Holding companies, treaties and substance

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The Singapore holding company

The private company limited by shares remains the most common structuring vehicle in Singapore. Regional groups use it to hold their Asian subsidiaries, while families use it to hold their investments, often beneath a trust. Its attraction rests on several features of the tax system. A company is taxed at a flat rate of 17 per cent of its chargeable income, with partial exemptions on the first S$200,000 of chargeable income and a rebate of 50 per cent of tax payable for the years of assessment 2025 and 2026, capped at S$40,000.[1]

Dividends paid by a Singapore resident company are exempt in the hands of the shareholder, who suffers no Singapore withholding tax on them. There is no tax on capital gains, although gains from the disposal of shares may be taxed as trading income where the circumstances show a trade. A safe harbour provides certainty: gains on the disposal of shares are not taxed where the company held at least 20 per cent of the shares for a continuous period of at least 24 months.[2] The safe harbour is found in section 13W of the Income Tax Act. Budget 2025 removed its former end date of 31 December 2027 and widened its scope for gains derived on or after 1

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January 2026, although it gives no protection to foreign disposal gains that fall under section 10L.[3] Foreign-sourced dividends received in Singapore may also be exempt where they have been subject to tax abroad at a headline rate of at least 15 per cent.[4]

Foreign disposal gains and section 10L

The exemption for capital gains made Singapore attractive for holding foreign participations. It also raised the question whether companies without any real activity in Singapore should benefit from it, a question that international bodies reviewing foreign-source income regimes had begun to ask. Singapore answered with section 10L of the Income Tax Act. For sales or disposals on or after 1 January 2024, gains from the disposal of foreign assets received in Singapore are taxed as income where the entity belongs to a relevant group and lacks adequate economic substance in Singapore, while gains from the disposal of foreign intellectual property rights are taxed in any event. A group is relevant if not all its entities are established in Singapore or if any entity has a place of business abroad.[5]

The rule leaves the gains of groups with genuine substance untaxed. A pure equity-holding entity meets the substance requirement if it submits the returns required by its law of incorporation, its operations are managed and performed in Singapore and it has adequate human resources and premises there, either its own or those of an outsourced provider. A registered address used only by a corporate secretary does not suffice.[6] Other entities must show substance in their core income-generating activities. The rule therefore reaches the letterbox company that held foreign participations from a Singapore address without staff or decisions in Singapore.

The treaty network

Singapore has signed agreements for the avoidance of double taxation, limited agreements and arrangements for the exchange of information with around 100 jurisdictions. Its own withholding tax applies at 15 per cent to interest and 10 per cent to royalties paid abroad, subject to treaty reductions.[7] The network covers China, India, Indonesia, Malaysia, Japan, the major European economies and

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Switzerland. For a regional holding company, its main value lies in reducing the withholding taxes that subsidiaries abroad deduct from dividends, interest and royalties paid to Singapore.

The benefits of the network depend on the Singapore company being entitled to them. Treaty partners increasingly deny benefits to holding companies that lack substance or whose main purpose is to obtain treaty benefits. Singapore signed the Multilateral Instrument of the OECD in 2017, which adds a principal purpose test to the treaties it modifies. The India treaty illustrates the change, because India may now tax gains on shares of Indian companies acquired by Singapore residents on or after 1 April 2017, as Chapter III of Part I describes. Singapore has no comprehensive treaty with Hong Kong or the United States.[8]

Substance and the global minimum tax

Since 1 January 2025 large multinational groups have faced a further constraint. The Multinational Enterprise (Minimum Tax) Act 2024 introduced a top-up tax under the income inclusion rule and a domestic top-up tax, implementing the global minimum tax developed by the OECD, with effect from the first financial year of a group beginning on or after 1 January 2025.[9] For groups within its scope, a Singapore holding company no longer offers an effective tax rate below the global minimum. The decision to locate a regional headquarters in Singapore then rests on infrastructure, talent and legal certainty, which Part I examines.

The corporate service providers that form and administer holding companies have also come under closer supervision. Parliament passed the Corporate Service Providers Act 2024 on 2 July 2024. It took effect on 9 June 2025, from which date all corporate service providers must register with ACRA, while a person may act as a nominee director by way of business only through a registered provider that is satisfied of his fitness and propriety.[10] The reform came in the wake of the money laundering case of 2023, which had shown how easily foreign nationals could control Singapore companies through nominees.

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The holding company in a family structure

In a typical structure of an Asian family, the trust sits at the top and a Singapore holding company beneath it. The holding company owns the operating companies, the investment portfolio and often a VCC managed by a single family office. The trust provides succession planning and protection, the holding company limited liability and access to treaties, and the VCC professional management of the liquid assets under a tax incentive.

Each layer now brings its own obligations. The trust must disclose its beneficial owners to its trustee, the holding company must keep a register of its controllers and show substance where it holds foreign participations, and the fund vehicle needs a licensed or exempt manager that meets the conditions of its incentive every year. The days when a Singapore structure could be assembled from shelf companies and nominee directors are over. What has replaced them is a set of vehicles that work well for families prepared to place real people and real decisions in Singapore.

Notes

1. IRAS, "Corporate Income Tax Rate, Rebates & Tax Exemption Schemes", iras.gov.sg, accessed November 2026: flat rate of 17 per cent; from YA 2020, 75 per cent exemption on the first S$10,000 and 50 per cent on the next S$190,000 of normal chargeable income, up to S$102,500; corporate income tax rebate of 50 per cent for YA 2025 and YA 2026 (for YA 2026 enhanced from the 40 per cent announced in Budget 2026), capped at S$40,000 including the cash grant of S$2,000 for eligible companies. ↩
2. PwC, *Worldwide Tax Summaries*, "Singapore: Corporate – Withholding taxes" and "Singapore: Corporate – Income determination", last reviewed 2 July 2026, accessed November 2026: no withholding tax on dividends; dividends paid by a Singapore resident company exempt in the hands of the recipient; no tax on capital gains, while short-term or repeated disposals may be treated as trading profits; exemption for disposals of shares where at least 20 per cent was held for a continuous period of at least 24 months. ↩

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3. KPMG Singapore, *Tax Alert*, Issue 11, December 2025, "Updates on non-taxation of companies' gains on disposal of equity investments", accessed November 2026: s 13W introduced in Budget 2012; shareholding of at least 20 per cent for a continuous period of at least 24 months; Budget 2025 enhancements effective for disposal gains derived on or after 1 January 2026, including removal of the end date of 31 December 2027 so that the scheme is permanent; foreign-sourced disposal gains within s 10L taxable if received in Singapore irrespective of s 13W; IRAS e-Tax Guide on the safe harbour updated (fourth edition). ↩

4. Income Tax Act 1947, s 13(8) (exemption for foreign-sourced dividends, foreign branch profits and foreign service income received by resident persons, subject to a subject-to-tax condition and a headline rate of at least 15 per cent). ↩

5. IRAS, e-Tax Guide "Income Tax: Tax Treatment of Gains or Losses from the Sale of Foreign Assets" (third edition, 6 June 2025), paras 2.3–2.5, 4.1–4.2 and 5.3: gains from the sale of foreign assets received in Singapore by a covered entity are chargeable under s 10(1)(g) where the entity lacks adequate economic substance in Singapore or the gains derive from foreign intellectual property rights; disposals on or after 1 January 2024; regime legislated in s 10L; definition of a relevant group. ↩

6. IRAS, e-Tax Guide on the sale of foreign assets, cited above, paras 8.2–8.3 and note 14: conditions for a pure equity-holding entity; "adequate premises" satisfied by an office for its employees, premises shared with an associated entity or the office of an outsourced service provider; a pure registered address not used by employees or the service provider does not suffice. ↩

7. IRAS, "List of DTAs, Limited DTAs and EOI Arrangements", iras.gov.sg, last updated 4 February 2026, accessed November 2026: agreements covering "around 100 jurisdictions". IRAS, "Types of Payment and Withholding Tax Rates", iras.gov.sg, accessed November 2026: 15 per cent on interest and 10 per cent on royalties. PwC, *Worldwide Tax Summaries*, "Singapore: Corporate – Withholding taxes", cited above, listing treaty rates for 98 jurisdictions. ↩

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8. IRAS, consolidated text of the Singapore–India DTA (ratified, MLI), 1 October 2019, iras.gov.sg, accessed November 2026: Singapore and India signed the MLI on 7 June 2017; third protocol signed on 30 December 2016, in force on 27 February 2017, with the amendments to Article 13 (capital gains) taking effect from 1 April 2017 and gains on shares acquired before that date remaining taxable only in the state of residence. PwC, *Worldwide Tax Summaries*, "Singapore: Corporate – Withholding taxes", last reviewed 2 July 2026, note 5c: "Treaties with Hong Kong and the United States cover only shipping and air transport activities." Ministry of Finance, "Singapore signs agreement with Hong Kong to avoid double taxation on income from operating ships or aircraft in international traffic", mof.gov.sg, accessed November 2026. ↩
9. Allen & Gledhill, "Multinational Enterprise (Minimum Tax) Act 2024 in operation on 1 January 2025", allenandgledhill.com, accessed November 2026: commencement on 1 January 2025 under the declaration order gazetted on 30 December 2024; Multinational Enterprise Top-up Tax applying the income inclusion rule; domestic top-up tax; first financial year of the MNE group beginning on or after 1 January 2025. ↩
10. ACRA, "Corporate Service Providers Act", acra.gov.sg, accessed November 2026: Corporate Service Providers Act 2024 and Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act 2024 passed on 2 July 2024; commencement on 9 June 2025; mandatory registration of CSPs; nominee directors acting by way of business only through a registered CSP that is satisfied the person is fit and proper. ↩

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