

Advance Ruling Summary No. 2/2025
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1. Subject:

Whether:

- a. the gains derived by the company from the redemption of its investment in a feeder fund of a master fund should be regarded as a capital gain, and therefore not taxable.
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2. Relevant background and facts:

- a. The company's principal activity is that of fund management. It is a licensed fund manager in Singapore and manages, among others, a master fund and its feeder funds.
- b. The master fund and its feeder funds are open-ended funds, and hence there is no specific life span of each fund. Feeder Fund 1 is a sub fund of the master fund. Feeder Fund 1 issued various classes of units and invest through its master fund.
- c. The company acts as the investment fund manager for Feeder Fund 1. It is responsible for and has the authority to conduct the day-to-day operations of Feeder Fund 1 and selection of all investments, including entering into agreements with third parties in connection with the administration of Feeder Fund 1, setting forth the trading policies or open bank or other accounts in connection with Feeder Fund 1's business activity.
- d. The company subscribed for X number of a class of units in Feeder Fund 1 ("**Class A Units**") during the period from year 201(T) to year 201(T + 2) at certain cost. It had subscribed for the Class A Units to align its economic interest on the funds managed by the company.
- e. The features of the Class A Units are the same as the other classes of units issued by Feeder Fund 1 except that it does not pay management and performance fees. The assets and income/profits of Feeder Fund 1 are attributable to the holders of the Class A Units, same as other classes of units in Feeder Fund 1 and these units participate in the profit share of the fund that the company manages.
- f. The Class A Units are meant for the company, its affiliates, and employees, including their related parties. It is a general industry practice that the fund manager does not charge fees on the units acquired by this group of investors.

- g. There were no yearly returns derived by the company from the Class A Units since the date of acquisition as Feeder Fund 1 does not make any distributions so as to retain the capital funds invested with the view to achieve maximum appreciation of the value of the units over time. The investment profits of Feeder Fund 1 are retained with the fund to grow the net asset value of the fund.
 - h. The company has held the Class A Units since the respective dates of subscription and to-date, no trading of the units has taken place. The company's strategy and direction on the investment in Feeder Fund 1 is for long-term investment purposes.
 - i. The company did not borrow to subscribe for the Class A Units.
 - j. The company had intended to redeem all the Class A Units sometime during the year 202Y and expects to derive a gain from the redemption of the Class A Units.
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3. Relevant legislative provision:

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

- a. The gains to be derived by the company from the redemption of the Class A Units is a capital gain and therefore not taxable.
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5. Reasons for the decision:

- a. Based on a balance of facts and taking into consideration factors such as the intention at the time of the subscription for the Class A Units, the method of financing the acquisition of the investment, the duration of ownership, frequency of similar transactions by the company, and the circumstances for the redemption of the units.
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