
Amendments to Income Tax Act

Amendment of section 2

1. Section 2 of the Income Tax Act is amended —

(a) by inserting, immediately after the definition of “treasury share” in subsection (1), the following definition:

“VCC Act” means the Variable Capital Companies Act (Act 44 of 2018);”;

(b) by inserting immediately after subsection (1), the following subsection:

“(1A) The terms “shares”, in relation to a VCC, “sub-fund”, “umbrella VCC” and “VCC” have the meanings given to them in the VCC Act.”.

New section 107

2. The Income Tax Act is amended by inserting, immediately after section 106, the following section:

“VCCs

107.—(1) For the purposes of this Act, and subject to the modifications in this section and the rules under subsection (25), a reference to a company in this Act and the subsidiary legislation made under it includes a VCC.

(2) Accordingly, a reference to a body of persons (by reason of its being defined in section 2(1) as excluding a company) excludes a VCC.

(3) Subject to the modifications in this section and the rules under subsection (25), a reference in this Act and the subsidiary legislation made under it to the chargeable income or exempt income of a person that is an umbrella VCC is to the total of the chargeable income or exempt income (as the case may be) of each of its sub-funds.

(4) For the purpose of determining the chargeable income or exempt income of a sub-fund under subsection (3), the

provisions of this Act and the subsidiary legislation made under it (as modified by subsection (1)) apply as if each sub-fund were a VCC, with the following modifications:

- (a) a reference to a trade or business carried on by a VCC is to a trade or business carried on by the umbrella VCC in relation to the sub-fund;
- (b) a reference to income derived or received by a VCC is to income derived or received by the umbrella VCC for or on behalf of the sub-fund (called in this section income of a sub-fund);
- (c) a reference to any outgoing or expense incurred by a VCC in producing income is to the following (called in this section expense of a sub-fund):
 - (i) any outgoing or expense incurred in producing income of the sub-fund; or
 - (ii) the amount of any outgoing or expense allocated to the sub-fund by the umbrella VCC in accordance with section 29(3) of the VCC Act;
- (d) a reference to any capital expenditure incurred by a VCC for the purpose of a trade or business is to the following (called in this section capital expense of a sub-fund):
 - (i) any capital expenditure incurred for the purpose of that trade or business of the umbrella VCC in relation to the sub-fund;
 - (ii) the amount of any capital expenditure allocated to the sub-fund by the umbrella VCC in accordance with section 29(3) of the VCC Act;
- (e) a reference to any loss incurred by a VCC in carrying on a trade or business is to any loss incurred by the umbrella VCC in carrying on a trade or business in relation to the sub-fund (called in this section loss of a sub-fund);

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- (f) a reference to a donation made by a VCC is to a donation made by the umbrella VCC on behalf of the sub-fund (called in this section donation of a sub-fund);
 - (g) a reference to a payment or distribution made to a VCC is to a payment or distribution made to the umbrella VCC for the sub-fund;
 - (h) a reference in sections 23, 37 and 37E to shareholders of a VCC is to holders of shares of the umbrella VCC in respect of the sub-fund;
 - (i) a sub-fund is resident in Singapore if its umbrella VCC is resident in Singapore, and a sub-fund is resident outside Singapore if its umbrella VCC is resident outside Singapore.
- (5) To avoid doubt —
- (a) the umbrella VCC is not entitled to any further deduction for any expense, capital expenditure, loss or donation of a sub-fund taken into account in determining the chargeable income or exempt income of the sub-fund; and
 - (b) any expense, capital expenditure, loss or donation of a sub-fund is not available for deduction against the income of another sub-fund or any other income of the umbrella VCC.
- (6) Each part of the chargeable income of an umbrella VCC that is chargeable income of a sub-fund is subject to tax at the rate to which that part would have been subject had the sub-fund been a VCC.

Segregated liabilities of sub-funds

(7) The amount of any tax attributable to any part of the chargeable income of an umbrella VCC that is chargeable income of a sub-fund, together with any interest or penalty imposed under section 85(2) or 87 in respect of such amount, is considered (for the purpose of section 29 of the VCC Act) liability incurred by the umbrella VCC on behalf of the sub-fund.

(8) Any fine or penalty imposed on, or composition sum paid by, an umbrella VCC for an offence committed under this Act in respect of any information or other matter concerning a sub-fund, is considered (for the purpose of section 29 of the VCC Act) liability incurred by the umbrella VCC on behalf of the sub-fund.

(9) Any fine or penalty imposed on, or composition sum paid by, an umbrella VCC for an offence committed under this Act and to which subsection (8) does not apply, is considered (for the purpose of section 29 of the VCC Act) liability incurred by the umbrella VCC on behalf of all of its sub-funds.

Deductions not allowed

(10) A VCC may not be allowed any deduction under the following sections (including the subsidiary legislation made under them, where applicable) and accordingly may not be approved (where applicable) under them:

Sections 14A, 14B, 14D, 14DA, 14E, 14F, 14H, 14I, 14K, 14KA, 14L, 14N, 14O, 14P, 14PA, 14Q, 14R, 14S, 14V, 14WA, 14ZB, 37L.

(11) Despite subsection (1), no transfer of any deduction may be made under section 37C —

- (a) by a VCC to any claimant company or VCC of the same group; or
- (b) by a transferor company to any VCC of the same group.

Application of section 13R and 13X

(12) Section 13R and the regulations made under it apply for the purpose of determining the exempt income of a sub-fund under subsection (3) if, and only if, the umbrella VCC of the sub-fund is approved by the Minister or a person appointed by the Minister under that section.

(13) Section 13X and the regulations made under it apply for the purpose of determining the exempt income of a sub-fund under subsection (3) if, and only if, the umbrella VCC of the sub-fund is an approved person under that section.

(14) The amount of any tax recoverable from the umbrella VCC under the regulations made under section 13X that is attributable to any income of a sub-fund, is considered (for the purpose of section 29 of the VCC Act) liability incurred by the umbrella VCC on behalf of the sub-fund.

Application of section 13Z

(15) In the application of section 13Z (as modified by subsection (1)) for the purpose of determining the exempt income of a sub-fund under subsection (3) from the disposal of ordinary shares in a company (called in this subsection company X) or of shares in a VCC (called in this subsection and subsection (16) VCC X) —

- (a) a reference in that section to the legal and beneficial ownership of the VCC of any ordinary shares in another company is to the legal and beneficial ownership of the umbrella VCC of any ordinary shares in company X or of any shares in VCC X, where such ownership is in relation to that sub-fund;
- (b) section 13Z(5) is replaced with the following:

“Where —

- (a) gains or profits derived from the disposal of shares by the umbrella VCC for or on behalf of the sub-fund (being exempt income of the sub-fund under this section read with section 107(3)) are exempt from tax under subsection (1); and
- (b) one or more amounts in subsection (6) that are attributable to any of the shares disposed of, have been allowed as a deduction in determining the chargeable income of the sub-fund under section 107(3) for any year of assessment prior to the year of assessment relating to the basis period in which the shares are disposed of,

then the amounts in paragraph (b) are to be included in the chargeable income of the sub-fund under

section 107(3) for the second-mentioned year of assessment.”; and

- (c) section 13Z(7) is replaced with the following:

“Where —

- (a) gains or profits derived from the disposal of shares by the umbrella VCC for or on behalf of the sub-fund (being exempt income of the sub-fund under this section read with section 107(3)) are exempt from tax under subsection (1); and
- (b) any write-back for a diminution in the value of the shares, or profit recognised in accordance with FRS 39, SFRS for Small Entities or FRS 109 (as the case may be), that is attributable to any of the shares (being chargeable income of the sub-fund under section 107(3)) has been charged to tax as income of the umbrella VCC for any year of assessment prior to the year of assessment relating to the basis period in which the shares are disposed of,

then the write-back or profit in paragraph (b) is taken to be an expense allowable under this Act in determining the chargeable income of the sub-fund under section 107(3) for the second-mentioned year of assessment.”.

(16) Where VCC X is an umbrella VCC, section 13Z applies for the purpose of determining the exempt income of a sub-fund under subsection (3) with the following further modifications;

- (a) the section is to be applied in relation to the disposal of shares of VCC X in respect of each sub-fund as if VCC X only has that one sub-fund;
- (b) accordingly, a reference in the section to the legal and beneficial ownership of any ordinary shares in a company is to the legal and beneficial ownership of shares in VCC X in respect of that sub-fund.

(17) Section 13Z applies for the purpose of determining the exempt income of a company (other than a VCC) from the disposal of shares in an umbrella VCC with the following modifications:

- (a) the section is to be applied in relation to the disposal of shares of the umbrella VCC in respect of each sub-fund as if the umbrella VCC only has that one sub-fund;
- (b) accordingly, a reference in that section to the legal and beneficial ownership of any ordinary shares in another company is to the legal and beneficial ownership of the company of shares in the umbrella VCC in respect of that sub-fund.

Application of sections 34D, 34E and 34F

(18) Section 34D applies for the purpose of determining the chargeable income of a sub-fund under subsection (3), and section 34E applies for the recovery of any surcharge resulting from any adjustment by the Comptroller under section 34D as applied by this subsection, subject to the following modifications:

- (a) a sub-fund is treated as a person;
- (b) a person is related to a sub-fund if it is related to the sub-fund in such manner as may be prescribed by rules under section 7.

(19) Any surcharge under section 34E as applied by subsection (18) is recoverable from the umbrella VCC and constitutes a liability of the sub-fund concerned for the purpose of section 29 of the VCC Act.

(20) Section 34F applies to an umbrella VCC —

- (a) as if a reference to the gross revenue of a company is to the gross revenue of any of its sub-funds; and
- (b) as if a reference to a transaction undertaken by a company is to a transaction undertaken by the umbrella VCC on behalf of any of its sub-funds with any person that is related to the sub-fund in such manner as may be prescribed by rules under section 7.

Application of sections 34G and 34H

(21) Sections 34G and 34H apply to a body corporate incorporated outside Singapore that is registered as a VCC under Part 12 of the VCC Act as they apply to a redomiciled company as defined in that section, subject to the following modifications:

- (a) a reference to the registration date of a redomiciled company is to the date of registration of the VCC specified in the notice of registration issued to it under section 135(3) of the VCC Act;
- (b) section 34G(9) and (20A) to (20C) does not apply.

Application of sections 45, 45A, 45B, 45D and 45F

(22) Where —

- (a) section 45, 45A, 45D or 45F applies to any amount payable by an umbrella VCC on behalf of a sub-fund;
or
- (b) section 45B applies to any remuneration payable by an umbrella VCC to a director of the VCC that is allocated by the VCC to a sub-fund,

any resulting debt mentioned in that section (including, where applicable, section 45 as applied by that section), together with any penalty or fine imposed on the VCC, or composition sum paid by the VCC, for an offence under that section (including, where applicable, section 45 as applied by that section), in relation to such income is considered (for the purpose of section 29 of the VCC Act) liability incurred by the VCC on behalf of the sub-fund.

Modified application of sections 50, 50A and 50C

(23) Sections 50, 50A and 50C are replaced with sections 50, 50A and 50C respectively in the Third Schedule in a case where the income in question is that of an umbrella VCC.

Miscellaneous

(24) Rules made for the purpose mentioned in subsections (18)(b) and (20)(b) may make different provisions for different circumstances.

(25) The Minister may, for a period of 2 years starting on the date of commencement of this Act, make rules to prescribe further modifications to a provision of this Act in its application to a VCC, an umbrella VCC or a sub-fund of an umbrella VCC.”.

New Third Schedule

3. The Income Tax Act is amended by inserting, immediately after the Second Schedule, the following Schedule:

“THIRD SCHEDULE

MODIFIED APPLICATION OF
SECTIONS 50, 50A AND 50C TO UMBRELLA VCC

Tax credits

50.—(1) This section has effect where, under arrangements having effect under section 49, tax payable in the territory of the government of which the arrangements are made, in respect of any income of an umbrella VCC, is to be allowed as a credit against tax payable in respect of that income in Singapore.

(2) Where the umbrella VCC is resident in Singapore, the amount of income tax chargeable on the income is reduced by deducting, from the amount of the income tax that is attributable to the part of the chargeable income of the umbrella VCC that is income derived or received by the umbrella VCC for or on behalf of each of its sub-funds (called in this section a sub-fund’s assessable income), the amount of the credit that is attributable to the sub-fund’s assessable income.

(3) The amount of the credit under subsection (2) must not exceed the amount produced by computing the amount of the income of the sub-fund in accordance with the provisions of this Act and the subsidiary legislation made under it (as modified by section 107 to apply to a VCC) as if it were a VCC, and then charging it to income tax at a rate ascertained by the formula A/B , where —

- (a) A is the income tax chargeable (before making the reduction under subsection (2)) on the sub-fund’s assessable income had it been a VCC; and
- (b) B is the amount of the sub-fund’s assessable income.

(4) Without limiting subsection (3), the amount of the reduction under subsection (2) in respect of any sub-fund for any year of assessment for foreign tax under all arrangements having effect under section 49 must not exceed the total amount of income tax payable by the umbrella VCC that is attributable to the assessable income of the sub-fund, excluding any tax payable by the umbrella VCC under section 45 or that section as applied by section 107(16), that is attributable to such income.

(5) In computing the amount of the sub-fund’s assessable income under subsection (2) —

- (a) no deduction may be allowed in respect of foreign tax (whether in respect of the same or any other income);

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- (b) where the income tax chargeable depends on the amount received in Singapore, that amount is to be increased by the appropriate amount of the foreign tax in respect of the income; and
 - (c) where the income includes a dividend and under the arrangements foreign tax not chargeable directly or by deduction in respect of the dividend is to be taken into account in considering whether any (and if so what) credit is to be given against income tax in respect of the dividend, the amount of the income is to be increased by the amount of the foreign tax not so chargeable that falls to be taken into account in computing the amount of the credit.

(6) Subsection (5)(a) and (b) applies to the computation of the sub-fund's assessable income in subsection (3) for the purposes of determining the rate mentioned in that subsection, and applies to such computation in relation to all income in the case of which credit falls to be given for foreign tax under arrangements for the time being in force under section 49.

(7) Where —

- (a) the arrangements provide, in relation to dividends of some classes, but not in relation to dividends of other classes, that foreign tax not chargeable directly or by deduction in respect of dividends is to be taken into account in considering whether any, and if so what, credit is to be given against income tax in respect of the dividends; and
- (b) a dividend is paid that is not of a class in relation to which the arrangements so provide,

then, if the dividend is paid to the umbrella VCC for a sub-fund and the umbrella VCC controls directly or indirectly, on behalf of that sub-fund, not less than one-half of the voting power in the company paying the dividend, credit is to be allowed as if the dividend were a dividend of a class in relation to which the arrangements so provide.

(8) Where an umbrella VCC elects that credit may not be allowed under this section in respect of the income derived or received by the umbrella VCC for or on behalf of its sub-funds for any year of assessment, credit may not be allowed under the arrangements against the income tax chargeable in respect of the umbrella VCC's income for that year.

(9) Where an umbrella VCC elects that credit may not be allowed under this section in respect of the income of one or some (but not all) of its sub-funds for any year of assessment, then this section applies as if the umbrella VCC only consists of the sub-fund or sub-funds for which no such election was made.

(10) Any claim for an allowance by way of credit must be made not later than 2 years after the end of the year of assessment, and in the event of any dispute as to the amount allowable the claim is subject to objection and appeal in like manner as an assessment.

(11) Where the amount of any credit given under the arrangements is rendered excessive or insufficient by reason of any adjustment of the amount of any tax payable either in Singapore or elsewhere, nothing in this Act limiting the time for the making of assessments or claims for relief applies to any assessment or claim to which the adjustment gives rise, being an assessment or claim made not later than 2 years from the time when all such assessments, adjustments and other determinations have been made, whether in Singapore or elsewhere, as are material in determining whether any, and if so what, credit falls to be given.

(12) Nothing in this section authorises the reduction of any tax payable on income accruing in or derived from Singapore by virtue of the allowance of any credit under this section.

(13) The amount that corresponds to the amount of tax attributable to a sub-fund's assessable income, that is considered liability incurred by the umbrella VCC on behalf of the sub-fund under section 107(6), is to be reduced by the amount of the credit deducted from such income under subsection (2).

(14) In this section —

“foreign tax” means any tax payable in that territory which under the arrangements is to be so allowed; and

“income tax” means tax chargeable under this Act.

Unilateral tax credits

50A.—(1) Even if there are no arrangements in force under section 49 with the government of any territory outside Singapore, tax credit under section 50 must be given to any umbrella VCC resident in Singapore against tax chargeable in respect of any of the following for tax payable under the law of that territory:

- (a) any royalty derived from that territory, where the payment is not —
 - (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore); or

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- (ii) deductible against any income accruing in or derived from Singapore;
 - (b) any dividend derived from that territory;
 - (c) any profit derived from outside Singapore by a branch in that territory of the umbrella VCC;
 - (d) any income derived from any trade or business carried on in that territory through a permanent establishment in that territory;
 - (e) any discount or premium from debt securities or interest derived from that territory where the payment is not —
 - (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore); or
 - (ii) deductible against any income accruing in or derived from Singapore;
 - (f) any rent or other income ancillary to the holding of immovable properties located in that territory but not including gains from the disposal of such immovable properties derived from a trade or business carried on in Singapore; and
 - (g) any gains or profits of an income nature not falling within paragraphs (a) to (f) that is derived from that territory.
- (2) Where —
- (a) any dividend in respect of which tax credit is given under subsection(1)(b) is paid by a company resident outside Singapore to an umbrella VCC resident in Singapore;
 - (b) the dividend is paid to the umbrella VCC for a sub-fund; and
 - (c) the umbrella VCC owns, on behalf of that sub-fund, not less than 25% of the total number of issued shares of the company paying the dividend,

then the tax credit by which the amount of income tax chargeable on the dividend is to be reduced under section 50(2) must take into account any tax paid by that company in the country in which it is resident in respect of its income out of which the dividend is paid.

(3) Where —

- (a) under arrangements for the time being in force under section 49 with the government of a territory outside Singapore, no provision is made for tax credit in respect of income out of which any

dividend is paid by a company resident in that territory to an umbrella VCC resident in Singapore for a sub-fund;

- (b) the dividend is paid to the umbrella VCC for a sub-fund; and
- (c) the umbrella VCC owns, on behalf of that sub-fund, not less than 25% of the total number of issued shares of the company paying the dividend,

tax credit under section 50 in respect of such income must be given to the umbrella VCC and applied in accordance with section 50.

(4) Section 50, with the necessary modifications, applies for the purposes of this section as if any territory to which this section and the regulations have effect were a territory with which arrangements have been made under section 49.

(5) Any umbrella VCC granted any tax credit under subsection (1) on any income may not be given any tax credit under section 50 in respect of that income.

(6) The Minister may, in any particular case, waive the requirement of 25% share ownership mentioned in subsections (2) and (3).

(7) In this section, “debt securities” has the same meaning as in section 43N(4).

Pooling of credits

50C.—(1) Where, for any year of assessment, an umbrella VCC is entitled to 2 or more tax credits under any other provision of this Part, and some or all of which are attributable to the part of the chargeable income of the VCC that is income derived or received by the umbrella VCC for or on behalf of any particular sub-fund (called in this section a sub-fund’s assessable income, the umbrella VCC may elect on behalf of that sub-fund to be given a pooled credit for that year of assessment in lieu of any 2 or more of those credits (called in this section the replaced credits).

(2) Subsection (1) only applies if the income that is the subject of each replaced credit (called in this section the elected income) satisfies all of the following conditions:

- (a) tax under the law of the territory from which the income is derived that is of a similar character to income tax (by whatever name called) has been paid on the income;
- (b) at the time the income is received in Singapore by the umbrella VCC, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of that territory on any gains or profits from any trade or business carried

on by a company in that territory at that time, is not less than 15%;
and

- (c) the income tax payable under this Act on the income for the year of assessment (before allowance of any credit under this Part) is not nil.

(3) The total amount of the income tax chargeable to the umbrella VCC in respect of all the elected income must be reduced by the amount of the pooled credit.

(4) The amount of the pooled credit is the lower of —

- (a) the sum of the income tax chargeable for the year of assessment on all the elected income; and
- (b) the sum of the taxes paid on all the elected income in the territory or territories outside Singapore from which the elected income is derived.

(5) In subsection (4)(a), the sum of the income tax chargeable for the year of assessment on all the elected income is ascertained by —

- (a) computing the amount of the income that is the subject of each replaced credit in accordance with the provisions of this Act and the subsidiary legislation made under it (as modified by section 107 to apply to a VCC) as if the sub-fund were a VCC, and then charging it to income tax at a rate ascertained by the formula A/B , where—
- (i) A is the income tax chargeable (before allowance of any credit under this Part) on the sub-fund's assessable income of the sub-fund had it been a VCC; and
- (ii) B is the amount of that sub-fund's assessable income; and
- (b) totalling the amounts computed in accordance with paragraph (a) of all the replaced credits.

(6) Sections 50(5), (6) and (10) to (14) and 50A(2) apply, with the necessary modifications, for the purposes of this section.

(7) To avoid doubt, sections 50 and 50A continue to apply to any income that is the subject of a credit or credits allowed under any other provision of this Part for which no election under this section is made.”.

EXPLANATORY STATEMENT

Part 2 of the Bill amends the Income Tax Act for the following main purposes:

- (a) to apply to VCCs the tax treatment applied to companies;
- (b) to provide that the chargeable income or exempt income of an umbrella VCC is the total of the chargeable income or exempt income of each of its sub-funds, to be determined in accordance with the provisions of the Income Tax Act as if each sub-fund were a VCC.

Clause 1 amends section 2 of the Income Tax Act to introduce definitions for the term “Variable Capital Companies Act” or “VCC Act”, as well as other terms that are used in the amendments in this Part, by incorporating their definitions in the VCC Act.

Clause 2 inserts a new section 107.

Subsection (1) provides that a reference to a company in the Act and the subsidiary legislation under it includes a VCC. This is for the purpose of applying the tax treatment applicable to a company to a VCC, and to provide that any reference to a company in the predicate of a provision includes a VCC. An example of the latter is a reference to the investee company in section 13Z of the Income Tax Act.

Subsection (2) clarifies that because a reference to a VCC includes a company, the term “body of persons” (which is defined in section 2(1) to exclude a company) also excludes a VCC.

Subsection (3) provides that the chargeable income or exempt income of an umbrella VCC is the total of the chargeable income or exempt income of each of its sub-funds.

Subsection (4) provides that for the purpose of working out the chargeable income or exempt income of a sub-fund, the Act and the subsidiary legislation made under it apply as if the sub-fund were a VCC. It modifies various references in the Act and subsidiary legislation for this purpose.

Subsection (5) clarifies that —

- (a) an umbrella VCC is not entitled to a further deduction for any outgoing, expense, capital expenditure, loss or donation taken into account in determining the chargeable or exempt income of any of its sub-funds; and
- (b) any outgoing, expense, capital expenditure, loss or donation of a sub-fund cannot be deducted against the income of another sub-fund or any other income of the umbrella VCC.

Subsection (6) provides that each part of the income of an umbrella VCC that is chargeable income of a sub-fund is subject to tax at the rate at which that part would be subject had the sub-fund been a VCC.

Subsections (7) to (9) provide for the treatment of certain sums payable or paid under the Act for the purposes of section 29 of the VCC Act. Section 29 of the VCC Act provides for the rule that the assets and liabilities of one sub-fund are to be segregated from those of another.

Subsection (7) provides that tax payable by an umbrella VCC (along with any penalty or interest relating to it) that is attributable to the chargeable income of a sub-fund is considered a liability incurred on behalf of the sub-fund.

Subsection (8) provides that a fine or penalty imposed on, or composition sum paid by, the umbrella VCC for an offence committed under the Income Tax Act in respect of any matter that concerns a sub-fund is considered a liability incurred on behalf of the sub-fund.

Subsection (9) provides that in a case where subsection (8) does not apply, the fine, penalty or composition sum concerned is considered a liability incurred by the umbrella VCC on behalf of all the sub-funds.

Subsection (10) provides that a VCC is not allowed a deduction for expenses under certain sections of the Income Tax Act.

Subsection (11) disapplies section 37C (Group relief for Singapore companies) of the Income Tax Act to a VCC.

Subsection (12) provides that section 13R (Exemption of income of company incorporated and resident in Singapore arising from funds managed by fund manager in Singapore) of the Income Tax Act only applies for the purpose of determining the exempt income of a sub-fund if its umbrella VCC is approved by the Minister or a person appointed by the Minister under that section.

Subsection (13) provides that section 13X (Exemption of income arising from funds managed by fund manager in Singapore) of the Income Tax Act only applies for the purpose of determining the exempt income of a sub-fund if its umbrella VCC is an approved person under that section.

Subsection (14) provides that the amount of any tax recoverable from an umbrella VCC under the regulations made under section 13X of the Income Tax Act, that is attributable to any income of its sub-fund, is considered liability incurred by the umbrella VCC on behalf of the sub-fund for the purpose of section 29 of the VCC Act.

Subsection (15) provides for modifications to section 13Z (Exemption of gains or profits from disposal of ordinary shares) of the Income Tax Act in its application to the determination of exempt income of a sub-fund from the disposal of ordinary shares in a company or of shares in a VCC.

Subsection (16) provides for further modifications to section 13Z in its application to the determination of exempt income of a sub-fund where the shares disposed of are the shares in an umbrella VCC in respect of a sub-fund.

Subsection (17) provides for modifications to section 13Z in its application to the determination of exempt income of a company (other than a VCC) from the disposal of shares in an umbrella VCC in respect of a sub-fund.

Subsection (18) provides for modifications to sections 34D (Transactions not at arm's length) and 34E (Surcharge on transfer pricing adjustments) of the Income Tax Act in their application to the determination of the chargeable income of a sub-fund and the recovery of any surcharge resulting from adjustments made by the Comptroller of Income Tax.

Subsection (19) provides that any surcharge under section 34E of the Income Tax Act as applied by subsection (18) is recoverable from the umbrella VCC and is taken as a liability incurred on behalf the sub-fund for the purpose of section 29 of the VCC Act.

Subsection (20) applies with modifications section 34F (Transfer pricing documentation) of the Income Tax Act to an umbrella VCC.

Subsection (21) applies with modifications sections 34G (Modification of provisions for companies redomiciled in Singapore) and 34H (Tax credits for approved redomiciled companies) of the Income Tax Act to a body corporate redomiciled in Singapore as a VCC as those sections apply to a company redomiciled in Singapore.

Subsection (22) provides that where an umbrella VCC withholds tax in respect of any amount incurred on behalf of a sub-fund, any resulting debt incurred by, any penalty or fine imposed on, or any composition sum paid by, the umbrella VCC is considered a liability incurred on behalf of the sub-fund for the purpose of section 29 of the VCC Act.

Subsection (23) read with the new Third Schedule to the Income Tax Act sets out new provisions in place of sections 50 (Tax credits), 50A (Unilateral tax credits) and 50C (Pooling of credits) of the Income Tax Act when the taxpayer in question is an umbrella VCC. Essentially, tax credits under sections 50 and 50A are determined at the sub-fund level and applied against the tax attributable to the income of each sub-fund, and an umbrella VCC may elect for a tax credit to be disallowed for any of its sub-funds.

Subsection (24) provides that rules that prescribe how a person is related to a sub-fund for the purposes of sections 34D, 34E and 34F of the Income Tax Act, may make different provisions for different circumstances.

Subsection (25) allows the Minister to make further modifications to the Income Tax Act by rules in their application to a VCC or a sub-fund of a VCC.

Clause 3 inserts a new Third Schedule for the purposes of the new section 107(23).