Advance Ruling Summary No. 14/2026
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1. Subject:

a. Whether the tax deferred distributions derived from a foreign trust will be subject to tax in Singapore.

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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 trust in Country X ("**X Trust**"). X Trust holds another sub-trust (the "**Sub-Trust**") which holds an immovable property ("**Property**") in Country X.

c. X Trust is expected to make the following distributions to Company A:

(i) Distributions of recurring net rental income

X Trust will derive trust distributions from the Sub-Trust which will in turn derive rental income from the Property. X Trust and the Sub-Trust are tax transparent for income tax purposes in Country X. Company A will be subject to withholding tax on the distribution income from X Trust in Country X.

(ii) Tax deferred distributions

Both Sub-Trust and X Trust may make trust distributions in excess of their net taxable income to their unitholders (i.e. X Trust and Company A respectively), which are referred to as tax deferred distributions. These distributions usually arise due to non-cash deductions made when calculating the net taxable income (most commonly, tax depreciation and building allowances). Such tax deferred distributions are not taxable when received, rather they reduce the cost base of the units in X Trust/the Sub-Trust respectively from Country X's tax point of view.

d. The tax deferred distributions will be recorded as a reduction of capital held in X Trust in the books of Company A.

e. Company A will maintain books and accounting records 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 Trust, to the extent of the amount of capital invested in X Trust, is not income for the purpose of Section 10(1) of the Income Tax Act 1947 and will not be subject to tax in Singapore.

b. The tax deferred component of the trust distributions, to the extent of the amount of capital invested in X Trust, would be treated as a reduction of the cost of the investment in X Trust held by Company A for Singapore income tax purposes.

c. Should it be determined subsequently that any gains derived from the disposal of the investment in X Trust derived by Company A is taxable, such gains will be computed based on the original cost incurred less the tax deferred component of the trust distributions from X Trust derived by the Company.

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5. Reason for the decision:

a. The tax deferred component of the distributions from X 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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