Advance Ruling Summary No. 21/2026
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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. It is not a pure equity-holding entity ("**non-PEHE**") for Section 10L of the ITA purpose.

b. The company has an executive director based in Singapore responsible for the operation and management of the company's core income generating activities, supported by a Singapore related company which provides operational support under an arm's length service arrangement.

c. The Singapore related company has a sizeable team of professionals who possess the necessary technical expertise and sector knowledge to provide operational support to the company.

d. The executive director supervises the services provided by the Singapore related company, approves operational matters, and ensures management decisions are executed locally with appropriate oversight. Key business decisions are made in Singapore by directors who are physically present during board meetings.

e. The actual/estimated amount of business expenditure incurred/to be incurred in respect of the company's operations in Singapore exceeds $Z.

f. The company intends to dispose of its equity investment in a foreign entity in the basis period for the Year of Assessment Y.

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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.

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5. Reason for the decision:

a. 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)" ("**e-Tax Guide**") for further guidance. Paragraph 8 of the e-Tax Guide states the approach and factors that the Comptroller of Income Tax considers when applying the economic substance requirement and determining whether an entity has adequate economic substance in the basis period in which the sale or disposal occurs. Specifically, please refer to paragraphs 8.7 to 8.9 on the application of the economic substance test in cases relating to non-PEHE.

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