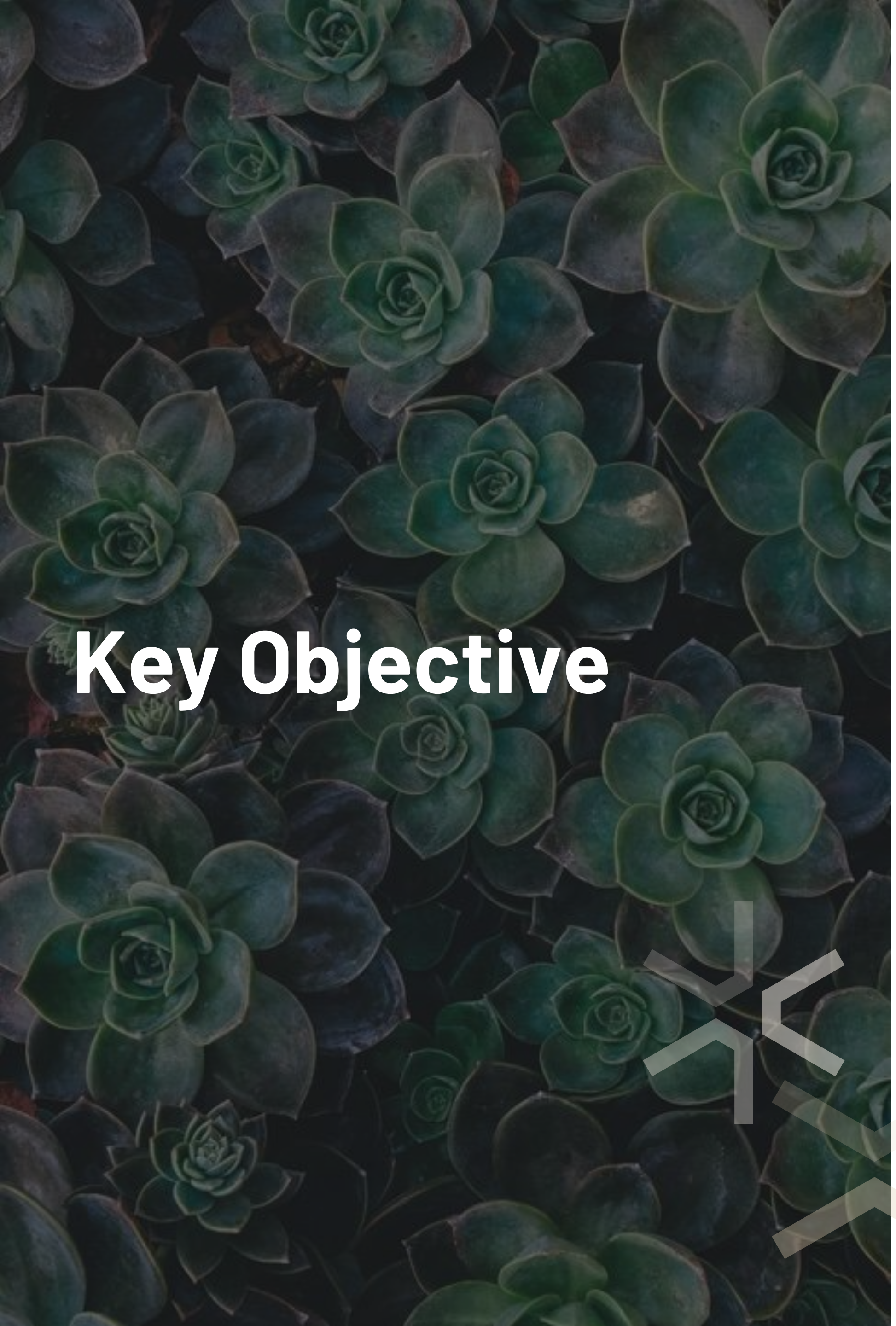
Australian Family Office/Ultra High Net Worth Presentation

Magic Bullet

42 Wealth Management

Key Objective



For an Australian UHNW investor, the primary goals when structuring wealth in Singapore include:

✅ Tax Efficiency – Minimizing global tax obligations while complying with Australian and Singaporean regulations.

✅ Asset Protection –Safeguarding wealth from potential legal claims or creditors.

✅ Investment Diversification – Access to global investment opportunities, including hedge funds, private equity, and real estate.

✅ Wealth Succession & Estate Planning – Structuring assets for seamless generational wealth transfer.

The Solution

The most effective structure combines a:

- Singapore Variable Capital Company (VCC)
- PPLI Private Placement Life Insurance
- Trust

Singapore Variable Capital Company

Why Use a VCC?

Tax Benefits: Qualifies for the 13O or 13U tax incentive, exempting certain foreign-sourced income from Singapore tax.

Investment Flexibility: Can hold multiple sub-funds for different asset classes (hedge funds, private equity, real estate, structured products).

No Capital Gains Tax in Singapore: Investments grow tax-free within the VCC.

Estate Planning: Allows for efficient wealth transfer through structured ownership.

VCC Cont'd...How to qualify for 13O and 13U

Tax Incentives for 13O (Onshore Fund)	Requirements: Minimum fund size of SGD 10 million.	Must employ at least 1 investment professional in Singapore.
13U (Enhanced Tier Fund)	Requirements: Minimum fund size of SGD 50 million.	No restriction on residency of fund manager.

VCC Table of Benefits

Key Benefits	Details
Tax Efficiency	Eligible for **13O/13U tax incentives**, exempting certain foreign-sourced income from Singapore tax.
Investment Diversification	Can hold **multiple sub-funds** with different investment strategies (hedge funds, real estate, private equity, etc.).
No Capital Gains Tax	Investment growth within the VCC is **tax-free in Singapore**.
Asset Protection & Confidentiality	Australian public registers require disclosure of foreign assets, but a VCC adds a **layer of privacy**.
Estate Planning Benefits	VCC shares can be transferred to heirs **without triggering Australian CGT** if structured correctly.

Private Placement Life Insurance (Portfolio Bonds)

Why Use PPLI?

Tax Deferral: Investment gains grow tax-free inside the policy, avoiding annual Australian tax reporting.

Bypasses CFC Rules: PPLI is an insurance product, which is generally **not classified as a CFC**.

Exempt from Australian Capital Gains Tax (CGT): If structured correctly, policy withdrawals can avoid CGT.

Asset Protection: Held within a regulated insurance framework, shielding from creditors.

PPLI (Portfolio Bonds) cont'd

How It Works with a VCC

The **PPLI policy holds shares in the VCC**, preventing direct ownership by the Australian investor.

Gains inside the **PPLI grow tax-free** until a payout event.

Upon death, the **insurance payout is tax efficient** for beneficiaries.

PPLI (Portfolio Bonds) Table of Benefits

Key Benefits	Details
Tax Deferral	Investment gains grow **tax-free** inside the policy, avoiding Australian annual tax reporting.
Bypasses CFC Rules	PPLI is classified as an **insurance product, not an investment**, so it avoids **Australian Controlled Foreign Corporation (CFC) taxation**.
No Australian CGT on Investments Inside PPLI	If structured correctly, **policy withdrawals after 10 years are tax-free**.
Asset Protection	Held within an insurance framework, shielding assets from **creditors and legal claims**.
Confidentiality	Policy ownership details are **not publicly disclosed**.

Singapore Trust

Why Use a Trust?

Wealth Succession: Ensures smooth intergenerational transfer without probate.

Additional Tax Protection: The trust structure helps separate legal ownership from the Australian investor.

Confidentiality: Trust deeds are private and not subject to public disclosure.

Asset Protection: Shields assets from potential legal claims and ensures wealth continuity.

Trust Table of Benefits

Key Benefits	Details
Wealth Succession Planning	Ensures structured, **multi-generational wealth transfer**.
Legal Ownership Separation	Helps **mitigate personal tax liability** by ensuring assets are legally held by the trust.
Confidentiality & Asset Protection	Trust structures are **private** and shield assets from litigation risks.
Avoids Probate & Estate Complications	Allows for smooth wealth transfer without triggering **Australian CGT on inheritance**.

How it works

How It Works with PPLI & VCC

The trust owns the PPLI policy, ensuring estate planning benefits.

The PPLI policy holds the VCC, ensuring tax efficiency and asset growth.

Additional considerations for Australian Tax Compliance

✅ **Avoiding Australian Controlled Foreign Company (CFC) Rules**

- If the VCC is classified as a **CFC**, Australian tax may apply on undistributed income.
- **Solution:** The VCC should hold active business investments and be owned through a PPLI policy, which is **not typically considered a CFC**.

✅ **Portfolio Bonds & 10-Year Tax-Free Rule**

- If the PPLI policy qualifies as a **Portfolio Bond**, it can benefit from Australia's **10-year tax-free rule**:
  - **Hold for 10 years** → **Withdrawals are tax-free**.
  - **Withdraw before 10 years** → A portion of the gain may be taxable.

✅ **Australian Tax Residency Considerations**

- If the investor becomes a **non-resident**, foreign investment income may not be taxed in Australia.
- **Solution:** Structuring assets within a VCC + PPLI ensures tax efficiency, whether resident or non-resident.

✅ **Common Reporting Standard (CRS) Implications**

- While **Singapore follows CRS**, **PPLI may not be reportable** as it is classified as an insurance product, not a financial account.

All the Potential Tax savings...

Tax Category	Australia (Without Structure)	With Singapore VCC + PPLI + Trust	Potential Tax Savings
Personal Income Tax	**Up to 45%** on worldwide income	**PPLI defers taxation**—no annual tax on investment growth	**Up to 45% tax deferral**
Capital Gains Tax (CGT)	**Up to 45% (plus Medicare levy)**	**No CGT inside PPLI and VCC**	**Up to 45% saved**
Dividend Tax	**Up to 47% (incl. Medicare levy) on foreign dividends**	**VCC dividends reinvested tax-free; PPLI withdrawals may be tax-efficient**	**Up to 47% saved**
Controlled Foreign Company (CFC) Rules	Tax on undistributed foreign profits of offshore companies	**PPLI is an insurance product, typically exempt from CFC rules**	**Full CFC tax mitigation**
Foreign Income Tax	Foreign-sourced investment income taxable in Australia	**VCC's 13O/13U exemption means no tax in Singapore**	**Full mitigation of foreign investment tax**
Portfolio Bond & 10-Year Rule	Gains taxed at marginal rate if withdrawn early	**After 10 years, withdrawals are tax-free**	**100% tax-free after 10 years**
Estate/Inheritance Tax	No formal inheritance tax, but CGT applies to inherited assets	**Trust ensures tax-efficient generational wealth transfer**	**CGT mitigation through trust structuring**
Common Reporting Standard (CRS) Implications	Full reporting of foreign assets required	**PPLI may reduce CRS reporting obligations**	**Confidentiality & compliance benefits**

Summary of the tax saving potential

✅ Up to 45% tax deferral on investment income

✅ Up to 45% capital gains tax savings

✅ Up to 47% dividend tax savings

✅ 100% tax-free withdrawals after 10 years (PPLI portfolio bond rule)

✅ Complete estate planning efficiency through a trust

✅ Avoids CFC implications for Australian tax residents

Conclusion: Best Structure for an Australian UHNW Investor

Component	Purpose
Singapore VCC	Tax-efficient investment holding structure with 13O/13U exemptions
PPLI	Tax deferral, CFC mitigation, and estate planning.
Singapore Trust	Wealth succession and asset protection

By utilizing **a Singapore VCC combined with PPLI and a Trust**, an Australian UHNW investor can **achieve tax deferral, avoid CFC implications, and optimize intergenerational wealth planning** while remaining compliant with Australian and Singaporean tax laws.

Risk & Regulatory Warning

- Disclaimer and confidentiality For accredited investors in Singapore only.

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