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FOREWORD

Asia's growth and transformation over the past few decades – ranging from the rise of tech giants in China and conglomerates in Southeast Asia, and the creation of billionaires in India, Korea and Japan – has generated tremendous wealth for many families in the region. But unlike multinational corporations, the families behind some of these businesses tend to set longer-term goals, supported by patient capital. Patient capital, otherwise known as long-term capital, refers to investments made with the intention of earning substantial returns in the long term. They may also have strong views on corporate values and employee relationships.

Increasingly, these families are planning ahead and looking at ways to preserve and grow their wealth and ensure smooth succession in their family businesses. This has led to a growing need for institutional management of the private wealth of high-net-worth families. One way to do this is through family offices, which are investment vehicles for structuring the way families invest and transfer their wealth through generations.

Singapore has become the jurisdiction of choice for family offices in Asia. This is partly due to its reputation as an international financial hub, strong regulatory framework, well-developed infrastructure, stable and pro-business government policies and tax incentive schemes.

Rajah & Tann Singapore is a full-service law firm and member of Rajah & Tann Asia. Our large regional network of leading law firms has more than 700 lawyers in Southeast Asia and China. We understand Asia, where we have been at the leading edge of legal and business developments. We have a pool of talented and well-regarded lawyers in a variety of practices. Our lawyers are dedicated to delivering the highest standards of service for all legal aspects of family offices – from establishing a fund and family charter to investment structure, tax planning and post-establishment compliance. We tailor our advice and follow up closely with our clients to understand and cater to their needs at different stages of a family office.

We are privileged and honoured to partner with the Singapore Economic Development Board and Deloitte for this report. We thank them and the families who have offered their experiences, insights and time. Through this report, we aim to provide insights into the family office landscape in Singapore, as well as the incentives, challenges and solutions to creating and managing a family office today. We hope this report will be an informative reference for families looking to set up a family office in Singapore.



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The immense economic growth in Asia and the wealthy individuals behind it have led to an increase in the number of family offices being set up. This type of investment vehicle helps families with intergenerational transfer of assets and control, and with managing, protecting and growing their wealth for future generations.

Notably, an increasing number of Asian families are setting up family offices in Singapore to consolidate their wealth. They choose Singapore because it is one of the world's leading private banking and wealth management centres. Singapore has robust financial regulations, political and economic stability, and a strong ecosystem of capabilities, making it ideal for this purpose.

At Deloitte Private, we have access to a global network of practitioners. We can cater to the specific needs of high-net-worth individuals, family businesses and private enterprises. We recognise there is a growing demand for services to help such clients accelerate growth in their businesses and preserve their private wealth, while protecting and extending their legacy. We have specialised offerings relating to tax and wealth structuring, fund structuring, family governance, family office creation and review, succession planning, and next-generation education and leadership.

The Deloitte Legal network spans more than 80 countries outside the US, including Asia Pacific jurisdictions such as Singapore, Indonesia, China, Thailand and Japan. It can also provide legal services to high-net-worth and ultra-high-net-worth families in connection with their business operations, wealth holdings and management structures.

We would like to express our deep appreciation to the Singapore Economic Development Board and Rajah & Tann for the opportunity to co-develop this publication.

While we understand that family offices vary widely in size, scope, purpose and operation, we hope the insights in this report will help families to increase their understanding of family offices in Singapore.

We look forward to helping support families and their family offices to explore and develop plans that are unique, bespoke and aligned with their aspirations.



Ms Shantini Ramachandra
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With the rapid development of Asian economies and rising global influence, Asia has become the most significant node for wealth generation in family businesses in the 21st century. Boston Consulting Group (BCG) projected that Asian wealth would grow 14% per annum between 2017 and 2022, compared to 11% globally. It anticipated that Southeast Asia, China and India would lead this growth. This wealth will play a key role in shaping the global wealth management industry.

With significant intergenerational wealth transition in a world marked by volatility, uncertainty, complexity and ambiguity, Asian families are setting up family offices to manage and grow their global asset base, and develop succession plans for the next generation. In Singapore, the number of family offices quintupled between 2017 and 2019. This includes family offices founded in the West that have Asian satellite offices and newly established Asian family offices in Singapore. Family offices thrive in Singapore due to the following strong enabling factors.

Trust

Singapore's political stability and strong rule of law provide family businesses with a reliable and predictable operating environment to steward wealth across generations. Singapore offers high standards of business conduct, professionalism and competence, which are appreciated by family offices.

Knowledge

The robust family office ecosystem and infrastructure in Singapore allows family businesses to access wealth management, tax, legal, investment, philanthropy and research expertise. This ecosystem is constantly strengthening as the region's prospects attract new industry players.

Connectivity

Singapore serves as a gateway for investments both globally and in Asia. Singapore-based asset managers had total assets under management (AUM) of S\$4 trillion at the end of 2019. More than two-thirds of the AUM is invested in Asia Pacific, highlighting Singapore's strength as a Pan-Asian asset management hub.

Liveability

Singapore provides a high standard of living and a pro-family environment. It was ranked as the most liveable city in Asia in Mercer's 21st annual Quality of Living survey, and 3rd in Global Finance's list of the World's best cities to live in 2020. Family businesses can look forward to quality health care, housing and education in Singapore.

To further strengthen Singapore's position as a leading global family office hub in Asia, the Singapore Economic Development Board (EDB) and the Monetary Authority of Singapore (MAS) have established a dedicated Family Office Development Team (FODT). It will spearhead initiatives to create a conducive and vibrant ecosystem so that family offices in Singapore can grow and support global families in attaining long-term goals and planning for future generations.

It is our pleasure to support Rajah & Tann and Deloitte in this report. We are sure it will be useful for those intending to use Singapore to futureproof wealth management for coming generations.



Mr Dino Tan
Vice President & Head, Family Businesses & Family Offices
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OVERVIEW

The concept of the family office is not new – it has been around for centuries. In the past decade, the importance of the family office has been brought back into sharp focus by explosive growth in wealth and in the number of successful businesses around the globe, particularly in Asia. This has led to the need to ensure succession in family businesses and to preserve the wealth created.

With globalisation, family offices have evolved from private and secretive organisations run by closed inner circles to professionally managed firms run by groups of trusted advisors with expertise in different areas.

Many families and businesses have also become more mobile, spanning countries and jurisdictions to reach their fullest potential. At the same time, family offices have been established in jurisdictions around the globe, particularly in countries with a stable financial, regulatory and political ecosystem, such as Singapore.



SINGAPORE FOR FAMILIES



Singapore is recognised as one of the most progressive and influential cities in the world. It offers a high standard of living, available goods and services, security, an efficient transport system, world-class education and health care, political stability, a competitive tax regime and a low crime rate.

Asia's Flagship Education System

Singapore is ideal for families. It is home to renowned higher education institutions such as the National University of Singapore, Nanyang Technological University and INSEAD. It also offers a range of international schools that follow foreign education systems to cater to expatriates looking to relocate their families.

Unparalleled Infrastructure

Singapore is an urban jungle with a fascinating combination of cutting-edge skyscrapers, a heavily populated cityscape and large pockets of green spaces and urban gardens.

Singapore's unparalleled infrastructure includes a public transport system that is safe, clean and efficient, enabling smooth travel around the city.

Abundance of Consumer Goods

Because Singapore is a melting pot of Asian and Western cultures and values, consumers have diverse options that cater for most tastes. Goods ranging from food and household products to appliances can be easily bought around the city.

Political Stability

Singapore offers political stability, efficient law enforcement, very low levels of corruption and high levels of transparency. These factors all mean families have peace of mind and a strong sense of security.

High Standard of Living

Its world-class healthcare system – composed of a network of public and private facilities offering a broad range of services – means Singapore's standard of living is among the best in Asia.

The World Health Organization ranks the healthcare system sixth in the world. Bloomberg judges it to be the most efficient globally. This is partly due to heavy regulation – including on the supply of healthcare equipment, drugs and services – which inspires confidence in the quality of care.

SINGAPORE FOR FAMILY BUSINESSES



Singapore ranked highest in the Global Competitiveness Report 2019 for most competitive economy. It also took first place for infrastructure, health, labour market functioning and financial system development. It ranked second for market efficiency, due to having the most open economy in the world.

For the year to April 2020, foreign currency deposits held in local banks almost quadrupled to reach a record S\$27 billion. Deposits by non-Singapore residents surged 44% to S\$62 billion, the highest level since records began in 1991.

Singapore is an ideal place to establish a family business because of its stable and pro-business environment, reputable banking system, finance and legal forums, strong equity and debt capital markets, and an attractive tax regime,

Employment

The competitive and highly skilled workforce has a literacy rate of more than 90%, and the number of highly educated professionals is growing all the time. In

addition, many members of the workforce have attended and continue to have strong access to world-renowned universities, in Singapore and abroad.

Labour laws are mainly governed by the Employment Act, which is fair, efficient and business-friendly. Singapore ranked in the top tier for labour–employer relations in the *Global Competitiveness Report 2019*.

Tax

Singapore has a competitive tax regime (the corporate tax rate is currently 17%). Its quasi-territorial tax system, i.e. taxation on all income accrued in or derived from Singapore, which allows tax exemptions for some qualifying foreign-sourced income – such as dividends, branch profits and service income – makes it attractive. Additionally, it does not impose capital gains tax or withholding tax on dividends. It also has comprehensive double taxation avoidance agreements with approximately 100 countries, including China, India and Indonesia.

Further, the Singapore Government provides incentive schemes to encourage the growth of substantive businesses. Family offices can tap on various tax

incentive schemes for funds, both offshore and onshore, which provide tax exemptions for funds that earn income from designated investments. Tax incentives are also available to the asset management industry, certain financial institutions, real estate investment trusts (REITs), and the insurance and maritime sectors.

Many new businesses in Singapore qualify for tax exemptions for the first three assessment years. This aims to help businesses grow and establish a base in Singapore. Exemptions are available to all new companies except those whose principal activity is that of investment holding, and those whose principal activity is that of developing properties for sale, investment or both. Qualifying businesses enjoy a 75% tax exemption on the first S\$100,000 of normal chargeable income, and a further 50% exemption on the next S\$100,000 of normal chargeable income.

Other attractive tax incentives include the Development and Expansion Incentive (DEI), which aims to encourage companies to grow capabilities and conduct new or expanded activities in Singapore. A company that is approved under the DEI is eligible for a concessionary tax rate of 5% or 10% on income derived from qualifying activities. The DEI may include International Headquarters Award status for companies that commit to setting up a substantial headquarters in Singapore to manage, coordinate and control regional business operations.

The Business and IPC Partnership Scheme provides tax deductions to companies that promote charitable work. Singapore companies can receive a 250% tax deduction on salaries and related expenses when they send their employees to volunteer or provide their services to Institutions of a Public Character.

The Double Tax Deduction for Internationalisation Scheme offers 200% tax deductions on company spending to expand market and investment development activities abroad. Qualifying activities include overseas business development trips and missions, overseas investment study trips and missions, overseas trade fairs, and local trade fairs approved by Enterprise Singapore or the Singapore Tourism Board.

Banking and Finance

The International Monetary Fund (IMF) describes Singapore's banking and finance industry as "amongst the best globally". The IMF applied stress tests that found the industry was resilient, even in adverse scenarios. Several factors have contributed to its success. These include the expansion of the number of

foreign banks, which has increased competition; the provision of sophisticated banking services, such as corporate and investment banking; strict banking laws; tax-friendly policies; and the growth of the Singapore Exchange.

Dispute Forum

Singapore is a renowned legal hub, with the establishment of the Singapore International Commercial Court, Singapore International Arbitration Centre and Singapore International Mediation Centre strengthening the legal industry.

In addition, the Singapore Convention on Mediation Act 2020 has bolstered Singapore as a leading dispute resolution and mediation hub. It gives commercial parties options to resolve cross-border commercial disputes through litigation, arbitration or mediation. This robust legal climate appeals to family businesses.

Equity Capital Markets

Singapore Exchange Securities Trading Limited (SGX-ST) has 507 issuers listed on the Mainboard and 216 on Catalist. At the end of 2019, 253 were overseas issuers.

In particular, the SGX-ST is one of Asia's largest REIT and property trust markets, with 42 listed REITs and property trusts by June 2021. They had a combined market capitalisation of more than S\$100 billion, and over 80% are exposed to overseas properties.

The SGX-ST, with the support of the China Securities Regulatory Commission, also offers a platform for Chinese companies incorporated in China to seek a direct listing on the SGX-ST Mainboard under the direct listing framework.

In addition, the SGX-ST offers issuers the option of listing and trading shares in two currencies within a single pool. The two currencies are fully fungible, enabling issuers to offer flexibility so they can reach a wider investor base through a single listing. In other words, the investor has the option of buying one currency counter and selling in the other currency counter. Foreign currencies available for dual currency trading include Euros, Hong Kong dollars, US dollars, Australian dollars and Chinese Yuan.

Debt Capital Markets

As one of Asia's most international exchanges, the SGX-ST has a large percentage of listed bonds

originating outside Singapore. In 2018, corporate bond issuance volume in Asia recorded 3% growth, to US\$1.35 trillion, while Singapore's long-term corporate debt issuance volume rose 7.8% to a record high of S\$96 billion. This was despite a challenging year for bond markets in other parts of the world. The growth was driven by non-Singapore dollar debt issuances as Asian issuers sought to raise international capital to finance regional and global growth. This underscored the strong international characteristics of Singapore's corporate debt market.

Singapore has a leading and trusted market infrastructure for bond offerings in Asia. Being one of the largest foreign exchange centres in the world, it can provide a deep and liquid foreign exchange market that offers a suite of foreign exchange futures and options in Group of 10 and/or emerging market Asian currencies. Furthermore, issuers can take advantage of first-rate service providers, including rating agencies and law firms, to support their debt offerings.

The Asian Development Bank estimates the region will require infrastructure investments of US\$1.7 trillion annually until 2030. Against the backdrop of this growth potential, Singapore's debt market is an ideal gateway to channel international capital to support significant infrastructure financing needs.

Intellectual Property Rights

Over the years, Singapore has established itself as an innovation hub for corporates and innovators. In the 2020 Bloomberg Innovation Index, Singapore ranked third, after Germany and South Korea. Its performance was underpinned by strong productivity and patent activity over the previous year. Since 2015, Singapore has ranked first in Asia for its commitment to strengthening intellectual property rights protection and creating awareness of the value of intellectual property globally.

The Intellectual Property Office of Singapore ("**IPOS**"), a government agency under the Ministry of Law, maintains very high standards and is continually innovating and encouraging businesses to use intellectual property for growth. For example, IPOS uses image recognition software in its new public facing mobile app for researching proposed image trademarks, to determine their uniqueness and availability.

SINGAPORE FOR WEALTH MANAGEMENT

Singapore is a leading global wealth management hub. In 2019, the value of its asset management industry increased by 15.7% to US\$2.9 trillion. On a global scale, the industry ended the year with AUM of US\$89 trillion with a 4% decline from 2018.

About 76% of Singapore's assets under management are sourced from outside the country, with 69% invested in Asia Pacific. This illustrates how attractive Singapore is as a pan-Asian hub.

To enhance Singapore's offering as a leading fund management hub, MAS and the Accounting and Corporate Regulatory Authority (ACRA) launched the Variable Capital Company (VCC) framework in January 2020. The VCC is a flexible corporate structure designed for investment funds. It complements the existing suite of options for structuring funds in Singapore. Wealth managers can use the VCC to structure new open-ended and closed-ended investment funds using traditional or alternative strategies, or to re-domicile overseas funds as VCCs that are registered with ACRA. At 15 March 2021 (i.e. about 12 months after the launch of the VCC framework), more than 214 VCCs had been incorporated and registered, demonstrating it has strong traction and adoption among wealth managers and investors.

Currently, only fund managers regulated by MAS can manage VCCs. But MAS is considering feedback from industry to enhance the VCC framework. For example, it is exploring whether to widen the scope of fund managers that can use the VCC framework, to include specific classes of exempt managers, such as single-family offices.



SINGAPORE FOR FAMILY OFFICES

Singapore has become a natural choice for families wanting to set up a family office. The number of family offices in the country quintupled between 2017 and 2019. This includes family offices founded in the West that have Asian satellite offices and newly established Asian family offices in Singapore.

The goal of a family office is to create an entity that serves all the needs of the family. The typical functions of the family office may include:

1. Professional investment management services
2. Succession and legacy planning
3. Philanthropy
4. Legal and accounting services
5. Centralised administration of the family's miscellaneous affairs
6. Bespoke concierge services

Family offices are thriving in Singapore due to the factors set out above. Additionally, Singapore has an established wealth and asset management industry and a well-developed research and professional education sector, which offers comprehensive programmes for family office principals and members of the next generation. Singapore also has a strong network of professional services, including in tax, legal, corporate and business advisory, which provides a healthy ecosystem that aids the establishment and growth of family offices.

In 2019, the Singapore EDB and MAS established the Family Office Development Team (FODT) to strengthen the country's position as a global wealth management and family office hub.

The FODT has adopted a three-pillar strategy to strengthen the family office ecosystem:

1. Enhance the operating environment for family offices
2. Develop the industry's capabilities to meet the needs of family offices
3. Engage global family offices as well as build up a diverse family office community in Singapore.

Its recent initiatives include developing a skills map for family office advisors, co-created with the Institute of Banking and Finance and the financial services industry. Launched in July 2020, the skills map sets out the necessary competencies for professionals advising family offices. It also helps to expand the career pathway under the Skills Framework for Financial Services for private banking relationship managers.

The FODT also launched the Family Office Circle in 2019. It provides an exclusive platform for the families that set up family offices in Singapore to meet with peers over specially curated sessions on topics of interest to family offices. This facilitates resource sharing and access to support, and opens up private market investment opportunities.

SHOWCASING ESTABLISHED FAMILY OFFICES

This section contains five in-depth case studies of established family offices in Singapore.

The family in the first case study consented to be identified, but the remaining families wanted to protect their privacy, so they are not named.

The processes and activities relating to their family offices are broken down into three stages:

1. The original set-up
2. Establishing the family office's functions
3. Current status.

The case studies show the range of services that a family office can provide and how it can fulfil the needs of the family, beyond those linked to their investments.



Every family has different priorities and values and the various case studies will show the difference in providing bespoke solutions.

CASE STUDY 1

Family Background

The family-run Tolaram Group has a history of entrepreneurship in emerging markets that stretches back 70 years. The business, which is professionally managed, is jointly owned by the Vaswani, Aswani and Adnani families, who are all related. The business has humble beginnings as a tailor shop in Malang, Indonesia, before operations were moved to Singapore during the 1960s and 1970s. It has since grown into a multinational conglomerate with an estimated net worth of US\$1.8 billion, and a portfolio of 17 brands trading in more than 75 countries across the energy and infrastructure, digital and financial services, and industrial sectors. In 2015, Tolaram Group sold a 50% stake in one of its subsidiaries to Kellogg's for US\$450 million. Following the sale, the families decided to establish a family office in Singapore to manage their wealth.

1. Original Set-Up

Before setting up the family office, the respective family members managed individual wealth and the corporate treasury managed the common pool of wealth. Mr Manish Tibrewal, presently the Chief Executive Officer of Maitri Asset Management, oversaw the establishment of the family office, becoming its first employee in 2015. This was followed by a number of strategic hires, including from the Group's corporate arm and respected names in the investment world. These appointments reflect the family's business philosophy of building state-of-the-art facilities and hiring leading talent.

The main driver for setting up the family office was risk mitigation. Since the business had significant exposure to emerging markets, the family wanted to create a reserve that would last for generations. The family office was instrumental in advising on and implementing succession planning, governance, the Group's investment structures and family philanthropy. As part of philanthropic activities, Mr Mohan Vaswani, Group Chairman, established the Ishk Tolaram Foundation as a 25% beneficiary of the Group's net worth, supporting charitable initiatives in vulnerable communities in Indonesia, Nigeria and Singapore.

The family chose Singapore for its family office due to its advanced infrastructure, robust family office ecosystem, tax benefits and brilliant talent pool. The family office obtained a tax exemption through the Enhanced Tier Fund Tax Exemption Scheme under Section 13X of the Singapore Income Tax Act (SITA), which was assessed and approved by the MAS.

2. Establishing Family Office Functions

Governance and clear decision making are vital for any commercial venture to succeed, and family offices are no different. These factors may be even more relevant for family offices because families are expected to be heavily involved in decision making. The three families took what was a pioneering approach in Asia and Africa, professionalising their business as early as the mid-70s. They applied key business principles to the family office and designed a three-tier governance framework that involved:

1. A Board – made up of family members and professionals
2. An investment committee – made up of professionals and one family member
3. An investment team – all professionals.

Family-owned businesses often have a governance structure, but compliance is generally low. However, Maitri's structure outlined above has clear roles, responsibilities and levels of authority, which are strictly observed. This is a key factor that has led to its success.

As the Maitri team began work, its approach earned positive feedback from counterparties and members of the investment community. Its investment strategy also gained early interest. The team saw an opportunity to serve like-minded investors, focusing on long-term wealth preservation. It proposed to the Board that it accept funds from external parties. After an evaluation process, the Board approved. The team then applied to MAS for a

licence to manage third-party money, receiving approval in 2019.

3. Current Status

Maitri has grown, becoming a licensed fund manager and globally connected private investment vehicle, focusing on active responsible investment management. The firm has 14 employees across its investment, operations, and legal and compliance teams. As a regulated entity, it has introduced enhanced operating and compliance processes.

With a focus on patient capital, Maitri has a best-in-class investment team that has a deep understanding of risk management and long-term wealth preservation, bringing decades of experience investing during market volatility, including the 2008 global financial crisis.

Sustainability lies at the heart of Maitri's business, and it takes a holistic approach to investments, applying an environmental, social and governance (ESG) lens to all opportunities. Maitri appointed a dedicated ESG Lead and team to develop and maintain a robust proprietary ESG-integrated investment framework, which considers ESG factors when making investment decisions.

Maitri is committed to responsible investing, to build a more sustainable economy and future for its investors and communities. It collaborates with like-minded investors to gain synergies and is a signatory to the United Nations-supported Principles for Responsible Investments (UNPRI) and the Singapore Stewardship Principles (SSP). Guided by these, Maitri also developed its proprietary Responsible Investment Approach, which is aligned with MAS's Green Finance Action Plan.

Maitri uses two strategies:

1. **External investment fund:** The families provided seed money for an investment fund to develop a track record for attracting third-party investors.

2. **Bespoke outsourced family office:** Maitri recognised that many families face myriad challenges – including constraints on time, cost and human talent – when setting up a family office. Having itself succeeded, Maitri now offers the services of its best-in-class investment team, combined with the Group's entrepreneurial heritage, to other families seeking a family office function. In the process, it has developed an exceptional family network.



CASE STUDY 2

Family Background

Madam A was born in Mainland China and her main business is investing in, developing and managing commercial properties in northern China. She has one son, who studied in Singapore and the US. He is married with two children, and the three of them have US citizenship.

1. Original Set-Up

After graduating, Madam A's son worked in the oil and gas industry in Indonesia for a couple of years before returning to Mainland China to help his mother manage commercial properties, and the family's business and personal assets and investments.

There was no proper structure in place. The family's global presence in multiple jurisdictions (Mainland China, Hong Kong, Singapore and the US) created cross-border tax issues at the individual level. As a US national, Madam A's son was subject to US income tax on his worldwide income and US estate and gift tax on worldwide assets.

2. Establishing Family Office Functions

The US's complex tax regime versus Singapore's clear and transparent tax and legal systems, and favourable and robust business climate, were key reasons why the family wanted to open a family office in Singapore. The son also wanted to raise his children in Singapore because of its safe and secure environment, and multiracial and multicultural society.

The family decided it would benefit from having a formal structure to hold and manage its business and personal assets for succession planning and wealth preservation. In setting up the family office structure, the family addressed the following two issues.

Issue 1: Reviewing and identifying the tax residency status of Madam A's son and his children

Details	Benefits derived
Madam A's son and his children are US citizens, and he was a tax resident in Indonesia, where he had worked for several years before returning to the US.	By identifying and determining the tax residency status of Madam A's son and his children, tax advisors were able to recommend a potential family office structure.
He subsequently moved from the US to Mainland China. It was necessary to analyse his tax residency status in Indonesia, the US and Mainland China for the relevant years to determine the individual income tax implications and to fulfil his tax obligations in each jurisdiction.	

Issue 2: Identifying the long-term plans and goals for the family business and Madam A's son and his children

Details	Benefits derived
Madam A wanted to preserve her wealth and ensure each generation was well taken care of.	By establishing the family office, which would be able to sponsor the employment pass for Madam A's son, he was able to relocate to Singapore. As dependents of an employment pass holder, his children were also able to study in Singapore. Given Singapore's favourable and stable environment, establishing the family office in Singapore also allowed Madam A to achieve her wish of long-term succession planning by preserving her wealth and ensuring each generation was well taken care of.
Her son wanted to manage the family's personal wealth and business assets from Singapore.	
He also wanted his children to be educated in Singapore and to make Singapore his permanent home.	

The family planned to set up a family office in Singapore to strategically manage business and family assets in Asia. This would enable them to tap into the expertise of Singapore's workforce to manage their business and investment strategy, while local staff in Mainland China would continue to run day-to-day business operations.

Before moving his family to Singapore and making it a permanent home, Madam A's son filed his prior-year returns and settled his tax obligations in each jurisdiction. This was crucial from a US tax perspective because he was planning to renounce his US citizenship. He had inadvertently omitted to declare some income when filing his US tax returns. This has since been settled.

After Madam A's son sorted out his tax obligations, Madam A incorporated a family office and fund entity in Singapore to manage the family's business and assets in Singapore and Mainland China. As Madam A's son was still a US citizen and since the US taxes citizens on worldwide income, he would be liable to pay tax on any income he earned. As such, Madam A considered setting up a foreign grantor trust to hold the fund. Under

a foreign grantor trust, the grantor is generally not subject to US taxes on income from the trust's assets, unless the income is sourced from the US or connected with a trade or business in the US. Only trust distributions to a US beneficiary would potentially be subject to US tax.

Madam A's son also applied for an employment pass to work in the family office and dependent passes for his children, so they could all stay in Singapore.

The fund entity was eligible for the Enhanced Tier Fund Tax Exemption Scheme. Under the scheme, "specified income" from "designated investments" outlined in the SITA is exempt from corporate tax. The family office also obtained a licensing exemption from MAS.

3. Current Status

Today, the family office employs at least six people to manage the family's business and personal assets, which are worth around S\$450 million. The staff includes an investment team and a dedicated concierge team to serve family members. The investment team has professionals with 5 to 20 years of experience in investment, management, analytics and finance. Because Singapore is an investment management hub, Madam A's family did not face any difficulties finding people who had prior experience working for other family offices and fund management companies. Investment team members were also able to tap into their existing network and provide the family office with unique investment opportunities in Singapore. With their support, the family has invested indirectly in tech companies in Singapore. The family office also plans to diversify to other industries, including healthcare and food and beverages in Southeast Asia, and is exploring real estate investment opportunities outside China.

Madam A's son intends to apply to become a permanent resident in Singapore as soon as his children have settled.

CASE STUDY 3

Family Background

Mr B, a Singaporean, wanted to establish a family office to manage his family's wealth. He had extensive experience working in finance at institutions in the US. He returned to Singapore to set up his own fund management business due to Singapore's attractive tax environment, which includes tax incentives for funds and fund managers as well as an extensive tax treaty network. Mr B's family wealth was sourced from running a fund management business and private investments.

1. Original Set-Up

Before establishing the family office, Mr B managed the family's wealth through various segregated mandates and holding portfolios with different investment management companies. He had some difficulty consolidating and tracking the performance of these investments due to the spread of portfolios handled by different entities. Mr B decided to set up a family office to streamline costs, consolidate his portfolio and increase oversight of investments.

2. Establishing Family Office Functions

When he established the family office, Mr B realised it brought myriad benefits, including consolidating the family's existing holdings, and a steady focus on wealth management through centralised asset management activities.

The family office structure also allowed Mr B to formalise various investment decisions and processes that preserve and grow wealth. It would also facilitate the transfer of wealth to the next generations, which was one of Mr B's main considerations.

The family office's tax and legal counsel addressed several legal and tax issues that arose during the establishment and expansion of the family office, including the following.

Issue 1: Consolidating existing family assets

Details	Benefits derived
Mr B's family assets ranged from real estate to non-bankable assets (such as rare artworks and family heirlooms) and bankable assets in different jurisdictions. He sought specific tax and legal advice to evaluate the most effective mechanism for asset transfers, including the inheritance and transfer taxes in multiple jurisdictions.	Mr B was able to consolidate and transfer the existing assets held under different portfolios and segregated mandates to the new family office.
Most of the assets were held by a corporate entity or a trust, allowing Mr B's family office to take control of the assets at the corporate or trust level, instead of transferring the assets.	

Issue 2: Ensuring the family office structure would be eligible for the Enhanced Tier Fund Tax Exemption Scheme

Details	Benefits derived
Initially, there was a plan for Mr B's wife to manage the family office. However, due to its growing operations, the family decided to recruit three investment professionals who Mr B believed had the right skillsets to help enhance his family's wealth.	The family office benefited from the Section 13X tax exemption for specified income from designated investments (which covers a wide range of investments such as stocks, shares, bonds, securities and derivatives).

Issue 3: Establishing a family office structure that would address the family's privacy concerns

Details	Benefits derived
<p>The family office was going to be held by a Singapore private limited company, with Mr B as the immediate shareholder.</p> <p>However, Mr B was not comfortable with his personal details being made available on the holding company's business profile. So his legal counsel advised him to consider a family trust structure instead.</p> <p>This would address his concerns about privacy as well as wealth preservation and succession planning by ensuring that the trustee managed certain matters, such as distribution policies and the allocation of assets.</p>	<p>Mr B was able to address his privacy concerns. In addition, he was able to allay fears of potential disputes between his children over ownership issues. This was because the assets were moved into the trust with the children, who are minors, as beneficiaries. This safety net also allows his children to explore any future aspirations that they might have, should they choose to. For example, instead of carrying on Mr B's fund management business, they might want to start a business of their own.</p>

3. Current Status

Mr B hired three investment professionals to oversee the fund management business and the family office portfolio. He also recruited a legal, compliance and risk officer and an estate manager, each of whom had at least five years of experience in their respective fields. While Mr B's initial intention was to hire just three investment professionals to manage the portfolio, he realised that because the value of the family office's assets under management exceeded S\$50 million, economies of scale would be gained by hiring professionals to attend to legal and compliance matters, as well as an estate manager to provide managerial and concierge services. This included conducting background checks on some employees, managing the family's vacation properties and providing extensive budgeting services.

The COVID-19 pandemic has also affected the investment direction of the family office. Mr B's investment team has been introduced to various fund managers in Singapore and the family office has invested in promising private equity ventures in the region that have high growth potential in the biotech, healthcare and logistics industries. Having a family office also allows Mr B to work with multiple financial institutions to diversify his investment portfolio. His dedicated team also helps Mr B to free up time by filtering potential investment opportunities based on the family's investment goals in an unbiased manner, monitoring the economic trends and rebalancing asset allocations in a timely manner.

CASE STUDY 4

Family Background

Mr C is a successful entrepreneur from a province in eastern China. He is the founder of a multinational conglomerate and investment company, spanning several industries, including property, education and health care. He is married with two children, with an age gap of more than 10 years. His current assets include bankable assets worth more than S\$250 million and shares in an offshore listed company he set up years ago.

1. Original Set-Up

Mr C was solely responsible for managing his real estate business and personal wealth. His corporate accountant prepared financial statements for his private investments. Activities were performed on an ad hoc basis and sometimes information was not readily available or properly recorded, resulting in losses on investments and missed investment opportunities. Decision making was usually done out of Hong Kong.

2. Establishing Family Office Functions

As his private wealth grew, Mr C wanted to set up a family office, fund and trust structure in Singapore to consolidate and streamline his financial assets. He intended to set up a private trust company (PTC) to act as trustee of the family trust that would enable him to manage his wealth and preserve his assets for future generations. He wanted to involve his children in managing the family wealth through their positions on the PTC Board. This would allow the family to maintain some control over their assets.

While setting up the family office, the following matters needed to be addressed.

Issue 1: The cross-border tax implications of moving Mr C's assets onshore

Details	Benefits derived
Assets to be held in the family trust included financial assets worth more than S\$250 million and shares in a Hong Kong-listed company.	Although the initial transfer of financial assets resulted in some minimal tax implications, future dealings in the assets would be tax exempt under the
Factors including Mr C's principal place of business, the location of his assets and the potential exposure to transfer taxes, needed to be considered.	Enhanced Tier Fund Tax Exemption Scheme, which grants a tax exemption for specified income from designated investments. (This covers a wide range of investments such as stocks, shares, bonds, securities and derivatives.)

Issue 2: Establishing a governance framework for the PTC to act as trustee for the family trust

Details	Benefits derived
<p>Due to the significant age gap between Mr C's children, it was essential to prepare a governance framework that would avoid future conflict.</p> <p>With the help of Mr C's legal and tax advisors, the governance framework was drawn up and adopted by the PTC Board.</p>	<p>Implementing corporate governance safeguards helped to address a number of vital issues and provide a framework for conflict resolution, particularly with respect to:</p> <ul style="list-style-type: none"> • The distribution policy • Asset allocation • The decision-making mechanism • Philanthropy <p>Mr C could also ensure there were proper checks and balances in the operations of the PTC, after his passing, by appointing independent directors to the Board.</p>

Issue 3: Designing a suitable structure for charitable giving

Details	Benefits derived
<p>Mr C was donating in a haphazard manner to various charitable causes. He wished to continue his charity work in Singapore, specifically in the healthcare industry.</p>	<p>Professionals in Mr C's family office provide planning and strategic support for his philanthropic activities. They also provide guidance for donation strategies and advice on the technical and operational management of charities, enabling Mr C to donate in a more organised manner.</p>

The family wanted to live in Singapore and grow the family's business and wealth from here. Mr C was aware of the investment opportunities, the economic benefits of expanding his business, and the legal and tax benefits of establishing a family office. He applied to

become a permanent resident (PR) for himself, his wife and his younger son under Option B of the Global Investor Programme (GIP). Under Option B, the applicant needs to invest at least S\$2.5 million in a GIP fund that invests in Singapore-based companies. Mr C subsequently incorporated a healthcare company in Singapore to expand his existing healthcare business and gain access to growth opportunities in Southeast Asia. The healthcare industry is expected to grow rapidly in the next few years due to demographics and medical tourism.

Mr C's other son was over 21 years old, and therefore could not be included as an immediate family member in Mr C's GIP application. His elder son obtained an employment pass to work for the family's healthcare company in Singapore, where his father taught him the ropes.

To achieve the family's objectives, a tailored private wealth structure was designed. It included a family office, a fund entity held under a trust (managed by a PTC) and a private foundation in the form of a Singapore company limited by guarantee. An independent family governance advisor was appointed to provide feedback and guidance on key family issues. Family meetings were held to discuss the issues and a family constitution was developed, to address the roles and responsibilities of each member, oversight and governance of the family enterprise and assets, and how the board would interact with family members, as well as how family members would work together to resolve potential conflicts in the future.

Lawyers then helped to draft a family agreement, shareholders' agreements and other legal documents to set up the family trust. The tax advisor and independent family governance advisor helped review the documents to ensure they were in line with the family's wishes.

The fund was granted a tax exemption through the Enhanced Tier Fund Tax Exemption Scheme for specified income from designated investments. MAS granted the family office a licensing exemption.

3. Current Status

The family has professionalised the investment management roles in the family office. The family office has more than 15 employees, comprising a team of investment professionals, legal counsel and a finance

team. The family office has increased assets under management to more than S\$300 million, largely due to movement in the global financial markets. The family is continuing its charitable giving through the family office and is growing the Singapore healthcare operating group.

Mr C, his wife and their younger son received Singapore citizenship after spending substantial time in Singapore and due to Mr C's significant economic footprint in the country. His older son has obtained PR status through his work for the Singapore healthcare company. He is now able to hold multiple official positions in the Singapore entities and is serving as Chief Executive Officer of the family office.

Establishing the family office allowed Mr C's family to consolidate their investments and bolster the growth of their existing healthcare company as Mr C's family is able to benefit from the thriving healthcare industry as elaborated above.

A dedicated legal and finance team comprising local talents has also enabled the family to safeguard themselves and their businesses, by ensuring compliance with Singapore regulations.

CASE STUDY 5

Family Background

Mr D is a successful entrepreneur from Germany, who earned his wealth through the tech industry in Europe. He is married and has three children aged between 15 and 20. His children all hold dual citizenship in European countries. Mr D and his family were formerly based in Hong Kong and have Hong Kong permanent resident (PR) status but have moved to Singapore. His current assets include bankable assets of more than S\$300 million and shares in a listed company.

1. Original Set-Up

Before setting up the family office, Mr D managed his personal assets, with the support of his private bankers and a trusted financial advisor. Although a successful businessman who was CEO of a leading global tech firm that grew through acquisitions, he did not have the capacity to carefully analyse his personal portfolio and monitor the market. He did not have a proper structure to manage personal assets, and relied on external advisors on an ad hoc basis. As such, he made sporadic investments without a defined strategy, resulting in lost opportunities.

Having a family office allowed Mr D to concentrate his assets in a single entity, and hiring professionals helped him to preserve and grow his wealth. Furthermore, the family office has given him a platform to educate his children on his legacy and the values he would like to impart.

Mr D also wanted to move his company's headquarters to a stable jurisdiction. Singapore was his preferred choice given its pro-business environment. Further, he wanted to apply for Singapore PR for himself and his family.

2. Establishing Family Office Functions

Mr D first applied for Singapore PR status for himself and his family under the GIP family office option. He needed to invest at least S\$2.5 million in the family office, which would have assets under management of more than S\$200 million. Once Mr D received in-principle approval for PR status, he began the process of designing and setting up the family office, ensuring that his various concerns were addressed.

Issue 1: Designing a private wealth structure and applying for the Enhanced Tier Fund Tax Exemption Scheme

Details	Benefits derived
The introduction of economic substance requirements in the offshore jurisdictions prompted Mr D to set up his fund entity in Singapore.	As a Singapore-incorporated company, the fund entity will benefit from the tax treaties Singapore has with approximately 100 countries in relation to investments in private equity and start-ups in the region.
His assets mainly consisted of bankable assets, including bonds, listed shares and more than S\$200 million in cash.	The fund entity (with more than S\$200 million of assets under management in the family office structure) was able to meet the conditions of the Enhanced Tier Fund Tax Exemption Scheme.
	The family office obtained approval for licensing exemption I from MAS.

Issue 2: Establishing a family office structure that would address the family's privacy concerns

<i>Details</i>	<i>Benefits derived</i>
Mr D's concerns about privacy raised several legal issues. He sought legal advice in relation to structuring the family office to ensure that the information made public would not compromise family privacy.	Mr D appointed trusted advisors as directors, to address his privacy concerns.

Issue 3: Establishing a family office structure for future generations

<i>Details</i>	<i>Benefits derived</i>
Once Mr D's children graduated from university, he wanted to be able to give them experience in a controlled environment under the supervision of a team of trusted investment professionals he appointed.	Mr D's children can attend educational programmes and events in Singapore for family office principals and the next generation. Through these and experience gained working in the family office, Mr D's children will be able to ensure the continued growth of the family office.

Issue 4: Moving headquarters to Singapore

<i>Details</i>	<i>Benefits derived</i>
While Mr D is planning for retirement, he has at least two more years as a CEO. To achieve the company's vision and ensure continued growth, he decided to move the headquarters to Singapore. This involves moving C-suite employees too.	The company can apply for a concessionary tax rate of 5%, or 10% on qualifying income derived from headquarters activities under the International Headquarters Programme.

3. Current Status

The family has settled in Singapore since they relocated at the start of 2021. They lived in Singapore for a couple of years previously, so they had a smooth transition. Two of Mr D's children are enrolled in local educational institutions.

Once his PR status was approved, Mr D expanded the family office's role to support succession planning, the education of the next generation, investment management and concierge services.

Mr D intends to hire more employees in the family office to pass on his knowledge. In particular, he wants to hire investment professionals with experience in various investment classes, focusing on industries such as technology, fintech, healthcare, real estate and renewable energy. Five of the new employees (he plans to hire at least 10 people) will be Singapore citizens. This meets the employee headcount requirement under the GIP and under the Enhanced Tier Fund Tax Exemption Scheme. The family office will use Singapore as a base to access investment opportunities in Asia and beyond.

Most of Mr D's C-suite employees have successfully relocated to Singapore with their families, to lead and develop the local team for the Singapore headquarters. Once all the employees, including local staff, are on board, the team will start developing its business strategy. It also plans to take up the grants and incentives Singapore offers.

PATHWAYS TO ESTABLISHING A FAMILY OFFICE



The case studies show the wide range of options for structuring a family office. The choice will depend on the family's main motivation and the resources they are willing to dedicate or allocate to establishing the family office.

Broadly, the main drivers for establishing a family office in Singapore are:

1. The ability and flexibility to plan for intergenerational succession
2. The ability to access a strong talent pool
3. Access to investment opportunities in the region.
4. The desire to be based in Singapore
5. Tax certainty in relation to family assets
6. The desire to centralise the management and ownership of assets in a single structure

Based on these drivers, the structure that most family offices arrive at lends itself to professional management in Singapore.

This section covers common early structures and their potential advantages and disadvantages. Families should select a structure or arrangement that most suits their needs.

Basic Structure – Investment Entity

This is the most common form of family office. A common investment holding entity is established for all types of assets, such as investments, property and even ownership of other companies.

Singapore is a popular domicile for this type of investment entity. It provides a number of options – including the recently introduced VCC – for investment fund vehicles, which align with its goal of being an Asian hub for fund management.

Types of Investment Vehicles in Singapore

The following table sets out the different types of investment vehicles and their characteristics.

	COMPANY	VARIABLE CAPITAL COMPANY	TRUST ¹	LIMITED PARTNERSHIP
OVERVIEW OF LEGAL ISSUES				
Legal personality	A company is a separate legal entity from its shareholders.	A VCC is a separate legal entity from its shareholders.	A trust is not a separate legal entity. The trustee holds the trust fund in trust (in the case of a unit trust) for the unit holders, who collectively are the beneficiaries.	A limited partnership does not have separate legal status from its partners.
Limited liability of investors	Shareholders' liability for the company's debts is limited.	Shareholders liability for the company's debts is limited.	Subject to the trust instrument, unit holders' liability is limited.	A general partner has unlimited personal liability.
Segregated portfolios	Liability cannot be segregated.	Under an umbrella VCC, each sub-fund can have statutory segregation of liability.	Under an umbrella trust, each sub-fund can have contractual segregation of liability.	Liability cannot be segregated in a limited partnership.
Public availability of shareholder/beneficial owners' records	The register of shareholders and their respective shareholdings are a matter of public record.	Generally not available to the public.	Generally not available to the public.	Generally not available to public if exemptions are invoked.
Minimum resident officer requirements	At least one director must be a Singapore resident.	At least one director who also represents the manager must be a Singapore resident.	A trustee is required to be appointed.	<ul style="list-style-type: none"> No requirement for partners to be Singapore residents. May require a local manager to be responsible for certain administrative obligations under the Limited Partnership Act.
Requirement to appoint an administrator	Not legally required, but a Singapore-based administrator must be appointed if the company wishes to qualify for certain tax incentives.	Not legally required, but a Singapore-based administrator must be appointed if the VCC wishes to qualify for certain tax incentives.	Not legally required. The trustee is responsible for administering the trust.	Not legally required.
Audit requirements	Generally, the financial statements of a Singapore-incorporated company must be audited annually and filed with ACRA.	Financial statements must be audited and filed with ACRA.	Strictly speaking, an audit is not legally required for a trust.	The law does not require a limited partnership to have its accounts audited or filed with ACRA.
Voting rights of investors	Non-voting preference shares can be issued.	Participating shareholders (in open-ended funds) with the option to redeem them have limited voting rights.	Beneficiaries generally do not have any right to direct the trustee's actions.	Limited partners cannot participate in management and any voting rights they have are governed by the partnership agreement.
Ability to take advantage of double tax treaties	Yes	Yes	No	No

¹ The description above relates to unit trusts. Shipping, property and infrastructure funds can use a vehicle known as a **registered business trust**. It isn't included in this discussion because it is primarily suitable for listed retail funds.

	COMPANY	VARIABLE CAPITAL COMPANY	TRUST ¹	LIMITED PARTNERSHIP
General comments on suitability of vehicle for investment funds	Generally, a company is used for privately offered funds investing in illiquid investments because it allows the fund to use an extensive network of tax treaties between Singapore and other jurisdictions. ²	<ul style="list-style-type: none"> The VCC was introduced as a new corporate structure for investment fund vehicles to achieve Singapore's goal of being an Asian hub for fund management. The VCC has the same benefits as a company, but the usual limitations on a company are eliminated as a result of the capital maintenance rules. 	Unit trusts have been the vehicle of choice for retail funds. It can also be used for privately offered schemes.	Limited partnerships have been popular in its use as an investment fund particularly private equity funds.

The VCC Framework and Family Offices

The VCC is a solid option for family offices regulated in Singapore as it allows for an umbrella structure with separate sub-funds for each investment or category of investments.

The family office can deploy different investment strategies and sub-funds for different families, who gain the economies of scale from operating a single fund. Families wishing to ringfence their strategy and investments can opt for an umbrella structure with separate sub-funds, and they hold shares in the sub-funds. Ringfencing means each sub-fund's assets and liabilities are segregated.

Overlay of Trust Arrangements

Often the family office's assets are held by a trust for the benefit of the family. This facilitates supervision from generation to generation and gives the settlor (i.e. the person or entity creating the trust) a certain level of control over the assets and how beneficiaries can access them.

As seen from Case Study 4, trust arrangements can also be used to address privacy concerns as the parties of the trust would not be disclosed in a public register, unlike a Singapore private limited company.

Leveraging Third-Party Institutions

Using economies of scale and running the family office through a third-party institution can also provide advantages. Such an arrangement can save on costs and ensure a more experienced and professional service. In this arrangement, a family office can be run

through a multi-family office (MFO) that services a collection of like-minded families. It can also be run through a virtual family office in which the services of a family office are provided through another institution such as a private bank. The main disadvantage of these arrangements is that they sacrifice control and personalisation of services.

Embedding Family Office Functions in the Family Business

Families can embed the family office functions and duties in the family business. This is possible in situations where family members own and manage the company. While this arrangement allows maximum confidentiality and control, it can create conflicts of interest and expose the family office to business and market risks.

Different Types of Family Office

Depending on the needs of the family, we have outlined three different pathways a family office can take following its establishment.

² Provided that the company is tax resident in Singapore.

1. A fully integrated single-family office with a full range of in-house functions

Typically, as assets under management grow, families realise it is more cost-efficient to expand the family office's services. These functions typically encompass a full suite of services, which can be extended to include philanthropy, lifestyle management, budgeting, training and education for the next generation, and risk management.

2. A hybrid single-family office with a range of in-house or outsourced functions.

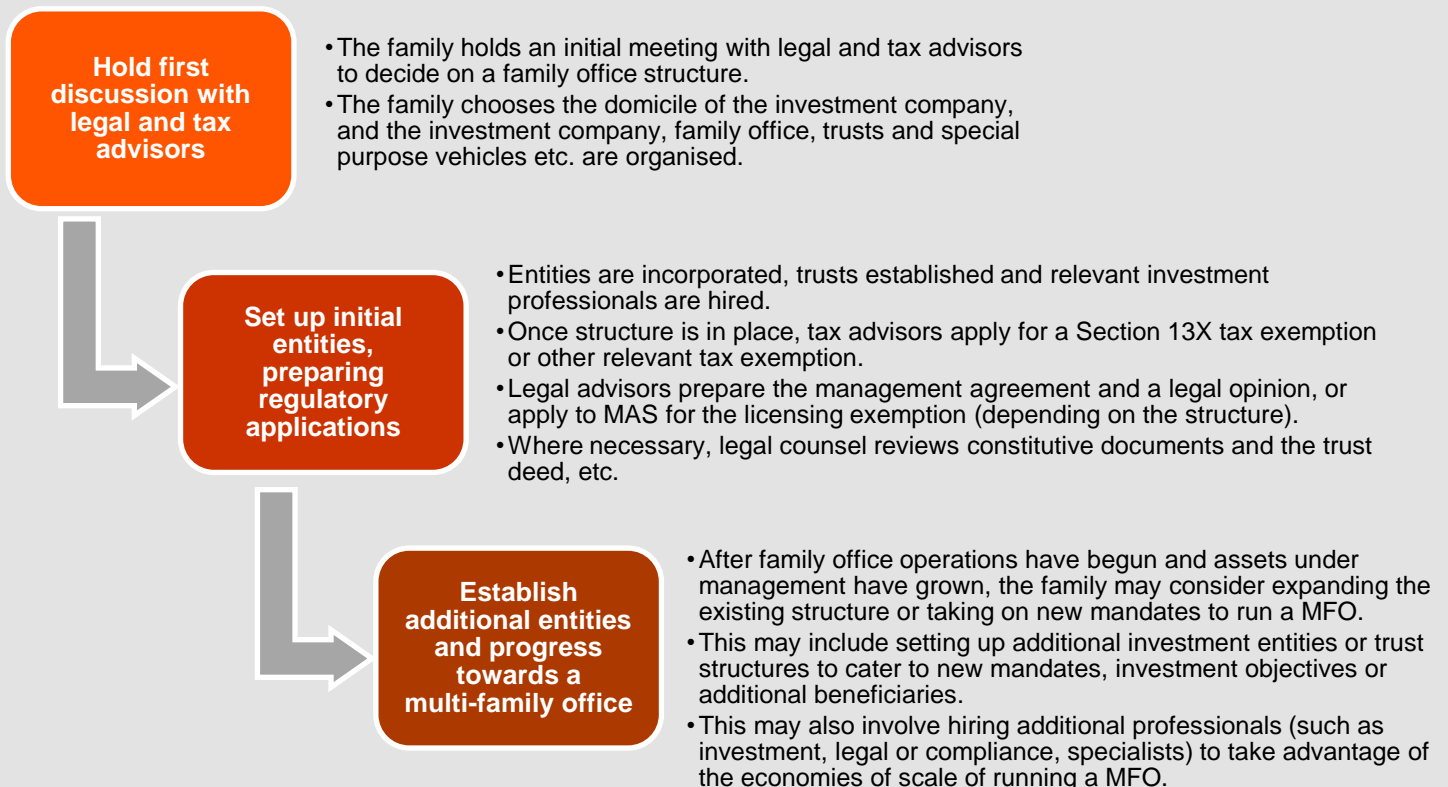
Some families outsource family office functions that are not needed on a day-to-day basis. This can also make more economic sense for smaller family offices that may not benefit from having in-house compliance, risk, tax or legal services. These functions can be outsourced to service providers that are engaged when needed.

3. Closed multi-family offices

A family office with a track record, experienced investment professionals and extensive networks may seek to become a multi-family office (MFO) that manages the portfolios of multiple families in addition to its own. Economies of scale are also usually easier to achieve through a MFO as the costs may be spread across several portfolios.

The types of services provided will therefore be specific to the family in question and will also depend on the size of the family's assets and the level of resources each family is comfortable devoting to the family office. For most families, this can be a slow and steady process to build up over time.

Family Office Flowchart



SELECTING A LEGAL STRUCTURE AND TEAM



Just like families, no two family offices are the same. Families should seek the right counsel and advice to navigate the web of tax, legal and regulatory systems to find the best arrangement for them.

Tax, legal, trust, corporate and business advisory firms in Singapore have been servicing family offices for generations. They have extensive knowledge and experience in establishing family offices and advising on the most viable structures, expansion plans, and succession and philanthropic strategies, based on the unique needs of each family office.

Many parties are involved in the ecosystem for establishing a family office. Sometimes coordinating all the advice from these parties to meet a family's specific needs can be daunting. It can also be time-consuming

and confusing if it lies outside the family's experience. Therefore, it is vital to find experienced professionals who can work together seamlessly.

Singapore is known for its high-quality service providers with wealth management expertise.³ It also ranks highly globally for political stability, and for having favourable tax and regulatory frameworks.⁴

³ Bloomberg Professional Services, 2016, [Eastern promise: the rise of family offices in the Middle East and Southeast Asia](#).

⁴ [Deloitte international wealth management centre ranking 2018](#).

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