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INCOME TAX ACT
(CHAPTER 134)

INCOME TAX (CONCESSIONARY RATE OF TAX FOR
APPROVED OFFSHORE LIFE INSURERS) (AMENDMENT)
REGULATIONS 2016

In exercise of the powers conferred by section 43C of the Income Tax Act, the Minister for Finance makes the following Regulations:

Citation and commencement

1.—(1) These Regulations are the Income Tax (Concessionary Rate of Tax for Approved Offshore Life Insurers) (Amendment) Regulations 2016.

(2) Regulation 4(a) is deemed to have come into operation on 16 February 2011.

(3) Regulations 7(b) and 8(b) are deemed to have come into operation on 19 February 2011.

(4) Regulations 3(a), 5, 6(a), 7(a), 9(a) and 10 are deemed to have come into operation on 1 April 2013.

(5) Regulations 4(c) and 8(a) and (c) are deemed to have come into operation on 5 August 2014.

Amendment of regulation 1

2. Regulation 1 of the Income Tax (Concessionary Rate of Tax for Approved Offshore Life Insurers) Regulations (Rg 28) (called in these Regulations the principal Regulations) is amended by deleting the words “Concessionary Rate of Tax for Approved Offshore Life Insurers” and substituting the words “Exemption and Concessionary Tax Rate for Income from Life Insurance Business”.

Amendment of regulation 2

3. Regulation 2 of the principal Regulations is amended —
- (a) by deleting the definition of “approved takaful insurer”;
 - (b) by inserting, immediately after the words “derived from deposits” in the definition of “interest from ACU deposits”, the word “held”; and
 - (c) by inserting, immediately after the word “deposits” in paragraph (g) of the definition of “offshore investments”, the words “held outside Singapore”.

Amendment of regulation 3A

4. Regulation 3A of the principal Regulations is amended —
- (a) by deleting the words “16th February 2011” in paragraph (1) and substituting the words “31 March 2018”;
 - (b) by deleting the words “subsection (1)” in paragraph (2) and substituting the words “paragraph (1)”;
 - (c) by inserting, immediately after paragraph (2), the following paragraph:
 - “(3) No approval under paragraph (1) may be given unless, at the time of such approval, at least one aspect of each of the following functions of the captive insurer is undertaken by a company incorporated in Singapore or by personnel located in Singapore who are employed by a company incorporated outside Singapore:
 - (a) compliance with any requirement, and with any direction, notice or other document issued, under the Insurance Act (Cap. 142) and the Monetary Authority of Singapore Act (Cap. 186);
 - (b) compliance with any requirement relating to financial accounting, auditing and reporting under the Companies Act (Cap. 50);

(c) the day-to-day management of the captive insurer's business.”.

Deletion of regulations 3B, 4A and 5C

5. The principal Regulations are amended by deleting regulations 3B, 4A and 5C.

Amendment of regulation 4

6. Regulation 4 of the principal Regulations is amended —

- (a) by deleting the words “Subject to regulations 4A and 5A, tax” in paragraph (1) and substituting the word “Tax”; and
- (b) by inserting, immediately after paragraph (2), the following paragraph:

“(3) For the year of assessment 2012 and subsequent years of assessment, a reference to interest in this regulation includes a reference to qualifying return in lieu of interest.”.

Amendment of regulation 5

7. Regulation 5 of the principal Regulations is amended —

- (a) by deleting the words “Subject to regulation 5C, the” in paragraph (1) and substituting the word “The”;
- (b) by deleting the word “net” in the definition of “K” in paragraph (2); and
- (c) by inserting, immediately after paragraph (3), the following paragraph:

“(4) For the year of assessment 2012 and subsequent years of assessment, a reference in this regulation to interest includes a reference to qualifying return in lieu of interest.”.

Amendment of regulation 5A**8. Regulation 5A of the principal Regulations is amended —**

- (a) by deleting the words “for the basis period for any year of assessment —” in paragraph (1) and substituting the words “in a basis period for any year of assessment that ends at any time before 5 August 2014.”;
- (b) by inserting, immediately after the words “regulation 5(1)” in the definition of “P_o” in paragraph (1)(b), the words “, with the reference to the approved insurer in that provision modified to refer to the approved captive insurer”;
- (c) by inserting, immediately after paragraph (1), the following paragraphs:

“(1A) The income mentioned in paragraph (1)(a) and (b), that is derived by an approved captive insurer (including one who is also an approved insurer) in a basis period for any year of assessment other than one mentioned in paragraph (1), is exempt from tax if —

- (a) in the case of a basis period that commences on or after 5 August 2014, the requirement in paragraph (1B) is satisfied at all times during that basis period; or
- (b) in the case of a basis period in which 5 August 2014 falls (but not one whose commencement date is that date), the requirement in paragraph (1B) is satisfied at all times between 5 August 2014 and the last day of that basis period (both dates inclusive).

(1B) The requirement mentioned in paragraph (1A) is that at least one aspect of each of the following functions of the approved captive insurer is undertaken by a company incorporated in Singapore, or by personnel located in Singapore who are employed by a company incorporated outside Singapore:

- (a) compliance with any requirement, and with any direction, notice or other document issued, under the Insurance Act and the Monetary Authority of Singapore Act;
- (b) compliance with any requirement relating to financial accounting, auditing and reporting;
- (c) the day-to-day management of the captive insurer's business.”.

Amendment of regulation 6

9. Regulation 6 of the principal Regulations is amended —

- (a) by deleting paragraph (2) and substituting the following paragraph:

“(2) Despite paragraph (1), where an approved insurer is also an approved captive insurer under regulation 3A, any item of expenditure not directly attributable to the offshore captive insurance business or the offshore life business of such insurer, as well as any capital allowances and donations allowable to such insurer under the Act, are to be apportioned between such business and the other insurance business of such insurer in the following manner:

- (a) the portion attributable to offshore captive insurance business is to be ascertained by using the fraction —

$$\frac{P_c}{P_o + P_i};$$

- (b) the portion attributable to offshore life business, other than offshore captive insurance business, is to be ascertained by using the fraction —

$$\frac{P_o - P_c}{P_o + P_i}.$$

where P_c has the same meaning as in regulation 5A; and

P_o and P_i have the same meaning as in regulation 5(1).”; and

(b) by inserting, immediately after paragraph (2), the following paragraph:

“(3) The Comptroller may apply any alternative method of apportionment in place of any of the prescribed fractions in paragraphs (1) and (2) if the Comptroller is satisfied that the alternative method is reasonable in the circumstances of the business of the approved insurer.”.

Amendment of regulation 7

10. Regulation 7(1) of the principal Regulations is amended by deleting the words “or by an approved takaful insurer for any year of assessment taxable at the rate of 5% in accordance with regulation 4A(1)(a) and (b)(i)”.

[G.N. Nos. S 81/2009; S 748/2010; S 103/2011; S 519/2013]

Made on 28 June 2016.

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 (Finance) (Performance),
 Ministry of Finance,
 Singapore.*