

COMMISSIONER OF CHARITIES' OFFICE

Guidance on Regulation of Qualifying Grantmakers

Q1. What is the purpose of this guidance?

In Budget 2007, the Government announced changes to advance philanthropy in Singapore. Grantmakers are an important group within the philanthropic sphere.

Under Section 5(6)(a) of the Charities Act, any organization (including grantmakers) in Singapore operating for exclusively charitable purposes is required to apply for charity registration with the Commissioner of Charities' (COC) office within 3 months of the organization's establishment. Given that the scope of grantmakers' activities generally differs from that of typical charities, the COC's office will waive certain regulatory requirements for 'qualifying grantmakers'. This guidance clarifies how such qualifying grantmakers would be regulated under this lighter-touch regime.

Q2. How are grantmakers defined?

Grantmakers are typically nonprofit entities such as private (family, corporate, etc) foundations, community foundations, and businesses' giving programs, which give out grant monies to specific charitable causes. An example of a well-known international grantmaker would be the Bill & Melinda Gates Foundation. Closer to home, family foundations such as the Lee Foundation and the Tan Chin Tuan Foundation, and corporate foundations such as the CapitaLand Hope Foundation, would be considered as grantmakers.

Q3. What are the criteria to meet in order to become a registered charity?

The key registration criteria are:

- a) The organisation's purposes must be exclusively charitable;
- b) The institution to be registered locally must have at least 3 trustees, of whom at least two must be Singapore citizens or permanent residents;
- c) The purposes/objects of the organisation must be beneficial wholly or substantially to the community in Singapore.

Q4. What are exclusively charitable purposes? Is grantmaking a charitable purpose?

We recognise the following charitable purposes:

- (i) the relief of poverty;
- (ii) the advancement of education;

- (iii) the advancement of religion; and
- (iv) other purposes beneficial to the community, such as:
 - a. the advancement of health;
 - b. the advancement of citizenship or community development;
 - c. the advancement of arts, heritage or science;
 - d. the advancement of environmental protection or improvement;
 - e. the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
 - f. the advancement of animal welfare; and
 - g. the advancement of sport, where the sport advances health through physical skill and exertion.

An organization with exclusively charitable purposes should only have purposes described by (i)-(iv).

Grantmaking itself is not a charitable purpose, but grantmaking for the advancement of any of the charitable purposes described by (i)-(iv) could be considered charitable. For instance, a private foundation which gives grants to fund medical research for the advancement of health would be considered charitable on the basis that 'the advancement of health' is a defined charitable purpose. However, the foundation would not be deemed charitable on the basis that its sole purpose is to give grants without any defined purpose or to give grants for partially charitable or non-charitable purposes.

Q5. Our organisation has purposes which are only partially charitable, or whose charitable purpose(s) does/do not fall under any of the categories of charitable purposes listed above. Can we still qualify for charity registration?

The COC's office registers only organisations with exclusively charitable purposes so as to safeguard the public interest that registered charities are truly charitable in nature.

For organisations with partially charitable purposes, we encourage them to separate the exclusively charitable functions from the non-charitable functions, and register the separate entity with the exclusively charitable purposes as a charity instead. Similarly, grantmakers with partially charitable purposes could simply set up local chapters or entities with exclusively charitable purposes and register these local chapters / entities as charity.

If your organisation is unsure about whether your purpose is exclusively charitable, you could submit your governing instrument(s) to the COC's office for our assessment.

Q6. Why is there a need for a lighter-touch regulatory regime for grantmakers?

The Charities Act was developed to regulate charities so as to safeguard the public’s interests, as charities typically raise funds from the general public. Grantmakers, on the other hand, are often founded with private (family, corporate, etc) money and do not raise funds from the public, and thus typically differ from charities. It would therefore be appropriate to regulate grantmakers under a lighter-touch regime, where certain regulatory requirements that are less pertinent to grantmakers would be waived.

Q7. Who can qualify for the lighter-touch regime?

Grantmakers who meet the following criteria may qualify. That is, the grantmaker must:

- (a) **Be a non-profit and non-governmental organization;**
- (b) **Have as its source of funds, from an individual, family or for-profit company.** Unlike public charities which need to solicit donations and grants or charge fees for their services and programmes to sustain their activities, grantmakers shall derive their main source of funds from private monies. Notwithstanding this, grantmakers may also accept other privately-sourced donations;
- (c) **Be established to aid exclusively charitable purposes through the provision of grants.**
- (d) **Not be a registered Institution of a Public Character (IPC).** The IPC status allows an organisation to issue tax-deductible receipts to their donors. Compared to non-IPCs, IPCs generally have a higher public profile and public expectations of IPCs are commensurately higher. Hence, IPCs must abide by more stringent rules. Grantmakers with IPC status will therefore not be eligible for the lighter-touch regime. They should comply with the IPC rules and regulations.

Q8. What are the changes under the lighter-touch regime for qualifying grantmakers?

The list of regulatory requirements that would be relaxed or waived for qualifying grantmakers is summarised in the following table:

S/N	Charities Act / Regulations	Regulatory Exemptions for Qualifying Grantmakers
<u>Registration Requirements</u>		
1.	Requirement for a	The COC’s office would waive these two

	minimum of 3 charity trustees; and 10 trustees for large charities.	requirements for grantmakers and accept a minimum of one local trustee (which could be a corporate trustee such as a bank or a law firm).
2.	Requirement that grantmakers have to apply their funds wholly or substantially to benefit the Singapore public.	Qualifying grantmakers will <u>not</u> need to apply their funds wholly or substantially (>50%) in Singapore. However, as registered charities enjoy an automatic income tax exemption, there is an expectation that they should still benefit the community in Singapore. Hence, qualifying grantmakers registered as charities should still apply <u>some</u> of their funds in Singapore. The COC's office will not specify the percentage or amount to be applied in Singapore as the grantmaker is in the best position to decide based on its charitable objects and unique circumstances.
<u>Reporting Requirements</u>		
3.	Annual reporting requirement on the Charity Portal.	Qualifying grantmakers will be allowed to file their annual audited accounts with the COC's office, instead of reporting through the Charity Portal based on a prescribed format (downloadable from Charity Portal). Nonetheless, the grantmakers must disclose any information to the COC if requested.

Contact Us

If you have any queries regarding the guidance above, please contact us at:

COMMISSIONER OF CHARITIES
Ministry of Community Development, Youth & Sports
510 Thomson Road #15-02 SLF Building
Singapore 298135

Email: MCYS_Charities@mcys.gov.sg
Fax: (65) 6259 7340

Please state your name, organisation and contact details so that we can follow up with your query. Thank you.