What CARF means for the client with assets in both hubs

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The arrival of CARF changes the risk profile of three types of client. The first is the Singapore resident with tokens on a Swiss exchange or with a Swiss bank's digital-asset custody. His holdings become visible to IRAS from 2028 at the earliest. If he is an investor he has nothing to declare and nothing to fear, although the volume of transactions reported may invite IRAS to ask whether he is a trader. If he has been trading through the Swiss account and not declaring, he has a problem that Chapter VIII of this Part addresses under the voluntary disclosure programme. The second is the Swiss resident with tokens on a Singapore exchange. His year-end balances feed into the Swiss wealth tax and his staking income into Swiss income tax. The cantonal tax office will compare the CARF report with his securities schedule. A Swiss resident who has omitted a Singapore wallet from his return should use the Swiss penalty-free voluntary disclosure of Art. 175 para. 3 of the Direct Federal Tax Act before the first exchange. The disclosure is penalty-free only while the authority has no knowledge (see Part G, Chapter VIII).

The third type is the client who moved assets to self-custody to avoid reporting. CARF reports transfers to unhosted wallets by aggregate value, so the home authority sees that S$ 4 million left the exchange to an address not associated with a service provider. It does not see the later movements of that wallet, but the gap between the known exit and the declared wealth is itself a trigger for inquiry. The blockchain analytics capacity of IRAS and of the Swiss cantonal authorities is growing, so the assumption that self-custody is invisible is no longer safe. The point is a matter of risk assessment, and I put it to clients in terms of what the authority will see and ask, which is set out in the checklist below.

Checklist

What a tax authority will see about a client once CARF exchanges begin: - the client's name, address, jurisdiction of residence and tax identification number as self-certified - for each relevant crypto asset, the aggregate fiat value and number of units acquired against fiat and disposed of for fiat during the year - the aggregate value and units of crypto-to-crypto exchanges - the aggregate value and units of transfers in and out, with transfers to unhosted wallets separately identified - retail payment transactions above the threshold What the authority will not see: - year-end balances (unlike the CRS), unless the RCASP is also a CRS reporting financial institution for the same account - movements between the client's own self-custody wallets - cost basis, holding period or the client's purpose, which the client must still be able to prove

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