The remittance basis: section 10(1) and section 10(25)

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Singapore taxes income "received in Singapore from outside Singapore". For a resident individual the point is academic, because section 13(7A) exempts all foreign-sourced income received by a resident individual other than through a partnership.[1] For a company the point is central. A Singapore company that earns trading profit from token dealing executed on a foreign platform has foreign-sourced income only if the source of the trade is abroad, which for a company managed from Singapore is rare. Where the source is foreign, the income is taxed when received in Singapore, and section 10(25) deems receipt in three situations.

Income is deemed received in Singapore when it is remitted to, transmitted or brought into Singapore (paragraph (a)). It is also deemed received when it is applied in or towards satisfaction of a debt incurred in respect of a trade or business carried on in Singapore (paragraph (b)) or applied to purchase movable property that is brought into Singapore (paragraph (c)).[2] The provision was drafted for bank transfers and cargo. Digital assets raise questions it never contemplated. Is foreign-sourced profit "brought into Singapore" when a token sits on an exchange abroad

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but the private key is held by a director in Singapore? Is a stablecoin balance "movable property brought into Singapore" when the holder moves it to a self-custody wallet on a laptop in Singapore?

IRAS has not published a position on either question. The absence is a gap in the digital tokens Guide. The sensible reading is that a token has no location and that the remittance basis bites when the economic value is converted into Singapore-dollar funds in a Singapore bank account or used to pay a Singapore liability. A token transferred from a foreign exchange to a Singapore-regulated exchange and then sold for Singapore dollars has clearly been remitted. A token moved to a hardware wallet that happens to be in Singapore has not, in my view, been "brought into Singapore" in the sense of paragraph (c). The property is the entitlement on the ledger and the device is only a key. The Swiss analysis of the "location" of a token in Part D, Chapter IX reaches a parallel conclusion for different purposes. The point is unsettled and a Singapore company that keeps foreign-sourced trading profit offshore in tokens should document the position and expect IRAS to disagree if the sums are large.

The company that receives foreign-sourced dividends, branch profits or service income may qualify for exemption under section 13(8). The income must have been subject to tax in the foreign jurisdiction, the headline rate there must be at least 15 per cent and the Comptroller must be satisfied that the exemption is beneficial.[3] Switzerland's headline corporate rate in Zug is below 15 per cent after the 2020 reform. Dividends from a Zug subsidiary to a Singapore parent therefore do not meet the headline-rate condition and are taxable in Singapore on remittance, with foreign tax credit for Swiss withholding tax. This is one of the recurring surprises for groups that place a Singapore holding company above a Swiss operating company. Part P, Chapter IV examines it with figures.

Notes

1. Income Tax Act 1947, s. 13(7A) (exemption of foreign-sourced income received in Singapore by resident individuals, other than through a partnership in Singapore). ↩

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2. Income Tax Act 1947, s. 10(25)(a)–(c) (deemed receipt of foreign income in Singapore). ↩
3. Income Tax Act 1947, ss. 13(8) and 13(9) (foreign-sourced income exemption for dividends, branch profits and service income; subject-to-tax and headline-rate conditions). ↩

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