by members of the same family" (Q18) (<https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Fund-Management/Regulations-Guidance-and-Licensing/FAQs/SFA--FAQs-on-the-Licensing-and-Registration-of-Fund-Management-Companies---6-Apr-2020.pdf>)

² <https://www.mas.gov.sg/development/wealth-management>

³ <https://www.edb.gov.sg/en/our-industries/family-office.html>

Development Board ("EDB") to strengthen Singapore's competitiveness as an international asset management and family office hub, and tax incentives.

In Singapore, "Sassoon Investment Corporation"⁴ founded by Victor Sassoon, the Executive Chairman of the Rubina Watch Company, and "Rumah Group"⁵ established by Stanley Tan, the Executive Director and Chief Executive Officer of Global Yellow Pages Ltd, conduct asset management and investment activities.

(1) Obligation to obtain a licence to establish an SFO

In Singapore, it is possible to establish an SFO for a single family to manage its assets under the Securities and Futures Act⁶ ("SFA") and the Financial Advisers Act⁷ ("FAA").

In particular, in relation to the SFA, an SFO may fall under the category of "fund management"⁸ and may be required to obtain a Capital Markets Services License⁹ or an exemption¹⁰¹¹ from such requirement.

Also, in relation to the FAA, SFO may be fall under "Financial Adviser"¹² and required to obtain a "Financial Adviser's License"¹³. However, as a company which only advises associated companies is exempted from the requirement to obtain the license¹⁴, an SFO may be exempted from the requirement¹⁵.

(2) Taxation in relation to SFO

One of the advantages of establishing an SFO in Singapore is the tax exemption scheme. There are mainly 3 schemes as below.

- ① 13CA (Offshore Fund Scheme)
- ② 13R (Resident Fund Scheme)
- ③ 13X (Enhanced Fund Scheme)

Each scheme has different eligibility and exemption as below.

⁴ <https://www.sasscorp.com.sg/>

⁵ <https://www.rumahgroup.com/>

⁶ <https://sso.agc.gov.sg/Act/SFA2001>

⁷ <https://sso.agc.gov.sg/Act/FAA2001>

⁸ SFA Article 2(1), and SFA, Second Schedule, Part II ("Fund management") (<https://sso.agc.gov.sg/Act/SFA2001?Timeline=Off&ProvlDs=Sc2-#Sc2->)

⁹ SFA Article 82 (<https://sso.agc.gov.sg/Act/SFA2001?ProvlDs=P1IV-#pr82->)

¹⁰ Securities and Futures (Licensing and Conduct of Business) Regulations, SECOND SCHEDULE (EXEMPTIONS FROM SECTIONS 82(1) AND 99B(1) OF ACT) (<https://sso.agc.gov.sg/SL/SFA2001-RG10?ProvlDs=Sc2-#Sc2->) 5(1)(b)

¹¹ FAA Section 99(1)(h) (<https://sso.agc.gov.sg/Act/SFA2001?ProvlDs=P1IV-#pr99->)

¹² FAA Clause 2(1) (<https://sso.agc.gov.sg/Act/FAA2001#Sc2->)

¹³ FAA clause 6(1) (<https://sso.agc.gov.sg/Act/FAA2001?ProvlDs=P1II-#pr6->)

¹⁴ Financial Advisers Regulations 27(1)(b) (<https://sso.agc.gov.sg/SL/FAA2001-RG2?ProvlDs=P1VI-#pr27->)

¹⁵ Q16 "An SFO that provides financial advisory services to its related corporations may rely on an existing exemption from licensing under regulation 27(1)(b) of the Financial Advisers Regulations." (https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Fund-Management/IIID-FAQs/FAQsFMCLicensingAndRegistration_17Sep2018.pdf?la=en&hash=E50ACDA662993CC9D40EB71BD7389C4AA DAAFAA1)

① 13CA (Offshore Fund Scheme)

Base law: Section 13CA of the Income Tax Act ("ITA")¹⁶

Eligibility: Residents outside Singapore with a fund structure of company, trust company or individual

Tax exemption: Specified income from the Designated investments¹⁷

Income tax return: Not required

VCC¹⁸: No

The scheme is available to families residing outside Singapore. However, there are a number of restrictions including restrictions on the fund structure and the inability to use VCC.

② 13R (Resident Fund Scheme)

Base law: Article 13R of ITA¹⁹

Eligibility: Tax resident in Singapore with a fund structure of (domestic) company

Tax exemption: Specified income from the Designated investments¹⁷

Income tax return: Required

Business expenses: S\$200,000 annually

VCC: Yes

Although it is required to be a resident in Singapore, this scheme is more flexible than the 13CA scheme.

③ 13X (Enhanced Fund Scheme)

Base law: Article 3X of ITA²⁰

Eligibility: No restriction on the place of residence and fund structure

Tax exemption: Specified income from the Designated investments¹⁷

Income tax return: required

VCC: Yes

Business expenses: S\$200,000 + annually

Fund requirement: S\$50,000,000 at the time of application

Although there is no residency requirement and the scheme is highly versatile, there are several hurdles to cross such as funding requirements.

¹⁶ <https://sso.agc.gov.sg/Act/ITA1947?ProvlDs=P1IV-#pr13CA->

¹⁷ Income Tax (Exemption of Income of Prescribed Persons Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010 (<https://sso.agc.gov.sg/SL/ITA1947-S6-2010?DocDate=20120720&ProvlDs=Sc3-#Sc3->)

¹⁸ A variable capital company under the Variable Capital Companies Act (<https://sso.agc.gov.sg/Act/VCCA2018>) ("Singapore Variable Capital Company")

¹⁹ <https://sso.agc.gov.sg/Act/ITA1947?ProvlDs=P1IV-#pr13R->

²⁰ <https://sso.agc.gov.sg/Act/ITA1947?ProvlDs=P1IV-#pr13X->

One Asia Lawyers

One Asia Lawyers is a network of independent law firms created expressly to provide seamless, comprehensive legal advice for Japanese clients. We are legal specialists in the myriad and very complex laws in each of all ASEAN countries. With our member firms in each ASEAN country as well as Japan, we provide an accessible and efficient service throughout the region.

For any enquiry regarding this article, please contact us by sending email to:

info@oneasia.legal

Author



Tetsuo Kurita

Representative Lawyer, One Asia Lawyers Group

Lawyer (Singapore, Japan and NY, USA)

After working at a leading law firm in Japan, Tetsuo joined one of Singapore's top law firms as a partner. He then became the head of Asian operations of an international law firm. Since the establishment of One Asia Lawyers Group in July 2016, he has provided legal advice on various cross-border legal transactions, including M&A and international trade disputes. In 2014, he became the first qualified Japanese lawyer to advise Singapore commercial law (Foreign Practitioner certificate for Foreign Lawyer to Practise both Singapore Law and Foreign Law in Singapore (Section 36B)).

tetsuo.kurita@oneasia.legal