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IRAS e-Tax Guide

Tax Framework for Variable Capital Companies



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1 Aim

- 1.1 This e-Tax Guide explains the tax framework for variable capital companies (“VCCs”). It is relevant to you if you are seeking to incorporate or register a VCC, or if you are managing one.

2 At a Glance

Income Tax Treatment

- 2.1 VCCs incorporated under the VCC Act are treated as companies incorporated under the Companies Act for income tax purposes¹. Further, regardless whether a VCC is a non-umbrella VCC or an umbrella VCC comprising (or that will comprise) two or more sub-funds, it will be recognised as a single entity for income tax purpose, unless stated otherwise.

GST Treatment

- 2.2 For GST purposes, each sub-fund of an umbrella VCC is regarded as a separate person, as a sub-fund makes independent sale and purchase decisions based on its respective investment mandate. Therefore, each sub-fund is required to assess its GST registration liability based on the value of its taxable supplies made. If a sub-fund is GST-registered, it will account for GST on its taxable supplies including any taxable supplies made to another sub-fund of the same VCC. Similarly, it can claim input tax on its taxable purchases, subject to the existing input tax recovery and attribution rules.
- 2.3 The GST remission for qualifying funds is extended to qualifying VCCs. Under the GST remission, non-GST registered qualifying non-umbrella VCCs and sub-funds of umbrella VCCs will be able to recover GST incurred on expenses based on a fixed recovery rate.

Stamp Duty Treatment

- 2.4 The sub-funds of an umbrella VCC are treated as separate persons for stamp duty purposes and accordingly, stamp duty is levied at the sub-fund level for instruments executed by an umbrella VCC for its sub-funds.

¹ The treatment of a VCC as a company for tax purposes was announced in Budget 2018.

3 Glossary

3.1 Non-umbrella VCC

A VCC that is not an umbrella VCC.

3.2 Sub-fund

A collective investment scheme² that is part of an umbrella VCC.

3.3 Umbrella VCC

A VCC the constitution of which provides that it consists of, or is to consist of, two or more collective investment schemes².

3.4 Variable capital company or VCC

A body corporate incorporated as such under the Variable Capital Companies Act 2018 (Act 44 of 2018) (“VCC Act”)³.

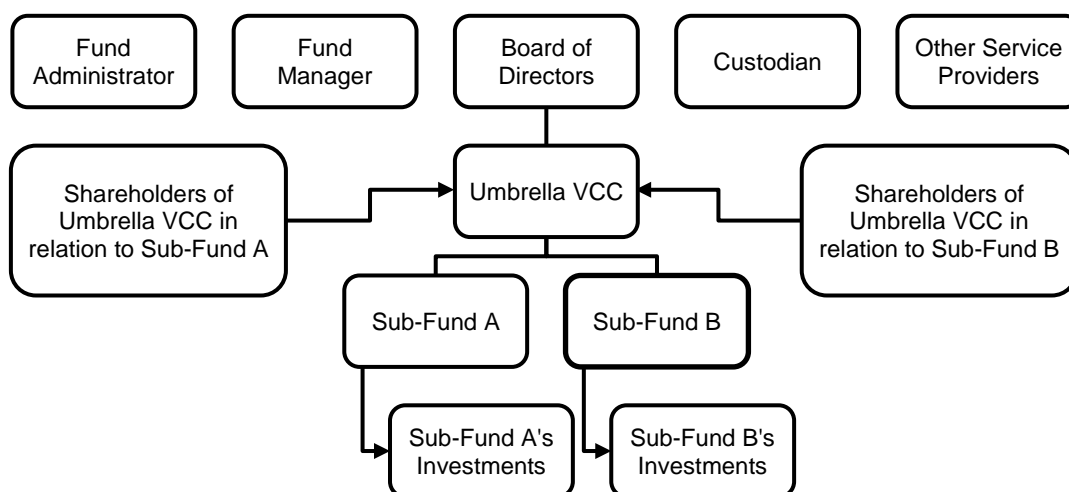
² The term “collective investment scheme” has the meaning given by section 2(1) of the Securities and Futures Act (Cap. 289).

³ The Accounting and Corporate Regulatory Authority is responsible for the administration of the VCC Act, other than Part 7 (International obligations and prevention of money laundering, terrorism financing and other offences). Part 7 of the VCC Act is under the purview of the Monetary Authority of Singapore (“MAS”).

4 Background

4.1 The VCC is a new corporate structure⁴ for investment funds⁵ that can be used across a wide range of fund strategies, and as an open-end or a closed-end fund. Besides the incorporation of new funds, the VCC framework also allows fund managers to redomicile existing overseas investment funds with structures comparable to that of a VCC⁶, by transferring their registrations to Singapore as VCCs. In Budget 2018, it was announced that a tax framework will be introduced to complement the VCC framework.

4.2 A VCC may be set up as a single fund structure or an umbrella fund that consists of, or is to consist of, two or more sub-funds (i.e. an umbrella VCC), as shown in the diagram below.



4.3 Despite having multiple sub-funds, an umbrella VCC has only one board of directors. For cost efficiencies, a common set of service providers may serve the umbrella VCC and all its sub-funds.

4.4 A sub-fund of an umbrella VCC is not a legal person separate from the VCC. Each may have different investment objectives and shareholders⁷, and hence different risks and exposures. To prevent cross contagion, a legal segregation of assets and liabilities is imposed on each sub-fund and the umbrella VCC⁸. This means that the creditors' claims of a sub-fund can only be settled using assets of that sub-fund, and not assets of the umbrella VCC

⁴ The VCC framework was launched on 15 Jan 2020.

⁵ Section 15 of the VCC Act provides that the sole object of a VCC is to be one or more collective investment schemes in the form of a body corporate.

⁶ As provided under section 132 of the VCC Act, this refers to a body corporate incorporated outside Singapore, that comprises one or more collective investment schemes.

⁷ Sub-funds, not being legal persons, are not able to issue shares to investors. Instead, shares are issued by the umbrella VCC in relation to specific sub-funds within the structure.

⁸ Section 29 of the VCC Act.

or other sub-funds within the same VCC. It follows that an umbrella VCC is required to keep separate accounting and other records and present separate accounts for each sub-fund in its financial statements⁹.

5 Income Tax Treatment

Overview

- 5.1 VCCs incorporated under the VCC Act are treated as companies incorporated under the Companies Act for income tax purposes. Accordingly and subject to modifications where applicable, a reference to a company in the Income Tax Act (Cap. 134) (“ITA”) and the subsidiary legislation made under it includes a VCC¹⁰.

Tax Residence of VCCs

- 5.2 A VCC is considered a tax resident in Singapore for a calendar year if the control and management of the VCC’s business is exercised in Singapore for that year. In determining where the control and management is exercised, the location where the board of directors of the VCC meet to make strategic decisions is often a key factor.
- 5.3 The tax residence of a sub-fund follows that of its umbrella VCC. This means that a sub-fund is a resident in Singapore if its umbrella VCC is a resident in Singapore. Conversely, a sub-fund is a non-resident if its umbrella VCC is a non-resident.
- 5.4 A VCC can apply for a Certificate of Residence (“COR”) to support its claims for tax benefits under the Avoidance of Double Taxation Agreements concluded by Singapore with our treaty partners. However, a sub-fund of a VCC is not a legal person and cannot be issued with a COR per se. In such instances, the COR will be issued in the name of the umbrella VCC with the name of the sub-fund included in the COR.

Distributions made by VCCs

- 5.5 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 shareholders¹¹.

⁹ Sections 99 and 100 of the VCC Act.

¹⁰ A “body of persons” is defined under section 2 (Interpretation) of the ITA to mean amongst other things, any body corporate. Though a VCC is a body corporate, section 107 (Variable capital companies or VCCs) of the same Act clarifies that a reference to a body of persons excludes a VCC on account that section 2 excludes a company from the definition of a “body of person”.

¹¹ Section 13(1)(za) of the ITA read with section 107(1) of the same Act.

Income of VCCs

- 5.6 VCCs are regarded as companies for tax purposes. Consequently, in determining the income of a VCC, tax measures (e.g. tax incentives and broad-based enhanced tax deductions) that apply to companies would apply to VCCs. There are however exceptions to this general rule.
- 5.7 The VCC Act provides that the sole object of a VCC is to be one or more collective investment schemes¹². As VCCs are to be used as investment funds, they would only be considered for the following tax incentives:
- a. Exemption of income of venture company (section 13H of the ITA)¹³;
 - b. Exemption of income of company incorporated and resident in Singapore arising from funds managed by fund manager in Singapore (section 13R of the ITA)¹⁴;
 - c. Exemption of income arising from funds managed by fund manager in Singapore (section 13X of the ITA)¹⁴.
- 5.8 A VCC will not be allowed a deduction for expenses under certain sections of the ITA (see table below)¹⁵. A VCC is also not allowed to transfer or receive loss items under the Group Relief System (i.e. section 37C of the ITA)¹⁶.

Section no.	Description
14A	Deduction for costs for protecting intellectual property
14B, 14K, & 14KA	Enhanced deduction for expenses relating to: <ul style="list-style-type: none"> • approved trade fairs, exhibitions or trade missions or to maintenance of overseas trade office • overseas investment development • salary expenditure for employees posted overseas
14D, 14DA & 14E ¹⁷	Deduction/ enhanced deduction for expenditure on research and development
14F	Management expenses of investment companies

¹² Section 15 of the VCC Act.

¹³ The expansion of scope of section 13H to include VCCs was announced in Budget 2020. For more information on how VCCs may avail themselves of tax incentive under section 13H, please approach Enterprise Singapore.

¹⁴ The expansion of scope of sections 13R and 13X to include VCCs was announced in Budget 2018. For more information on how VCCs may avail themselves of tax incentives under sections 13R and 13X, please approach MAS.

¹⁵ Section 107(11) of the ITA.

¹⁶ Section 107(12) of the ITA.

¹⁷ The further deduction for qualifying expenditure on research and development under section 14E of the ITA lapsed after 31 Mar 2020.

Section no.	Description
14H	Expenditure on building modifications for benefit of disabled employees
14I	Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments
14N	Deduction for upfront land premium
14O	Deduction for special reserve of approved general insurer
14P & 14PA	Deduction for shares transferred under employee equity-based remuneration scheme
14Q	Deduction for renovation or refurbishment expenditure
14V	Deduction for amortisation of intangible asset created under public-private partnership arrangement
14WA	Enhanced deduction for expenditure on licensing intellectual property rights
14ZB	Deduction for expenditure for services or secondment to institutions of a public character
37L	Deduction for acquisition of shares of companies

Determination of income of an umbrella VCC: Application of tax rules at sub-fund level

- 5.9 The chargeable income¹⁸ or exempt income of an umbrella VCC is the sum of the chargeable income¹⁸ or exempt income of its sub-funds. The income of a sub-fund is determined as if it were a VCC¹⁹. In this regard, the tax rules are applied at the sub-fund level. Besides income, foreign tax credits, if any, are also computed at the sub-fund level.
- 5.10 The next table provides a snapshot of the common tax rules that may be applicable to a VCC. Details of how these rules are to be applied in the case of an umbrella VCC (i.e. whether they are applicable at the VCC level or at the sub-fund level) will be explained in the subsequent paragraphs.

Description	Level at which rule is applied for umbrella VCCs	Paragraph
Unabsorbed capital allowances, losses and donations	Sub-fund	5.11 – 5.12
Shareholding test	Sub-fund	5.13

¹⁸ This refers to the gross amount of chargeable income before deducting the exempt amount under the partial tax exemption scheme (i.e. section 43(6) of the ITA) or the start-up tax exemption scheme (i.e. section 43(6C) of the ITA).

¹⁹ Section 107(4), (17) to (20) and (24) to (26) and Third Schedule of the ITA.

Description	Level at which rule is applied for umbrella VCCs	Paragraph
Partial tax exemption, start-up tax exemption and corporate tax rebate	VCC	5.14 – 5.16
Exemption of gains or profits from disposal of ordinary shares	Sub-fund	5.17 – 5.21
Modification of provisions for VCCs redomiciled in Singapore	Sub-fund	5.22 – 5.24
Tax credits	Sub-fund	5.25 – 5.26

Unabsorbed capital allowances, losses and donations

- 5.11 In line with the requirement under the VCC Act for the segregation of assets and liabilities of sub-funds, any expense²⁰, capital expenditure²⁰, loss or donation of a sub-fund will not be available for deduction against the income of another sub-fund or any other income of the umbrella VCC. This effectively quarantines any amount of unabsorbed capital allowances, losses and donations that a sub-fund may have and prevents such amounts from being utilised against the income of another sub-fund or the umbrella VCC.
- 5.12 To illustrate, VCC X has two sub-funds – Sub-Funds A and B. The chargeable income/ (losses) of each sub-fund for years of assessment (“YAs”) 2021 and 2022 are as follows:

	YA 2021	YA 2022
Sub-Fund A	\$90,000	\$70,000
Sub-Fund B	\$10,000	\$(8,000)

Based on the above, VCC X’s chargeable income for YAs 2021 and 2022 is \$100,000 (i.e. \$90,000 + \$10,000) and \$70,000 respectively. Sub-Fund B’s YA 2022 tax loss of \$8,000 is quarantined and can only be carried forward or carried back to offset against Sub-Fund B’s own income, subject to conditions.

²⁰ Besides expenses incurred for the purpose of a trade of business carried on by the umbrella VCC in relation to the sub-fund, expenses allocated by the umbrella VCC to the sub-fund in accordance with section 29(3) of the VCC Act are also considered expenses of that sub-fund. Under section 29(3), an umbrella VCC may allocate any assets or liabilities:

- (a) that it holds or incurs for the purpose of its sub-funds or in order to enable the operation of the sub-funds; and
 - (b) that are not attributable to any particular sub-fund,
- between its sub-funds in a manner that it considers fair to shareholders.

Shareholding test

5.13 Unabsorbed capital allowances, losses and donations of a sub-fund can be carried forward or carried back to offset against the sub-fund’s future or past income if amongst other things, there is no substantial change in its shareholders and their shareholding as at relevant dates (i.e. the “shareholding test”) ²¹. In the context of an umbrella VCC, the word “shareholder” refers to holders of shares of the umbrella VCC in relation to the sub-fund to which the unabsorbed capital allowances, losses or donations belong²², and not the entire population of shareholders of the umbrella VCC. In the illustration above, for purpose of determining whether the unabsorbed tax losses of \$8,000 can be offset against Sub-Fund B’s future (or past) income, the shareholding test will only be applied to the shareholders holding shares issued by VCC X in relation to Sub-Fund B.

Partial tax exemption²³, start-up tax exemption²⁴ and corporate tax rebate²⁵

5.14 Income of a VCC that is chargeable to tax at the prevailing corporate tax rate can enjoy a partial exemption under the partial tax exemption scheme or where applicable, the start-up tax exemption scheme (“SUTE” scheme). VCCs are also eligible for corporate tax rebates, if any. The exempt amounts and rebates for an umbrella VCC are computed at the VCC level. It is up to the umbrella VCC to allocate the exempt amounts and rebates between its sub-funds in a manner that it considers fair to shareholders.

5.15 The existing parameters and conditions under the SUTE scheme as applied to an umbrella VCC read as follows:

Parameter/ condition	As applied to a VCC
First three YAs	<p>YA relating to the basis period during which the VCC is incorporated in Singapore and the 2 consecutive YAs immediately following that YA.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>The determination of the first three YAs is tied to the date of incorporation of the VCC and not the date of registration of its sub-fund. This means that the registration of a new sub-fund by an umbrella fund will</i>

²¹ Sections 23(4), 37(12) and 37E(12) of the ITA.

²² Section 107(4)(h) of the ITA.

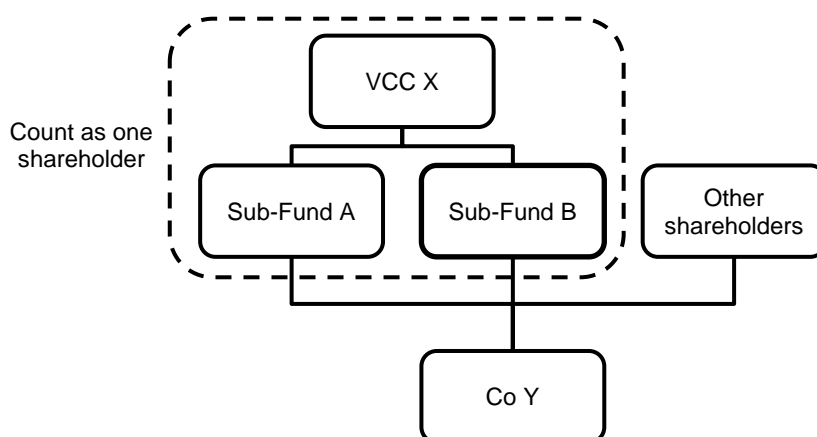
²³ Section 43(6) of the ITA.

²⁴ Section 43(6C) of the ITA.

²⁵ The VCC regulatory framework came into effect in mid-Jan 2020; implying that the earliest YA for a VCC is YA 2021. As at the date of publication of this e-Tax Guide, no corporate tax rebate has been announced for YA 2021.

Parameter/ condition	As applied to a VCC
	<i>not allow that umbrella VCC to enjoy another round of exemption under the SUTE scheme.</i>
Qualifying VCC	<p>A VCC incorporated in Singapore which for the relevant YA —</p> <ul style="list-style-type: none"> (a) is resident in Singapore; and (b) has its total share capital beneficially held directly by no more than 20 shareholders — <ul style="list-style-type: none"> (i) all of whom are individuals throughout the basis period for that YA; or (ii) at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the VCC throughout the basis period for that YA. <p><i>Notes:</i></p> <ul style="list-style-type: none"> • <i>The total share capital of a VCC refers to the entire share capital of the VCC across all sub-funds.</i> • <i>The term “ordinary shares” is not defined for purpose of the SUTE scheme but is generally taken to be shares that are not of a preferential nature.</i>

5.16 In a reverse situation where an umbrella VCC holds shares in a newly-incorporated company for more than one of its sub-funds, the umbrella VCC (together with all its sub-funds) will be counted as one shareholder for purpose of determining whether the newly-incorporated company qualifies for the start-up tax exemption. This follows the legal position that despite the presence of multiple sub-funds, an umbrella VCC remains a single legal entity, as illustrated in the diagram below.



Exemption of gains or profits from disposal of ordinary shares²⁶

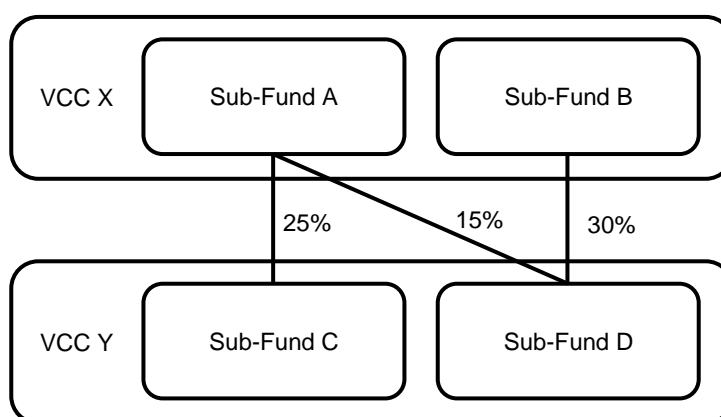
5.17 Unless falling under the exceptions²⁷, gains derived by a company (“divesting company”) from the disposal of ordinary shares in another company (“investee”) are not taxable, if:

- a. the divesting company holds at least 20% of the ordinary shares in the investee immediately prior to the disposal of such shares; and
- b. the divesting company maintained the minimum 20% shareholding for a period of at least 24 months ending on the date immediately prior to the disposal of such shares.

5.18 With the introduction of VCCs, there are now 4 possible scenarios as shown in the table below. Where umbrella VCCs are involved (i.e. scenarios 2 to 4), the exemption will apply as if the divesting VCC and/ or the investee (being an umbrella VCC) has only one sub-fund.

Divesting company/ VCC \ Investee	Company/ non-umbrella VCC	Umbrella VCC in relation to a sub-fund
Company/ non-umbrella VCC	Scenario 1	Scenario 2
Umbrella VCC in relation to a sub-fund	Scenario 3	Scenario 4

5.19 Take the example of two umbrella funds (i.e. scenario 4), VCC X and VCC Y; each of which has two sub-funds. Both sub-funds of VCC X, Sub-Fund A and Sub-Fund B, hold shares issued by VCC Y.



²⁶ Sections 13Z & 107(17) to (20) of the main ITA and section 13Z in Part 1 of the Third Schedule of the ITA.

²⁷ Section 13Z(8) in the main ITA as well as Part 1 of the Third Schedule of the ITA.

5.20 To determine whether the exemption apply to gains derived by VCC X in relation to Sub-Fund A from the disposal of shares issued by VCC Y in relation to Sub-Fund D, the two conditions referred to paragraph 5.17 are applied as if:

- a. VCC X has only one sub-fund i.e. Sub-Fund A; and
- b. VCC Y has only one sub-fund i.e. Sub-Fund D.

Investors	Percentage shareholding of shares issued by VCC Y in relation to	
	Sub-Fund C	Sub-Fund D
VCC X in relation to Sub-Fund A	25%	15%
VCC X in relation to Sub-Fund B	-	30%
Other investors	75%	55%
Total	100%	100%

5.21 Put simply, one only needs to consider the percentage shareholding that Sub-Fund A has held in relation to Sub-Fund D when determining whether the gains from the disposal of Sub-Fund D’s shares can qualify for an exemption. In the above example, the exemption will not apply to the gains derived by Sub-Fund A from the disposal of shares in Sub-Fund D since its percentage shareholding in Sub-Fund D is only 15%.

Modification of provisions for VCCs redomiciled in Singapore²⁸

5.22 Much similar to the inward redomiciliation of a company, a fund manager may choose to redomicile an overseas investment fund with structure comparable to that of a VCC, by transferring the registration of the overseas investment fund to Singapore as a VCC. To complement the regulatory framework, the existing tax framework for the redomiciliation of companies into Singapore as modified, will apply to overseas investment funds that redomicile into Singapore. In the case of a redomiciled umbrella VCC, the modified framework will apply at the sub-fund level, i.e. in respect of a trade or business carried on by the redomiciled umbrella VCC in relation to a sub-fund outside Singapore prior to its registration in Singapore²⁹.

²⁸ Sections 34G, 34H & 107(24) to (26) of the ITA and sections 34G & 34H in Part 2 of the Third Schedule of the ITA.

²⁹ The word “registration” refers to the registration of a foreign corporate entity as a VCC under Part 12 of the VCC Act and the term “registration date” means the date specified in the notice of transfer of registration issued to the VCC under section 135(3) of the same Act.

5.23 Amongst the various provisions in the framework, the two most relevant to a VCC are perhaps those relating to the deduction of expenses incurred before the registration of the VCC in Singapore and impairment losses on financial assets³⁰. These provisions will apply as follows for purpose of determining the income of a sub-fund (say Sub-Fund A) of a redomiciled umbrella VCC (say VCC X):

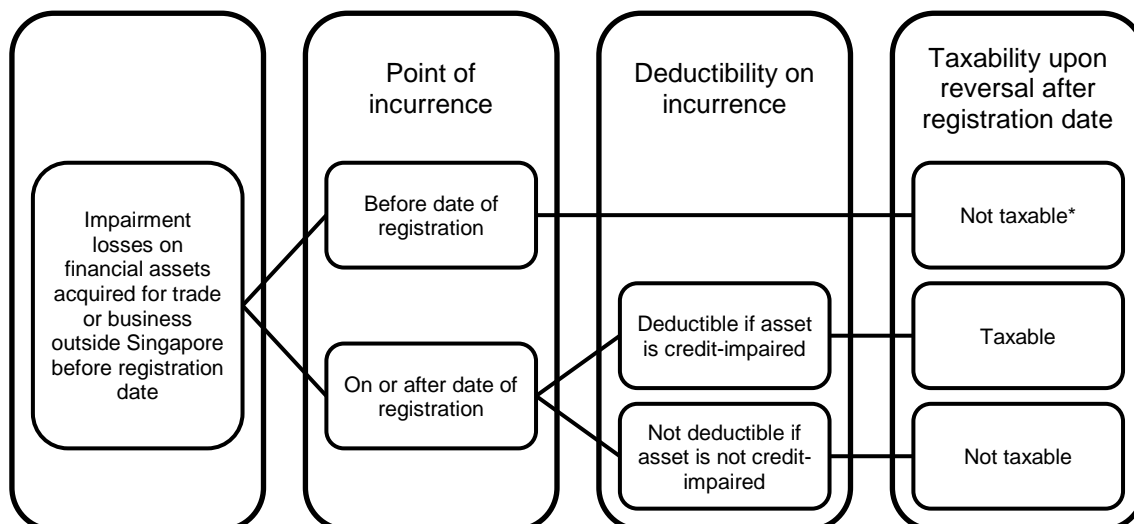
- a. Expenses incurred before registration. No deduction will be allowed in respect of expenses incurred by VCC X before its registration date if those expenses are incurred for the purpose of Sub-Fund A's trade or business outside Singapore and for which a deduction or relief from tax law has been given in another jurisdiction.

On the other hand, if VCC X did not carry on any trade or business in relation to Sub-Fund A (whether outside Singapore or in Singapore) before its registration date, a deduction may be allowed for expenses incurred before the registration date if such expenses were incurred for the purpose of Sub-Fund A's trade or business in Singapore. Timing-wise, the deduction will be allowed for the YA relating to the basis period in which Sub-Fund A's trade or business commences in Singapore.

- b. Impairment losses on financial assets. Impairment losses incurred before VCC X's registration date in respect of financial assets on revenue account acquired for Sub-Fund A's trade or business outside Singapore, will not be taxable when the impairment losses are reversed after that date. This is in consideration that the impairment losses arose outside Singapore and that no deduction had been allowed on those losses in Singapore. Where such impairment losses are incurred after the date of registration, the losses would be allowed as a deduction if the assets were credit-impaired within the meaning of FRS 109 or SFRS(I) 9³¹ (as the case may be) and any such losses reversed subsequently would be taxable to the extent a deduction was allowed.

³⁰ Other than impairment loss from debt which is covered under a separate provision.

³¹ Refers to the financial reporting standards known as Financial Reporting Standard 109 (Financial Instruments) and Singapore Financial Reporting Standard (International) 9 (Financial Instruments) respectively.



* No deduction was allowed in respect of the impairment losses which had arisen outside Singapore.

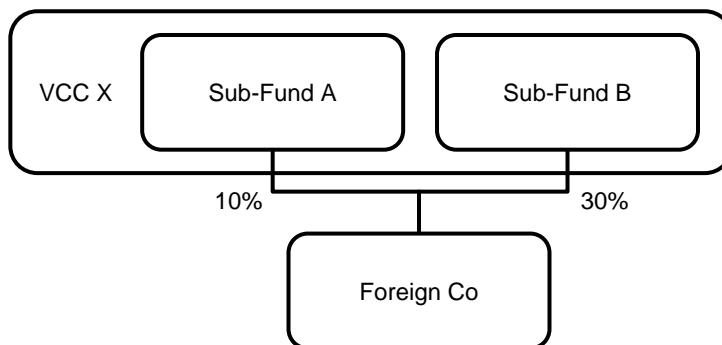
5.24 As with redomiciled companies, the SUTE scheme will not apply to redomiciled VCCs.

Tax credits³²

5.25 VCCs that are tax residents in Singapore may, subject to the existing provisions in the ITA as modified, claim a tax credit on the amount of tax paid in a foreign jurisdiction against the Singapore tax payable on the same income. For an umbrella VCC, the amount of tax credit available will be computed at the sub-fund level. Consequently, for the purpose of the minimum 25% shareholding requirement for unilateral tax credits claimed in respect of foreign dividend³³, it will be determined individually with reference to the percentage of shares of the foreign company paying the dividend, held by the umbrella VCC for each sub-fund in respect of which the tax credit is to be made.

³² Sections 50, 50A, 50C & 107(28) of the main ITA and sections 50, 50A, 50C in Part 3 of the Third Schedule of the ITA.

³³ The minimum 25% shareholding requirement applies to two scenarios. First, in the absence of any agreement for the avoidance of double taxable (i.e. a tax treaty), the amount of unilateral tax credit will include any amount of tax paid on the income out of which the foreign dividend is paid, if the minimum 25% shareholding requirement is met. Second, where there is a tax treaty but the treaty does not provide for tax credits to be made in respect of foreign dividends, then a unilateral tax credit may be given if the minimum 25% shareholding requirement is met.



5.26 If VCC X holds 10% of the shares of the foreign company paying the dividend for Sub-Fund A and 30% of the shares of the same foreign company for Sub-Fund B (see diagram above), then for the purpose of claiming a unilateral tax credit, only Sub-Fund B would satisfy the minimum 25% shareholding requirement.

Administrative Procedures

Income tax filing requirements

5.27 Like companies, VCCs are expected to file two income tax forms every YA:

Form	Note
Estimated Chargeable Income (“ECI”)	<ul style="list-style-type: none"> Unless qualifying for a waiver³⁴, an ECI must be filed within 3 months from the end of the financial year of a VCC.
Form C ³⁵	<ul style="list-style-type: none"> A complete set of income tax return includes the financial statements of the VCC as well as its tax computation and supporting schedules³⁶. Should one or more sub-funds of an umbrella VCC be in a tax loss position, for the purpose of completing Form C, the unabsorbed capital allowances, losses and/ or donations of these sub-funds must not be offset against the adjusted profits/ chargeable income of the remaining sub-funds that are in a taxable position. In other words, the adjusted profits/ chargeable income declared in Form C is the sum of the adjusted profits/ chargeable income of the sub-funds that are in a taxable position. For tracking

³⁴ To qualify for a waiver, the annual revenue of the VCC for the basis period in respect of the relevant YA must not be more than \$5 million; and the VCC’s ECI for that YA must be nil. For more information please refer to IRAS’ website. In the case of an umbrella VCC, its annual revenue will be the sum of the annual revenue of all of its sub-funds.

³⁵ Form C-S, a simplified version of Form C, does not apply to VCCs.

³⁶ For umbrella VCCs, the tax computation and supporting schedule must show how the chargeable income of each sub-fund is arrived at.

Form	Note
	<p>purposes, the unabsorbed capital allowances, losses and/ or donations of the loss-making sub-funds should be clearly shown (by year or YA, as the case maybe) in the tax computation.</p>

- 5.28 The same filing requirements apply to both non-umbrella VCCs and umbrella VCCs. In other words, regardless of the number of sub-funds an umbrella VCC has, the umbrella VCC, being a single entity, needs only to submit one set of income tax forms in respect of the entire structure.

Registration/ winding-up of sub-funds

- 5.29 There is no need to inform IRAS of the registration of new sub-funds. However, should an umbrella fund decide to wind up a sub-fund, tax clearance must be obtained prior to the completion of the winding up process. This would include providing IRAS with the relevant financial statements and tax computation up to the date of cessation of business of the sub-fund concerned and ensuring that all outstanding tax matters in relation to that sub-fund are settled (including the full payment any outstanding taxes and penalties in relation to the sub-fund).

Liquidation of VCCs

- 5.30 The liquidator has to ensure that all outstanding tax matters in relation to the VCC (whether a non-umbrella VCC or an umbrella VCC) are settled (including the full payment of any outstanding taxes and penalties) before completing the liquidation process.

6 GST Treatment

- 6.1 For GST purposes, each sub-fund of an umbrella VCC is regarded as a separate person, as a sub-fund makes independent sale and purchase decisions based on its respective investment mandate. Therefore, each sub-fund is required to assess its GST registration liability based on the value of its taxable supplies made.

Determining GST Registration Liability

- 6.2 A non-umbrella VCC or a sub-fund of an umbrella VCC will be required to register for GST if the value of its taxable supplies or services acquired from overseas suppliers (“imported services”) exceeds \$1 million for the past calendar year or is expected to exceed \$1 million for the next 12 months³⁷.

³⁷ Please refer to the webpage on “Do I Need to Register for GST” for more information. (www.iras.gov.sg > GST > Non-GST registered businesses > Registering for GST > Do I Need to Register for GST)

Accounting for Output Tax and Claiming Input Tax

- 6.3 Once GST-registered, the non-umbrella VCC or sub-fund of an umbrella VCC is required to charge and account for GST on its taxable supplies. As each sub-fund is treated as a separate taxable person for GST purposes, the sub-fund must also account for output tax on any taxable supplies made to another sub-fund of the same umbrella VCC.
- 6.4 The non-umbrella VCC or sub-fund of an umbrella VCC may also be subject to reverse charge on imported services. For more information on reverse charge, please refer to the GST e-Tax Guide “Taxing imported services by way of reverse charge”.
- 6.5 Each sub-fund can claim GST on expenses incurred by the umbrella VCC in respect of that sub-fund only, subject to the existing input tax recovery and attribution rules. For common expenses, the expenses have to be allocated to the sub-funds on a reasonable basis.
- 6.6 GST claims must be supported by tax invoices issued to the non-umbrella VCC or the sub-fund of the umbrella VCC. As an administrative concession, sub-funds are allowed to claim input tax where the tax invoices are addressed to the umbrella VCC, subject to the following conditions:
- a. The expenses are recognised in the sub-fund’s financial accounts and supported by evidence of payments made from the sub-fund’s bank account; and
 - b. The sub-fund maintains alternative documents such as statements or letters issued to it by the umbrella VCC, showing the portion of expenses allocated to it and the corresponding GST amounts. The document must also bear reference to the tax invoice issued by the supplier to the umbrella VCC.

Collection and Enforcement

- 6.7 GST-registered sub-funds of umbrella VCCs are required to file their own GST returns. The assets of a sub-fund, including any GST refunds due to the sub-fund, will not be used to discharge GST liabilities of other sub-funds, even in the event of winding-up of a sub-fund.

Claiming GST on Expenses for Qualifying VCCs

- 6.8 The GST remission currently granted to allow funds that meet qualifying conditions to claim GST incurred on business expenses is applicable to qualifying funds that are incorporated as VCCs.
- 6.9 To qualify for the GST remission, the VCC must:

- a. satisfy the conditions for specific income tax concessions as at the last day of its preceding financial year; and
 - b. be managed or advised by a prescribed fund manager in Singapore.
- 6.10 Under the GST remission, qualifying VCCs will be able to recover GST incurred on expenses, with the exception of expenses disallowed under regulations 26 and 27 of the GST (General) Regulations. To ease compliance, the GST recovery is based on a fixed recovery rate.
- 6.11 To claim the GST incurred, the qualifying non-umbrella VCC or the sub-fund of an umbrella VCCs will have to file a quarterly Statement of Claims to IRAS based on its financial year end. Each Statement of Claims is due one month after the end of the respective quarters. As an administrative concession, quarterly Statements of Claims may be filed after the due date, subject to the following conditions:
 - a. The GST claims are made on tax invoices dated within the relevant quarter; and
 - b. The quarterly Statements of Claims are filed within 5 years from the end of the relevant quarter.
- 6.12 You may refer to our website³⁸ for more information on the procedures and e-Filing of the Statement of Claims.

7 Stamp Duty Treatment

General Information

- 7.1 Stamp duty is a tax on dutiable instruments relating to immovable properties in Singapore, stock or shares, and equity interests in property-holding entities (“the chargeable assets”). Examples of dutiable instruments are
 - contracts or agreements for sale of properties;
 - share transfer instruments;
 - leases or agreements to lease; and
 - mortgages.
- 7.2 When dutiable instruments are executed by any person (i.e. individuals, entities), stamp duties³⁹ are payable within 14 days after the date of

³⁸ Please refer to the webpage on “Finance” for more information. (www.iras.gov.sg > GST > GST-registered businesses > Specific business sectors > Finance)

³⁹ Stamp duties include buyer’s stamp duty (“BSD”), additional buyer’s stamp duty (“ABSD”), seller’s stamp duty (“SSD”), share duty, additional conveyance duty (“ACD”), lease duty and mortgage duty. For more information on each type of duty and the person liable to pay the duty, please refer to IRAS’ website.

execution in Singapore or, if the instrument is executed overseas, within 30 days after the date of receipt of the instrument in Singapore.

- 7.3 A VCC is treated as a company for tax purposes. For an umbrella VCC, the sub-funds are treated as separate persons for stamp duty purposes such that stamp duty is levied at the sub-fund level. This is in line with the principle that sub-funds have segregated assets and liabilities. The stamp duty treatment for dutiable instruments involving a non-umbrella VCC or an umbrella VCC is elaborated in the following sections.

Stamp Duty on Instruments Executed

- 7.4 When an instrument is executed by a non-umbrella VCC or by an umbrella VCC for its sub-fund, the instrument will attract the same duties as an instrument executed by a company. For example⁴⁰,

Instrument relating to	Stamp duty liability
Acquisition or disposal of immovable properties by a non-umbrella VCC or by an umbrella VCC for its sub-fund	For acquisition: <ul style="list-style-type: none"> • BSD; and • ABSD based on entity profile, if property acquired is a residential property For disposal: <ul style="list-style-type: none"> • SSD, if property disposed of is a residential or industrial property
Acquisition of stock or shares by a non-umbrella VCC or by an umbrella VCC for its sub-fund	<ul style="list-style-type: none"> • Share duty
Acquisition or disposal of equity interests in property-holding entities by a non-umbrella VCC or by an umbrella VCC for its sub-fund	For acquisition: <ul style="list-style-type: none"> • ACD for buyers; and • Share duty, if the equity interests are shares For disposal: <ul style="list-style-type: none"> • ACD for sellers
Lease of immovable properties by a non-umbrella VCC or by an umbrella VCC for its sub-fund	<ul style="list-style-type: none"> • Lease duty

⁴⁰ This table provides a summary of the stamp duties payable on some common instruments. There is no difference in the stamp duty rates applicable to a non-umbrella VCC or an umbrella VCC vis-à-vis other entities. Please refer to IRAS' website for the relevant stamp duty rates and the definition of residential property, industrial property, equity interests and property-holding entities.

Instrument relating to	Stamp duty liability
Mortgage of immovable properties or stock or shares by a non-umbrella VCC or by an umbrella VCC for its sub-fund	<ul style="list-style-type: none"> <li data-bbox="927 286 1182 320">• Mortgage duty

Stamp Duty on Instruments Between (i) an Umbrella VCC and its Sub-funds, or (ii) Sub-funds of the Same Umbrella VCC

7.5 Similarly, when an instrument is executed between (i) an umbrella VCC and its sub-funds, or (ii) sub-funds of the same umbrella VCC, the instrument will attract the same duties as an instrument executed between companies.

7.6 Specifically, section 30 of the VCC Act provides that an umbrella VCC acting for its sub-fund is required to state the relevant details of the sub-fund in the instrument. It follows that, using the acquisition/ disposal of chargeable assets as an example:

- a. Where an umbrella VCC does not provide its sub-fund’s details in the instrument for the acquisition of chargeable assets, the acquisition will be taken to be made by the umbrella VCC for its own purpose. Consequently, any subsequent instrument (e.g. contracts for the sale and purchase of the property, conveyance direction) executed to pass the interests in the chargeable assets from the umbrella VCC to its sub-fund will attract another set of duties.
- b. Where the sub-fund details are stated in the acquisition instrument, the acquisition of chargeable assets will be taken to be made by the umbrella VCC for the purpose of that sub-fund. Consequently, any subsequent instrument executed to pass the interests in the chargeable assets from the sub-fund to the umbrella VCC or to another sub-fund of the same umbrella VCC will be subject to stamp duties.

7.7 In the event that:

- a. an umbrella VCC effects an acquisition or a disposal, with or between its sub-funds in a manner that is not evidenced or signified by an instrument; and
- b. had that acquisition or disposal been effected, evidenced or signified by an instrument, the instrument would have been chargeable with duty,

the umbrella VCC must give a notice⁴¹ to the Commissioner of Stamp Duties within 14 days of the transaction with its sub-fund or between its sub-funds, and that notice shall be chargeable with stamp duties accordingly. If the

⁴¹ Please refer to Annex A for the Notice under section 60I/ 60J of the Stamp Duties Act. The Notice is also available on our website. (www.iras.gov.sg > Quick Links > Forms > Other taxes & services > Stamp duty > Notice under section 60I/ 60J of the Stamp Duties Act)

umbrella VCC fails to provide a notice within the stipulated timeframe, the umbrella VCC is guilty of an offence, and a fine of up to 4 times the amount of duty is payable on conviction.

Stamp Duty on Instruments Involving Shares in a Non-Umbrella VCC or an Umbrella VCC

- 7.8 An instrument for the acquisition of shares in a VCC (“VCC shares”) or shares attributable to a specific sub-fund of an umbrella VCC (“sub-fund shares”) is subject to share duty. As per the acquisition of shares in any other company, the share duty that is payable on the acquisition of VCC shares or sub-fund shares is calculated based on the higher of the consideration or the value (e.g. net asset value) of the shares acquired.
- 7.9 If the non-umbrella VCC or the sub-fund is a property-holding entity and there is a qualifying acquisition or disposal⁴², ACD is applicable in addition to the share duty.
- 7.10 Where ACD is payable, please submit a copy of the instrument which effects the qualifying acquisition or disposal and all other required information⁴³ to the Commissioner of Stamp Duties within 14 days after the date of execution of the instrument (if executed in Singapore) or 30 days after the date of receipt of the instrument in Singapore (if executed overseas). The ACD payable is calculated based on the market value of the VCC’s or sub-fund’s underlying residential properties at the time of the qualifying acquisition or disposal.

Stamp Duty on Cancellation and Issuance of Shares in a Non-Umbrella VCC or an Umbrella VCC

- 7.11 Share duty is not chargeable on general cancellation and issuance of shares by a non-umbrella VCC or an umbrella VCC, unless it is to effect a disposal of the shares by a transferor to a transferee. In the latter case, the cancellation of shares held by the transferor and the issuance of new shares in the non-umbrella VCC or umbrella VCC to the transferee will be treated as a transfer of shares under section 33 of the Stamp Duties Act (Cap. 312) and share duty will be charged accordingly.
- 7.12 If there is a disposal of shares effected in such manner, please submit the relevant documentation on the cancellation and issuance to the Commissioner of Stamp Duties within 14 days after the date of issuance of the shares.

⁴² Where the assets owned by the VCC or sub-funds are primarily prescribed immovable properties in Singapore and the acquisition/ disposal of shares is made by a person who is a significant owner of the property-holding entity or who becomes one after the acquisition. For more details, please refer to IRAS’ website for Stamp Duty on Property-Holding Entities.

⁴³ Please refer to IRAS e-tax Guide “Stamp Duty: Additional Conveyance Duties on Property-Holding Entities” for the list of information required to be submitted.

- 7.13 In the event that the non-umbrella VCC or umbrella VCC is a property-holding entity, the cancellation or issuance of shares of the non-umbrella VCC or umbrella VCC may also attract ACD if the transferor or transferee (as the case may be) is or becomes a significant owner (after taking into account the interests which their associates may own). However, if the Commissioner of Stamp Duties is of the opinion that the variation of capital results in changes in the holding of the equity interests which could not reasonably be prevented, ACD would not be charged on the cancellation or issuance of the shares. Such cases will be considered on a case-by-case basis.

8 Contact Information

- 8.1 For any enquiries or clarification on this e-Tax Guide, please call:

1800-356 8622 (Corporate Income Tax);

1800-356 8633 (Goods and Services Tax); or

1800-460 4923 (Stamp Duty).

Annex A – Notice under Section 60I / 60J of the Stamp Duties Act

Commissioner of Stamp Duties
55 Newton Road, Revenue House
Singapore 307987

**NOTICE UNDER SECTION 60I / 60J OF
THE STAMP DUTIES ACT**



This notification must be submitted to the Commissioner of Stamp Duties (“COSD”) within 14 days of the transaction. The COSD may request for further information.

Part A – Confirmation and particulars of the declarant	
Name of the umbrella Variable Capital Company (“VCC”)	
UEN-VCC number	
On behalf of the VCC, I confirm that the information declared in Part A to Part D are true and correct.	
Name of the authorised signatory:	Designation of the authorised signatory:
Signature of the authorised signatory:	Date: (DD/MM/YYYY)
Part B – Details of the transaction	
<i>Please tick the appropriate option and describe the transaction accordingly.</i>	
This is a transaction between:	
<input type="checkbox"/> The umbrella VCC and the sub-fund <input type="checkbox"/> Sub-funds of the same umbrella VCC	
Details of the chargeable assets involved:	
<input type="checkbox"/> Immovable properties in Singapore, please specify the address/land details: _____	
<input type="checkbox"/> Shares of a company, please specify the name of the company, class and number of shares: _____	
<input type="checkbox"/> Other assets, please specify: _____	
Date of transaction (DD/MM/YYYY): _____	
Description of the transaction:	
<i>Please provide a detailed description, including the consideration and market value, of the transaction (you may use a separate sheet of paper if necessary) and attach the supporting documents (if any) to this notice.</i>	
Part C – Details of the party from whom the asset is transacted	
<input type="checkbox"/> The umbrella VCC <input type="checkbox"/> The sub-fund	
Name	
ID Number	
Part D – Details of the party to whom the asset is transacted	
<input type="checkbox"/> The umbrella VCC <input type="checkbox"/> The sub-fund	
Name	
ID Number	