

Advance Ruling Summary No. 3/2026
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1. Subject:

Whether Company A satisfies the prescribed economic substance requirements to be regarded as an “excluded entity” under section 10L(16) of the Income Tax Act 1947 (the “ITA”).

2. Relevant background and facts:

- a. Company A is a Singapore incorporated and Singapore tax resident company. It is an investment holding company that provides funding to its subsidiaries and associates by way of debt and/or additional equity injection. Therefore, Company A is a non-pure equity-holding entity (“**non-PEHE**”) for section 10L purpose as its function goes beyond holding shares or equity interests in other entities.
- b. Company B is incorporated in a jurisdiction outside Singapore.
- c. Company A had disposed its shares in Company B during the financial year X (i.e., the basis period for the Year of Assessment Y), and derived gains from the above disposal.
- d. The operations of Company A will be/has been managed and performed in Singapore.
- e. Company A has adequate human resources, who have the necessary qualifications and experience to manage and perform the operations of Company A in Singapore.
- f. The actual/estimated amount of business expenditure incurred/to be incurred in respect of Company A’s operations in Singapore exceeds S\$Z.
- g. The key business decisions of Company A will be/are made by persons in Singapore.

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 disposal of the foreign assets occurred/ will occur. Thus, Company A will be regarded as an excluded entity under section 10L(8)(d) of the ITA. Accordingly, the foreign-sourced gains derived by Company A from the sale or disposal of foreign assets during the basis period for the Year of Assessment Y will not be treated as income chargeable to tax under section 10(1)(g) of the ITA when the gains are 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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