The variable capital company

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The Variable Capital Companies Act 2018 came into force on 14 January 2020 and gave Singapore a fund vehicle built for the purpose. It offers variable capital, the ability to pay dividends out of capital, segregated sub-funds under an umbrella and a register of shareholders that is not public.[1] A VCC must be managed by a "permissible fund manager". That means a holder of a capital markets services licence for fund management or a person exempt from licensing under the Securities and Futures Act as a financial institution. Until that category was abolished on 1 August 2024, a registered fund management company also qualified.[2] A VCC is a company for income tax purposes and is treated as a single taxpayer even when it has several sub-funds, so that the section 13O or 13U award is made at the umbrella level and applies to every sub-fund.

For digital assets the VCC's first advantage is the segregation of sub-funds, which allows a manager to run a tokenised-securities sub-fund and a direct-token sub-fund under one umbrella with separate asset pools and separate creditors. Its second advantage is the ability to issue shares that are themselves tokenised. Several Singapore managers have issued VCC shares as ledger-based instruments on

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permissioned chains under Project Guardian pilots (see Part K, Chapter VII). The VCC Grant Scheme that defrayed set-up costs ran until 15 January 2025 and has not been renewed, so the cost of a VCC is now borne in full by the sponsor.[3]

Example

A Singapore licensed fund manager establishes an umbrella VCC with two sub-funds. Sub-fund A holds tokenised money-market fund units, tokenised bonds and listed Bitcoin ETPs with S$ 55 million under management. Sub-fund B holds Ether, Solana and liquid-staking tokens with S$ 30 million. The VCC applies for section 13U. Its designated investments are S$ 55 million, so it passes the S$ 50 million test on the strength of Sub-fund A alone. Sub-fund A's income is exempt. Sub-fund B's trading gains and staking rewards are income from non-designated investments and are taxed at 17 per cent at the VCC level, after deduction of Sub-fund B's share of expenses. The manager prices Sub-fund B's fee to absorb the tax. Investors in Sub-fund A receive distributions free of Singapore tax in their hands, because a VCC's dividends are exempt one-tier dividends.

Notes

1. Variable Capital Companies Act 2018, ss. 2, 20–35 (umbrella VCCs and sub-funds), in force 14 January 2020; Variable Capital Companies Regulations 2020. ↩
2. Variable Capital Companies Act 2018, s. 46 (permissible fund manager); MAS, repeal of the registered fund management company regime with effect from 1 August 2024 and transition of existing RFMCs to licensed fund management company status for accredited and institutional investors. ↩
3. MAS, Variable Capital Companies Grant Scheme, terms and expiry on 15 January 2025. ↩

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