

Updates on Fund Tax Incentive Schemes – Section 13D Scheme



Section 13D Scheme (Exemption of income of prescribed persons arising from funds managed by a fund manager in Singapore)

The Section 13D Scheme will remain as a self-administered / self-assessment scheme.

Key revisions to the S13D scheme for both SFO and non-SFO funds

Criteria	Existing requirement	Changes w.e.f 1 January 2025
Investment Professional ("IP") ¹	Not applicable.	<p>S13D SFO and non-SFO funds must be managed or advised directly by a Fund Management Company ("FMC") in Singapore with at least one Investment Professional ("IP") in each FY with effect from FY ending 2027 (YA 2028).</p> <p>For existing 13D SFO and non-SFO funds, they will be given a 2-year grace period to fulfil the abovementioned requirement.</p> <p>For the ease of compliance, unlike the S130/OA/U Schemes, there is no specific salary requirements for IPs under the S13D Scheme.</p> <p>The requirement to employ one IP will be self-assessed by the S13D fund.</p>
30/50 rule for investors ²	<p>S13D funds are required to adhere to the 30/50 rule for investors.</p> <p>Failing which, a financial penalty may be applied at the investors' level.</p>	<p>Waiver of the 30/50 rule for investors of S13D funds which are S13D trusts or unit trusts with effect from YA 2025.</p> <p>The above is to avoid discouraging S13D trusts and / or unit trusts from investing into another S13D fund.</p>

¹ Investment professional refers to portfolio managers, research analyst and traders who are engaging substantially in the qualifying activity and management of the fund.

² Investors who, either alone or together with their associates, on the relevant day, beneficially own the total value of issued securities of the S13D fund (being a company) or the total value of the S13D fund (being a trust fund), as the case may be, the value of which is more than the following prescribed percentage:

a) where the S13D fund has less than 10 investors, 30%; or
b) where the S13D fund has at least 10 investors, 50%.

will be regarded as non-qualifying investors for the purposes of the scheme and are liable to pay to the Comptroller of Income Tax ("CIT") a financial penalty.

Under the Sections 13O/OA/U Schemes, the definition of a FMC was consistently provided and defined where one must either hold a capital markets services license for the regulated activity of fund management under the Securities and Futures Act 2001 (“SFA”), or is exempt from the requirement to hold such a license under the SFA, or is approved by the Minister or such other person he may appoint. An example of a FMC that is exempt from such a requirement to hold such a license is a SFO.

As at the date of writing, it is unclear as to whether the definition of a FMC as prescribed above for the purposes of the Sections 13O/OA/U Schemes will apply in the context of a Section 13D Fund. Clarification is sought and we await further updates from the Monetary Authority of Singapore.

In brief, if the intention is for Section 13D Funds to be managed and advised directly solely by a licensed FMC, SFOs may have to start rejigging their fund management / advisory arrangements by out-sourcing/ sub-delegating them to these licensed FMCs, which will invariably add on to the costs in managing their own assets (i.e. Section 13D funds) and also inadvertently serve as a dampener to aspiring principals / wealth creators to continue pursuing their fund management journey (most of whom under this category may not necessarily have the AUM required to meet the conditions under the prevailing Sections 13O/OA/U Schemes but working towards there).



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