Token issuance: ICO proceeds in the hands of the issuer

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The treatment of proceeds from an initial coin offering follows the token type. The Guide's position on each type is one of the more useful statements of Singapore tax practice for a founder.[1] Proceeds from issuing payment tokens are generally taxable when received, because the issuer is treated as trading in the tokens it creates. Proceeds from issuing utility tokens are deferred revenue, taxed when the issuer performs the service or delivers the goods that the token represents. Proceeds from issuing security tokens are capital in nature and not taxed on issuance, exactly as a share issue or bond issue is not income to the issuer. The returns paid to token holders are interest, dividends or distributions taxed under the general rules and subject to withholding where paid to non-residents.

The deferral for utility tokens is the point most often misunderstood. The deferral works only if the issuer can show a performance obligation and track its discharge. A platform that sells access tokens for a service that does not yet exist has deferred revenue until the service is delivered. If the service is never delivered, the question becomes whether the proceeds were a trading receipt or a capital receipt for the failed venture. The Guide addresses failed ICOs expressly: refunded proceeds are not taxed, and unrefunded proceeds are assessed on the facts.[2] In Switzerland the same

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questions are answered through Swiss GAAP accounting and the FTA's working paper (see Part G, Chapter IV). A group with an issuer in one hub and an operating company in the other must align the two treatments or face a mismatch in which one jurisdiction taxes receipt while the other defers.

Expenses of the issuance are deductible against taxable proceeds if they are revenue in nature, which excludes the costs of raising capital through security tokens, mirroring the general rule that share issue expenses are not deductible.[3] A founder planning a Singapore token sale therefore has an incentive to characterise the token as utility (deferral) or security (capital) and a disincentive to issue a pure payment token from a Singapore company. The Swiss foundation route exists in part for this reason and is described in Part P, Chapter II.

Singapore perspective

A Singapore Pte Ltd that issues a governance token with a vesting treasury allocation to itself should decide before the sale how the retained tokens will be treated. Tokens the company holds for later sale to fund operations are trading stock in the Comptroller's eyes, and their eventual sale is taxable income. Tokens the company commits by board resolution to a long-term treasury reserve, never to be sold below a stated horizon, are capital. The resolution must exist before the first disposal and the two pools must sit in separate wallets.

Notes

1. IRAS, e-Tax Guide *Income Tax Treatment of Digital Tokens*, second edition, 30 January 2026, section on ICOs (payment, utility and security tokens; failed ICOs). ↩
2. IRAS, e-Tax Guide *Income Tax Treatment of Digital Tokens*, second edition, 30 January 2026, paragraph on failed ICOs (refunds not taxable; unrefunded proceeds assessed on the facts). ↩

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3. Income Tax Act 1947, ss. 14(1) and 15(1)(c) (deductibility of outgoings wholly and exclusively incurred in the production of income; prohibition of capital expenditure). ↩

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