The allocation question

Dr Alexander Ressos, TEP
Of Counsel, KGP Legal LLC
Attorney-at-Law (Switzerland and Germany), Solicitor (England & Wales and Hong Kong)

Once the founder has chosen a residence and the group has its entities, the remaining design question is which function sits where. A dual-hub group has to decide the location of the licence, the intellectual property, the treasury, the staff, the data and the compliance function. Each of these has a regulatory home, a tax home and an operational home, which rarely coincide. The models described in this chapter are the ones that have survived contact with FINMA, MAS, the two tax administrations and the banks. They share a principle: each function sits where it is performed in fact, with contracts between the entities that describe that reality instead of inventing one.

The principle sounds obvious. It is violated constantly. Groups book revenue in the entity with the lowest tax rate although the sales team sits elsewhere. They register intellectual property in a holding company that has never employed a developer. They place the treasury in a foundation whose keys are held by a founder on another continent. Each of these arrangements worked for a while in the 2017 to 2021 period, when neither regulator looked closely. Since the DTSP cut-off of 30 June 2025 in Singapore and the FINMA enforcement practice described in Part H, Chapter IV, they no longer do.

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