



INLAND REVENUE
AUTHORITY
OF SINGAPORE

IRAS e-Tax Guide

Certainty of Non-taxation of Companies' Gains on Disposal of Equity Investments (Fourth Edition)



Certainty of Non-taxation of Companies' Gains on Disposal of Equity Investments

Published by
Inland Revenue Authority of Singapore

Published on 30 Sep 2025

First edition on 30 May 2012
Second edition on 15 Jul 2016
Third edition on 10 Dec 2020

Disclaimers: IRAS shall not be responsible or held accountable in any way for any damage, loss or expense whatsoever, arising directly or indirectly from any inaccuracy or incompleteness in the Contents of this e-Tax Guide, or errors or omissions in the transmission of the Contents. IRAS shall not be responsible or held accountable in any way for any decision made or action taken by you or any third party in reliance upon the Contents in this e-Tax Guide. Except where specific contents carry legal force, this information 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. 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.

© Inland Revenue Authority of Singapore

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

Table of Contents

	Page
1 Aim	2
2 At a glance	2
3 Background	3
4 Current Tax Treatment	3
5 Certainty of non-taxation scheme.....	4
6 Exclusions from the scheme	7
7 Situations where normal tax rules continue to apply in determining nature of gains or losses from disposal of equity investments.....	9
8 Administrative Procedure.....	9
9 Frequently Asked Questions.....	10
10 Contact Information	11
11 Updates and Amendments	12
Annex A1 – Example on application of condition to be met by a divesting company (for disposals of ordinary shares before 1 January 2026).....	13
Annex A2 – Examples on application of conditions to be met (for disposals of shares on or after 1 January 2026).....	14
Annex B1 – Flowchart illustrating the application of the certainty of non-taxation scheme to a divesting company (for disposal of shares before 1 January 2026)	22
Annex B2 – Flowchart illustrating the application of the certainty of non-taxation scheme to a divesting company (for disposal of shares on or after 1 January 2026).....	23
Annex C – Examples on the application of the certainty of non-taxation scheme to an investee company that has undertaken property development activities (for disposals of shares on or after 1 June 2022).....	24

1 Aim

- 1.1 This e-Tax Guide provides details on the tax measure to give upfront certainty of non-taxation to companies which derive gains from disposal of equity investments.
- 1.2 It is relevant to a company ("divesting company") that disposes of investments in:
- (a) ordinary shares of another company ("investee company") on or after 1 June 2012; and
 - (b) preference shares of an investee company on or after 1 January 2026. Preference shares refer to those that are accounted for as equity by the investee company under the applicable accounting principles adopted by the investee company¹ ("qualifying preference shares").

2 At a glance

- 2.1 A scheme to provide upfront certainty of non-taxation to divesting companies ("the scheme") was introduced in Budget 2012. Under the scheme, the gains derived by a divesting company from its disposal of ordinary shares in an investee company are not taxable, subject to conditions. The scheme is applicable to share disposals made during the period of 1 June 2012 to 31 December 2027.
- 2.2 As announced in Budget 2025, the sunset date of 31 December 2027 will be removed and the scheme enhanced to expand the scope of eligible gains to include gains from the disposal of qualifying preference shares. For disposals on or after 1 January 2026, the gains derived by a divesting company from its disposal of ordinary shares and/or qualifying preference shares are not taxable, subject to conditions.
- 2.3 Prior to Budget 2025, to qualify for the tax treatment, the divesting company must have held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months immediately prior to the date of share disposal. With effect from 1 January 2026, the divesting company must still hold at least 20% of the ordinary shares and/or qualifying preference shares in the investee company for a continuous period of at least 24 months immediately prior to the date of share disposal but the assessment of the 20% shareholding can be applied on a group basis.

¹ If the investee company is not required to comply with any accounting principles in preparing its financial statements, the applicable accounting principles refer to the International Financial Reporting Standards.

- 2.4 Exclusions apply if the divesting company is subject to certain tax rules or if the investee company engages in certain types of activity.
- 2.5 Where the scheme is not applicable or availed of, the determination of whether gains or losses from a disposal of equity investments are income or capital in nature will continue to be based on the badges of trade and the facts and circumstances of each case. Normal tax rules apply to such gains or losses.

3 Background

- 3.1 In Budget 2012, Deputy Prime Minister and Minister for Finance announced that certainty of non-taxation will be given on gains derived by a company from disposal of equity investments that meet the specified conditions.
- 3.2 The certainty of non-taxation scheme is intended to facilitate companies' restructuring for growth and consolidation², enhance Singapore's attractiveness as a business location and minimise compliance costs for taxpayers.
- 3.3 To provide greater certainty to companies, the sunset date under the scheme will be removed as announced in Budget 2025. The scheme will also be enhanced to:
- (a) Expand the scope of eligible gains to include gains from the disposal of qualifying preference shares; and
 - (b) Allow the assessment of the 20% shareholding threshold to be done on a group basis.

The enhancements apply to disposal gains derived on or after 1 January 2026.

4 Current Tax Treatment

- 4.1 Singapore does not tax capital gains. Therefore, only gains or losses of an income nature derived by a company from disposal of equity investments in another company are taxable or deductible for tax purposes.
- 4.2 The determination of whether a gain or loss from disposal of equity investments in a company is income or capital in nature is based on a consideration of the facts and circumstances of each case. The factors

² The restructuring of companies often involves the acquisition and disposal of equity investments in their associates and subsidiaries.

considered are drawn from established case law principles³. They include motive of the seller when it acquired the shares, length of period of ownership of the shares disposed, frequency of similar transactions, reasons for the disposal and means of financing the acquisition of the shares

5 Certainty of non-taxation scheme

5.1 The scheme is provided in section 13W of the Income Tax Act 1947 ("ITA"). It is applicable to disposals of –

- (a) ordinary shares in an investee company made during the period 1 June 2012 to 31 December 2025 (both dates inclusive).
- (b) ordinary shares and/or qualifying preference shares made on or after 1 January 2026.

It is applicable regardless of whether the investee company is –

- (a) incorporated in Singapore or elsewhere;
- (b) listed⁴ or non-listed.

5.2 Conditions for the scheme

5.2.1 In line with the policy objectives stated in paragraph 3.2, the scheme is only applicable to a divesting company that owns a sizeable level of equity investments, whether ordinary shares⁵ and/or qualifying preference shares, of an investee company for a reasonable length of time.

Disposals of shares before 1 January 2026

5.2.2 Before 1 January 2026, gains⁶ derived by a divesting company from its disposal of ordinary shares in an investee company are not taxable if immediately prior to the date of share disposal –

³ The factors considered are commonly referred to as the badges of trade.

⁴ Listed on the Singapore Exchange (SGX) or an exchange elsewhere

⁵ Ordinary shares typically carry voting rights and entitle their holders to variable rates of dividends unlike preference shares.

⁶ On the other hand, the determination of income or capital nature of any losses incurred by a divesting company from disposal of ordinary shares under similar circumstances (i.e. as set out in paragraph 5.2.2) will continue to be made based on consideration of the facts and circumstances surrounding the disposal of shares. Please refer to paragraph 7.1(a) for more details.

the divesting company had held at least 20%⁷ of the ordinary shares in the investee company for a continuous period of at least 24 months⁸.

5.2.3 The example in **Annex A1** illustrates the application of the condition.

Disposals of shares on or after 1 January 2026

5.2.4 From 1 January 2026, gains derived by a divesting company from its disposal of ordinary shares and/or qualifying preference shares in an investee company are not taxable if immediately prior to the date of share disposal –

the divesting company had held at least 20% of the ordinary shares and/or the qualifying preference shares in the investee company for a continuous period of at least 24 months (“20% shareholding threshold condition”).

5.2.5 The 20% shareholding threshold condition refers to 20% of the total amount of paid-up share capital of ordinary shares and qualifying preference shares in an investee company. If the condition cannot be met by the divesting company on a divesting entity or standalone basis, the condition can be assessed on a group basis⁹. This means that the shareholding of both the divesting company and its related companies within the same group will be considered when determining if the threshold is met.

5.2.6 The following approach should be adopted when applying the group basis of assessment for the 20% shareholding threshold condition:

- (a) Step 1: Identify the date of disposal of the shares by the divesting company.
- (b) Step 2: Establish the relevant 24-month holding period from the date of disposal.
- (c) Step 3: For the divesting company and its related companies that held shares in the investee company, determine whether they are within the same group for the purpose of the group basis of assessment. The

⁷ A shareholding of at least 20% is considered a reasonably sizeable ownership and may be a proxy indicator that the investment is not a portfolio investment. In addition, a similar 20% threshold is also used as an indication of significant influence for “associate companies” under the Singapore Financial Reporting Standards and associate companies are usually acquired for long-term strategic purposes.

⁸ Under the scheme, this means that for every day of the 24 months, the divesting company must maintain a minimum ordinary shareholding level of at least 20% in the investee company whose ordinary shares are being disposed of.

⁹ The group basis of assessment for the 20% shareholding threshold condition does not apply when the divesting company is either a registered business trust or variable capital company.

divesting company and other companies are considered in the same group if:

- (i) more than 50% of the total number of issued ordinary shares in one company are beneficially held, directly or indirectly, by the other company, where one of the companies is the divesting company; or
- (ii) more than 50% of the total number of issued ordinary shares in each of those companies including the divesting company are beneficially held, directly or indirectly, by a common company.

Annex A2-1 illustrates the application of this determination.

- (d) Step 4: Determine whether the group of companies has maintained at least 20% shareholding in the investee company continuously throughout the relevant 24-month holding period. Only shares that have been held continuously throughout the relevant 24-month holding period by the divesting company and its related companies will be aggregated for the group basis of assessment.
- (e) Step 5: After meeting the 20% shareholding threshold condition on a group basis in Step 4, only gains derived from the disposal of shares that have been held continuously throughout the relevant 24-month holding period will qualify for the scheme.

Shares in the investee company are treated as having been disposed of by the divesting company or its related company on a first-in-first-out ("FIFO") basis for the purposes of Step 4 and Step 5.

Annex A2-2 illustrates the application of Steps 1 to 5.

5.2.7 The following table summarises the conditions of the scheme before and on or after 1 January 2026:

Conditions	Disposals before 1 January 2026	Disposals on or after 1 January 2026
Eligible shares	Only ordinary shares	Ordinary shares and qualifying preference shares
20% shareholding threshold condition	Assessment on a divesting entity basis	Assessment on a divesting entity or group basis (for companies) Assessment on a divesting entity basis (for registered business trusts and variable capital companies)

6 Exclusions from the scheme

6.1 Besides the conditions mentioned in paragraphs 5.2.2 and 5.2.4, the divesting company needs to ensure that it is not an 'excluded divesting company' (paragraph 6.3) and the shares disposed are not those in an 'excluded investee company' (paragraph 6.4).

6.2 The flowcharts in **Annexes B1 and B2** illustrate the application of the scheme to a divesting company.

6.3 Excluded divesting company

6.3.1 The scheme does not apply to a divesting company whose gains or profits from the disposal of shares are included as part of its income based on section 26 of the ITA.

6.4 Excluded investee company

Disposals of shares before 1 June 2022

6.4.1 The scheme does not apply to disposals of non-listed shares, before 1 June 2022, in an investee company if –

- (a) the investee company is in the business of trading Singapore immovable properties; or
- (b) the investee company's principal activity is that of holding Singapore immovable properties, whereby passive or no income is derived.

6.4.2 However, an investee company that is in the business of property development is not excluded from the scheme. The scheme also remains applicable in respect of an investee company that is in the business of letting immovable properties and thus subject to the provisions of section 10D of the ITA.

Disposals of shares on or after 1 June 2022

6.4.3 As announced in Budget 2020, a refinement in the scope of exclusion was made to ensure consistency in the tax treatment for property-related businesses. For disposals of shares on or after 1 June 2022, the scheme does not apply to disposals of non-listed shares in an investee company if –

- (a) the investee company is in the business of trading immovable properties (situated in Singapore or elsewhere);
- (b) the investee company's principal activity is that of holding immovable properties (situated in Singapore or elsewhere), whereby passive or no income is derived; or

- (c) the investee company has undertaken property development activities (in Singapore or elsewhere). An exception to this exclusion is where both of the following conditions are satisfied:-
 - (i) the immovable property developed is used by the investee company to carry on its own business¹⁰ to derive trade income¹¹. Such a business includes the business of letting immovable properties; and
 - (ii) the investee company did not undertake any property development activity in the past 60 months before the disposal of shares.

For example, an investee company that uses a self-developed immovable property entirely to derive passive rental income (not assessed as a trade income) is excluded from the scheme.

On the other hand, the scheme remains applicable to an investee company that uses a self-developed immovable property as a factory to carry on its manufacturing business. This is provided that, on the date of share disposal, the investee company did not undertake any property development activity in the past 60 months.

6.4.4 **Annex C** provides more examples to illustrate the application of the scheme to an investee company that has undertaken property development activities.

6.4.5 Property development activities in paragraph 6.4.3(c) refer to the construction or causing the construction of any building (or part of a building), including the acquisition of land or building for such construction¹². Particularly for additions and alternations, only structural changes made to a building are considered as construction of a building. Therefore, so long as the building works do not require an approval from the Commissioner of Building Control under the Building Control Act, the building works would not constitute property development activities for the purpose of this scheme. Where building works are done overseas, whether the building works constitute "construction" would be determined based on whether the building works would have required an approval from the Commissioner of Building Control if such building works were done in Singapore.

6.4.6 An investee company is considered to have completed its property development activities upon the issuance of a Certificate of Statutory Completion ("CSC") by the Commissioner of Building Control in respect of

¹⁰ To avoid doubt, immovable properties that constitute the trading stock of an investee company are not used by the investee company to carry on its own business.

¹¹ Trade income refers to an income that is chargeable to tax under section 10(1)(a) of the ITA.

¹² Property development activities are not confined to those undertaken by property developers who develop immovable properties for sale.

the property development activities. This means that shares in an investee company disposed more than 60 months after the investee company is issued with a CSC (in respect of all property development activities it has undertaken) would satisfy the condition at paragraph 6.4.3(c)(ii), i.e. the investee company did not undertake any property development activity in the past 60 months before the disposal of shares.

7 Situations where normal tax rules continue to apply in determining nature of gains or losses from disposal of equity investments

7.1 The tax treatment of gains or losses from disposal of equity investments will continue to be determined based on normal tax rules¹³ in the following situations –

- (a) where a divesting company that meets the conditions under paragraphs 5.2.2 and 5.2.4 incurs losses from the disposal of shares in the investee company. In such a case, the losses are not automatically disregarded;
- (b) where a divesting company derives gains from the disposal of shares in an investee company and the disposal does not meet the conditions in paragraphs 5.2.2 and 5.2.4 or fall within the exclusions in paragraph 6. In such a case, the gains are not automatically subject to tax;
- (c) for disposals of shares before 1 January 2026, where a divesting company makes gains or losses from the disposal of non-ordinary shares in an investee company. In such a case, the gains are not automatically subject to tax and the losses are not automatically disregarded.

7.2 In other words, whether the gains or losses from the disposal of equity investments in the above situations are income or capital in nature will continue to be determined based on the facts and circumstances of each case.

8 Administrative Procedure

8.1 To avail itself of the scheme, a company must provide the requisite information in its income tax return for the Year of Assessment ("YA") relating to the basis period in which the disposal of ordinary shares and/or qualifying preference shares is made. The company must keep sufficient documents to

¹³ For a divesting company that has been awarded any tax incentive that covers gains or losses from disposal of investments, the relevant governing rules under the tax incentive will apply where applicable.

support that the specified conditions in paragraphs 5.2.2 and 5.2.4 are met and the share disposal does not fall within the exclusions in paragraph 6. The company need not submit the documents with its income tax return but must do so upon IRAS' request.

- 8.2 Where a company does not provide the requisite information in its income tax return, IRAS will continue to apply normal tax rules to establish the nature of gains or profits from the disposal of ordinary shares and/or qualifying preference shares.

9 Frequently Asked Questions

9.1 Do companies have the choice to avail themselves or not to avail themselves of the scheme?

Yes, companies have the choice. Companies that wish to avail themselves of the scheme can do so by providing the requisite information in their income tax returns for the relevant YA relating to the basis period in which the disposal of ordinary shares and/or qualifying preference shares is made.

9.2 Can my company avail itself of the scheme if it currently enjoys a tax incentive which provides for tax exemption or concessionary rate on gains or losses from the disposal of equity investments?

A company enjoying tax incentives is not precluded from availing itself of the scheme in respect of gains it derives from the disposal of ordinary shares and/or qualifying preference shares, subject to the conditions in paragraphs 5.2.2 and 5.2.4, and the exclusions in paragraph 6. However, the relevant governing rules under the tax incentive awarded to the company continue to apply, where applicable, to:-

- (i) losses from disposals of equity investments; and
- (ii) gains from disposals of equity investments that do not meet the conditions under the scheme.

9.3 Is the scheme applicable to a registered business trust that disposes of ordinary shares and/or qualifying preference shares in an investee company?

Yes. This is because a registered business trust is taxed like a company for income tax purposes. However, the group basis of assessment for the 20% shareholding threshold condition will not be extended to a registered business trust.

9.4 Does the scheme apply only to tax resident companies?

No. The scheme applies to all divesting companies regardless of tax residency (provided it is not an 'excluded divesting company' referred to in paragraph 6.3).

9.5 How does the scheme apply in a situation where ordinary shares are disposed of after they have been converted from hybrid instruments e.g. convertible bonds? Does the 24-month period include the period of holding of convertible bonds up to their conversion into ordinary shares?

In determining whether the conditions in paragraphs 5.2.2 and 5.2.4 are met, the holding period of ordinary shares starts on the date on which the bonds are converted into ordinary shares (i.e. the conversion date). The period of holding of convertible bonds up to their conversion into ordinary shares should not be taken into account in determining whether the 24-month period is met.

9.6 How does the scheme apply to an amalgamated company that has elected to come under the corporate amalgamation framework under section 34C of the ITA?

Under the section 34C corporate amalgamation tax framework, the amalgamated company is treated to have stepped into the shoes of the amalgamating companies. As such, ordinary shares and/or qualifying preference shares that were originally acquired by an amalgamating company are treated as held by an amalgamated company since the date of acquisition by the amalgamating company.

9.7 My company made two disposals of ordinary shares in the same investee company in the same financial year. The first disposal results in a gain of \$500,000 and the second disposal results in a loss of \$200,000. The net gain in the financial statements is \$300,000. How do I apply the scheme to the disposals if my company satisfies the conditions in paragraphs 5.2.2 and 5.2.4?

The gain of \$500,000 made on the first disposal of ordinary shares is treated as not taxable as the conditions in paragraphs 5.2.2 and 5.2.4 are met. Normal tax rules will however continue to apply to determine the tax treatment of the loss made on the second disposal of ordinary shares.

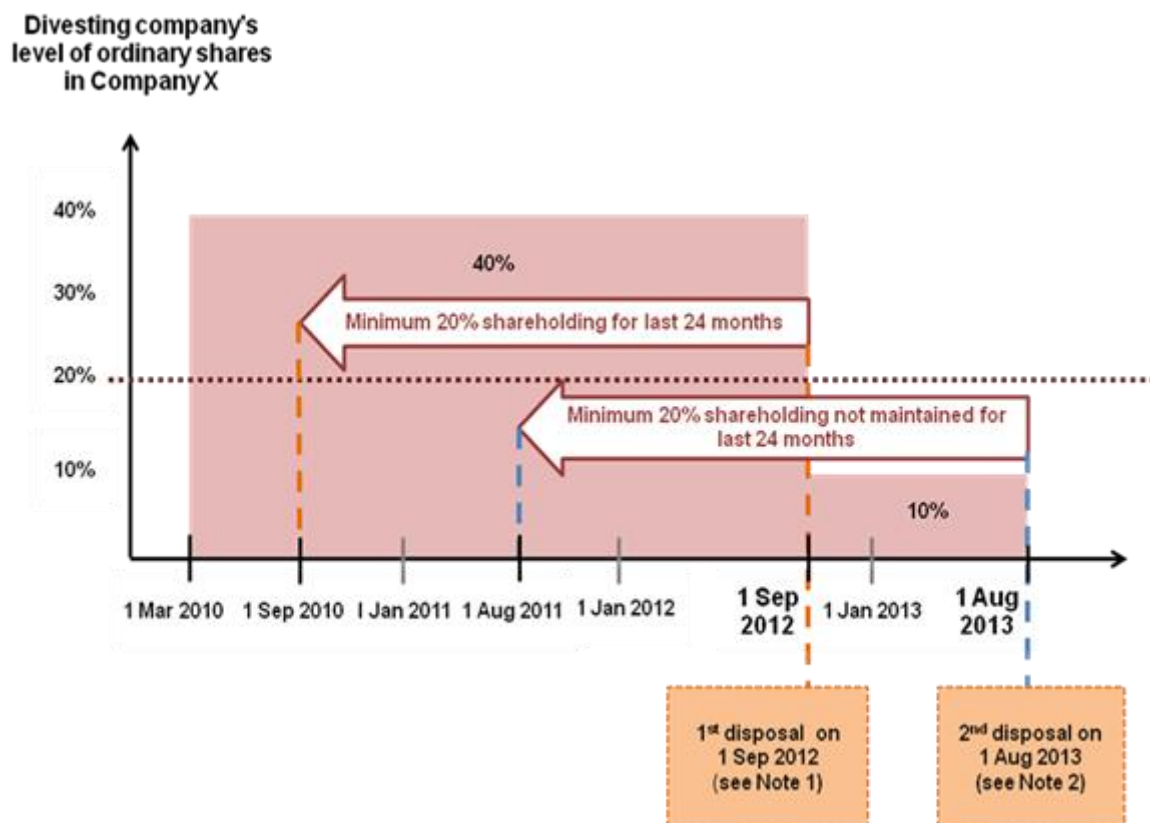
10 Contact Information

10.1 For any general enquiries or clarification on this e-Tax Guide, please call 1800 356 8622 (Corporate Income Tax).

11 Updates and Amendments

	Date of amendment	Amendments made
1	10 Dec 2020	<ul style="list-style-type: none"> • Inserted paragraph 2 to provide the tax treatment at a glance • Amended paragraph 5.1 and footnote 3 to reflect the extension of the scheme announced in Budget 2020 • Inserted paragraph 6 and Annex C to reflect refinements in the scope of exclusion and provide details of the tax change announced in Budget 2020 • Renumbered the Annexes • Made conforming edits to other paragraphs and Annex B, such as to update the references to new and renumbered paragraphs
2	30 Sep 2025	<ul style="list-style-type: none"> • Amended paragraphs 1.2, 2.2, 2.3, 3.3, 5.1 and 5.2 to reflect the enhancements to the scheme announced in Budget 2025 • Inserted Annex A2 to provide examples on application of conditions to be met (for disposals of shares on or after 1 January 2026) • Inserted Annex B2 to provide flowchart illustrating the application of the scheme (for disposals of shares on or after 1 January 2026) • Inserted new footnotes 1, 9, 14 to 18 and updated the numbering of footnotes • Renumbered the Annexes • Made editorial changes to other paragraphs arising from the enhancements announced in Budget 2025

Annex A1 – Example on application of condition to be met by a divesting company (for disposals of ordinary shares before 1 January 2026)



A company acquired 40% of the ordinary shares in Company X on 1 March 2010. On 1 September 2012, it disposes of 30% of the ordinary shares in Company X and on 1 August 2013 it disposes of the remaining 10% of ordinary shares in Company X. Gains are derived by the divesting company from both disposals.

Note 1

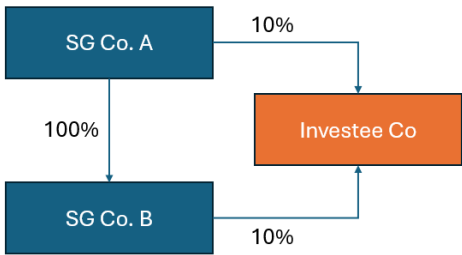
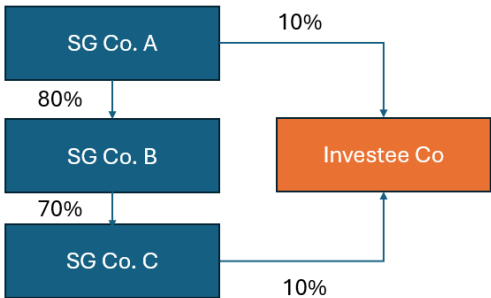
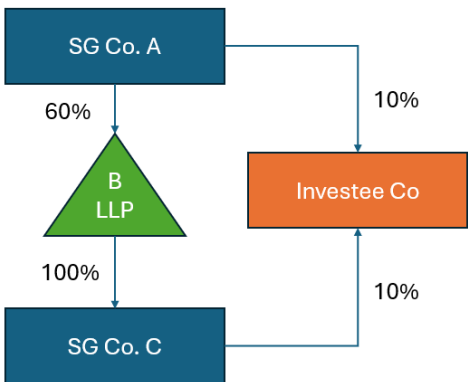
The gains from the 1st disposal on 1 September 2012 of 30% of the ordinary shares of Company X qualifies for certainty of non-taxation as immediately before the date of disposal, the divesting company has a minimum level of 20% of ordinary shares in Company X for a continuous period of at least 24 months. In this case, the divesting company has held a minimum level of 20% ordinary shares in Company X from 1 March 2010 to 31 August 2012 (i.e. 30 months).

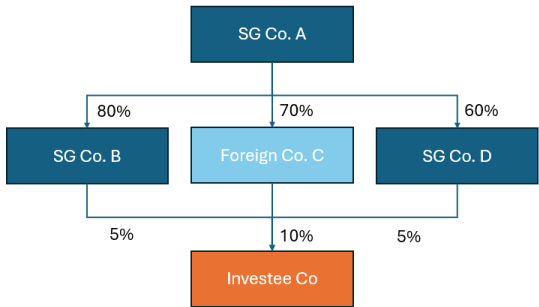
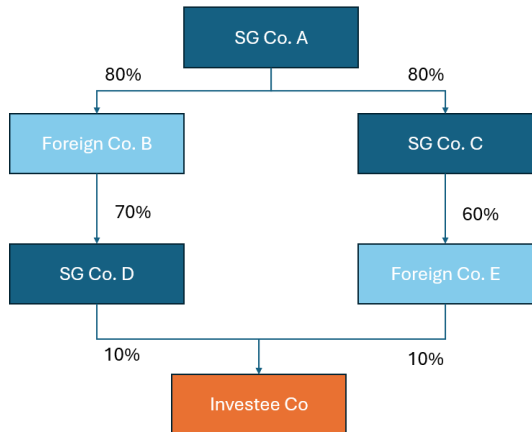
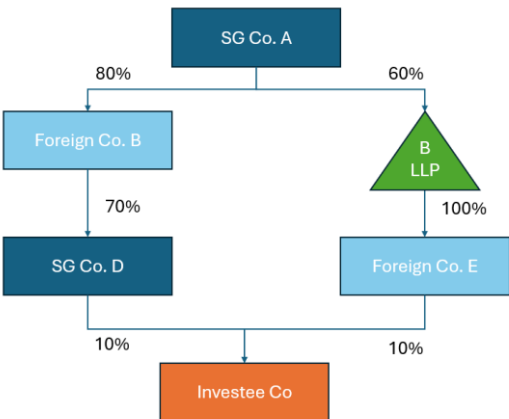
Note 2

The gains from the 2nd disposal on 1 August 2013 of 10% of the ordinary shares of Company X does not qualify for certainty of non-taxation. This is because in the 24 months immediately before the date of disposal (i.e. period from 1 August 2011 to 31 July 2013), the divesting company held less than 20% of ordinary shares in Company X. The taxability of the gain from the 2nd disposal will be determined based on facts and circumstances of the case.

Annex A2 – Examples on application of conditions to be met (for disposals of shares on or after 1 January 2026)

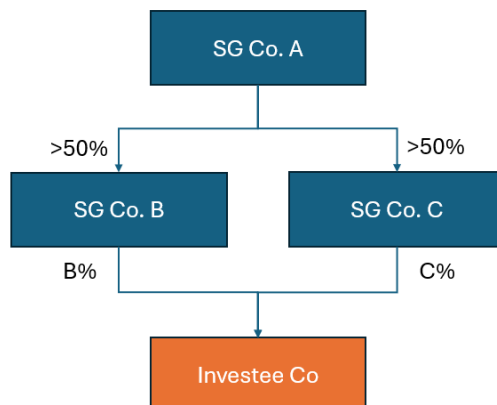
A2-1 Determination of whether the divesting company and its related companies are in the same group for purpose of group basis of assessment

Examples	Whether companies are in the same group?
<p><u>Example 1</u></p>  <pre> graph TD A[SG Co. A] -- 100% --> B[SG Co. B] A -- 10% --> I[Investee Co] B -- 10% --> I </pre>	<p><u>SG Co. A is the divesting company</u></p> <p>SG Co. A and SG Co. B are in the same group since more than 50% of the total number of issued ordinary shares in SG Co. B are held directly by SG Co. A.</p>
<p><u>Example 2</u></p>  <pre> graph TD A[SG Co. A] -- 80% --> B[SG Co. B] A -- 10% --> I[Investee Co] B -- 70% --> C[SG Co. C] C -- 10% --> I </pre>	<p><u>SG Co. A is the divesting company</u></p> <p>SG Co. A and SG Co. C are in the same group since more than 50% (i.e. $80\% \times 70\% = 56\%$) of the total number of issued ordinary shares in SG Co. C are held <u>indirectly</u> by SG Co. A.</p>
<p><u>Example 3</u></p>  <pre> graph TD A[SG Co. A] -- 60% --> B[B LLP] A -- 10% --> I[Investee Co] B -- 100% --> C[SG Co. C] C -- 10% --> I </pre>	<p><u>SG Co. A is the divesting company</u></p> <p>SG Co. A and SG Co. C are not in the same group as the intermediate entity, B LLP, is not a company.</p>

Examples	Whether companies are in the same group?
<p><u>Example 4</u></p>  <pre> graph TD A[SG Co. A] -- 80% --> B[SG Co. B] A -- 70% --> C[Foreign Co. C] A -- 60% --> D[SG Co. D] B -- 5% --> E[Investee Co] C -- 10% --> E D -- 5% --> E </pre>	<p><u>SG Co. B is the divesting company</u></p> <p>SG Co. B, Foreign Co. C and SG. Co. D are in the same group as more than 50% of the total number of issued ordinary shares in each of them are held directly by a common company, SG Co. A.</p>
<p><u>Example 5</u></p>  <pre> graph TD A[SG Co. A] -- 80% --> B[Foreign Co. B] A -- 80% --> C[SG Co. C] B -- 70% --> D[SG Co. D] C -- 60% --> E[Foreign Co. E] D -- 10% --> F[Investee Co] E -- 10% --> F </pre>	<p><u>SG Co. D is the divesting company.</u></p> <p>SG Co. D and Foreign Co. E are not in the same group as less than 50% (i.e. $80\% \times 60\% = 48\%$) of the total number of issued ordinary shares in Foreign Co. E are held indirectly by a common company, SG Co. A.</p>
<p><u>Example 6</u></p>  <pre> graph TD A[SG Co. A] -- 80% --> B[Foreign Co. B] A -- 60% --> LLP[B LLP] B -- 70% --> D[SG Co. D] LLP -- 100% --> E[Foreign Co. E] D -- 10% --> F[Investee Co] E -- 10% --> F </pre>	<p><u>SG Co. D is the divesting company</u></p> <p>SG Co. D and Foreign Co. E are not in the same group as the intermediate holding entity for Foreign Co. E (B LLP) is not a company.</p>

A2-2 Determination of whether the divesting company and its related companies meet the 20% shareholding threshold condition on a group basis of assessment

(Assume disposal of ordinary shares and/or qualifying preference shares)



Example 1: Where SG Co. B is the divesting company and the share disposal occurs on 1 Jan 2027

Shareholding as at	B%	C%	Total
Before 1 Jan 2025	0%	10%	10%
1 Jan 2025	10% (+10%)	10%	20% (+10%)
31 Dec 2025	15% (+5%)	10%	25% (+5%)
1 Jan 2026	15%	10%	25%
31 Dec 2026	15%	10%	25%
1 Jan 2027	0% (-15%)	10%	10% (-15%)

% in () refers to changes in the shareholding

SG Co. B's disposal of 15% shareholding on 1 Jan 2027

Step 1	The date of SG Co. B's disposal of 15% shareholding in Investee Co is 1 Jan 2027.
Step 2	The relevant 24-month holding period from the date of disposal is 1 Jan 2025 to 31 Dec 2026.
Step 3	SG Co. B and SG Co. C are in the same group as more than 50% of the total number of issued ordinary shares in each of them are owned directly by a common company, SG Co. A.
Step 4	SG Co. B and SG Co. C each held 10% shareholding ¹⁴ in Investee Co continuously throughout the relevant 24-month holding period (i.e. 1 Jan 2025 to 31 Dec 2026) that can be aggregated for the

¹⁴ All 10% shareholding each held by SG Co. B and SG Co. C on 1 Jan 2025 was continuously held by each of them throughout the relevant 24-month holding period (i.e. 1 Jan 2025 to 31 Dec 2026).

	group basis of assessment. Therefore, the group met the 20% shareholding threshold condition on a group basis.
Step 5	<p>Applying the FIFO basis, the 15% shareholding disposed of on 1 Jan 2027 comprises 10% shareholding acquired on 1 Jan 2025 and 5% shareholding acquired on 31 Dec 2025.</p> <p>SG Co. B has held the 10% shareholding acquired on 1 Jan 2025 continuously throughout the relevant 24-month holding period. Therefore, gains derived from SG Co. B's disposal of the 10% shareholding acquired on 1 Jan 2025 will qualify for the scheme.</p> <p>SG Co. B has not held the 5% shareholding acquired on 31 Dec 2025 continuously throughout the relevant 24-month holding period. Therefore, gains derived from SG Co. B's disposal of the remaining 5% shareholding acquired on 31 Dec 2025 will not qualify for the scheme.</p>

Example 2: Where both SG Co. B and SG Co. C are the divesting companies and there are multiple disposals

Shareholding as at	B%	C%	Total
Before 1 Jan 2025	0%	0%	0%
1 Jan 2025	15% (+15%)	10% (+10%)	25% (+25%)
31 Dec 2025	20% (+5%)	10%	30% (+5%)
1 Jan 2026	20%	5% (-5%)	25% (-5%)
31 Dec 2026	25% (+5%)	5%	30% (+5%)
1 Jan 2027	25%	10% (+5%)	35% (+5%)
31 Dec 2027	0% (-25%)	5% (-5%)	5% (-30%)

% in () refers to changes in the shareholding

SG Co. B's disposal of 25% shareholding on 31 Dec 2027

Since SG Co. B has held 25% shareholding in Investee Co prior to the disposal, it should first assess whether it can meet the 20% shareholding threshold condition on a divesting entity or standalone basis.

The date of SG Co. B's disposal of 25% shareholding in Investee Co is 31 Dec 2027. Hence, the relevant 24-month holding period from the date of disposal is 31 Dec 2025 to 30 Dec 2027.

As SG Co. B has held at least 20% shareholding continuously throughout the relevant 24-month holding period (i.e. 31 Dec 2025 to 30 Dec 2027) on its own (i.e. not depending on the group basis of assessment), gains derived from its disposal of the entire 25% shareholding in Investee Co on 31 Dec 2027 will qualify for the scheme on a divesting entity or standalone basis. This is notwithstanding that there was an additional 5% share acquisition on 31 Dec 2026.

SG Co. C's disposal of 5% shareholding on 1 Jan 2026

Step 1	The date of SG Co. C's disposal of 5% shareholding in Investee Co is 1 Jan 2026.
Step 2	The relevant 24-month holding period from the date of disposal is 1 Jan 2024 to 31 Dec 2025.
Step 3	SG Co. B and SG Co. C are in the same group as more than 50% of the total number of issued ordinary shares in each of them are owned directly by a common company, SG Co. A.
Step 4	<p>SG Co. B and SG Co. C did not hold any shareholding in Investee Co continuously throughout the relevant 24-month holding period (i.e. 1 Jan 2024 to 31 Dec 2025) that can be aggregated for the group basis of assessment. Therefore, the group did not meet the 20% shareholding threshold condition on a group basis.</p> <p>Accordingly, gains derived from SG Co. C's disposal of the 5% shareholding on 1 Jan 2026 will not qualify for the scheme.</p>

SG Co. C's disposal of 5% shareholding on 31 Dec 2027

Step 1	The date of SG Co. C's disposal of 5% shareholding in Investee Co is 31 Dec 2027.
Step 2	The relevant 24-month holding period from the date of disposal is 31 Dec 2025 to 30 Dec 2027.
Step 3	SG Co. B and SG Co. C are in the same group as more than 50% of the total number of issued ordinary shares in each of them are owned directly by a common company, SG Co. A.
Step 4	SG Co. B and SG Co. C held 20% ¹⁵ and 5% ¹⁶ shareholding respectively in Investee Co continuously throughout the relevant 24-month holding period (i.e. 31 Dec 2025 to 30 Dec 2027) that can be aggregated for the group basis of assessment. Therefore, the group met the 20% shareholding threshold condition on a group basis.
Step 5	Applying the FIFO basis, the 5% shareholding disposed of on 31 Dec 2027 comprises 5% shareholding acquired on 1 Jan 2025. SG Co. C has held the 5% shareholding continuously throughout the relevant 24-month holding period. Therefore, gains derived from SG Co. C's disposal of the 5% shareholding on 31 Dec 2027 will qualify for the scheme.

¹⁵ All 20% shareholding held by SG Co. B on 31 Dec 2025 was continuously held by it throughout the relevant 24-month holding period (i.e. 31 Dec 2025 to 30 Dec 2027).

¹⁶ Applying the FIFO basis, 5% out of the 10% shareholding held by SG Co. C on 31 Dec 2025 was disposed of on 1 Jan 2026. Hence, SG Co. C only held 5% shareholding continuously throughout the relevant 24-month holding period (i.e. 31 Dec 2025 to 30 Dec 2027).

Example 3: Where both SG Co. B and SG Co. C are the divesting companies and there are multiple disposals

Shareholding as at	B%	C%	Total
Before 1 Jan 2025	0%	0%	0%
1 Jan 2025	10% (+10%)	10% (+10%)	20% (+20%)
31 Dec 2025	0% (-10%)	20% (+10%)	20%
1 Jan 2026	5% (+5%)	15% (-5%)	20%
31 Dec 2026	5%	15%	20%
1 Jan 2027	0% (-5%)	10% (-5%)	10% (-10%)

% in () refers to changes in the shareholding

SG Co. B's disposal of 10% shareholding on 31 Dec 2025

Step 1	The date of SG Co. B's disposal of 10% shareholding in Investee Co is 31 Dec 2025.
Step 2	The relevant 24-month holding period from the date of disposal is 31 Dec 2023 to 30 Dec 2025.
Step 3	SG Co. B and SG Co. C are in the same group as more than 50% of the total number of issued ordinary shares in each of them are owned directly by a common company, SG Co. A.
Step 4	<p>SG Co. B and SG Co. C did not hold any shareholding in Investee Co continuously throughout the relevant 24-month holding period (i.e. 31 Dec 2023 to 30 Dec 2025) that can be aggregated for the group basis of assessment. Therefore, the group did not meet the 20% shareholding threshold condition on a group basis.</p> <p>Accordingly, gains derived from SG Co. B's disposal of the 10% shareholding on 31 Dec 2025 will not qualify for the scheme.</p>

SG Co. B's disposal of 5% shareholding on 1 Jan 2027

Step 1	The date of SG Co. B's disposal of 5% shareholding in Investee Co is 1 Jan 2027.
Step 2	The relevant 24-month holding period from the date of disposal is 1 Jan 2025 to 31 Dec 2026.
Step 3	SG Co. B and SG Co. C are in the same group as more than 50% of the total number of issued ordinary shares in each of them are owned directly by a common company, SG Co. A.

Step 4	<p>SG Co. B and SG Co. C held 0%¹⁷ and 5%¹⁸ shareholding respectively in Investee Co continuously throughout the relevant 24-month holding period (i.e. 1 Jan 2025 to 31 Dec 2026) that can be aggregated for the group basis of assessment. Therefore, the group did not meet the 20% shareholding threshold condition on a group basis.</p> <p>Accordingly, gains derived from SG Co. B's disposal of the 5% shareholding on 1 Jan 2027 will not qualify for the scheme.</p>
--------	--

SG Co. C's disposal of 5% shareholding on 1 Jan 2026

Step 1	The date of SG Co. C's disposal of 5% shareholding in Investee Co is 1 Jan 2026.
Step 2	The relevant 24-month holding period from the date of disposal is 1 Jan 2024 to 31 Dec 2025.
Step 3	SG Co. B and SG Co. C are in the same group as more than 50% of the total number of issued ordinary shares in each of them are owned directly by a common company, SG Co. A.
Step 4	<p>SG Co. B and SG Co. C did not hold any shareholding in Investee Co continuously throughout the relevant 24-month holding period (i.e. 1 Jan 2024 to 31 Dec 2025) that can be aggregated for the group basis of assessment. Therefore, the group did not meet the 20% shareholding threshold condition on a group basis.</p> <p>Accordingly, gains derived from SG Co. C's disposal of the 5% shareholding on 1 Jan 2026 will not qualify for the scheme.</p>

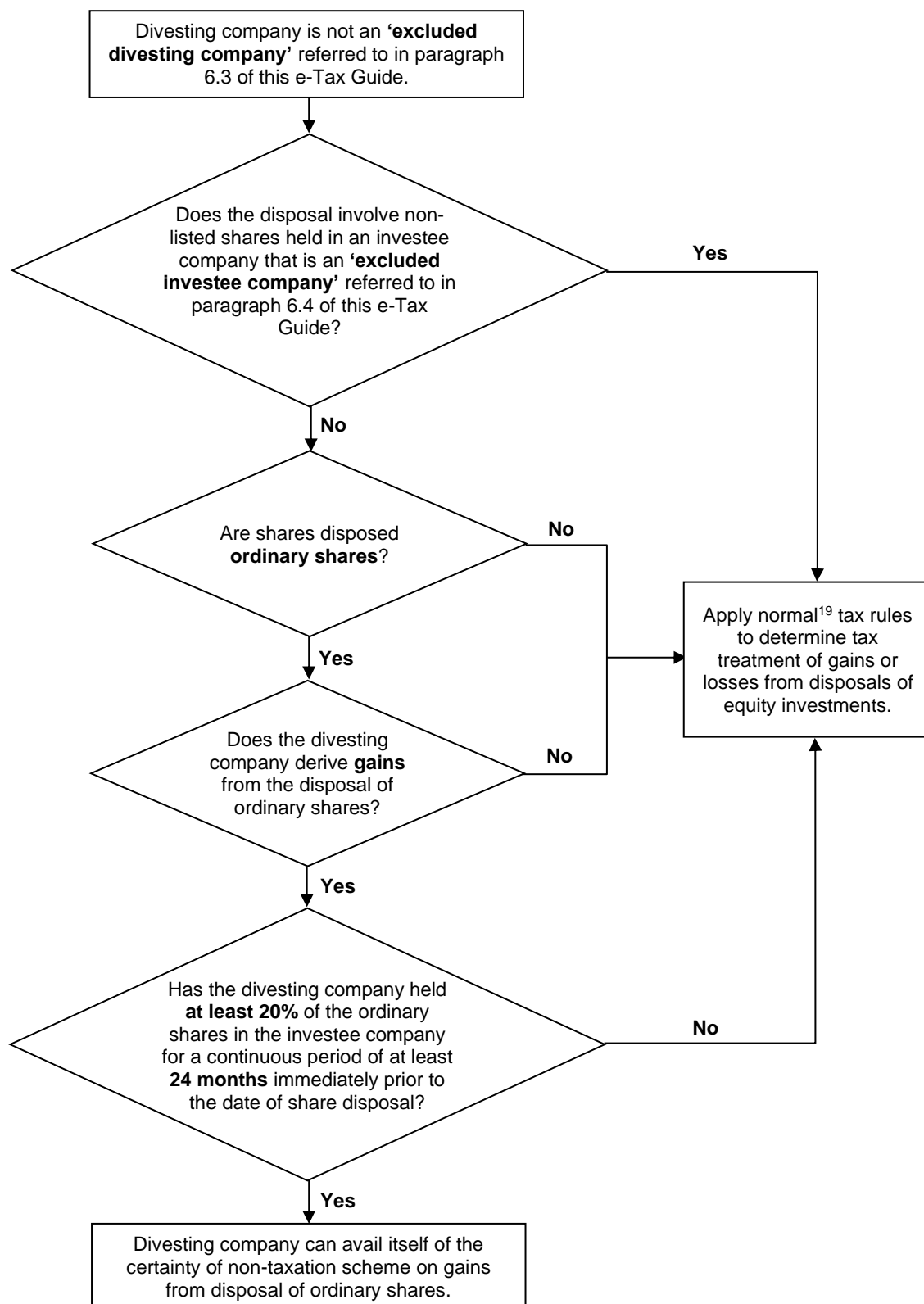
SG Co. C's disposal of 5% shareholding on 1 Jan 2027

Please refer to similar analysis for SG Co. B's disposal of 5% shareholding on 1 Jan 2027. As the group did not meet the 20% shareholding threshold condition on a group basis, gains derived from SG Co. C's disposal of the 5% shareholding on 1 Jan 2027 will not qualify for the scheme.

¹⁷ Applying the FIFO basis, all 10% shareholding held by SG Co. B on 1 Jan 2025 was disposed on 31 Dec 2025. Hence, SG Co. B did not hold any shareholding continuously throughout the relevant 24-month holding period (i.e. 1 Jan 2025 to 31 Dec 2026) that can be aggregated for group assessment.

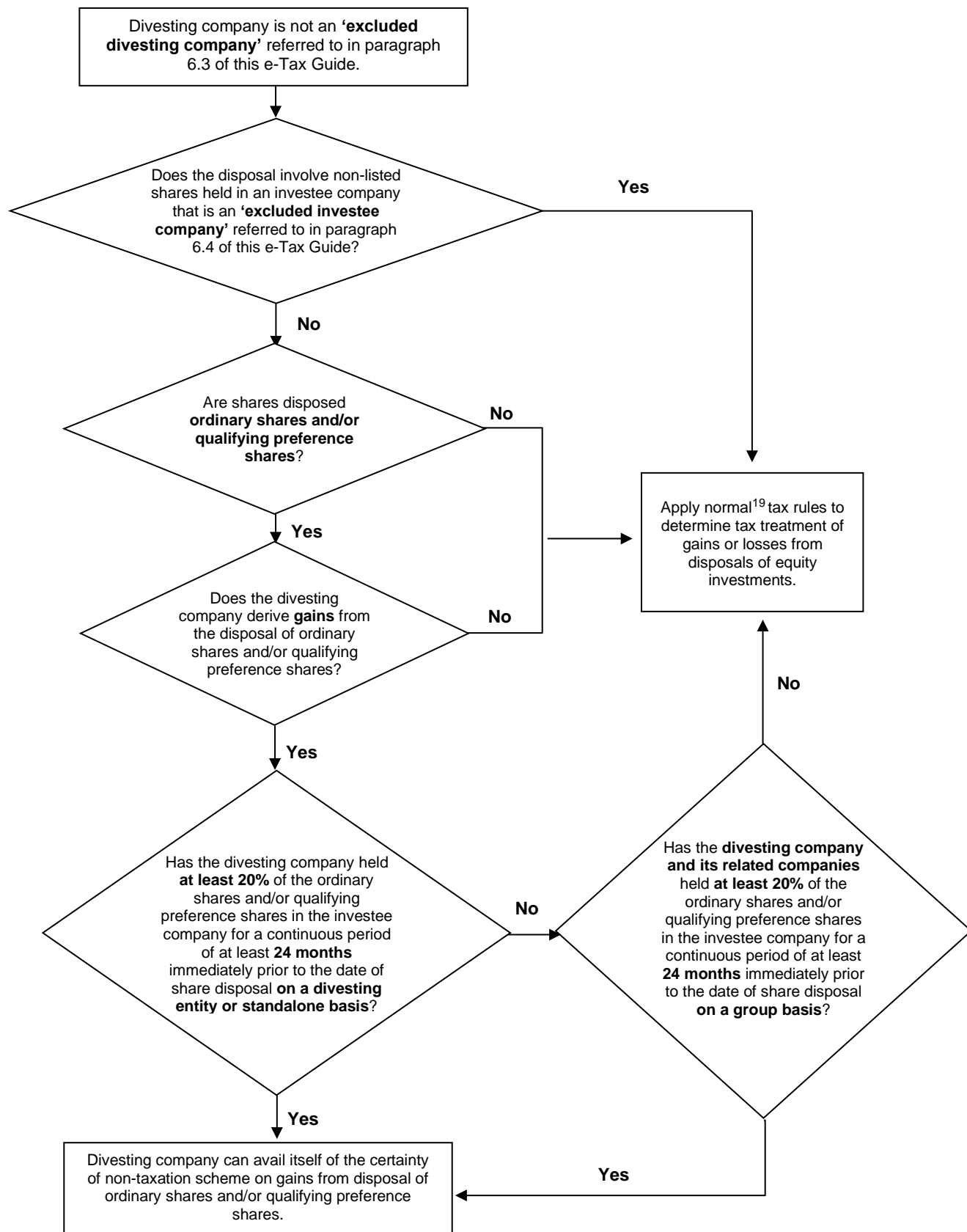
¹⁸ Applying the FIFO basis, 5% out of the 10% shareholding held by SG Co. C on 1 Jan 2025 was disposed on 1 Jan 2026. Hence, SG Co. C only held 5% shareholding continuously throughout the relevant 24-month holding period (i.e. 1 Jan 2025 to 31 Dec 2026) that can be aggregated for group assessment.

Annex B1 – Flowchart illustrating the application of the certainty of non-taxation scheme to a divesting company (for disposal of shares before 1 January 2026)



¹⁹ If the divesting company has been awarded any tax incentive that covers gains or losses from disposal of investments, the relevant governing rules under the tax incentive will apply where applicable.

Annex B2 – Flowchart illustrating the application of the certainty of non-taxation scheme to a divesting company (for disposal of shares on or after 1 January 2026)



Annex C – Examples on the application of the certainty of non-taxation scheme to an investee company that has undertaken property development activities (for disposals of shares on or after 1 June 2022)

Company A holds 100% of the ordinary shares in Company X since the incorporation of Company X. On 1 January 2023, Company A (the divesting company) disposes ordinary shares in Company X (the investee company) and derives gains from the disposal.

Company X has undertaken property development activities²⁰ to develop an immovable property. The property development activities were completed with a Certificate of Statutory Completion issued on 1 January 2017. Company X did not undertake any other property development activities thereafter. Since the property development activities were completed more than 60 months before the disposal of shares by Company A, the condition at paragraph 6.4.3(c)(ii) is satisfied.

Examples

	How Company X uses the immovable property developed	Does the scheme apply to the gains derived by Company A from its disposal of shares in Company X?
1	Company X carries on a manufacturing business from which it derives trade income. Company X uses the immovable property developed as its premises (factory and office) to carry on the manufacturing business.	Yes. The immovable property developed is used by Company X to carry on its manufacturing business to derive trade income.
2	Company X carries on a manufacturing business from which it derives trade income. Company X developed an industrial building. It rents out two floors of the building to another company and derives passive rental income. Other parts of the industrial building are used by Company X as its premises (factory and office) to carry on its manufacturing business.	Yes. The immovable property developed is used by Company X to carry on its manufacturing business to derive trade income.
3	The immovable property is developed into a hotel. Company X carries on a business of operating the hotel. Trade income is derived from operating the hotel.	Yes. The immovable property developed is used by Company X to carry on its hotel operation business to derive trade income.

	How Company X uses the immovable property developed	Does the scheme apply to the gains derived by Company A from its disposal of shares in Company X?
4	The immovable property is developed into a commercial building. Company X carries on a business of letting out units of that commercial building. Income derived from the business is trade income that is subject to the provisions of section 10D of the ITA.	Yes. The immovable property developed is used by Company X to carry on its business of letting out immovable properties to derive trade income.
5	Company X developed the immovable property into residential units for sale. Trade income is derived from the selling the residential units.	No. Company X is in the business of trading immovable properties, thus an 'excluded investee company' referred to in paragraph 6.4.3(a). The immovable property developed is the trading stock of Company X.

If the property development activities undertaken by Company X is still ongoing on the date of share disposal or have occurred during the past 60 months before the date of share disposal, the scheme does not apply to the gains derived by Company A from its disposal of shares in Company X. This is regardless of how the immovable property developed is used or will be used. In this instance, IRAS will examine the facts and circumstances to determine whether the disposal gains are capital or revenue in nature and apply normal tax rules.

²⁰ Property development activities refer to the construction or causing the construction of any building (or part of a building), including the acquisition of land or building for such construction. For the purpose of the scheme, only building works that require an approval from the Commissioner of Building Control under the Building Control Act (or would have required such approval if the building works are done in Singapore) are considered as construction of a building.