

Advance Ruling Summary No. 10/2024
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1. Subject:

Whether the Tender Premium (defined below) falls within the definition of the term “early redemption fee” under section 13(16) of the Income Tax Act 1947 (“**ITA**”), and if yes, the following tax treatment therefore applies in respect of the Tender Premium:

- a. The Tender Premium would not be subject to withholding tax when paid or deemed paid by the Issuer to Noteholders (defined below) who are not known to the Issuer to be tax resident in Singapore under section 45A(2B)(a) of the ITA;
 - b. Noteholders would be entitled to the Qualifying Debt Securities (“**QDS**”) tax concessions and exemptions in respect of the Tender Premium under sections 13(1)(ba) and 43H of the ITA; and
 - c. Individuals deriving such income (other than through a partnership in Singapore or from the carrying on of a trade, business or profession in Singapore) would be exempt from tax on such income pursuant to section 13(1)(zk) of the ITA.
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2. Relevant background and facts:

- a. The Issuer is a company incorporated in Singapore.
- b. The Issuer had issued a tranche of notes (the “**Existing Notes**”) under its multicurrency debt issuance programme.
- c. The Existing Notes are QDS for the purposes of the ITA.
- d. The Issuer had invited the holders of the outstanding Existing Notes (“**Noteholders**”) to offer to sell for cash to the Issuer all or some of the outstanding Existing Notes held by the Noteholders at the Purchase Consideration (as defined below) subject to and upon the terms and conditions of the Invitation Memorandum.
- e. The Issuer wishes to purchase the outstanding Existing Notes prior to their maturity date.
- f. The consideration payable by the Issuer for the purchase of the Existing Notes (“**Purchase Consideration**”) is 10x% of the principal amount of the Existing Notes in addition to the accrued interest.

- g. The Tender Premium is the excess of the Purchase Consideration over the principal amount of the purchased Existing Notes less the accrued interest.
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3. Relevant legislative provisions:

- a. Income Tax Act 1947 - Sections 13(1)(ba), 13(1)(zk), 13(2F), 13(16), 43H and 45A(2B)(a)
 - b. Income Tax (Qualifying Debt Securities) Regulations
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4. The rulings:

The Tender Premium would fall within the definition of “early redemption fee” under Section 13(16) of the ITA. Therefore, subject to satisfying the governing conditions under Sections 43H, 13(2F) of the ITA, and the Income Tax (Qualifying Debt Securities) Regulations, where applicable:

- a. The Tender Premium would not be subject to withholding tax when paid or deemed paid by the Issuer to non-resident Noteholders under section 45A(2B)(a) of the ITA.
 - b. Noteholders deriving the Tender Premium will be entitled to the tax exemptions and concessions available under Section 13(1)(ba) and Section 43H of the ITA;
 - c. Individuals deriving such income (other than through a partnership in Singapore or from the carrying on of a trade, business or profession in Singapore) would be exempt from tax on such income pursuant to Section 13(1)(zk) of the ITA; and
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5. Reasons for the decision:

The Tender Premium would fall within the definition of “early redemption fee” under section 13(16) of the ITA as the purchase of the Existing Notes under the offer would constitute as an early redemption of the Existing Notes and the Tender Premium is a fee payable by the Issuer on the early redemption of the Existing Notes.

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