



## **VENTURE CAPITAL INDUSTRY INCENTIVES**

The EDB has introduced various measures for venture capital development in Singapore. It publishes a venture capital directory to assist local entrepreneurs to find funding by listing active venture investors and their respective investment preferences. In 1986, the EDB introduced the Venture Capital Club, whose purpose is to be "an avenue for local entrepreneurs to interact with potential investors." Club meetings allow members and guests to exchange and share experiences and information on venture projects. Also, entrepreneurs can present their ideas and plans to investors for possible funding.

The EDB offers tax incentives for venture capital firms. The Venture Investment Tax Incentive works in a two pronged fashion:

- Firstly, if a fund invests in an approved project, the fund is not charged capital gains tax on the sale of that project. For a project to be approved, the EDB must judge whether the investment can add to the further growth of Singapore, and involve high risk. If the investment is foreign, there must be a link to Singapore, either at the present time or expected in the future. If the investee company goes bankrupt after three years of operation, there is a provision for writing off the parts being sold. The write-off is in the form of a tax credit which can be carried forward.
- Secondly, approved venture capital funds and management companies will be granted a tax-free position for a period of 5-10 years, and this is often as long as the life of the fund. The EDB will evaluate the fund's and management company's objectives as they relate to the EDB's strategies for economic development in order to decide whether to grant this tax concession.

An entirely different tax scheme available to venture capital investors is "*Pioneer Status*." This provides a tax abatement for up to ten years. In order to receive this status, the firm may be local or foreign, but must be incorporated and operating in Singapore.

