1. Subject:

a. Whether repayments (including retained earnings) to Company A upon liquidation of Company B ("Liquidation Proceeds") are subject to Singapore income tax under the provisions of the Income Tax Act 1947 (2020 Revised Edition) (the "ITA").

2. Relevant background and facts:

- a. Company A is a Singapore incorporated company. It incorporated a wholly owned subsidiary, Company B, outside Singapore in Year X.
- b. No dividend was declared by Company B since its incorporation.
- c. Company A plans to liquidate Company B. The estimated Liquidation Proceeds arising from the liquidation of Company B is US\$Y. Company A will not be receiving the Liquidation Proceeds in the form of cash, as the distribution of the Liquidation Proceeds to Company A will be by way of offsetting the amounts of non-trade payables owing to Company B by Company A.

3. Relevant legislative provisions:

a. Income Tax Act 1947 (2020 Revised Edition) - Section 10(1)

4. The rulings:

a. The Liquidation Proceeds to be derived by Company A upon liquidation of Company B are capital in nature and accordingly will not be subject to income tax under the provisions of the ITA.

5. Reasons for the decision:

a. The Liquidation Proceeds represent a return of capital to Company A upon liquidation of Company B. Thus, it is not taxable under section 10(1) of the ITA.

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.

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