Advance Ruling Summary No. 01/2023
Published on 25 JUL 2023

---

1. Subject:

Whether the entitlement of the additional share awards upon the stock split constitutes a new grant of a right or benefit to acquire shares for the purpose of section 10(6) of the Income Tax Act.

---

2. Relevant background and facts:

a. The Singapore companies are part of the group of companies whose holding company is listed on Nasdaq.

b. For recapitalisation purposes, the holding company has increased the number of shares of common stock by declaring a N-for-1 stock split where the shareholders would receive N number of additional shares for each share held by them.

c. As a result of the stock split, the market price of each share would be diluted but the quantity of shares would be multiplied by N. As such, there would be no dilution and no change in total value because of the split of the stocks.

d. Under the holding company's Employees Stock Plan, the employees of the Singapore companies were awarded shares that were subject to vesting period. Similar to shareholders, employees who were granted share awards which remained unvested at the point of the stock split event would have the number of their existing awards multiplied by a factor of N with a corresponding dilution in the value of each share by the same factor.

e. The employees who hold unvested share awards would not receive any additional beneficial interest or any other benefits as consideration for the stock split event. The adjustments in the number of units and value for each unit of share would have no impact on the vesting schedule of their awards. The terms and conditions would remain the same as before the stock split occurs.

---

3. Relevant legislative provisions:

a. Income Tax Act 1947 (Revised Edition 2020) ("ITA") – Section 10(6)

---

4. The ruling:

a. The entitlement of the additional share awards for each unvested share award upon the stock split event does not constitute a new grant of a right or benefit to acquire shares. It also does not give rise to a taxable event under section 10(6) in respect of the employees of the Singapore companies. Consequently, the income tax treatment of the additional unvested share awards will mirror the tax treatment of the original unvested share awards. Both the original and additional unvested share awards shall be subject to tax upon the actual vesting or deemed vesting of the share awards, where applicable.

5. Reasons for the decision:

The stock split event pursuant to the recapitalisation exercise would not trigger a tax charge as:

a. It did not result in a change in the intrinsic value of the overall unvested share awards immediately after the stock split.
b. The employees would not receive any beneficial interest upon the stock split.
c. The employees would not receive any payments or benefits provided as consideration for the stock split.

Disclaimer