

**Advance Ruling Summary No. 1/2025**  
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**1. Subject:**

Whether:

- a. The Securities (as defined below) are regarded as “debt securities” for the purpose of Section 43H(4) of the Income Tax Act 1947 (“**ITA**”) and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations (“**QDS Regulations**”);
  - b. Distributions (including any Arrears of Distribution, any Additional Distribution Amount and the Relevant Period Distribution) (as defined below) payable on the Securities will be regarded as interest payable on indebtedness and eligible for the tax concessions and exemptions available for qualifying debt securities (“**QDS**”) assuming that the other requisite conditions for the Securities to be QDS are satisfied; and
  - c. The issuer of the Securities (“**Issuer**”) will also be entitled to tax deductions on the Distributions (including any Arrears of Distribution and any Additional Distribution Amount but excluding the Relevant Period Distribution) as interest in nature, in accordance with Section 14(1)(a) of the ITA.
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**2. Relevant background and facts:**

- a. The Issuer had issued Tranche 001 and Tranche 002 perpetual securities on X date and Y date respectively. Upon issuance, the Tranche 002 perpetual securities had been consolidated and form a single series with Tranche 001 perpetual securities and are fully fungible with Tranche 001 perpetual securities upon listing and trading with the same terms and conditions (collectively referred to as the “**Securities**”). The Securities are listed and quoted on the Singapore Exchange Securities Trading Limited.
- b. The Relevant Period Distribution refers to the accrued Distribution from (and including) X date to (but excluding) Y date payable on Tranche 002 perpetual securities.
- c. The key features of the Securities include the following:
  - i. The Securities confer the right to the holders of the Securities (“**Securityholders**”) to receive distributions (each a “**Distribution**”), payable semi-annually in arrears (each a “**Distribution Payment Date**”).

- ii. The distribution rate payable on the Securities does not depend on the profit performance of the Issuer and bears a step-up feature which provides for an increase in the rate of distribution at specific points in time.
- iii. The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by complying with certain notice requirements.
- iv. The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution (i.e. Distributions which have been deferred) by complying with the notice requirements applicable to any deferral of an accrued Distribution.
- v. There is no limit on the number of times Distributions and Arrears of Distribution may be deferred.
- vi. Each amount of Arrears of Distribution shall accrue interest at the rate of distribution as if it constituted the principal of the Securities, the amount of such interest being the “**Additional Distribution Amount**”. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.
- vii. Subject to certain exceptions, if on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Issuer shall not:
  - (i) declare, pay or make any dividends, distributions or other payments on, and will procure that no dividend, distribution or other payment is declared, paid or made on any of its junior obligations and any of its parity obligations except on a *pro-rata* basis with the Securities; or
  - (ii) redeem, reduce, cancel, buy-back or acquire for any consideration any of its junior obligations and any of its parity obligations except on a *pro-rata* basis with the Securities,

in each case, unless and until (1) the Issuer has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts, or (2) the Issuer, is permitted to do so by an extraordinary resolution of the Securityholders.
- viii. The Securities have no fixed redemption date, but the Issuer has the right to redeem or purchase the Securities in certain instances.

- ix. The Securities will be treated by the Issuer as unsecured subordinated securities that rank below other creditors on its winding up, but immediately ahead of its equity shares.
  - d. The Securityholders are not reflected in the Issuer's Register of Members but instead in the Issuer's Register of Debenture Holders.
  - e. For accounting purposes, the Securities are treated as equity in accordance with Singapore Financial Reporting Standard 32.
  - f. The net proceeds from the issue of the Securities will be used by the Issuer for general corporate purposes.
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### **3. Relevant legislative provisions:**

- a. Income Tax Act 1947 – Sections 14(1)(a) and 43H(4)
  - b. Income Tax (Qualifying Debt Securities) Regulations
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### **4. The rulings:**

- a. The Securities will be regarded as “debt securities” for the purpose of Section 43H(4) of the ITA and Regulation 2 of the QDS Regulations.
- b. The Distributions (including any Arrears of Distribution, any Additional Distribution Amounts and the Relevant Period Distribution) payable on the Securities will be regarded as interest payable on indebtedness and eligible for the tax concessions and exemptions available for QDS provided that the other requisite conditions for the Securities to be QDS are satisfied.
- c. The deductibility of the Distributions (including any Arrears of Distribution and any Additional Distribution Amounts but excluding the Relevant Period Distribution) is subject to a detailed examination of the use of the proceeds from the issuance of the Securities. The Issuer will be allowed a tax deduction under Section 14(1)(a) of the ITA if:
  - i. Such Distributions (including any Arrears of Distribution, any Additional Distribution Amounts but excluding the Relevant Period Distribution) are incurred on capital (raised through the issuance of the Securities) employed in acquiring the income of the Issuer that is chargeable to tax; and
  - ii. The conditions governing the deductibility of expenses under Section 14 of the ITA are met and the deduction is not prohibited under any other provisions of the ITA.

- d. The Distributions (including any Arrears of Distribution and any Additional Distribution Amounts but excluding the Relevant Period Distribution) will be deductible only when they are legally due and payable and not based on their scheduled Distribution Payment Dates.
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**5. Reasons for the decision:**

- a. Based on the facts and representations provided, the key features of the Securities described in paragraph 2c above support the characterisation of the Securities as “debt securities” for the purpose of Section 43H(4) of the ITA and Regulation 2 of the QDS Regulations.
  - b. Following the characterisation of the Securities as a debt instrument for tax purposes, the Distributions (including any Arrears of Distribution, any Additional Distribution Amounts and the Relevant Period Distribution) payable on the Securities are regarded as interest payable on indebtedness. The Securities will be regarded as QDS under the ITA and the Distributions (including any Arrears of Distribution, any Additional Distribution Amounts and the Relevant Period Distribution) will enjoy the tax concessions and exemptions available for QDS provided that the other requisite conditions for the Securities to be QDS are satisfied.
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**6. General Reference:**

- a. Taxpayers may refer to the IRAS e-Tax Guide “Income Tax Treatment of Hybrid Instruments” (“**e-Tax Guide**”) for further guidance. In particular, paragraph 5 of the e-Tax Guide states the approach and factors that the Comptroller of Income Tax considers when determining the characterisation of a hybrid instrument. Paragraphs 7 and 9 of the e-Tax Guide further explains the deductibility of distributions from the issuer to the investor and the timing of deductions by the issuer.
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