Extension of Enhanced Tier Fund Tax Incentive Scheme

June 2015

Iyer Practice
ADVISERS

SINGAPORE | HONGKONG
20 YEARS IN PRACTICE

Introduction

Previously the Enhanced Tier Fund Scheme (13X) only applied to the fund vehicle or to a master-feeder structure. If there were any SPVs underlying the structure, then they would be required to meet the scheme's conditions on a standalone basis to qualify for the tax exemptions.

In the 2015 budget, it was announced that the scheme would be extended to also include SPVs under fund structures. On 29th May 2015, MAS issued FDD Cir 05/2015 to provide further details on these extensions.

Enhanced Tier Fund Scheme

This exemption exists under Section 13X of the Singapore Income Tax Act to allow funds managed by Singapore fund managers (and family offices) to be exempt from most income, particularly trading gains and remitted income. Some of the key conditions are:

- Assets under management of at least SGD 50m
- Managed by an approved Singapore fund management company
- At least 3 investment professionals employed in Singapore
- Must incur at least SGD 200,000 in business spending in Singapore

The exemption is not automatically given and an application must be made to MAS

Extension of Scheme

From 1 April 2015, the scheme will be extended to cover SPVs under funds. For the scheme to be extended to SPVs, there are 3 additional conditions to be met:

- The master fund must be a Singapore entity, and must be tax resident in Singapore
  - *note that the regular13X allows a fund vehicle from any jurisdiction*
- The SPVs must be companies, and wholly owned by the master fund
  - *there can be 2 tiers of SPVs below the fund*
- The economic commitments must be met on a multiple-fold basis (*see next page*)

Economic commitments on a multiple-fold basis

For a master-SPV structure the minimum fund size and annual local business spending must be multiplied by the number of master fund + SPVs

- For example, if there were 2 SPVs under the master fund, then the minimum total fund size would be SGD 150m (50m x 3), and the total local business spending would be SGD 600k (SGD 200k x 3)

For a master-feeder-SPV structure, the multiplication factor would depend on whether the feeder funds trade or have taxable income.

- Where the feeder funds trade or derive taxable income, the above requirements would be increased proportionately for each additional feeder fund. Where they did not, then only the master fund and SPVs would be taken into account when calculating requirements

Conclusion

The Enhanced Tier Fund Tax Incentive has now been extended to cover SPVs underlying funds, however there are some additional conditions.

In addition to the tax benefits, the master-SPV or master-feeder-SPV need only submit a single tax return to IRAS (unless there is taxable income not exempted by the incentive) and a single consolidated annual declaration to MAS.

Services:

- International & Domestic Tax
- Company Formation & Administration
- Trusts & Foundations
- Immigration & HR
- Regulatory & Compliance
- Accounting & Financial Reporting

The insight to be your trusted adviser

Contact Us

Shanker Iyer

Email shanker@iyerpractice.com
Phone +65 6532 5746
Mobile +65 9760 6488

80 Raffles Place
#26-01 UOB Plaza 1
Singapore 048624

Sunil Iyer

Email sunil@iyerpractice.com
Phone +65 6532 5746
Fax +65 6532 7680

80 Raffles Place
#26-01 UOB Plaza 1
Singapore 048624

Sanjay Iyer

Email sanjay@iyerpractice.com
Phone +852 2529 9952
Mobile +852 9355 3495

Unit 29E, 29/F Admiralty Centre Tower 1
18 Harcourt Road, Admiralty
Hong Kong

Read our free publications at **iyerpractice.com**.
For the latest business/finance related updates, follow us on :