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## Singapore's Variable Capital Company (VCC)

### Asia's Gateway Fund Vehicle for Global Asset Managers

Singapore offers a robust landscape for fund structuring, with popular vehicles including limited partnerships, private limited companies, and unit trusts, each catering to varied investor needs and regulatory requirements.

In 2020, Singapore launched the Variable Capital Company ("VCC") regime—a dedicated, flexible corporate structure designed exclusively for investment funds.

The VCC allows for features such as open- or closed-ended strategies, the ring-fencing of sub-funds under an umbrella entity, and capital flexibility with easy share issuance and redemption. Its confidentiality, operational efficiency, and adaptability have made it attractive for fund managers and investors. The VCC was introduced to close competitive gaps with offshore jurisdictions, boost Singapore's status as a global fund hub, and provide a more modern, purpose-built platform for traditional and alternative funds based and operating in the city-state.

Since its introduction in January 2020, more than **1,200 VCCs** have been launched, managed by about 600 regulated financial institutions – a signal of rapid institutional acceptance and strong regulatory support.

For Luxembourg-based fund managers and service providers, the VCC opens strategic opportunities:

- **Bridge between Europe and Asia:** The VCC enables **efficient master-feeder structures** and **cross-border fund platforms** with access to Asian capital and markets.
- **Structuring edge in alternatives:** PE, VC, private debt and infrastructure strategies benefit from the VCC's **tax neutrality, confidentiality** and **segregated sub-fund regime**.
- **Complement to Luxembourg Funds:** VCCs can be positioned as **Asian feeder or co-investment funds**, enhancing global product shelf architecture without

replacing existing Luxembourg vehicles.

- **Redomiciliation of foreign funds:** Singapore allows foreign investment entities, such as the Luxembourg SICAVs, to re-domicile into Singapore as VCCs without liquidation, preserving legal continuity and operational track record.

### Legal and Regulatory Aspects

VCCs are governed by the Variable Capital Companies Act 2018, supervised by the Monetary Authority of Singapore ("MAS") and may be set up as **standalone funds** or **umbrella structures** with **segregated sub-funds** and ring-fenced liabilities. There are no public investor registers, and no public financials. The VCC requires the appointment of an **MAS-regulated fund manager** and at least one **Singapore-resident director**.

#### New regulatory focus areas (MAS Circular IID 04/2025):

- VCCs must demonstrate genuine Collective Investment Scheme activity – they cannot be used as passive wrappers for existing assets.
- Enhanced scrutiny on **custody arrangements**, AML/CFT compliance, and substantive fund management. VCC managers must **actively engage in portfolio construction**, due diligence, investment analysis and risk management.
- Managers must ensure that all individuals engaging in regulated activities are **licensed representatives** of the VCC's manager.

### Tax and Regulatory Incentives

Singapore's VCC regime is designed to offer a globally competitive fund domicile, with tax neutrality and operational efficiency at its core. For asset managers and service providers, the VCC provides clear advantages:

- **Fund tax exemptions:** VCCs benefit from Singapore's fund

tax incentive schemes. These provide tax exemptions on qualifying income from designated investments. A qualifying VCC pays no Singapore corporate tax on its investment income or gains.

- **Access to Singapore's tax treaty network:** As a Singapore tax resident VCCs can access the extensive network of Double Taxation Agreements (with over 100 countries).
- **No withholding tax on distributions:** Singapore does not impose withholding tax on dividends or fund distributions.
- **GST relief on fund management:** Qualifying VCCs enjoy a Goods and Services Tax remission on expenses such as fund management fees.



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