

Advance Ruling Summary No. 23/2025
Published on 3 Nov 2025

1. Subject:

Whether:

- a. the use of unremitted foreign-sourced income for the purpose of a share capital reduction exercise will result in such income to be considered as income received in Singapore under Section 10(25) of the Income Tax Act 1947 ("ITA").
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2. Relevant background and facts:

- a. The company is incorporated in Singapore and a Singapore tax resident. The principal activity of the company is that of investment dealing.
 - b. The company derived foreign-sourced income which have remained unremitted as of to date and are maintained in the company's offshore bank account.
 - c. The company intends to undertake a capital reduction exercise in which paid up ordinary share capital will be cancelled and returned to its shareholders.
 - d. The Company intends to use the unremitted foreign-sourced income solely for the purpose of the share capital reduction exercise.
 - e. The foreign-sourced income will be paid directly into the shareholders' bank accounts outside Singapore without being remitted to, transmitted or brought into Singapore.
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3. Relevant legislative provision:

- a. Income Tax Act 1947 – Section 10(25)
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4. The ruling:

- a. The use of the foreign-sourced income from the company's bank account outside Singapore towards the proposed capital reduction exercise for payment to its shareholders' bank accounts outside Singapore will not constitute a remittance or deemed remittance into Singapore under Section 10(25) of the ITA.
- b. The ruling is subject to the following conditions:

- (i) The foreign-sourced income indeed constitutes foreign sourced income of the company for Singapore income tax purposes;
 - (ii) The remittance of funds from the company's bank account outside Singapore to the shareholders' bank accounts outside Singapore is indeed for the purpose of the capital reduction exercise made directly to the shareholders without involving any physical remittance or transmission of funds by the company into Singapore; and
 - (iii) The foreign-sourced income is not in fact amounts constituting foreign sourced income of the company which had already been remitted or deemed remitted to Singapore under Section 10(25) of the ITA from the time the foreign-sourced income was accrued to the company to the time it was transmitted to the shareholders' offshore bank accounts.
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5. Reason for the decision:

- a. The use of unremitted foreign-sourced income for a capital reduction exercise where there will not be any physical remittance or transmission of funds or bringing of the funds into Singapore by the company for this purpose does not fall within the provisions of Section 10(25) of the ITA.
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6. General Reference:

- a. Taxpayers may refer to the IRAS website for further guidance on the application of Section 10(25) of the ITA where income from outside Singapore is considered received in Singapore.
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