

TR 199

Facts

P is a Category 1 Global Business Company offering investment management and advisory services.

A is a Category 1 Global Business Company involved in investment holding activities as per a defined Investment Guideline.

P is in the process of being appointed as the investment advisor of A and the advisory services shall include the following:

- (i) Identifying potential new investment opportunities;
- (ii) Providing regular feedback in relation to the performance and liquidity of A's various investments;
- (iii) Rendering specific investment research, advice and related advisory services;
- (iv) Assisting with due diligence investigations and reviews;
- (v) Recommending which investments or follow up investments are to be made or disposed of;
- (vi) Providing advice on any terms and conditions imposed in relation to investments;

- (vii) Preparing transaction documents and appointing external advisors where necessary; and
- (viii) Managing issue allotment and allocation of shares and facilitating loans.

A will derive foreign source income in the form of dividend and interest as well as capital gains or loss upon realisation of the investment.

Points at issue

Whether the advisory fees to be charged by P to A shall be considered as an allowable deduction against the gross income of A in A's tax return?

Ruling

On the basis of facts provided, it is confirmed that advisory fees which are exclusively incurred in the production of gross income other than gross income specified in section 10 (1) (a) of the Income Tax Act will qualify as allowable deduction in accordance with section 18 (1) of the Act.

Thus, the proportion of advisory fees attributable to non-taxable income including capital gains would not be allowed.