Staff, employment and token plans

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Employing across the two hubs

Swiss employment law is codified in the Code of Obligations and supplemented by the Labour Act. Singapore's is in the Employment Act 1968 with a common-law overlay. Both are employer-friendly by European standards. The structuring point is that the employer of record must be the entity where the work is done, because permits and social security follow the employer. A Swiss GmbH cannot employ a Singapore-resident developer without a Singapore presence. An employee who works in Singapore for a Swiss employer with no Singapore entity creates a permanent establishment of the Swiss company and a payroll-tax default.[1] The options are a local entity, an employer-of-record provider or a contractor arrangement, with the last carrying the usual misclassification risk in both countries.

Social security differs sharply. Swiss employers and employees each pay about 5.3 per cent of salary into the first-pillar scheme (AHV/IV/EO) without cap, plus unemployment insurance and a mandatory second-pillar pension contribution that rises with age.[2] Singapore's Central Provident Fund applies only to citizens and permanent residents, so the employer of a foreigner on an Employment Pass pays no

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social security at all, a saving of roughly ten to twenty per cent of payroll against Switzerland.[3] There is no Switzerland–Singapore social security agreement, so a Swiss national seconded to Singapore leaves the Swiss system unless they continue voluntary AHV contributions.

Token plans

Employee and contributor token plans are the most valuable component of compensation in most protocol groups and the most difficult to administer across two hubs. Switzerland taxes employee participation instruments under Art. 17a ff. DFTA and FTA Circular No. 37, which the Federal Tax Administration has applied to tokens by analogy. Tokens that are freely disposable at grant are taxed at grant, tokens subject to vesting are taxed at vesting and a discount for blocking periods applies.[4] Singapore taxes tokens received as employment income at market value when the employee acquires the right to them, with deferral under the Qualified Employee Equity-Based Remuneration scheme available for shares but not clearly for tokens.[5] A group with a single token plan therefore has two tax events, two valuation dates and two withholding regimes. The plan rules must allow the administrator to sell or withhold tokens to fund the employee's tax in each country.

Checklist

A token plan for a Swiss–Singapore group should settle, before the first grant: - the granting entity (the foundation, through a contributor agreement, or the employing company) - the vesting schedule and whether vesting is time-based, milestone-based or both - the valuation source and time of day for each taxable event in each country - the withholding mechanism (sell-to-cover or net settlement) and who executes it - the treatment on termination, death and incapacity - the lock-up and the trading-window policy, aligned with the market-abuse rules of Chapter V - the ruling strategy with the Zug tax administration and, if the plan is large, with IRAS

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Notes

1. Switzerland–Singapore double taxation agreement, SR 0.672.968.91, Art. 5 (permanent establishment) and Art. 15 (income from employment); Income Tax Act 1947, s. 45 ff. (withholding) and Employment Act 1968 (2020 Rev. Ed.). ↩
2. Federal Act on Old-Age and Survivors' Insurance of 20 December 1946 (AHVG), SR 831.10, Art. 5 and Art. 13 (contribution rates of 4.35 per cent each for employer and employee for AHV; combined first-pillar rate of 5.3 per cent each with IV and EO); Federal Act on Occupational Pensions (BVG), SR 831.40, Art. 7 and Art. 16. ↩
3. Central Provident Fund Act 1953 (2020 Rev. Ed.), s. 7 and First Schedule (contributions payable in respect of employees who are citizens or permanent residents); employer contribution rate of 17 per cent and employee rate of 20 per cent for employees up to age 55, subject to the ordinary wage ceiling. ↩
4. DFTA, SR 642.11, Arts 17a to 17d; Ordinance on Employee Participation of 27 June 2012 (MBV), SR 642.115.325.1; FTA Circular No. 37 of 30 October 2020 (replacing the version of 22 July 2013), "Besteuerung von Mitarbeiterbeteiligungen", section 3 (application to tokens by analogy per FTA working paper on cryptocurrencies). Part G, Chapter IV. ↩
5. Income Tax Act 1947, s. 10(6) (gains from employee share options and share awards); IRAS e-Tax Guide, "Income Tax Treatment of Digital Tokens", section 7; IRAS, "Tax Treatment of Employee Stock Options and Other Forms of Employee Share Ownership Plans" (QEEBR). Part M, Chapter VI. ↩

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