

**Advance Ruling Summary No. 17/2022**  
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**1. Subject:**

Whether the Liquidation Proceeds (defined below) to be derived by Company A upon liquidation of Company B are capital in nature and not assessable to tax under section 10(1) of the Income Tax Act 1947 (2020 Revised Edition) (“**ITA**”).

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**2. Relevant background and facts:**

- a. Company A is a company incorporated and tax resident in Singapore. In year X, it was designated to act as the main holding company for investments of the ultimate beneficial owner (“**UBO**”) of Group A, Mr Z.
  - b. Prior to year X, the UBO held its investments mainly through an investment holding company, i.e. Company C. Company C had provided inter-company loans (the “**Intercompany Loans**”) to fund various operating affiliates in Group A, which were ultimately owned by UBO.
  - c. In year Y, Company C incorporated a wholly owned subsidiary in Singapore, i.e. Company B. Company B was set up to facilitate the holding of and novation of the Intercompany Loans from Company C to Group A. Company B took over the Intercompany Loans from Company C. In return, Company B issued new ordinary shares to Company C.
  - d. In year Y, Company A acquired 100% shareholding in Company B from Company C.
  - e. Over the years, the Intercompany Loans were fully repaid to Company B. Company B used its excess cash (from the repayment of the Intercompany Loans) to extend loans to Company A.
  - f. Having achieved the purpose stated at paragraph (c) above, the UBO plans to streamline the investment holding structure through the liquidation of Company B.
  - g. Upon liquidation, Company B anticipates distributing any excess of assets over liabilities to its shareholder, Company A. The net assets would be distributed to Company A (“**Liquidation Proceeds**”). The Liquidation Proceeds would be in the form of a distribution in specie, i.e. by way of offsetting the balances in loans and advances due from Company A.
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**3. Relevant legislative provisions:**

- a. Income Tax Act 1947 (2020 Revised Edition) – Section 10(1)
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**4. The rulings:**

- a. The Liquidation Proceeds to be derived by Company A upon liquidation of Company B are capital in nature and not subject to tax under section 10(1) of the ITA.
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**5. Reasons for the decision:**

- a. The Liquidation Proceeds represent a return of capital to Company A upon liquidation of Company B. Thus, it is not taxable under section 10(1) of the ITA.
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