

Advance Ruling Summary No. 17/2025
Published on 1 Sep 2025

1. Subject:

- a. Whether an owner (i.e. Company B) meets the Qualifying Investor Test¹ of Section 13O of the Income Tax Act 1947 (“**ITA**”) under paragraph 5 of the Income Tax (Exemption of Income of Approved Companies Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010 (“**Section 13O Regulations**”).
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2. Relevant background and facts:

- a. Company A is an investment holding company. It is wholly owned by Company B, which in turn is wholly owned by Company C, a trustee of a trust. Companies A, B and C are companies incorporated and tax resident in Singapore.
 - b. Company A applied for the Section 13O tax incentive scheme based on the above holding structure.
 - c. Company B is not a non-bona fide entity based on the definition in Section 13O(8) of the ITA.
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3. Relevant legislative provisions:

- a. Income Tax Act 1947 - Sections 13O(3) and 13O(5)
 - b. Income Tax (Exemption of Income of Approved Companies Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010
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¹ A qualifying investor of a qualifying Section 13O fund (herein referred to as the “**Qualifying Investor Test**”) is:

(a) an investor that falls within Regulation 5(1) of the Section 13O Regulations; or
(b) an investor [other than (a)] that, either alone or together with his associates, beneficially owns:
i) not more than 30% of the total value of issued securities of the qualifying Section 13O fund that has less than 10 investors; or
ii) not more than 50% of the total value of the issued securities of the qualifying Section 13O fund that has at least 10 investors.

This is also known as the “30/50 rule”.

4. The ruling:

Company B, the owner of Company A, does not meet the Qualifying Investor Test of Section 13O of the ITA. Company B is a non-qualifying investor for the purpose of the Section 13O tax incentive scheme since the 30/50 rule is breached. As a result, Company B is liable to pay a financial penalty to the Comptroller.

5. Reasons for the decision:

- a. Sections 13O(3)(b) and 13O(5) of the ITA provide that a person (“**relevant owner**”), that either alone or together with his associates, beneficially owns more than the prescribed percentage of an approved company’s total issued securities on the relevant day² is liable to pay a financial penalty to the Comptroller. However, if the relevant owner is a non-bona fide entity, the relevant owner is not liable to pay the financial penalty. Instead, a person who beneficially owns equity interests of the relevant owner on the relevant day and is not himself, herself or itself a non-bona fide entity will be liable.
 - b. Regulation 5(3) of the Section 13O Regulations is not applicable as Company A’s issued securities are beneficially held by Company B, a corporate entity. In addition, since Company B is a bona fide entity resident in Singapore, it does not fall within the scope of Regulation 5(1) of the 13O Regulations.
 - c. Company B beneficially owns all of Company A’s issued securities and is not a non-bona fide entity. Therefore, the Qualifying Investor Test should be applied at the level of Company A’s immediate holding entity, making Company B the relevant owner for the purpose of Section 13O(3) of the ITA.
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The published summary of the advance ruling is for general reference only. It is binding only in respect of the applicant of the advance ruling and the specified transaction under consideration of the advance ruling. All taxpayers should exercise caution in relying upon the published summary of the advance ruling, as the Comptroller is not bound to apply the same tax treatment to a transaction that is similar to the specified transaction.

Please note that IRAS will not update the published ruling to reflect changes in the tax laws or our interpretations of the tax laws.

² Relevant day refers to the last day of the fund’s financial year or in the case where the fund ceases to be an approved section 13O fund within the financial year, the last day on which the fund was so approved.