

1. Subject:

Whether:

- a. the redeemable, non-convertible, non-cumulative, participating, non-voting preference shares (the “**RPS**”) to be issued by Company A to the Subscribers (as defined below) will be classified as equity instruments for Singapore income tax purposes; and
 - b. future dividend distributions on the RPS received by the Subscribers will be exempt from tax under the Income Tax Act 1947 (the “**ITA**”).
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2. Relevant background and facts:

- a. Company A is incorporated and tax resident in Singapore. Its principal activity is investment holding.
- b. Company B and Company C (the “**Subscribers**”) are both incorporated and tax resident in Singapore. Their principal activities are investment holding.
- c. The Subscribers are shareholders of Company A.
- d. Company A has entered into a Joint Venture Agreement (the “**JVA**”) with the Subscribers to regulate the subscription of shares and govern the affairs of the Company and its relationship with the Subscribers.
- e. The capital structure of Company A comprises both ordinary shares and RPS.
- f. The key features of the RPS are as follows:
 - (i) The RPS will be issued to existing ordinary shareholders; the JVA and Company A's Constitution stipulate that ordinary shares and RPS must be transferred in tandem.
 - (ii) The RPS rank *pari passu* with ordinary shares upon liquidation. Thus, the holders of the RPS have rights to residual profits and assets of Company A.
 - (iii) The RPS have no maturity date and is redeemable solely at Company A's discretion.

- (iv) Dividends are discretionary, non-cumulative, and payable only from the distributable profits of Company A.
 - (v) The holders of the RPS do not possess any voting rights, except in limited circumstances expressly stated in Company A's Constitution.
- g. Holders of the RPS are reflected in Company A's Electronic Register of Members.
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3. Relevant legislative provisions:

- a. Income Tax Act 1947 – Section 13(1)(za)
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4. The rulings:

- a. The RPS issued or to be issued by Company A are regarded as equity instruments for Singapore income tax purposes.
 - b. Accordingly, distributions on the RPS will be treated as dividends for Singapore income tax purposes. Such dividends received by the Subscribers will be exempt from tax under the ITA.
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5. Reasons for the decision:

- a. The facts and representations provided, including the key features of the RPS described in paragraph 2(f) above, support the characterisation of the RPS as equity instruments.
 - b. Following this characterisation, distributions on the RPS are regarded as dividends for Singapore income tax purposes. As these dividends are paid by a Singapore tax resident company, they are exempt from tax under section 13(1)(za) of the ITA.
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