

Annex A: MOF's response to common feedback on the proposed changes to the GSTA, SDA, and ITA for the tax treatment of VCCs

1. GST

- a) **Feedback: Treat the umbrella VCC and its sub-funds as a single entity for GST purposes; or allow GST group registration for sub-funds under the same umbrella VCC.** Under the VCC Act, a VCC is treated as a company, and sub-funds do not have a separate legal personality from the umbrella VCC. Accordingly, GST should apply at the umbrella VCC level, with consolidated GST reporting and accounting.

MOF's response: Not accepted.

GST is a tax on the supply of goods and services for domestic consumption, with the tax treatment depending on the type of supplies and purchases made by the GST-registered person.

While a VCC is a single legal entity, sub-funds make independent sale and purchase decisions based on their respective investment mandates. Sub-funds may have different sets of investors as well. Hence, it is not equitable to subject all sub-funds under the umbrella VCC to a common GST treatment. For instance, investors of a sub-fund may incur higher GST costs due to significant exempt supplies made by another sub-fund under the same umbrella VCC.

In a GST group registration arrangement, where a representative member is deemed as the taxable person for the group, all group members are required to be jointly and severally liable for any tax due from a representative member. However, as section 29(1) of the VCC Act does not permit the assets of a sub-fund to be used to discharge any liability of the VCC or other sub-funds of the VCC, group GST registration would not be applicable to VCCs.

- b) **Feedback: Extend the GST concession, that is currently granted to qualifying funds, to VCCs.**

MOF's response: Accepted. The existing GST concession for qualifying funds will be extended to VCCs.

If an umbrella VCC meets all the qualifying conditions and is granted the GST concession, its sub-funds will be allowed to claim GST incurred on expenses at an annual fixed recovery rate.

To claim the GST incurred, each sub-fund is required to submit separate Statement of Claims to IRAS.

For more details of the GST concession, please refer to IRAS' website on GST for the Finance Sector.

- c) **Feedback: Provide more information on specific tax rules**, such as the application of reverse charge, and the input GST claiming conditions for GST-registered sub-funds.

MOF's response: Accepted. Existing GST rules, including reverse charge, will apply to the sub-funds under the VCC. IRAS will provide more details on its website and e-Tax Guide on the tax treatment of VCCs.

2. Corporate Income Tax

- a) **Feedback:** Provide guidance on how a VCC will be required to document the income, expense, capital expenditure, losses and donations of each sub-fund, and how the single CIT return should be filed. For instance, guidance should be provided to clarify if a separate computation will be required for each sub-fund under this single CIT return.

MOF's response: Accepted. IRAS will provide further guidance and details for the CIT return filing in its e-Tax Guide.

- b) **Feedback:** Given that the VCC is required to segregate assets and liabilities between sub-funds, and deductions and allowances are applied at the sub-fund level, the partial tax exemption (PTE) and start-up tax exemption (SUTE) should likewise be applied at the sub-fund level.

MOF's response: Not accepted.

The VCC is one legal entity. It is in line with the policy intent of SUTE or PTE that they apply only once at the VCC level, regardless of the number of sub-funds it may have.

- c) **Feedback:** Provide flexibility in the administering of tax incentive conditions, such that when a sub-fund breaches a condition, the other sub-funds in the umbrella VCC would still be able to enjoy the tax exemption.

MOF's response: Not accepted. The tax incentive is granted at the umbrella VCC level, with one award. The VCC is only subject to a single set of economic commitments, instead of multiple sets of commitments depending on of its number of sub-funds.

3. Stamp Duty

- a) **Feedback:** Disapply section 33 of the SDA, such that stamp duty will not be imposed on the redemption and subsequent issuance of shares by the VCC. Not to impose stamp duty on the redemption and subsequent issuance of shares by the VCC, given that the investors of VCCs typically redeem rather than dispose of their interests in the VCC. Imposing stamp duty on every redemption and subsequent issuance by the VCC would increase costs for investors, reducing the attractiveness of the regime.

Response: Not accepted. Stamp duty is not chargeable on general redemption and issuance of shares, unless it is to effect a disposal of shares. The purpose of section 33¹ is to address a loophole, where direct sale or transfer of shares (which are liable for stamp duty) are structured as shares redemption and issuance (which do not attract stamp duty by default). Section 33 remains valid in the context of VCC given that it is possible for VCC investors to dispose of their interests in a VCC either (i) through a direct sale of shares or (ii) through a shares redemption.

- b) **Feedback:** Require that a VCC entering into contracts for the purpose of a sub-fund must expressly identify or specify the name of the sub-fund that the VCC

¹ Section 33 of the Stamp Duties Act provides that where a shares disposal in a company is effected by the cancellation of shares of the transferor in the company, followed by an issuance of new shares in that company to the transferee, such disposal shall be treated as a transfer of shares and stamp duty shall be charged on any instrument that, in the opinion of the Commissioner of Stamp Duties, effects any arrangement for the shares disposal.

is acting for the purpose of. This will more effectively ensure segregation of the assets and liabilities between each sub-fund, from the perspective of the VCC. Counterparties will also be clear on the particular sub-fund entering into such contracts, which is consistent with the stamp duty treatment that transfers between sub-funds under the same umbrella VCC are still subject to stamp duty.

MOF's response: This requirement is already in the draft section 30(1) of the VCC Act.

- c) Feedback: **Provide relief from Additional Conveyance Duty (“ACD”) for VCCs whose equity interests in a property-holding sub-fund change due to variations in the capital of its sub-funds.** The capital of a VCC may vary frequently, particularly in the case of umbrella VCCs with open-ended sub-funds. This may result in very high ACD costs.

MOF's response: Not accepted.

Not all VCCs will be liable for ACD. ACD is already not applicable on acquisition/disposal of equity interests in VCCs/sub-funds which are not Property Holding Entities (“PHEs”), or where the transferor or transferee (as the case may be) is not/does not become a significant owner (after taking into account the interests which their associates may own).

Moreover, with the proposed legislative amendments, if the Commissioner is of the opinion that the variation of capital results in changes in the holding of the equity interest which could not reasonably be prevented, ACD would not be charged on the instrument. Such cases will be considered on a case-by-case basis.

For more details on ACD, please refer to IRAS' website and e-Tax Guide on ACD on PHEs.