

**SUMMARY OF PROPOSED LEGISLATIVE AMENDMENTS ON THE CORPORATE INCOME TAX (“CIT”)
TREATMENT OF VARIABLE CAPITAL COMPANIES (“VCCs”)**

Amendments to the Income Tax Act (“ITA”)

S/N.	Legislative Change	Brief Description of Legislative Change	Amendment to ITA [Clause in extract of Bill relating to amendments to the ITA]
1	A VCC will be treated as a company and a single tax entity, 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"> (a) A single CIT return will be filed by the umbrella VCC regardless of the number of its sub-funds. (b) Tax incentives under sections 13R and 13X of the ITA will be extended to VCCs. In the case of an umbrella VCC, these tax incentives will be granted at the umbrella level. (c) The chargeable income of an umbrella VCC will be the total of the chargeable income of each sub-fund. (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 	1 and 2

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		<p>of assessment (“YAs”). In the case of an umbrella VCC, the first 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.</p>	
2	Specific exclusions for VCCs	In view that a VCC’s sole object is to be one or more collective investment schemes in the form of a body corporate, VCCs will be excluded from the schemes listed in the Annex .	2
3	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 the 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>	2 and 3

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		<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 level¹;</p> <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>	

¹ Generally, for a company, the carry-forward and carry-back of tax losses can only be allowed if the company satisfies the shareholding test, i.e. there is no substantial change in shareholders as at the relevant dates. A company does not have a substantial change in shareholders if 50% or more of shares of the company (or that of its ultimate parent company) are held by the same persons as at the relevant dates. For the sub-fund of an umbrella VCC, the shareholding test will be applied at the sub-fund level, and for this purpose, 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>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 following CIT rules will be applied at the sub-fund level:</p> <ul style="list-style-type: none"> (a) Tax exemption of gains or profits from disposal of ordinary shares under section 13Z of the ITA; and (b) References to “related party” for the purposes of transfer pricing rules. 	
4	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.	2

Annex – Schemes which will not be applicable for VCCs

- 14A. Deduction for costs for protecting intellectual property
- 14B. Further deduction for expenses relating to approved trade fairs, exhibitions or trade missions or to maintenance of overseas trade office
- 14D. Expenditure on research and development
- 14DA. Enhanced deduction for qualifying expenditure on research and development
- 14E. Further deduction for expenditure on research and development project
- 14F. Management expenses of investment companies
- 14H. Expenditure on building modifications for benefit of disabled employees
- 14I. Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments
- 14K. Further or double deduction for overseas investment development expenditure
- 14KA. Further or double deduction for salary expenditure for employees posted overseas
- 14L. Further deduction for expenses incurred in relocation or recruitment of overseas talent
- 14N. Deduction for upfront land premium
- 14O. Deduction for special reserve of approved general insurer
- 14P. Deduction for treasury shares transferred under employee equity-based remuneration scheme
- 14PA. Deduction for shares transferred by special purpose vehicle under employee equity-based remuneration scheme
- 14Q. Deduction for renovation or refurbishment expenditure
- 14R. Deduction for qualifying training expenditure
- 14S. Deduction for qualifying design expenditure
- 14V. Deduction for amortisation of intangible asset created under public-private partnership arrangement
- 14WA. Enhanced deduction for expenditure on licensing intellectual property rights
- 14ZB. Deduction for expenditure for services or secondment to institutions of a public character
- 37C. Group relief for Singapore companies
- 37L. Deduction for acquisition of shares of companies