

The Family Fund VCC Structure

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A. What is a Family Office?

Singapore's Monetary Authority (MAS) defines a family office as an organization that manages assets on behalf of a family and is owned by its members. A family office manages assets in a variety of ways on a daily basis, which involve different tasks. Tax planning, investment fund management, and wealth planning are some of these tasks. Singapore's family office typically performs the following functions:

- Business management
- Investment and financial
- Secretarial and administrative

Over the past decade, Singapore has seen an impressive growth in wealthy families and individuals.

A Singapore family office is structured by the principal applicant setting up two Singapore companies, one a fund company, the other a family office. Family offices provide fund management services to fund entities (private companies incorporated in Singapore) eligible for 13U/13O tax incentives.

The Global Investor Programme (GIP) allows applicants to apply for Singapore Permanent Residence (PR) status if they have an entrepreneurial, investment or management track record of at least five years and net investible assets worth at least S\$200 million.



B. Types of Family office

Single Family Office (SFO)

The Single Family Office (SFO) structure facilitates the establishment of these Family Offices without the need for a license or registration to provide fund management services to ultra-high net worth families' investment vehicles. It is also an institution that enables its assets to be passed on, maintained, and appreciated smoothly across generations.

By specific provision of Singapore Income Tax Act (Cap 134), an SFO that is either licensed to provide fund management services or exempt from licensing is considered a fund manager for the purposes of Singapore's fund tax incentives.

The SFO is exempt from registering as a Registered Fund Management Company (RFMC) or Licensed Fund Management Company with the Monetary Authority of Singapore (MAS).

In light of the new rules and regulations mentioned above, Singapore has become by default a preferred destination for Family Offices, given their business-friendly reputation and low tax rates for both individuals and businesses, public and private.

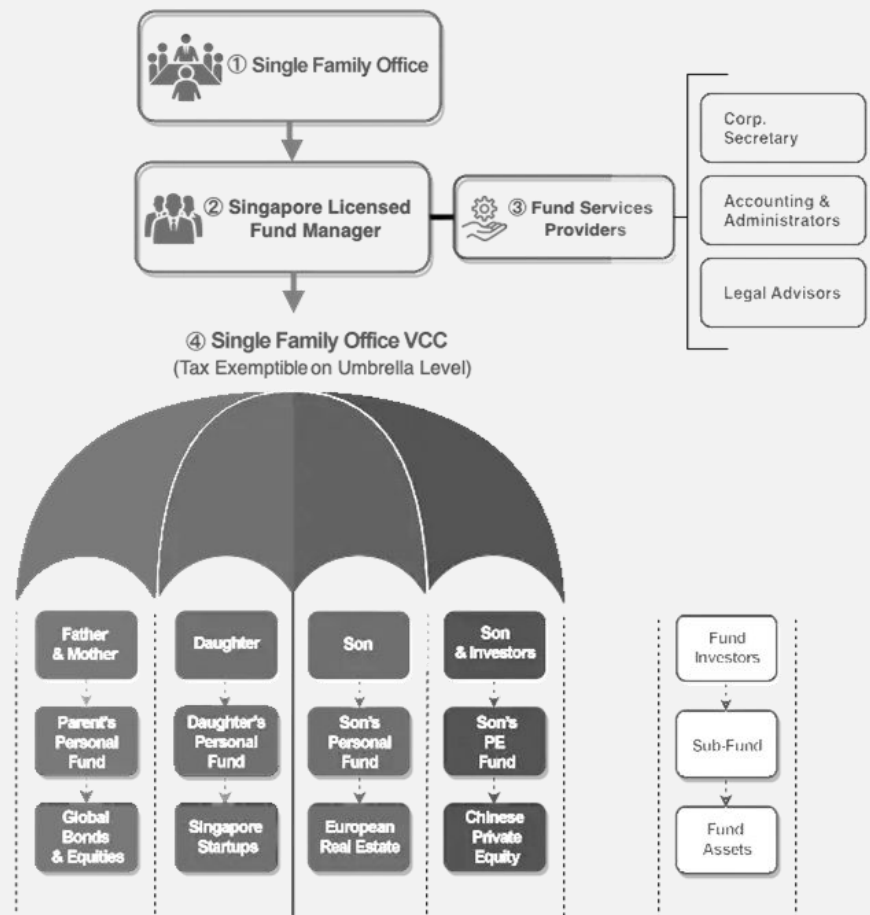
Multi Family Office (MFO)

A MFO is a family office formed by a combination of families that are not necessarily related.

There are three main sources: the shift from single-family offices, or SFOs, to accepting other family clients; private banking, set up to better serve big clients; and professional organizations.

The Multi Family Office (MFO) requires RFMC (Registered Fund Management Company) and LFMC (Licensed Fund Management Company) fund licenses, similar to Enterprise Asset Management (EAM).

Infographic- Family Fund Overview



Source: <https://vccsingapore.com/family-office-funds/>

C. Policies that increased Singapore's appeal dramatically

The number of family offices setting up shop in Singapore increased tremendously from under 100 to over 700 from 2017 to 2022. In most cases, the increase can be attributed to regulatory changes.

To enhance Singapore's competitiveness as a global wealth management and family office hub, MAS and the Singapore Economic Board (EDB) jointly established the Family Office Development Team (FODT) in March 2019. They had a major role to play in improving the operating environment for family offices, developing the capabilities of family office professionals, and strengthening the community of family offices in Singapore.

In addition, the Singapore Economic Development Board (EDB) and the Monetary Authority of Singapore (MAS) have supported the creation of the Global-Asia Family Office Circle (GAFC), which facilitates the sharing of best practices and learning across family offices across Asia.

D. Variable Capital Company (VCC) structure

A new alternative fund framework has been introduced by the Monetary Authority of Singapore (MAS) to encourage more funds to be domiciled in Singapore and improve Singapore's standing as an international fund management centre. In January 2020, Singapore introduced the Variable Capital Company (VCC) structure, one of the most important legislations to attract investment funds. The VCC allows the creation of open-ended or closed-end collective investment schemes. VCCs offer an alternative to Singapore's existing structures, which include Unit Trusts, Limited Partnerships, Limited Liability Partnerships, and Companies. Essentially, VCCs are fund management vehicles that have attractive tax incentives.

The VCC is a game-changer for Singapore's asset and wealth management industry with a wide spectrum of advantages and use cases within the financial investments industry.

A VCC is a corporate entity structure that combines several collective investment schemes under one corporate umbrella. The enactment of a VCC funding structure has provided fund and asset managers with a flexible fund vehicle to not just house fund management activities and operations in Singapore, but to also "onshore" their funds in the country. The flexibility of the VCC allows it to be used in across different fund strategies, investor classes and asset classes.

The VCC structure provides additional secrecy, privacy of investments and funds but also allow fund managers to reap the many tax benefits that Singapore provides. A VCC must be managed by a Permissible Fund Manager under the current Act. In Singapore, other entities, including single-family officers, are not required to be licensed in order to manage a VCC.

The goal of a family office is to conserve wealth and transfer it to the next generation by managing day-to-day affairs and investments of the family. It is possible for a family office to manage assets for, or on behalf of, one family, or it can be a multifamily office that manages assets on behalf of many families. In the case of family officers, there are two exemptions from the need for a capital market services license: the related corporation exemption and the case-by-case regulatory exemption.

Providing VCCs to single family offices will expand the range of available structures for family offices, thereby strengthening Singapore's position as a hub for family offices.



E. Benefits of the VCC For Families

Single-family offices can benefit from managing VCCs in several ways, which are as follows:

- **Tailored Funds**

Family members have the opportunity to manage their own assets, pursuing their own investing strategies and passions. The VCC allows assets to be segregated under the level of sub-funds. Assets of one sub-fund cannot be used to discharge liabilities of another sub-fund, thus preventing asset commingling.

- **Government incentives**

With effect from 16 January 2023, the Variable Capital Companies Grant Scheme (VCCGS) has been extended for a validity period of two years from 16 January 2023 to 15 January 2025 (both dates inclusive) (hereinafter referred to as the “Extended VCCGS”).

Under the Extended VCCGS, the Financial Sector Development Fund (“FSDF”) will co-fund 30% of qualifying expenses paid to Singapore-based service providers for qualifying work performed in Singapore in relation to the incorporation or registration of a VCC, up to a maximum grant cap of S\$30,000 per application. The tax exemption incentives are available to single family offices because they are considered exempt entities.

- **Succession Planning**

Having assets segregated for each member early on prevents conflicts from arising.

- **Umbrella Efficiency**

The VCC permits foreign funds structured like collective investment schemes to redomicile to Singapore via CISNET registrations of restricted Singapore schemes, Singapore foreign schemes, or recognised/authorised schemes.

A VCC umbrella fund can maintain a number of sub funds under the same umbrella and could use the same directors and service providers, such as fund administrators, to reduce costs.

- **Access Singapore**

VCCs allow international families to obtain long-term residency in Singapore through a secure vehicle.





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