Residence in Singapore: the territorial system

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Singapore taxes individuals on income accruing in or derived from Singapore and on foreign income received in Singapore, with the latter exempt for resident individuals under s. 13(7A) of the Income Tax Act 1947 unless it is received through a partnership.[1] There is no capital gains tax. A founder resident in Singapore who holds tokens as an investment and disposes of them pays no tax on the gain, wherever the exchange is located and wherever the proceeds are banked. The structural difference from Switzerland is that there is no wealth tax, so a large unsold position costs nothing in annual tax while it is held.

The two qualifications are, again, trading and employment. The Inland Revenue Authority of Singapore (IRAS) applies the badges of trade to digital tokens in the same way as to any other asset. Frequent transactions, short holding periods, borrowing to finance purchases and a business-like organisation point to trading income taxable under s. 10(1)(a), while a long holding period and passive intention point to a capital receipt outside the tax net.[2] Tokens received as consideration for services are income of the recipient at their market value when received or when

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the vesting condition is satisfied. This includes a founder's allocation granted under an employment or consultancy arrangement with the protocol company, which is taxable in Singapore if the services were performed there.[3]

Resident rates are progressive and top out at 24 per cent on chargeable income above S$ 1 million from the year of assessment 2024, with 23 per cent on the band between S$ 500,000 and S$ 1 million.[4] A founder whose vesting tranches are characterised as employment income therefore pays up to 24 per cent on them in Singapore, against a combined Swiss rate in Zug of roughly 22 to 23 per cent plus social security contributions. The two are close. The difference lies in what happens afterwards: Singapore taxes nothing further unless the founder becomes a trader, while Switzerland taxes wealth every year.

Notes

1. Income Tax Act 1947 (2020 Rev. Ed.), ss. 10(1) and 13(7A). ↩
2. IRAS e-Tax Guide, "Income Tax Treatment of Digital Tokens", first published 17 April 2020, as revised, sections 5 and 6. Part M, Chapter I, works through the badges as applied to crypto. ↩
3. IRAS e-Tax Guide, "Income Tax Treatment of Digital Tokens", section 7 (payment tokens received as remuneration); Income Tax Act 1947, s. 10(2)(a) and s. 10(6) for employee share and token plans. See Part M, Chapter VI. ↩
4. Income Tax Act 1947 (2020 Rev. Ed.), Second Schedule, Part B, as amended by the Income Tax (Amendment) Act 2022 with effect from the year of assessment 2024. ↩

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