

## ANNEX A – DETAILS OF TAX TREATMENT FOR VCC

### Amendments to the ITA

S/N.	Clause in the Bill	Legislative Change	Brief Description of Legislative Change
1	9,11	A VCC will be treated as a company and a single entity for tax purposes, subject to such modifications and rules made under the ITA	<p>Subject to such modifications and rules made under the ITA, a reference to a company in the ITA and the relevant subsidiary legislation will include a VCC. For instance:</p> <ul style="list-style-type: none"> <li>(a) A single CIT return will be filed by the umbrella VCC regardless of the number of its sub-funds.</li> <li>(b) Tax incentives under sections 13R and 13X of the ITA will be extended to VCCs. These tax incentives will be granted at the VCC level regardless of whether it is set up as a standalone VCC (with no sub-funds), or as an umbrella VCC (with sub-funds).</li> <li>(c) The chargeable income of an umbrella VCC will be the total of the chargeable income of each sub-fund.</li> <li>(d) Partial Tax Exemption and Start-Up Tax Exemption (“SUTE”) will be applied once at the umbrella level, regardless of the number of sub-funds the umbrella VCC may have. Subject to conditions, a VCC will enjoy the SUTE for its first three years of assessment (“YAs”). In the case of an umbrella VCC, the first</li> </ul>

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			<p>three YAs are determined with reference to its date of incorporation and not the date of registration of its sub-funds.</p> <p>(e) Tax residence will be determined at the umbrella level of VCC.</p>
2	11	Specific exclusions for VCCs	VCCs will be excluded from the schemes listed in <b>Annex B</b> .
3	10,11	Application of CIT rules at the sub-fund level for umbrella VCCs	<p>In recognition of the segregation of assets and liabilities between sub-funds, the following treatment will apply at the sub-fund level:</p> <p>(a) Deductions and allowances will be applied at the sub-fund level for determination of each sub-fund’s chargeable or exempt income;</p> <p>(b) Where applicable, unutilised capital allowances, trade losses and donations (hereinafter referred to as “tax losses”) will be applied and kept to each sub-fund to be (1) carried forward for utilisation against future year’s taxable profits of that sub-fund, or (2) carried back for utilisation against the immediate preceding year’s taxable income of that sub-fund;</p> <p>(c) The shareholding test and where applicable, the same trade test for the purpose of the carry-forward / carry-back of tax losses will be applied at the sub-fund level<sup>1</sup>;</p>

<sup>1</sup> Shareholding of each sub-fund will be determined separately based on the shareholders of the umbrella VCC in respect of that sub-fund.

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			<p>(d) Foreign tax credits will be allowed at the lower of the Singapore tax attributable to the sub-fund, or the foreign tax paid by the umbrella VCC on behalf of that sub-fund; and</p> <p>(e) The amount of any corporate income tax attributable to any part of the chargeable income of an umbrella VCC that is income of a sub-fund, and any interest or penalty imposed, is considered liability incurred by the umbrella VCC on behalf of the sub-fund. This is for the purpose of section 29(1) of the Variable Capital Companies Act 2018, with the effect that the tax attributable to the income of a sub-fund would be discharged solely out of the assets of that sub-fund, including in the winding up of the sub-fund.</p> <p>If the fine or penalty cannot be attributable to any sub-fund, the liability incurred by the VCC will be considered as incurred on behalf of all of its sub-funds. Hence, under section 29(3) of the Variable Capital Companies Act 2018, the umbrella VCC may allocate this liability between its sub-funds in a manner that it considers fair to shareholders.</p> <p>In addition, as each sub-fund can have different sets of investors and investment objectives, the existing CIT rules will be applied at the sub-fund level:</p> <p>(a) Tax exemption of gains or profits from disposal of ordinary shares under section 13Z of the ITA; and</p>

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			(b) References to “related party” for the purposes of transfer pricing rules and issuance of qualifying debt securities.
4	11,12	Re-domiciliation of VCCs	The tax framework for re-domiciliation of companies into Singapore will, with necessary modifications, be extended to the re-domiciliation of VCCs.

## Amendments to the GSTA

S/N	Clause in the Bill	Legislative Change	Brief Description of Legislative Change
1	2-4, 6	Application of GST at the sub-fund level	<p>GST registration, accounting and reporting will be performed separately by the umbrella VCC on behalf of the respective sub-funds (herein referred to as “sub-fund”).</p> <p>Each sub-fund is required to assess its GST registration liability based on the value of taxable supplies made, and if GST-registered, is required to charge and account for GST on taxable supplies made. GST-registered sub-funds are also required to file separate GST returns.</p>
2	4, 6-8	Taxability of transactions made by the sub-fund	<p>Existing GST rules apply to supplies made by a GST-registered sub-fund to its customers, including to other sub-funds under the same umbrella VCC. The sub-fund is required to charge and account for GST on taxable supplies made.</p> <p>Existing deeming rules to require GST to be accounted for when business assets are given away for free or put to non-business use will apply to the sub-fund as well. This prevents GST-free consumption of goods and services.</p>
3	4	Input tax claims	<p>The GST-registered sub-fund is able to claim input tax incurred on its purchases, based on existing input tax recovery and attribution rules.</p> <p>In general, GST on purchases attributable to the making of taxable supplies is claimable in full, GST on purchases attributable to the making of exempt supplies is not claimable, while residual GST is apportioned based on a standard apportionment formula.</p>

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4	4	GST collection and enforcement	<p>The collection and enforcement of GST will be conducted at the sub-fund level based on the GST returns filed by the respective GST-registered sub-funds.</p> <p>The segregation of assets and liabilities between sub-funds under the VCC is respected. The assets of a sub-fund will <b>not</b> be used to discharge the liabilities of other sub-funds, even in the event of winding-up of a sub-fund.</p>

## Amendments to the SDA

S/N	Clause in the Bill	Legislative Change	Brief Description of Legislative Change
1	14, 15	Application of stamp duty at the sub-fund level	Stamp duty treatment will be applied at the sub-fund level in view of the segregation of assets and liabilities of sub-funds within an umbrella VCC.
2	15	Application of the Additional Conveyance Duty (ACD) for VCCs	The following assessment with respect to the application of ACD will be made at the sub-fund level: <ul style="list-style-type: none"> <li>a) whether an entity is a Property Holding Entity. This determines whether the investors of the sub-fund will be subject to the ACD.</li> <li>b) whether an entity is an associate of a significant owner in a Property Holding Entity.</li> <li>c) whether certain instruments effecting certain arrangements (e.g. cancellation or redemption of equity interests) should be regarded as conveyances liable for the ACD.</li> </ul>
3	15, 16	Application of stamp duty for distribution in specie in connection with the	Stamp duty is applicable when a sub-fund liquidates and distributes its assets <i>in specie</i> to its shareholders. This is in line with the prevailing stamp duty treatment for the distribution of assets when a company liquidates.

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		liquidation of sub-funds	
4	13	Application of stamp duty on transfer of shares in VCCs	Stamp duty is applicable when investors/shareholders of VCCs transfer shares in the VCCs. This is in line with the prevailing stamp duty treatment where stamp duty is applied on transfers of shares in companies.