Why the natural person comes first

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Founders tend to begin with the entity. They ask whether a Zug foundation or a Singapore company limited by guarantee is the better treasury vehicle, and only later notice that the answer depends on where they themselves will be tax resident when the tokens vest. That order of thinking is backwards. The entity can be moved, merged or liquidated. The founder's tax residence on the day a token becomes transferable, or on the day a vesting tranche is released, determines who taxes the gain and at what rate. That event cannot be undone once it has happened.

Four decisions therefore come in a fixed sequence. First, where will the founder and the founder's family live during the two to three years that surround the token event. Second, which entity holds the protocol treasury and which holds the operating business. Third, which licence or self-regulatory affiliation the operating business needs and where. Fourth, how the treasury is banked and converted. This chapter deals with the first decision. The later chapters assume it has been taken.

Two features of the two hubs make the comparison unusual. Switzerland taxes residents on worldwide income and wealth but exempts private capital gains. Some cantons also offer expenditure-based taxation to newcomers who do not work in

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Switzerland. Singapore taxes on a territorial basis, imposes no tax on capital gains, and exempts most foreign-sourced income of individuals, while taxing employment and trading income at progressive rates that top out at 24 per cent.[1] A founder who understands these two systems can usually see within an hour which of them fits the shape of their expected income. The difficulty is in the detail: what counts as gainful activity, what counts as trading, and what the former home state does on the way out.

Notes

1. Income Tax Act 1947 (2020 Rev. Ed.), s. 10(1), s. 13(7A) and Part B of the Second Schedule (resident rates from the year of assessment 2024). ↩

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