

Advance Ruling Summary No. 13/2026
Published on 3 Aug 2026

1. Subject:

- a. Whether the tax deferred distributions derived from a foreign trust would be subject to Singapore income tax.
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2. Relevant background and facts:

- a. Company A is a private limited liability company that is incorporated and tax resident in Singapore. The principal activity of the Company is that of investment holding.
- b. Company A is the sole unitholder of a property trust constituted in Country X ("**X Property Trust**"). X Property Trust holds 100% of Y Property Trust, which in turn holds 100% of Z Property Trust. Both Y Property Trust and Z Property Trust are also constituted in Country X. Z Property Trust owns a property located in Country X.
- c. X Property Trust will make the following distributions to Company A:

- (i) Distributions of recurring net rental income

Z Property Trust will derive rental income from its underlying property. Z Property Trust will then make trust distributions to Y Property Trust, which will in turn, make trust distributions to X Property Trust. X Property Trust, Y Property Trust and Z Property Trust are tax transparent for income tax purpose in Country X. As such, the tax (if any) on the distribution income from X Property Trust will be borne by its unitholder (i.e. Company A) and the distribution income from X Property Trust to Company A will be subject to withholding tax in Country X.

- (ii) Tax deferred distributions

When X Property Trust makes cash distributions in excess of its net taxable income to its unitholder, these are referred to as tax deferred distributions. These distributions are usually attributable to building allowances, tax depreciation and other tax timing differences. Such tax deferred distributions are not taxable when received, rather they reduce the cost base of the units in the trust in the hands of the unitholder in Country X.

- d. The tax deferred distributions are recorded as return of capital in the books of Company A.

- e. There are books and accounting records in place to keep track of the fund flows in paragraph 2c above.
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3. Relevant legislative provisions:

- a. Income Tax Act 1947 – Section 10(1)
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4. The rulings:

- a. The tax deferred distributions derived by Company A from X Property Trust, to the extent of the amount of capital invested in X Property Trust, will not be subject to tax in Singapore. Instead, the tax deferred distributions would be treated as a reduction of the cost of the investment in X Property Trust by Company A.
 - b. Should it be determined subsequently that any gains from the disposal of the investment in X Property Trust is taxable, such gains will be computed based on the original cost incurred less the tax deferred distributions derived by the Company.
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5. Reason for the decision:

- a. The tax deferred distributions from X Property Trust are treated as return of capital in the hands of Company A and accordingly, the tax treatment in paragraph 4 will ensue.
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