BoardRoom
Smart Business Solutions

Singapore: Foreign-Sourced Disposal Gains Tax Regime

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Generally, gains from the sale of foreign assets that are capital in nature are not taxable in Singapore.

To address international tax avoidance risks relating to non-taxation of disposal gains in the absence of real economic activities, the foreign-sourced income regime has been amended to subject foreign-sourced disposal gains to tax under specific circumstances.

This amendment will be applicable to the sale or disposal of a foreign asset that occurs on or after 1 January 2024.

Under the new foreign-sourced disposal gains tax regime, as specified in Section 10L of the Singapore Income Tax Act, foreign-sourced disposal gains arising from sale or disposal of a foreign asset received in Singapore by an entity of a relevant group, where one of group entities has a place of business in a foreign jurisdiction, will be treated as taxable under certain circumstances. This applies if the entity does not have adequate economic substance in Singapore or the gains are arising from the disposal of a foreign Intellectual Property Rights, and the sale or disposal of the foreign asset occurs on or after 1 January 2024.

The new e-tax guide provides an overview of the conditions, definition, and examples detailing the amended income tax treatment.

Key Takeaway

Company where one of the group entities has a place of business in a foreign jurisdiction needs to access its adequacy of economic substance at entity level (except for special purpose vehicle) if the sale or disposal of the foreign asset on or after 1 January 2024.

References

For more details, kindly head on over to https://www.iras.gov.sg/media/docs/default-source/e-tax/tax-treatment-of-gains-or-losses-from-the-sale-of-foreign-assets.pdf?sfvrsn=a0e0458b_7

How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above updates to your business.

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