Advance Ruling Summary No. 4/2025
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1. Subject:

Whether:

a. The company has carried on a trade or business for the purposes of the Income Tax Act 1947 ("**ITA**"), and derived income under Section 10(1)(a) of the ITA;

b. The change to be a passive investment holding company and restructuring of investment portfolio will trigger any Singapore tax liability under Section 10J or Section 32 of the ITA; and

c. As a passive investment holding company, the interest derived from the loan receivables due from a related company would be foreign-sourced income for Singapore tax purposes, and only taxable in Singapore if received in Singapore, or deemed to be received in Singapore, under Section 10(25) of the ITA.

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2. Relevant background and facts:

a. The company is incorporated in Singapore and was awarded a fund incentive for the life of the fund. It is managed by a licensed fund manager in Singapore under the terms of an investment advisory agreement ("**IAA**").

b. The company's investment mandate is to invest in strategic assets globally in a specific sector. It fulfilled this mandate primarily via debt investments that had a nexus to the specified sector. The IAA setting out the company's investment objective and strategy provides for the company's preference to make long-term debt investments.

c. Pursuant to its investment mandate and the fund management activities of its fund manager, the company made numerous loans outside Singapore to a related company, Company A, and an investment into a money market fund.

d. There has not been any change in the activities of the company since its incorporation.

e. As part of a group restructuring, the company will terminate its fund incentive and be re-purposed from a fund vehicle carrying on a trade or business into a passive investment holding company.

f. Under the proposed arrangement, the company will restructure its investment portfolio to hold minimal loan receivables. The company will make the loans outside Singapore to a related company, Company B. Its existing debt receivables due from Company A will be repaid, and it will also dispose of its investment in the money market fund.

g. Company B is not a tax resident in Singapore and does not have a permanent establishment in Singapore. It does not derive any Singapore-sourced income and has not and will not claim any tax deductions in Singapore against Singapore-sourced income.

h. The funds from the loans to Company B has not been brought into or used in Singapore. Neither will the company disburse any funds in Singapore to Company B.

i. All relevant documentation relating to the company's loan receivable due from Company B will be executed outside Singapore. The substantive source of discharge of the debt obligations is outside Singapore.

j. The company will continue not to have any employees. No part of the activities relating to the loans to Company B will be carried out in Singapore and neither will the company carry out any other activities in Singapore including the sourcing of the funding for the loans to Company B.

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3. Relevant legislative provision:

a. Income Tax Act 1947 – Sections 10(1), 10J, 32

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4. The rulings:

a. The company is a passive investment holding company and did not carry on a trade or business for the purposes of the ITA. Accordingly, the income accrued for the year will be subject to tax on a remittance basis.

b. In view of the above, the provisions in Sections 10J and 32 of the ITA will not be applicable on the repayment of the existing loan receivables due from Company A.

c. After the group restructuring, the interest derived from the loan receivables due from Company B would be regarded as foreign-sourced income for Singapore income tax purposes and taxable in Singapore when it is received or deemed to be received in Singapore from outside Singapore under Section 10(25) of the ITA.

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5. **Reason(s) for the decision:**

a. The decision to regard the company as a passive investment holding company was based on a consideration of the specific facts of the case, including the nature of the company's investment portfolio, the terms of the IAA and the activities carried out by the fund manager.

b. The existing loan receivables due from Company A are not the company's trading stock.

c. The company will continue to be regarded as a passive investment holding company after the group restructuring.

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