

SINGAPORE TRUSTS

A Singapore Trust is a safe and tax-efficient structure used by individuals around the world to protect global assets.

What is a trust?

A trust is a legal arrangement between an individual (settlor) and a trustee where the individual settles assets into the trust for the trustee to manage for the benefit of others (beneficiaries).

Key parties to trusts are:

- **Settlor** - individual or an entity entering into the legal relationship with the trustee.
- **Trustee** - the legal owner of the assets who has a fiduciary and statutory obligation to act in the best interest of the beneficiaries. This is generally a licensed trust company.
- **Beneficiary** - the benefitting party under the arrangement.
- **Protector** - individual or entity appointed serving as a "watchdog" role over the trustee in the administration of the trust.

Why set up a trust?

Succession & Estate Planning

In the event of death, as assets settled into a trust will not form part of deceased's estate, probate is not required on these assets and disputes over the assets can be avoided.

In certain civil law jurisdictions, forced heirship is a common issue and this can be addressed under applicable trust laws (such as Singapore's), which have anti-forced heirship provisions.

Wealth Protection

As the ownership of the trust assets is with the trustee and not with the settlor, a trust can provide asset protection against creditors and other parties.

Family Wealth Planning

A trust is an ideal solution for families with complex financial arrangements. It is also ideal where there is a need to make provisions for a dependant with special needs or for someone who is unable to manage their financial affairs responsibly.

Confidentiality

A trust does not need to be registered with any statutory bodies. The trust arrangement is a strictly private arrangement between the settlor and the trustee. This can be further enhanced by using a third party to hold the assets on behalf of the trust via a custodian arrangement.

Tax Mitigation

A trust can be used as a tax planning tool in certain circumstances.

How to set up a trust?

A trust is set up upon a Deed of Settlement being executed between the settlor and a trustee (usually a professional trustee licensed in the selected jurisdiction), and the transfer of assets into the trust.

In executing the Deed of Settlement, the settlor must decide the key terms of the trust, including:

- Who the initial beneficiaries are
- Who to appoint as protector of the trust
- Which powers the settlor wishes to retain

Why Singapore?

General

i. Well Regulated

Singapore has well-developed trust laws and other legislation to enhance its position as an international wealth management hub for high net worth individuals. Singapore trust companies are closely regulated by the Monetary Authority of Singapore (MAS).

ii. Economic and Political Stability

Singapore is widely seen as one of the Asia's most developed economies with a very stable economic and political environment, and hence is a secure place to safeguard assets.

iii. Gateway between Asia and the Rest of the World

Singapore is a leading provider of services such as international banking, trade finance and wealth management. It is regularly rated the top country by organisations such as the World Bank for ease of doing business.

iv. Favourable Tax Regime and Wide Network of Double Taxation Treaties

Singapore has:

- A territorial tax system.
- A broad network of comprehensive double taxation treaties.
- No capital gains tax.
- No estate duty.

The above factors make Singapore highly suitable for long-term asset protection.

Key Features of Singapore Trust Law

i. Settlor's Reserved Powers of Investment

A settlor can retain the power to make investment decisions.

ii. Perpetuity Period

The maximum period for which a trust can continue is 100 years.

iii. Forced Heirship

As detailed earlier, such laws are not enforceable against a Singapore trust if the settlor had the capacity to transfer the property from the jurisdiction in which the transfer took effect.

Taxation of Singapore Trusts

Qualifying Foreign Trusts (QFTs)

QFTs are trusts where neither the settlor nor beneficiary is either a Singapore resident, citizen or Singapore resident company, and is administered by a licensed Singapore trust company.

These trusts and their underlying holding companies are exempt from Singapore tax on certain income, including:

- Interest, dividends and rental income derived from outside Singapore in relation to certain investments
- Gains derived from the sale of certain investments

Distributions to beneficiaries of QFTs are exempted from Singapore taxes.

Singapore Private Trust Companies (PTCs)

PTCs are companies formed in Singapore to act as trustees of Singapore trusts.

A PTC can provide a well-structured way for a family to efficiently manage its assets, while allowing the family to retain more control than with appointing an independent trustee.

The PTC can only act as trustee of such a trust if each beneficiary of the trust is a connected person to the settlor of that trust.

As the PTC is the exclusive trustee for one or a few related trustees, the circulation and disclosure of information is limited to the PTC.

The next generation of the family can be involved in the decision-making process within a PTC and be trained to ultimately take over as directors of the PTC.

A PTC is exempt from licensing by the

MAS, but must appoint a licensed trust company to administer the anti-money laundering obligations required by the MAS.

Other Jurisdictions - Labuan

i. Labuan Special Trust

Benefits include:

- The management of the underlying company may be carried out by its directors without any power of intervention being exercised by the trustees. This makes it suitable for the trust to hold operating companies.
- To enable the shares of the company to be held indefinitely.

ii. Labuan Foundation

- Established to hold assets with the objective of managing the assets for the benefit of a class of persons on a contractual basis.
- It is typically used for private wealth management and charitable purposes.

COMPARISON OF SOME TRUST JURISDICTIONS

Descriptions	Singapore	Labuan	Hong Kong	British Virgin Islands	Jersey
Structures available in jurisdiction?	Trusts only	Trusts & Foundations	Trusts only	Trusts only	Trusts & Foundations
What is the maximum trust period?	100 years	Unlimited period of time unless trust instrument provides otherwise	Unlimited period of time unless trust instrument provides otherwise	360 years	Unlimited period of time unless trust instrument provides otherwise
Reservation of Powers of Investment by Settlor	Yes	May reserve power to give binding direction to trustee to make investments	Yes	No (note that VISTA trust allows for this)	May reserve power to give binding direction to trustee to make investments
Reservation of other Powers by Settlor	None	Extensive powers, including ability to vary the trust instrument, to pay income or capital and to appoint / remove trustee, enforcer, protector or beneficiaries	None	Various powers, including ability to vary the proper law of the trust, to remove trustees and to exclude beneficiaries	Extensive powers, including ability to vary the trust instrument, to pay income or capital and to appoint / remove trustee, enforcer, protector or beneficiaries
Protection Against Foreign Forced Heirship Rules	Yes	Yes	Yes	Yes	Yes
Are Purpose Trusts allowed?	Only in certain circumstances (e.g a charitable trust)	Yes	Only in certain circumstances (e.g. a charitable trust)	Yes	Yes
Other Types of Trusts Offered?	No	Labuan Special Trust (which is modeled on a BVI VISTA Trust)	No	VISTA Trust (which is suitable for holding operating entities within the trust)	No

The above jurisdictions all require the trustee to be licensed, with the exception of Hong Kong, which only requires an entity to be registered as a Trust company.

Our Services

TRUSTS

- Set-up and Administration
- Provision of Protector Services
- Provision of Enforcer Services

PRIVATE TRUST COMPANIES

- Set-up and Administration
- Provision of Compliance Officer

CHARITABLE TRUSTS

- Set-up and Administration
- Assistance with Registration with Registrar of Charities

FOUNDATIONS

- Set-up and Administration

The above services are offered by Singtrust Pte Ltd, which is licensed by the Monetary Authority of Singapore to conduct trust business, and Asiatrust Limited, which is licensed to conduct trust business in Labuan.

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Our Corporate Profile

Iyer Practice is a firm of professional advisers who offer a full range of taxation, fiduciary, regulatory compliance, human resources and accounting services.

The firm was established in Singapore in 1993 by Mr. Shanker Iyer, whose extensive international experience as a professional adviser spans almost four decades. He qualified as a Chartered Accountant in the United Kingdom, where he was a Partner of a leading accounting firm for over 10 years. He has been a practising accountant in Singapore since 1984. The firm also has an office in Hong Kong.

Iyer Practice has a strong base of local and international clients. A significant portion of the firm's clientele comprises multi-national companies and high net-worth individuals doing business in Singapore and throughout the Asia Pacific Region. The firm is therefore able to offer a good blend of knowledge and experience based on its local and international professional capabilities.

Iyer Practice employs over 70 well qualified staff and its senior personnel were formerly from major international accounting firms.

The firm has a trust company, Singtrust, licensed by the Monetary Authority of Singapore to conduct trust business. It also has an interest in Asiatrust, which is licensed to conduct trust business in Labuan. One of the firm's entities, Shanker Iyer Consultants Pte Ltd, is licensed by the Singapore Ministry of Manpower (MOM) as an Employment Agency.

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