

1. Subject:

Whether the interest income earned by Singapore resident individuals from investing in interest-bearing Notes offered on the Company's online platform is exempt from income tax under section 13(1)(ze)(i) of Income Tax Act.

2. Relevant background and facts:

- a. The Company is incorporated in Singapore. It is set up to connect small and medium businesses in Singapore (the "Issuers") who are seeking funding with investors that are willing and able to invest into debts securities.
- b. The Company has obtained a Capital Markets Services Licence issued by the Monetary Authority of Singapore under the Securities and Future Act which allows it to conduct regulated activities dealing in capital market products.
- c. The Company operates and manages an online platform that facilitates communication between issuers and investors. The platform functions as a virtual meeting point, or a marketplace, where issuers and investors can transact for their mutual benefit.
- d. After obtaining the Company's approval, Singapore registered businesses are allowed to offer interest-bearing Notes on the platform, in which investors may invest. Investors can browse the Note listings on the platform, select Notes for investment, and then determine how much to fund each issuer. In return for investing their funds, investors are being compensated by the issuers with interest payments.
- e. To access and use the platform, investors and issuers must create and maintain a user account. When creating a user account, account users must identify themselves.
- f. On behalf of each issuer, the Company will issue a single certificate called "The Investment Note Certificate" for each Note subscribed by investors. This Certificate covers all the investors that have invested in that Note. Each note issued has its own unique 'Note Code'. Each of the investors has an e-wallet in which the details of the Note are stored and can be accessed by the investors. The issued Notes may be traded or transferred to another party. It is legally possible that a third party including the Company may acquire a Note from the investors.

3. Relevant legislative provisions:

Income Tax Act (Revised Edition 2014) (“ITA”) - Section 13(1)(ze)(i)

4. The ruling:

The interest income earned by Singapore resident individuals from investing in interest-bearing Notes offered on the Company’s online platform, except where such is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession income, is exempt from tax under section 13(1)(ze)(i).

5. Reasons for the decision:

- a. The term “debt securities” is defined under section 13(6) of ITA as having the same meaning as in section 43N of ITA. Section 43N(4) defines “debt securities” to mean “bonds, notes, commercial papers, treasury bills, certificates of deposits and ATI instruments within the meaning of section 10O(2).”
 - b. The Company is licensed to deal with capital market products which include debt securities. The Notes offered and issued via the Company’s online platform fall within the definition of “debt securities” under section 43N(4) of the ITA as they exhibit the typical characteristics of debt securities of being tradable or transferable and having funding from multiple investors.
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