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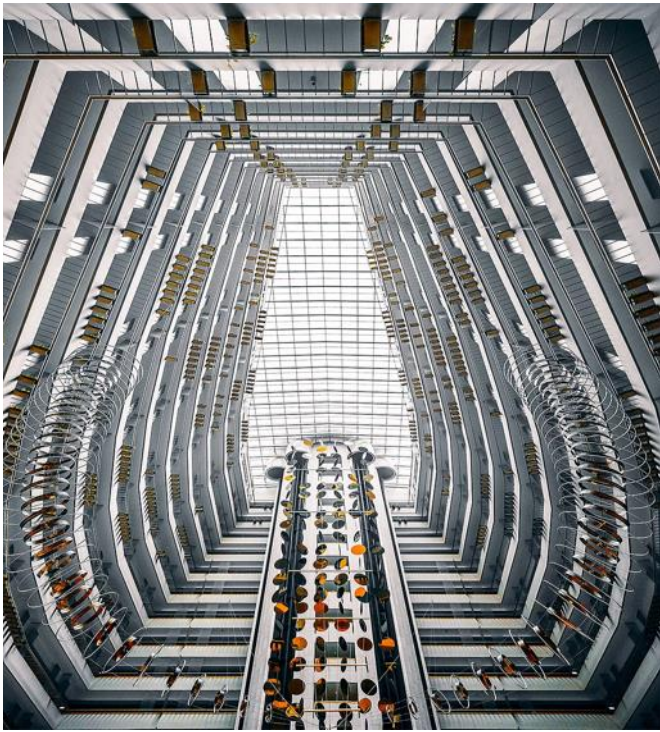
## Company's Tax Residency & Certificate of Residence Updates

### WHAT YOU NEED TO KNOW

A company's place of incorporation does not automatically determine its tax residency. Instead, the key factors in determining tax residency are where control and management occur.

With the advancement of virtual technology, directors located in different places can attend Board of Directors meetings remotely, which complicates the assessment of tax residency.

The Inland Revenue Authority of Singapore (IRAS) has issued updated guidance regarding hybrid or virtual Board of Directors meetings and residence certificates for foreign-owned companies.

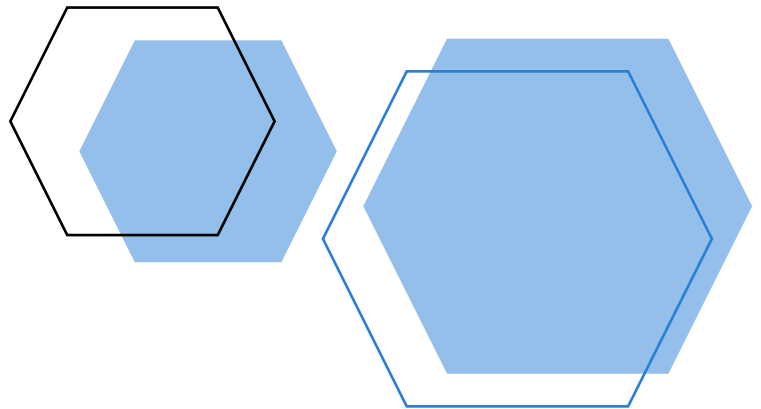


# COMPANY'S TAX RESIDENCY

Under Singapore tax law, a company's tax residency is determined by where its business is controlled and managed. "Control and management" refer to the decision-making process regarding strategic matters, such as company policy and overall strategy.

In certain situations, merely holding Board of Directors meetings in Singapore may not be enough to establish tax residency. The Inland Revenue Authority of Singapore (IRAS) will evaluate all relevant facts provided by the company to determine if control and management are genuinely exercised in Singapore. Key factors considered include:

- Whether any strategic decisions are made by the local director in Singapore
- Whether there are key employees based in Singapore



## RULES FOR HYBRID OR VIRTUAL MEETING

### Current rules

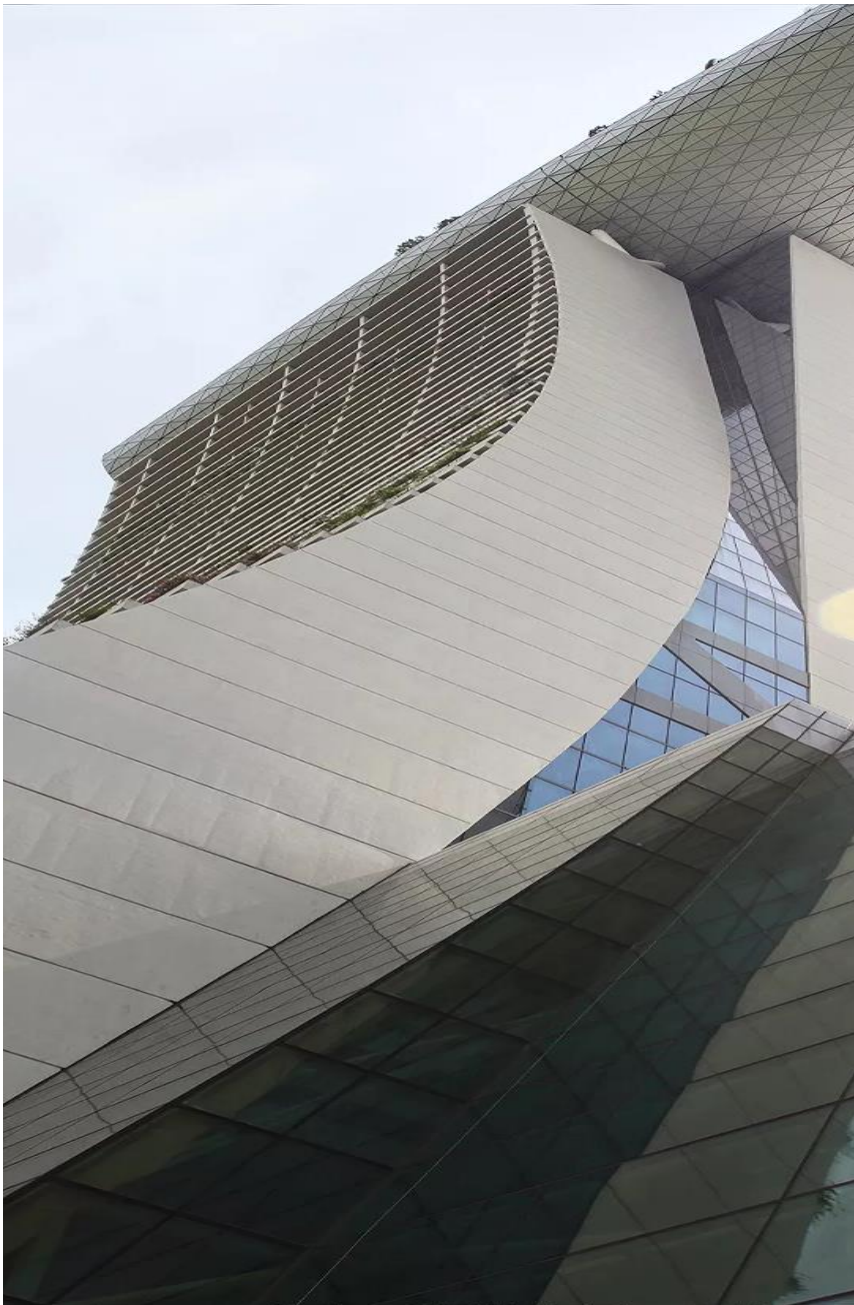
Currently, there is no specific guidance from the IRAS regarding how to determine the location where strategic decisions are made during hybrid or virtual Board of Directors meetings.

### Revised rules

A hybrid or virtual Board of Directors meeting will be considered to have strategic decisions made in Singapore if one of the following conditions is met:

- At least 50% of the directors with the authority to make strategic decisions are physically present in Singapore during the meeting.
- The chairman of the Board of Directors is physically present in Singapore during the meeting.





# CERTIFICATE OF RESIDENCE FOR FOREIGN-OWNED INVESTMENT HOLDING COMPANIES

## CERTIFICATE OF RESIDENCE

The Certificate of Residence is a document issued by IRAS that certifies a company as a tax resident of Singapore. This certification is necessary for the company to claim tax benefits under the Double Taxation Agreements that Singapore has established with various jurisdictions.

## FOREIGN-OWNED INVESTMENT HOLDING COMPANIES

Foreign-owned investment holding companies (with at least 50% foreign shareholding) that solely receive passive income and only foreign-sourced income can obtain a Certificate of Resident if the Inland Revenue Authority of Singapore (IRAS) is satisfied with two conditions:

- The control and management of the company's business must be conducted in Singapore.
- The company must have valid reasons for establishing its presence in Singapore.

## GUIDELINES<sup>NEW</sup> FOR FOREIGN-OWNED INVESTMENT HOLDING COMPANIES FOR COR

For companies applying for a Certificate of Residence for the calendar year 2025 and beyond, it is essential to demonstrate that strategic decisions are made in Singapore. Additionally, the company must meet at least one of the following criteria:

- Have at least 1 director based in Singapore who holds an executive position and is not a nominee director;
- Have at least 1 key employee (e.g. CEO, CFO, COO) based in Singapore; or
- Be managed by a related company based in Singapore (e.g. the related company makes the decisions relating to the operations of the foreign-owned investment holding company or reviews the performance of the investments of the company)



## SUMMARY

### KEY CONSIDERATION

- The presence of a key management team based in Singapore is now more important than ever in determining whether a company has effectively exercised control and management in Singapore, as per the revised regulations.
- It is essential for companies to maintain documentary evidence, such as board meeting minutes, to show that strategic decisions are being made in Singapore.

### HOW TAX RESIDENCY AFFECT YOU

- Exemption or reduction of tax on specified foreign income derived from a jurisdiction with an Avoidance of Double Taxation Agreement with Singapore.
- Tax exemptions apply to specific foreign income, including foreign-sourced dividends, profits from foreign branches, and income from foreign-sourced services as outlined in Section 13(8) of the Income Tax Act of 1947.
- Foreign tax credit for taxes paid in the foreign jurisdiction against Singapore tax on the same income.
- Tax exemption for new start-up companies

## HOW CAN WE HELP YOU

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

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