Advance rulings

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IRAS issues advance rulings on the application of the Income Tax Act to a proposed arrangement under section 108 and the Seventh Schedule. The ruling binds IRAS if the arrangement is carried out as described. Rulings are available on the tax treatment of a proposed token issuance, on the classification of a token for income tax purposes, on the application of section 10L to a proposed disposal and on the availability of deductions for token payments. They are not available on questions of fact such as whether a particular taxpayer is a trader. The fee is a fixed application fee plus hourly charges, and IRAS aims to rule within eight weeks of receiving complete information.[1] A ruling on the classification of a token before a Singapore issuance is, in my view, money well spent whenever the raise exceeds a few million dollars, because the characterisation determines whether the proceeds are taxed on receipt, deferred or capital.

IRAS publishes summaries of selected rulings. The published rulings on digital tokens have confirmed the Guide's positions on utility token deferral and on the treatment of tokens received for services. A ruling cannot be obtained once the transaction has taken place, so the request must go in before the token generation event.

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Practice note

Before a Singapore token sale, prepare a ruling request that describes the token's functions, the issuer's obligations, the vesting and lock-up terms, the treasury allocation and the intended use of proceeds, and asks IRAS to confirm the classification and the timing of taxation. Attach the white paper, the token purchase agreement and the legal classification opinion obtained for MAS purposes (see Part K, Chapter IV). A consistent story across the MAS, IRAS and accounting documents is the single strongest protection against a later dispute, because inconsistency is what IRAS looks for first.

Notes

1. Income Tax Act 1947, s. 108 and Seventh Schedule (advance rulings); IRAS, *Advance Ruling System for Income Tax*, fees and service standard. ↩

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