Singapore Variable Capital Company (VCC)– At a glance

The launch of VCC framework in Singapore, finally addresses the shortcomings of the traditional corporate fund structure allowing greater ease of entry and exit to investors while providing privacy, tax exemptions and other advantages. VCC framework truly gears up the asset management industry, hitherto setting up funds mostly overseas.

Key features of VCCs

1. **Legal Structure**: Company incorporated under VCC Act, regulated by ACRA and MAS
2. **Two types of VCC**: Standalone and Umbrella
3. **Capital repatriation**: Redemptions at NAV/ dividends freely allowed out of capital
4. **Investor privacy**: No public access to financial statements and investor details

Key features of umbrella VCC

1. **Economies of scale**: Setting up an umbrella VCC with multiple sub-funds brings operational and tax efficiencies
2. **Ring fencing**: Assets and liabilities of each sub-fund are segregated. VCC Act voids any other arrangements inconsistent with segregation
3. **Set up**: Possible to set-up a VCC with single sub-fund and add further sub-funds later

Corporate Secretarial Aspects

01 VCC must be managed by a regulated fund manager, based in Singapore

02 Foreign funds, similar to a VCC, can be re-domiciled as VCCs in Singapore

03 VCC must appoint a Singapore based company secretary

Accounting Aspects

01 Paid-up capital of VCC is always equal to its NAV

02 Each sub-fund has to present a separate audited financial statement

03 Can prepare financial statements under SFRS, IFRS or US GAAPs with consistency across sub-funds

Tax regime

Available tax incentive schemes for corporate funds in Singapore:

The Enhanced-Tier Fund Scheme (ETF) and Resident Fund Scheme (SRF) schemes provide tax exemption of 'specified income' from 'designated Investments'.

	SRF under Section 13R	ETF under Section 13X
Applicable for	Singapore resident funds (incorporated as a company in Singapore)	Singapore or Non-Singapore funds (corporate / non-corporate)
Fund investors	Financial penalty on Singapore based non-individuals investing above a certain percentage (30% / 50%) in the fund	No such condition
Minimum AUM requirement	None. However, minimum spending criterion may practically require AUM above SGD 10 million	At least SGD 50 million at the point of application
Minimum spending	Incurs at least SGD 200,000 in business spending in each financial year	Incurs at least SGD 200,000 in business spending in each financial year

1. VCC will be treated as a company and a single entity for tax purposes
2. VCC will enjoy all tax incentives available to a corporate fund
3. The tax incentive granted to an umbrella VCC applies to its sub-funds
4. The minimum AUM and spending assessed at VCC level allowing smaller sub-funds to claim tax exemption
5. VCCs will be eligible for tax treaty benefits
6. Certificate of Residence (COR) in the name of umbrella VCC with a mention of relevant sub-funds
7. Incentivized VCCs can also avail WHT exemption and GST remission
8. Fund Managers can avail 10% concessionary tax rate under the FSI-FM scheme on application to MAS

What can VCC be used for?

For both traditional and alternative fund strategies (both open-ended and close-ended)

For pooling and investing funds

For re-domiciling the funds from non-treaty jurisdictions

VCC Grant Scheme (launched on 15th Jan 2020)

Eligibility

Application can be made within 3 months of registration of VCC in Singapore

Covers up to 70% of qualifying expenses, capped at SGD 150,000 per VCC

One fund manager can avail grant for maximum 3 VCCs

Expenses qualifying for grant

Tax advisory fees in relation to VCC set up

Corporate secretarial cost for set up

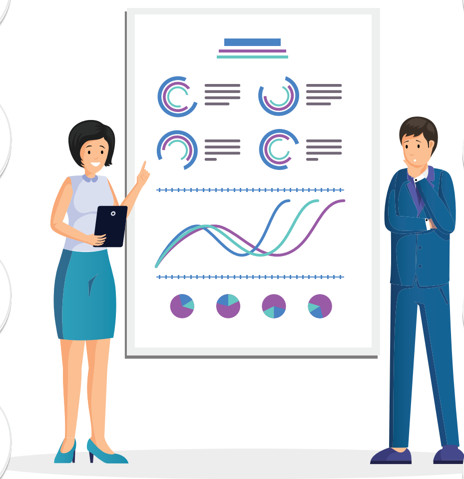
Regulatory compliance matters for set up phase

Tax incentive application fees

Legal documentation preparation for VCC

How can Dhruva help?

1. Advice you on fund management and VCC structure
2. Incorporate / re-domicile your VCC
3. Assist you in applying for MAS grant scheme
4. Draft relevant statutory documents
5. Assist you in applying for relevant (13R/13X) tax incentives to MAS



6. Assist you in obtaining COR from IRAS
7. Act as your Company Secretary
8. Assist you with tax compliance
9. Assist you in setting up and licensing of fund managers
10. Coordinate appointment of external facilitators (e.g. auditors, fund administrators, etc.)

VCC structure can have wide usage for various fund and wealth management needs, please contact us for further discussion:

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