

Advance Ruling Summary No. 2/2026
Published on 2 Jan 2026

1. Subject:

Whether Company A meets the economic substance requirement under section 10L of the Income Tax Act 1947 (the “**ITA**”) and therefore qualifies as an “excluded entity” for the Years of Assessment Y to Y+4.

2. Relevant background and facts:

- a. Company A is a company incorporated in Singapore.
- b. Company A is an investment holding company and it derives mainly interest income and dividend income from related companies.
- c. Company A expects to divest some of its overseas subsidiaries (“**Proposed Sale**”) during the financial year X (i.e. the basis period for the Year of Assessment Y), and the gain(s) on the divestments could potentially be subject to the provisions of section 10L of the ITA when the gain is remitted or deemed remitted into Singapore.
- d. Company A is an entity of a relevant group for purpose of section 10L of the ITA.
- e. Company A is not a pure equity-holding entity (“**PEHE**”) as defined in section 10L(16) of the ITA.
- f. Company A has adequate human resources, who have the necessary qualifications and experience to manage and perform the operations of Company A in Singapore.
- g. Company A also has an outsourced third-party service provider based in Singapore that provides services to Company A in Singapore.
- h. The key business decisions of Company A are made by persons in Singapore.
- i. For the financial year X, Company A expects to incur more than S\$Z of local business expenditure.

3. Relevant legislative provisions:

- a. Income Tax Act 1947 - Sections 10(1)(g), 10L(8)(d) and 10L(16)

4. The rulings:

- a. Company A, being a non-PEHE, has satisfied/ will satisfy 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 Proposed Sale will occur. 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 Proposed Sale during the basis period for the Year of Assessment Y will not be 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 Y to Y+4.

5. Reasons for the decision:

- a. Company A has met the economic substance requirements for a non-PEHE.

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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