The trader-or-investor line in practice

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

For an individual the line is drawn by the badges of trade and the Comptroller's practice. IRAS has not published numerical thresholds comparable to the Swiss Circular 36 safe harbour, and I do not expect it to, because the Singapore approach has always been to retain discretion and to apply it with restraint. In practice an individual who holds tokens for the medium term, trades a few times a year and does not borrow to invest will be treated as an investor without question. The difficult cases are the active retail trader, the founder who receives tokens and sells them in tranches and the person who runs a DeFi strategy that generates hundreds of on-chain transactions a month.

The active retail trader is the easiest of the three to resolve. Frequency and system are badges of trade, so a person who places several trades a day for a year is carrying on a trade in the ordinary sense whatever the asset. IRAS has in my experience not pursued small retail traders for crypto gains, partly because the information to do so was not available before the Crypto-Asset Reporting Framework described in Chapter VII of this Part. From 2027 that information will exist, and clients should assume that the historic tolerance will not survive the arrival of data.

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The founder's tranche sales are harder. A founder who received tokens at launch under a vesting schedule and sells a portion each quarter to fund living expenses is realising a capital asset in instalments. That holds provided the tokens were acquired as founder's compensation or investment and were never intended for resale. The analogy is the entrepreneur who sells shares in his own company over time. The receipt of the tokens may itself have been employment income taxable under section 10(1)(b) at vesting (see Chapter VI of this Part), which gives the tokens a cost base equal to the amount taxed. The later gain over that base is capital if the founder's purpose was to hold.[1] A founder who instead sells immediately on each vesting date, with the proceeds in fiat within hours, invites the inference that the tokens were never held as an investment. The gain or loss over the vesting-date value will then be small in any event, because the real tax lies in the employment income at vesting.

The DeFi strategist is the hardest case and the one on which Singapore practice is least settled. A client who deposits stablecoins into lending protocols, moves them between pools to chase yield and harvests rewards weekly generates income from the yield under section 10(1)(d) or (g). The gains on the underlying tokens are capital or revenue according to the overall pattern. The volume of transactions is itself a badge of trade. My working rule is that a client whose on-chain activity is the equivalent of a full-time occupation is a trader on the whole of it. A client who parks assets in a small number of positions and lets them run is an investor who receives taxable yield.

Client question

"I am a Singapore permanent resident. I bought Bitcoin in 2017 and Ether in 2019 and have not sold. If I sell everything in 2026 to buy a house, do I pay tax?" No. Two purchases held for seven and five years, sold once for a personal purpose, are the clearest case of a capital realisation that Singapore tax law knows. You should keep the purchase records and the exchange statements. The bank receiving the proceeds will ask for them under its anti-money-laundering obligations (see Part L, Chapter V). IRAS may also ask you to show that the sale was a realisation of a long-held investment. The absence of a tax does not remove the duty to be able to prove the facts.

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Notes

1. IRAS, e-Tax Guide *Income Tax Treatment of Digital Tokens*, second edition, 30 January 2026, paragraphs on tokens received as remuneration and on the disposal of tokens held as investment. ↩

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Author contact: Dr Alexander Ressos, TEP · contact@ressos.com

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