

# Key Facts

## Variable Capital Companies

Introduced in January 2020, Singapore's Variable Capital Company (VCC) significantly enhances Singapore's competitiveness as a domicile for investment funds, adding to the existing forms in which collective investment schemes can be formed in Singapore.

A VCC is flexible, operates within a strong regulatory framework and offers a number of potential tax benefits, along with providing a high degree of flexibility in terms of its capital structure. In particular, a VCC is permitted to freely redeem shares and pay dividends using its net assets and/or capital. A VCC can be formed as a single fund or an umbrella fund with multiple sub-funds, and these funds can be open-ended or closed-ended. A VCC can only be operated by a Singapore-regulated fund manager.

The audited financial statements and register of members of VCCs are not required to be disclosed to the public. The VCC legislation allows inward re-domiciliation of foreign corporate entities, that is, funds from other jurisdictions can be set up as a Singapore VCC.

### Highlights

- VCCs are governed by the Variable Capital Companies Act (VCC Act). This legislation is entirely separate from the Companies Act. Companies incorporated as VCCs are specifically designed to hold funds under one or more collective investment schemes.
- VCCs can be:
  - an authorised scheme such as a mutual fund

- a non-authorized scheme (such as a hedge fund, private equity fund, private real estate fund or venture capital fund)
- For authorised schemes, there is a requirement to appoint an approved custodian responsible for the safekeeping of the assets of the VCC and/or sub-fund of the VCC.
- A VCC cannot be used to operate any other business or for any other purpose than operating a collective investment scheme.
- The capital of the VCC will always be equal to its net assets, thereby providing flexibility in the distribution and reduction of capital.
- In an umbrella structure, the assets and liabilities of each sub-fund are fully segregated from one another.
- The investments of each of the funds or sub-funds will be measured and evaluated on a fair value basis.
- VCCs can have a single shareholder. This allows for VCCs to operate in a master-feeder structure.
- VCCs will be subject to Singapore's Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) requirements.

### Taxation

- VCCs may apply for tax exemptions under the 13U (formerly known as 13X) or 13O (formerly known as

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13R) schemes, subject to the required conditions being satisfied (including retaining a Singapore-based fund administrator). Otherwise standard taxation will apply to a VCC. Generally:

- VCCs operating as a single fund will receive similar tax treatment to that of a Singapore Company
  - VCCs operating as an umbrella fund will have each sub-fund assessed separately
- A VCC is eligible for tax treaty benefits and can obtain a Singapore Certificate of Residence (COR), since control and management is in Singapore.
  - For an umbrella VCC, the COR will be issued to the VCC, specifying names of sub-funds appropriately.

### Extended Grant Scheme

The Monetary Authority of Singapore (MAS) helps managers reduce the costs of establishing or registering a VCC by co-funding up to 30% of eligible expenses paid to Singapore-based service providers. It runs until 15 January 2025 and is capped at SG\$30,000 per application.

First-time qualifying fund managers are eligible to apply for the extended VCC grant if they meet both of the following conditions:

- They have not previously incorporated a VCC or successfully re-domiciled a foreign corporate entity as a VCC
- They have not previously applied for the VCC grant scheme

The extended grant scheme replaces the previous grant scheme which was valid from 15 January 2020 to 15 January 2023.

### Incorporation Requirements

- Having the suffix "VCC" in its company name

- Name reservation approved by Singapore's Accounting and Corporate Regulatory Authority (ACRA)
- A minimum number of directors appointed; number will depend on the type of scheme
- Appointment of a licensed fund manager
- Appointment of a qualified resident company secretary
- Constitution of the proposed VCC must provide the investment objective of the VCC
- A registered office address in Singapore

### Timeline

- ACRA's processing time for an application usually takes up to 14 days, while a transfer of registration may take up to 60 days, especially if referral to another government agency is required.
- The lodgement may be rejected if the documents and/or information submitted are incomplete and/or fail to meet the necessary requirements.
- Processing time for other products usually takes up to five (5) working days upon successful incorporation, registration and/or payment confirmation.

### Statutory Requirements

#### Directors

- Directors must be individuals and must not be an entity.
- Directors of VCCs must be fit and proper as defined in the VCC Act.
- At least one director of the VCC must also be a director of its fund manager or must be a qualified representative as defined in Singapore's Securities and Futures Act.

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- A VCC operating as a non-authorised scheme must have at least one resident director who ordinarily resides in Singapore.
- A VCC operating as an authorised scheme must have at least three directors with at least one director who ordinarily resides in Singapore.

### Fund Manager

- The fund manager must be either a holder of a valid capital markets services (CMS) license for fund management, or registered fund management company (RFMC).
- Certain fund managers, such as those under real estate, related party and single family office exemptions, cannot use a VCC.
- The fund manager is regulated by MAS.
- A single fund manager can be appointed for all sub-funds of a VCC.
- The fund manager can delegate the fund management activity and operational duties to other parties that are regulated as fund managers or investment advisors in other jurisdictions. However, the fund manager still retains overall responsibility of the duties.

### Secretary

- A VCC must appoint a company secretary within six months of the date of its incorporation.
- The company secretary must be an individual residing locally in Singapore and must not be the sole director of the VCC.
- The company secretary must be a qualified person as defined in the Companies Act.

### Auditor

- Each VCC must be audited by a Singapore-based auditor and must present its financial statements per IFRS, Singapore FRS or US GAAP.
- The VCC must appoint an auditor within three months of the date of its incorporation.

### How Trident can Help

We provide a full range of corporate and fund administration services, and can assist with the formation of a new VCC structure or re-domiciliation to Singapore of an existing fund.

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