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Tax alert

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

The Monetary Authority of Singapore (MAS) announced on 19 August 2026 a set of measures to strengthen Singapore's competitiveness as a leading asset management hub.

This set of measures builds on the industry's positive growth momentum, and will help anchor high value asset management activities, deepen industry capabilities and attract top asset management talent, amidst growing international competition.

The three sets of measures are elaborated further in this alert.

1. **Tax exemption for profit-related returns from the provision of fund management services to qualifying funds**

   The MAS and the Ministry of Finance (MOF) plan to introduce a tax exemption for profit-related returns (commonly referred to as carried interest or performance fees) arising from the provision of fund management services to qualifying Section 13U, 13O, 13OA, 13D and 13V funds.

   The proposed tax exemption will apply to qualifying profit-related returns received through commercial fund arrangements, specifically where a share of a qualifying fund's profits is contractually received by corporate entities, partnerships or individuals directly or indirectly for the provision of fund management services. The tax exemption will take into account prevailing commercial fund management arrangements.

   It is important to note that the proposed tax exemption **does not** apply to ordinary salaries, bonuses or other forms of employee remuneration.

   The proposed tax exemption is expected to take effect from the Year of Assessment 2027 (i.e., for financial year 2026).

   Further details will be announced at Budget 2027.

2. **Hedge fund investment programme**

   Under this new programme, the MAS will invest with hedge fund managers that are committed to establishing or deepening their presence in Singapore. Beyond anchoring global and regional hedge fund managers and investment talent, this programme will support the growth of Singapore's hedge fund investment ecosystem, including ancillary service providers and prime brokerages.

   More details will be shared when ready.

3. **Investment management track under the Overseas Networks & Expertise (ONE) Pass framework**

   This new investment management track under the ONE Pass framework will cater to global leaders and senior investment professionals who have the potential to contribute or are already contributing significantly to Singapore's asset management industry.

   This track may include refining the assessment of salaries to better reflect established compensation structures in the industry, such as recognising returns linked to investment performance and fund outcomes. This would acknowledge that such arrangements form a significant and recurring component of compensation for individuals performing specialised fund management services, besides fixed monthly salaries.

   More details will be shared when ready.

Overall comments

Amidst growing international competition in the asset management industry, attracting top asset management talent and strengthening the ecosystem in Singapore are critical.

Carried interest and performance fees are key features of the asset management industry, aligning the interests of fund managers and investors, while incentivising and retaining key investment talent. in Singapore. The proposed tax exemption for profit-related returns is particularly significant as it aims to provide certainty on its tax treatment and enhances Singapore's attractiveness as a location for fund management activities.

As carried interest and performance fee arrangements may be structured in various forms, depending on the commercial objectives of the fund and the stakeholders involved, it will be important to assess the applicability of the tax exemption to the specific carried interest structure or performance fee arrangement once more details are released.

For fund management groups within the ambit of BEPS 2.0 Pillar Two, consideration should be given to the impact of the tax exemption on profit-related returns on the group's effective tax rate, and the extent to which this may give rise to additional top-up taxes.

These measures, taken together, demonstrate the Singapore Government's continued commitment to maintaining the country's position as a leading asset management hub. By providing certainty on the tax treatment of profit-related returns, supporting the growth of the hedge fund sector, and facilitating access to global investment talent, the measures seek to attract and retain key talent while deepening the overall asset management ecosystem in Singapore.

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