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INCOME TAX ACT
(CHAPTER 134)

INCOME TAX
(DEDUCTION FOR ACQUISITION OF
SHARES OF COMPANIES)
REGULATIONS 2012

ARRANGEMENT OF REGULATIONS

Regulation

1. Citation and commencement

PART I
GENERAL

2. Definition

PART II
ELECTION OF QUALIFYING ACQUISITIONS

3. Election of acquisitions in place of acquisitions under section 37L(4)(a) and (b), or (4)(c) and (d), of Act
- 3A. Election of acquisitions in place of acquisitions under section 37L(4A)(c) and (d), or (4A)(e) and (f), of Act
4. Capital expenditure of elected qualifying acquisitions

PART III
CONDITIONS FOR DEDUCTIONS

- 4A. Definitions of this Part
5. Application of conditions for deductions
- 5A. Conditions for deductions for acquisitions under section 37L(4A)(a) and (b) of Act

PART IV
DIVESTMENTS

6. Definitions of this Part

Regulation

7. Adjustment of deductions allowable following divestments in relevant divestment period
8. Adjustment or disallowance of deductions allowable following divestments after relevant divestment period
9. Disregarding of acquisitions and divestments in certain cases

PART V**APPLICATION TO BUSINESS TRUSTS**

10. Application to business trusts
The Schedule
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In exercise of the powers conferred by section 37L(24) of the Income Tax Act, the Minister for Finance hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Income Tax (Deduction for Acquisition of Shares of Companies) Regulations 2012 and shall be deemed to have come into operation on 1st April 2010.

PART I**GENERAL****Definition**

2. In these Regulations, “elected qualifying acquisition” means any acquisition of ordinary shares in a target company elected by an acquiring company under regulation 3 or 3A(1).

[S 314/2021 wef 01/04/2015]

PART II

ELECTION OF QUALIFYING ACQUISITIONS

Election of acquisitions in place of acquisitions under section 37L(4)(a) and (b), or (4)(c) and (d), of Act

3. For the purpose of section 37L of the Act and these Regulations, an acquiring company may elect for the following acquisitions of ordinary shares in a target company by the acquiring company and its acquiring subsidiaries to be its qualifying acquisitions instead of the acquisitions referred to in section 37L(4)(a) and (b) or section 37L(4)(c) and (d) of the Act, as the case may be:

(a) instead of the acquisitions referred to in section 37L(4)(a) and (b) of the Act —

(i) one of the following acquisitions:

(A) the acquisition referred to in section 37L(4)(a) of the Act;

(B) an acquisition of ordinary shares in the target company where the date of the acquisition is after the date of the acquisition referred to in sub-paragraph (i)(A) but before the end of the basis period of the acquiring company in which the acquisition referred to in sub-paragraph (i)(A) falls; and

(ii) the acquisitions of ordinary shares in the target company that took place in a period of 12 months ending on and including the date of the acquisition referred to in sub-paragraph (i)(A) or (B), as the case may be; and

[S 314/2021 wef 01/04/2015]

(b) instead of the acquisitions referred to in section 37L(4)(c) and (d) of the Act —

(i) one of the following acquisitions:

(A) the acquisition referred to in section 37L(4)(c) of the Act;

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- (B) an acquisition of ordinary shares in the target company where the date of the acquisition is after the date of the acquisition referred to in sub-paragraph (i)(A) but before the end of the basis period of the acquiring company in which the acquisition referred to in sub-paragraph (i)(A) falls; and
 - (ii) the acquisitions of ordinary shares in the target company that took place in the shorter of the following periods, as may be applicable:
 - (A) a period of 12 months ending on and including the date of the acquisition referred to in sub-paragraph (i)(A) or (B), as the case may be;
 - (B) the period commencing immediately after the latest acquisition in respect of which a deduction under section 37L of the Act has been claimed on the basis that it is a qualifying acquisition referred to in section 37L(4)(a) or (b) of the Act, or paragraph (a), as the case may be, and ending on and including the date of the acquisition referred to in sub-paragraph (i)(A) or (B), as the case may be,

provided that at the end of that basis period of the acquiring company in which the acquisition referred to in paragraph (a)(i)(A) or (b)(i)(A), as the case may be, falls, the acquiring company and its acquiring subsidiaries own together in total more than 50% (in the case of paragraph (a)) or 75% or more (in the case of paragraph (b)) of the total number of ordinary shares in the target company.

[S 314/2021 wef 01/04/2015]

Election of acquisitions in place of acquisitions under section 37L(4A)(c) and (d), or (4A)(e) and (f), of Act

3A.—(1) For the purpose of section 37L of the Act and these Regulations, an acquiring company (*A*) may elect for the acquisitions of ordinary shares in a target company specified in paragraph (2) made by *A* and *A*'s acquiring subsidiaries as *A*'s qualifying

acquisitions instead of the acquisitions mentioned in any of the following provisions of the Act:

(a) section 37L(4A)(c) and (d);

(b) section 37L(4A)(e) and (f).

(2) The acquisitions mentioned in paragraph (1) are —

(a) instead of the acquisitions mentioned in section 37L(4A)(c) and (d) of the Act —

(i) one of the following acquisitions:

(A) the acquisition mentioned in section 37L(4A)(c) of the Act;

(B) an acquisition of ordinary shares in the target company, the date of which is after the date of the acquisition mentioned in sub-paragraph (A) but before the end of the basis period of *A* in which the acquisition mentioned in sub-paragraph (A) falls; and

(ii) the acquisitions of ordinary shares in the target company that took place in the shorter of the following periods, as may be applicable:

(A) a period of 12 months ending on and including the date of the acquisition mentioned in sub-paragraph (i)(A) or (B), as the case may be;

(B) the period commencing immediately after the latest acquisition in respect of which a deduction under section 37L of the Act has been claimed on the basis that it is a qualifying acquisition mentioned in section 37L(4A)(a) or (b) of the Act (as the case may be) and ending on (and including) the date of the acquisition mentioned in sub-paragraph (i)(A) or (B), as the case may be; and

(b) instead of the acquisitions mentioned in section 37L(4A)(e) and (f) of the Act —

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- (i) one of the following acquisitions:
 - (A) the acquisition mentioned in section 37L(4A)(e) of the Act;
 - (B) an acquisition of ordinary shares in the target company, the date of which is after the date of the acquisition mentioned in sub-paragraph (A) but before the end of the basis period of *A* in which the acquisition mentioned in sub-paragraph (A) falls; and
 - (ii) the acquisitions of ordinary shares in the target company that took place in the shorter of the following periods, as may be applicable:
 - (A) a period of 12 months ending on and including the date of the acquisition mentioned in sub-paragraph (i)(A) or (B), as the case may be;
 - (B) the period commencing immediately after the latest acquisition in respect of which a deduction under section 37L of the Act has been claimed on the basis that it is a qualifying acquisition mentioned in —
 - (BA) section 37L(4)(a) or (b) of the Act or regulation 3(a); or
 - (BB) section 37L(4A)(c) or (d) of the Act or sub-paragraph (a),
(as the case may be) and ending on (and including) the date of the acquisition mentioned in sub-paragraph (i)(A) or (B), as the case may be.
- (3) *A* may make the election mentioned in paragraph (1) only if *A* and *A*'s acquiring subsidiaries own together in total —
- (a) in the case of paragraph (2)(a) — more than 50% of the total number of ordinary shares in the target company at

the end of *A*'s basis period in which the acquisition mentioned in paragraph (2)(a)(i)(A) falls; or

- (b) in the case of paragraph (2)(b) — 75% or more of the total number of ordinary shares in the target company at the end of *A*'s basis period in which the acquisition mentioned in paragraph (2)(b)(i)(A) falls.

[S 314/2021 wef 01/04/2015]

Capital expenditure of elected qualifying acquisitions

4. Notwithstanding section 37L(3) of the Act, for the purposes of section 37L(7) to (13) of the Act, where the date of an elected qualifying acquisition falls in a basis period of the acquiring company prior to the basis period of the acquiring company in which the elected qualifying acquisition referred to in regulation 3(a)(i) or (b)(i), or regulation 3A(2)(a)(i) or (b)(i), falls, as the case may be, the capital expenditure for the first-mentioned elected qualifying acquisition shall be treated as being incurred in the second-mentioned basis period.

[S 314/2021 wef 01/04/2015]

PART III

CONDITIONS FOR DEDUCTIONS

Definitions of this Part

4A. In this Part —

“acquirer” means the acquiring company or its acquiring subsidiary that made the acquisition in question;

“FRS 28” and “SFRS for Small Entities” have the meanings given by section 37L(16F) of the Act.

[S 314/2021 wef 01/04/2015]

Application of conditions for deductions

5. Section 37L(16A)(c) of the Act does not apply in respect of any qualifying acquisition or elected qualifying acquisition, as the case may be, where the date of the acquisition —

(a) is after the date of the acquisition mentioned in section 37L(4)(a) or (c), or (4A)(c) or (e), of the Act, as the case may be; but

[S 314/2021 wef 01/04/2015]

(b) on or before the end of —

(i) the basis period in which the date mentioned in paragraph (a) falls; or

(ii) the period mentioned in regulation 3(a)(ii) or (b)(ii), or regulation 3A(2)(a)(ii) or (b)(ii),

as the case may be.

[S 314/2021 wef 01/04/2015]

Conditions for deductions for acquisitions under section 37L(4A)(a) and (b) of Act

5A.—(1) The prescribed conditions for the purposes of section 37L(16E) of the Act are that —

(a) the target company is, in accordance with paragraph (3), considered an associate of the acquirer within the meaning of FRS 28 or SFRS for Small Entities, as amended from time to time; and

(b) subject to paragraph (2), at least one director of any of the following companies is the acquirer's nominee in accordance with paragraphs (4) and (5):

(i) the target company;

(ii) a subsidiary that —

(A) is wholly owned by the target company either directly, or indirectly through one or more intermediate companies;

(B) carries on a trade or business in Singapore or elsewhere on the date of the qualifying acquisition mentioned in section 37L(4A)(a) or (b) of the Act, as the case may be; and

(C) has in its employment at least 3 employees at all times during the period of 12 months immediately before that date;

(iii) a company that is wholly owned (either directly, or indirectly through one or more intermediate companies) by the target company, and that wholly owns (either directly, or indirectly through one or more intermediate companies) the subsidiary mentioned in sub-paragraph (ii).

(2) The requirement in paragraph (1)(b) is not satisfied by nominating an individual who, at the time of the nomination, is already a director of —

- (a) the target company mentioned in paragraph (1)(b)(i);
- (b) the subsidiary mentioned in paragraph (1)(b)(ii); or
- (c) the company mentioned in paragraph (1)(b)(iii),

as the case may be.

(3) For each year of assessment set out in the first column of the following table, the requirement in paragraph (1)(a) must be satisfied throughout the period set out opposite that year of assessment in the second column of the table:

<i>First column</i>	<i>Second column</i>
<i>Year of Assessment</i>	<i>Period</i>
Year of assessment for the basis period in which the date of the qualifying acquisition mentioned in section 37L(4A)(a) of the Act falls	Between the date of that acquisition and the last day of the basis period (both inclusive).
Year of assessment for any subsequent basis period	The whole basis period.

(4) The requirement in paragraph (1)(b) must be satisfied —

- (a) as soon as possible after the date of the qualifying acquisition mentioned in section 37L(4A)(a) of the Act; and

(b) in any case no later than the date by which the acquiring company must submit the return of its income for the year of assessment relating to the basis period in which the acquisition falls or any later date that the Comptroller may allow.

(5) For each year of assessment set out in the first column of the following table, the requirement in paragraph (1)(b) must be satisfied throughout the period set out opposite that year of assessment in the second column of the table:

<i>First column</i>	<i>Second column</i>
<i>Year of Assessment</i>	<i>Period</i>
Year of assessment for the basis period in which the date the requirement is satisfied in accordance with paragraph (4) (called in this regulation the initial date) falls	Between the initial date and the last day of the basis period (both inclusive).
Year of assessment for any subsequent basis period	The whole basis period.

(6) The requirement in paragraph (1)(b) is treated as satisfied throughout a period mentioned in paragraph (5) even though at any time during that period, the acquirer's nominee (including any replacement for the nominee) ceases to be a director of the company mentioned in paragraph (1)(b)(i), (ii) or (iii) (as the case may be), if the acquirer satisfies the Comptroller that —

- (a) there is reasonable cause for the cessation; and
- (b) (unless the Comptroller in a particular case determines that such replacement is not possible) the acquirer has made reasonable efforts to replace the director with another nominee for the remaining period.

(7) The conditions in paragraph (1) do not apply to any year of assessment if during the basis period for that year of assessment —

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- (a) the acquiring company or its acquiring subsidiary makes a further acquisition of ordinary shares in the target company;
 - (b) the acquiring company and its acquiring subsidiaries own together in total more than 50% of the total number of ordinary shares in the target company as a result of the acquisition mentioned in sub-paragraph (a); and
 - (c) such total ownership in sub-paragraph (b) remains at more than 50% of the total number of ordinary shares in the target company between the date of the acquisition mentioned in sub-paragraph (a) and the last day of that basis period (both inclusive).

(8) The conditions in paragraph (1) do not apply to any year of assessment subsequent to the year of assessment mentioned in paragraph (7) if, during the basis period for the firstmentioned year of assessment, the total ownership of ordinary shares in the target company of the acquiring company and its acquiring subsidiaries remains at more than 50% of the total number of ordinary shares in the target company for the whole basis period.

[S 314/2021 wef 01/04/2015]

PART IV DIVESTMENTS

Definitions of this Part

6. In this Part —

“relevant acquisition period” means —

- (a) in relation to qualifying acquisitions, the basis period of the acquiring company mentioned in —
 - (i) section 37L(4)(b) of the Act if the acquisitions are those mentioned in section 37L(4)(a) and (b) of the Act;
 - (ii) section 37L(4)(d) of the Act if the acquisitions are those mentioned in section 37L(4)(c) and (d) of the Act;

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- (iii) section 37L(4A)(b) of the Act if the acquisitions are those mentioned in section 37L(4A)(a) and (b) of the Act;
 - (iv) section 37L(4A)(d) of the Act if the acquisitions are those mentioned in section 37L(4A)(c) and (d) of the Act; or
 - (v) section 37L(4A)(f) of the Act if the acquisitions are those mentioned in section 37L(4A)(e) and (f) of the Act; and
- (b) in relation to elected qualifying acquisitions, the period mentioned in —
- (i) regulation 3(a)(ii) if the acquisitions are those mentioned in regulation 3(a);
 - (ii) regulation 3(b)(ii) if the acquisitions are those mentioned in regulation 3(b);
 - (iii) regulation 3A(2)(a)(ii) if the acquisitions are those mentioned in regulation 3A(2)(a); or
 - (iv) regulation 3A(2)(b)(ii) if the acquisitions are those mentioned in regulation 3A(2)(b);

[S 314/2021 wef 01/04/2015]

“relevant divestment period” —

- (a) in relation to qualifying acquisitions mentioned in section 37L(4)(a) and (b), section 37L(4)(c) and (d), section 37L(4A)(a) and (b), section 37L(4A)(c) and (d) or section 37L(4A)(e) and (f) of the Act, as the case may be, means the same period as the relevant acquisition period relating to those acquisitions; and

[S 314/2021 wef 01/04/2015]

- (b) in relation to elected qualifying acquisitions, means the period beginning on the first day of the relevant acquisition period relating to those acquisitions and ending on the last day of the basis period of the acquiring company in which the relevant acquisition period ends;

[S 314/2021 wef 01/04/2015]

“relevant specified period”, in relation to elected qualifying acquisitions, means the period —

- (a) beginning on the day immediately following the end of the relevant acquisition period relating to those elected qualifying acquisitions; and
- (b) ending on the last day of the relevant divestment period relating to those elected qualifying acquisitions.

Adjustment of deductions allowable following divestments in relevant divestment period

7.—(1) Subject to regulations 8 and 9, where —

- (a) the acquiring company or the acquiring subsidiary, as the case may be, has made qualifying acquisitions or elected qualifying acquisitions in a relevant acquisition period; and
- (b) the acquiring company or the acquiring subsidiary, as the case may be, has also divested any of its ordinary shares in the target company in the relevant divestment period relating to those acquisitions,

then, the amount of allowable deduction for those acquisitions under section 37L(7) of the Act shall be computed in accordance with the formula referred to in paragraph (2) for the year of assessment relating to the basis period in which the acquisition referred to in section 37L(4)(a) or (c) or (4A)(a), (c) or (e) of the Act, regulation 3(a)(i)(A) or (b)(i)(A), or regulation 3A(2)(a)(i)(A) or (b)(i)(A) (as the case may be) falls, and subsequent years of assessment.

[S 314/2021 wef 01/04/2015]

(2) The formula referred to in paragraph (1) is —

$$\frac{(H - I) - (J - K)}{H} \times L$$

where H is the total number of ordinary shares in the target company acquired by the acquiring company or the

acquiring subsidiary, as the case may be, through the qualifying acquisitions or elected qualifying acquisitions, as the case may be, in the relevant acquisition period;

I is the total number of ordinary shares in the target company divested by the acquiring company or the acquiring subsidiary, as the case may be, during the relevant acquisition period;

J is —

- (a) in the case of qualifying acquisitions, zero; and
- (b) in the case of elected qualifying acquisitions, the total number of ordinary shares in the target company divested during the relevant specified period relating to those elected qualifying acquisitions, if any; and

K is —

- (a) in the case of qualifying acquisitions, zero; and
- (b) in the case of elected qualifying acquisitions, the total number of ordinary shares in the target company acquired during the relevant specified period relating to those elected qualifying acquisitions, if any; and

L is the total of all amounts computed in accordance with the formula in —

- (a) section 37L(8) of the Act (read with section 37L(11), (11B) and (12) of the Act); or

(b) section 37L(8A) of the Act (read with section 37L(11A), (11B) and (12) of the Act),

for the qualifying acquisitions or elected qualifying acquisitions (when read with regulation 4), as the case may be.

[S 314/2021 wef 01/04/2015]

(3) For the purpose of the formula in paragraph (2), where the part of the formula “(J – K)” gives a result that is less than zero, that part of the formula shall be treated as zero.

Adjustment or disallowance of deductions allowable following divestments after relevant divestment period

8.—(1) Subject to section 37L(17) of the Act in relation to paragraphs (c), (d) and (da) of that subsection and regulation 9, where —

- (a) the acquiring company or the acquiring subsidiary, as the case may be, has made qualifying acquisitions or elected qualifying acquisitions of ordinary shares in a target company in a relevant acquisition period;
- (b) the acquiring company or the acquiring subsidiary, as the case may be, divests any of those shares in a basis period of the acquiring company that is after the relevant divestment period relating to those acquisitions; and
- (c) the total number of ordinary shares in the target company divested in the period —
 - (i) beginning on the day immediately following the end of the relevant divestment period; and
 - (ii) ending on the last day of the basis period of the acquiring company referred to in sub-paragraph (b), exceeds the total number of ordinary shares in the target company acquired by the acquiring company or acquiring subsidiary, as the case may be, in that same period,

then, the amount of allowable deduction for the acquisitions referred to in sub-paragraph (a) under section 37L(7) of the Act shall be pro-rated in accordance with the formula specified in paragraph (2) for the year of assessment relating to the basis period of the acquiring company referred to in sub-paragraph (b), and subsequent years of assessment.

[S 314/2021 wef 01/04/2015]

(2) The formula referred to in paragraph (1) is —

$$\frac{(H - I) - [(J + M) - (K + N)]}{H} \times L$$

where H, I, J and K have the same meanings as in regulation 7(2) (read with regulation 7(3));

L is the total of all amounts computed in accordance with the formula in —

(a) section 37L(8) of the Act (read with section 37L(11), (11B) and (12) of the Act);

(b) section 37L(8A) of the Act (read with section 37L(11A), (11B) and (12) of the Act); or

(c) section 37L(9), (9A), (10) or (10A) of the Act (read with section 37L(11), (11A), (11B) and (12) of the Act),

for the qualifying acquisitions or elected qualifying acquisitions, as the case may be;

M is the total number of ordinary shares in the target company divested in the period referred to in paragraph (1)(c); and

N is the total number of ordinary shares in the target company acquired in the period referred to in paragraph (1)(c).

[S 314/2021 wef 01/04/2015]

(3) For the purpose of the formula in paragraph (2), where the part of the formula “[$J + M$] – [$K + N$]” gives a result that is less than zero, that part of the formula shall be treated as zero.

Disregarding of acquisitions and divestments in certain cases

9.—(1) Without prejudice to any other provision in this regulation, where —

- (a) the relevant divestment period in relation to one set of qualifying acquisitions or elected qualifying acquisitions, as the case may be, of ordinary shares in a target company (referred to in this regulation as the first set of acquisitions) overlaps with the relevant acquisition period in relation to a second set of qualifying acquisitions or elected qualifying acquisitions, as the case may be, of ordinary shares in the same target company (referred to in this regulation as the second set of acquisitions); and
- (b) the relevant acquisition period of the second set of acquisitions commences on any date after the last day of the relevant acquisition period of the first set of acquisitions,

then, any divestment or acquisition taken into account as “J” or “K” in the application of the formula in regulation 7 to the first set of acquisitions shall be disregarded in the application of the formulae in regulations 7 and 8 to the second set of acquisitions, if “ $J - K$ ” gives a result that is more than zero.

(2) Without prejudice to any other provision in this regulation, where a divestment is, in relation to one set of qualifying acquisitions or elected qualifying acquisitions of ordinary shares in a target company, a divestment referred to in section 37L(17)(c), (d) or (da) of the Act, as the case may be, the divestment shall be disregarded in the application of the formulae in regulations 7 and 8 to another set of qualifying acquisitions or elected qualifying acquisitions of ordinary shares in the same target company, where the relevant acquisition period of the other set of acquisitions commences on any date after

the date of commencement of the relevant divestment period of the first set of acquisitions, whether or not the 2 periods overlap.

[S 314/2021 wef 01/04/2015]

(3) Without prejudice to any other provision in this regulation, in the application of regulations 7 and 8 to qualifying acquisitions or elected qualifying acquisitions made in a relevant acquisition period, any divestment that is made before the first acquisition in the relevant acquisition period shall be disregarded.

PART V

APPLICATION TO BUSINESS TRUSTS

Application to business trusts

10.—(1) Section 37L of the Act and regulations 2 to 9 (called in this regulation the applicable provisions) apply to a business trust registered under the Business Trusts Act (Cap. 31A) that satisfies the requirements in Part I of the Schedule, as they apply to an acquiring company, if the trustee-manager of the registered business trust has incurred capital expenditure to acquire ordinary shares in a target company in circumstances where, had the reference in that section to an acquiring company been to the trustee-manager or (as the context requires) the registered business trust, that section would have applied to it.

[S 314/2021 wef 01/04/2010]

(1A) For the purpose of paragraph (1), the applicable provisions specified in the second column of Part II of the Schedule are modified in the manner specified in the third column of Part II of the Schedule.

[S 314/2021 wef 01/04/2010]

(2) For the purposes of section 37L(19) of the Act —

- (a) where more than 50% of the units of a business trust are held directly, or indirectly through other business trusts, by one or more companies in a group of companies, the business trust shall be treated as if it were a company in the group of companies; and
- (b) where the shares of any company form any part of the trust property of the business trust, the business trust shall be

treated as a company holding shares in the first-mentioned company, for the purpose of determining whether the first mentioned company is part of the group of companies.

THE SCHEDULE

Regulation 10(1)

PART I

The requirements referred to in regulation 10(1) are as follows:

- (a) the trustee-manager of the trust in his capacity as such carries on a trade or business in Singapore;
- (b) the business of the trust is controlled and managed in Singapore;
- (c) the trust is established in Singapore; and
- (d) the trust deed of the trust is executed in Singapore and is governed by Singapore law.

PART II

<i>S/No.</i>	<i>Provision</i>	<i>Modification</i>
1.	Section 37L(16A)(c) of the Act	<p>A reference to the acquiring company being connected to the target company shall be read as a reference to —</p> <p>(a) at least 75% of the units of the registered business trust referred to in regulation 10(1) being beneficially held (directly or indirectly) by the target company or at least 75% of the shares of the target company being beneficially held (directly or indirectly) by the registered business trust referred to in regulation 10(1); or</p> <p>(b) at least 75% of the units of the registered business trust referred to in regulation 10(1) and at least 75% of the shares of the target company being beneficially held (directly or indirectly) by another company.</p>
2.	Section 37L(16A)(a) of the Act	A reference to the acquiring company carrying on a trade or business in

THE SCHEDULE — *continued*

		Singapore shall be read as a reference to the trustee-manager of the registered business trust referred to in regulation 10(1) in his capacity as such carrying on a trade or business in Singapore.
3.	Section 37L(16A)(b) of the Act	A reference to the acquiring company having in its employment at least 3 local employees shall be read as a reference to the trustee-manager of the registered business trust referred to in regulation 10(1) having in its employment at least 3 local employees in respect of the business of the registered business trust.
4.	Section 37L(16A)(d) of the Act	A reference to the acquiring company having a Singapore company as its ultimate holding company shall be read as a reference to 50% or more of the units in the registered business trust referred to in regulation 10(1) being held directly or indirectly by a Singapore company that is not itself a subsidiary of another person.
5.	Section 37L(18), (21), (22) and (28) of the Act	A reference to the shareholders of the acquiring company shall be read as a reference to the unitholders of the registered business trust referred to in regulation 10(1), and a reference to shares of the acquiring company shall be read as a reference to the units of the trust.
6.	Regulation 5A	A reference to the acquirer's nominee is to be read as a reference to a nominee of the trustee manager in its capacity as such.

[S 314/2021 wef 01/04/2015]

Made this 19th day of November 2012.

LIM SOO HOON
Permanent Secretary
(Finance) (Performance),
Ministry of Finance,
Singapore.

[MF(R)32.7.2618 V9; AG/LLRD/SL/134/2010/36 Vol. 1]