Tax Bulletin

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MAS introduces measures to strengthen Singapore's competitiveness as a leading asset management hub

Speak with our team

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On 19 August 2026, the Monetary Authority of Singapore (MAS) announced a package of measures aimed at strengthening Singapore's position as a leading global asset management hub.[1] Against a backdrop of increasing competition among financial centres for capital, talent and investment activity, these measures are intended to encourage more fund managers to anchor their investment and asset management functions and decision-making activities in Singapore.

This tax bulletin discusses our observations on the proposed profits-related return for fund managers and investment professionals.

[1] https://www.mas.gov.sg/news/media-releases/2026/mas-introduces-measures-to-strengthen-singapores-competitiveness-as-a-leading-asset-management-hub

The measures

The announced package comprises three measures:

1. Tax exemption for profit-related returns

A tax exemption for qualifying profit-related returns arising from the provision of fund management services to funds that qualify for tax exemption under sections 13D, 13O, 13OA, 13U or 13V of the Income Tax Act 1947 ("Qualifying Funds").

The tax exemption is intended to apply to a share of investment profits earned by fund managers and investment professionals where strong investment performance is delivered for investors. The tax exemption will not apply to ordinary salaries, bonuses or other forms of employee remuneration derived by these fund managers and investment professionals in Singapore.

The proposed tax exemption is expected to take effect from Year of Assessment (YA) 2027, with further details to be announced at Budget 2027 which usually take place in first quarter of 2027.

2. New hedge fund investment programme

A new investment programme under which the Government will invest alongside hedge fund managers that are committed to establishing or expanding their presence in Singapore. The initiative is intended to support the growth of hedge funds and its ecosystem in Singapore.

Further details will be announced in due course.

3. Investment Management Track under the ONE Pass framework

An introduction of a new Investment Management Track under the Overseas Networks & Expertise (ONE) Pass framework for fund managers and investment professionals. The new track will refine the assessment of salary criteria to better reflect compensation structures commonly adopted within the asset management industry, with the objective of attracting leading global investment professionals and senior fund management executives to be based in Singapore.

Further details will be announced in due course.

Our observations

Singapore already possesses many of the attributes that have established itself as a leading global asset and wealth management hub, including political stability, a strong regulatory framework, a respected legal system, deep capital markets, established asset management ecosystem, and strong talent pool. These strengths continue to attract both global and home-grown fund managers to establish and expand their operations in Singapore.

The latest measures reinforce Singapore's commitment to maintain its competitiveness as a global asset management hub. Collectively, they seek to strengthen Singapore's attractiveness across three important dimensions: capital, talent and investment ecosystem.

While the measures are primarily aimed at attracting investment professionals and key decision-makers to locate in Singapore, their impact will extend beyond the asset management industry. As more investment decisions and portfolio management activities are anchored from Singapore, the broader financial ecosystem stands to benefit through the creation of high-value jobs, skills development and increased demand for supporting services across banking, legal, tax, technology, fund administration, compliance and other professional services.

At a time when some of the asset managers are reassessing where to place their talent and operations in view of changes in global financial markets, the measures announced by the MAS is a powerful message to the global fund management community. The timing of the announcement underscores Singapore's continued commitment to maintaining a competitive and attractive environment for the growth of asset management activities. While further details are expected at Budget 2027, fund managers and investment professionals should consider how they may benefit from the package of measures that have been announced.

Tax exemption for profit-related returns

The tax exemption will apply to qualifying profit-related returns received through commercial fund arrangements, where a share of a Qualifying Fund's profits is contractually received, directly or indirectly, by corporate entities, partnerships or individuals from the provision of fund management services.

At this stage, aside from the definition of "Qualifying Fund", a number of important elements of the tax exemption regime remain to be clarified, including the meaning of the term "profit-related returns", the scope of eligible recipients and any other qualifying conditions including reporting requirements etc.

Which industry segments of the asset management industry are likely to benefit?

The announcement does not restrict the proposed tax exemption to any specific asset management segment. Accordingly, the regime appears to apply broadly across the whole asset management industry, provided the relevant conditions are satisfied.

That said, the references to "profit-related returns" and "a share of investment profits" suggest that the measure is primarily designed to target performance-linked remuneration arrangements. As these forms of remuneration are directly linked to investment performance and are generally earned only after specified investor return thresholds, hurdle rates or high-water marks are achieved, the proposed exemption appears particularly relevant to carried interest and performance fee arrangements. In practice, this could include carried interest arrangements commonly seen in private equity, private credit, venture capital and real estate funds, as well as performance fee arrangements frequently adopted by hedge funds.

What constitutes "profit-related returns"?

Commercial remuneration arrangements vary considerably across the asset management industry. While carried interest and performance fee arrangements are generally determined at the fund level based on market practices and investor expectations, performance-linked remuneration at the individual level can take a variety of forms, including:

- A share of profits generated at the fund level or over a number of funds (especially in the case of global fund management groups);
- Share of profits based on the performance of a particular investment strategy or firm strategy;
- Trading profits attributable to an individual portfolio manager or investment team; or
- A combination of individual-specific, firm-wide and strategy-level performance metrics.

Further guidance will therefore be important in determining the extent to which arrangements fall within the definition of qualifying profit-related returns.

Scope of the exemption

a) Single family offices and exempt fund managers

Certain fund managers, including single family office structures and managers that are exempted from holding a capital markets services licence for fund management under the Securities and Futures Act 2001, may manage Qualifying Funds.

It remains unclear whether the proposed exemption will extend to such fund managers and the employees of those entities. Further clarification from the authorities would be welcome.

b) Eligible employees and practical application

The announcement indicates that the exemption will benefit employees who receive qualifying profit-related returns in connection with the provision of fund management services. However, a number of practical issues remain to be clarified, including:

- Whether the exemption will be available to all employees or only professionals directly involved in the investment process and if so, how will that be determined or demonstrated;

- How the entitlement to qualifying profit-related returns must be evidenced or documented;

- Whether payments must be made directly from profits attributable to a Qualifying Fund; and

- Whether the exemption may apply where profit-sharing arrangements are based on a broader pool of profits of which profits of the Qualifying Funds form a part.

In addition, clarifications would be helpful as to whether fund management services must be provided directly to a Qualifying Fund, or whether it is sufficient for the relevant services to be provided to a broader fund platform or fund complex that includes one or more Qualifying Funds. We note that this has potential impact to many global fund management groups where the Singapore-based fund manager may manage or advise the Asian investment portfolio only and the senior investment professionals are entitled to participate in a global rewards scheme.

Encouragingly, MAS has indicated that the exemption will be designed with prevailing commercial fund management arrangements in mind. We therefore hope that the final rules will be sufficiently flexible to accommodate the diverse operating and remuneration models adopted across different fund management sectors.

c) What about segregated mandates?

Segregated mandates have become increasingly common in recent years as institutional investors seek greater control over investment strategies and portfolio construction. Where a segregated mandate qualifies for and relies on a tax incentive under sections 13D, 13O, 13OA, 13U or 13V, questions may arise as to whether profit-related returns derived from managing such mandates could also qualify for the proposed exemption.

While a segregated mandate may not be regarded as a conventional pooled fund structure, the underlying policy intent of the exemption appears focused on incentivising fund management activities conducted from Singapore. If so, it is hoped that the authority can provide confirmation that segregated mandates can fall within the intended scope of the exemption.

Tax reporting considerations for YA 2027

The proposed commencement date of YA 2027 presents potential practical challenges.

Employers typically report employee remuneration to the Inland Revenue Authority of Singapore (IRAS) during the first quarter of the calendar year to facilitate personal income tax filing obligations. However, details of the proposed exemption are expected to be released only at Budget 2027. Based on the typical process, the legislation to give effect to the Budget proposal may only be passed towards the end of 2027.

As a result, fund managers may need to consider how employee compensation reporting should be handled before the final rules are available. Depending on the timing and design of the legislation, amended tax reporting and tax filings may potentially be required. Additional guidance from IRAS on the administrative aspects of implementation would therefore be welcomed.

Interaction with Pillar Two

Fund management groups that fall within the scope of the OECD Pillar Two rules should assess how the proposed tax exemption on any profit-related returns retained by the group entities may affect their Singapore effective tax rate and whether any resulting benefit could be offset by Domestic Top-up Tax obligations. Given the interaction between tax incentives and the Pillar Two framework, affected groups should evaluate the overall tax impact at both the Singapore and group level once further details of the exemption are released.

Key areas where further guidance would be helpful

As stakeholders await the detailed rules expected at Budget 2027, further clarity in the following areas would assist both fund managers and investment professionals in assessing the practical impact of the new regime:

1. Definition of "qualifying profit-related returns".
2. Categories of eligible recipients.
3. Alignment of the exemption with prevailing commercial remuneration arrangements.
4. Applicable qualifying conditions and compliance requirements.
5. Whether any approval, election or application process will be required.
6. The treatment of segregated mandates, family office structures and other non-traditional fund arrangements.
7. Tax administration and reporting requirements for YA 2027.

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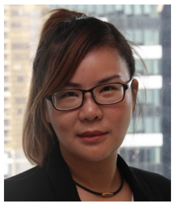
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