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Family Investment Holding Companies Singapore



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Content

- Family Investment Holding Companies

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The Monetary Authority of Singapore ("MAS") has released details of the tax concession that would apply to family-owned investment holding companies ("FIHCs") as first announced in the Budget 2008.

The concession provides tax exemption for all foreign sourced income earned and remitted into Singapore by FIHCs. The concession also applies to investment activities conducted in Singapore pertaining to specified financial instruments and securities.

Singapore has a territorial tax system which applies only to income sourced in Singapore as well as foreign sourced income remitted into Singapore. From 1 January 2008, the corporate tax rate is 18% and the highest individual tax rate is 20%. There is no taxation of capital gains but there is a value-added tax of 7%.

Singapore does not withhold any taxes on dividend distributions by a Singaporean company; it does impose withholding taxes on Singapore sourced interest (15%), services (20%) and royalties (10%) paid to non-residents.

FIHC Summary:

1. The concession applies to FIHCs incorporated in and outside of Singapore.
2. The shares of the FIHCs must ultimately be owned by a Singaporean or non-Singaporean individual. Where shareholding is held by more than one individual then the individuals must be related by blood, marriage or adoption.
3. Shares of the FIHC can be held through complex structures of trusts and/or companies provided that the ultimate company's shareholders or trust's beneficiaries are related individuals or an individual.
4. The FIHC must be managed by an institution licensed or approved by the MAS. Amicorp Trustees (Singapore) Ltd is an approved institution.
5. The FIHC must be established prior to April 1st, 2013 and the exemptions will be permanent thereafter.

The tax concession is applicable to income and gains derived after April 1st, 2008. The concession extends the current range and application of Singapore holding structures. For example:

- Singapore entity as a top holding company of a group of foreign companies. Previously, the Singapore tax exemption for dividends received from underlying foreign subsidiaries would only apply if the dividends (or the profits out of which the dividends are paid) were subjected to a foreign income or withholding tax at an effective rate of 15%. The new concession eliminates this requirement. Singapore continues not to impose any dividend withholding tax.

Content

- Family Investment Holding Companies

- Singapore FIHC as an 'exit vehicle' from the Netherlands. It was not previously an economical structure unless taxation (at an effective rate of 15%) had been paid in the Netherlands or there was prior approval from the Singapore tax authority. Such limitations on this structure have been removed. The Netherlands continues as a popular holding company jurisdiction for operating entities in Europe, Asia and Latin America.
- Singapore FIHC held by a Singapore foreign trust. Prior to the new concessions, the tax exemptions applicable to a Singapore foreign trust did not extend to an underlying Singapore asset holding company. The Singapore foreign trust regime permits tax exemption for trading and investment gains derived from financial assets and instruments
- Singapore FIHC can operate as a vehicle for estate planning. The FIHC provides tax benefits comparable to the Singapore foreign trust.

The new FIHC tax exemption permits foreign sourced funds to be remitted into Singapore under the FIHC. Prior to the FIHC, tax exemptions were not allowed against foreign sourced income remitted into Singapore by Singapore companies. The prior alternative was for these companies to retain such earnings outside Singapore to minimise Singapore income tax. However, this solution prevented the application of Singapore tax treaties to shelter income from foreign tax regimes.

Further information is expected in the coming weeks related to transitioning current structures under the FIHC regime as well as the required reporting and recordkeeping.

For more information about the application of the new concession to your particular circumstances, or about Singapore structures in general, you are invited to contact Ms. Angie Han or Mr. David Stone.

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Content

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