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Your reference: 33-0017081-1  
Our reference: F/12/34/61443139/DUT-ETF

17 June 2021

The Comptroller of Income Tax  
Revenue House  
55 Newton Road  
Singapore 307987

**Phillip SING Income ETF (PSIE or the Fund)  
Statement of Distribution and Singapore tax voucher requirements for fund  
which relinquished its Designated Unit Trust status with effect from the date  
of approval of its Enhanced-Tier Fund Tax Incentive Scheme**

Dear Sirs:

Phillip Legacy Funds (PLF) is a Singapore umbrella unit trust constituted under Singapore law and established by way of a deed of trust. PLF has 2 sub-funds established under it, namely PSIE and Phillip SGD Money Market ETF.

PSIE is an exchange traded fund that is listed on the Singapore Exchange. It is availing itself of the Designated Unit Trust (DUT) scheme with effect from 24 September 2019.

An application for the Enhanced-Tier Fund (ETF) Tax Incentive Scheme under section 13X of the Singapore Income Tax Act (SITA) was made by PLF. The application was approved by the Monetary Authority of Singapore (MAS) and took effect from 5 October 2020 (the ETF effective date). A copy of the MAS approval letter dated 25 January 2021 is enclosed for your attention. Accordingly, the ETF Tax Incentive Scheme will apply to the 2 sub-funds. With this, PSIE will relinquish its DUT status with effect from 5 October 2020.

In addition, under section 10(20B) of the SITA, the income of the trustee of a unit trust that did not form part of its statutory income for one or more past years of assessment by reason of section 35(12) and the trustee elects under section 35(12B) for section 35(12) to apply to its income derived in only a part of the basis period for any year of assessment, then the relevant unit holders will be treated as having derived on the last day of that part of the basis period, an amount of income that is equal to the said income that has yet to be distributed to any unit holder (i.e. undistributed DUT income) by that date.

Under section 10(20D) of the SITA, the relevant unit holders refer to:

- i. a unitholder who is not an individual and not a foreign investor;
- ii. a unitholder who is an individual and not a foreign investor, and who holds the units for the purposes of a trade, profession or business;

- iii. a partner who is not an individual and not a foreign investor, of a partnership which is a unitholder;
- iv. a partner who is an individual and not a foreign investor, of a partnership in Singapore which is a unitholder.

As the Fund has been awarded the ETF Tax Incentive Scheme with effect from 5 October 2020, the trustee will elect under section 35(12B) for section 35(12) to apply to its income derived up to 4 October 2020. Hence, the relevant unit holders of the Fund will be treated to have derived an amount of undistributed DUT income on 4 October 2020. Accordingly, the Fund is required to file a Statement of Distribution (SOD) with your office and issue the Singapore tax vouchers to the relevant unit holders in respect of the said deemed distribution.

The Fund had made a distribution on 26 June 2020 before it obtained the ETF Tax Incentive Scheme. Based on the SOD as at 26 June 2020, the amount of undistributed DUT income (comprising income under the "Other investment income" of the SOD) is S\$135,406.38. For the period from 27 June 2020 to 4 October 2020, the trustee of the Fund did not derive any income which did not form part of its statutory income - that is, the undistributed DUT income remained as S\$135,406.38 as at 4 October 2020. As such, under section 10(20B), the undistributed DUT income of S\$135,406.38 should be deemed to be distributed to the relevant unit holders on 4 October 2020.

However, as PSIE is an exchange traded fund that is listed on the Singapore Exchange and given that our client is not able to retrieve the investors records as at 4 October 2020 from the Depository Agents, our client is facing difficulty to issue the tax vouchers to the relevant unit holders as at 4 October 2020.

In this regard, our client would like to seek your approval to submit the SOD for the purpose of the DUT Scheme to the IRAS and to issue the IRAS-prescribed Singapore tax voucher to unit holders upon the actual distribution of the undistributed DUT income of S\$135,406.38. Our client intends to distribute the entire amount of S\$135,406.38 by 30 July 2021.

We look forward to your favourable reply.

If you require any clarification on the above, please call Tiffany Liew at 6309 8109.

Yours faithfully,

*EY Corporate Advisors Pte. Ltd.*

LSLT/TST  
Attachment



FSI201158169

25 January 2021

MS. CIARA HOULIHAN  
 HEAD OF TRUSTEE& FIDUCIARY SERVICES-SINGAPORE  
 PHILLIP LEGACY FUNDS  
 c/o PHILLIP CAPITAL MANAGEMENT (S) LTD  
 250 NORTH BRIDGE ROAD  
 #06-00 RAFFLES CITY TOWER  
 SINGAPORE 179101

Dear Ms. Ciara Houlihan

## APPLICATION FOR ENHANCED-TIER FUND TAX INCENTIVE SCHEME - PHILLIP LEGACY FUNDS

Please refer to your application dated 05/10/2020 for the Enhanced-Tier Fund Tax Incentive Scheme (“the Scheme”) under Section 13X of the Income Tax Act (Cap. 134) (“the Act”).

2 We are pleased to inform you that Phillip Legacy Funds (together with the fund vehicles set out in the Annex, if applicable, hereinafter referred to as the Fund Structure) has been approved for the following award:

Award	Commencement Date (DD/MM/YYYY)
Enhanced-Tier Fund Tax Incentive Scheme	05/10/2020

The tax exemption status will be for the life of the Fund Structure, provided the Fund Structure continues to meet all conditions and terms set out in MAS circular FDD Cir 09/2019, and the relevant Income Tax legislation.

3 The approval for the Scheme is subject to the Fund Structure complying with the following conditions. The Fund Structure will have to ensure that it:

- (a) has a minimum fund size of S\$50 million<sup>1</sup> at the point of application;
- (b) is managed or advised directly throughout each basis period relating to any year of assessment by a fund management company (“FMC”) in Singapore, where the FMC:
  - (i) must hold a capital markets services licence for the regulated activity of fund management under the Securities and Futures Act (Cap 289) or is exempt from the requirement to hold such a licence under the same Act, or as otherwise approved by the Minister or such other persons as he may appoint; and
  - (ii) must employ at least three investment professionals (Portfolio Managers, Research Analysts or Traders)<sup>2</sup>;
- (c) will incur at least S\$200,000 local business spending<sup>3</sup> in each basis period relating to any year of assessment;

- (d) uses a Singapore-based fund administrator if the fund is a company incorporated in Singapore, with its tax residency in Singapore where the control and management is exercised in Singapore<sup>4</sup>;
- (e) will not use the Fund Structure to serve other investment purposes apart from what is stated in the Annex. Please inform the Authority of any material changes, including but not limited to the following:
- Change in name of any of the fund vehicles set out in the Annex
  - Change in FMC
  - Issuance of new offering document
  - Change in investment objective/ strategy of the Fund Structure

The Fund Structure should also provide confirmation to the Authority that the Fund is not used for other investment purposes.<sup>5</sup>;

- (f) We note that the sub-fund, Phillip SING Income ETF, will relinquish its DUT status with effect from the commencement date of this incentive. Please inform the Inland Revenue Authority of Singapore accordingly;
- (g) has never enjoyed the approved pension or approved provident fund status under Section 5 of the Act; and
- (h) commits to provide the Authority with such other information as the Authority may reasonably require.

For the purposes of the Scheme, all the conditions reflected in paragraph 3, with the exception of paragraph 3(a), have to be satisfied throughout the basis period relating to any year of assessment.

4 The investment objective/ strategy of the Fund Structure, per the offering document<sup>6</sup>, is as stated in the Annex.

5 The Fund Structure is required to submit an annual declaration to the Financial Markets Development Department of MAS within four (4) months from the end of the Fund Structure's basis period relating to the relevant year of assessment.

6 Notwithstanding the submission of the annual declaration, if at any time the Fund Structure ceases to meet the stated terms and conditions, the relevant Fund Structure is to inform MAS in writing within one week from the change.

7 The tax exemption status for the Fund Structure granted under this incentive will be deemed no longer effective for the year(s) where the Fund Structure breaches the terms and conditions set out in this letter, MAS circular FDD Cir 09/2019, and/or the relevant Income Tax legislation. The Fund Structure can however enjoy the tax exemption status under this incentive in any subsequent period during the life of the Fund Structure if it is able to satisfy the specified conditions in that subsequent period.

8 The Fund Structure shall enter into transactions with any related parties at arms' length and normal commercial terms. A 'related party', in relation to any entity, means any other entity who, directly or indirectly, controls that entity, or is controlled, directly or indirectly, by that entity, or where both entities, directly or indirectly, are under the common control of a common entity. For the avoidance of doubt, related parties include associated enterprises and separately taxable entities of an enterprise, such as permanent establishments of the enterprise.

9 Please confirm your acceptance of the award on the above terms and conditions within 1 month from the date of this letter. We reserve the right to revoke the offer if the letter of acceptance is not received within 1 month from the date of this letter.

Yours faithfully



LIM CHENG KHAI  
EXECUTIVE DIRECTOR  
FINANCIAL MARKETS DEVELOPMENT DEPARTMENT

<sup>1</sup> Where private equity (PE), real estate, debt and credit, infrastructure, PE fund of funds are concerned, this will refer to the committed capital.

<sup>2</sup> Investment professionals refer to persons who are earning more than S\$3,500 per month and must be engaging substantially in the qualifying activity.

<sup>3</sup> According to accounting principles and includes, but not limited to, the following expenses paid to local entities: remuneration, management fees and other operating costs. Where the first and last basis period of the fund is not a full financial year, pro-ration of the local business spending will be allowed. The pro-rated amount will be based on the following formula:

- For the first basis period – [(number of days from incentive commencement date to the end of the basis period) / (number of days in the year) \* S\$200,000]
- For the last basis period - [(number of days from the beginning of the basis period to the end date of the award) / (number of days in the year) \* S\$200,000]

<sup>4</sup> Meetings of board of directors of the fund company must be held in Singapore.

<sup>5</sup> The investment objective/ strategy of the Fund Structure should be within the scope of what the Fund Structure is empowered to do via its offering document at the point of the application of this award.

Subject to the Authority's review and approval, the Fund Structure can request for a change in investment objective/ strategy. The Fund Structure should give sufficient notice to the Authority of the change in investment objective/ strategy before the effective date of the change, and provided the Scheme is still open for application as at the date of the change. The Fund Structure should also provide background if the change in investment objective/ strategy is for bona fide commercial purposes.

<sup>6</sup> The Authority reserves the right to request for a copy of the offering document.

## Annex

The investment objective/ strategy of the Fund Structure per the offering document is as such:

Phillip Legacy Funds currently comprise 2 sub-funds-Phillip SING Income ETF and Phillip SGD Money Market ETF.

### Phillip SING Income ETF

The investment objective of this Sub-Fund, is to replicate as closely as possible, before fees and expenses, the performance of the Morningstar Singapore Yield Focus IndexSM.

The Manager will seek to construct the portfolio of this Sub-Fund such that, in the aggregate, its capitalisation, industry and fundamental investment characteristics perform like those of the index.

As at the date of this Prospectus, this Sub-Fund intends to carry out its investment strategy via a Replication Strategy. However, if the Manager believes that a Replication Strategy is not the most efficient means to track the Index, the Manager may decide to adopt a Representative Sampling Strategy instead.

The Manager may use or invest in FDIs in accordance with the Securities and Futures (Capital Markets Products) Regulations 2018 and Appendix 1 of the Code. Such FDIs may include, but are not limited to futures, options, warrants, forwards, contract for differences, extended settlement contracts, swaps or swap options. Subject to the provisions of the Securities and Futures (Capital Markets Products) Regulations 2018, the Manger may use or invest in FDIs for the purposes of hedging, efficient portfolio management, optimising returns or a combination of all three.

#### Phillip SGD Money Market ETF

The investment objective of this Sub-Fund is to seek to provide investment results that closely correspond, before fees and expenses, to the performance of the FTSE SGD 3-month SOR Index or any replacement index which references the SORA and provides for the same or substantially similar exposure as the FTSE SGD 3-month SOR Index.

In the event that the SOR is discontinued, the Manger will identify or agree with the Index provider or any other index provider terms for the use of a replacement index which references the SORA and provides for the same or substantially similar exposure as the FTSE SGD 3-month SOR Index. Any such replacement index which may be identified will be notified to Holders via an announcement on SGXNET.

In order to achieve the invesment objective, the Manager will be adopting the Optimisation Strategy as the investment strategy of this Sub-Fund.

In constructing this Sub-Fund's protfolio using the Optimisation Strategy, the Manager will undergo a disciplined asset allocation process which focuses on the quality and maturity of the investments of this Sub-Fund. In terms of quality, the Manager will only place the deposited property of this Sub-Fund into high quality debt securiites or high quality money market instruments.

The Manager will be placing deposits with eligible financial institutions which has a minimum short-term rating of F-2 by Fitch, P-2 by Moody's or A-2 by Standard and Poor's (including such sub-categories or gradations therein), (ii) a financial instituion rated other than by the aforementioned credit rating organisations for which the Manager has satisfied the Trustee that its short-term rating is comparable to the aforementioned ratings, or (iii) a Singapore-incorporated bank licensed under the Banking Act(Cap 19) which is not rated but has been approved under the Central Provident Fund Investment Scheme to accept fixed deposits. The Manager will construct this Sub-Fund's portfolio such that it has an overall weighted portfolio maturity at or below 3 months.

Cc:

PS(Finance)

Attn: Tax Policy Directorate (Corporate Income Tax 2)