The tax incentive schemes and their conditions

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The fund as the incentivised entity

Singapore's tax incentives for funds form a family of four schemes under the Income Tax Act 1947. Section 13D covers prescribed persons, namely non-resident individuals, non-resident companies and trust entities, and is self-administered. Section 13O covers approved funds incorporated and resident in Singapore. Section 13OA, in force since 1 January 2025, extends the same treatment to limited partnerships registered in Singapore. Section 13U applies to approved standalone funds and to master-feeder and special purpose vehicle structures, wherever the vehicles are constituted.[1] All four schemes are open to family office funds and to commercial funds, although the conditions differ.

The older names of the schemes still appear in practice and in the literature. The resident fund scheme and the enhanced-tier fund scheme were introduced in the late 2000s under sections 13R and 13X and were later renumbered as sections 13O and 13U.[2] The renumbering did not change the basic technique. The fund obtains an award letter from MAS, and that letter makes the exemption subject to conditions that the fund must meet in every basis period.

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A qualifying fund is exempt from tax on specified income derived from designated investments. Funds managed or advised by Singapore-based fund managers also benefit from a remission of goods and services tax and from withholding tax exemptions. The exemption lasts for the life of the fund. The schemes are due to expire on 31 December 2029, before which the government will review them. Awards granted by that date continue for the life of the fund, provided the fund meets the conditions in each basis period.[3]

Economic and non-economic conditions

The circular distinguishes two types of condition. A fund that fails an economic condition, such as the minimum spending or the minimum size, loses the exemption for that basis period only. It may claim the exemption again in a later period in which it meets all the conditions. A fund that fails a non-economic condition, for instance by not providing supporting documents on request, or that commits a serious offence, risks the permanent revocation of its award. The standard terms add that information given in the application must be true and complete. MAS may revoke or suspend an approval if it later proves false, misleading or inaccurate.[4]

The distinction matters for families. A fall in markets that pushes the fund below the minimum size costs the exemption for one year. A misstatement about the source of the family's wealth can cost it for good. The second risk became concrete in the money laundering case of 2023, as the last section of this chapter shows.

Designated investments and their limits

The exemption covers income from a long list of designated investments, which MAS reviews regularly to keep pace with new asset classes. The list covers most financial investments, such as listed and unlisted shares, bonds, units in funds and derivatives. It also includes immovable property situated outside Singapore. Investments connected with Singapore immovable property are largely excluded, so that the incentive does not become an instrument for tax-free speculation in the domestic property market. Physical investment precious metals qualified as

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designated investments only up to 5 per cent of the portfolio. The cap was removed with effect from 1 August 2026 to support the deployment of capital into precious metals held in Singapore.[5]

Since 1 January 2025, any reference to the assets under management of a fund in the schemes means its assets under management invested in designated investments.[6] The change closed a gap. Before, a fund could reach the size threshold with assets that fell outside the list of designated investments and therefore produced no exempt income. Now only qualifying investments count.

Sections 13O and 13OA: the entry tier

For family office funds whose award is approved on or after 1 August 2026, sections 13O and 13OA require at least S$20 million in designated investments at the point of application and at the end of each basis period. Investments in the family's own operating businesses, whether by equity, debt or other financing, do not count towards this minimum. They do count for the other conditions if they qualify as designated investments. The rule prevents a family from qualifying by moving the shares of its trading company into the fund.[7]

The family office must employ at least two qualifying investment professionals, of whom at least one is not a family member of the beneficial owners. The fund may apply with only one professional, who may be a family member. The second must be in place by the end of the basis period of the first year of assessment of the award, failing which the award is revoked from its commencement date.[8]

The commercial track for funds run by licensed managers has developed separately. For those funds, MAS removed the annual minimum size condition retroactively from 1 January 2025 and set an entry threshold of S$5 million for section 13O and 13OA awards commencing on or after that date.[9] Family offices sometimes cite the lower figure. It does not apply to them, since their funds remain subject to the S$20 million condition throughout.

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Section 13U: the enhanced tier

Section 13U requires at least S$50 million in designated investments, again at the point of application and at the end of each basis period. The family office must employ at least three qualifying investment professionals, at least one of them a non-family member. A fund may apply with two, who may be family members, and must add the third by the end of the first basis period.[10] The scheme accepts funds constituted in any form and outside Singapore.[11] This flexibility makes it the vehicle of choice for families who already hold their assets through offshore companies or who invest through master-feeder or special purpose vehicle structures.

Since 1 January 2025, a section 13U structure meets the economic conditions as if it were a single standalone fund, however many feeder funds or special purpose vehicles it contains. Before that date each additional vehicle increased the minimum size and spending.[12] The change removed one of the most criticised features of the old scheme. Families had been structuring their holdings to suit the incentive instead of their investment needs.

Three vintages of conditions

The conditions have changed several times, with each change applying to new applications only. MAS therefore distinguishes between awards granted on applications submitted before 18 April 2022, those submitted between 18 April 2022 and 5 July 2023, and those submitted from 5 July 2023 and approved before 1 August 2026. The reform of April 2022 introduced a minimum size for section 13O funds of S$10 million at application, to be raised to S$20 million within two years. It also required two investment professionals, a tiered business spending condition and an obligation to invest at least the lower of 10 per cent of assets or S$10 million in Singapore investments. The reform of July 2023 added the requirement that one investment professional must come from outside the family. It also introduced a private banking account with a Singapore institution.[13]

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The circular of 31 July 2026 harmonised the annual conditions for existing awards with effect from the year of assessment whose basis period ends on or after 1 August 2026. Section 13O and 13OA funds with pre-April 2022 awards remain subject only to total business spending of S$200,000, without a minimum size, a headcount or a capital deployment requirement. Section 13U funds of that vintage keep three investment professionals and local business spending of S$200,000, again without a minimum size or a capital deployment requirement. Later vintages apply the tiered local spending condition and the capital deployment requirement in their revised form. Funds whose award letter imposes no banking condition must now hold a bank account or a private banking account with an MAS-licensed institution. They were given three months from 1 August 2026 to open one. Older awards thus enjoy a measure of grandfathering, while the regulator has drawn all of them into the banking net.[14]

The philanthropy incentive

On 5 July 2023 MAS published the details of a further scheme aimed at family offices, the Philanthropy Tax Incentive Scheme. It allows a qualifying donor connected with a family office fund under section 13O, 13OA or 13U to deduct overseas cash donations made through approved local intermediaries, up to 40 per cent of statutory income, for five years. The family office must appoint a philanthropy professional, incur an additional S$200,000 of local business spending and employ an additional local professional.[15] The scheme reflects a wider aim of making Singapore a centre for Asian philanthropy. It also shows how the state uses the family office as a channel to attract activities that would not otherwise locate in the city.

Notes

1. MAS, Circular FDD Cir 05/2026, “Tax Incentive Schemes for Funds”, 31 July 2026, paras 2.5 and 6.1–6.2, and n. 10 on section 13OA from 1 January 2025. ↩

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2. Introduction of the Singapore Resident Fund Scheme (section 13R) and the Enhanced-Tier Fund Scheme (section 13X) and their renumbering as sections 13O and 13U of the Income Tax Act. ↩
3. MAS, FDD Cir 05/2026, paras 2.1–2.2; MAS, FDD Cir 05/2026, para 2.3. ↩
4. MAS, FDD Cir 05/2026, para 2.4; MAS, FDD Cir 05/2026, Annex 13 (standard terms and conditions), para 9.3, and para 3.2 on permanent revocation, termination or suspension for breach of the approval terms. ↩
5. MAS, FDD Cir 05/2026, Annex 3 (designated investments): exclusion of shares in unlisted companies in the business of trading or holding Singapore immovable properties (other than property development), of loans to finance or refinance the acquisition of Singapore immovable property and of unit trusts investing in Singapore immovable property; immovable property outside Singapore listed as a designated investment; MAS, FDD Cir 05/2026, paras 7.2–7.3. ↩
6. MAS, FDD Cir 05/2026, n. 1. ↩
7. MAS, FDD Cir 05/2026, para 4.3(b); MAS, FDD Cir 05/2026, n. 20, and Annex 11, FAQ 6: such investments are not subject to holding limits but do not count towards the minimum AUM in DI condition. ↩
8. MAS, FDD Cir 05/2026, para 4.3(a) and n. 19 (example: award commencing on 1 August 2026 with a 31 December year end; the second IP must be employed by 31 December 2026). ↩
9. MAS, FDD Cir 05/2026, paras 3.2 and 3.4(b). ↩
10. MAS, FDD Cir 05/2026, para 4.4. ↩
11. MAS, FDD Cir 05/2026, Annex 7, para 1(b) (Singapore-based fund administrator required only where the fund is a Singapore-incorporated and tax-resident company) and para 4 (standalone, master and feeder funds may be constituted in all forms). ↩
12. MAS, FDD Cir 05/2026, para 5.3(a) and n. 38. ↩

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13. MAS, FDD Cir 05/2026, para 4.6 and nn. 32–34; Grant Thornton Singapore, "Stricter criteria for family offices applying for tax incentives 13O and 13U", 22 April 2022, on the criteria applicable to applications received from 18 April 2022; MAS, FDD Cir 05/2026, Annex 6B, n. 97, on the two-year grace period to increase AUM from S$10 million to S$20 million; Ressos, *Genève, place financière internationale*, partie K, chapitre III, n. on the criteria updated by MAS on 5 July 2023 (Duane Morris & Selvam, 12 July 2023); MAS, FDD Cir 05/2026, Annex 6B, para 4 (two qualifying IPs with at least one non-family member for awards subject to 5Jul23 conditions). ↩
14. MAS, FDD Cir 05/2026, Annex 6B, para 4 (table of revised annual conditions for existing S13O/OA awards subject to pre-18Apr22, 18Apr22 and 5Jul23 conditions, including the banking account row); MAS, FDD Cir 05/2026, Annex 7B, para 4 (corresponding table for existing S13U awards). ↩
15. MAS, "Philanthropy Tax Incentive Scheme for Family Offices", mas.gov.sg (published 5 July 2023, accessed November 2026): 100 per cent tax deduction for overseas cash donations through Qualifying Local Intermediaries, capped at 40 per cent of statutory income, for five years; conditions of a Philanthropy Professional, an additional S$200,000 local business spending and an additional local professional headcount. ↩

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