

## EXTENSION OF CAPTIVE INSURANCE TAX INCENTIVE SCHEME

The Singapore Minister of Finance delivered the 2011 Budget in Parliament on 18 February 2011.

Key tax changes were introduced in several strategic business sectors to enhance Singapore's overall competitiveness as a Global-Asia Hub. For the captive insurance sector, proposal was made to extend the captive insurance tax incentive scheme for another seven years to support the growth of the captive insurance industry.

### CURRENT POSITION

Approved captive insurers are currently granted tax exemption on the following income for a period of 10 years, with qualifying window approval period from 17 February 2006 to 16 February 2011:

- Income derived from accepting offshore insurance business; and
- Dividends and interest derived from outside Singapore, gains or profits realised from sale of offshore investments, and interest from ACU deposits derived from:
  - the investment of their insurance fund established and maintained under the Insurance Act for offshore insurance business; and
  - the investment of their shareholders' funds established in Singapore which are used to support the offshore insurance business.

### PROPOSED CHANGE

The above tax exemption scheme will be extended for another seven years until 31 March 2018.

An award renewal framework will also be introduced for incentive recipients with effect from 19 February 2011.

The Monetary Authority of Singapore (MAS) will release further details of the changes by end April 2011.

## CONCLUSION

The extension of the tax exemption scheme will continue to put Singapore on a level playing field with other captive domiciles, such as Bermuda and the Cayman Islands which do not impose any tax on the income of captive insurance companies.

The introduction of the award renewal framework should also provide greater clarity for existing Singapore registered captives on their ability to enjoy tax exemption beyond the initial 10 years exemption period.

## CONTACTS FOR FURTHER DETAILS

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