

Singapore Variable Capital Company (VCC)

UK Presentation

What is a Singapore Variable Capital Company (VCC)?

- As a business-friendly country, Singapore has one of the most stable economies in the world. Setting up a VCC in Singapore provides a level of stability that can be difficult to find elsewhere across the globe.
- Singapore's infrastructure provides a stable and transparent hub by which wealth managers can safely do business in Singapore's open economy.
- Singapore designed the Variable Capital Company (VCC) framework to enhance its position as a global asset management hub. The VCC structure, introduced in 2020, provides fund managers with a more flexible and efficient vehicle for investment funds. The key reasons for designing the VCC include:

1. Attracting Fund Managers/ Family Offices to Singapore

- The VCC provides a legally flexible fund structure that can be used for both open-ended and closed-ended funds, making it ideal for family offices, hedge funds, PE funds, VC funds, and REITs.
- It allows fund managers to redomicile foreign investment funds to Singapore, making it easier for global investors to operate from the country.

What is a Singapore Variable Capital Company (VCC)?

- **2. Greater Operational Flexibility**

- Unlike traditional companies, a VCC can issue and redeem shares without the need for shareholder approval.
- It allows for dividends to be paid from capital instead of only from profits, providing greater flexibility in fund distribution.

- **3. Enhanced Tax Efficiency - Access to Singapore's Double Tax Agreements (DTAs)**

- Unlike offshore structures (e.g. Cayman funds), VCC's can benefit from Singapore's comprehensive DTA network
- Reduces withholding tax rates on dividends, interest and royalties from treaty countries like the UK, Australia, New Zealand, China and India
- No Capital Gains Tax (CGT) in Singapore

- **4. Segregated Sub-Fund Structure**

- A VCC can be set up as an umbrella structure with multiple sub-funds that have separate assets and liabilities.
- This allows fund managers to run multiple strategies within a single legal entity while ensuring asset protection between sub-funds.

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- **5. Strengthening Singapore's Fund Ecosystem**

- The VCC aligns Singapore's fund structures with international standards, making it competitive with jurisdictions like Luxembourg (SICAV) and Cayman Islands.
- It complements existing fund structures and attracts family offices, hedge funds, and private equity firms.
- By introducing the VCC, Singapore has positioned itself as a preferred jurisdiction for global fund managers and family offices improving its competitiveness in the international asset management industry. The VCC structure offers efficiency, flexibility, and tax benefits, making it a key pillar in Singapore's financial sector growth.
- A Singapore VCC structured under the Section 130 or 13U tax exemptions is one of the most efficient vehicles for international investment. It provides tax neutrality, capital efficiency, and access to Double Tax Agreements, making it ideal for fund managers and institutional investors

How to qualify for 130 and 13U



Tax Incentives for
130 (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.

Key Provisions of the Singapore-UK Double Tax Agreement



Type of Income	UK Standard Tax Rate	Tax Rate under Singapore-UK DTAA
Dividends	0% (UK does not impose withholding tax)	0%
Interest	20%	10%
Royalties	20%	8%






Key Provisions of the Singapore-UK DTA (Cont'd)



- The UK does not tax non-residents on capital gains, except for UK real estate or property-rich companies. Singapore also does not impose capital gains tax, making a Singapore VCC an efficient tax-neutral investment vehicle for UK investments.
- A Singapore VCC with no Permanent Establishment (PE) in the UK is not taxed on business profits in the UK. This is crucial for UK fund managers managing global investments without a physical presence in the UK.

VCC Benefits



-  Fund tax exemptions (130 & 13U) for tax-free investment income.
-  Tax treaty benefits for reduced withholding tax on UK interest & royalties.
-  No UK withholding tax on dividends. No capital gains tax on non-real estate investments.
-  Flexible structuring options with multiple sub-funds for different asset classes.
-  Regulatory credibility compared to offshore structures like Cayman funds.

VCC Benefits

Key Benefit	Impact for UK Fund Manager
Tax Treaty Access	Lower withholding taxes on UK interest and royalties
No UK Dividend Withholding Tax	Tax-free receipt of UK dividends
No Capital Gains Tax	Tax-free exit on UK stocks, bonds, and private equity
Fund Tax Exemptions (130/13U)	Tax-free growth of investment income in Singapore
Flexible Structure	VCC allows multiple sub-funds for different investment strategies
Regulatory Credibility	More attractive than offshore jurisdictions like Cayman

Singapore VCC vs Other Fund Structures for UK Investments

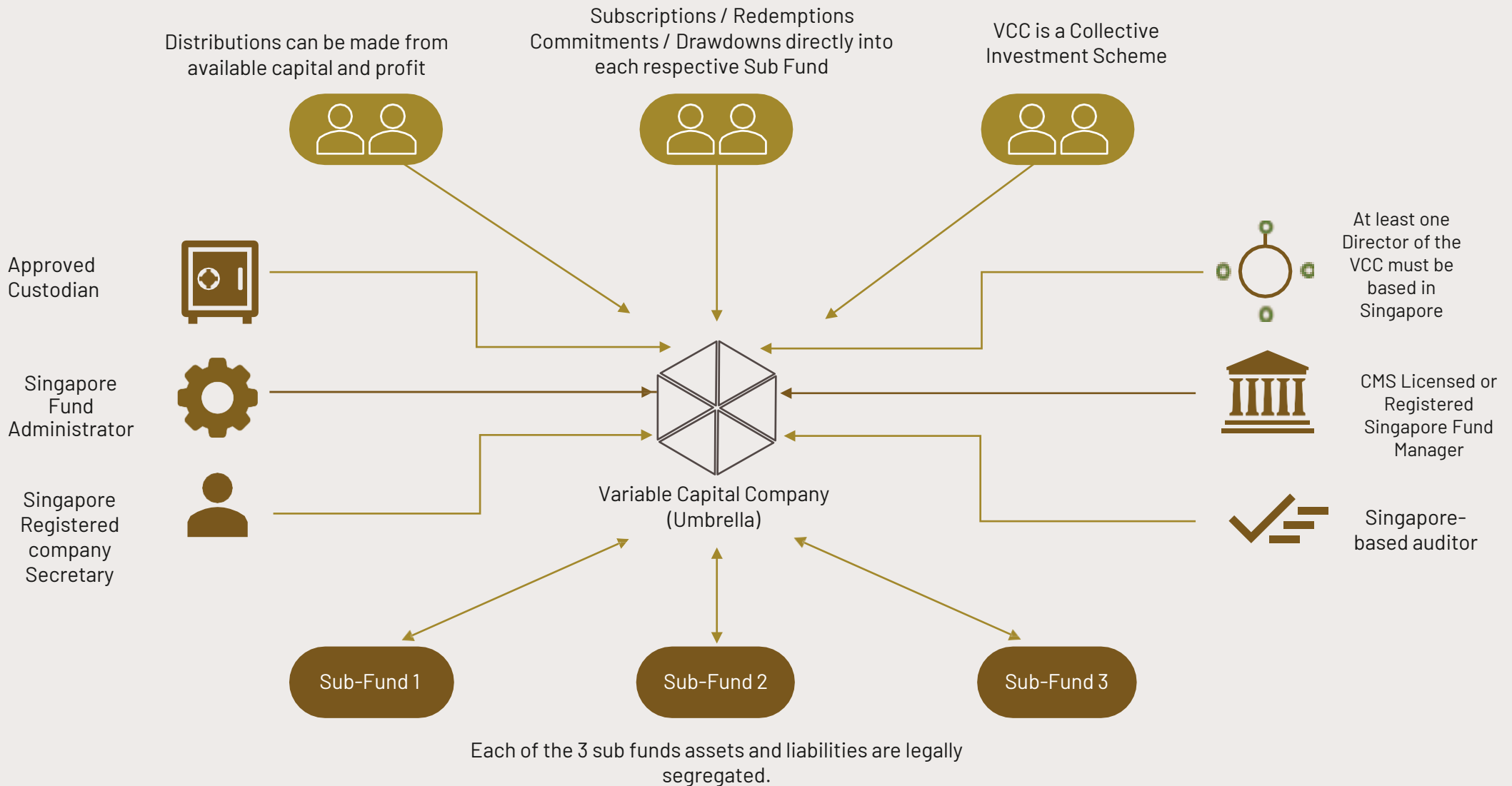


Fund Structure	Access to DTAA	Tax on Dividends	Capital Gains Tax in UK	Ideal Use Case
Singapore VCC	✓ Yes	✗ No withholding tax	✗ No CGT on non-real estate	Hedge funds, PE, VC, family offices
Cayman Fund	✗ No	✗ No withholding tax	✗ No CGT	Offshore hedge funds, global investment
Luxembourg Fund (SICAV, RAIF, SCSp)	✓ Yes	✗ No withholding tax	✗ No CGT	EU-focused funds

A Singapore VCC is a strong alternative to Cayman and Luxembourg funds, offering:

- Tax treaty access (unlike Cayman)
- Better regulatory credibility than offshore jurisdictions
- Fund tax exemptions, making it ideal for institutional investors

Overview of a Typical VCC



Why use 42 Wealth Management

- 42WM is licenced by the Monetary Authority of Singapore to manage VCC's which is a regulatory requirement for VCC's under the Securities and Futures Act 2001.
- This licence reflects the depth and strength of the 42WM experience and expertise in Singapore. Your team will be:
- David Agar - Matthew Dabbs - Stephen Moseley
- This is the 42WM core team in Singapore responsible for the execution of all service in connection with the VCC
- Steven Hollis - Steve is our Global Chair and is included into the team where global insight/input is required
- We provide you with the Infrastructure, Staff, Licencing, Directors and Certificate of Residence if required.



What 42 Wealth Management offers at set up

- **Organising and selecting your:**

1. Corporate Lawyer
2. Accountant and or Auditor
3. Fund Administrator
4. Bank and bank accounts
5. Fund custodian
6. Tax consultants
7. Corporate adviser

- **Preparation of your:**

1. Articles of association
2. Private Placement Memorandum (PPM)
3. Subscription agreement
4. Investment Management agreement (IMA)
5. Fund administration services
6. Directors and shareholders resolutions
7. Communications with the MAS and IRAS for compliance and tax reporting
8. Board meetings



Strategic & Macro Advisor

Expertise in public and private markets, specialist asset class research, third-party due diligence.



Investment Management

We become your global investment partner providing dedicated investment resources like; CIO to Portfolio Manager to Investment Analyst.



Sustainability & Impact

Sustainable + Impact investing capabilities, and portfolio reporting.



Connectivity

Global intelligence and reach, with a buy side perspective. Access to our global investor network.

42 Wealth Management ongoing services for your VCC

- The ongoing fees include:
 - Fund operation
 - Director fees and salaries
 - Annual fund Audit & Accounting fees
 - Fund administration and quarterly reporting
 - Compliance fees
 - All necessary fund reporting to The Monetary Authority of Singapore & The Inland Revenue Authority of Singapore
- Provision of management service with necessary capital market license under MAS
- Dealing with all third-party service providers and co ordinating for regulatory submissions etc.

Appendix

- Why Structure a VCC in Singapore
- Why Singapore?
- Disclaimer



Singapore VCC Fund

WHY STRUCTURE A VCC IN SINGAPORE ?

Clear Laws & Regulations

- OECD / FATF based AML & Compliance with a highly professional workforce & advanced Fund Management industry
- No foreign exchange controls

Singapore Substance & Tax Residency

- VCC ensures Singapore residency for investments via IM's active management & control of investments, compliance, reporting & oversight
- FMC license fully aligned with POEM, ESR, LOB, PPT, CFC tests and mostly services providers used

Developed Capital Markets & Monetary Policy

- Key financial center of Asia & global renowned for its depth & breadth of financial markets
- Industry leading Asset Management infrastructure ranked #1 for "ease of business"; VCC is a 21st century CIS structure more efficient than offshore vehicles

DTA Network, Withholding & Tax Credits

- Largest DTA network with preferential treatment of monetary flows, substantially reduced withholding rates and quick tax certifications
- Look thru to shareholders for tax purposes permitted as VCC legal status is CIS/Fund with Gains only from investments activity

Deep Integration with Asian economies

- Gateway to ASEAN, China and India for trade and investment flows with reliable execution
- Most advanced of Southern Asian economies with minimal capital/investment restrictions

Capital Gains, Dividends & Tax Exemptions

- NO capital gains tax or dividend withholding tax (CIS), with tax credits for such within DTA network; offsets Singapore tax dues
- Interest income taxed at 17%; your VCC gets income tax exemption & clear qualification requirements

Why Singapore?

Singapore is one of the world's leading financial centres, consistently ranked among the top financial hubs alongside New York, London, and Hong Kong. Several factors contribute to its strong position:

- **1. Strong Regulatory Framework:** Monetary Authority of Singapore (MAS) ensures a stable, transparent, and well-regulated financial system. Stringent anti-money laundering (AML) and counter-terrorism financing (CTF) laws boost investor confidence. Business-friendly policies attract banks, asset managers, and fintech firms.
- **2. Strategic Location & Connectivity:** In Southeast Asia, Singapore serves as a gateway to Asia's growing markets, including China, India, and ASEAN nations. Well-connected by air and digital infrastructure, making it ideal for global financial operations.
- **3. Strong Banking & Asset Management Sector:** Home to major global and regional banks, including DBS, UOB, OCBC, JPMorgan, Citibank, HSBC, and more. One of the largest foreign exchange (forex) trading centres globally. Thriving wealth management and family office sector, attracting high-net-worth individuals.
- **4. Tax & Business Incentives:** Competitive corporate tax rates (17%) and various tax incentives for financial services and fund management. The Variable Capital Company (VCC) structure enhances Singapore's attractiveness as a fund domicile.



Why Singapore?



- **5. Fintech & Innovation Hub:** A global leader in fintech, blockchain, and digital banking innovation. Government actively supports digital payments, cryptocurrency regulations, and green finance. Hosts major fintech events like Singapore Fintech Festival (SFF).
- **6. Political Stability & Rule of Law:** Singapore ranks high in ease of doing business and political stability. A strong legal system protects investors and enforces contracts efficiently.
- **7. Deep Capital Markets:** Well-developed stock exchange (SGX) and bond markets. Growing green finance and ESG (Environmental, Social, Governance) investments.
- **Singapore is one of the best financial centres in the world, offering stability, innovation, and global connectivity. Its business-friendly environment, strong regulatory framework, and strategic location make it an attractive hub for financial services, wealth management, and fintech innovation.**

Risk & Regulatory Warning



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