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No. S 499

INCOME TAX ACT (CHAPTER 134)

INCOME TAX (EXEMPTION OF INTEREST AND OTHER PAYMENTS FOR ECONOMIC AND TECHNOLOGICAL DEVELOPMENT) (NO. 2) NOTIFICATION 2003

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In exercise of the powers conferred by section 13(4) of the Income Tax Act, the Minister for Finance hereby makes the following Notification:

Citation

1. This Notification may be cited as the Income Tax (Exemption of Interest and Other Payments for Economic and Technological Development) (No. 2) Notification 2003.

Definitions

2. In this Notification —

“approved Finance and Treasury Centre”, in relation to a company, means a Finance and Treasury Centre of the company, being a Finance and Treasury Centre that is approved for the purposes of section 43G of the Act;

[S 745/2020 wef 28/10/2003]

“approved headquarters company” means a company approved under regulation 3(1) of the Income Tax (Concessionary Rate of Tax for Approved Headquarters Company) Regulations (Rg 6) as a headquarters company for the purposes of section 43E of the Act;

“approved office or approved associated company” —

(a) in relation to an approved headquarters company, means an office, or an associated company as defined in section 43E(4) of the Act (as the case may be), that has been approved in relation to the headquarters company under section 43E(2)(a) of the Act for the application of the concessionary rate of tax in section 43E(1) of the Act to the headquarters company; and

(b) in relation to a company with an approved Finance and Treasury Centre, means an office, or an associated company as defined in section 43G(3) of the Act (as the case may be), that has been approved in relation to the Centre under section 43G(2)(a) of the Act for the application of the concessionary rate of tax in section 43G(1) of the Act to the company;

[S 745/2020 wef 28/10/2003]

“bond” means any bond, note, debenture or other debt security;

“compensatory payment” has the same meaning as in section 10N(12) of the Act;

“loan” means any loan or other arrangement similar in nature to a loan;

[Deleted by S 745/2020 wef 28/10/2003]

“qualifying activities” and “qualifying services”, in relation to an approved Finance and Treasury Centre, have the same meanings as in the Income Tax (Concessionary Rate of Tax for Approved Finance and Treasury Centre) Regulations (Rg 18);

“qualifying services” and “qualifying treasury, investment or financial activities”, in relation to an approved headquarters

company, have the same meanings as in the Income Tax (Concessionary Rate of Tax for Approved Headquarters Company) Regulations;

“securities lending or repurchase arrangement” has the same meaning as in section 10N(12) of the Act.

Exemption in relation to loans

3.—(1) Subject to sub-paragraph (2) and such conditions as may be imposed by the Minister, there shall be exempt from tax the interest that an approved headquarters company is liable to pay on or after 5 September 2000, or that a company with an approved Finance and Treasury Centre is liable to pay on or after 5 September 2000 but before 18 February 2005, on any loan where —

(a) the loan is denominated in currencies other than Singapore dollars; and

(b) the loan is from —

(i) any approved office or approved associated company outside Singapore;

[S 745/2020 wef 28/10/2003]

(ii) any bank outside Singapore; or

(iii) any non-bank financial institution outside Singapore which is not its office or associated company.

[S 745/2020 wef 28/10/2003]

[S 745/2020 wef 18/02/2005]

(1A) Subject to sub-paragraph (2) and such conditions as may be imposed by the Minister, the interest that a company with an approved Finance and Treasury Centre is liable to pay on or after 18 February 2005 on any loan, is exempt from tax if the loan is from —

(a) any approved office or approved associated company outside Singapore;

(b) any bank outside Singapore; or

(c) any non-bank financial institution outside Singapore which is not its office or associated company.

[S 745/2020 wef 18/02/2005]

(2) The funds obtained from any loan referred to in sub-paragraph (1) or (1A) shall be used —

- (a) in the case of an approved headquarters company, for its qualifying services or qualifying treasury, investment or financial activities; and
- (b) in the case of a company with an approved Finance and Treasury Centre, for the qualifying activities or qualifying services of the approved Finance and Treasury Centre.

[S 745/2020 wef 28/10/2003]

[S 745/2020 wef 18/02/2005]

Exemption in relation to bonds

4.—(1) Subject to sub-paragraphs (2) and (3) and such conditions as may be imposed by the Minister, the interest that an approved headquarters company is liable to pay on or after 5 September 2000, or that a company with an approved Finance and Treasury Centre is liable to pay on or after 5 September 2000 but before 18 February 2005, on any bond, is exempt from tax if —

- (a) the bond is denominated in currencies other than Singapore dollars;
- (b) the bond is held by a person who is not resident in Singapore; and
- (c) the approval of the approved headquarters company or of the approved Finance and Treasury Centre (as the case may be) as such is granted before 30 September 2005.

[S 745/2020 wef 28/10/2003]

[S 745/2020 wef 18/02/2005]

(1A) Subject to sub-paragraphs (2) and (3) and such conditions as may be imposed by the Minister, the interest that a company with an approved Finance and Treasury Centre is liable to pay on or after 18 February 2005 on any bond, is exempt from tax if —

- (a) the bond is held by a person who is not resident in Singapore; and

- (b) the approval of the approved Finance and Treasury Centre as such is granted before 30 September 2005.

[S 745/2020 wef 18/02/2005]

(2) The exemption referred to in sub-paragraph (1) or (1A) shall not apply where —

- (a) the bond is held by a person referred to in sub-paragraph (1)(b) or (1A)(a) (as the case may be) who has a permanent establishment in Singapore and the funds used to acquire the bond were obtained from any operation in Singapore carried on through that permanent establishment; or

[S 745/2020 wef 18/02/2005]

- (b) at any time during the life of the bond, it is beneficially held or funded, directly or indirectly, by any office or associated company of the approved headquarters company or the company with the approved Finance and Treasury Centre (as the case may be) which is not an approved office or approved associated company.

[S 745/2020 wef 28/10/2003]

[S 745/2020 wef 18/02/2005]

(3) The funds obtained from any bond referred to in sub-paragraph (1) or (1A) shall be used —

- (a) in the case of an approved headquarters company, for its qualifying services or qualifying treasury, investment or financial activities; and

- (b) in the case of a company with an approved Finance and Treasury Centre, for the qualifying activities or qualifying services of the approved Finance and Treasury Centre.

[S 745/2020 wef 28/10/2003]

[S 745/2020 wef 18/02/2005]

Exemption in relation to securities lending or repurchase arrangement

5.—(1) Subject to sub-paragraph (2) and such conditions as may be imposed by the Minister, any loan rebate fee or price differential —

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- (a) that an approved headquarters company is liable to pay on or after 5 September 2000 in respect of a repurchase agreement made before 23 November 2001, or is liable to pay on or after 23 November 2001 in respect of any securities lending or repurchase arrangement; or
 - (b) that a company with an approved Finance and Treasury Centre is liable to pay on or after 5 September 2000 but before 18 February 2005 in respect of a repurchase agreement made before 23 November 2001, or is liable to pay on or after 23 November 2001 but before 18 February 2005 in respect of any securities lending or repurchase arrangement,

is exempt from tax if —

- (c) any funds obtained under the repurchase agreement or the securities lending or repurchase arrangement are denominated in currencies other than Singapore dollars; and
- (d) any funds obtained under the repurchase agreement or the securities lending or repurchase arrangement are from —
 - (i) any approved office or associated company outside Singapore;
 - (ii) any bank outside Singapore; or
 - (iii) any non-bank financial institution outside Singapore which is not its office or associated company.

[S 745/2020 wef 18/02/2005]

(1A) Subject to sub-paragraph (2) and such conditions as may be imposed by the Minister, any loan rebate fee or price differential that a company with an approved Finance and Treasury Centre is liable to pay on or after 18 February 2005 in respect of any securities lending or repurchase arrangement is exempt from tax, if any funds obtained under the securities lending or repurchase arrangement are from —

- (a) any approved office or approved associated company outside Singapore;
- (b) any bank outside Singapore; or

- (c) any non-bank financial institution outside Singapore which is not its office or associated company.

[S 745/2020 wef 18/02/2005]

(2) The funds obtained under the repurchase agreement or securities lending or repurchase arrangement referred to in sub-paragraph (1) or (1A) shall be used (where the agreement or arrangement permits the funds to be used) —

- (a) in the case of an approved headquarters company, for its qualifying services or qualifying treasury, investment or financial activities; and
- (b) in the case of a company with an approved Finance and Treasury Centre, for the qualifying activities or qualifying services of the approved Finance and Treasury Centre.

[S 745/2020 wef 28/10/2003]

[S 745/2020 wef 18/02/2005]

(3) Subject to such conditions as may be imposed by the Minister, any borrowing fee or compensatory payment that a company with an approved Finance and Treasury Centre is liable to pay to any person on or after 28 October 2003 under any securities lending or repurchase arrangement, is exempt from tax if that person —

- (a) is not a resident of Singapore; and
- (b) does not have a permanent establishment in Singapore through which the securities lending or repurchase arrangement is entered into.

[S 745/2020 wef 28/10/2003]

Amendment of Notifications

6.—(1) Paragraph 4 of the Income Tax (Exemption of Interest and Other Payments on Economic and Technological Development Loans) (Consolidation) Notification (N 5) is deleted, with effect from 5th September 2000.

(2) Paragraph 3 of the Income Tax (Exemption of Interest and Other Payments on Economic and Technological Development Loans) (Consolidation) Notification (N 6) is deleted, with effect from 5th September 2000.

(3) Paragraph 5 of the Income Tax (Exemption of Interest and Other Payments for Economic and Technological Development Loans) (Consolidation) Notification (N 10) is deleted, with effect from 5th September 2000.

Made this 16th day of October 2003.

LIM SIONG GUAN
*Permanent Secretary,
Ministry of Finance,
Singapore.*

[R32.16.60 Vol. 3; AG/LEG/SL/134/2002/11 Vol. 1]