

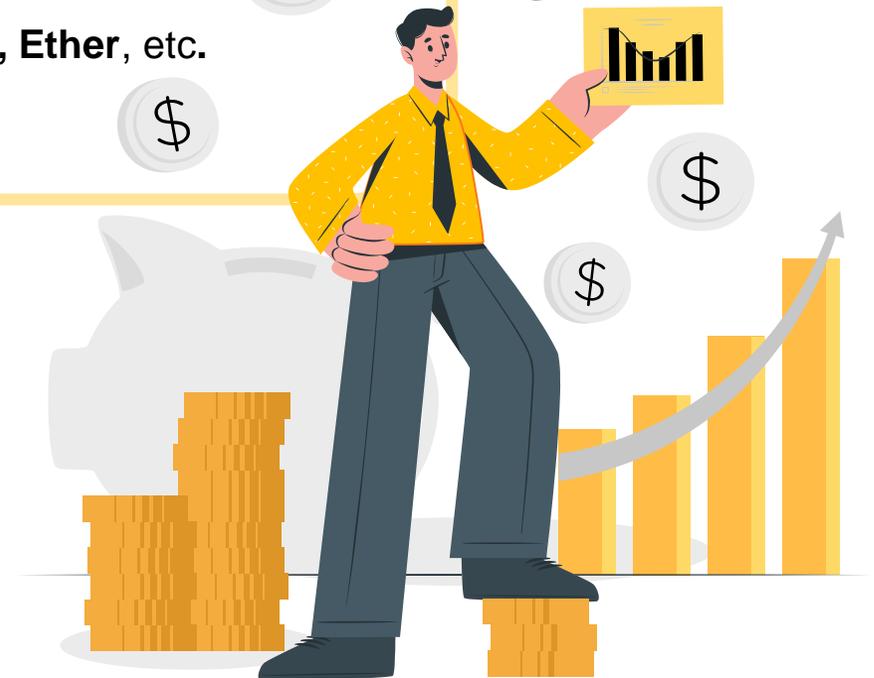


# TAXABILITY OF CRYPTOCURRENCY IN SINGAPORE

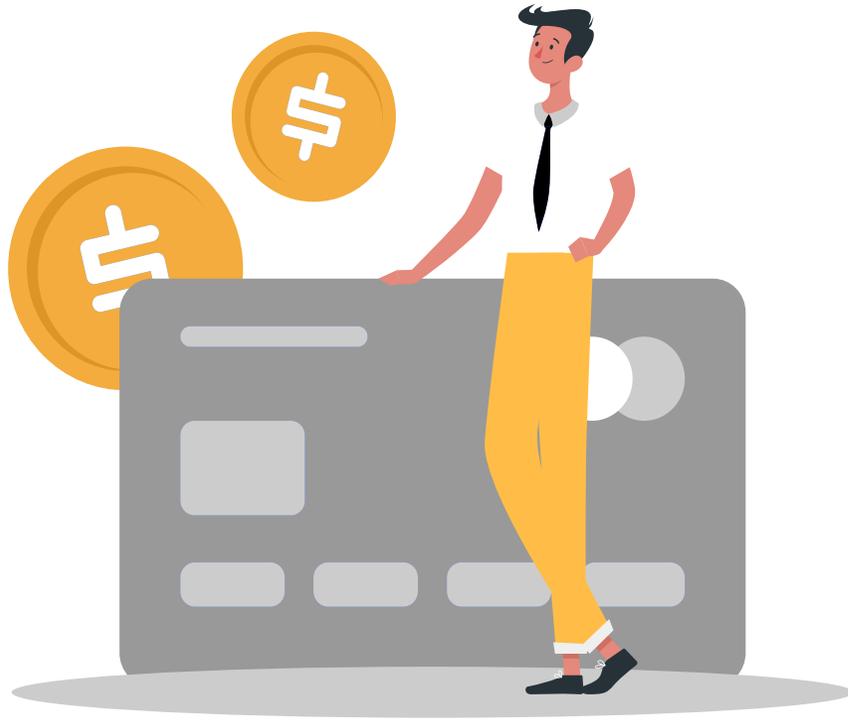
# CRYPTOCURRENCY

Any form of currency that only exists digitally, that usually has no central issuing or regulating authority but instead uses a decentralized system to record transactions and manage the issuance of new units.

Popular **cryptocurrencies** include **Bitcoins, Ether**, etc.



# Background of crypto regulations in Singapore



The country's central bank, the Monetary Authority of Singapore (MAS), aims to develop a **balanced environment for cryptocurrencies** instead of banning / heavily regulating the crypto market.

Singapore has **not officially** declared cryptocurrency as a legal tender. However, they have recognized it as a mode of payment, but it is **neither a fiat currency nor a legal tender**.

The Inland Revenue Authority of Singapore (**IRAS**) has also introduced guides to provide better clarity on the tax treatment of cryptocurrencies.

# Implications on Purchase / Sale of Cryptocurrency

## Income tax

Purchase of cryptocurrency is **not a taxable event**. However, the intention at the time of purchase would be looked at to determine the taxability at the time of sale.

The **taxability of gain** on sale of cryptocurrency depends on whether it is held as a capital asset or not. The “**badges of trade**” test would be applied and if the cryptocurrency is **not held as a capital asset**, the gain / loss shall be **subject to tax**.

Briefly, the “**Badges of Trade**” test include the length of period of ownership, the frequency of transactions, motive & mode of financing, circumstances that were responsible for the realization, etc.



## GST

Supply of **cryptocurrency is an exempt supply** under GST. Hence, there shall be no GST on the purchase & sale of cryptocurrency in Singapore.

However, if the sale is made to a person who belongs outside Singapore, the supply would be **treated as a zero-rated supply and not an exempt supply**.

**Input tax** incurred on exempt supplies is **not claimable**. Therefore, in a case where both taxable & exempt supplies are made, input tax needs **to be apportioned** between taxable & exempt supplies.

# Implications on Receipt / Payment through Cryptocurrency



Where goods or services are provided and consideration for the same is received in cryptocurrency, it is treated as a barter transaction and the business is **taxed on the open market value of the underlying goods / services provided.**

Similarly, where consideration is paid through cryptocurrency for services / goods received, a **deduction based on the value of the underlying goods / services received is allowed**, subject to general deduction rules.

Output tax need **not** be separately accounted for **on payment** using cryptocurrencies as it is an exempt supply.

However, **on receipt** of cryptocurrency by a GST registered person in exchange of goods/services provided, output tax needs to be **accounted on such supply of goods/services.**

# MINING

A process by which digital token transactions are verified and added to the blockchain, and the means through which new digital tokens are released.



# Income Tax Implications – Mining of Cryptocurrency



If a miner mines cryptocurrency, the receipt of such cryptocurrency is **not considered a taxable event**. However, any **service fees** received by a miner for mining on behalf of a customer would be **subject to tax**.

Miners' profits from the sale of cryptocurrencies is taxable if the miner performs the activity with the **intention of profit making**.

**Companies** performing mining activities are **taxed on gains from sale** of mined cryptocurrency on its disposal as companies are generally set-up with a **profit-seeking motive**. Further, such companies can claim deduction of mining expenses on an **"incurred" basis** from the date of commencement of business.

**Mining by individuals** (unless done in a habitual & systematic manner) is considered as a hobby and any gain from sale of such mined cryptocurrency is **treated as a capital gain and not taxed**.

# GST Implications – Mining of Cryptocurrency



Mining of cryptocurrency generally **does not constitute a supply for GST purposes** as there is no nexus between the parties involved and the parties are non-identifiable.

However, if services are provided to an **identifiable party**, in return for a consideration it constitutes a **taxable supply**. The miner, if GST-registered, should charge GST, unless zero-rating applies, depending on the “**belonging status**” of the customer.

Proxy indicators such as credit card information, billing address, IP address, etc. can be used to determine the belonging status.

In case, the miner is not able to determine the belonging status of the customer, the supply of such services shall be **standard-rated and accounted for GST by the miner**.

# THANK YOU

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