

1. Subject:

Whether the gains that will be realised by Company A from the sale of shares in Company B and Company C, if remitted or deemed remitted into Singapore, will fall outside the scope of section 10L of the Income Tax Act 1947 (“**ITA**”), on the basis that Company A, being a non-pure equity-holding entity (“**non-PEHE**”), satisfies the prescribed economic substance requirements to be regarded as an “excluded entity” under section 10L(16) of the ITA.

2. Relevant background and facts:

- a. Company A is a company incorporated in Singapore.
 - b. Company B and Company C are incorporated in jurisdictions outside Singapore.
 - c. Company A is expecting to sell its investments in Company B and Company C (“**Proposed Sale**”) during the financial year X (i.e. the basis period for the Year of Assessment Y), and anticipates deriving gains from the Proposed Sale.
 - d. Company A’s principal activities for the financial year X include provision of services.
 - e. Company A is an entity of a relevant group for purpose of section 10L of the ITA.
 - f. Company A is a non-PEHE as defined in section 10L(16) of the ITA.
 - g. Company A has adequate human resources, who have the necessary qualifications and experience to manage and perform the operations of Company A in Singapore.
 - h. Company A also has a premise in Singapore to carry out its operations.
 - i. The key business decisions of Company A are made by its directors in Singapore.
 - j. For the financial year X, Company A expects to incur more than S\$Z of local business expenditure.
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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 non-PEHE, has satisfied/ will satisfy the economic substance requirements under paragraph (b) of excluded entity as defined in section 10L(16) of the ITA in the basis period in which the Proposed Sale will occur. 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 Proposed Sale during the basis period for the Year of Assessment Y will not be chargeable to tax under section 10(1)(g) of the ITA when the said gain is remitted or deemed remitted into Singapore.
 - b. The above ruling will apply to foreign-sourced disposal gains derived by Company A from any sale or disposal of foreign assets during the basis period for Years of Assessment Y to Y+4.
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5. Reasons for the decision:

- a. Company A has met the economic substance requirements for a non-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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Disclaimer

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