

Advance Ruling Summary No. 13/2020
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1. Subject:

- a. Whether the consideration paid by Company A under certain license agreements fall within section 12 of the Income Tax Act ("ITA")¹ and hence, Singapore withholding tax pursuant to sections 45 and 45A of the ITA is applicable on the payments.
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2. Relevant background and facts:

- a. Company A is a Singapore incorporated company. It is part of a group of companies ("TP Group"). It is TP Group's international headquarters and the entrepreneur in TP Group's value chains in worldwide regions, excluding Countries B and D.
- b. Company B is incorporated in Country B and the corporate headquarters for the TP Group. It holds the legal title in the intellectual properties ("IP") owned by TP Group and the economic rights to TP Group's IP for Country B territory.
- c. Company C is incorporated in Country C and owns the economic rights to TP Group's IP for Country D territory. Company A owns the economic rights to TP Group's IP for the rest of the world other than Countries B and D territories ("Company A Territory").
- d. Company A, Company B and Company C are parties to an existing Cost Sharing Agreement ("CSA"), under which the parties agree to combine their research and development efforts and to share the costs, risks and rights relating to activities performed to develop the cost shared intangibles incorporated in TP Group's business platform.
- e. Pursuant to the acquisition of a corporate Group X, TP Group acquired certain IP owned by certain entities in Group X ("Group X entities").
- f. TP Group intends to contribute Group X's IP into the CSA such that the cost of subsequent research and development activities relating to the acquired IP will be shared under the CSA. All economic rights to additions, modifications, enhancements, updates, extensions, derivative works, formulations or further developments to Group X's IP will be governed by the CSA.
- g. To facilitate the contribution of Group X's IP into the CSA, the holding of the legal and economic rights to Group X's IP were aligned in accordance

¹ Income Tax Act, Cap. 134 (Revised Edition 2014)

with TP Group's IP holding policy as explained in paragraphs 2b and 2c above.

- h. In connection with the above, Company A made lump sum payments to the Group X entities for the full economic rights to Group X's IP in Company A Territory under certain license agreements. Under each license agreement, Company A is granted an exclusive, perpetual and irrevocable, royalty free, sublicensable license to use and exploit the relevant Group X's IP in Company A Territory. The lump sum payments made do not include any fees for technical assistance.
 - i. After the grant of licenses to Company A, the Group X entities can no longer use or exploit Group X's IP in Company A Territory.
 - j. Group X entities are non-residents of Singapore and do not have any permanent establishments in Singapore.
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3. Relevant legislative provisions:

- a. Income Tax Act, Chapter 134 (Revised Edition 2014) – sections 12, 45 and 45A
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4. The ruling:

- a. The consideration paid by Company A for the grant of licenses under the license agreements are not subject to Singapore withholding tax pursuant to sections 45 and 45A of the ITA.
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5. Reason for the decision:

- a. The lump sum payments made by Company A for the full economic rights in the exclusive, perpetual and irrevocable licences are not income in nature in the hands of the Group X entities. Accordingly, the payments are not subject to Singapore withholding tax pursuant to sections 45 and 45A of the ITA.
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