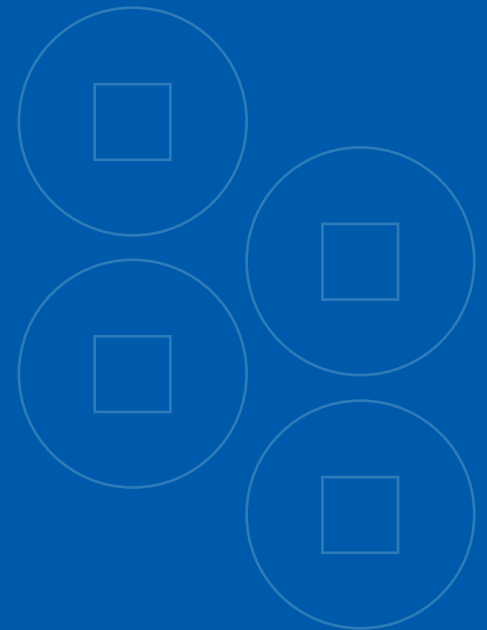




INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

# What an Investment Holding Company Is and the Common Types of Investment Income



# What is an Investment Holding Companies

- Principal activity is the passive holding of investments
- Owns investments such as properties and shares for the long-term
- Derives investment income, passive in nature, such as:
  - Dividend [chargeable to tax under Section 10(1)(d)]
  - Interest [chargeable to tax under Section 10(1)(d)]
  - Rental income [chargeable to tax under Section 10(1)(f)]



# Taxable Income

## Income tax is payable on:

(1) Singapore-sourced Income	(2) Remitted Foreign-sourced Income
Income accruing in or derived from Singapore	Income received in Singapore from outside Singapore
E.g. Interest income from a bank in Singapore	E.g. Interest income from a foreign bank outside Singapore that is remitted to Singapore

# Unremitted Foreign-Source Income



- To track the movement of the foreign income and maintain records to substantiate their treatment.
- Companies are required to **disclose the following** in their tax computation schedule:
  - Unremitted foreign income brought forward from prior YAs
  - Foreign income earned in the current financial year
  - Foreign income received in Singapore during the financial year
  - Foreign income used during the year and not received in Singapore
  - Unremitted foreign income carried forward
  - Tracking of allowable expenses attributable to foreign income if the company is electing for the liberalised treatment of expenses incurred in Singapore to derive foreign income)

For more details, refer to the Standard Template of Foreign Income Tracking Schedule and Explanatory Notes available on IRAS' website (Home > Taxes > Corporate Income Tax > Income & Deductions for Companies > Taxable & Non-Taxable Income > [What Is Taxable > Reporting income received in Singapore from outside Singapore](#))

# Exemption for Specified Foreign-sourced Income

Granted to all persons **resident** in Singapore on the following sources of foreign income received in Singapore on or after 1 Jun 2003:

- Foreign-sourced dividends
- Foreign branch profits
- Foreign-sourced service income (rendered in the course of a person's trade through a fixed place of operation in foreign jurisdiction)

## Qualifying conditions

- Foreign-sourced income has been subject to tax in foreign jurisdiction;
- Headline tax rate of foreign jurisdiction is at least 15%; and
- Tax exemption is beneficial to the resident

# Dividend Income

## Singapore-sourced Dividend Income

### Current Tax Treatment

- Singapore adopts a **one-tier corporate tax system**
  - ✓ Tax paid by a Singapore company on its chargeable income is the final tax
  - ✓ Therefore, all dividends paid by a Singapore resident company are **exempt** from tax in the hands of the shareholders

# Dividend Income

## Foreign-sourced Dividend Income

### Current Tax Treatment

- Foreign-sourced dividend received in Singapore is taxable at 17% (i.e. current corporate tax rate) unless tax exempt
- For Singapore tax residents, double taxation is relieved by:
  - ✓ Double taxation relief under tax treaties; or
  - ✓ Unilateral tax relief

# Dividend Income

## Tax Exemption for Foreign-sourced Dividend

- Granted to all persons resident in Singapore
- Provided the following conditions are met:
  - ✓ Foreign-sourced dividend income has been subjected to tax in foreign jurisdiction;
  - ✓ Headline tax rate of foreign jurisdiction is at least 15%; **and**
  - ✓ Tax exemption is beneficial to the resident

# Dividend Income

## Concessionary 'Group' Treatment

All investments in shares and stocks are divided into 4 groups

Group 1	Non-income producing shares (whether local or foreign shares)
Group 2	Shares which generate tax-exempt dividend income (e.g. one-tier and foreign-sourced dividend income remitted to Singapore in the year and exempted from tax)
Group 3	Income producing shares in overseas companies where dividend income is remitted to Singapore in the year and taxable in Singapore.
Group 4	Income producing shares in overseas companies where dividend income is not remitted to Singapore in the year.

# Dividend Income

## Concessionary 'Group' Treatment

### Group 1

- Expenses are not deductible as the expenses incurred on the shares do not produce dividend income taxable in Singapore

### Group 2

- Allows the deficit (expenses in excess of dividend income) arising within a group from any block of shares for a particular year to offset against the net dividend income for the same year from other blocks of shares within the same group
- Net deficit of any group shall be disregarded and cannot be set-off against net dividend income of another group or other sources of income

# Dividend Income

## Concessionary 'Group' Treatment

### Group 3

- Allows the deficit (expenses in excess of dividend income) arising within a group from any block of shares for a particular year to offset against the net dividend income for the same year from other blocks of shares within the same group
- Net deficit of any group shall be disregarded and cannot be set-off against net dividend income of another group or other sources of income

### Group 4

- Expenses relating to income-producing shares held overseas are not tax deductible if the dividend income from these shares is not remitted to Singapore in the same year. However, under the liberalised tax treatment\*, companies can opt to carry forward allowable expenses incurred in Singapore for the purpose of generating foreign dividend income, even if that income is not remitted to Singapore in the same year. These carried-forward expenses can be deducted in future years when the corresponding foreign income is remitted to Singapore.

\*Refer to e-Tax Guide on IRAS' website at [iras.gov.sg](http://iras.gov.sg)

# Dividend Income

## Example of the Concessionary 'Group' Treatment

A company remits the dividend income it receives from foreign companies A and B (i.e. same group).

Shares in company	Net dividend income / (deficit)	Without concession	With concession
A	S\$1m	S\$1m	S\$1m
B	(S\$2m)	<b>Disregarded</b>	<b>(\$2m)</b>
Net dividend income:		S\$1m	NIL*

\* Net deficit is disregarded

# Interest Income

## Current Tax Treatment

- Taxable at 17% (i.e. current corporate tax rate) when accrued in or remitted to Singapore
- For Singapore tax residents receiving foreign-sourced interest, double taxation is relieved by:
  - ✓ Double taxation relief under tax treaties; or
  - ✓ Unilateral tax relief

# Rental Income

## Current Tax Treatment

- Taxable at 17% (i.e. current corporate tax rate) when accrued in or remitted to Singapore
- For Singapore tax residents receiving foreign-sourced rental income, double taxation is relieved by:
  - ✓ Double taxation relief under tax treaties; or
  - ✓ Unilateral tax relief

## **‘Block’ Basis Concession**

- The income producing properties form a single “block” where net rental loss from one property is deductible against net rental income from other properties
- This excludes owner-occupied or vacant properties (non-income producing properties)

# Rental Income

## Example of the 'Block' Basis Concession

A company rented out its properties A and B.

	Without concession	With concession
Property A: Net rental income of S\$30,000	S\$30,000	S\$30,000
Property B: Net rental loss of S\$40,000	<b>Disregarded</b>	<b>(S\$40,000)</b>
Net rental income	S\$30,000	NIL*

\* Net loss will be disregarded

# Summary of Common Types of Passive Income

Type of Income	Tax Treatment
<b>Dividend</b>	<ul style="list-style-type: none"> <li>▪ All dividends paid by a Singapore resident company are exempt from tax in the hands of the shareholders</li> <li>▪ Foreign-sourced dividend received in Singapore is taxable at 17% (i.e. current corporate tax rate), with tax exemption or tax relief available subject to qualifying conditions</li> <li>▪ Concessionary “Group” treatment for dividend income</li> </ul>
<b>Interest</b>	<ul style="list-style-type: none"> <li>▪ Interest income is taxed when accrued in or remitted to Singapore</li> </ul>
<b>Rental</b>	<ul style="list-style-type: none"> <li>▪ Source of rental income is based on where the property is situated</li> <li>▪ “Block” basis concession for rental income</li> </ul>



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

# Thank you

[www.iras.gov.sg](http://www.iras.gov.sg)



The information presented in the slides aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. This information is correct as at the date of presentation. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.