

Clarifications on GST on Fund Management Fees

June 2015



Introduction

On 24th March 2015, MAS issued FDD Cir 02/2015 to clarify the GST treatment of fund management fees charged to funds.

The main purpose of this was to clarify in which circumstances fund managers would need to charge GST for services provided (particularly to offshore funds) and whether the supplies were standard-rated (7%) or zero-rated (0%)

Belonging in Singapore

A fund, other than a trust fund, is treated as ‘belonging in Singapore’ if it has:

- A business establishment (‘BE’) or some other fixed establishment (‘FE’) in Singapore, and no such establishment elsewhere
- A BE or FE outside Singapore and another BE or FE in Singapore, and the establishment at which the services are most directly used or to be used is in Singapore; or
- No BE or FE in any country but it is incorporated in Singapore (in the case of a company) or registered in Singapore (in the case of a limited partnership)

Fixed Establishment

Broadly, a fund has a FE in Singapore if it conducts regular board meetings at a fixed place in Singapore.

- Regular board meetings are defined as meetings held at least 4 times within a 12-month period at a fixed location (different locations in the same country are not considered as a ‘fixed location’)
- At least 2 directors must be physically present at the meeting

Business Establishment

A fund has a BE in Singapore if the fund relies wholly on a Singapore Fund Manager to carry on its business.

- A Singapore Fund Manager is considered as being wholly relied on if the manager is the sole contracting fund manager and has the overall responsibility to oversee or carry out those business activities.
- A Singapore Fund Manager is not considered to be wholly relied upon in certain circumstances (such as where the fund has an administration office with employees of its own, or where the fund contracts with the fund manager only for non-discretionary services, such as trade execution).

Remissions Applicable to Fund Managers

A remission has been granted effective from 1 April 2015 to services supplied to Qualifying Funds that:

- Are incorporated or registered outside Singapore; and
- Belong in Singapore only due to its whole reliance on a Singapore Fund Manager to carry on its business

Qualifying Funds are those that satisfy the 13CA or 13X concessions as at the last day of the preceding financial year.

This remission ensures that management and performance fees charged to such funds are treated as zero-rated supplies.

Conclusion

Where a Singapore fund manager acts as a manager to an offshore fund, it will only need to charge 0% (zero-rated) GST on management and performance fees provided:

- The fund meets the conditions of Section 13CA or 13X; and
- The fund does not conduct regular board meetings at a fixed place in Singapore

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