

1. Subject:

Whether the sale of Company A's Property (defined below) to Company B is a capital transaction.

2. Relevant background and facts:

- a. Company A is incorporated in Singapore and carries on a business in Singapore.
 - b. Company A currently owns several floors of a property (hereinafter referred to as the "**Property**"). Company A acquired the Property for its own use as office premises and has maintained this intention consistently and substantially using the Property for its own use since acquisition.
 - c. The acquisition of the Property was not funded by any loan/debt financing.
 - d. The Property was recognised as Property, Plant and Equipment at the point of acquisition under Financial Reporting Standard 16 Property, Plant and Equipment.
 - e. The Property was sold to Company B, a related party of Company A.
 - f. It is contemplated that by disposing of the Property, the financial resources invested in the Property could be used to improve Company A's solvency position.
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3. Relevant legislative provisions:

- a. Income Tax Act 1947 – Section 10(1)
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4. The rulings:

- a. The sale of Company A's Property to Company B is a capital transaction.
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5. Reasons for the decision:

- a. The sale of Company A's Property to Company B is regarded as a capital transaction after taking into consideration the following factors:
 - i. Intention of Company A at the time of acquiring the Property;

- ii. Use of the Property;
 - iii. The holding period of the Property; and
 - iv. Mode of financing.
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6. General Reference:

- a. Taxpayers may refer to the factors listed on IRAS website¹ that the Comptroller of Income Tax considers when determining whether or not a trade is being carried on.
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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.

¹ The said factors can be found at the following address:
<https://www.iras.gov.sg/taxes/corporate-income-tax/income-deductions-for-companies/taxable-non-taxable-income>