

TR 200**Facts**

A was registered in Mauritius by way of continuation on 12 August 2009 as a private company limited by shares. It holds a Category 2 Global Business Licence ("GBL 2") and carries out investment holding activities through its subsidiaries, in United Kingdom and Singapore.

Further to the amendments brought by the Finance Act 2018 to the Financial Services Act 2007 and the Income Tax Act 1995, A is contemplating conversion of its legal regime from a GBL 2 into a company holding a Global Business Licence.

A holds a 100% shareholding in B, a company incorporated in Singapore. B operates in the financial services industry of Singapore and provides fund management and investment advisory services to Investment Funds based in, as well as outside, Singapore.

While the standard income tax rate in Singapore stands at 17%, B has applied to the Monetary Authority of Singapore ("MAS") and obtained a tax incentive award under Singapore's Financial Sector Incentive (Fund Management) Scheme for Fund Managers, a scheme put in place for the promotion of fund management activities in Singapore.

Under this tax incentive award which is granted for five-year renewable periods, B is eligible for a concessionary tax rate of 10% on income from its qualifying activities, that is, fund management and investment advisory activities, subject to the satisfaction of prescribed conditions. Its income from other sources is taxed at the standard Singapore tax rate of 17%.

Point at issue

Whether A, upon the conversion of its legal regime from a GBL 2 company to a company holding a Global Business Licence, will be eligible to claim credit for foreign tax suffered in the form of tax sparing relief in respect of dividend received from B?

Ruling

Based on the facts of the case, it is confirmed that in accordance with regulation 9 of the Income Tax (Foreign Tax Credit) Regulations 1996, A will be entitled to a tax sparing credit on the dividend received from B provided that this dividend is paid out of the income derived from qualifying activities under the Singapore's Financial Sector Incentive (Fund Management) Scheme for Fund Managers.