Stage ten: tax of the sale

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The issuer's tax on the sale depends on the entity and the classification. A Zug foundation that is tax-exempt pays nothing. A Zug foundation that is taxed recognises the sale proceeds as revenue when the tokens are delivered. It deducts the costs of development and distribution and pays profit tax at just under 12 per cent on the net result. For a utility token with a service obligation, the proceeds may be deferred over the period in which the service is provided.[1] Swiss VAT applies to the sale of a utility token as consideration for a service, with the place of supply determined by the recipient's location. Sales to Singapore participants are outside Swiss VAT while sales to Swiss participants attract it. Payment tokens are outside the VAT system as means of payment.[2] A Singapore issuer recognises the proceeds of a utility-token sale as income, deferred over the service period. No GST applies, because the supply of digital payment tokens is an exempt supply and utility tokens sold to overseas customers are zero-rated.[3]

For the participants, the receipt of tokens in exchange for payment is a purchase with no immediate tax, in both hubs. The later disposal is tax-free for a Swiss private holder and for a Singapore investor, and taxable for a trader in either country.

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Notes

1. FTA working paper on cryptocurrencies and ICOs/ITOs, sections on the profit tax treatment of token issuances (revenue recognition on delivery; provisions for development obligations); DFTA, SR 642.11, Art. 58. Part G, Chapter IV. ↩
2. Value Added Tax Act of 12 June 2009 (VATA; MWSTG), SR 641.20, Art. 18 and Art. 21 para. 2 no. 19 (exemption of transactions in means of payment); FTA, MWST-Info 04 and practice on cryptocurrencies. Part G, Chapter V. ↩
3. IRAS e-Tax Guide, "Income Tax Treatment of Digital Tokens", section 9; Goods and Services Tax Act 1993 (2020 Rev. Ed.), Fourth Schedule, Part I, para. 1(1)(k) (exempt supply of digital payment tokens, with effect from 1 January 2020); IRAS e-Tax Guide, "GST: Digital Payment Tokens", 19 November 2019 as revised. Part M, Chapter III. ↩

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