The Variable Capital Company

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Why Singapore needed a new vehicle

By 2017 Singapore had become one of the leading centres for the management of funds in Asia, yet its asset managers domiciled many of their funds elsewhere. Moving the second reading of the Variable Capital Companies Bill on 1 October 2018, the Second Minister for Finance, Indranee Rajah, noted that a substantial proportion of the funds managed from Singapore were domiciled in Luxembourg and the Cayman Islands because of their flexible corporate structures. Singapore's assets under management had grown by an average of 15 per cent a year over five years to S$3.3 trillion at the end of 2017, with almost 70 per cent invested in the Asia-Pacific region. The Bill was intended to capture more of the value chain, in particular fund domiciliation and fund servicing. MAS estimated that the framework could create more than 1,000 jobs for service providers in its first two years.[1]

The logic was simple. Fund management generated fees for portfolio managers, whereas the domicile of the fund generated work for administrators, custodians, auditors, lawyers and directors. A Singapore manager running a Cayman fund created that second set of jobs in the Caribbean. The minister drew on comparable corporate fund structures in Ireland, Luxembourg and the United Kingdom, which

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had shown how a domestic vehicle could keep the whole chain in one place. MAS and the Accounting and Corporate Regulatory Authority (ACRA) launched the new framework in January 2020.[2]

The structure

A VCC can be a standalone fund or an umbrella fund with several sub-funds that share a board of directors and service providers. The assets and liabilities of each sub-fund are segregated from those of the others, with each sub-fund wound up separately on insolvency. An umbrella VCC therefore allows a manager to launch new strategies without forming new companies, while investors in one sub-fund are protected against losses in another.

The capital of a VCC is variable, as its name indicates. The company can issue and redeem shares without the approval of its investors and can pay dividends out of capital. It can be open-ended or closed-ended, which makes it suitable for traditional funds as well as for private equity, venture capital, real estate and private credit strategies. Its register of members is closed to the public, although it must be disclosed to the authorities on request.[3] These features answer needs that the ordinary company under the Companies Act could not meet, since it is bound by strict rules on capital maintenance and share buy-backs.

The private register combines privacy with transparency towards the authorities in a way that resembles the position of trusts. This explains why the VCC also appeals to families, who can hold their investments in a fund vehicle whose investors remain invisible to competitors and the press. For a family, the umbrella structure has a further advantage. Different branches of the family or different investment strategies can be placed in separate sub-funds with segregated assets under one board.

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Governance and supervision

Every VCC must appoint a fund manager regulated by MAS. A VCC offered to retail investors needs at least three directors, one of whom must be independent. All VCCs are subject to the requirements against money laundering and the financing of terrorism.[4] The requirement of a regulated manager links the vehicle to the licensing regime for fund managers described in Chapter V of this Part. It also means that the VCC cannot serve as a simple private holding company, because someone with a licence or an exemption from MAS must manage it.

For single family offices, the requirement is met by a family office that is exempt from licensing under the Securities and Futures Act. The MAS circular on fund tax incentives treats funds managed by such exempt single family offices as a separate category with conditions of their own.[5] Chapter III of this Part explains the conditions attached to that exemption and the scrutiny that followed the money laundering case of 2023.

Re-domiciliation

A foreign corporate fund can move to Singapore as a VCC without being wound up. ACRA's procedure requires a certified constitution from the home jurisdiction, a proposed Singapore constitution and a declaration by the directors. Within 60 days of re-domiciliation, the fund must submit proof that it has been deregistered in its former jurisdiction, failing which ACRA may cancel its Singapore registration. The fee is S$9,000, plus S$400 for each sub-fund of an umbrella structure, while the existing obligations, liabilities, property and rights of the fund remain unchanged.[6] The procedure was designed for managers who wished to bring their Cayman or British Virgin Islands funds home without disturbing their investors.

Tax treatment

For tax purposes a VCC is treated as a company. It can apply for the exemption under section 13O of the Income Tax Act 1947, which covers approved funds that are companies incorporated and resident in Singapore, while section 13U covers

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larger stand-alone funds and approved master-feeder structures. An umbrella VCC is treated as one entity for these incentives, so that the economic conditions are measured across all its sub-funds and the addition of a new sub-fund does not create a new award. The schemes exempt specified income from designated investments for the life of the fund, provided the conditions are met each year. They remain open to new awards until 31 December 2029, before which the government will review them. For section 13O funds that are not family office funds, the circular of July 2026 requires at least S$5 million of assets in designated investments at the point of application and a Singapore manager employing at least two qualifying investment professionals. Section 13U sets the bar at S$50 million and three professionals.[7]

The same circular removed the earlier condition of an annual minimum of assets under management for these funds, with retroactive effect from 1 January 2025. The change reflects a shift in policy. MAS now measures the contribution of a fund by the investment professionals it employs and the money it spends in Singapore, which ties the incentive to the substance requirements that also govern holding companies.

Uptake

The VCC has become the default domestic fund vehicle. By 31 December 2025, 1,406 VCCs had been incorporated or re-domiciled in Singapore, comprising 3,443 sub-funds and managed by more than half of the regulated fund management companies.[8] The vehicle is used for private equity and venture capital funds, hedge funds, real estate funds and the investment portfolios of family offices. MAS supported its early years with a grant scheme that co-funded the legal and administrative costs of setting up a VCC.[9]

The growth of the VCC accompanies the growth of the asset management industry as a whole. Singapore's assets under management rose by 10 per cent in 2025 to S$6.7 trillion, of which 76 per cent was sourced from outside Singapore, while the number of licensed fund management companies reached 1,320.[10] The VCC has

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nevertheless left the offshore fund in place. Many managers still use Cayman vehicles for investors from the United States and elsewhere who are familiar with them, reserving the VCC for Asian investors and for the portfolios of families.

Other fund vehicles

The VCC is one of several Singapore fund vehicles. Unit trusts governed by Singapore law remain the standard vehicle for retail funds and real estate investment trusts, while business trusts under the Business Trusts Act 2004 are used for infrastructure and shipping assets.[11] Limited partnerships registered under the Limited Partnerships Act 2008 are common for private equity and venture capital funds. Since 1 January 2025, section 13OA of the Income Tax Act has extended the section 13O exemption to them.[12] The choice among these vehicles depends on the investors, the strategy and the jurisdictions in which the fund will be marketed.

Notes

1. MAS, "Variable Capital Companies Bill 2018", second reading speech by Indranee Rajah, Second Minister for Finance, 1 October 2018, mas.gov.sg, accessed November 2026: domicile of funds in Luxembourg and the Cayman Islands; average annual AUM growth of 15 per cent over five years to S$3.3 trillion at the end of 2017; almost 70 per cent invested in the Asia-Pacific region; aim to capture fund domiciliation and fund servicing; more than 1,000 new jobs expected in the first two years; reference to comparable structures in Ireland, Luxembourg and the United Kingdom. ↩
2. MAS, "Asset Management", mas.gov.sg, accessed November 2026: "MAS and ACRA launched the new Variable Capital Companies (VCC) framework in January 2020." ↩
3. MAS, second reading speech of 1 October 2018, cited above: standalone or umbrella structure; segregation of the assets and liabilities of each sub-fund and separate winding up; flexibility to vary share capital without shareholder

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approval; dividends out of capital; open-ended or closed-ended; register of shareholders not public but disclosed to public authorities on request. ↩

4. MAS, second reading speech of 1 October 2018, cited above: appointment of a MAS-regulated fund manager; at least three directors, one of them independent, for retail VCCs; AML/CFT requirements. ↩
5. MAS, Circular No. FDD Cir 05/2026, "Tax Incentive Schemes for Funds", 31 July 2026, para 1 and note 3: SFO funds are fund vehicles consisting of assets primarily originated from members of the same family and managed by an SFO exempted from licensing under paragraph 5(1)(ba) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations. ↩
6. ACRA, "Re-domiciling into Singapore" (Variable Capital Company), acra.gov.sg, accessed November 2026: documents required; proof of deregistration within 60 days and possible cancellation of registration; non-refundable fee of S$9,000 plus S$400 per sub-fund; processing in 14 to 60 days; existing obligations, liabilities, properties and rights remain unchanged. ↩
7. MAS, Circular No. FDD Cir 05/2026, cited above, paras 2.1–2.5, 3.2 and 3.4 and Annex (frequently asked questions), question 3: coverage of the S13D, S13O, S13OA and S13U schemes; exemption of specified income from designated investments for the life of the fund; GST remission and withholding tax exemption; schemes expire on 31 December 2029 subject to review; removal of the annual minimum AUM condition for non-SFO funds with effect from 1 January 2025; entry condition of S$5 million for S13O/S13OA and S$50 million for S13U; at least two (S13O/S13OA) or three (S13U) qualifying investment professionals; the same conditions confirmed by Baker McKenzie, "Singapore: Tax incentives changes for funds and family offices", August 2026, and RSM Singapore, "MAS updates tax incentive schemes for non-single family office funds", 2026, both accessed November 2026; umbrella funds such as a VCC treated as one legal entity, with new sub-funds not constituting a new award. ↩

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8. MAS, *Singapore Asset Management Survey 2025*, mas.gov.sg, accessed November 2026, p. 4: "As of 31 December 2025, a total of 1,406 VCCs were incorporated or re-domiciled in Singapore", representing 3,443 sub-funds, managed by over 50 per cent of regulated fund management companies. ↩
9. MAS, VCC Grant Scheme, introduced in 2020 to co-fund eligible costs of incorporating or re-domiciling a VCC and later extended. ↩
10. MAS, *Singapore Asset Management Survey 2025*, cited above, pp. 2 and 4: AUM grew by 10 per cent to S$6.7 trillion; 76 per cent of AUM sourced from outside Singapore; 1,320 licensed fund management companies as at December 2025, with a net increase of 22 in 2025. ↩
11. Business Trusts Act 2004 and the regime for real estate investment trusts under the Securities and Futures Act 2001 and the MAS Code on Collective Investment Schemes. ↩
12. MAS, Circular No. FDD Cir 05/2026, cited above, note 10: with effect from 1 January 2025, s 13OA of the ITA extended the S13O scheme to funds constituted as limited partnerships registered under the Limited Partnerships Act 2008, with the limited partnership meeting the economic conditions as one entity. ↩

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