Advance Ruling Summary No. 9/2025
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1. Subject:

Whether:

a. the additional amount of US$X in excess of the principal amount of the Notes (as defined below) (the "**Exchange Premium**") would be treated as "early redemption fee" and/or "redemption premium" (as defined in section 13(16) of the Income Tax Act 1947 (the "**ITA**")), under the qualifying debt securities ("**QDS**") scheme, in which case the Exchange Premium would not be subject to withholding tax when paid or deemed paid by the Issuer to non-resident holders of the Notes; and

b. Holders of the Notes would be entitled to the QDS tax concessions and exemptions in respect of such amounts under sections 13(1)(ba) and 43H of the ITA, and individuals deriving such income (other than through a partnership in Singapore or from the carrying on of a trade, business or profession in Singapore) would be exempt from tax on such income under section 13(1)(zk) of the ITA.

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2. Relevant background and facts:

a. The Issuer is a Singapore incorporated company. The Issuer had issued notes that are due in Year T (the "**Notes**"). The Notes are QDS for the purposes of the ITA.

b. Before the maturity date of the Notes, the Issuer offered to exchange (the "**Exchange Offer**") any and all of its outstanding Notes for its newly issued notes due in Year (T+2) (the "**New Notes**"), subject to the terms and conditions set forth in the exchange offer memorandum in respect of the Notes.

c. For each US$1,000 principal amount of outstanding Notes validly tendered and accepted for exchange on or prior to the expiration time, holders will receive exchange consideration of (US$1,000 + US$X). This consideration will be provided in a combination of New Notes and cash. Holders will also receive accrued interest on top of this exchange consideration.

d. The Exchange Offer and the exchange settlement date occurred after 15 February 2023.

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3. Relevant legislative provisions:

a. Income Tax Act 1947 – Sections 13(1)(ba), 13(1)(zk), 13(2F), 13(16), 43H and 45A(2B)(a)

b. Income Tax (Qualifying Debt Securities) Regulations

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4. The rulings:

a. The Exchange Premium would be regarded as “early redemption fee” and/or “redemption premium” under section 13(16) of the ITA. Subject to satisfying the governing conditions under sections 43H and 13(2F) of the ITA, and the Income Tax (Qualifying Debt Securities) Regulations, where applicable:

   (i) Holders of the Notes deriving the Exchange Premium would be entitled to tax exemptions and concessions available under sections 13(1)(ba) and 43H of the ITA, and individuals deriving such income (other than through a partnership in Singapore or from the carrying on of a trade, business or profession in Singapore) would be exempt from tax on such income under section 13(1)(zk) of the ITA; and

   (ii) The Exchange Premium would not be subject to withholding tax when paid or deemed paid by the Issuer to non-resident holders under section 45A(2B)(a) of the ITA.

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5. Reasons for the decision:

a. With effect from 15 February 2023, the scope of qualifying income under the QDS scheme has been streamlined such that all payments made by the issuer of the QDS on the redemption of the QDS upon its maturity or on the early redemption of the QDS are qualifying income.

b. The purchase of the Notes by the Issuer pursuant to the Exchange Offer before the Notes’ maturity date constitutes an early redemption of the Notes. There is a fee payable by the Issuer in relation to the early redemption of the Notes. Accordingly, the Exchange Premium falls within the definition of “early redemption fee” and/or “redemption premium” under section 13(16) of the ITA.

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