Advance Ruling Summary No. 15/2026
Published on 1 Sep 2026

1. Subject:

a. Whether the intended waiver of loan by Company A (“**Lender**”) is a capital transaction and hence, any gains arising therefrom is not subject to tax under the provisions of the Income Tax Act 1947 (“**ITA**”).

2. Relevant background and facts:

a. Company B (“**Borrower**”) is incorporated and domiciled in Singapore. Its principal activities are those of a wholesaler of vehicle components. Lender is Borrower’s intermediate holding company.

b. Borrower obtained a working capital loan from Lender to provide funds to finance the payment of administrative expenses. The loan was formalised via a loan agreement with Lender.

c. The loan is recorded as “Amount due to holding company”, which is non-trade in nature, in Borrower’s audited financial statements.

d. Borrower intends to liquidate soon as it has been inactive and dormant for some time. Considering that Borrower has a current net capital deficiency and is unable to repay the loan, Lender intends to waive off the amount due from Borrower.

e. Borrower is expected to recognise a gain from the waiver of the amount due to Lender in Borrower’s financial statements.

3. Relevant legislative provision:

a. Income Tax Act 1947 – Section 10(1)

4. The ruling:

a. The intended waiver of the loan by Lender is a capital transaction and hence, any gains arising therefrom is not subject to tax under section 10(1) of the ITA.

5. Reason for the decision:

a. Considering that the relationship between the parties in the loan arrangement is that of a borrower-and-lender and the purpose of the loan is to fund the working capital requirements of Borrower, the loan owed to Lender is capital in nature.

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