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**INCOME TAX ACT
(CHAPTER 134)**

**INCOME TAX
(CONCESSIONARY RATE OF TAX FOR
FINANCIAL SECTOR INCENTIVE COMPANIES)
(AMENDMENT) REGULATIONS 2011**

In exercise of the powers conferred by section 43Q 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 (Concessionary Rate of Tax for Financial Sector Incentive Companies) (Amendment) Regulations 2011.

(2) Regulations 2(a) and (b), 3, 4, 5(b), 6, 7(a) and (b), 8, 9, 10 and 11 shall be deemed to have come into operation on 1st January 2011.

Amendment of regulation 2

2. Regulation 2 of the Income Tax (Concessionary Rate of Tax for Financial Sector Incentive Companies) Regulations 2005 (G.N. No. S 735/2005) (referred to in these Regulations as the principal Regulations) is amended —

(a) by inserting, immediately after the definition of “commodity derivatives” in paragraph (1), the following definition:

“ “corporate futures member” means a futures member of the Singapore Exchange whose membership is of a class or description known as “corporate membership”;;

(b) by inserting, immediately after the definition of “foreign bond or loan stock issue” in paragraph (1), the following definitions:

“ “foreign business trust” means a business trust that is registered, licensed or approved outside Singapore, or exempted from such registration, licensing or

approval, under any written law administered by the agency tasked with the regulation of such a business trust;

“foreign collective investment scheme” means a collective investment scheme that —

- (a) is constituted outside Singapore (excluding any permanent establishment it may have in Singapore);
 - (b) is not resident in Singapore (other than by virtue of a trustee in Singapore in its capacity as a trustee of that collective investment scheme);
 - (c) has its units denominated in any currency other than the Singapore dollar; and
 - (d) is not carrying on any business in Singapore other than issuing units of that collective investment scheme;”;
- (c) by deleting sub-paragraphs (i) and (ii) of paragraph (b) of the definition of “foreign investor” in paragraph (1) and substituting the following sub-paragraphs:
- “(i) which is incorporated before 15th February 2007 and where the percentage, determined in accordance with the formula specified in paragraph (1A), of the total number of the issued shares of the company that are beneficially owned, directly or indirectly, by persons who are citizens of Singapore or resident in Singapore, does not exceed 20%; or
 - (ii) which is incorporated on or after 15th February 2007 and where the percentage, determined in accordance with the formula specified in paragraph (1A), of the total value of the issued securities of the company that are beneficially owned, directly or indirectly, by persons who are citizens of Singapore or resident in Singapore, does not exceed 20%; or”;
- (d) by deleting paragraph (c) of the definition of “foreign investor” in paragraph (1) and substituting the following paragraph:
- “(c) a trust fund where the percentage, determined in accordance with the formula specified in paragraph (1A), of the value of the fund that is beneficially held,

- directly or indirectly, by persons who are not individuals or companies referred to in paragraph (a) or (b), as the case may be, does not exceed 20%,”;
- (e) by deleting the definition of “foreign mutual fund corporation” in paragraph (1) and substituting the following definition:

“ “foreign mutual fund corporation” means a mutual fund corporation where the percentage, determined in accordance with the formula specified in paragraph (1A), of the total number of the issued shares of the corporation that are beneficially owned, directly or indirectly, by persons who are not individuals or companies referred to in paragraph (a) or (b), as the case may be, of the definition of “foreign investor”, does not exceed 20%,”; and

- (f) by inserting, immediately after paragraph (1), the following paragraph:

“(1A) For the purposes of the definitions of “foreign investor” and “foreign mutual fund corporation” in paragraph (1), the relevant percentage shall be determined in accordance with the formula

$$\frac{A - B}{C - B} \times 100\%$$

where A is (a) in the case of paragraph (b)(i) of the definition of “foreign investor”, the total number of the issued shares that are beneficially owned, directly or indirectly, by persons who are citizens of Singapore or resident in Singapore;

(b) in the case of paragraph (b)(ii) of the definition of “foreign investor”, the total value of the issued securities that are beneficially owned, directly or indirectly, by persons who are citizens of Singapore or resident in Singapore;

(c) in the case of paragraph (c) of the definition of “foreign investor”, the total value of the trust fund that is beneficially held, directly or indirectly, by persons

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- who are not individuals or companies referred to in paragraph (a) or (b), as the case may be, of that definition; and
- (d) in the case of the definition of “foreign mutual fund corporation”, the total number of the issued shares that are beneficially owned, directly or indirectly, by persons who are not individuals or companies referred to in paragraph (a) or (b), as the case may be, of the definition of “foreign investor” in paragraph (1);
- B is the total number of the issued shares, the total value of the issued securities, or the total value of the trust fund, as the case may be, beneficially owned or held, directly or indirectly, by designated persons; and
- C is the total number of the issued shares, the total value of the issued securities or the total value of the trust fund, as the case may be.”.

Amendment of regulation 4

3. Regulation 4 of the principal Regulations is amended —

- (a) by inserting, immediately after the words “1st January 2004” in paragraph (1), the words “but before 1st January 2011”;
- (b) by deleting the words “income or loss derived” in paragraph (2)(b) and substituting the words “income derived or loss incurred before 1st January 2011”;
- (c) by inserting, immediately after the words “15th February 2007” in paragraph (2E), the words “but before 1st January 2011”;
- (d) by inserting, immediately after the words “1st September 2007” in paragraph (2F), the words “but before 1st January 2011”;
- (e) by inserting, immediately after the words “1st April 2009” in paragraph (2G), the words “but before 1st January 2011”;
- (f) by deleting the words “specified income or the specified loss, as the case may be” in the definition of “qualifying base” in paragraph (4) and substituting the words “specified income

derived or the specified loss incurred, as the case may be, before 1st January 2011”; and

- (g) by inserting, immediately after the word “company” in the regulation heading, the words “derived before 1st January 2011”.

New regulation 4A

4. The principal Regulations are amended by inserting, immediately after regulation 4, the following Regulation:

“12% tax payable on qualifying income of financial sector incentive (standard tier) company derived on or after 1st January 2011

4A.—(1) Subject to this regulation and regulation 7A, tax shall be payable at the rate of 12% on the income of a financial sector incentive (standard tier) company derived on or after 1st January 2011, being —

- (a) income from any of the activities specified in the Fourth Schedule; and
- (b) interest from any deposit held by the company as a corporate futures member as a margin for any transaction in relation to any activity referred to in sub-paragraph (i), (k) or (l) of the Fourth Schedule.

(2) The concessionary rate of tax referred to in paragraph (1) shall not, unless otherwise approved by the Minister or such person as he may appoint, apply to —

- (a) any interest derived from any qualifying debt securities issued during the period from 10th May 1999 to 31st December 2013 (both dates inclusive);
- (b) any discount from any qualifying debt securities issued during the period from 17th February 2006 to 31st December 2013 (both dates inclusive);
- (c) any amount payable from any Islamic debt securities which are qualifying debt securities, and issued during the period from 1st January 2005 to 31st December 2013 (both dates inclusive); and