Advance Ruling Summary No. 7/2025
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1. Subject:

Whether the gains from the sale of shares in Company B by Company A to third-party buyers will be regarded as not subject to tax under section 10L of the Income Tax Act 1947 ("**ITA**"), on the basis that Company A, being a pure equity-holding entity ("**PEHE**"), satisfies the prescribed economic substance requirements to be regarded as an "excluded entity" under section 10L(16) of the ITA.

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2. Relevant background and facts:

a. Company A is a company incorporated in Singapore. Its principal activity is that of a holding investment company.

b. Company B is registered and incorporated in a jurisdiction outside Singapore.

c. Company A sold shares in Company B during the basis period for the Year of Assessment X and derived a gain.

d. Company A is an entity of a relevant group for purpose of section 10L of the ITA.

e. Company A is a PEHE as defined in section 10L(16) of the ITA. Company A's function is to hold shares in Company B. Company A has no income other than dividend income, gains on the sale of shares and income incidental to its activities of holding shares.

f. Company A has submitted/ will submit its annual return to the Accounting and Corporate Regulatory Authority.

g. The operations and activities of Company A are managed in Singapore.

h. Company A has adequate human resources and premises in Singapore to carry out its operations.

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3. Relevant legislative provisions:

a. Income Tax Act 1947 - Sections 10(1)(g), 10L(8)(d) and 10L(16)

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4. The rulings:

a. Company A, being a PEHE, has satisfied/ will satisfy the economic substance requirements under paragraph (a) of “excluded entity” as defined in section 10L(16) of the ITA in the basis period in which the disposal of the foreign asset (i.e., shares in Company B) has occurred. Thus, Company A will be regarded as an excluded entity under section 10L(8)(d) of the ITA. Accordingly, the foreign-sourced disposal gains derived by Company A from the disposal of the said foreign asset during the basis period for the Year of Assessment X will not be subject to tax under section 10(1)(g) of the ITA when the said gain is remitted into Singapore.

b. The above ruling will apply for foreign-sourced disposal gains derived by Company A from any sale or disposal of foreign assets during the basis period for Years of Assessment X to X+4.

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5. Reasons for the decision:

a. Company A has met the economic substance requirements for a PEHE.

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6. General Reference:

a. Taxpayers may refer to the IRAS e-Tax Guide “Income Tax: Tax Treatment of Gains or Losses from the Sale of Foreign Assets (Second Edition)” for further guidance.

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