

Advance Ruling Summary No. 11/2026
Published on 1 Jul 2026

1. Subject:

Whether:

- a. The company meets the economic substance requirement under Section 10L of the Income Tax Act 1947 (“**ITA**”) and therefore qualify as an “excluded entity” for the purpose of Section 10L of the ITA.
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2. Relevant background and facts:

- a. The company is incorporated in Singapore and is a special purpose vehicle (“**SPV**”) of HoldCo. It is an investment holding company whose function is to hold shares in other entities. It has no employees.
 - b. The company intends to dispose of its sole equity investment in a foreign entity.
 - c. HoldCo’s principal activities are those of investment holding and providing management, administrative and other related services to subsidiaries and related parties. It holds 100% of the shares in the company.
 - d. HoldCo was awarded a fund tax incentive. It has met the compliance requirement under the tax incentive and all the qualifying criteria for the tax incentive in the preceding financial year.
 - e. HoldCo has effective control over the company, derives economic benefits from the company’s investment holding activities, and defines the core investment strategies that the company implements.
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3. Relevant legislative provision:

- a. Income Tax Act 1947 – Sections 10(1)(g), 10L(8)(d) and 10L(16)
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4. The rulings:

- a. The company will be regarded as an excluded entity for the purpose of Section 10L(8)(d) of the ITA. Accordingly, the gains to be derived from the sale or disposal of the foreign assets during the basis period for the Year of Assessment Y will not be treated as income chargeable to tax under Section 10(1)(g) of the ITA pursuant to section 10L(1) of the ITA when the gains are received in Singapore.

- b. The above ruling will apply to the gains to be derived by the company from any sale or disposal of foreign assets during the basis periods for Years of Assessment Y to Y+4.
 - c. The above ruling is subject to HoldCo meeting the compliance requirement under the fund tax incentive and all the qualifying criteria for the tax incentive for each relevant basis periods stated in paragraph 4(b) above.
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5. Reason for the decision:

- a. The economic substance test will be applied at the HoldCo level for the reasons set out in paragraphs 2(a) and 2(e) above. Consequently, the company, will satisfy the economic substance requirement under paragraph (b) of the definition of “excluded entity” in Section 10L(16) of the ITA in the basis period in which the divestment of the shares in the foreign investee company will occur.
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6. General Reference:

- a. Taxpayers may refer to the IRAS e-Tax Guide “Income Tax: Tax Treatment of Gains or Losses from the Sale of Foreign Assets (Third Edition)” for further guidance. Specifically, please refer to paragraphs 8.12 and 8.13 on the application of economic substance test in cases relating to SPVs.
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