Advance Ruling Summary No. 3/2023
Published on 1 Mar 2023

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1. Subject:

Whether the sale of shares in Company X is a capital transaction and therefore any cost associated with the sale and gains (if any) arising therefrom should not be deductible and taxable respectively under the provisions of the Income Tax Act 1947 (2020 Revised Edition) (the "**ITA**").

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2. Relevant background and facts:

a. Company A is incorporated in Singapore.

b. Company A had ceased its business trading activity with effect from Date A and became a passive investment holding company.

c. Since the date of its incorporation, apart from its business trading activities, Company A has invested in the shares of Company X, a private company incorporated outside Singapore.

d. Company X transited into a public listed company subsequently and the shares are now traded on the stock exchange of the foreign jurisdiction.

e. The shares in Company X are held by Company A for long-term investment purposes.

f. Company A intends to dispose of the shares in Company X, after holding the shares for more than 8 years.

g. Company A has not disposed of any shares in the past.

h. Following the sale of the shares, the directors intend to wind up Company A.

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3. Relevant legislative provisions:

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

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4. The ruling:

a. The sale of the shares in Company X is a capital transaction and therefore any costs/loss associated with the sale and gains (if any) arising therefrom is not deductible and taxable respectively under the provisions of the ITA.

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5. Reasons for the decision:

a. The sale of the shares in Company X is regarded as a capital transaction, after taking into consideration the following factors:

   (i) Intention of Company A at the time of acquiring the shares in Company X;

   (ii) The holding period of the shares;

   (iii) Frequency of similar transactions by Company A; and

   (iv) Company A's intention to wind up upon completion of the sale of the shares.

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