The End of Banking Secrecy for Foreign Tax Purposes: practical consequences

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For banks, trust companies and asset managers

The cumulative effect of these rules is that a Singapore financial institution must be able to show, for every client, that it understands the client's tax residence and has no reason to suspect that the assets are the proceeds of tax evasion. The obligation applies equally to banks, licensed trust companies and fund managers. The regimes for family offices and for external asset managers, examined in Chapters III and V of this part, add their own requirements. The 2024 risk assessment notes that professional intermediaries such as trust companies and asset managers may be misused for the laundering of foreign tax crime proceeds.[1]

For clients and their advisers

For clients, the practical rule is simple. Any account held in Singapore must be assumed to be known to the tax authority of the client's country of residence, unless that country lies outside Singapore's exchange network, as the United Arab Emirates

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currently do. Accounts of US persons are reported to the IRS under FATCA. Structures do not change this result, since passive entities and trusts are looked through to their controlling persons. Arrangements designed to avoid reporting can be disregarded under section 105MA of the Income Tax Act. Advisers who help a client to conceal assets that derive from tax evasion risk criminal liability in Singapore under the money laundering provisions of the CDSA.

Checklist

- Determine the tax residence of every account holder, controlling person, settlor, beneficiary and protector, and document it through self-certification and supporting evidence.
- Check whether the residence jurisdiction is on the current IRAS list of reportable jurisdictions, and whether the account falls under FATCA.
- For each new client, assess the tax legitimacy of the assets and the plausibility of the reasons for booking them in Singapore, using the indicators in Appendix B of the guidelines to MAS Notice 626.
- Treat participation in a foreign tax amnesty as a reporting event, file the required suspicious transaction report and decide on a risk basis whether to review the account.
- Where a foreign tax evaded has no equivalent in Singapore, apply the risk controls nevertheless, and weigh the absence of statutory protection before filing a voluntary report.
- Avoid arrangements whose main purpose is to keep an account outside CRS or FATCA reporting, since the Comptroller may disregard them.
- Review legacy services such as hold-mail and dormant accounts and ensure they are subject to independent controls.
- Prepare for the amended CRS from 1 January 2027 and for the Crypto-Asset Reporting Framework, with first exchanges planned for 2028.

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Notes

1. *Money Laundering National Risk Assessment 2024*, para. 6.2.18: "Professional intermediaries such as trust companies and asset managers may also be misused"; legal persons and arrangements used to hold funds through complex ownership and control structures. ↩

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