Making Singapore a regional centre for philanthropy

Enhancing tax savings for doing good is one way, as well as including some foreign charities and looking at the real-world impact

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Singapore has strong policies in place to support people who wish to do good. Over the years, the Government has worked with philanthropic organisations, family offices and others in this area to develop a strong ecosystem where charitable initiatives and giving are encouraged and supported.

The chairman of Temasek Trust, Mr Ho Ching, highlighted the importance of partnerships and collective action at the Philanthropy Asia Summit 2022 in Singapore recently. He said that over $800 million had been raised by a new alliance set up to drive partnerships in the philanthropic sector while addressing issues related to the planet, peace, people and progress. And Deputy Prime Minister Lawrence Wong, in speeches at the summit and the Global Asia Family Office Summit’s ‘weavers’ symposium, pointed to more support from the Government, with the hope that Singapore will become a regional centre for philanthropy.

Mr Wong, who is also Finance Minister, said that the Government is reviewing its tax incentives schemes to see how they can encourage increased philanthropic giving. What sort of tax incentives might encourage these big donors to give more, and what other forms of encouragement are there?

CURRENT TAX INCENTIVES

There are already generous tax incentives for charitable giving. Since 2009, the Government has allowed a deduction of 25% of the amount of qualifying donations made. The deductions are not limited to cash or securities; they can include donations of shares, computers, art pieces, and land and buildings.

To donate from the tax deduction, the donations must be made to the Community Chest or any approved institution of a Public Character (PC).

To facilitate philanthropy, the Government instigated a special scheme for grant-makers, which are organisations that give out grants to charitable causes. Grant-makers are an important addition to the local philanthropic scene and can be a significant source of support for smaller charities that may not have the capability to raise their own funds.

There are 32 grant-making organisations in Singapore. Donations made indirectly to PCs by donors of qualifying grant-making philanthropic organisations also qualify for the reduced deduction of 2.5 times the donation amount.

There are also other schemes designed by the Government to promote Singapore as a philanthropy hub, such as an exemption on the income of the foreign account of a philanthropic purpose trust (administered by a trust company in Singapore) and the not-for-profit organisation tax incentive administered by the Economic Development Board.

Other innovations include donor-advised funds, which offer donors the opportunity to make a donation upfront, using it to be more active participants in putting their resources to work.

Having donated-advised funds enables philanthropists to obtain immediate tax deductions when they give, while retaining the flexibility to select specific causes later. They can “give now” without worrying about finding a particular charitable cause to support before doing so.

ENHANCING TAX DEDUCTIONS

One obvious way to encourage donors to give more is to raise the tax deduction level. Presently, every $1 donated will result in a tax deduction of $2.50. As the current corporate and personal income tax rates of 17 per cent and 22 per cent respectively, every $1 donated would potentially result in a maximum tax savings of $3.30 for companies and $3.08 for individuals. If the tax deduction is increased to three times the amount of the donation, every $1 donated would potentially result in a maximum tax savings of $10 for companies and $8.88 for individuals.

If we view philanthropic giving as another way of funding social need, what would have to be preserved by the Government in any case, then the reduction in tax collected from donors would be made up for by the savings in public spending because of the donations.

According to the American ... grants, which may be carried forward indefinitely. Tax deductions could also be granted for some limited foreign charitable purposes. Now, they are granted only for supporting educational causes. Donations for foreign charitable purposes are not only excluded from the enhanced tax deduction schemes, but are also not tax deductible in Singapore at all.

While it is understandable that tax deductions should largely be reserved for charitable activities which benefit the community, if Singapore wishes to be a regional philanthropic hub, it should be given flexibility to bump up a small amount of related donations to suitable foreign charitable purposes subject to review approval by the Commission of Charities, using a set of guidelines.

GOING BEYOND TAX SAVINGS

However, tax is only one of the factors which may affect charitable giving. There are already a strong ecosystem of governmental and non-governmental organisations supporting philanthropy in Singapore in a whole range of ways such as providing technical support, encouraging best practices or even engaging Cooler Older Kids. It is likely that there will be an increased emphasis on maximising the impact of giving, something mentioned by Mr Wong. Donors are more likely to be driven by a desire to make a difference to the world rather than maximise tax savings.

Creating a strong framework for reporting and monitoring the real-world impact of donations is likely to further encourage philanthropy.

Mr Wong’s recent speeches have given much cause to be optimistic about governmental support to make Singapore a regional centre for philanthropy. We should not underestimate the potential for growth in the philanthropic sector and the support within Singapore which has built up over the years.

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