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INTERNATIONAL WEALTH MANAGEMENT

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Wealth Planning Considerations in Singapore

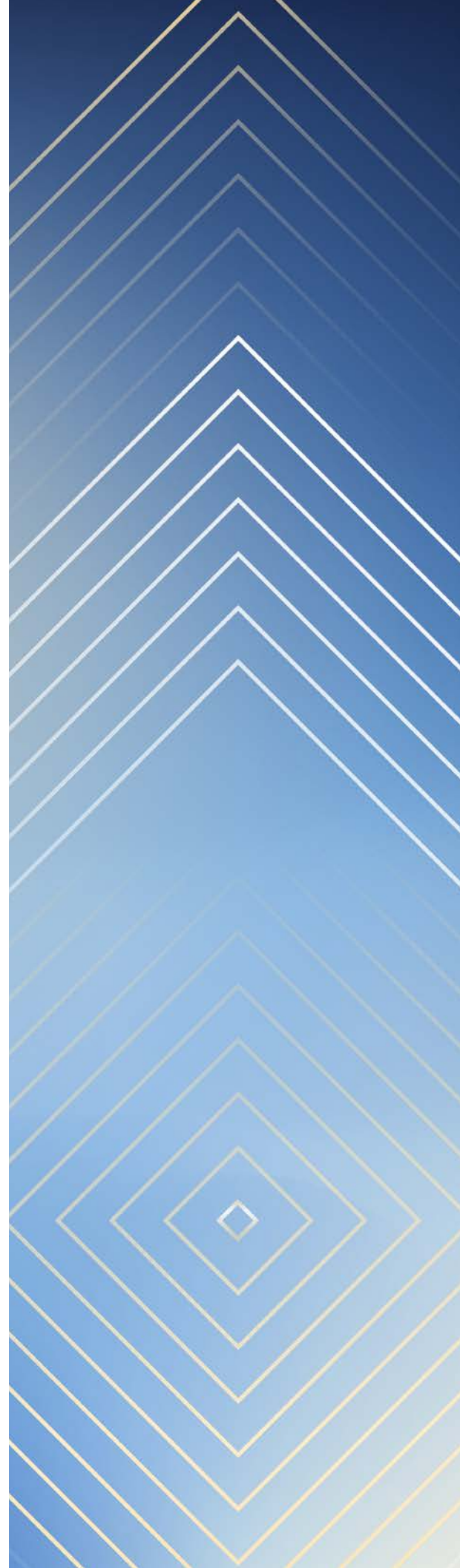
A GUIDE FOR CLIENTS OF
MORGAN STANLEY INTERNATIONAL
WEALTH MANAGEMENT

Singapore

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Description of Singapore as a Jurisdiction

Singapore has a common law legal system as a result of its colonial past under British rule. Singapore's law is underpinned by its Constitution, and shaped by legislation, subsidiary Legislation and legal decisions made by judges. The Constitution enshrines the fundamental rights of the individual as well as the fundamental principles and basic framework for the three organs of the state, the Executive, the Legislature and the Judiciary. Legislation and subsidiary legislation make up the statutory or written law. Judge-made law, which is considered a source of law, comes from court judgments.



a. Legal Updates

LEGAL CAPACITY

In Singapore, the age of full contractual capacity is 18, except for certain contracts such as those for the sale and purchase of immovable properties.

LEGAL CAPACITY—PROBATE PROCESS

If a person died testate (i.e., there is a valid will), the named executor in the deceased's will has to apply to Court for a Grant of Probate. The Grant of Probate allows the named executor to manage the deceased's affairs according to the instructions in the will.

If the deceased died intestate (i.e., without a will or valid will), the next of kin must apply to Court for a Grant of Letters of Administration and for an administrator to be appointed to manage the deceased's affairs. The distribution of the deceased's assets are governed by the Intestate Succession Act, and the rules on distribution would vary depending on who is the survivor and who is absent (e.g., if the spouse and children are the survivors, the spouse should get half and the children should get the other half in equal portions). The administrator is usually the next-of-kin of the deceased.

These distribution rules do not apply to Muslims; the distribution of estate of a deceased Muslim domiciled in Singapore is governed by the Muslim law and the Syariah Court.

MARRIAGE

Under the Laws of Singapore, the minimum age for getting married, without parental or guardian consent, is 21 years of age. Persons below 21 are required to obtain consent from their parents or guardians and complete a mandatory Marriage Preparation Programme before they can marry.

Prior approval from the relevant authorities may be required for marriage if one party is a non-Singapore national. For a civil marriage to be recognised as valid in Singapore, the marriage must also be solemnised by the Registrar of Marriages, or by a person who has been granted a license to solemnise marriages. A person may divorce his/her spouse only if he is married for at least three years. A divorce may be filed before there has been three years of marriage only in special cases.

CIVIL UNION/COMMUNITY PROPERTY

Civil unions and same-sex unions are not recognized in Singapore. There is also no community of property regime in Singapore. Each spouse owns and administers the property he/she acquired whether before or during the marriage and a spouse does not have any automatic rights to his/her partner's assets solely by virtue of being the owner's spouse.

INHERITANCE—SUCCESSION PLAN

Inheritance can be protected with careful pre-marital planning as well as post-marital structuring (e.g., pre-marital and post-marital agreements).

ESTATE PLANNING/WILL

A valid will is important for an individual to avoid the application of the Intestate Succession Act on the distribution of his/her estate in the absence of a will. It is advisable for a lawyer to be instructed to draw up the will, and the lawyer would expect to meet the person making the will at some point when taking instructions, but it is not necessary for it to be executed in the lawyer's presence. Further, a will does not need to be governed by Singapore law to be recognized as a valid will in Singapore. However, it is generally recommended to have a Singapore will covering Singapore assets.

Execution must observe certain formalities. The will must be signed by the testator in the presence of two witnesses (i.e., persons who do not stand to benefit under the will), who must then sign the will as witnesses in the presence of the testator and of each other.

A valid will made under the laws of another country in which, either when it was executed or at his/her death, the individual was domiciled, habitually resident, or of which he/she was a national, will be treated as valid in Singapore.

It is also generally recommended that the will be periodically updated, in particular when there are certain milestones or changes in life.

FORCED HEIRSHIP

There is no forced heirship regime in Singapore, apart from forced heirship rules applicable specifically in relation to the estates of Muslim persons domiciled in Singapore at the time of death. A testator may therefore leave his/her property to whomever he/she wishes by way of executing a valid will, subject to the provisions of the Inheritance (Family Provision) Act.

b. Tax Updates

TAX REGIME AND GENERAL TAX FRAMEWORK

Singapore operates a quasi-territorial system of taxation. An individual, resident or nonresident, is subject to tax on Singapore sourced income. Companies are subject to Corporate Income Tax (CIT) on Singapore-sourced income and foreign-sourced income received or remitted into Singapore. Singapore imposes tax only on income and not on capital gains.

Income subject to tax in Singapore generally includes:

1. Gains or profits derived from any trade, business, profession or vocation;
2. Gains or profits from any employment;
3. Dividends, interest or discounts;
4. Any pension, charge or annuity;
5. Rents, royalties, premiums and other profits arising from property; and
6. Any gains or profits of an income nature not falling within any of the preceding categories.

An individual will be regarded as a tax resident if he/she:

- Stays or works in Singapore (i) for at least 183 days in a calendar year; or (ii) continuously for three consecutive years (i.e., consecutive period spanning three calendar years even if fewer than 183 days were spent in Singapore in first or third year);
- Works in Singapore for a period straddling two calendar years and the total period of stay is at least 183 days (i.e., even if fewer than 183 days were spent in each year).

A company will be considered a tax resident in Singapore if its management and control is exercised in Singapore.

In Singapore, individuals and companies are taxed on the income earned in the preceding year. For individuals, the basis period is the calendar year. For companies, the basis period is the financial year (i.e., income earned in the financial year 2024 will be taxed in 2025).

INDIVIDUAL TAX RATES

A tax resident is taxed on chargeable income (after deducting applicable personal reliefs) at graduated rates ranging from 0% to 22% (for income in excess of \$320,000 up to \$500,000). With effect from the Year of Assessment 2024, the top marginal

personal income tax rate will be increased to 23% for income in excess of \$500,000 up to \$1 million, and 24% for income in excess of \$1 million. Non-residents are subject to tax on employment income at a flat rate of 15% or at the resident tax rates, whichever is higher. Other income of a non-resident individual is generally taxed at 22% (increased to 24% with effect from the Year of Assessment 2024) unless specifically exempt or subject to a reduced treaty rate.

Foreign-sourced income that is received in Singapore by a resident individual taxpayer is exempted from tax if the Inland Revenue Authority of Singapore (IRAS) is satisfied that such exemption is beneficial to the taxpayer. This tax exemption does not apply to foreign-sourced income received by a resident through a partnership in Singapore.

CORPORATE TAX RATES

Companies are subject to Singapore CIT at the prevailing rate of 17% on Singapore-sourced income, and on foreign-sourced income received or remitted into Singapore from outside Singapore.

INCOME TAX SYSTEM FOR INVESTMENTS

Singapore resident individuals who derive income from investments in Singapore property, shares, unit trusts or fixed deposits may be liable for income tax. However, there are a number of tax exemptions available. Exemptions are available for:

1. Dividends paid by Singapore companies;
2. Interest from a deposit of moneys with an approved bank or licensed finance company; and
3. Interest from debt securities (e.g., bonds) unless derived from a partnership in Singapore or from the carrying on of a trade in debt securities.

There are many corporate tax incentive schemes that are available for funds that are managed in Singapore. These tax incentive schemes generally provide tax exemption for qualifying income. This generally includes income from most investment classes other than those in respect of Singapore real property. Other benefits include an exemption from withholding tax on interest and interest-related payments made to nonresidents and remission of Goods and Services Tax (GST) expenses incurred, subject to certain conditions.

Investors Versus investees

There may be certain reporting obligations that require investees to disclose information about their investors to the IRAS or the Monetary Authority of Singapore (MAS).

CAPITAL GAIN OR DIVIDEND WITHHOLDING TAX

There is no tax or withholding tax on capital gains in Singapore. Gains derived from the sale of property, shares and financial instruments would not be taxable to the extent that they are capital in nature. The analysis of whether gains are capital or income in nature would depend on various factors, including whether there was an intention to trade the asset at the time of acquisition, the holding period of the investment and the frequency of similar transactions. Disposals of ordinary shares in non-land-rich companies that were held for two years or more and meet certain conditions are generally exempt from tax.

Singapore does not impose tax or dividend-withholding tax on dividends paid by a Singapore resident company.

The distribution of dividends by a Singapore private limited company is subject to the availability of accounting revenue reserves. With the introduction of the Variable Capital Company (VCC) investment vehicle, investors are provided with more flexibility to redeem their investments. The VCC also has the ability to pay dividends out of capital.

Interest paid from Singapore to a non-Singapore resident is generally subject to 15% withholding tax, unless reduced under a double tax agreement or local domestic exemptions apply.

TERRITORIAL TAX (NOT WORLDWIDE)

Singapore operates a quasi-territorial system of taxation.

ASSET TAX

Property tax is calculated by multiplying the property tax rate with the annual value of the property. It is applicable where the residential property is occupied by the owner (tax rate up to 32%*), or rented out or left vacant (tax rate up to 36%**). The property tax rate for nonresidential properties is 10%.

STAMP DUTY

The transfer of shares in a Singapore company is subject to stamp duty at 0.2% of the consideration or market value of the shares, whichever is higher. Depending on the profile of the underlying investments, certain additional stamp duties may apply. Stamp duty is to be borne by the purchaser unless otherwise agreed with the seller. Buyer's Stamp Duty (BSD) is

levied, at graduated rates of up to 5% for Singapore non-residential properties and up to 6% for Singapore residential properties, on the purchase price or market value of immovable property, whichever is higher.

With effect from December 16, 2021, for purchase or acquisition of Singapore residential properties, Additional Buyer's Stamp Duty (ABSD) of up to 65% (65% for entities and 40% for housing developers, of which 5% is non-remittable) will be levied on top of the BSD on the purchase price or market value of the residential property, whichever is higher. The applicable rate depends on the categories of buyers and the number of residential properties already owned by buyers. These categories include: Singapore citizens and permanent residents, foreign individuals and nonindividual entities. Seller's Stamp Duty is payable if the properties are sold within the holding period.

For the purchase or acquisition of equity interest in property holding entities which are rich in residential properties, the stamp duty (including the additional conveyance duty) of up to 71%, may be charged on the market value of the underlying properties.

CONTROLLED FOREIGN CORPORATION RULES

Singapore does not have a Controlled Foreign Corporations (CFC) regime. However, a foreign company should be considered a Singapore tax resident if its management and control is exercised in Singapore.

GIFT TAX AND ESTATE DUTY

Singapore does not impose gift tax.

Estate duty has been abolished for deaths occurring on or after February 15, 2008.

GOODS AND SERVICES TAX (GST)

GST is charged on all sales of goods and services in Singapore unless the sale is zero-rated or exempt from GST. Examples of exemptions include financial services, life insurance, sale of shares, and the sale or rental of residential properties.

The current GST rate is 9%

TRUSTS

In the absence of any tax incentive, income derived by trusts may be taxed either at the trustee level, or in the hands of the beneficiaries (i.e., tax transparency treatment is accorded to the trust) if they are resident in Singapore and are entitled to the trust income. Tax transparency treatment does not apply in respect of income derived from a trade or business carried on by the trustee, or on trust income to which non-resident beneficiaries are entitled. Taxation imposed at trustee level is a final tax and distributions made out of such income is not subject to further tax in the hands of the beneficiaries.

Where tax transparency treatment is accorded, distributions received by the (Singapore resident) beneficiaries of a trust are deemed to have retained the nature of the underlying trust income. As such, where the beneficiaries are individuals and the distribution consists of underlying income that is exempt from personal income tax (e.g., interest income from approved banks or exempt foreign-sourced income), the individual beneficiaries would also enjoy the same tax exemption as if they have derived such income directly.

IMMIGRATION OPTIONS

Global Investor Programme (GIP)

- The GIP provides accelerated Singapore Permanent Residence (SPR) status for global investors intending to use Singapore to drive their businesses or investment growth of family offices. Candidates must have substantial business track records, successful entrepreneurial backgrounds, and make certain prescribed investments through one of the specified investment options. By the end of the fifth year of the PR status, the investor may apply for a three-year or five-year renewal, subject to certain conditions.
- Some of the investment options require the applicant to invest SGD 10 million in a new or existing business entity or in the expansion of an existing business operation in Singapore, as well as establishment of Singapore-based single family office (SFO) with assets under management (AUM) of at least SGD 200 million. Various corporate tax

incentive schemes are available for funds that are managed in Singapore. High net worth individuals and families who set up SFOs in Singapore may consider the relevant schemes depending on the specific needs of the individual investor or family.

Employment Pass (EP)

- The EP is available to foreign professionals working in managerial, executive or specialist roles who possess certain qualifications. These may include a quality university degree, professional achievement and/or specialized skills. The rules state that a minimum qualifying salary of SGD 5,000 (SGD 5,500 for candidates in the financial services sector) applies to new graduates. From 1 January 2025, such minimum qualifying salary will be increased to SGD 5,600 (SGD 6,200 for candidates in the financial services sector). Older EP candidates are expected to earn qualifying salaries commensurate with the level of skills and experience they bring. These salary thresholds will apply to renewals expiring from 1 January 2026.
- A job advertising requirement must be met before an EP application can be submitted. Exceptions include:
 1. If the employee is an intra-company transferee with at least 12 months experience, coming to Singapore to perform a managerial, executive, or specialized role;
 2. being paid a salary of at least SGD 22,500 a month;
 3. or the employing company has less than 10 employees.

Personalized Employment Pass (PEP)

- High-earning EP holders and overseas foreign professionals may apply for the PEP. This pass is not tied to an employer and offers greater job flexibility than the EP. The PEP holder is allowed to stay in Singapore for up to six months to search for a new job. However, the PEP is issued for one time only, with a three-year validity, and cannot be renewed.
- To qualify for the PEP, the candidate must be: 1) an overseas foreign professional earning at least SGD 22,500. Once the PEP is obtained, the PEP holder must earn a fixed salary of at least SGD 270,000 per calendar year, and must not be unemployed in Singapore for more than six months at any time (or the PEP will need to be cancelled).

Overseas Network & Expertise Pass (ONEPASS)

- Top talents in business, arts and culture, sports, academia and research could apply for ONEPASS, which will be granted on a five-year basis.
- To be eligible, the applicant should have earned a fixed monthly salary of at least SGD30,000 or its equivalent in a foreign currency for the last 12 consecutive months, working for an established company. Certain exceptions apply on a case-by-case basis if the salary conditions above are not met.
- ONEPASS is renewable for five years each time, subject to meeting conditions of having earned an average of SGD30,000 fixed monthly salary over the past five years or started a business in Singapore employing at least five individuals each earning a fixed monthly salary of at least SGD5,000.

All of the above schemes allow the individual to sponsor their spouse and unmarried children below the age of 21 as dependents (for EP holders, provided they earn at least SGD 6,000 a month).

c. Tax Reporting and Obligations

In Singapore, tax regulatory reporting applies to individuals, companies and various legal entities, including trusts and other similar legal arrangements. Individuals are obligated to file annual individual income tax returns by April 15 of the year following the end of a calendar year, and companies are obligated to file corporate tax returns by November 30 of the year following the end of its financial year. For GST-registered companies, GST filings are required to be submitted within one month after the end of each quarter. For international agreements entered into by Singapore with other tax jurisdictions to exchange information, Reporting Financial Institutions are required to adhere to reporting deadlines of May 31 following the end of a calendar year.

INCOME TAX TREATIES

Singapore has concluded over 97 comprehensive double taxation agreements with various jurisdictions to eliminate double taxation of income.

EXCHANGE OF INFORMATION

Singapore enabled the implementation of the international standard for the automatic exchange of financial account information from 1 January 2017. The first exchanges of information took place in 2018.

FOREIGN EXCHANGE RULES

Singapore does not have any foreign exchange rules or controls. There is no restriction on the remittance or repatriation of capital or profits in or out of Singapore.

FATCA

Singapore has signed a reciprocal FATCA Intergovernmental Agreement with the United States. Under this agreement, IRAS requires all Reporting Singapore Financial Institutions to establish and maintain arrangements that are designed to identify U.S. reportable accounts among all its financial accounts, and to put in place FATCA policies and procedures, adhere to FATCA due diligence procedures and reporting requirements. Annual reporting to IRAS occurs May 31 each year.

COMMON REPORTING STANDARD (CRS)

Tax legislation regarding the implementation of the CRS came into force from 1 January 2017. IRAS requires all Reporting Financial Institutions to put in place CRS policies and procedures, adhere to CRS due diligence and reporting requirements, and maintain a program of periodic CRS compliance review by independent reviewers. Annual reporting to IRAS occurs May 31 each year.

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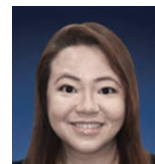
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