

**INCOME TAX ACT  
(CHAPTER 134, SECTION 43A)**

**INCOME TAX (CONCESSIONARY RATE OF TAX  
FOR APPROVED FUND MANAGERS)  
REGULATIONS**

**ARRANGEMENT OF REGULATIONS**

**Regulation**

1. Citation
2. Application
3. Definitions
4. Concessionary rate of tax
5. Computation of income of approved Fund Manager from managing funds of certain foreign investors
6. Tax exemption on income derived by approved Fund Manager
7. Tax exemption on income derived by approved Fund Manager (year of assessment 1998 only)
8. Fund Manager to maintain records
9. Determination of income chargeable to tax
10. Determination of income exempted from tax

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[2nd September 1988]

**Citation**

**1.** These Regulations may be cited as the Income Tax (Concessionary Rate of Tax for Approved Fund Managers) Regulations.

**Application**

**2.** These Regulations shall not apply where a foreign investor (other than an individual) —

- (a) has a permanent establishment in Singapore (other than an approved Fund Manager);
- (b) carries on a business in Singapore;

- (c) beneficially owns more than 20% of the issued share capital of any company incorporated in Singapore; or
- (d) has 20% or more of its issued share capital beneficially owned, directly or indirectly, by a company which falls within paragraph (a), (b) or (c),

unless approval is granted by the Minister or such person as he may appoint.

### **Definitions**

#### **3. In these Regulations —**

“approved securities company” means a company approved under section 43A (1) (c) of the Act;

“designated investments” means —

- (a) stocks and shares denominated in any foreign currency of companies not incorporated and not resident in Singapore;
- (b) securities, other than stocks and shares, denominated in any foreign currency (including bonds, notes, certificates of deposit and treasury bills) issued by foreign governments, foreign banks outside Singapore and companies not incorporated and not resident in Singapore;
- (c) futures contracts denominated in any foreign currency held in any futures exchange;
- (d) any immovable property situated outside Singapore;
- (e) certificates of deposit, notes and bonds issued by Asian Currency Units in Singapore;
- (f) Asian Dollar Bonds approved under section 13 (1) (v) of the Act;
- (g) deposits in Singapore with banks approved under section 13 (13) of the Act;
- (h) foreign currency deposits with financial institutions outside Singapore;
- (i) stocks, shares, bonds and other securities listed on the Singapore Exchange or on the Kuala Lumpur Stock Exchange and other stocks, shares, bonds and

securities issued by companies incorporated and resident in Singapore;

(j) Singapore Government securities;

(k) foreign exchange transactions in currencies other than Singapore dollars carried out in or after the basis period for the year of assessment 1992;

(l) transactions in currencies other than Singapore dollars carried out on or after 1st April 1993 in interest rate or currency contracts on a forward basis, interest rate or currency options and interest rate or currency swaps with —

(i) an Asian Currency Unit of a financial institution;

(ii) a person who is neither a resident of nor a permanent establishment in Singapore; or

(iii) a branch office outside Singapore of a company resident in Singapore; and

(m) units in any unit trust which invests wholly in designated investments;

“designated person” means the Government of Singapore Investment Corporation Pte. Ltd., any statutory board or any company which is wholly owned, directly or indirectly, by the Minister (in his capacity as a corporation established under the Minister for Finance (Incorporation) Act (Cap. 183)) and which is approved by the Minister or such person as he may appoint;

“designated securities” means —

(a) stocks, shares, bonds and other securities, denominated in any foreign currency, issued by a company which is not incorporated in Singapore and which is not resident in Singapore; or

(b) bonds denominated in any foreign currency issued by any foreign government;

“foreign investor” —

(a) in relation to an individual, means an individual who is not resident in Singapore and not a citizen of

Singapore and who is the beneficial owner of the funds managed by the approved Fund Manager;

- (b) in relation to a company, means a company not resident in Singapore where not more than 20% (excluding the total percentage owned directly by designated persons) of its issued share capital is beneficially owned, directly or indirectly, by persons who are citizens of Singapore or resident in Singapore; and
- (c) in relation to a trust fund, means a trust fund where not more than 20% (excluding the total percentage held directly by designated persons) of the value of the fund is beneficially held, directly or indirectly, by persons who are not foreign investors referred to in paragraph (a) or (b);

“unit” means a right or interest (whether described as a unit, a sub-unit or otherwise) which may be acquired under a unit trust;

“unit trust” means any trust established for the purpose, or having the effect, of providing facilities for the participation by persons as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property.

### **Concessionary rate of tax**

**4.** Subject to regulations 5, 6 and 7, tax shall be payable by a Fund Manager approved under section 43A of the Act at the rate of 10% on its fees and commissions —

- (a) derived on or after 7th March 1986 from managing the funds of a foreign investor for the purpose of any designated investments;
- (b) derived in or after the basis period for the year of assessment 1993 from the provision of investment advisory services to a foreign investor in relation to any designated investments; and

- (c) derived from arranging on behalf of foreign investors any loan of designated securities under a securities lending arrangement in writing to —
- (i) an Asian Currency Unit of a financial institution; or
  - (ii) an approved securities company.

**Computation of income of approved Fund Manager from managing funds of certain foreign investors**

**5. Where a foreign investor is —**

- (a) a company referred to in paragraph (b) of the definition of “foreign investor” in regulation 3 in which any designated person is a shareholder and more than 20% of its issued share capital is beneficially owned, directly or indirectly, by persons who are not foreign investors referred to in paragraph (a) or (b) of that definition and by designated persons; or
- (b) a trust fund referred to in paragraph (c) of the definition of “foreign investor” in regulation 3 in which any designated person is a beneficiary and more than 20% of the value of the fund is beneficially held, directly or indirectly, by persons who are not foreign investors referred to in paragraph (a) or (b) of that definition and by designated persons,

the amount of fees and commissions which is chargeable to tax at the concessionary rate of 10% under regulation 4 shall be computed in accordance with the formula —

$$\frac{A + (20\% \times B)}{B} \times C,$$

where A is the amount of issued share capital of the company or the value of the trust fund, as the case may be, which is not beneficially owned or held, directly or indirectly, by persons who are not foreign investors referred to in paragraph (a) or (b) of the definition of “foreign investor” in regulation 3 or by designated persons;

B is the amount of issued share capital of the company or the value of the trust fund, as the case may be;

C is the amount of fees and commissions derived from the provision of the services referred to in regulation 4 (a), (b) and (c) to the foreign investor.

### **Tax exemption on income derived by approved Fund Manager**

6.—(1) Notwithstanding regulation 4, the Minister, or such person as he may appoint, may, subject to such conditions as he may impose, exempt from tax the fees and commissions derived by a Fund Manager approved under section 43A of the Act from the activities described in regulation 4 if he is of the opinion that such exemption from tax will promote or enhance the economic development of Singapore.

(2) Where the activities described in regulation 4 are in respect of a foreign investor which is a company or a trust fund referred to in regulation 5, the amount of fees and commissions to be exempted from tax under paragraph (1) shall be computed in accordance with the formula specified in regulation 5.

(3) The exemption from tax under paragraph (1) shall be for such period (referred to in these Regulations as the tax exempt period), not exceeding 10 years, as the Minister, or such person as he may appoint, may specify, and shall apply only to Fund Managers approved under section 43A of the Act from 28th February 1998 to 27th February 2003.

### **Tax exemption on income derived by approved Fund Manager (year of assessment 1998 only)**

7.—(1) Notwithstanding regulation 4, the fees and commissions derived by a Fund Manager approved under section 43A of the Act from the activities described in regulation 4 shall be exempt from tax for the year of assessment 1998, if the following conditions are satisfied:

- (a) the average monthly value of the funds of foreign investors managed by the approved Fund Manager in the basis period for that year of assessment is not less than \$10,000 million;
- (b) the Fund Manager has employed not less than 7 professional fund managers or analysts throughout the basis period for that year of assessment; and

(c) the Fund Manager has been approved under section 43A of the Act for at least 3 years immediately preceding that year of assessment.

(2) Where the activities described in regulation 4 are in respect of a foreign investor which is a company or a trust fund referred to in regulation 5 or 6 in force for the year of assessment 1998, the amount of fees and commissions to be exempted from tax under paragraph (1) shall be computed in accordance with the formula specified in that regulation 5 or 6, as the case may be.

(3) For the purpose of this regulation, “average monthly value”, in relation to funds of foreign investors managed by an approved Fund Manager in the basis period for any year of assessment, means the aggregate of the values of such funds as at the last day of each month in that basis period for that year of assessment divided by the number of months in that basis period.

### **Fund Manager to maintain records**

8. The approved Fund Manager shall keep and maintain such records of the particulars of foreign investors as may be required by the Minister for the purposes of these Regulations.

### **Determination of income chargeable to tax**

9. For the purposes of regulations 4 and 5, the Comptroller shall determine —

- (a) the income chargeable to tax of an approved Fund Manager having regard to such expenses, capital allowances and donations allowable under the Act as are, in his opinion, to be deducted in ascertaining such income; and
- (b) the manner and extent to which any losses arising from the activities described in regulation 4 may be deducted under section 37 (2) of the Act in ascertaining the chargeable income of the approved Fund Manager.

### **Determination of income exempted from tax**

10.—(1) In determining the income of an approved Fund Manager to be exempted from tax under regulations 6 and 7 derived by it from the activities described in regulation 4 —

- (a) the Comptroller shall have regard to such expenses, capital allowances and donations allowable under the Act as are, in his opinion, to be deducted in ascertaining such income;
- (b) there shall be deducted from that income any allowances under section 19, 19A, 20, 21 or 22 of the Act attributable to that income notwithstanding that no claim for those allowances has been made; and
- (c) any balance of the allowances mentioned in sub-paragraph (b) and any losses incurred in respect of such activities shall only be deducted against income to be exempted under regulation 6 or 7, and any balance of such allowances and losses shall not be deducted against any other income.

(2) Where any balance of the allowances and losses mentioned in paragraph (1) (c) is in respect of activities the income of which would be exempted from tax under regulation 7, any amount of such allowances and losses remaining unabsorbed as at the end of the year of assessment 1998 shall, subject to paragraph (4), be available as a deduction against any other income for the year of assessment 1999 and any subsequent year of assessment in accordance with section 23 or 37 of the Act, as the case may be, if the approved Fund Manager is not approved for the exemption under regulation 6 from the year of assessment 1999.

(3) Where any balance of the allowances and losses mentioned in paragraph (1) (c) is in respect of activities the income of which would be exempted from tax under regulation 6, any amount of such allowances and losses remaining unabsorbed as at the end of the tax exempt period shall, subject to paragraph (4), be available as a deduction against any other income for the year of assessment which relates to the basis period in which the tax exemption ceases and any subsequent year of assessment in accordance with section 23 or 37 of the Act, as the case may be.

(4) Section 37B of the Act shall apply to any amount of the allowances and losses available as a deduction against any other income as provided under paragraphs (2) and (3) as if they were unabsorbed allowances or losses in respect of the concessionary income under that section.