

Advance Ruling Summary No. 1/2021
Published on 4 Jan 2021

1. Subject:

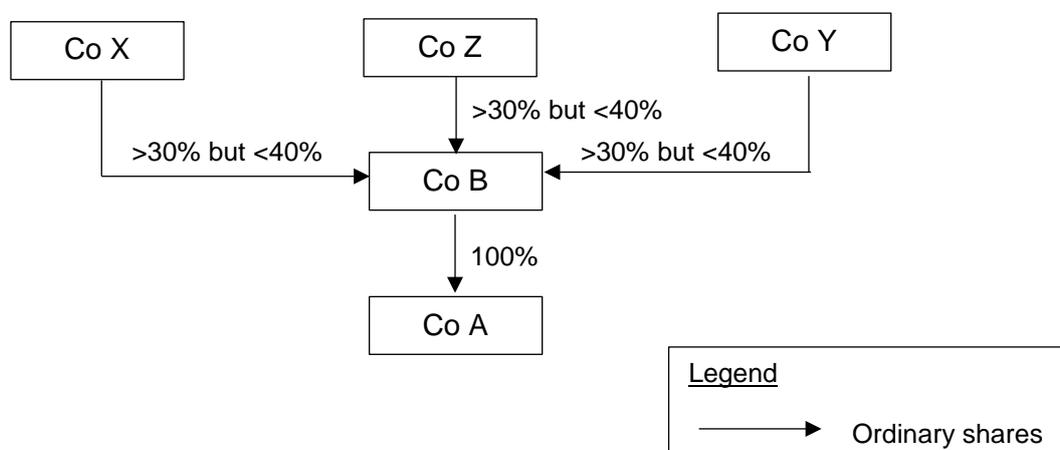
- a. Whether Company A (“**Co A**”) is considered a related party, within the meaning of sections 34D and 13(16) of the Income Tax Act (“**ITA**”) ¹, to either Company X (“**Co X**”), Company Y (“**Co Y**”) or Company Z (“**Co Z**”).
-

2. Relevant background and facts:

- a. Co A is a Singapore incorporated company and tax resident of Singapore. It is a joint venture set up by Co X, Co Y and Co Z (collectively known as the “**Shareholders**”). The Shareholders were incorporated outside Singapore.
- b. The formation of the joint venture was implemented as follows:
- i. The Shareholders established Company B (“**Co B**”), a company incorporated outside Singapore; and
 - ii. Co A was established as Co B’s wholly-owned subsidiary.
- c. The Shareholders’ Ordinary Shareholding ratios in Co B are as follows:

Shareholder	Co B Ordinary Shareholding Ratio
Co X	>30% but <40%
Co Y	>30% but <40%
Co Z	>30% but <40%

- d. Each of the Ordinary Shares carry one vote per share.
- e. The organisation chart is as follows:



¹ Income Tax Act, Chapter 134 (Revised Edition 2014)

- f. Each of Co X, Co Y and Co Z is independent from the other. They are unrelated parties, and do not have any common directors or significant common shareholders. None of them controls the other and they are not under the common control of another person.
 - g. Neither Co X, Co Y nor Co Z holds (directly or indirectly) more than 50% of the total number of issued ordinary shares in Co A /Co B.
 - h. There is no person that holds (directly or indirectly) more than 50% of the total number of issued ordinary shares of the following:
 - i. Both Co X and Co A/Co B;
 - ii. Both Co Y and Co A/Co B; or
 - iii. Both Co Z and Co A/Co B.
 - i. Neither Co A nor Co B is a subsidiary of Co X, Co Y or Co Z.
 - j. Neither Co A nor Co B is/will be consolidated in Co X, Co Y or Co Z's financial statements under the relevant accounting standard that is of equivalence to Financial Reporting Standard ("**FRS**") 110.
 - k. There is no person that consolidates the following in its financial statement under the relevant accounting standard that is of equivalence to FRS 110:
 - i. Both Co X and Co A/Co B;
 - ii. Both Co Y and Co A/Co B; or
 - iii. Both Co Z and Co A/Co B.
 - l. Neither Co X, Co Y nor Co Z is able to exercise control over either Co A or Co B, through either the relevant Board or Shareholder resolutions.
-

3. Relevant legislative provisions:

- a. Income Tax Act, Chapter 134 (Revised Edition 2014) – Sections 34D, 34F and 13(16)
-

4. The ruling:

- a. Co A is not regarded as a related party to either Co X, Co Y or Co Z for the purposes of sections 34D, 34F and 13(16) of the ITA.
-

5. Reasons for the decision:

- a. Based on paragraphs 2(f) to 2(l):
 - i. neither Co X, Co Y nor Co Z has control over Co A; and
 - ii. Co A and either Co X, Co Y or Co Z are not under the control of a common person.
-

Disclaimer

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.