

Advance Ruling Summary No. XX/2019

1. Subject:

Whether foreign-sourced income remitted to the account of the Central Depository (Pte) Ltd (“**CDP**”) for the payment of Singapore tax-exempt dividends to the company’s shareholders would be regarded as remittance of foreign income under section 10(25) of the Income Tax Act

2. Relevant background and facts:

- a. The company is a Singapore tax resident. Its principal activity is that of investment holding. It has subsidiaries in other jurisdictions.
 - b. It plans to be listed on the Singapore Stock Exchange (“SGX”).
 - c. The company has unremitted foreign-sourced income. The monies are kept in its overseas bank accounts. The company intends to use the funds kept in these accounts to pay Singapore tax-exempt dividends to its shareholders.
 - d. After the company becomes listed on the SGX, monies arising from the foreign-sourced income will be remitted directly from the overseas bank accounts to the CDP account for the purpose of paying the dividends.
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3. Relevant legislative provisions:

Income Tax Act (Revised Edition 2014) (“ITA”) - Sections 10(1) and 10(25).

4. The ruling:

The remittance of funds by the company from its overseas bank accounts which consists of foreign-sourced income, directly to the account of CDP solely for the payments of Singapore tax-exempt dividends by the company to its shareholders would not result in the company being regarded as having received the foreign-sourced income in Singapore from outside Singapore for the purposes of section 10(25) of the ITA, and that such foreign-sourced income is not subject to tax in Singapore.

This income tax treatment will apply subject to the following conditions:

- a. The income kept in overseas bank accounts indeed constitutes foreign-sourced income of the company for Singapore tax purposes;
- b. The remittances of funds by the company from its overseas bank accounts directly to the account of CDP are indeed payments of dividends by the company to its shareholders through the CDP without involving any physical remittance or transmission of funds brought into Singapore by the company for the purpose of the dividend payments.

- c. The remittances by the company are not in fact amounts:
 - i. Applied in or towards satisfaction of any debt incurred in respect of a trade or business carried on in Singapore by the company;
 - ii. Applied by the company to purchase any movable property, which is brought into Singapore by the company; or
 - iii. Constituting foreign-sourced income of the company, which had already been remitted to, transmitted or brought into Singapore from the time the foreign-sourced income was accrued to the company to the time it was transmitted to the CDP.
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5. Reasons for the decision:

- a. The company is a tax resident of Singapore. The dividends payable by the company would be tax exempt dividend.
 - b. The transmission of foreign-sourced income kept offshore to the CDP's bank account in Singapore to pay tax exempt dividends does not come within the provisions of section 10(25) of the ITA. Therefore, the offshore income used in this manner will not constitute income received in Singapore from outside Singapore. IRAS has clarified on this treatment on the website¹.
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Disclaimer

The published summary of the advance ruling is for general reference only. It is binding only in respect of the applicant of the advance ruling and the specified transaction under consideration of the advance ruling. All taxpayers should exercise caution in relying upon the published summary of the advance ruling, as the Comptroller is not bound to apply the same tax treatment to a transaction that is similar to the specified transaction.

Please note that IRAS will not update the published ruling to reflect changes in the tax laws or our interpretations of the tax laws.

¹ This is found at the following link: <https://www.iras.gov.sg/irashome/Businesses/Companies/Working-out-Corporate-Income-Taxes/Taxable-and-Non-taxable-Income/>