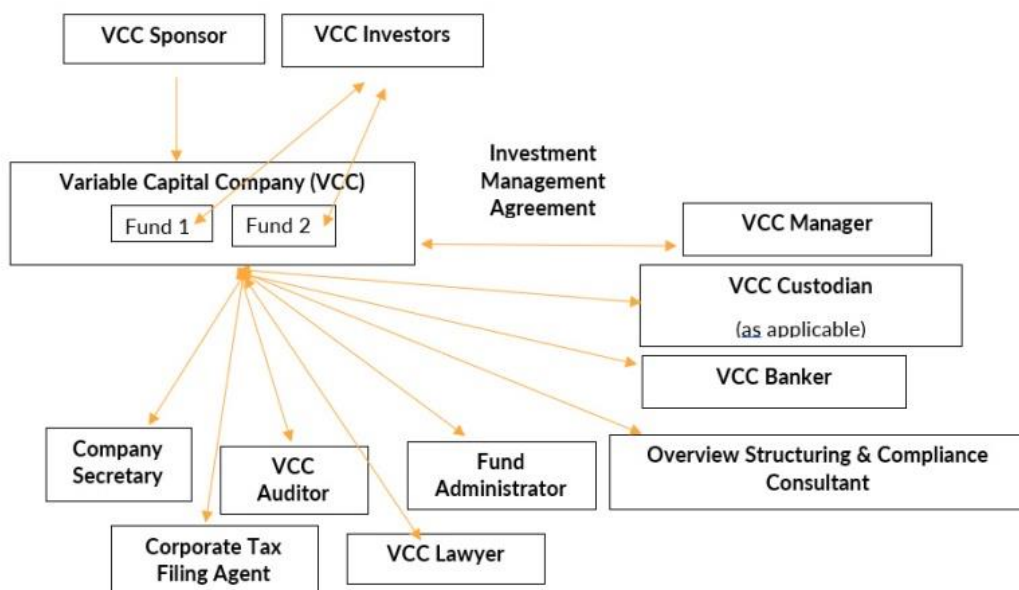


The Variable Capital Companies Act of 2018 was passed by repealing & modifying some of the provisions of the Companies Act of Singapore. Both the Acts will have different objectives and function simultaneously. The VCC is a new corporate structure that can be used for a wide range of investment funds (collective funds) and to provide fund managers greater operational flexibility and cost savings. Fund managers will be able to constitute investment funds as VCCs across both traditional and alternative strategies, as open-ended or closed-end funds. Fund managers may also incorporate new VCCs or re-domicile their existing investment funds with comparable structures by transferring their registration to Singapore as VCCs. This is a presentation on Singapore's Variable Capital Company ("VCC") and is general in nature.

- ✓ VCC is used as an "investment vehicle" for the purpose of wealth management or investment management activities in Singapore.
- ✓ It is a legal entity that can hold one or more listed investments as well as unlisted investments. The structure of the VCC can be an umbrella fund and various sub funds and registration of each sub fund is required
- ✓ The application has to be made to ACRA for obtaining the name approval & subsequent incorporation of a VCC as well as registration of its sub funds (if any), upon meeting prescribed requirements under the VCC Act and regulations thereto.
- ✓ VCC shall be managed by a Fund Manager who is licensed, registered or exempted by MAS.
- ✓ VCC act introduced during January 2020 offers greater flexibility in the issuance and redemption of funds, sub-funds and shares as well as payment of capital and dividends.
- ✓ 2 Model Constitution (one open ended and one close ended) are provided by law society to assist the growth of VCC.
- ✓ VCC can make an application to MAS to get tax exemption under section 13H, 13R or 13X as the case may be.

VCC Team



ADVANTAGES AND BENEFITS

- ✓ VCC's flexibility to issue and redeem its shares, with operational ease.
- ✓ Confidentiality- VCC's Constitution, Annual Return filings, Register of Shareholders are NOT available to public/3rd parties.
- ✓ Can pay dividends out of capital, which gives flexibility to Managers to meet such obligations
- ✓ VCC's capital is accounted on a fair value basis and its NAV = paid up share capital at all times.
- ✓ VCC's capital structure will have, Management Shares carrying voting rights (no dividend rights); and Participating Shares carrying NO voting rights (redeemable, eligible for dividends- as and when declared)
- ✓ Provides continuity, since VCC is a corporate entity (unlike a non-corporate investment vehicles)
- ✓ Tax/financial incentives are available, subject to meeting specified requirements
- ✓ VCC can obtain Certificate of Residence (COR) from IRAS, in its own name, unlike a unit trust.
- ✓ VCC, if structured well, it can be used as a legal entity for inter-generational wealth transfer.
- ✓ VCCs are companies which are not required to disclose their register of shareholders to the public
- ✓ It's financial statements are not required to be publicly accessible
- ✓ The VCC Allows for sub-funds within an umbrella structure
- ✓ It allows for a variety of investment strategies
- ✓ VCC Provides flexibility in the distribution and reduction of capital
- ✓ Foreign corporate entities set up as funds could be inward re-domiciled as VCCs
- ✓ It achieves cost efficiencies by consolidating administrative functions at the umbrella fund level
- ✓ VCC can utilize SG's extensive network of tax treaties.

PRIMARY CONDITIONS AND CRITERIA

- ✓ VCC Sponsor and its directors shall be "fit and proper"
- ✓ VCC is essentially established in Singapore under the VCC Act and regulations thereto.
- ✓ Submission of prescribed application and requisite declarations are made to ACRA, for seeking incorporation of the VCC
- ✓ Assets and Liabilities of each sub fund are to be segregated, accounted for separately, ring fenced and accounted for at fair value.
- ✓ Mandatory appointment of Director(s), VCC Manager, Company Secretary and Auditor.
- ✓ Custodian appointment becomes essential when the VCC is investing in listed, traded or quoted securities.
- ✓ AML and CFT guidelines of MAS are applicable to VCC.
- ✓ Appropriate governance framework should be created for the day-to-day operations of the VCC. This is critical for both VCC Sponsor and VCC Manager.

TAXATION OF VARIABLE CAPITAL COMPANIES

DIVIDEND

Dividends paid by a company resident in Singapore are exempt from tax in the hands of the shareholders of the Company. Likewise, distributions made by a VCC with its tax residence in Singapore are exempt from tax in the hands of its shareholders. INCOME TAX Sec 13(1)(za) of the Income Tax act read with Sec 107 (1) of the same act.

COMPANY LEVEL

If the tax-exempt dividends are received by a company in Singapore due to one-tier tax exemption status, they are exempted from payment of tax.

VCC COMPANY CARRYING ON VENTURE CAPITAL ACTIVITY

VCC have to make an application to Enterprise Singapore (ESG) for the sec 13H tax incentive to exempt from tax the income earned by a venture capital company.

VCC has to make an application for its income to get exempted from tax for upto 15 years on specified income from the investments (ESG approval is for 5 years to start with).

Our professional firm with our experienced team members can assist you in setting up, advisory services, secretarial and compliance services, tax, audit and accounting of VCC.

We guarantee strong internal processes and strict adherence to agreed timelines

For more details get in touch with our Managing Partner Mr.Mohan at +65 9832 3722 and ns@nsca.pro