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Singapore, country study prepared for global philanthropy environment index

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Singapore

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With contributions from staff at the Indiana University Lilly Family School of Philanthropy

QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation, Cooperative, Corporation, Limited Liability Company, Company Limited by Guarantee, Trust, Endowment, Society

Five main social issues addressed by these organizations: Higher Education, Primary and High School Education, Health and Medical Research, Basic Needs, Religion

Average time established by law to register a philanthropic organization: 61-90 days

If the required documentation is duly submitted and queries from the authorities promptly responded to, the registration time could be less than 60 days. The 61-90 days period is a conservative estimate.

Average cost for registering a philanthropic organization: US \$500 - \$1000

This is the average cost for registering a PO in Singapore; it excludes the services of a lawyer.

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating	Tax Incentives	Cross-Border Flows	Political Environment	Socio-Cultural Environment	OVERALL SCORE
2018	4.8	4.8	3.9	4.8	3.8	4.42

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.

Question 1: To what extent can individuals form and incorporate the organizations defined?

Score: 4.5

The Singapore Constitution provides for the fundamental liberty of freedom of association (Article 14(1) (c)). However, this fundamental liberty can be restricted by Parliament where “such restrictions as it [Parliament] considers necessary or expedient in the interest of the security of Singapore or any part thereof, public order or morality”. These restrictions rarely impinge upon philanthropic organizations or the philanthropic sector in their establishment and operations.

Individuals are free to form organizations, including POs, and there is generally little government interference with the types and purposes of such organizations during the formation process, save for those that relate to issues such as race and religion where the Societies Act (1966 and amendments) provides for “normal registration”. Most POs, however, would qualify for “automatic registration” under the Societies Act. POs need not be registered under the Societies Act (although common) and may be registered under other laws such as incorporating a company limited by guarantee under the Companies Act.

The registration process under the various laws is clear and consistent, requiring a reasonable amount of time and resources, which POs do not consider onerous. Refusals of registration can occur in the cases specified in section 4 of the Societies Act. These include, among others, the use of the society for unlawful purposes and a society whose purposes are contrary to the national interest.

The Registry of Societies (ROS) is a unit under the Ministry of Home Affairs. The ROS is independent, apolitical, and transparent. Decisions of the ROS may be amenable to judicial review. The Charities Act (1994 and amendments) is the primary legislation that regulates philanthropic organizations.

Section 14 of the Societies Act establishes that societies carrying on activities in Singapore must be registered or shall be deemed as unlawful. Members of unlawful societies shall be liable, upon conviction, to a fine not exceeding US \$5,000 or to imprisonment for a term not exceeding 3 years or to both. Similar penalties apply to persons allowing unlawful assembly in their premises.

Question 2: To what extent are POs free to operate without excessive government interference?

Score: 5.0

As long as POs comply with the law, they are minimally inhibited in their internal governance, with little or no impediments on the purposes of their activities. POs have broad and sufficient discretion in setting their organizational structure and governance, as well as to change their governance structure within legal limits. However, they have to keep the regulatory bodies informed of such changes as it could change the basis of their original registration.

Organizations are free to communicate through various media channels and cooperate with domestic and international entities from all sectors. POs are permitted to participate in domestic and foreign networks of like-minded organizations, and there are no limitations on the use of the Internet and all forms of social media. In fact, these are regularly and heavily used for the purposes of the POs' operations, outreach and advocacy work.

The reporting requirements are clear, consistent, accessible, and do not require an inordinate amount of resources for completion. The reporting requirements, primarily supported through audits or "comply or explain" frameworks, are calibrated requirements depending on the size of the PO in question, and contingent on whether they are institutions of public character (that is, authorized by law with the power to grant tax-exempt donation certificates).

Question 3: To what extent is there government discretion in shutting down POs?

Score: 5.0

The governing body of a PO may voluntarily terminate its activities, dissolve it as a legal person, and liquidate its assets pursuant to the decision of a court and upon application by the organization. POs registered under the Societies Act must notify the Registrar in writing within one week of the dissolution, and the Registrar will publish a notification in the *Gazette* that the society has ceased to exist (Societies Act, Section 7)

Clear and fair legal regulations exist to guide the involuntary dissolution of a registered society and are consistently implemented (Societies Act, Section 6). The supervisory agency or the court may terminate a PO's existence but only for the most flagrant of violations, and then only if the requested correction of a legal or ethical violation has not occurred.

To ensure that fundamental rights are not violated, involuntary termination by the state may be subjected to legal challenge by the PO via judicial review.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question 4: To what extent is the tax system favorable to making charitable donations?

Score: 4.6

Individuals and corporations have access to significant tax deductions/credits when making charitable contributions. There are few limitations on donations, and incentives are in place to encourage individual and corporate philanthropy. Currently, income tax incentives come in the form of tax deductions for individuals and/or corporations making monetary donations at 1:2.5. That is, a SGD 1.00 (US \$0.71) donation attracts a SGD 2.50 (US \$1.77) tax deduction.

The process of receiving tax benefits is clear, consistent, and requires a reasonable amount of time and resources and simple to complete. In addition, a wide range of organizations regardless of activity is eligible for this status. Entities making the donations are subjected to minimal government regulation.

There are, however, no tax incentives for in-kind contributions to registered POs.

Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 5

There are no legal entitlements for POs to property tax exemptions unless a property is used for charitable purposes. Since 2008, registered charities are automatically tax-exempt under Income Tax Act (Section 13U). (Prior to 2008, philanthropic organizations, which do not have the power to issue tax-exempt receipts for donations received, were subjected to income tax if they did not spend 80 percent of their annual income.)

The Inland Revenue Authority of Singapore (IRAS) has a clear and consistent process regarding a PO's tax-exempt status. Seeking tax exemptions or securing the tax rebates/reimbursements, where applicable, generally requires a reasonable amount of resources and time. A wide variety of organizations, especially Institutions of Public Character (IPCs), are eligible to receive such tax benefits.

IPCs are tax-exempt registered charities that are empowered to issue tax-deductible receipts for qualifying donations to donors. According to the Charities Act, IPCs include nonprofit hospitals, benevolent institutions, institutions connected with the prevention or cure of human diseases, universities or other educational institutions, art and sport institutions.

Organizations raise a significant amount of funds from domestic sources.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.0

A permit is required from the office of the Commissioner of Charities (Charities Act) for general public fundraising appeals to raise funds domestically for foreign causes or beneficiaries where the purpose of the fundraising is aligned with the objects of the domestic fundraiser. Granting of the permit is conditional upon the applicant undertaking to apply at least 80 percent of the net proceeds of the funds raised from the public within Singapore (Guidelines on Public and Private Fundraising of the Office of the Commissioner of Charities, 2013). However, this 80:20 fundraising rule is waived for appeals to provide aid for immediate disaster relief (Singapore Government, Charity Portal).

As part of the measures taken to make Singapore a philanthropic hub, the Government announced in 2007 the removal of the 80:20 fundraising rule on private donations raised for foreign charitable causes, but retaining the 80:20 rule for donations raised from the general public. The change is aimed at supporting the charitable work of reputable charitable organizations and grant makers with an international or regional orientation, while ensuring that

funds raised domestically from the general public continue to benefit the Singapore community.

Cross-border donations are not eligible for tax incentives as domestic donations. In the case of in-kind donations, charities registered under the Charities Act, exempt charities, companies incorporated under the Companies Act and societies registered under the Societies Act do not require permission.

However, cross-border charitable donations can be sent without additional cost. The process to send charitable donations abroad is clear and consistent, requiring a moderate amount of resources and time. There are few, if any, limitations on the type of activities supported through donated cross-border contributions as long as they are not legally prohibited causes or proscribed entities. There are few restrictions on the types of activities that can be supported abroad.

Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 3.8

Cross-border charitable donations can be received without much additional cost. However, such cross-border donations are not eligible for tax incentives as domestic donations. There is no prescribed approval process to receive charitable contributions from abroad. In most instances, the process to receive charitable donations from abroad is no different from the process of receiving money for other purposes.

There are some limitations on the type of activities supported through cross-border contributions. For example, for political parties and groups promoting issues that are contentious (e.g., LGBTQ) there are limits to the foreign funding that can be received.

The Government's consistent position throughout the years is that foreign entities should not interfere in Singapore's domestic issues, especially political issues or controversial social issues with political overtones. Singaporeans have the sole responsibility to decide the political, social or moral choices for themselves.

IV. Political and Governance Environment

The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.

Question 8: To what extent is the political and governance environment favorable for philanthropy?

Score: 4.5

There is good collaboration between government and the philanthropic sector. This has steadily increased over the years. All stakeholders recognize that constructive and creative collaboration between the government and the philanthropic sector works in the interests of all stakeholders and for Singapore and Singaporeans.

The government recognizes the increasing role of philanthropic organizations as change agents, particularly in the quest for a more compassionate and inclusive society. As Singapore's politics

matures, there will also be greater pluralism and passion in philanthropic causes, as well as changes and improvements in the way Singaporeans seek to promote their causes, aspirations and ideals.

The Singaporean government engages the participation of philanthropic organizations in advocating and implementing public programs. In the public sector, there is an appreciation of the power and benefits that come from such “co-creation”.

In the area of philanthropy and volunteerism, the Singapore government, through the National Volunteerism and Philanthropy Centre and the Charity Council, seeks to create opportunities to involve philanthropic organizations in policy development and implementation.

Another significant goal has been to have POs, especially charities and IPCs, raise their level of corporate governance. This focus on transparency and accountability encourages prospective donors to contribute as they are assured that the monies donated will be properly used and accounted for.

The high level of political and economic stability is conducive for the success of philanthropy. It is the political stability that Singapore is known for that has attracted international POs to establish bases in Singapore for their outreach in the region. To this end, about a decade ago, the Singapore Economic Development Board established the Tanglin International Centre (TIC), close to the ‘Embassy Row’, the diplomatic center of Singapore, to house international organizations (IO) and nongovernmental organizations (NGOs) in a dedicated cluster. The aim was to create a conducive and supportive environment for the IO and NGO community. The TIC is part of a multi-agency set-up led by the Economic Development Board in partnership with the Monetary Authority of Singapore (MAS), the Ministry of Foreign Affairs (MFA) and the Singapore Tourism Board (STB). However, given that the foreign POs’ donations from abroad do not receive similar tax benefits for international contributions, there has been a lukewarm response to the TIC initiative. (The high costs of operations in Singapore is another deterrent).

Question 9: To what extent are public policies and practices favorable for philanthropy?

Score: 5.0

The Government actively and strategically promotes a cultural philanthropic tradition. It appreciates that philanthropic values are useful in the nation-building journey. With income inequality a persistent challenge in the past two decades, the government believes that a philanthropic nation can help to reduce the divide between the “haves” and the “have-nots” and build a cohesive and inclusive nation.

For POs involved in social service and social welfare delivery, the government – through the National Council of Social Service (NCSS) – strives to allow/promote eligible POs access to resources and opportunities (e.g. donors, information, services, training, networking opportunities, sources of funding).

Donors are free to support any philanthropic cause without government pressure. Through dedicated agencies like NCSS and the Charity Council, the government works closely with willing POs while also possessing sufficient capacity to support POs.

In tandem with the overall effort to raise corporate governance and professionalize POs, the government adopts a zero tolerance approach to corruption. The public is also increasingly more discerning about donating to POs and expects more transparency and accountability.

V. Socio-Cultural Environment

Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.8

As an immigrant society, Singapore is not lacking in traditions and values of helping, giving, and “paying it forward”. According to the national census (2010), about eighty percent of Singaporeans claim a religious affiliation. This helps to boost the culture of giving, with doing good as a way of practicing one’s faith. However, these philanthropic traditions tend to cohere around consanguinity based on race and religion.

In some respects, these traditions and values seem to have been given less emphasis in the first 30-40 years of independence (attained in 1965). Then, the headlong rush was to grow the economy and achieve superlatives as well as to accumulate material wealth at the individual and societal levels. As such, the effort towards promoting philanthropy in the past two decades seeks to rekindle and renew the societal values that promote giving.

Despite a few scandals in the PO sector in the last 15 years, the faith of people in POs is generally good. There is recognition and prominence accorded to POs in addressing societal problems by their working hand in hand with the government. This co-creation effort, once dubbed the “Many Helping Hands” approach, seeks to have each partner bring their strengths to the table in a collective effort to help the less privileged, the marginalized in an affluent society. This reflects how philanthropic organizations keep up with public expectations, the result of robust regulations promulgated in the wake of past governance lapses. Singaporeans, by and large, recognize that POs play an important role in society. In turn, this is aided by the very few social and cultural restrictions to engaging in philanthropic activities as donors.

There is a general understanding of what philanthropic organizations do although they tend to be seen as engaging in direct service delivery. Less well known are the advocacy and public education functions of philanthropic organizations in Singapore although this is also changing.

There are few, if any, limitations for women to participate in philanthropic activities in equal conditions. There are efforts to get young people to be involved in POs in their 20s to 30s, which coincide with their entering the workforce and the focus being on establishing a career and settling down to start a family.

With relative economic stability and a push for more volunteerism, there are no significant barriers to getting involved in POs. A well-educated population also facilitates the pool of social and human capital to provide a conducive context for philanthropic engagement in different capacities among all social groups and across all ages.

VI. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

The state of the philanthropic sector in Singapore is generally healthy. There are bottom-up efforts of informal, non-institutionalized philanthropy as well as top-down efforts to make philanthropy and volunteerism prevalent and relevant. More Singaporeans are getting involved in philanthropy and volunteerism.

Philanthropy is seen as a mode of nation-building, particularly at a time when there is persistent income inequality in Singapore. As such, the government's efforts, coordinated by the Charities Council, seek to transform philanthropy into a well-organized and institutionalized sector through measures such as the code of conduct for charities. If there is a sense of strong regulation, it is because the government seeks to ensure that trust and confidence in the sector remains robust. Increasingly, more resources are put into growing the competency and capacity of the key stakeholders in the philanthropic sector. Concerns such as autonomy, increased capacity, sustainability and impact of the sector are playing a bigger role in determining the pace and direction of growth and development of philanthropy.

In this regard, the imperative for the sector to be professionalized is gaining recognition and traction with stakeholders and the general public. But getting the right talent remains a challenge. There is still a strong societal view that the professionals in the sector should take a significant "pay cut" when joining the nonprofit sector. Overall, there is also the recognition that there should be more inter-sectoral and intra-sectoral collaborations in the sector to enable philanthropy to have a larger impact.

Three major recent events affecting the philanthropic landscape between January 2014 and December 2016

- Consultations on and revisions to the Code of Governance for Charities and Institutions of Public Character in 2017; and
- In conjunction with the nation's 50th birthday in 2015, cash donations made to an approved Institution of a Public Character (IPC) or the Singapore Government for causes that benefit the local community are deductible donations that attracted a one-off tax exemption of 3 times the amount donated. For example, a SGD 1,000 (US \$709) donation provided a SGD 3,000 (US \$2,128) tax exemption for the donor.

Future development trends in the philanthropic landscape

Business ideas and principles will continue to impact POs and the philanthropic landscape in the larger effort to appeal to the public and stakeholders and as part of the drive to professionalize operations and management of POs. While there is a role for relevant corporate ideas, methodologies and outlook, it is crucial, however, to recognize the differences and the distinctions between a corporate entity and a PO. In the latter, the emphasis on "doing good" is at the heart of its *raison d'être*. To be clear, "doing well" and "doing good" are not mutually exclusive objectives in the mission and vision of a PO. Yet, it is important for POs to get the balance right.

The emphasis on sound corporate governance will continue. This is a step in the right direction and POs that do not measure up will see their philanthropic status being at risk. Development of leadership capabilities and competencies will have to be emphasized if the philanthropic sector is to continue to grow and adapt well to the changing landscape with more discerning donors.

There are more than 2,000 domestic philanthropic organizations in Singapore. Many are small and struggle to secure adequate funding for their daily operations and activities. There is a need for some of these small POs to consider merging with other similar POs in order to enable them to be more efficient and effective.

POs will explore whether besides service delivery, they should engage in advocacy work. A possible development could be some POs focusing on service delivery while others being devoted to advocacy type work. The sector is large enough to accommodate both types of POs although POs will be best placed to do advocacy work if they are intimately aware of the issues on the ground and can propose viable solutions. This often comes from being involved in service delivery where first-hand knowledge is gained.

Finally, the state will continue to play an active part in the philanthropic sector as a practitioner and a promoter of philanthropy through the regulatory regime. It will also set and manage the agenda while working closely with POs.

Three key recommendations to improve the environment for philanthropy

- Continue to enhance the quality of professionals, corporate governance, and volunteer management in the sector;
- Focus on the impact of philanthropy as a measure of sustainability and success of the philanthropic sector; and
- Emphasize the importance of philanthropic organizations collaborating with corporate entities and the government/public sector for impact philanthropy.