

RECENT AMENDMENTS TO THE GLOBAL INVESTOR PROGRAMME: OPENING ITS ARMS TO FAMILY OFFICES

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I. Introduction

The island nation of Singapore's rapid rise to a significant global financial hub did not happen by chance. The Singapore Government has continually shaped its policies and developed schemes to attract and retain talent and investment to its shores. One of these schemes was the Global Investor Programme ("GIP"). The GIP was launched in 2004, and sought primarily to connect foreign high net worth individuals ("HNWIs") with local businesses in the hope of developing business collaboration opportunities.

The GIP's primary objective is to benefit Singapore companies via the increased access to capital provided by foreign HNWIs, as well as tapping on the entrepreneurial experience of these HNWIs to inject dynamism into Singapore's economy.¹ In return, these HNWIs would be given an opportunity to acquire Permanent Residency ("PR") status in Singapore. As of June 2017, there had been 1,826 applicants who were granted PR status under the GIP.²

Prior to 2020, the GIP catered solely to established business owners, who could acquire PR status via one of two options. These options involved investing at least S\$2.5 million in either Singapore companies or approved funds³ that invest in Singapore companies.

From 2011 to 2016, the GIP attracted S\$1.8 billion in total business expenditure from direct investments, generating over 6,000 job opportunities in Singapore.⁴

The Singapore Government, looking to build on the success of the GIP, has announced fresh amendments aimed at expanding the scope of application of the GIP. The amendments have come at an opportune time. The ongoing trade war between China and the United States of America, coupled with the political unrest in Hong Kong appears to have precipitated a trend of funds both institutional and private in nature flowing towards jurisdictions perceived as being more stable and favourable in the current climate, Singapore being one of the standout options.

II. 2020 Amendments to the GIP

One key amendment to the GIP was to broaden its scope of application, to include new categories of potential applicants whose presence in the Country is perceived to be of benefit to the Singapore economy. Besides established business owners, foreign HNWIs who are now eligible include next-generation business owners, founders of fast-growing companies and family office principals.

Another key amendment was the introduction of a new investment option, which allows eligible

¹ Singapore Parliamentary Debates, Official Report (9 January 2018) vol 94 at col 9 (Sim Ann, Senior Minister of State for Trade and Industry).

² Singapore Parliamentary Debates, Official Report (1 August 2017) vol 94 at col 9 (Lim Hng Kiang, Minister for Trade and Industry).

³ There are currently two approved funds under the GIP. They are (1) Jungle Ventures Pte Ltd, and (2) Phillip Ventures Enterprise Fund 6 Ltd.

⁴ Singapore Parliamentary Debates, Official Report (9 January 2018) vol 94 at col 9 (Sim Ann, Senior Minister of State for Trade and Industry).

foreign HNWIs to qualify for the benefits under the GIP by investing at least S\$2.5 million in a new or existing Singapore-based single family office. This S\$2.5 million investment is required to be injected as part of the single family office's working capital. It can be used for operating expenses such as rental (e.g. leasing of equipment) and remuneration, but cannot be used for capital expenditure (e.g. to purchase land for office space or equipment).

A further condition to this new investment option is that the relevant single family office must possess at least S\$200 million of assets under management ("AUM"). The AUM can include bank deposits, capital market products, collective investment schemes, life insurance policy premiums and other investment products, but excludes real estate. Offshore assets can be considered part of the AUM provided at least S\$50 million of the AUM has been transferred into and held in Singapore.

These amendments will take effect from 1 March 2020.

III. Likely Outcomes of the 2020 GIP Amendments

The new investment option also is likely to appeal to wealthy Asian families, who have long been attracted to the political stability, security, strong rule of law and developed financial sector of Singapore. These factors are pivotal towards deciding where a family office should be located. It is foreseen that the new investment option will provide increased incentive to encourage these families (especially from Hong Kong and China) to relocate to Singapore to set up family offices to conduct their family and wealth management, as well as implement their succession plans to their next generation.

⁵ Designated investments include a wide range of assets such as stocks, shares, securities and derivatives (but does not include immovable property in Singapore).

Another vital consideration affecting the location of a family office is the availability of tax incentives. Singapore is regarded as having one of the most attractive tax regimes for fund management. A family office established in Singapore may be able to utilize the relevant tax exemption provisions, namely sections 13R (i.e. the Resident Fund Scheme) and 13X (i.e. the Enhanced Tier Fund Scheme) of the Income Tax Act. These provisions provide that income derived from designated investments⁵ carried out by funds administered by certain family offices are not liable to tax. These tax benefits will continue to apply till at least 31 December 2024. Potential applicants who wish to know more on how they can take advantage of these tax benefits should consult a legal adviser.

IV. Application Process

Potential applicants should seek legal assistance prior to commencing application to understand in detail the qualifying criteria and application process under the GIP. The application process is likely to take approximately 9 to 12 months.

The application process commences once an applicant submits the application forms and supporting documents to the Economic Development Board ("EDB"). The applicant will then be invited to attend an interview with EDB. If the applicant satisfies the assessment criteria, an Approval-in-Principle ("AIP") will be issued by the Immigration & Checkpoints Authority ("ICA"). A Final Approval letter will only be issued by the ICA when the applicant fulfils his/her selected investment option within 6 months of the AIP. Thereafter, the applicant has 12 months to formalize his/her PR status.⁶

⁶ Global Investor Programme Factsheet (January 2020) at p 5. Accessible at <https://www.edb.gov.sg/en/how-we-help/global-investor-programme.html>

Potential applicants should consider the economic value they would bring to Singapore via their proposed investments. This is because applicants are required to submit a five-year business or investment plan, stating the projected employment and financial projections of their target investment vehicle. The EDB will assess this business or investment plan based on factors such as the applicant's role in the target investment vehicle and the business activities or functions of the target investment vehicle.

In addition, a business owner or a family office principal applying for the GIP is required to submit his/her curriculum vitae, detailing his/her past successful experience in entrepreneurship, investments or asset management, as well as the companies he/she previously worked in. These considerations are relevant in determining whether he/she has satisfied the assessment criteria.

If you require assistance for any litigation or arbitration dispute, please do not hesitate to get in touch with:



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Type of investor	Established business owners (Existing)	Next-generation business owners (NEW)	Founders of fast-growing companies (NEW)	Family office principals (NEW)
Qualifying criteria	<p>a. Individual must possess at least 3 years of entrepreneurial and business track record;</p> <p>b. Individual should currently be running a company with an annual turnover of at least S\$200 million in the year immediately preceding the application, and at least S\$200 million per annum on average for the three years immediately preceding the application; (This is an increase from S\$50 million turnover the preceding year and average of S\$50 million per annum for the three years preceding the application)</p> <p>c. If the company is privately-held,⁷ the individual should have at least 30% shareholding in the company; AND</p> <p>d. The company must be engaged in one or more of the accepted industries listed under the GIP.⁸</p>	<p>a. Individual's immediate family should have at least 30% shareholding or is the largest shareholder in the company the individual uses to qualify;</p> <p>b. This company's annual turnover must be at least S\$500 million in the year immediately preceding the application, and at least S\$500 million per annum on average for the three years immediately preceding the application;</p> <p>c. Individual must be part of the management team of the company (e.g. C-suite / Board of Directors); AND</p> <p>d. Individual's company must be engaged in one or more of the accepted industries listed under the GIP.⁹</p>	<p>a. Individual must be a founder and one of the largest individual shareholders of a company with a valuation of at least S\$500 million;</p> <p>b. Individual's company must be invested into by reputable Venture Capital/Private Equity firms; AND</p> <p>c. Individual's company must be engaged in one or more of the accepted industries listed under the GIP.¹⁰</p>	<p>a. Individual must possess at least 5 years of entrepreneurial, investment or management track record; AND</p> <p>b. Individual must have net investible assets of at least S\$200 million. <i>(NB: Net Investible Assets include all financial assets, such as bank deposits, capital market products, collective investment schemes, premiums paid in respect of life insurance policies and other investment products, excluding real estate.)</i></p>
Investment option	<p>1. Option A: Invest S\$2.5 million in a new business entity or in the expansion of an existing business operation.</p> <p>2. Option B: Invest S\$2.5 million in an approved fund¹¹ that invests in Singapore-based companies.</p> <p>3. Option C: Invest S\$2.5 million in a new or existing Singapore-based single family office having AUM of at least S\$200 million.</p>			<p>1. Option C: Invest S\$2.5 million in a new or existing Singapore-based single family office having AUM of at least S\$200 million.</p>

⁷ If the individual's company is publicly listed, the individual must be one of the largest individual shareholders. There is no specific threshold as to how large the individual's shareholding must be.

⁸ Global Investor Programme Factsheet (January 2020) at p 16. Accessible at <https://www.edb.gov.sg/en/how-we-help/global-investor-programme.html>

⁹ Global Investor Programme Factsheet (January 2020) at p 16. Accessible at <https://www.edb.gov.sg/en/how-we-help/global-investor-programme.html>

¹⁰ Global Investor Programme Factsheet (January 2020) at p 16. Accessible at <https://www.edb.gov.sg/en/how-we-help/global-investor-programme.html>

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