

1. Subject:

Whether:

- a. the amount of X per cent. of the principal amount of the Notes (as defined below) (the **“Call Option 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 Call Option 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 exemptions and concessions 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. It is provided in the amended terms and conditions of the Notes (the **“Conditions”**) that the Issuer has the option to redeem all (and not some only) of the Notes at 100+X per cent. of the principal amount, together with the accrued interest, by giving the requisite notice of redemption (the **“Early Redemption Option”**).
 - c. The Issuer exercised the Early Redemption Option by giving the requisite notice of redemption pursuant to the Conditions.
 - d. The redemption of the Notes 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 Call Option 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 Call Option 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 Call Option 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 redemption of the Notes by the Issuer pursuant to the Conditions 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 Call Option Premium falls within the definition of “early redemption fee” and/or “redemption premium” under section 13(16) of the ITA.
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