The absence of a charge and its three qualifications

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Singapore has no capital gains tax. The statement is accurate and is repeated in every pitch deck for a Singapore holding structure, yet it describes an absence in the statute and nothing more. The Income Tax Act 1947 charges income and does not charge capital, so a gain that is capital in nature is simply outside the Act. The consequence is that the question "is this gain taxable?" is never answered by looking for an exemption. It is answered by characterising the gain, and three qualifications surround the headline.[1]

The first qualification is the trader-or-investor line discussed in Chapter I of this Part. A gain that IRAS can characterise as the profit of a trade is income, whatever the taxpayer calls it. The second qualification is the remittance basis. Foreign-sourced income is taxed when received in Singapore, so a Singapore resident who trades tokens through a foreign exchange and brings the profit home is taxed on receipt even if no Singapore activity produced the gain. The third qualification arrived on 1 January 2024 in the form of section 10L, which deems certain foreign-sourced disposal gains to be income when received in Singapore by an entity of a multinational group that lacks economic substance. Each qualification is examined in turn, because each has caught digital-asset clients who believed the headline.

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Notes

1. Income Tax Act 1947 (2020 Rev. Ed.), s. 10(1) (charge on income only). There is no capital gains provision in the Act, and the characterisation of a receipt as income or capital follows case law. ↩

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