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## No. S 491

### INCOME TAX ACT (CHAPTER 134)

#### INCOME TAX (EXEMPTION AND CONCESSIONARY TAX RATE FOR INCOME FROM LIFE INSURANCE BUSINESS) (AMENDMENT) REGULATIONS 2021

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. These Regulations are the Income Tax (Exemption and Concessionary Tax Rate for Income from Life Insurance Business) (Amendment) Regulations 2021 and come into operation on 1 July 2021.

#### **Amendment of regulation 2**

2. Regulation 2 of the Income Tax (Exemption and Concessionary Tax Rate for Income from Life Insurance Business) Regulations (Rg 28) (called in these Regulations the principal Regulations) is amended —

(a) by inserting, immediately after the definition of “approved insurer”, the following definition:

““Asian Currency Unit” means an operational unit that was approved by the Monetary Authority of Singapore under section 77(5) of the Banking Act (Cap. 19) as in force immediately before 1 July 2021;”;

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(b) by inserting, immediately after the definition of “captive insurer”, the following definitions:

““captive life business” means the life business of an approved captive insurer which consists of risks of its related companies, including third-party risks underwritten in the course of and incidental to that business;

“deposit” has the meaning given by section 4B(4) of the Banking Act;

“direct insurer” has the meaning given by section 1A of the Insurance Act (Cap. 142);

“direct life insurer” means a direct insurer licensed under section 8 of the Insurance Act to carry on life business;

“direct life risk” means a life risk insured by a direct life insurer;

“dividends”, in relation to income derived on or after 1 July 2021, means dividends paid by a company, other than those exempt from tax under section 13(1)(za), (8) or (12) of the Act;”;

(c) by inserting, immediately after the definition of “interest from ACU deposits”, the following definitions:

““life business” has the meaning given by section 2(1)(a) of the Insurance Act;

“life insurance fund”, “non-participating fund”, “offshore life business”, “offshore life reinsurance business”, “offshore risk”, “onshore life business”, “onshore life reinsurance business” and “participating fund” have the meanings given by section 26(12) of the Act;

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“non-participating policy” has the meaning given by paragraph 6A(1) of the First Schedule to the Insurance Act;”;

- (d) by inserting, immediately after the definition of “offshore captive insurance business”, the following definition:

““offshore captive life business” means captive life business concerned with offshore risks;”;

- (e) by deleting the definitions of “offshore life business” and “participating fund” and substituting the following definition:

““offshore life insurance surplus”, in relation to an approved insurer or an approved captive insurer, has the meaning given by section 26(12) of the Act to the term “offshore life insurance surplus” in relation to an insurer under section 26(7A)(a)(i) of the Act, with the reference to the insurer under section 26(7A)(a)(i) of the Act substituted with a reference to the approved insurer or approved captive insurer;”;

- (f) by inserting, immediately after the definition of “offshore life policy”, the following definition:

““onshore life insurance surplus”, in relation to an approved insurer or an approved captive insurer, has the meaning given by section 26(12) of the Act to the term “onshore life insurance surplus” in relation to an insurer under section 26(7A)(a)(i) of the Act, with the reference to the insurer under section 26(7A)(a)(i) of the Act substituted with a reference to the approved insurer or approved captive insurer;”;

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(g) by inserting, immediately after the definition of “participating policy”, the following definitions:

““prescribed asset or project” means an infrastructure asset or project prescribed in regulation 5 of the Income Tax (Qualifying Project Debt Securities) Regulations 2008 (G.N. No. S 315/2008);

“qualifying interest” means —

- (a) any interest derived from a deposit held in a bank;
- (b) any interest derived from a certificate of deposit issued by a bank; or
- (c) any interest derived from debt securities, other than interest that is exempt from tax under section 13(1)(b)(i) or (bc)(i) of the Act, or an amount that is exempt from tax under section 13(1)(bd) of the Act;

“qualifying investment” means —

- (a) any stock or share of a company;
- (b) securities (other than stocks and shares), bonds, notes, certificates of deposits or treasury bills that are issued by a government, bank or company;
- (c) any futures contract traded on a future exchange; or
- (d) any investment in a prescribed asset or project;”;

(h) by deleting the full-stop at the end of the definition of “qualifying return in lieu of interest” and substituting a semi-colon, and by inserting immediately thereafter the following definitions:

““related company”, in relation to an approved captive insurer, means a company that is deemed to be related to the insurer under section 6 of the Companies Act (Cap. 50);

“specified business” means the business of an approved captive insurer underwriting any or both of the following:

- (a) policies covering third parties which are not underwritten by the insurer in the course of, nor incidental to, its captive life business;
- (b) policies underwritten by the insurer in the course of its business of insuring direct life risk.”.

#### **Amendment of regulation 4**

3. Regulation 4 of the principal Regulations is amended —

- (a) by inserting, immediately after the words “income derived” in paragraph (1), the words “before 1 July 2021”; and
- (b) by inserting, immediately after the word “for” in the regulation heading, the words “income derived before 1 July 2021 of”.

#### **New regulation 4A**

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

##### **“Concessionary rate of tax for income derived on or after 1 July 2021 of approved insurer**

**4A.**—(1) Subject to this regulation, tax is payable at the rate of 10% on the income mentioned in paragraph (2) derived on or after 1 July 2021 by an approved insurer in a basis period for any year of assessment.

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- (2) For the purposes of paragraph (1), the income is —
- (a) the onshore life insurance surplus, and offshore life insurance surplus (as the case may be), derived by the insurer from accepting life reinsurance policies, excluding —
    - (i) gains or profits from the sale of investments that are acquired using any life insurance fund relating to life reinsurance policies; and
    - (ii) investment income or any other income derived from such life insurance fund, whether or not the income is derived in Singapore or elsewhere;
  - (b) the part of A that is ascertained by the formula  $\frac{P_{olr}}{P_{onp}} \times A$ ;
  - (c) the part of B that is ascertained by the formula  $\frac{P_{ilr}}{P_{inp}} \times B$ ; and
  - (d) the part of C that is ascertained by the formula  $\frac{P_{olr} + P_{ilr}}{P_{ol} + P_{il}} \times C$ .
- (3) In paragraph (2) —
- “A” is the total amount of the following income of the approved insurer (excluding excluded income) derived in the basis period:
- (a) dividends and qualifying interest derived from the investment of its non-participating fund established and maintained under the Insurance Act for its offshore life business;
  - (b) gains or profits from the sale of qualifying investments acquired using such non-participating fund,
- less any expenses incurred in the production of such income for which a deduction is allowed under the Act;

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“B” is the total amount of the following income of the approved insurer (excluding excluded income) derived in the basis period:

- (a) dividends and qualifying interest derived from the investment of its non-participating fund established and maintained under the Insurance Act for its onshore life business;
- (b) gains or profits from the sale of qualifying investments acquired using such non-participating fund,

less any expenses incurred in the production of such income for which a deduction is allowed under the Act;

“C” is the total amount of the following income of the approved insurer (excluding excluded income) derived in the basis period:

- (a) dividends and qualifying interest derived from the investment of its shareholders’ fund established in Singapore and used to support its offshore life business and onshore life business;
- (b) gains or profits from the sale of qualifying investments acquired using such shareholders’ fund,

less any expenses incurred in the production of such income for which a deduction is allowed under the Act;

“P<sub>il</sub>” is the total amount of the gross premiums received or receivable in the basis period in respect of all policies underwritten by the approved insurer in the course of carrying on its onshore life business in Singapore;

“P<sub>ilr</sub>” is the total amount of gross premiums received or receivable in the basis period in respect of all non-participating policies underwritten by the approved insurer in the course of carrying on its onshore life reinsurance business in Singapore;

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“P<sub>inp</sub>” is the total amount of gross premiums received or receivable in the basis period in respect of all non-participating policies underwritten by the approved insurer in the course of carrying on its onshore life business in Singapore;

“P<sub>ol</sub>” is the total amount of gross premiums received or receivable in the basis period in respect of all policies underwritten by the approved insurer in the course of carrying on its offshore life business in Singapore;

“P<sub>olr</sub>” is the total amount of gross premiums received or receivable in the basis period in respect of all non-participating policies underwritten by the approved insurer in the course of carrying on its offshore life reinsurance business in Singapore;

“P<sub>onp</sub>” is the total amount of gross premiums received or receivable in the basis period in respect of all non-participating policies underwritten by the approved insurer in the course of carrying on its offshore life business in Singapore;

“excluded income” means any income derived in the basis period from any investment in, or the sale of, any stock, share or other securities of a company that —

(a) is in the business of trading or holding —

(i) prescribed assets or projects, and other immovable property; or

(ii) immovable properties other than prescribed assets or projects;

(b) is not in the business of property development; and

(c) is not listed on a stock exchange in Singapore or elsewhere.

(4) Where the approved insurer is also an approved captive insurer, the reference to gross premiums in the definitions of “P<sub>ilr</sub>” and “P<sub>olr</sub>” in paragraph (3) excludes the gross premiums

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received or receivable in the basis period in respect of all policies underwritten by the approved insurer in the course of carrying on its captive life business in Singapore.

(5) For the purposes of paragraph (2), where the Comptroller is satisfied that any part of the non-participating fund mentioned in the definition of “A” or “B” in paragraph (3) is not required to support the offshore life reinsurance business or the onshore life reinsurance business of the approved insurer (as the case may be), the Comptroller may adopt such reduced amount of “A” in paragraph (2)(b) or “B” in paragraph (2)(c) as appears to the Comptroller to be reasonable in the circumstances.

(6) For the purposes of paragraph (2), where the Comptroller is satisfied that any part of the shareholders’ fund mentioned in the definition of “C” in paragraph (3) is not required to support the approved insurer’s offshore life reinsurance business and onshore life reinsurance business, the Comptroller may adopt such reduced amount of “C” in paragraph (2)(d) as appears to the Comptroller to be reasonable in the circumstances.

(7) A reference in this regulation to interest includes a reference to qualifying return in lieu of interest.”.

### **Amendment of regulation 5A**

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

- (a) by inserting, immediately after the words “following income derived” in paragraph (1), the words “before 1 July 2021”; and
- (b) by inserting, immediately after the word “Income” in the regulation heading, the words “derived before 1 July 2021”.

### **New regulations 5C and 5D**

**6.** The principal Regulations are amended by inserting, immediately after regulation 5B, the following regulations:

**“Income derived on or after 1 July 2021 of approved captive insurer exempt from tax**

**5C.**—(1) Subject to the condition in paragraph (4), the income mentioned in paragraph (2) derived on or after 1 July 2021 by an approved captive insurer in a basis period for any year of assessment is exempt from tax, if the insurer’s approval is granted before 1 June 2017.

(2) For the purposes of paragraph (1), the income is —

(a) the onshore life insurance surplus, and offshore life insurance surplus (as the case may be) derived by the insurer from accepting life reinsurance policies, excluding —

(i) income derived by the insurer from accepting life reinsurance policies covering third parties which are not underwritten in the course of, nor incidental to, its captive life business;

(ii) gains or profits from the sale of investments that are acquired using any life insurance fund relating to life reinsurance policies; and

(iii) investment income or any other income derived from such life insurance fund, whether or not the income is derived in Singapore or elsewhere;

(b) the part of A that is ascertained by the formula  $\frac{P_{ole}}{P_{onp}} \times A$ ;

(c) the part of B that is ascertained by the formula  $\frac{P_{ile}}{P_{inp}} \times B$ ; and

(d) the part of C that is ascertained by the formula  $\frac{P_{ole} + P_{ile}}{P_{ol} + P_{il}} \times C$ .

(3) In paragraph (2) —

“A”, “B”, “C”, “P<sub>il</sub>”, “P<sub>inp</sub>”, “P<sub>ol</sub>” and “P<sub>onp</sub>” have the meanings given by regulation 4A(3), with each reference to approved insurer substituted with the reference to approved captive insurer;

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“ $P_{ilc}$ ” is the total amount of gross premiums received or receivable in the basis period in respect of all non-participating policies underwritten by the approved captive insurer in the course of carrying on its captive life business in Singapore (other than offshore captive life business), excluding the amount of gross premiums received or receivable by the insurer in that basis period in respect of —

- (a) all policies covering third parties which are not underwritten by the insurer in the course of, nor incidental to, that business; and
- (b) all policies insuring direct life risk which are underwritten by the insurer in the course of that business;

“ $P_{olc}$ ” is the total amount of gross premiums received or receivable in the basis period in respect of all non-participating policies underwritten by the approved captive insurer in the course of carrying on its offshore captive life business in Singapore, excluding the amount of gross premiums received or receivable by the insurer in that basis period in respect of —

- (a) all policies covering third parties which are not underwritten by the insurer in the course of, nor incidental to, that business; and
- (b) all policies insuring direct life risk which are underwritten by the insurer in the course of that business.

(4) For the purposes of paragraph (1), the condition is that at all times in the basis period in which the income is derived, all the functions in the following are undertaken by the approved captive insurer, by a company incorporated in Singapore, or by personnel located in Singapore who are employed by a company incorporated outside Singapore:

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- (a) either or both of the following:
- (i) ensuring compliance with any requirement or any direction, notice or other document issued under the Insurance Act;
  - (ii) ensuring compliance with any requirement or any direction, notice or other document issued under the Monetary Authority of Singapore Act (Cap. 186);
- (b) ensuring compliance with any requirement relating to financial accounting, auditing and reporting under the Companies Act;
- (c) the day-to-day management of the approved captive insurer's business.

(5) For the purposes of paragraph (2), where the Comptroller is satisfied that any part of the non-participating fund mentioned in the definition of "A" or "B" in regulation 4A(3) (as applied by paragraph (3)) is not required to support the offshore captive life business or the captive life business (other than the offshore captive life business) of the approved captive insurer (as the case may be), the Comptroller may adopt such reduced amount of "A" in paragraph (2)(b) or "B" in paragraph (2)(c) as appears to the Comptroller to be reasonable in the circumstances.

(6) For the purposes of paragraph (2), where the Comptroller is satisfied that any part of the shareholders' fund mentioned in the definition of "C" in regulation 4A(3) (as applied by paragraph (3)) is not required to support the captive life business of the approved captive insurer, the Comptroller may adopt such reduced amount of "C" in paragraph (2)(d) as appears to the Comptroller to be reasonable in the circumstances.

**Determination of exempt income of approved captive insurer derived on or after 1 July 2021**

**5D.**—(1) In determining the amount of exempt income of an approved captive insurer under regulation 5C(1) —

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- (a) the Comptroller must have regard to such expenses and capital allowances for which a deduction is allowed under the Act as are, in the Comptroller's opinion, to be deducted in ascertaining such income;
  - (b) any capital allowances attributable to that income must be deducted from that income, even though no claim for those allowances has been made;
  - (c) any balance of the allowances mentioned in sub-paragraph (b) and any losses incurred in respect of the insurer's captive life business in Singapore (which, had they been profits, would have been exempt from tax under regulation 5C(1)) may only be deducted against income to be exempt under regulation 5C(1), and any balance of such allowances and losses must not be deducted against any other income; and
  - (d) any balance of the allowances and losses mentioned in sub-paragraph (c) remaining unabsorbed as at the date of the expiry or withdrawal of the approval of the insurer is, subject to paragraph (2), available as a deduction against any other income of the insurer for the year of assessment which relates to the basis period in which that approval expires or is withdrawn and any subsequent year of assessment in accordance with section 23 or 37 of the Act, as the case may be.

(2) Section 37B of the Act applies to any amount of the allowances and losses available as a deduction against any other income as provided under paragraph (1)(d) as if they were unabsorbed allowances or losses in respect of the income of a company subject to tax at a lower rate of tax under that section, and for this purpose the lower rate of tax is 10%.”.

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**Amendment of regulation 6**

7. Regulation 6 of the principal Regulations is amended —
- (a) by deleting the word “Any” in paragraph (1) and substituting the words “For the purpose of determining the income mentioned in regulation 4(1), any”;
  - (b) by deleting the words “Despite paragraph (1), where an approved insurer is also an approved captive insurer under regulation 3A” in paragraph (2) and substituting the words “For the purpose of determining the income mentioned in regulation 5A(1)”;
  - (c) by inserting, immediately after the word “donations” in the regulation heading, the words “in respect of income derived before 1 July 2021”.

**New regulation 6A**

8. The principal Regulations are amended by inserting, immediately after regulation 6, the following regulation:

**“Apportionment of expenses, allowances and donations in respect of income derived on or after 1 July 2021**

**6A.**—(1) For the purpose of determining the income mentioned in regulation 4A(2), all of the following for which a deduction is allowable to an approved insurer under the Act, are to be apportioned in accordance with paragraph (2) between the onshore life reinsurance business in Singapore and offshore life reinsurance business in Singapore of the insurer, and the other life businesses of the insurer:

- (a) any item of expenditure not directly attributable to the onshore life reinsurance business in Singapore and offshore life reinsurance business in Singapore of the insurer;
  - (b) capital allowances;
  - (c) donations.
- (2) For the purposes of paragraph (1), the portion of expenditure, capital allowances and donations to be

apportioned to the onshore life reinsurance business in Singapore and offshore life reinsurance business in Singapore of the approved insurer is that ascertained using the fraction  $\frac{P_{olr} + P_{ilr}}{P_{ol} + P_{il}}$ , where “P<sub>il</sub>”, “P<sub>ilr</sub>”, “P<sub>ol</sub>” and “P<sub>olr</sub>” have the meanings given by regulation 4A(3).

(3) For the purpose of determining the income mentioned in regulation 5C(2), all of the following for which a deduction is allowable to an approved captive insurer under the Act, are to be apportioned in accordance with paragraph (4) between the captive life business in Singapore (excluding specified business) of the insurer and the other life businesses of the insurer:

- (a) any item of expenditure not directly attributable to the captive life business in Singapore (excluding specified business) of the insurer;
- (b) capital allowances;
- (c) donations.

(4) For the purposes of paragraph (3), the portion of expenditure, capital allowances and donations to be apportioned to the captive life business in Singapore (excluding specified business) of the approved captive insurer is that ascertained using the fraction  $\frac{P_{olc} + P_{ilc}}{P_{ol} + P_{il}}$ , where —

- (a) “P<sub>il</sub>” and “P<sub>ol</sub>” have the meanings given by regulation 4A(3), with each reference to the approved insurer substituted with the reference to the approved captive insurer; and
- (b) “P<sub>ilc</sub>” and “P<sub>olc</sub>” have the meanings given by regulation 5C(3).

(5) The Comptroller may apply any alternative method of apportionment in place of any of the prescribed fractions in paragraph (2) or (4) if the Comptroller is satisfied that the alternative method is reasonable in the circumstances of the business of the insurer mentioned in that paragraph.”

Made on 28 June 2021.

TAN CHING YEE  
*Permanent Secretary,  
Ministry of Finance,  
Singapore.*

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