NFTs and utility tokens under GST

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An NFT is not fungible and therefore cannot be a DPT. Its GST treatment depends on what it is. An NFT that is a digital collectible is a supply of services (the grant of rights in digital content) by its seller, standard-rated if the seller is GST-registered and the buyer belongs in Singapore, zero-rated if the buyer belongs overseas. An NFT that represents a right to a physical good is treated as the supply of that good. An NFT that represents a security or a share in a fund is a financial service and exempt. A Singapore artist or studio that mints and sells NFTs in volume must register for GST once turnover crosses S$ 1 million and must then determine belonging status for each buyer, which on an anonymous marketplace is hard. The proxy approach of the DPT Guide is not formally extended to NFT sales, and IRAS would expect the marketplace terms to collect residence information.[1]

Utility tokens are prepayments. The sale of a token that entitles the holder to a service from the issuer is treated as the sale of a voucher under the rules in the GST Act. GST is accounted for at redemption if the voucher is a multi-purpose voucher and at sale if it is a single-purpose voucher.[2] A Singapore platform selling utility tokens to Singapore users in a token sale may therefore have a GST liability at the sale date on the whole raise if the token has a single identifiable use. The income tax

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deferral for utility tokens (Chapter I of this Part) does not carry over to GST, and the two taxes can fall at different times. A founder planning a utility token sale from Singapore should model GST at 9 per cent on the Singapore-belonging portion of the raise before fixing the price.

Notes

1. IRAS, website guidance on GST treatment of NFTs and the general rules on supplies of digital services. ↩
2. Goods and Services Tax Act 1993, s. 35 and the vouchers rules; IRAS, e-Tax Guide *GST: Treatment of Vouchers*, current edition. ↩

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