Indonesian Family Office/Ultra High Net Worth Presentation

Magic Bullet

42 Wealth Management

Key Objective

Key Objectives For an Indonesian UHNW investor, the primary goals when structuring wealth in Singapore include:

✅ Tax Efficiency – Minimizing global tax exposure while complying with Indonesian and Singaporean regulations.

✅ Asset Protection – Ensuring confidentiality and legal protection from external claims.

✅ Investment Flexibility – Ability to invest in various asset classes such as hedge funds, private equity, and real estate.

✅ Wealth Succession & Estate Planning – Structuring assets for generational wealth transfer.

The Solution

The most effective structure combines a:

- Singapore Variable Capital Company (VCC)
- PPLI Private Placement Life Insurance
- Trust

Singapore Variable Capital Company

Why Use a VCC?

Tax Benefits: Qualifies for the 13O or 13U tax incentive, exempting certain foreign-sourced income from Singapore tax.

Investment Flexibility: Can hold multiple sub-funds for different asset classes (hedge funds, private equity, real estate, structured products).

Confidentiality: Ownership details are not publicly disclosed.

Investor-Friendly: Allows capital withdrawals without triggering taxable

VCC Cont’d...

How to Qualify for 13O / 13U Tax Incentives13O (Onshore Fund)

Requirements:Minimum fund size of SGD 10 million.

Must employ at least 1 investment professional in Singapore.

13U (Enhanced Tier Fund)

Requirements:Minimum fund size of SGD 50 million.

No restriction on residency of fund manager.

VCC Table of Benefits

Key Benefits	Details
Tax Efficiency	Eligible for **13O/13U tax incentives**, exempting certain foreign-sourced income from Singapore tax.
Investment Diversification	Can hold **multiple sub-funds** with different investment strategies (hedge funds, real estate, private equity, etc.).
No Capital Gains Tax	Investment growth within the VCC is **tax-free in Singapore**.
Asset Segregation & Creditor Protection	Each sub-fund's assets and liabilities are **legally separated**.
Estate Planning Benefits	VCC shares can be transferred to heirs **without probate issues**.

Private Placement Life Insurance

Why Use PPLI?

Tax Deferral: Investment gains grow tax-free inside the policy.

Bypasses CFC Rules: Keeps assets outside direct tax exposure in Indonesia.

Estate Planning: Distributions can be structured tax-efficiently for heirs.

Asset Protection: Held within a regulated insurance framework, shielding from creditors.

PPLI cont’d

How It Works with a VCC

The PPLI policy holds the VCC shares, meaning the UHNW investor does not directly own the VCC, preventing Indonesian tax attribution.

Gains within the PPLI are not subject to annual reporting in Indonesia.

Upon death, the insurance payout is tax-free for beneficiaries.

PPLI Table of Benefits

Tax Deferral	**Investment gains grow tax-free inside the policy, avoiding Indonesian annual tax reporting.**
Bypasses Indonesian CFC Rules	PPLI is classified as an **insurance product, not an investment**, so it avoids **Controlled Foreign Corporation (CFC) taxation**.
Capital Gains & Income Tax Mitigation	Income generated within the policy **is not directly taxed**.
Asset Protection	Held within an insurance framework, shielding assets from **creditors and legal claims**.
Confidentiality	Policy ownership details are **not publicly disclosed**.
Tax- Efficient Withdrawal	Potential for tax-efficient distributions depending on jurisdictional tax treaties.

Singapore Trust

Why Use a Trust?

Wealth Succession: Ensures smooth intergenerational transfer without probate.

Additional Tax Protection: Separates legal ownership from beneficiaries, reducing exposure to Indonesian inheritance tax.

Confidentiality: Trust deeds are private and not subject to public disclosure.

Governance Control: Family governance mechanisms can be embedded into the structure.

Trust Table of Benefits

Key Benefits	
Wealth Succession Planning	Ensures structured, **multi-generational wealth transfer**.
Legal Ownership Separation	Helps **mitigate personal tax liability** by ensuring assets are legally held by the trust.
Confidentiality & Asset Protection	Trust structures are **private** and shield assets from litigation risks.
Avoids Forced Heirship Rules	Offers flexibility in estate distribution, unlike Indonesian inheritance laws.

How it works

How It Works with PPLI & VCC

The trust owns the PPLI policy, ensuring estate planning benefits.

The PPLI policy holds the VCC, ensuring tax efficiency.

Additional considerations for Indonesian Tax Compliance

✅ Use Singapore's Tax Treaties

- Singapore has favourable tax treaties that can reduce withholding tax on global investments.

✅ Indonesian Tax Residency Considerations

- If structured correctly, income earned within the VCC is not attributed to the investor for Indonesian tax purposes.
- Under Indonesian CFC rules, a properly structured VCC + PPLI setup helps mitigate tax exposure.

✅ Reporting Requirements

- Although Indonesia has Common Reporting Standard (CRS) obligations, a PPLI policy may not be directly reportable.

All the Potential Tax savings...

Tax Category	Indonesia (Without Structure)	With Singapore VCC, PPLI & Trust	Potential Tax Savings
Corporate Income Tax	22% on worldwide income for Indonesian companies	**0%** in Singapore (VCC qualifies for 13O/13U tax exemption)	**Up to 22%**
Personal Income Tax (PIT)	Up to 35% on global income (Indonesian residents taxed on worldwide earnings)	**PPLI defers taxation**—no tax on investment growth	**Up to 35%** tax deferral
Capital Gains Tax	Final tax of 0.1% - 25% (depending on asset class)	**No CGT on gains within VCC or PPLI**	**Up to 25% saved**
Dividend Tax	10% - 20% on foreign dividends received	**VCC dividends reinvested tax-free; PPLI distributions can be structured tax-efficiently**	**10% - 20% saved**
Wealth Tax (if introduced in Indonesia)	Potential global asset taxation	**VCC & PPLI structure may reduce declarable assets**	**Varies depending on future regulations**
Controlled Foreign Corporation (CFC) Rules	Tax on undistributed foreign profits	**PPLI is an insurance product, not subject to CFC rules**	**Full CFC tax mitigation**
Estate/Inheritance Tax	Potential introduction of inheritance tax in Indonesia	**Trust structure allows tax-efficient inheritance**	**Up to 100% tax-free transfer**
Foreign Asset Reporting (CRS Compliance)	Indonesian tax authorities require disclosure of foreign holdings	**PPLI & Trust may reduce reporting obligations**	**Confidentiality & tax compliance benefits**

Summary of the tax saving potential

01

✅ Up to 35% in tax deferral on investment income

02

✅ Up to 25% savings on capital gains tax

03

✅ 10%-20% dividend tax reduction

04

✅ Potential full mitigation of CFC tax obligations

05

✅ 100% estate planning efficiency through a trust

Conclusion: Best Structure for an Indonesian UHNW Investor

Component	Purpose
Singapore VCC	Tax-efficient investment holding structure with 13O/13U exemptions
PPLI	Tax deferral, estate planning, and asset protection
Singapore Trust	Succession planning and additional legal protection

By using a Singapore VCC combined with PPLI and a Trust, an Indonesian UHNW investor can achieve maximum tax efficiency, asset protection, and intergenerational wealth planning while remaining compliant with Singaporean and Indonesian regulations.

Risk & Regulatory Warning

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