

**Advance Ruling Summary No. 13/2025**  
**Published on 1 Aug 2025**

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**1. Subject:**

Whether

- a. The foreign-sourced disposal gains derived by Company A from the disposal of shares in Company B, when the said gain is remitted into Singapore, will fall outside the scope of section 10L of the Income Tax Act 1947 (“**ITA**”), on the basis that Company A has met the economic substance requirements and falls within the definition of an excluded entity under section 10L(16) of the ITA.
  - b. The ruling will be valid for up to five Years of Assessment if the relevant facts and representations made for the purpose of the ruling remain unchanged and there is no change in the tax laws or the Comptroller of Income Tax’s interpretation of the tax laws.
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**2. Relevant background and facts:**

- a. Company A is a company incorporated in Singapore.
- b. Company B is incorporated in a jurisdiction outside Singapore.
- c. Company A derived a gain during the basis period for Year of Assessment X from a share buyback initiated by Company B. There was an actual transfer of shares in Company B from Company A to Company B.
- d. Company B is contemplating further share buybacks in the future, which would yield additional gains for Company A.
- e. Company A is an entity of a relevant group for purpose of section 10L of the ITA.
- f. Company A is a non-pure equity-holding entity (“**non-PEHE**”) as defined in section 10L(16) of the ITA.
- g. The operations and activities of Company A are managed and performed in Singapore by its directors, all of whom are also employees of Company A.
- h. The directors have the necessary qualifications and experience.
- i. The key business decisions of Company A are made by the directors in Singapore.

- j. For the basis period relating to the Year of Assessment X, Company A incurred 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 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 disposal of the 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 shares in Company B during the basis period for the Year of Assessment X will not be treated as income 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 X to X+4.
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**5. Reason 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 (Third Edition)" for further guidance. Paragraph 8 of the e-Tax Guide states the approach and factors that the Comptroller of Income Tax considers when applying the economic substance requirement and determining whether an entity has adequate economic substance in the basis period in which the sale or disposal occurs. Specifically, please refer to paragraphs 8.7 to 8.9 on the application of the economic substance test in cases relating to non-PEHE.
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