Axis five: taxation of individuals, companies and funds

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Taxation is the axis on which the two hubs differ most in method and least in result for the typical holder. Switzerland taxes wealth and income at three levels but exempts private capital gains under Art. 16 para. 3 of the Direct Federal Tax Act (DFTA, in German DBG). A private individual who buys and sells tokens pays no tax on the gain, pays wealth tax on the year-end value and pays income tax on staking rewards, airdrops and mining income. The exemption is lost if the individual is a professional trader under the criteria of Circular 36, in which case gains are self-employment income subject to income tax and social security.[1] Singapore has no capital gains tax, so the gain is untaxed unless it is trading income under s. 10(1)(a) of the Income Tax Act 1947, assessed by the badges of trade. Singapore has no wealth tax. Staking rewards and airdrops are income if received in the course of a trade or as consideration for services, otherwise outside the net.[2]

For companies the picture shifts. A Swiss company pays profit tax on all realised gains, with effective rates in Zug around 12 per cent and in Zürich around 19 to 20 per cent, and capital tax on equity. Token issuance proceeds are revenue or a liability depending on the token's promise, and foundation treasuries can be tax-exempt under Art. 56 lit. g DFTA if the purpose is public or charitable. A Singapore

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company pays 17 per cent on trading profits, with partial exemptions, and nothing on capital gains. Since 1 January 2024, however, s. 10L of the Income Tax Act taxes gains from the disposal of foreign assets received in Singapore by an entity of a multinational group that lacks economic substance.[3] For funds, Singapore's s. 13O and s. 13U incentives exempt specified income from designated investments, which include digital tokens under the conditions of the schemes, while Switzerland taxes a fund transparently at investor level and treats the L-QIF like any other collective investment scheme.

Question	Switzerland	Singapore
Private capital gains	Tax-free (Art. 16 para. 3 DFTA) unless professional trader	No capital gains tax; trading income taxable (s. 10(1)(a) ITA)
Wealth tax	Yes, cantonal; year-end FTA price list	None
Staking, airdrops, mining (individual)	Income (Art. 16 para. 1, Art. 20 DFTA)	Income only if trade or services
Company profits	Profit tax federal plus cantonal; Zug approx. 12 % effective	17 % with partial exemption; s. 10L for foreign-asset gains
Foundation treasury	Tax-exempt if Art. 56 lit. g DFTA satisfied	CLG taxable unless charity status
Funds	Transparent; L-QIF	s. 13O/13U exemptions; VCC
VAT/GST on token exchange	Exempt (means of payment)	GST-exempt supply since 1 January 2020
Lump-sum or territorial relief	Expenditure-based taxation, Art. 14 DFTA (Zug yes, Zürich no)	Territorial basis; foreign-sourced income exempt unless remitted (with s. 10L)
Transparency	CRS; CARF implementation (see Part G, Chapter VII)	CRS; CARF commitment (see Part M, Chapter VII)

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Cross-border perspective

A founder with CHF 20 million of vested protocol tokens asks whether to realise in Zug or in Singapore. In Zug the gain is tax-free if the founder is a private investor, but the tokens attract wealth tax each year while the professional-trader risk rises with every active treasury operation. In Singapore the gain is untaxed if the tokens were held as an investment, there is no wealth tax, but the founder must survive the badges-of-trade analysis and, if the holding is through a group entity, the s. 10L substance test. The arithmetic in Part P, Chapter I, usually shows that the two outcomes are closer than the headline rates suggest, so that the decision turns on where the founder wants to live.

Notes

1. Art. 16 para. 3 and Art. 18 DFTA (SR 642.11); Swiss Federal Tax Administration, Circular No. 36 "Gewerbsmässiger Wertschriftenhandel" of 27 July 2012; FTA working paper "Kryptowährungen und Initial Coin/Token Offerings als Gegenstand der Vermögens-, Einkommens- und Gewinnsteuer, der Verrechnungssteuer und der Stempelabgaben", latest version. See Part G, Chapters I and II. ↩
2. Income Tax Act 1947, s. 10(1); IRAS e-Tax Guide "Income Tax Treatment of Digital Tokens", first published 17 April 2020 and updated. See Part M, Chapters I and II. ↩
3. Art. 56 lit. g and Art. 58 ff. DFTA; Income Tax Act 1947, ss. 10L and 43; IRAS e-Tax Guide "Tax Treatment of Gains or Losses from the Sale of Foreign Assets" (2023, as updated). See Part G, Chapter IV, and Part M, Chapter II. ↩

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