DREW & NAPIER

Singapore Makes It Easier to Establish a Family Office – Two Separate Reforms Explained

24 August 2026

LEGAL
UPDATE

In this Update

The Monetary Authority of Singapore has introduced two important reforms that make it easier and more practical for families to establish and operate a family-office structure in Singapore.

The first reform, effective 15 June 2026, simplifies the capital markets services ("**CMS**") licensing exemption for Single Family Offices ("**SFOs**").

The second, applying to tax-incentive awards approved from 1 August 2026, simplifies the tax-incentive conditions under sections 13O and 13U of the Income Tax Act 1947 for a family-owned fund vehicle ("**Fund**").

PART ONE: THE SFO'S CMS LICENSING EXEMPTION

Providing fund management services is a regulated activity under Singapore's Securities and Futures Act ("**SFA**"). A person carrying on that business would ordinarily require a CMS licence unless an exemption applies.

MAS introduced a revised licensing-exemption framework for SFOs with effect from 15 June 2026. The revised framework gives qualifying SFOs an automatic class exemption from the requirement to hold a CMS licence for fund management.

1. The licensing exemption is now structure-agnostic

Then: Previously, an SFO's ability to rely on a licensing exemption would depend heavily on how the SFO and the Fund were legally structured.

For example, an SFO could rely on the related-corporation exemption where the SFO and the Fund were related corporations. Corporations are considered related where one corporation (a) is the holding company of another corporation, (b) is a subsidiary of another corporation or (c) is a subsidiary of the holding company of another corporation. SFOs relying on this exemption were required to obtain a legal opinion confirming that the exemption applied to its particular structure.

However, not every family-office structure satisfied that test. For example, an SFO and Fund that were both owned directly by family members did not have a common corporate owner and the SFO would not be considered a related corporation of the Fund.

Similar difficulties arose where a family used trusts or other non-corporate structures to hold the SFO and/or the Fund.

An SFO that could not rely on an existing statutory exemption would have had to seek a case-by-case licensing exemption from MAS.

Now: The revised framework provides a common class exemption for qualifying SFOs. Broadly speaking, an SFO will qualify if it:

- manages assets only for the family, family-funded charities and certain key employees;
- is incorporated in Singapore;
- remains substantially owned and funded by the family; and
- maintains the required bank accounts for itself and the Fund whose investments it manages.

This removes the requirement to design a family's investment structure around the old related-corporation exemption.

2. Qualifying SFOs need only notify MAS and submit annual returns

Then: Where an SFO could not rely on an existing statutory exemption, it would have had to ask MAS for a case-by-case exemption.

This resulted in uncertainty and delay because the SFO could not assume that its exemption would be approved.

Now: An SFO that satisfies the new conditions is automatically exempted under the class exemption.

It does not need to apply for MAS's approval. Instead, it must file a Notice of Commencement of Business confirming that it satisfies the conditions and thereafter submit annual returns to confirm that it continues to qualify for the class exemption. No legal opinion is required.

PART TWO: THE FAMILY-OWNED FUND'S TAX INCENTIVE

Separately, on 31 July 2026, MAS issued a circular revising the conditions for Funds seeking tax incentives under sections 13O and 13U.

The changes apply to new awards approved on or after 1 August 2026.

The new rules make it easier for Funds to qualify for and comply with the tax incentive conditions. This does not mean that Singapore has removed the need for genuine substance. The family-owned fund must still have sufficient assets, incur the required expenditure and deploy capital into qualifying investments. The SFO must also maintain a genuine investment-management presence in Singapore and employ the required investment professionals ("**IPs**").

What MAS has done is to make several of these conditions more practical and less administratively burdensome.

The most important changes concern hiring, annual spending, monitoring of assets and capital deployment.

1. The SFO has more time to complete its investment team

One of the main practical challenges in setting up a family-office structure is recruiting the SFO's investment team.

Then: Under the previous rules, where a Fund applied for the section 13O tax incentive, the SFO had to employ two qualifying IPs at the time of application. At least one of them had to be a non-family member. For a Fund applying for the section 13U tax incentive, the SFO had to employ three qualifying IPs, with at least one being a non-family member.

In practical terms, a family might have established the Fund and SFO, appointed the SFO as its investment manager and put its investments and other arrangements in place, but still be unable to submit the tax-incentive application because the SFO had not completed its recruitment exercise.

Now: From 1 August 2026, a Fund seeking the section 13O tax incentive may apply for the tax incentive when its SFO has employed one qualifying IP who may be a family member or otherwise. The SFO must employ the second qualifying IP by the end of the basis period for the first Year of Assessment. By that time, at least one of the two IPs must be a non-family member.

For a Fund seeking the section 13U incentive, the SFO may initially employ two qualifying IPs who may be family members or otherwise at the point of application. It must employ the third qualifying IP by the end of the basis period for the first Year of Assessment. By that time, at least one of the two IPs must be a non-family member.

What this means for families

The Fund can now apply for the tax incentive before the SFO has completed the recruitment of its investment team. Although the staffing condition remains the same, it allows SFOs more time to recruit suitable professionals.

In other words, the Fund's tax-incentive application and the SFO's recruitment process can proceed in parallel.

2. Annual spending requirements are more proportionate

A Fund enjoying the section 13O or 13U tax incentive must meet an annual local business spending requirement. The amount depends on the value of the Fund's assets under management ("**AUM**").

Then: Under the previous framework, the annual local business spending requirement increased relatively quickly as the Fund's AUM grew:

- AUM below S$50 million: at least S$200,000
- AUM of S$50 million to below S$100 million: at least S$500,000
- AUM of S$100 million or more: at least S$1 million

This meant that a family-owned fund with just over S$100 million of AUM could already face an annual local business spending requirement of S$1 million.

Now: The new AUM thresholds are significantly higher:

- AUM below S$250 million: at least S$200,000
- AUM of S$250 million to below S$2 billion: at least S$500,000
- AUM of S$2 billion or more: at least S$1 million

What this means for families

The difference can be substantial. A Fund with S$80 million of AUM would previously have faced a S$500,000 annual local business spending requirement. Under the new rules, the requirement is S$200,000. Similarly, a Fund with S$150 million of AUM would previously have fallen within the S$1 million spending tier. Under the new rules, it will fall within the S$200,000 tier. Even a Fund with S$500 million of AUM will be subject to a S$500,000 requirement rather than a S$1 million requirement.

The revised thresholds make the framework considerably more proportionate for small and mid-sized family-owned Funds.

MAS has explained that the revised thresholds take account of market norms and are intended to encourage SFO-managed Funds to continue growing their assets in Singapore.

3. Minimum fund sizes are unchanged, but monitoring is simpler

The new rules do not reduce the minimum size of a Fund seeking the tax incentive. However, it makes the compliance much simpler.

Then: A section 13O Fund had to maintain at least S$20 million in Designated Investments. A section 13U Fund needed at least S$50 million in Designated Investments.

The previous framework required the relevant minimum to be met at the time of application and throughout the incentive period.

Now: The same S$20 million and S$50 million minimum amounts remain.

However, compliance is now tested more practically. The Fund must meet the relevant minimum AUM at the time of application and at the end of each basis period.

What this means for families

The amount of wealth required to qualify for the incentive has not been reduced. Rather, what has changed is the administrative burden placed on the Fund and its SFO to track AUM.

Temporary market movements during the year should be less troublesome because the minimum AUM condition is tested at specified points in time instead of being monitored continuously.

4. Capital deployment is easier to administer

A Fund enjoying the tax incentive must also satisfy the Capital Deployment Requirement, commonly called the “CDR”.

The required amount has not changed. The Fund must deploy at least the lower of 10% of its AUM or S$10 million into qualifying investments. Rather, what has changed is the range of eligible investments and the way the CDR is measured.

Then: The previous rules contained six separate investment categories, including:

1. securities listed on MAS-approved exchanges;
2. Qualifying Debt Securities;
3. certain funds distributed by licensed or registered financial institutions in Singapore;
4. investments in qualifying unlisted Singapore companies;
5. climate-related investments; and
6. qualifying blended-finance structures.

The calculation could also be complicated because compliance was determined using 12 month-end figures over the course of the year.

Now: MAS has streamlined the eligible investments into three broad categories:

1. investments listed on Approved Exchanges;

2. investments distributed by MAS-licensed financial institutions in Singapore, subject to certain exclusions; and

3. investments in qualifying non-listed Singapore-incorporated operating companies.

The calculation is also simpler. Instead of using 12 month-end figures, the CDR is tested by comparing the Fund's qualifying capital deployed at the end of the basis period against its AUM in Designated Investments at the same time.

What this means for families

The changes provide two practical advantages.

First, the Fund and the SFO have fewer categories to consider when determining whether an investment qualifies.

Second, the SFO does not have to conduct the same level of monthly monitoring on behalf of the Fund. It can manage the Fund's portfolio towards satisfying the CDR at the end of the relevant basis period.

This should be particularly helpful where the Fund's investment portfolio changes significantly during the year.

5. More Singapore investments can receive double recognition

The new rules also make it easier for a Fund to satisfy the CDR through investments that MAS wishes to encourage.

Then: The previous regime contained a mixture of 2x and 1.5x multipliers, depending on the type of investment.

This meant that the amount recognised for CDR purposes depended on the particular investment category and the applicable multiplier.

Now: Under the new framework, certain investments are counted at twice their actual value when determining whether the Fund has met the CDR.

These include:

1. equities listed on Approved Exchanges;

2. funds investing substantially in Singapore-listed equities;

3. qualifying blended-finance instruments distributed by licensed financial institutions in Singapore; and

4. qualifying investments in non-listed Singapore-incorporated operating companies.

What this means for families

The eligible investments are easier to identify, and the use of a single 2x multiplier makes the calculation more straightforward.

For example, if an investment in a qualifying Singapore private operating company receives the 2x multiplier, an actual investment of S$5 million may be recognised as S$10 million for CDR purposes.

Families and their advisers can therefore understand more easily how much an investment will contribute towards satisfying the requirement.

6. The cap on physical precious metals has been removed

The new rules also give a Fund more flexibility to invest in physical investment precious metals ("**IPMs**"), such as qualifying gold, silver and platinum.

Then: Investments in physical IPMs qualified as Designated Investments only if they did not exceed 5% of the Fund's total investment portfolio.

Now: From 1 August 2026, the 5% cap is removed. Investments in qualifying physical IPMs may therefore be treated as Designated Investments without being subject to this limit.

What this means for families

A Fund can allocate a larger part of its portfolio to physical IPMs without losing their treatment as Designated Investments simply because the allocation exceeds 5%.

This gives families greater flexibility to diversify their portfolios and invest more in physical IPMs in Singapore.

7. What has not changed

The Fund must still:

- meet the relevant S$20 million or S$50 million minimum AUM;

- satisfy the annual local business spending requirement;
- comply with the CDR;
- meet the other conditions of the relevant tax incentive; and
- maintain the required private-banking relationship with an MAS-licensed financial institution.

The SFO managing the Fund must still:

- establish a genuine investment-management presence in Singapore;
- employ two qualifying IPs for a section 13O fund, or three qualifying IPs for a section 13U fund; and
- ensure that at least one qualifying IP is a non-family member.

TWO REFORMS, ONE CLEARER PATHWAY

The June and August 2026 reforms address different parts of a family-office structure.

The June framework simplifies the SFO's licensing position. A qualifying SFO can rely on a structure-agnostic class exemption instead of having to fit within the related-corporation exemption or seek a case-by-case exemption. MAS approval and a supporting legal opinion are not required. The SFO need only notify MAS and file a straightforward annual return.

The August changes apply separately to the Fund's section 13O or 13U tax incentive. Under the revised conditions:

1. the Fund can apply while the SFO is still completing its investment team;
2. Funds with less than S$250 million of AUM are subject to a more proportionate annual local business spending requirement;
3. the minimum AUM thresholds remain unchanged, but compliance is easier to monitor; and
4. the CDR rules are easier to understand and administer.

Together, the reforms reduce both the initial hurdles and the continuing administrative burden faced by Funds and SFOs. The SFO's licensing position is clearer, while the Fund has more time and flexibility to satisfy the tax-incentive conditions.

The substantive requirements remain. However, families should now find it more practical to establish and operate an SFO and its Fund in Singapore under the section 13O and 13U tax incentives.

If you have any questions or comments on this article, please contact:

Yang Shi Yong
Director, Tax & Private Client Services
T: +65 6531 4129
E: shiyong.yang@drewnapier.com

Seah Ching Ling
Director, Tax & Private Client Services
T: +65 6531 4102
E: chingling.seah@drewnapier.com

Drew & Napier LLC

10 Collyer Quay
#10-01 Ocean Financial Centre
Singapore 049315

www.drewnapier.com

T: +65 6535 0733
T: +65 9726 0573 (After Hours)
E: mail@drewnapier.com

DREW & NAPIER