

Legal Update

The Increasing Popularity of Inward Re-domiciliation to Singapore

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Introduction

Since our previous note on [Inward Re-domiciliation to Singapore published on 29 November 2017](#), and the imposition of more regulatory oversight and requirements in offshore jurisdictions such as the British Virgin Islands and the Cayman Islands, we have seen an increasing number of queries and requests from foreign corporate entities (“FCE”) looking to re-domicile to Singapore.

In this update, we set out some of the key considerations and criteria for FCEs to bear in mind when electing whether to re-domicile to Singapore, as well as the new incentives offered that makes re-domiciling to Singapore a more attractive option than ever before.



Important Preliminary Considerations

1. FCE as a subsidiary

In order to qualify for re-domiciliation to Singapore, a FCE must satisfy **any two** out of the following three “size” criteria, where the FCE has:

- (a) Total assets exceeding S\$10 million;
- (b) Annual revenue exceeding S\$10 million; and/or
- (c) More than 50 employees.

If the FCE is a parent / holding company, the size criteria above is calculated based on consolidated figures on a group level. Where the FCE is a subsidiary, the above size criteria can be also satisfied if:

- (i) its parent / holding company satisfies the size criteria¹; or
- (ii) the FCE itself is not a parent / holding company and it satisfies the size criteria.

2. Audited financial statements

There is no *express* requirement under the Companies (Transfer of Registration) Regulations for the FCE to submit the most recently completed audited financial statements. However, such audited financial statements are typically requested for by the Accounting and Corporate Regulatory Authority of Singapore (“ACRA”) as evidence of satisfaction of the size criteria.

It would therefore be beneficial for the FCE to prepare its audited financial statements in accordance with the applicable accounting standards (SFRS or IFRS) prior to the application to ensure that the application will not be held up. In the event where the FCE is unable to provide the required audited financial statements, the FCE should reach out to ACRA prior to the application, for approval to provide alternative evidence.

3. Tax implications in foreign jurisdictions

Re-domiciliation to Singapore will not: (a) affect the obligations, liabilities, property or rights of the FCE; (b) create a new Singapore entity; or (c) affect any proceedings by or against the FCE.

However, where the FCE has subsidiaries in various jurisdictions, the FCE should reach out to its tax advisers and/or foreign counsels in those jurisdictions to determine whether any tax implications in those various jurisdictions will arise as a result of the re-domiciliation of the FCE.

¹ However, if the FCE is relying on sub-paragraph (i), the parent / holding company must: (a) also apply together with the FCE (in which case the application will not be approved if the parent / holding company's application is unsuccessful); **or** (b) be a company which is already incorporated in Singapore. It is therefore important that the FCE considers the above preliminary requirements in deciding whether to re-domicile to Singapore.



Redomiciliation of Funds- The Variable Capital Company

With the introduction of the variable capital company (“VCC”) structure in Singapore in 2020, FCEs have the added option of re-domiciling to Singapore using a VCC. VCCs can take the form of a standalone fund structure, or an umbrella fund with multiple sub-funds whose assets and liabilities are ring-fenced and segregated from one another. We elaborate on the advantages and notable requirements further below.

Some of the advantages of re-domiciling to Singapore as a VCC are as follows:

- 1 **Accommodates FCEs with different structures**
Prior to the introduction of the VCC, FCEs had to ensure that they could be structured as companies limited by shares before they could be re-domiciled to Singapore. With the VCC, FCEs with similar structures, such as segregated portfolio companies and protected cell companies², are now able to re-domicile to Singapore as a VCC.
- 2 **Retention of corporate branding and identity**
The corollary of the above is that the FCE will be able to retain its corporate branding and identity after the inward re-domiciliation as a VCC. The structure of the FCE remains unaffected, ensuring minimal operational disruption and loss of goodwill.
- 3 **VCC Grant Scheme**
FCEs that re-domicile to Singapore as VCCs are eligible for the VCC Grant Scheme, which allows VCCs to claim for up to 70% of qualifying expenses (capped at S\$150,000 per VCC) paid to Singapore-based service providers for work done in Singapore in relation to the establishment of the VCC. Qualifying expenses include legal, tax and regulatory compliance services.
- 4 **No minimum size criteria for VCCs**
FCEs that re-domicile to Singapore as VCCs do not have to satisfy the minimum size criteria, which allows for small funds to re-domicile to Singapore.



Notable requirements for re-domiciling to Singapore as a VCC

Generally, the re-domiciliation requirements for re-domiciling to Singapore as a company and as a VCC are largely similar. We highlight the notable *additional* requirements for a VCC:

- 1 **Fit and proper requirements for directors**
Generally, the directors of all VCCs must be fit and proper persons. The factors to be considered in determining whether a director is fit and proper include whether the person had previously acted in a manner that reflects adversely on the integrity of the person, such as committing professional misconduct or serious negligence.
- 2 **Manager of the VCC**
A VCC must be managed by a licensed or registered fund management company in Singapore. Foreign fund managers licensed in foreign jurisdictions are *not* allowed to manage the VCC. This would mean that the FCE may need to enter into a new fund management agreement with a licensed manager in Singapore upon re-domiciliation. Also, the directors of the re-domiciled VCC also cannot be a director or qualified representative of the manager.

² Segregated portfolio companies and/or protected cell companies are corporate structures in countries such as Cayman Islands, Guernsey and Delaware which similarly has an umbrella structure with different segregated portfolios/cells which isolates assets and liabilities of each segregated portfolio. Creditors may only have recourse to assets attributable to that segregated portfolio.



Conclusion

The re-domiciliation regime continues to be attractive to MNCs wanting to benefit from Singapore's regional hub status, using Singapore as headquarters for their businesses operating in the South East Asia region. Also, the introduction of the VCC structure with the various grants and waivers, makes re-domiciliation of funds to Singapore more cost-effective and easier than ever before.

Please feel free to contact us if you would like to know more about re-domiciliation to Singapore.

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