Overview of Philanthropic Landscape in Singapore

David Chee (Partner, WongPartnership LLP)

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Outline

1. Charity and Philanthropy
2. Overview of Philanthropic Landscape in Singapore
3. Relevant Entities
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   - Non-Profit Organisation (NPO)
   - COC Grantmaker
   - IRAS Grantmaking Philanthropic Organisation
   - Donor Advised Fund (DAF)
   - Single Family Offices (SFOs) under Section 13 O/U Tax Incentive Schemes

Charity vs Philanthropy

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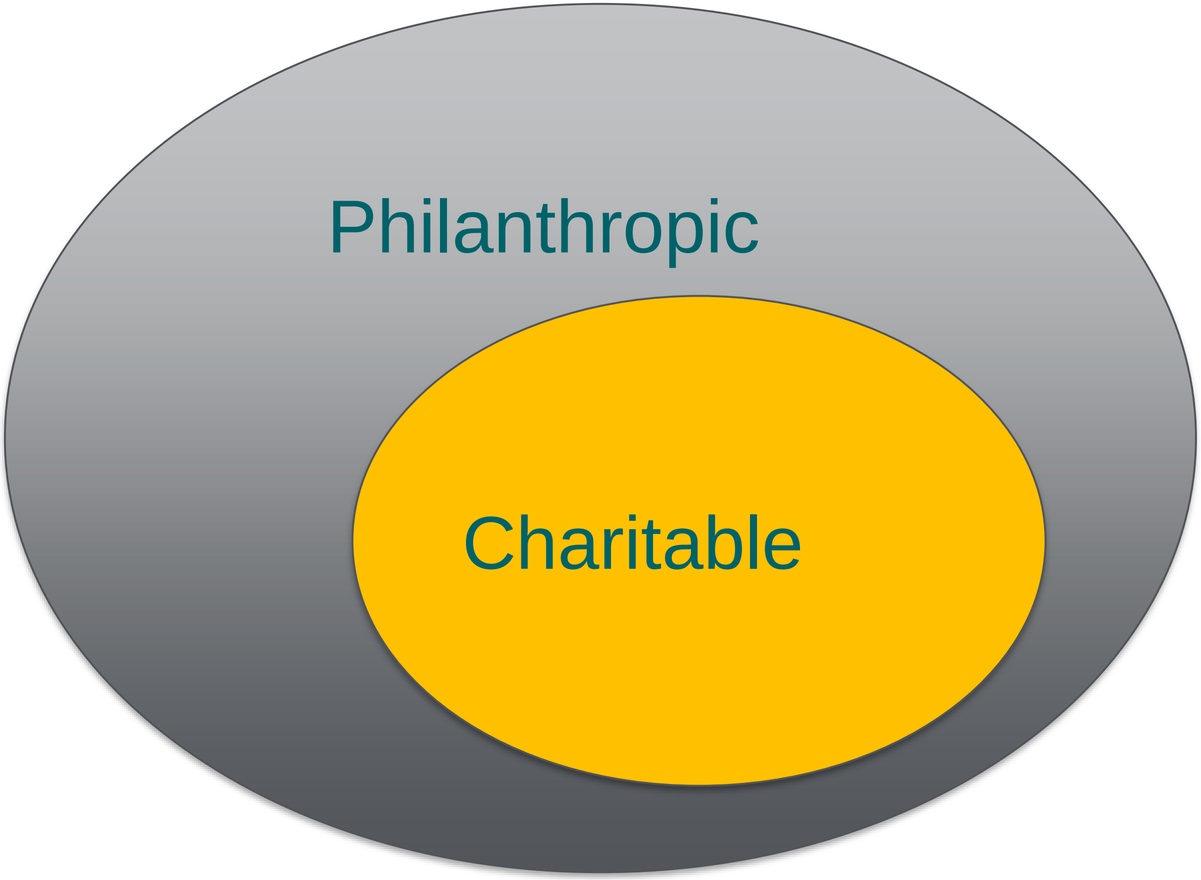
Philanthropy vs. Charity



Charitable Purposes under Singapore law

Recognised Charitable Purposes include:

- Relief of poverty;
- Advancement of education;
- Advancement of religion; or
- Other purposes beneficial to the community, which include commonly recognised ones such as:
  - Promotion of health;
  - Advancement of citizenship or community development; Advancement of arts, heritage or science;
  - Advancement of environmental protection or improvement;
  - Relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
  - Advancement of animal welfare; and
  - Advancement of sport, where the sport promotes health through physical skill and exertion.

Charities Act 1994

- **Main criteria to register as "Charity":**

  1. Governing instruments of the institution must state the purposes of the institution, and such **purposes are exclusively <u>charitable</u>**;
     - "Charitable purposes" include: relief of poverty, advancement of education, advancement of religion, etc.
  2. Minimum of 3 governing board members, at least **<u>2 of whom are Singapore citizens or PR</u>**; and
  3. The purposes of the institution are **beneficial wholly or substantially to the <u>Singapore community</u>**.

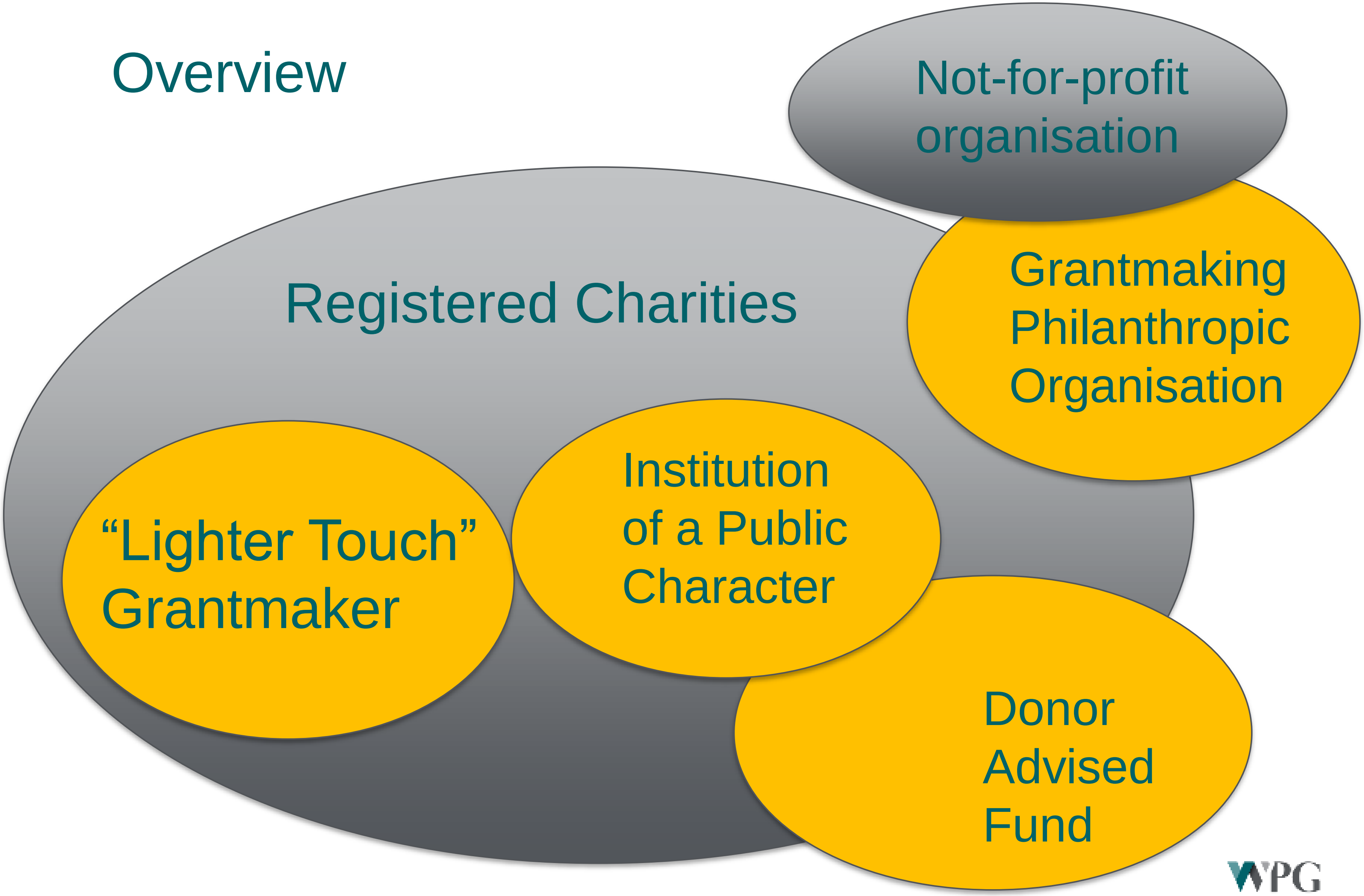
- **Obligation to register as a "Charity"**

  - Statutory duty of governing board members of charities to apply for registration when criteria are met (failure of which carries punishment such as fine and possibility of imprisonment)

Benefits of registration

- Income tax exemption.
- Properties used for exclusively charitable purposes may also be eligible for property tax exemption.
- A charity is exempt from the requirement to apply for a permit if it conducts in a fund-raising appeal where the whole of the proceeds (less permitted deductions) are applied towards the objects of the charity.

Overview


Not-for-profit organisation
Registered Charities
Grantmaking Philanthropic Organisation
"Lighter Touch" Grantmaker
Institution of a Public Character
Donor Advised Fund

Institution of a Public Character (IPC)

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Institution of a Public Character (IPC)

- **Main criteria to register as IPC:**

  1. The applicant is already a registered charity or exempt charity. (though in practice and effect, application for charities and IPC status can be arranged at the same time);
  2. The applicant's activities **exclusively benefit the community in Singapore** as a whole and are **not confined to sectional interests or groups of persons** based on race, belief or religion;
  3. At least **half of the of the governing board members are Singapore citizens**;
  4. Prescribed governing **board independence requirements** are fulfilled (at least half of the board must be independent per Charities (IPC) Regulations).

- **Benefit**:
  - IPCs are authorised to issue tax deduction receipts for qualifying donations, which thus further incentivises and attracts donations. In the Singapore Budget 2023, it was announced that the 250% tax deduction for qualifying donations will be extended for until 31 December 2026.

Main Differences between Charity vs IPC

Charity	IPC
Purposes of the charity must be wholly or substantially beneficial to Singapore community	Activities of IPC must be exclusively beneficial to Singapore community, AND cannot be confined to sectional interests or groups of persons based on race, belief or religion.
No additional independence requirement prescribed for governing board.	At least half of governing board must be "independent" from establishing person.
At least 3 board members, and at least 2 must be SG citizen or PR.	In addition to satisfying the min requirement prescribed for charities (on the left), at least half of the IPC's board must also be SG citizens.
Enjoys income tax exemption and possibility for property tax exemption	In addition to tax exemptions (on the left), IPCs can also issue tax deduction receipts.

Not-for-Profit Organisation

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Not-for-Profit Organisation (NPO)

- 13R(7) ITA defines a 'not-for-profit organisation' as a person (not being a person registered or exempt from registration under the Charities Act):

(a)who is not established or operated for the object of deriving a profit;

(b)whose income and property —

(i) may only be applied for the furtherance of its objects; and

(ii) are not distributable to any shareholder, member, trustee or officer of the person except as reasonable compensation for services rendered; and

(c) whose property may only be distributed to persons established for a similar object as that person's upon that person's dissolution.

Not-for-Profit Organisation Tax Incentive Scheme

- Administered by EDB.
- During the period between 15 February 2007 to 31 December 2027, qualifying NPOs are granted tax exemption on income for an initial period of up to 10 years. The incentive is renewable subject to the approval of MOF.
- The scheme was introduced in Budget 2007 to attract NPOs which are potential multipliers for further economic value to Singapore.
- Not-for-profit / non-profit means no profit?

Grantmakers

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Relaxed Rules for Grantmakers

Q6. Why is there a need for a lighter-touch regulatory regime for grantmakers?

The Charities Act was developed to regulate charities and charitable fund-raising in Singapore, and to provide a regulatory framework that fosters a safe giving environment, where there is a high level of public trust and confidence.

Grantmakers are often founded with private money (family, corporate, etc.) and do not raise funds from the public, and thus differ from typical charities. It will therefore be appropriate to regulate grantmakers under a lighter-touch regime, where certain regulatory requirements that are less pertinent to grantmakers will be waived.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

Relaxed Rules for Grantmakers

Q7. Who can qualify for this lighter-touch regime?

To qualify for the lighter-touch regime, the grantmaker must:

a) **Be a non-profit and non-governmental organisation;**

b) **Be solely funded by an individual, family or institution (whether corporate or not).** Unlike other charities which need to solicit donations and grants or charge fees for their services and programmes to sustain their activities, grantmakers shall derive their funds from private monies. Notwithstanding this, grantmakers may also accept unsolicited donations from other private sources so long as no appeal for funds were made to these parties.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

Relaxed Rules for Grantmakers

Q7. Who can qualify for this lighter-touch regime?

To qualify for the lighter-touch regime, the grantmaker must:

c) **Be established to aid exclusively charitable purposes predominantly through the provision of grants.** Nonetheless, the grantmaker can:

   i. carry out some non-grantmaking activities limited to 10% of the grantmaker's activities, subject to the following safeguards:

      A. The governing board members of the grantmaker must satisfy themselves that it is in the interest of the grantmaker to conduct these non-grantmaking activities.

      B. Activities must serve exclusively charitable purposes and are in line with the grantmakers' objects.

      C. Fees/income generated from these non-grantmaking activities, if any, must not be the primary source of income for the grantmakers. This is so that grantmakers continue to meet the qualification criteria of being self-funded.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

Relaxed Rules for Grantmakers

Q7. Who can qualify for this lighter-touch regime?

To qualify for the lighter-touch regime, the grantmaker must:

c) Be established to aid exclusively charitable purposes predominantly through the provision of grants. Nonetheless, the grantmaker can:

ii. disburse some funds through non-grant instruments limited to 10% of the grantmaker's activities (e.g. social impact bonds, loans), subject to the following safeguards:

A. The governing board members of the grantmaker must satisfy themselves that it is in the best interests of the grantmaker to make disbursements through non-grant instruments. The instrument used should allow grantmakers to ringfence the use of funds given such that they are used only for exclusively charitable purposes that are in line with the grantmaker's charitable objects.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

Relaxed Rules for Grantmakers

Q7. Who can qualify for this lighter-touch regime?

To qualify for the lighter-touch regime, the grantmaker must:

B. There should be reporting or monitoring mechanisms in place to enable grantmakers to check that funds are indeed used for the intended charitable purposes.

C. Charities are only allowed to carry out exclusively charitable objects for public benefit. Impact investments and equity investments to social enterprises are not allowed if such investments are used to further non-charitable purposes. In addition, equity investments in social enterprises may result in non-incidental/significant private benefits such as financial returns to shareholders.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

Relaxed Rules for Grantmakers

Q7. Who can qualify for this lighter-touch regime?

To qualify for the lighter-touch regime, the grantmaker must:

d) **Not be a registered Institution of a Public Character (IPC).** Grantmakers with IPC status will not be eligible for this lighter-touch regime. They should comply with the requirements under the Charities (IPC) Regulations. The IPC status allows an organisation to receive benefits such as income and property tax benefits and tax-deductible donations. Hence, IPCs are held to higher accountability than non-IPC charities and should be subject to more stringent rules.

If in doubt, the grantmaker should approach the COC's Office or its Sector Administrator.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

Relaxed Rules for Grantmakers

Q9. Is there a time limit for qualifying grantmakers to disburse their funds?

Tax exemptions are granted to registered charities in respect of the donations received. As such, all registered charities should actively carry out activities in furtherance of their charitable objects. Grantmakers are strongly encouraged to actively carry out disbursement of grants and funds, in furtherance of their charitable objects, within three to five years from receipt of the funds.

If the COC's Office observes any instances where a registered charity is not actively carrying out activities in furtherance of their charitable objects, the COC's Office may review its actions under the Charities Act and Regulations.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

Relaxed Rules for Grantmakers

Q11. What percentage of funds are qualifying grantmakers expected to apply in Singapore?

The COC's Office appreciates the need to provide some flexibility for qualifying grantmakers to vary their level of local activities based on their charitable objects and unique circumstances. Most qualifying grantmakers apply between 20% to 100% of their funds towards charitable causes in Singapore, and the majority apply at least 50% of their funds locally. Applicants and registered qualifying grantmakers may reach out to the COC's Office or its Sector Administrator if they wish to seek clarification on their local-overseas funds allocation.

Source: Guidance on Regulation of Grantmakers (Revised November 2023), Commissioner of Charities Office

COC Guidance:

- *Grantmaking itself is not a charitable purpose, but grantmaking for the advancement of any specified charitable purposes under the COC website could be considered charitable. For instance, a private foundation which gives grants to fund medical research for the advancement of health would be considered charitable on the basis that ‘advancement of health’ is a defined charitable purpose. However, the foundation would not be deemed charitable on the basis that its sole purpose is to give grants without any defined purpose or to give grants for partially charitable or non-charitable purposes.*

https://www.charities.gov.sg/PublishingImages/Resource-and-Training/Guides-Templates-Awards/Guides/Documents/COCs_Guidance_on_Regulation_of_Grantmakers.pdf

What is “Grantmaking” / “Grantmakers”

- Grantmakers are typically non-profit entities (e.g. private foundations and businesses’ giving program) which only give out grant monies to specific charitable causes.

- Two relevant tax schemes for grantmakers:
  - Registering as a “Charity” under the **COC’s Grantmaker Scheme**
  - Registering as a “Qualifying Grantmaker” under **IRAS’s tax deduction scheme for grantmaking philanthropic organisations (GPO)**

- Examples of Grantmakers in SG:
  - Lee Foundation (only registered as COC charity grantmaker)
  - CapitaLand Hope Foundation (registered as both COCMCCY charity grantmaker and IRAS GPO)

A) COC Grantmakers

- Where grantmakers meet certain qualifying criteria, they can be registered and regulated as a “charity” on a “lighter-touch” regime.

- In other words, such grantmakers will be able to reap the benefits (e.g. income tax exemptions) which comes from being a registered charity, but at the same time be subject to less restrictive regulations applicable to charities by default.

- Rationale for charities registered as grantmakers to be regulated with a “lighter-touch” regime stems mainly from the fact that they are founded by private monies and do not actively solicit donations from the public.

Main Criteria to be COC Grantmaker

In order to be a COC grantmaker (i.e. qualify for registration as a charity under the lighter-touch regime), a grantmaker must satisfy the following main criteria:

1. Be a non-profit and non-governmental organisation;
2. Be solely funded by an individual, family or institution (whether corporate or not); Not allowed to solicit donations from the public.
3. Be established to aid exclusively charitable purposes through the provision of grants;
4. Not be registered as an IPC.

B) IRAS Grantmaking Philanthropic Organisation (GPO) Scheme

- The main purpose for applying for this scheme is that Qualifying Grantmakers can issue tax deduction receipts to donors who make "tax deductible donations".

- "Tax deductible donations" are cash donations made to Qualifying Grantmakers which are intended to be ultimately donated to an IPC within applicable time frames.

Donor-advised fund

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Donor-Advised Fund (DAF)

- A donor-advised fund (DAF) is a philanthropic vehicle to which a donor may make an irrevocable contribution (i.e. donation) which is then managed and administered by an appointed DAF sponsor.
- Donors may give advice and recommendation on how the donations are to be disbursed, and the DAF sponsor takes into account such recommendation and administers grants after conducting its own due diligence of the relevant charities.
- The underlying rationale is for the sponsoring organisation to handle the administration and management of the DAF (and also provide philanthropy advice) while donors save on administrative expenses.
- Increasingly used as a vehicle for “recycling” of philanthropic capital.

WONG PARTNERSHIP

Donor-Advised Fund (DAF)

- Sponsors may be registered charities or IPCs.
- Examples of DAF Sponsors in Singapore:
  - Community Foundation of Singapore
  - Asia Community Foundation
  - SymAsia Foundation Limited
  - UBS Optimus Foundation

Benefits of a Donor-Advised Fund (DAF)

Structured Giving

Simple and cost effective – complements your family office and/or trust

Accountability and Transparency

Tax Benefits

Enjoy upfront tax deduction

Community Impact

Access to philanthropy advisory and network of like-minded philanthropists and grantees

Grant making support

Legacy

Create a lasting impact with your named fund through sustainable giving

Diagram sourced from: Community Foundation of Singapore

How does a DAF work (example: ACF)?

Diagram sourced from: Asia Community Foundation

Family Offices and Philanthropy

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Incentivising Philanthropy

- Donations count towards compulsory business spending requirement under s13O/U tax incentives.

- Overseas donations tax deductible under PTIS.

Section 13O/U Qualifying Criteria for SFOs

Criteria	Requirements for 13O	Requirements for 13U
Minimum AUM	S$20 million in Designated Investments	S$50 million in Designated Investments
Minimum Investment Professionals employed	Minimum 2 investment professionals, with at least 1 who is not family member of beneficial owners	Minimum 3 investments professionals, with at least 1 who is not family member of beneficial owners
Minimum Local Business Spending requirement	Varies depending on actual AUM of the fund manager, with lowest minimum range starting at S$200,000 local business spending per year of assessment. Eligible donations (donations to Singapore-registered Charities, exempt charities or IPCs) and grants to blended finance structures with substantial involvement of financial institutions in Singapore are recognised in the local spending requirement.	
Minimum Capital Deployment requirement in certain approved categories	Minimum investment of S$10 million of 10% of AUM (whichever is lower) in: (1) Equities, REITS, Business Trusts, or ETFs listed on MAS-approved exchanges; (2) Qualifying Debt Securities; (3) Non-listed funds distributed by licensed financial institutions in Singapore; (4) Investments into non-listed Singapore operating companies; (5) Climate-related investments; (6) Blended finance structures with substantial involvement of financial institutions in Singapore. 1.5x – 2x multiplier may be applicable to eligible investments to reach minimum requirement for specific eligible investments.	
Private Banking Account	The fund must have a private banking account with a MAS-licensed financial institution	

Philanthropy Tax Incentive Scheme (PTIS) for SFOs

Encouraging more philanthropic activities overseas through Singapore

100% **GIVING USING SINGAPORE AS A BASE**

Tax Deduction for Overseas Donations[1] **capped at 40% of Donor's Statutory Income**

Conditions

Qualifying Single Family Offices managing Section 13O/U fund must:

- ✓ Appoint and maintain Philanthropy Professional (inhouse or outsource)
- ✓ Incur additional local business spending of S$200,000
- ✓ Employ one additional local Professional Headcount

Qualifying Donor

Recipient of tax deduction (Choose maximum one over 5 years)

- Single Family Office managing S13O/U Fund
- Ultimate Beneficial Owner of a S13O/U Fund
- Beneficiary of a S13O/U Fund
- Related Family Business[2]

Qualifying Local Intermediaries

- Selected Registered and Exempt Charities with a valid FRFCP[3] Permit
- Charitable Institutions and Not-For Profit Organisations established by Financial institutions in Singapore, as specified by MAS
- Selected Grantmakers under MCCY's Grantmaker Scheme
- Other Selected Entities, as approved by MAS

[1] 'Overseas Donations' refer to cash donations made towards any charitable, benevolent, or philanthropic purpose whose main objective is to benefit persons, events or objects outside of Singapore, where donations are as defined in Paragraph 5.1 of IRAS' e-Tax Guide – Guidance on Tax Deductible Donations.

[2] Unlisted corporate entity that is based in Singapore and whose largest shareholder belongs to the same family as the UBO (s) or Beneficiary(ies) of the S13O/U Fund

[3] Fundraising for Foreign Charitable Purpose

THANK YOU