

## Section 13Z - Updated e-Tax Guide



### Introduction

A time extension and narrowing of tax exemption under Section 13Z was announced during the 2020 Singapore Budget and these proposed changes have since been enacted into legislation. The Inland Revenue Authority of Singapore (IRAS) has now also reissued the relevant e-Tax Guide: *“Certainty of Non-taxation of Companies’ Gains on Disposal of Equity Investments (Third Edition)”*.

This Tax Alert summarises the relevant changes for taxpayer awareness.

### Background

By way of background, gains of a capital nature are not taxable in Singapore, whereas gains of a revenue nature are taxable at the prevailing corporate tax rate of 17%.

Section 13Z of the Singapore Income Tax Act was introduced to provide a specific tax exemption for gains realised by a divesting company in certain situations. Eligibility criteria includes a requirement to hold at least

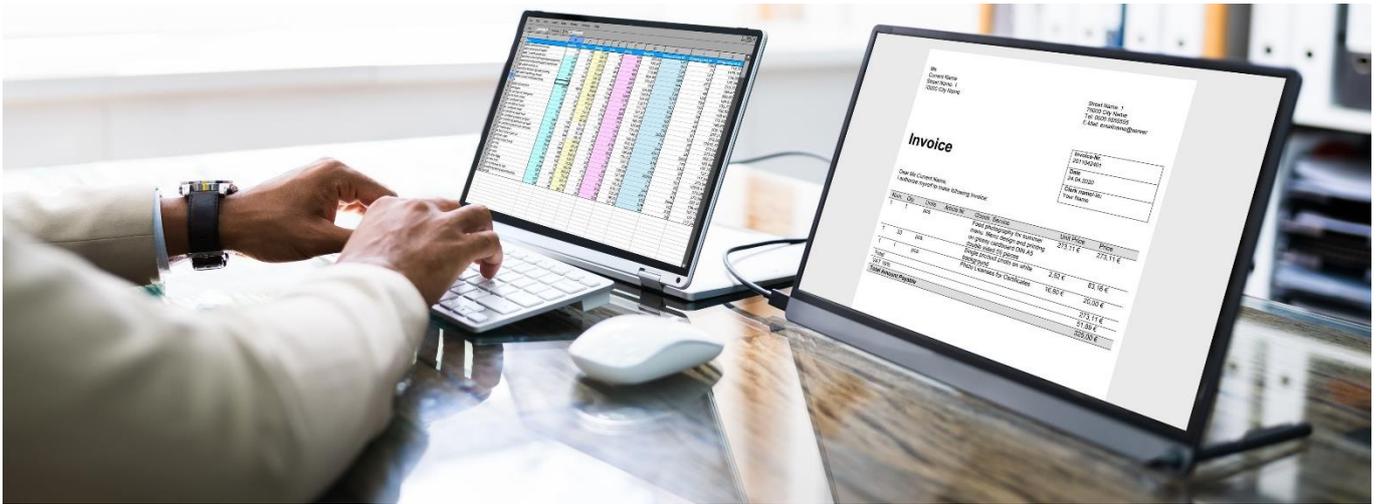
20% of the ordinary share capital for a continuous period of at least 24 months.

The 2020 Budget announced changes to the application of Section 13Z in relation to property-related businesses and certain real-estate transactions.

### What has changed?

The changes to Section 13Z are to *“extend and refine the upfront certainty of non-taxation of companies’ gains on disposal of ordinary shares”*. Specifically and with effect from 1 June 2022, Section 13Z no longer applies to the disposal of non-listed shares where the investee company is in the business of:

- property development (including nominated construction activities); or
- trading in immovable property; or
- the holding of immovable property that derive no or passive income. This is regardless whether the immovable property is situated in Singapore or abroad.



Attention should be given to the meaning of “property development” which includes the construction of any building, or part of a building, the acquisition of land or building for such construction, structural changes made to a building where additions and alternations are made, etc. Such works are limited to those that require the approval of the Commissioner of Building Control under the Building Control Act (Cap. 29) or (if carried out in a country outside of Singapore) would have required such approval if it had been carried out in Singapore.

Section 13Z will still apply to investee companies where:

- the immovable property developed is used by the company to carry on its own trade or business (e.g. a self-developed industrial building used to carry on its manufacturing business, a commercial building is developed to carry on a business of letting out the units, etc.); and
- the company did not undertake any property development in Singapore or elsewhere for at least 60 consecutive months before the disposal of shares.

### Our observations

The changes to the scope of Section 13Z to limit its application is an important integrity measure. However, taxpayers need to consider a range of

potential implications. Specifically, real estate fund managers, real estate development companies, or operating companies that deal with immovable property in their trade (here or abroad), should consider the application of Section 13Z going forward.

For those carrying out, or have carried out, “property development” in Singapore or abroad and had relied on the old Section 13Z exemption for a tax-free disposal, should now assess whether any future property development is caught by this new application.

This change will have broad application and businesses with properties subject to a regular refurbishment program (e.g. hotels) should also consider if any structural changes to currently owned properties might be considered as “property development”.

It is also worthwhile noting that this latest e-Tax Guide clarifies that an investee company that is in the business of letting immovable properties, also known as a Section 10E company, is a qualifying investee company for disposals undertaken before 1 June 2022. This clarification is welcome as it was not explicit in previous e-Tax Guide (i.e. the second edition).

### How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

#### About Tax Alert

KPMG Tax Alert highlights the latest tax developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive it is advisable to make plans accordingly.

Tax Alert is issued exclusively for the information of clients and staff of KPMG Services Pte. Ltd. and should not be used or relied upon as a substitute for detailed advice or a basis for formulating business decisions.

To uncover more insights on the global tax implications of COVID-19, read our [COVID-19 Global Tax Developments Summary](#). Read more of our insights and perspectives at the [KPMG in Singapore Webpage](#).

# Authors

## Dean Rolfe

Partner  
Corporate & International Tax  
T: +65 6213 3199  
E: deanrolfe@kpmg.com.sg

## Teo Wee Hwee

Partner  
Head of Real Estate & Asset Management, Tax  
T: +65 6213 2166  
E: weehweeteo@kpmg.com.sg

# Contact us

## Ajay K Sanganeria

Partner  
Head of Tax  
T: +65 6213 2292  
E: asanganeria@kpmg.com.sg

## BANKING & INSURANCE

### Alan Lau

Partner  
T: +65 6213 2027  
E: alanlau@kpmg.com.sg

## REAL ESTATE & ASSET MANAGEMENT

### Teo Wee Hwee

Partner  
T: +65 6213 2166  
E: weehweeteo@kpmg.com.sg

### Agnes Lo

Partner  
T: +65 6213 2976  
E: agneslo1@kpmg.com.sg

### Anulekha Samant

Partner  
T: +65 6213 3595  
E: asamant@kpmg.com.sg

### Leonard Ong

Partner  
T: +65 6213 2038  
E: leonardong@kpmg.com.sg

### Stephen Banfield

Partner  
T: +65 6213 3399  
E: stephenbanfield@kpmg.com.sg

## ENERGY, TECHNOLOGY, MEDIA & TELECOMMUNICATION

### Gordon Lawson

Partner  
T: +65 6213 2864  
E: glawson1@kpmg.com.sg

### Larry Sim

Partner  
T: +65 6213 2261  
E: larrysim@kpmg.com.sg

### Harvey Koenig

Partner  
T: +65 6213 7383  
E: harveykoenig@kpmg.com.sg

### Mark Addy

Partner  
T: +65 6508 5502  
E: markaddy@kpmg.com.sg

## INFRASTRUCTURE, GOVERNMENT & HEALTHCARE

### Chiu Wu Hong

Partner  
T: +65 6213 2569  
E: wchiu@kpmg.com.sg

### Dean Rolfe

Partner  
T: +65 6213 3199  
E: deanrolfe@kpmg.com.sg

## CONSUMER & RETAIL

### Tan Chee Wei

Partner  
T: +65 6213 2470  
E: cheeweitan@kpmg.com.sg

## CORPORATE TAX PLANNING & COMPLIANCE

### Mak Oi Leng

Partner  
T: +65 6213 7319  
E: omak@kpmg.com.sg

### Pauline Koh

Partner  
T: +65 6213 2815  
E: paulinekoh@kpmg.com.sg

# Contact us

## PERSONAL TAX & GLOBAL MOBILITY SERVICES

### Anna Low

Partner  
T: +65 6213 2547  
E: [alow@kpmg.com.sg](mailto:alow@kpmg.com.sg)

### Lee Yiew Hwa

Principal Advisor  
T: +65 6213 2866  
E: [yiewhwalee@kpmg.com.sg](mailto:yiewhwalee@kpmg.com.sg)

## TAX – DEALS, M&A

### Adam Rees

Principal Advisor  
T: +65 6213 2961  
E: [adamrees@kpmg.com.sg](mailto:adamrees@kpmg.com.sg)

## INDIRECT TAX

### Lam Kok Shang

Partner  
T: +65 6213 2596  
E: [kokshanglam@kpmg.com.sg](mailto:kokshanglam@kpmg.com.sg)

### Gan Hwee Leng

Partner  
T: +65 6213 2813  
E: [hweelenggan@kpmg.com.sg](mailto:hweelenggan@kpmg.com.sg)

### Shirley Shen

Partner  
T: +65 6213 3288  
E: [shirleyshen@kpmg.com.sg](mailto:shirleyshen@kpmg.com.sg)

## TRANSFER PRICING CONSULTING

### Felicia Chia

Partner  
T: +65 6213 2525  
E: [fchia@kpmg.com.sg](mailto:fchia@kpmg.com.sg)

### Lee Jingyi

Partner  
T: +65 6213 3785  
E: [jingyilee@kpmg.com.sg](mailto:jingyilee@kpmg.com.sg)

## R&D & GRANTS CONSULTING

### Harvey Koenig

Partner  
T: +65 6213 7383  
E: [harveykoenig@kpmg.com.sg](mailto:harveykoenig@kpmg.com.sg)

## PROPERTY TAX & DISPUTE MANAGEMENT

### Leung Yew Kwong

Principal Advisor  
T: +65 6213 2877  
E: [yewkwongleung@kpmg.com.sg](mailto:yewkwongleung@kpmg.com.sg)

### See Wei Hwa

Partner  
T: +65 6213 3845  
E: [wsee@kpmg.com.sg](mailto:wsee@kpmg.com.sg)

## INDIA TAX SERVICES

### Bipin Balakrishnan

Partner  
T: +65 6213 2272  
E: [bipinbalakrishnan@kpmg.com.sg](mailto:bipinbalakrishnan@kpmg.com.sg)

## US TAX SERVICES

### Daniel Joe

Partner  
T: +65 6213 2626  
E: [danieljoe@kpmg.com.sg](mailto:danieljoe@kpmg.com.sg)

### Curtis Ottley

Partner  
T: +65 6213 3611  
E: [curtisottley@kpmg.com.sg](mailto:curtisottley@kpmg.com.sg)

## TAX GOVERNANCE

### Pauline Koh

Partner  
T: +65 6213 2815  
E: [paulinekoh@kpmg.com.sg](mailto:paulinekoh@kpmg.com.sg)

## FAMILY OFFICE & PRIVATE CLIENTS

### Stephen Banfield

Partner  
T: +65 6213 3399  
E: [stephenbanfield@kpmg.com.sg](mailto:stephenbanfield@kpmg.com.sg)

## GLOBAL COMPLIANCE MANAGEMENT SERVICES

### Cristina Alvarez-Ossorio

Partner  
T: +65 6213 2688  
E: [cristinaalvarez@kpmg.com.sg](mailto:cristinaalvarez@kpmg.com.sg)

## TAX TECHNOLOGY & TRANSFORMATION

### Catherine Light

Partner  
T: +65 6213 2913  
E: [catherinelight@kpmg.com.sg](mailto:catherinelight@kpmg.com.sg)

### KPMG

16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581  
T: +65 6213 3388  
F: +65 6220 9419  
E: [tax@kpmg.com.sg](mailto:tax@kpmg.com.sg)

Singapore Tax Firm of the Year – Asia Tax Awards 2020, *International Tax Review*

Asia Tax Firm of the Year – Asia Tax Awards 2020, *International Tax Review*

Asia Tax Innovator of the Year – Asia Tax Awards 2020, *International Tax Review*

For more information, please [view our tax services page](#).

[kpmg.com.sg](http://kpmg.com.sg)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.