Section 13O & 13U Tax Incentives for Funds managed by Single Family Offices

CRITERIA	S13O	S13U
Assets Under Management	✓ Minimum S$20 million in Designated Investments at the point of application and throughout the incentive period	✓ Minimum S$50 million in Designated Investments at the point of application and throughout the incentive period
Investment Professionals	✓ Employ minimum 2 professionals, of whom at least 1 is not a family member of the beneficial owners at the point of application and throughout the incentive period	✓ Employ minimum 3 professionals, of whom at least 1 is not a family member of the beneficial owners at the point of application and throughout the incentive period
	✓ Relevant formal work experience or academic qualifications to qualify as investment professionals ✓ Qualified investment professionals must be employed as a portfolio manager, research analyst or trader who will earn more than S$3,500 per month and engage more than 50% of the time in the qualifying activity ✓ Qualified investment professionals must be Singapore tax residents throughout the incentive period	
Spending Requirement	✓ Tiered Spending Requirement*, with minimum S$200,000 in Local Business Spending	✓ Tiered Spending Requirement*, with minimum S$200,000 in Local Business Spending
	✓ Donations to local charities and grants to blended finance structures with substantial involvement of financial institutions in Singapore recognised in Tiered Spending Requirement computation*	
Capital Deployment Requirement#	✓ Investing lower of S$10 million or 10% of AUM in: (i) Equities, REITS, Business Trusts, or ETFs listed on MAS-approved exchanges; (ii) Qualifying Debt Securities; (iii) Non-listed funds distributed by licensed financial institutions in Singapore; (iv) Investments into non-listed Singapore operating companies; (v) Climate-related investments; (vi) Blended finance structures with substantial involvement of financial institutions in Singapore ✓ 1.5x or 2x amount invested in eligible investments recognised for Capital Deployment Requirement computation#	
Private Banking Account	✓ The Fund must have a private banking account with a MAS-licensed financial institution at the point of application and throughout the incentive period	

Legend: Requirements for both S13O & S13U | **Changes wef 5 July 2023**

*Tiered Spending Requirement

Donations to Singapore charities and grants to blended finance structures will be recognised as eligible spending, starting 5 July 2023

Changes wef 5 July 2023

	AUM < S$50 million	S$50 million ≤ AUM < S$100 million	AUM ≥ S$100 million
Spending Requirement of the Fund in each Year of Assessment	≥ **S$200,000**	≥ **S$500,000**	≥ **S$1 million**
Spending Requirement may be met by:	**LOCAL BUSINESS SPENDING** **Minimum** S$200,000	**LOCAL BUSINESS SPENDING** **Minimum** S$200,000 + **LOCAL DONATIONS** + **GRANTS^ TO BLENDED FINANCE Recognised as 2x Spending** = **TOTAL SPENDING** **≥S$500,000**	**LOCAL BUSINESS SPENDING** **Minimum** S$200,000 + **LOCAL DONATIONS** + **GRANTS^ TO BLENDED FINANCE Recognised as 2x Spending** = **TOTAL SPENDING** **≥S$1 million**

^**Grants** refer to contribution with no return of principal and income.

For example: A S13U fund with AUM of S$100 million

LOCAL BUSINESS SPENDING

S$200,000
(minimum) a year

Mgt fees	Tax advisory fees	Legal fees
S$ 150,000	S$30,000	S$20,000

+

DONATIONS

S$200,000
a year
SG Enable

+

GRANTS TO BLENDED FINANCE

S$300,000
a year
to Asia Climate Solutions Design Grant

Recognised as 2x

S$600,000

=

TOTAL SPENDING
S$1,000,000

#Capital Deployment Requirement (CDR)

✓ **Climate-related investments and blended finance will be recognised as eligible investments, starting 5 July 2023**

✓ **2x recognition given to Singapore listed equities and deeply concessional capital in blended finance structures, starting 5 July 2023**

Certain types of eligible investments will enjoy a multiplier: the amount invested in those categories will be scaled up by a multiplier when computing if the CDR is met.

2x multiplier

- **Deeply concessional capital**[1] in **blended finance structures**[2] **with substantial involvement of financial institutions in Singapore**
- **Equities** listed on MAS-approved exchanges
- **ETFs**[3] with **primary mandates**[4] to invest in Singapore-listed equities on MAS-approved exchanges
- **Non-listed funds** distributed by licensed financial institutions in Singapore with **primary mandates** to invest in Singapore-listed equities on MAS-approved exchanges

1.5x multiplier

- **Concessional capital**[5] in **blended finance structures**[2] **with substantial involvement of financial institutions in Singapore**

1x multiplier

- **REITS**, **Business Trusts**, or **ETFs**[3] (whose primary mandate is not to invest in Singapore-listed equities) listed on MAS-approved exchanges
- **Qualifying Debt Securities**
- **Non-listed funds** distributed by licensed financial institutions in Singapore (with no primary mandate to invest in Singapore-listed equities)
- **Investments** into **non-listed Singapore operating companies**
- **Climate-related Investments**[6]
- **Non-concessional capital** invested in **blended finance structures**[2] **with substantial involvement of financial institutions in Singapore**

For example, to compute if a Fund with AUM of S$150 million, which has a CDR of S$10 million, has met its CDR:

EQUITIES

S$3,000,000
a year

SGX Listed Equities

Recognised as 2x

S$6,000,000

+

BLENDED FINANCE (Concessional)

S$2,000,000
a year

Climate Finance Partnership

Recognised as 1.5x

S$3,000,000

+

QUALIFYING DEBT SECURITIES

S$ 1,000,000
a year

Singapore Savings Bonds

=

TOTAL CAPITAL DEPLOYED
S$ 10,000,000

✓ CDR met

NOTES:

1 Deeply concessional capital is capital that (i) has zero income earned on the investment; or (ii) bears first loss before any other equity (including other capital contributions that are already concessional with lower returns) and earns lower return than any other equity or debt.

2 This includes blended finance structures that are substantially arranged, managed, executed or originated in Singapore, which is defined as:
a. More than half of the entities involved in arranging, managing, executing or originating the blended finance structure must be entities licensed by MAS; or
b. More than half of the gross revenue from arranging, managing, executing or originating the blended finance structure must be attributable to SG licensed entities; or
c. More than half of the costs incurred in arranging, managing, executing or originating the blended finance structure are for expenses paid to (and hence attributable to revenue earned by) entities in Singapore.

3 As long as the master fund is listed in Singapore on Approved Exchanges licensed by MAS.

4 Benchmarked against Singapore indices such as STI, SiMSCI, or invest ≥ 50% in Singapore-listed equities as attested by an MAS-licensed financial institution to the Fund Management Company.

5 Concessional capital refers to financing where the financier accepts a lower rate of return or higher risk than that which the borrower or issuer ordinarily has to offer to financiers seeking commercial risk-adjusted rate of return, i.e., concessional capital provider receiving lower return for same risk or same return for higher risk within the capital structure of an investment. Concessional capital must be provided to unrelated entities or third-party blended finance or concessional capital vehicles. Concessional capital can fall within one of the following:
I. Lower return (but still >0):
a. Equity with lower return than other common equity, preferred equity or debt
b. Debt tranche with lower return than other tranches of similar credit terms
OR
II. Subordination in liquidation or payment:
a. Aside from deeply concessional capital, second loss equity with same or lower return than other common equity or debt;
b. Subordinated debt with same or lower return to senior debt or debt of similar credit terms
OR
III. Lower return and/or higher risk due to timing differences:
a. Earlier injection: Other terms being equal, concessional debt is injected first before commercial debt
b. Deferred repayment: Other terms being equal, repayment of concessional debt is partially or fully deferred; Other terms being equal, equity with partially or fully deferred payment of dividend or principal vis-à-vis other equity holders.

6 Climate-related investments are defined as investments which are in activities that are identified within the green or transition category under the Singapore-Asia Taxonomy or any other internationally recognised definitions/ taxonomies. Investments can be for overseas purposes.