

Advance Ruling Summary No. 8/2026
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1. Subject:

Whether the gains from the transfer of shares in Company B by Company A are subject to tax under section 10L of the Income Tax Act 1947 (the “**ITA**”) considering that Company A either:

- a. is an Excluded Incentive Entity (as defined below) under section 10L(8)(c) of the ITA; or
 - b. is not a pure equity-holding entity (as defined in section 10L(16) of the ITA) (“**PEHE**”), and satisfies the prescribed economic substance requirements to be regarded as an “excluded entity” under section 10L(16) of the ITA.
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2. Relevant background and facts:

- a. Company A is incorporated in Singapore. Its principal activity is that of sales, marketing, import, export and packaging of certain products.
- b. Company B is incorporated in a jurisdiction outside Singapore.
- c. Company B is a related company of company A.
- d. Company A transferred all its shares in Company B to a newly established company in Singapore (“**New Company**”) in exchange for shares in the New Company (the “**Sale**”) during the basis period for Year of Assessment T.
- e. Company A enjoyed an incentive under Part 4 of the Economic Expansion Incentives (Relief from Income Tax) Act 1967 during the basis period for the Year of Assessment T (the “**Relevant Incentive**”). The qualifying activities of Company A under the Relevant Incentive did not include holding/disposal of shares in related companies.
- f. Company A is an entity of a relevant group for purpose of section 10L of the ITA.
- g. Company A is not a PEHE (“**non-PEHE**”).
- h. Company A has adequate human resources, who have the necessary qualifications and experience to manage and perform the operations of Company A in Singapore.
- i. The key business decisions of Company A are made by persons in Singapore.

- j. For the financial year X, Company A expects to incur more than S\$Z of local business expenditure.
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3. Relevant legislative provisions:

- a. Income Tax Act 1947 - Sections 10(1)(g), 10L(8)(c), 10L(8)(d) and 10L(16)
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4. The rulings:

- a. Company A is not an Excluded Incentive Entity under section 10L(8)(c) of the ITA.
 - b. Company A, being a non-PEHE, has satisfied the economic substance requirements under paragraph (b) of excluded entity as defined in section 10L(16) of the ITA in the basis period in which the Sale occurred. Thus, Company A will be regarded as an excluded entity under section 10L(8)(d) of the ITA. Accordingly, the foreign-sourced disposal gains derived by Company A from the Sale during the basis period for the Year of Assessment T will not be chargeable to tax under section 10(1)(g) of the ITA when the said gains are remitted or deemed remitted into Singapore.
 - c. The above ruling will apply to foreign-sourced disposal gains derived by Company A from any sale or disposal of foreign assets during the basis period for the Years of Assessment T to T+4.
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5. Reasons for the decision:

- a. Section 10L of the ITA does not apply to gains from a sale or disposal of a foreign asset (not being an intellectual property right) that is carried out as part of, or incidental to, the business activities or operations of an entity, being activities or operations from which the entity derives income that is exempt from tax, or that is taxed at a concessionary rate of tax, under Part 2, 3 or 4 of the Economic Expansion Incentives (Relief from Income Tax) Act 1967 for the year of assessment for the basis period in which the sale or disposal occurred (“**Excluded Incentive Entity**”).
- b. Company A is not an Excluded Incentive Entity under section 10L(8)(c) of the ITA as the Sale was not carried out as part of or incidental to the qualifying activities under Company A’s Relevant Incentive. This is in view that the holding/disposal of shares in related companies was not included as one of the qualifying activities under Company A’s Relevant Incentive.
- c. Company A has met the economic substance requirements for a non-PEHE.

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)” for further guidance.
- b. Paragraph 7 of the e-Tax Guide states the scenarios where the sale or disposal of foreign assets (excluding intellectual property rights) are not subject to tax. Specifically, please refer to paragraph 7.2 for examples of exclusion relating to business activities of an entity with tax incentive in Singapore.
- c. 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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