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INCOME TAX ACT
(CHAPTER 134)

INCOME TAX
(AMALGAMATION OF COMPANIES)
(AMENDMENT) REGULATIONS 2013

In exercise of the powers conferred by section 34C(30) of the Income Tax Act, the Minister for Finance hereby makes the following Regulations:

Citation and commencement

1.—(1) These Regulations may be cited as the Income Tax (Amalgamation of Companies) (Amendment) Regulations 2013 and shall, with the exception of regulations 2, 6 and 7, come into operation on 13th November 2013.

(2) Regulation 2 shall be deemed to have come into operation on 1st June 2012.

(3) Regulation 6 shall be deemed to have come into operation on 1st April 2010.

(4) Regulation 7 shall be deemed to have come into operation on 17th February 2012.

New regulation 5A

2. The Income Tax (Amalgamation of Companies) Regulations 2011 (G.N. No. S 154/2011) (referred to in these Regulations as the principal Regulations) are amended by inserting, immediately after regulation 5, the following regulation:

“Modifications to section 13Z of Act (Exemption of gains or profits from disposal of ordinary shares)

5A.—(1) The application of section 13Z of the Act to any gains or profits derived by the amalgamated company from the disposal of ordinary shares in another company (referred to in this regulation as the investee company), being ordinary shares transferred to the amalgamated company by any of the

amalgamating companies (referred to in this regulation as the transferor company) on the date of amalgamation, shall be subject to the modifications set out in this regulation.

(2) In determining, for the purpose of section 13Z(1)(b) of the Act, whether the amalgamated company has, at all times during a continuous period of at least 24 months ending on the date immediately prior to the date of disposal of the shares, legally and beneficially owned at least 20% of the ordinary shares in the investee company, the legal and beneficial ownership of the transferor company of the ordinary shares in the investee company shall be treated as that of the amalgamated company, and section 13Z(4) of the Act shall apply accordingly.

(3) The reference in section 13Z(3) of the Act to outgoings and expenses wholly and exclusively incurred by the divesting company in the production of the gains or profits from the disposal of shares, including the expenses referred to in paragraphs (a) to (f) of that provision, include a reference to outgoings and expenses wholly and exclusively incurred by the transferor company in relation to the acquisition of the shares disposed of, including the expenses referred to in paragraphs (a) to (f) of that provision as they relate to such acquisition (with the reference in those paragraphs to money borrowed by the divesting company substituted with a reference to money borrowed by the transferor company).

(4) For the purpose of section 13Z(5) of the Act, the reference to an amount referred to in section 13Z(6) of the Act which is attributable to any of the shares disposed of and which has been allowed as a deduction to the divesting company for any year of assessment prior to the year of assessment relating to the basis period in which the shares are disposed of, includes a reference to any such amount which is attributable to any of the shares disposed of and which has been allowed as a deduction to the transferor company for any year of assessment up to and including the year of assessment which relates to the basis period in which the date of amalgamation falls.

(5) For the purpose of section 13Z(7) of the Act, the reference to any write-back for a diminution in the value of the shares, or profit recognised in accordance with FRS 39 or SFRS for Small Entities, which is attributable to any of the shares disposed of, and which has been charged to tax as income of

the divesting company for any year of assessment prior to the year of assessment relating to the basis period in which the shares are disposed of, includes a reference to such write-back or profit which is attributable to any of the shares disposed of and which has been charged to tax as income of the transferor company for any year of assessment up to and including the year of assessment which relates to the basis period in which the date of amalgamation falls.”.

New regulation 5B

3. The principal Regulations are amended by inserting, immediately after regulation 5A, the following regulation:

“Modifications to provisions of Act in relation to Productivity and Innovation Credit Scheme

5B.—(1) Where the date of amalgamation falls within the basis period for the year of assessment 2011, the amount of any PIC expenditure under a PIC provision incurred by the amalgamated company during the basis periods for the years of assessment 2011 and 2012 for which a deduction or allowance may be allowed or made to it under that PIC provision for those years of assessment shall be determined as follows:

(a) for the year of assessment 2011, the lower of —

(i) the amount of the PIC expenditure under that PIC provision incurred by the amalgamated company during the basis period for the year of assessment 2011; and

(ii) an amount computed in accordance with the formula:

$$\$800,000 - X_1,$$

where X_1 is the aggregate of every amount of PIC expenditure under that PIC provision incurred by an amalgamating company during the basis period for the year of assessment 2011 for which a deduction or allowance is allowed or made to that company under that PIC provision, including any such expenditure for which a cash payout is granted to that company under section 37I of the Act;

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- (b) for the year of assessment 2012, the lower of —
- (i) the amount of the PIC expenditure under that PIC provision incurred by the amalgamated company during the basis period for the year of assessment 2012; and
 - (ii) the balance after deducting from \$800,000 the aggregate of —
 - (A) X_1 referred to in sub-paragraph (a)(ii); and
 - (B) the lower of the amounts specified in sub-paragraph (a)(i) and (ii).

(2) Where the date of amalgamation falls within the basis period for the year of assessment 2012, the amount of any PIC expenditure under a PIC provision incurred by the amalgamated company during the basis period for that year of assessment for which a deduction or allowance may be allowed or made to it under that PIC provision for that year of assessment shall be the lower of —

- (a) the amount of the PIC expenditure under that PIC provision incurred by the amalgamated company during the basis period for the year of assessment 2012; and
- (b) an amount computed in accordance with the formula:

$$\$800,000 - X_2,$$

where X_2 is the aggregate of every amount of PIC expenditure under that PIC provision incurred by an amalgamating company during the basis period for the year of assessment 2011 or 2012, for which a deduction or allowance is allowed or made to that company under that PIC provision, including any such expenditure for which a cash payout is granted to that company under section 37I of the Act.

(3) Where the date of amalgamation falls within the basis period for the year of assessment 2013, the amount of any PIC expenditure under a PIC provision incurred by the amalgamated company during the basis periods for the years of assessment 2013, 2014 and 2015 for which a deduction or allowance may be allowed or made to it under that PIC provision for those years of assessment shall be determined as follows:

- (a) for the year of assessment 2013, the lower of —
- (i) the amount of the PIC expenditure under that PIC provision incurred by the amalgamated company during the basis period for the year of assessment 2013; and
 - (ii) an amount computed in accordance with the formula:
$$\$1,200,000 - X_3,$$
where X_3 is the aggregate of every amount of PIC expenditure under that PIC provision incurred by an amalgamating company during the basis period for the year of assessment 2013 for which a deduction or allowance is allowed or made to that company under that PIC provision, including any such expenditure for which a cash payout is granted to that company under section 37I of the Act;
- (b) for the year of assessment 2014, the lower of —
- (i) the amount of the PIC expenditure under that PIC provision incurred by the amalgamated company during the basis period for the year of assessment 2014; and
 - (ii) the balance after deducting from \$1,200,000 the aggregate of —
 - (A) X_3 referred to in sub-paragraph (a)(ii); and
 - (B) the lower of the amounts specified in sub-paragraph (a)(i) and (ii);
- (c) for the year of assessment 2015, the lower of —
- (i) the amount of the PIC expenditure under that PIC provision incurred by the amalgamated company during the basis period for the year of assessment 2015; and
 - (ii) the balance after deducting from \$1,200,000 the aggregate of —
 - (A) X_3 referred to in sub-paragraph (a)(ii);