

Advance Ruling Summary No. 9/2026
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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 and headquartered in Singapore, with Singapore and overseas operating subsidiaries.
 - b. The principal activities of the company are to act as head offices, centralised administrative offices and subsidiary management office. It is thus a non-pure equity-holding entity (“**non-PEHE**”) for section 10L purpose.
 - c. The company provides operational support and information technology management to its subsidiaries and derives service fee income from the subsidiaries.
 - d. The company’s operations are managed and performed in Singapore by full time employees who have the necessary qualifications and experience.
 - e. The chairman of the Board of Directors, who is also a key full time employee based in Singapore, has the final say in all investment-related decisions for the company, participates in the Board meetings from Singapore where the directors make decisions on key business matters and strategic planning.
 - f. The company expects to incur significant amount of local business expenditure.
 - g. The company plans to sell one of its overseas subsidiaries during the financial year X (i.e. 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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