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## Wealth management updates

Take with one hand and give with the other! Changes to residency routes in Singapore.



Singapore has been rated as one of the best countries to live, work and raise a family. With sound financial regulation, a strong rule of law, political and economic stability, low crime-rates and corruption, a world-class education system and strategic geographical location, it is often top of the list poses as an ideal country for individuals and families to relocate to.

To attract more highly skilled foreign investors, professionals, and talent, Singapore has introduced a range of initiatives to boost foreign investment and complement its workforce. This article provides an update on the recent revision to the Global Investor Programme ("**GIP**") scheme, an overview of the new work visa category - Overseas Networks & Expertise Pass and the new points-based COMPASS framework for Employment Pass applicants due to take effect in September 2023.

### The Global Investor Programme

On 15 March 2023, the revised changes to the GIP took effect (the "**Update**"). Introduced in 2004, the GIP grants permanent residency ("**PR**") status to entrepreneurs, high net worth individuals and investors who intend to drive their businesses and investment growth from Singapore.

The Update introduces more calibrated investment requirements and renewal conditions for re-entry permits that appeal to the specific strengths and characteristics of the various investor profiles. This is in line with efforts to attract 'top-tier investors' who can make a significant economic impact in Singapore, create jobs for Singaporeans and support the local start-up ecosystem further bolstering the financial sector.

As per the existing GIP scheme, a business owner / an investor is eligible to apply for the GIP if they fall into one of the four qualifying profiles below (collectively, the "**Eligible Investors**") and satisfy the requirements under the corresponding investment options.

Qualifying profiles	Established business owners	Next generation business owners	Founders of fast growth companies	Family office principals
Investment options	Option A or B or C			Option C

## Summary of key changes

While there have been no changes to the eligibility criteria for the four categories of Eligible Investors, the Update introduces several changes to the investment conditions and the renewal conditions ("**Renewal Conditions**") for the Re-Entry Permit ("**REP**") for each of the three investment options.

Previously, a more standardised approach was taken and all Eligible Investors had to invest S\$2.5 million into one of the three investment options available under Options A, B or C regardless of their qualifying investor profile. Further, the Renewal Conditions for the REP across the three investment options were the same, which include hiring a minimum of 10 people with at least half being Singaporeans and ringing up a minimum of S\$2 million in business expenditure.

By contrast, the Update reflects a more targeted approach which calibrates the investment requirements and renewal conditions of re-entry permits according to the specific strengths and characteristics of the respective investor profiles.

Moving forward, the minimum investment amount has been raised from S\$2.5 million to S\$10 million and S\$25 million for Option A and B respectively, which targets Established Business Owners, Next Generation Business Owners and Founders of Fast Growth Companies. Family Office Principals and Eligible Investors who choose Option C are now required to establish a Single-Family Office ("**SFO**") instead of merely investing in one. Furthermore, it is no longer sufficient for Family Office Principals and/ or Eligible Investors to simply ensure that at least S\$50 million of the total S\$200 million is held within Singapore. Instead, they are now required to actively invest this amount into any of the four selected investment categories within Singapore. These changes are reflective of Singapore's desire to further promote the growth of the SFO landscape in Singapore.

As for the Renewal Criteria for REPs, the hiring requirements have generally increased while the necessity to have a total business expenditure of S\$2 million (US\$1.4 million) has been removed. An interesting point and welcomed change is that under Option B, the hiring requirements have been removed and investors will only have to maintain their investment of S\$25 million in a GIP-select fund. The requirement to incur a total business expenditure ("**TBE**") of S\$2 million has also been removed across all three investment options. However, the residency condition (i.e. the investor or all of his dependants, who obtained PR status under the investor's GIP application, must have resided in Singapore for more than half of the time) ("**Residency Condition**") remains unchanged.

In effect, the Update provides a clearer definition of the types of investments that are meaningful to Singapore and investors alike, allowing businesses and investors to pursue the investment option that is most aligned with their goals and strengths whilst enhancing the scheme's economic impact in Singapore.

## Effective date of changes

The Update will affect those who apply for the GIP from 15 March 2023 onwards. GIP applications that were submitted prior to this date are not affected and applicants who have already obtained PR status prior to 15 March 2023 but apply to renew their re-entry permits after 15 March 2023 will not be subject to the new changes.

## No changes to the four main qualifying profiles

There are four main profiles an eligible GIP applicant may qualify under, namely: established business owners, next generation business owners, founders of fast growth companies and family office principals.

1. Established business owners	2. Next generation business owners
<ul style="list-style-type: none"> <li>possess at least three years of entrepreneurial and business track record;</li> <li>your company's minimum average annual turnover is at least S\$200 million;</li> <li>if your company is privately-held, you should have at least 30% shareholding in the company; and</li> <li>your company must be engaged in one or more of the industries listed in Annex A.</li> </ul> <p>Notably, the GIP accords some flexibility to applicants and you may consolidate up to two of your businesses engaged in any of the industries listed in Appendix A below to meet the minimum revenue criteria.</p>	<ul style="list-style-type: none"> <li>your immediate family is either the largest shareholder or holds at least 30% shareholding in the company;</li> <li>your company's minimum average annual turnover is at least S\$500 million;</li> <li>you must be part of the management team of such company; and</li> <li>your company must be engaged in one or more of the industries listed in Annex A.</li> </ul>
3. Founders of fast-growth companies	4. Family office principals
<ul style="list-style-type: none"> <li>you are a founder and one of the largest individual shareholders of a company that falls within a list of specified industries in Appendix A;</li> <li>have a valuation of at least S\$500 million; and</li> <li>your company must be invested into by reputable venture capital and private equity firms.</li> </ul>	<ul style="list-style-type: none"> <li>possess at least five years of entrepreneurial, investment or management track record; and</li> <li>have net investible assets (excluding real estate) of at least S\$200 million.</li> </ul> <p>Investors intending to qualify as a Family Office Principal are only permitted to invest through Option C by setting up the qualifying family office in Singapore.</p>

## Increased investment requirements and new renewal conditions for re-entry permits

### Option A

Option A is suitable for existing business owners and founders of new companies who are looking to expand their business operations in Singapore. Under Option A, the minimum investment amount in a new business entity or existing business operation in Singapore has increased from S\$2.5 million to S\$10 million. As for the Renewal Conditions for REPs, the minimum number of employees the company must hire has increased from 10 to 30 employees while the requirement to incur TBE of S\$2 million has been removed.

	Requirements prior to 15 March 2023	New changes from 15 March 2023
<b>Investment conditions</b>	Invest <b>S\$2.5 million</b> in a new business entity or existing business operation in Singapore	Demonstrate an investment of at least <b>S\$10 million</b> in a new business entity or existing business operation in Singapore
<b>Re-entry permit renewal conditions</b>	Hire at least <b>10 incremental employees</b> , of which at least five must be Singapore Citizens  Incur TBE of S\$2 million	Hire at least <b>30 employees</b> , of which at least half must be Singapore Citizens, by Year 5 of PR status. Of these, at least 10 must be incremental hires.

### Option B

Option B is more appropriate for investors that prefer to invest in selected funds rather than expand their existing business operations in Singapore. Under Option B, Eligible Investors now have to invest S\$25 million (instead of S\$2.5 million previously) in a GIP-select fund that also invests in Singapore-based companies. As for the Renewal Conditions for REPs, investors will have to maintain their investment in the GIP-select fund. The requirement to hire at least 10 incremental employees, of which at least five must be Singapore Citizens, and incur a total business expenditure of S\$2 million, has been removed.

The GIP-select funds are shortlisted by the Singapore Economic Development Board (“EDB”) based on a holistic assessment of their track record, investment mandate in Singapore, as well as the sectoral focus of the funds. While there are presently only two GIP-select funds, EDB is currently accepting applications from funds who are interested in qualifying as a GIP-select fund for the Year 2023. The updated list of GIP-select funds is expected to be available in June 2023.

	Requirements prior to 15 March 2023	New Changes from 15 March 2023
<b>Investment conditions</b>	Invest <b>S\$2.5 million</b> in a GIP fund that invests at least 50% in Singapore-based companies	Invest <b>S\$25 million</b> in a GIP-select fund that also invests in Singapore-based companies
<b>Re-entry permit renewal conditions</b>	Hire at least <b>10 incremental employees</b> (with at least five Singapore Citizens)  Incur TBE of S\$2 million	<b>Maintain investment</b> in the GIP-select fund

### Option C

Option C is targeted at family office principals and high-net-worth individuals intending to set up SFOs in Singapore. Under Option C, Eligible Investors are now required to establish a SFO with assets under management (“AUM”) of at least S\$200 million instead of merely investing in an existing SFO. Furthermore, it is no longer sufficient for Eligible Investors to simply ensure that at least S\$50 million of the total S\$200 million is held within Singapore. Instead, they are now required to actively invest this amount into any of the four selected investment categories within Singapore (as specified below). As for the Renewal Conditions for REPs, the minimum number of Family Office Professionals the company must hire has increased from three to five while the requirement to incur TBE of S\$2 million has been removed.

The Update is consistent with the stricter prerequisites introduced by the Monetary Authority of Singapore (“MAS”) in April 2022, which imposed tighter eligibility criteria for the Section 130 and 13U tax incentive schemes commonly utilised by SFOs. In relation to the Section 130 tax incentive scheme, applicants must similarly meet the minimum AUM requirement of S\$20 million (within a two-year period) and employ at least two Family Office professionals. Prior to the amendments, there was no set minimum AUM requirement or a specific number of Family Office professionals that needed to be employed by the SFO. Collectively, these changes are consistent with MAS' stated aims to increase the competency of family office professionals in Singapore and enhance the Singapore economy.

More details on the key changes to the eligibility requirements for tax incentives utilised by SFOs introduced in April 2022 can be found [here](#).

	Requirements prior to 15 March 2023	New changes from 15 March 2023
<b>Investment conditions</b>	<b>Invest S\$2.5 million in a new or existing Singapore-based SFO</b> with AUM of at least S\$200 million, of which at least S\$50 million must be held in Singapore	<b>Establish a Singapore-based SFO</b> with AUM of at least S\$200 million, of which at least S\$50 million must be deployed in any of the four investment categories: <ul style="list-style-type: none"> <li>• equities, REITS or business trusts listed on Singapore-approved exchanges;</li> <li>• qualifying debt securities listed on MAS' enquiry system;</li> <li>• funds distributed by Singapore-licensed/registered managers or financial institutions; and</li> <li>• private equity investments in non-listed, Singapore-based operating companies.</li> </ul>
<b>Re-entry permit renewal conditions</b>	Hire at least <b>10 employees</b> (with at least five Singapore Citizens and <b>three Family Office professionals</b> )  Incur TBE of S\$2 million	Hire at least <b>five incremental Family Office professionals</b> (with at least three Singapore Citizens)  Maintain at least S\$50 million AUM across any of the four investment categories.

## The Overseas Networks & Expertise Pass

In addition to the GIP scheme, Singapore has strengthened its global talent strategy with the recent introduction of the Overseas Networks & Expertise Pass ("**ONE Pass**"). As of 1 January 2023, individuals may apply for the ONE Pass – a personalised pass to attract top global professionals and talents across all sectors, including in business, arts and culture, sports, academia and research.

Singapore's ONE Pass program is expected to boost foreign investment by attracting companies that prioritize access to top talent. The program's streamlined visa application process will make it easier for foreign companies to establish a presence in Singapore, giving them a competitive edge in the global market.

### Benefits of the ONE Pass

Successful applicants of the ONE Pass are able to enjoy several benefits:

- **Career flexibility:** Passholders will be able to enjoy the flexibility of assuming multiple roles as they can concurrently start, operate, or work for multiple companies across different industries in Singapore at any one time.
- **Personalised pass:** The ONE Pass is a personalised pass that is tied to the individual rather than the employer. Passholders may thus enjoy greater stability as they need not reapply for a new pass whenever they change jobs. This is unlike the typical Employment Pass ("**EP**"), which is tied to the passholder's specific job or employer.
- **Longer validity period:** The ONE Pass will have a longer validity period of five years, as compared to two or three years for typical EP candidates.
- **Relocate easily with your family:** Pass holders can also bring their family to Singapore on Dependant's Passes or Long-Term Visit Passes. Spouses will be permitted to work in Singapore upon obtaining a Letter of Consent.

## Qualifying criteria

Individuals may qualify for the ONE Pass either by fulfilling the salary criterion or by demonstrating outstanding achievements.

- **Salary criterion:** An existing employment pass holder or overseas candidate who earns a fixed monthly salary of at least S\$30,000 within the last year or under a future employer based in Singapore. Overseas candidates with no recent employment history in Singapore must also demonstrate that they have worked, or will be working for an established company, with a market cap of at least US\$500 million (S\$700 million) or annual revenue of US\$200 million.
- **Outstanding achievements:** Alternatively, individuals with outstanding achievements in the arts and culture, sports, science and technology, academia and research sectors may also qualify for the ONE Pass, even if the salary criterion is not met.

## Renewal conditions

The ONE Pass can be renewed for an additional five years upon meeting the renewal criteria. To apply for renewal, the pass holder must:

- earn a fixed monthly salary of at least S\$30,000 on average over the past five years in Singapore; or
- incorporate and operate a Singapore-based company which employs at least five local employees who are earning a minimum monthly salary of S\$5,000 (tagged to the EP minimum qualifying salary).

Pass holders must also provide the Ministry of Manpower ("**MOM**") with details of all their professional activities over the past year and the annual salary earned from all professional activities on a yearly basis, which will be taken into account when assessing their eligibility for renewal of the pass. This is to ensure that pass holders are contributing meaningfully to Singapore and to prevent the pass from being abused as a visit or travel document.

## The new points-based COMPASS framework for Employment Pass applicants

The Employment Pass ("**EP**") offers the opportunity to work and live in Singapore and is targeted at foreign professionals, managers, executives and specialists with a job offer in Singapore. The EP is the most common and simplest way to obtain a form of residency in Singapore.

From 1 September 2023, new EP applicants must meet the minimum qualifying salary and score at least 40 points under the new Complementarity Assessment Framework ("**COMPASS**"). The move is part of Singapore's broader strategy to attract a diverse and skilled pool of international talent and to offer EPs to high-quality foreign professionals that can supplement and enhance the country's workforce.

COMPASS evaluates EP applications based on a holistic set of individual and firm-related attributes. Extra points may also be earned under the bonus criteria if the relevant qualifying conditions are met. These criteria recognise applications that bring in skills in short supply or support strategic economic priorities.



	Individual attributes	Firm-related attributes
<b>Foundational criteria</b>	<b>Salary:</b> Relative to local professionals, managers, executives and technicians ("PMET") salary norms for sector.	<b>Diversity:</b> Whether candidate improves nationality diversity in firm.
	<b>Qualifications:</b> Based on candidate's qualifications, such as degree-equivalent qualifications from universities and vocational institutions recognized in a particular field, professional qualifications, amongst others.	<b>Support for local employment:</b> Whether the firm has a relatively higher share of locals among PMET employees, compared to industry peers in the same sector.
<b>Bonus criteria</b>	<b>Skills bonus:</b> For candidates occupations requiring highly specialised skills and are currently in shortage in the local workforce.	<b>Strategic economic priorities bonus:</b> For companies that meet specific assessment criteria on investment, innovation, internationalisation, or company and workforce transformation activities.

For each criterion, 20 points are awarded to applications that exceed expectations, 10 points to those that meet expectations, and 0 points for those that do not meet expectations. Applicants must earn a minimum of 40 out of 80 points to pass the COMPASS evaluation and lower points on one criterion can be made up for with higher points on another. EP applications that do not meet the 40-point requirement will be ineligible for EPs. It is effectively a number's game.

COMPASS evaluations will apply to new EP applications from 1 September 2023 and renewal EP applications from 1 September 2024.

## Benefits of the EP

- **Access to job opportunities:** The EP allows foreign professionals and talents to work in Singapore and gain access to a wide range of job opportunities in various industries.
- **Relocate easily with family:** The EP allows foreign workers to bring their families to Singapore under the Dependant Passes and Long-Term Visit Passes.
- **Tax incentives:** Foreign workers who hold an EP are subject to a progressive tax rate going from 2% to 24%, which is generally low in global comparison.
- **Validity period:** The EP is valid for one or two years and renewed for an additional three years. A current EP does not need to be cancelled in order to submit a new application.
- **Access to bank accounts, property rental, medical facilities:** EP holders may open Singapore bank accounts, rent property and access local medical facilities.
- **Permanent residency:** EP holders who meet the eligibility criteria may be eligible for permanent residency in Singapore.

## Concluding thoughts

The new slate of initiatives, including the introduction of the ONE Pass program and the COMPASS framework, as well as the changes to the GIP, form a crucial part of Singapore's strategy to attract high-calibre investors, professionals and talents with the ability to make more economic impact for Singapore to the country.

Furthermore, the recent updates to the GIP demonstrate Singapore's commitment to incentivizing eligible foreign investors not only to invest in existing SFOs but to promote the establishment of new SFOs in Singapore. The changes also incentivise SFOs to actively invest in Singapore-based investments instead of just holding their funds within Singapore. Requiring private equity investments to be made into non-listed, Singapore-based operating companies may also generate greater interest in start-ups and nascent enterprises in Singapore. Moving forward, SFOs may be regarded as potential investors for the purposes of fund-raising.

The changes also reflect an increasing focus on the quality of family office professionals rather than the number of employees hired. It is hoped that the new requirements will increase the professionalisation of SFOs as they hire more full-time expertise, invest in technology, risk management and governance. In conjunction with the changes imposed by the MAS in April 2022 imposing stricter eligibility requirements for tax incentive schemes commonly utilised by SFOs, the recent updates to the GIP are indicative of Singapore's desire to increase the competency of family office professionals in Singapore and enhance the Singapore economy.

First and foremost these changes are about enhancing and maintaining Singapore's status as one of the best countries in the world to live, work and invest in.

## How we can help

Our team is multidisciplinary and we have ample experience in providing advice to international clients on employment and regulatory matters that have a strong cross-border element. Among other things, we can assist you and your company in the set-up of family offices and obtaining the relevant tax incentives, providing comprehensive wealth and succession planning solutions, applying for the GIP by helping you assess your optimal GIP profile and preparing the necessary documentation for your application. We also have experience advising clients on bespoke structuring solutions and available grants that meet their business needs.

### Appendix A: Approved industries

- Aerospace engineering
- Alternative energy/clean technology
- Arts businesses
- Automotive
- Chemicals
- Consumer business
- Electronics
- Energy
- Engineering Services
- Family office and financial services
- Healthcare
- Infocomm products and services
- Logistics and supply chain Management
- Marine and offshore engineering
- Media and entertainment
- Medical technology
- Nanotechnology
- Natural resources
- Pharmaceuticals and biotechnology
- Precision engineering
- Professional services (e.g. consulting, design)
- Safety and security
- Shipping
- Space
- Sports businesses

Singapore law advice was written by members of Virtus Law LLP (a member of the Stephenson Harwood (Singapore) Alliance). For more information, please do not hesitate to contact any of the team at Stephenson Harwood (Singapore) Alliance.

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