

THE **EASY** GUIDE ON **ACCOUNTING & TAX** FOR CRYPTO COMPANIES IN SINGAPORE



fidinam

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INTRO

Thank you for your interest in accounting and tax for crypto companies in Singapore.

Buying and selling cryptos is becoming increasingly mainstream. A growing number of companies are using cryptocurrencies as a form of payment; from hotel chains, insurance and airlines, to handmade cosmetic companies.

At the same time, tax authorities around the world are developing crypto tax frameworks. Preparing tax declarations when digital assets are involved can be complicated. Not doing it can lead to serious consequences, such as penalties and prosecution.

Our mission is to support the adoption of cryptocurrencies, helping companies and entrepreneurs to innovate while complying with international tax and accounting standards.

This guide aims to help Singapore companies to comply with local tax regulations when digital assets are involved. Follow the step-by-step flowchart as your guideline.

Fidinam is here to help you with every step along the way to crypto compliance.



Marta Giordano

Managing Director at Fidinam Singapore

"Blockchain and crypto are without doubt the biggest technological revolutions of the last 100 years. Smart entrepreneurs will ride this wave to grow new businesses and Fidinam is perfectly positioned to help them doing so. Nowadays being compliant is not an option, it is an obligation."

BY THE NUMBERS

The blockchain technology market is estimated to have a revenue worth US\$20 billion by 2024, a **6200% increase since 2015**¹

There are **over 70 million** registered blockchain wallets, up from 11 million in Q4 2016²



The global blockchain market size to grow at a **CAGR rate of over 69%** between 2019 to 2025³

Globally, the banking sector alone could generate up to **\$1 billion in revenue** from blockchain-based cryptos⁴



¹ Source: Cision (via techjury.net/blog/blockchain-statistics)

² Source: Statista (via techjury.net/blog/blockchain-statistics)

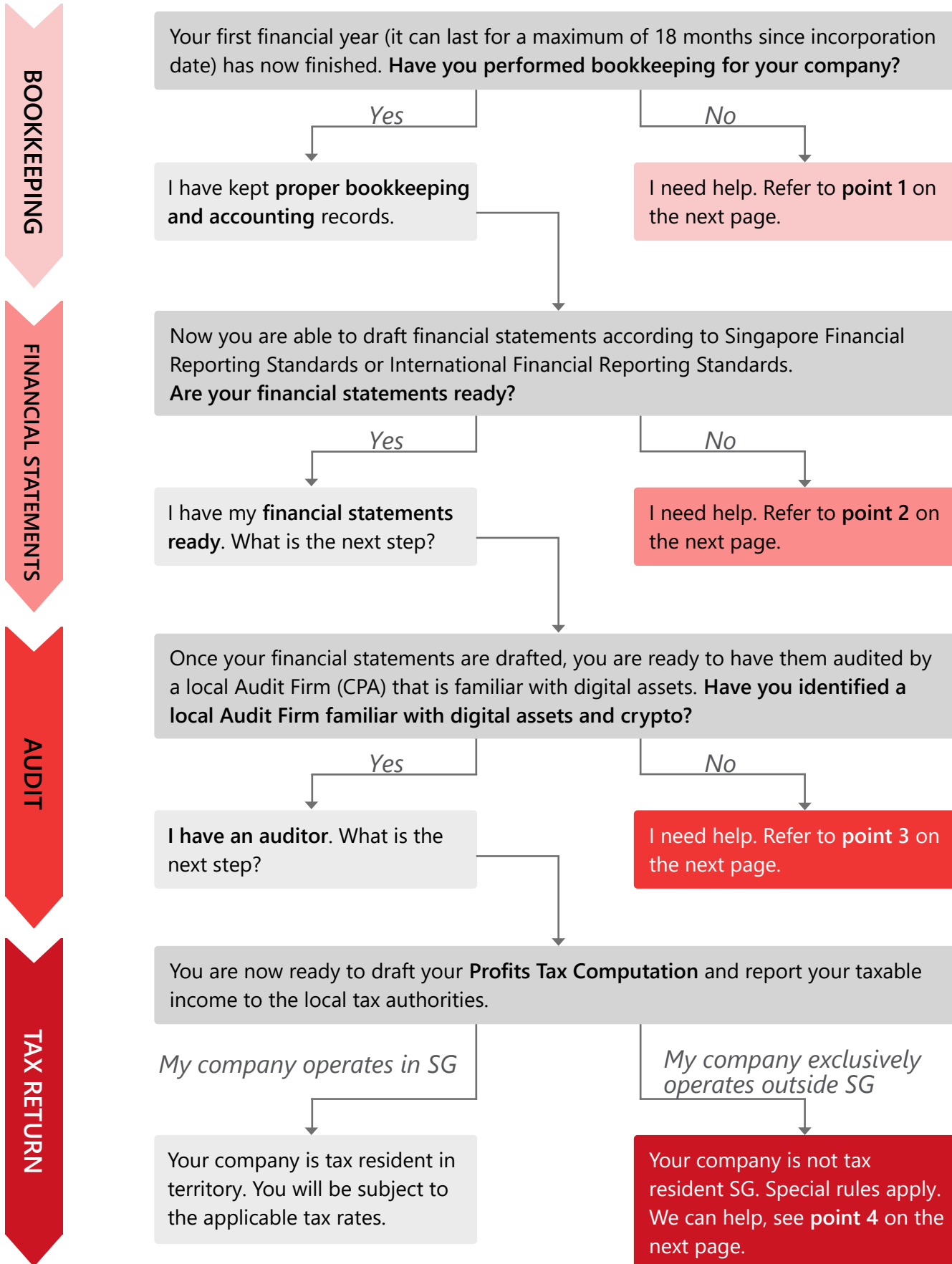
³ Source: Globe News Wire (via techjury.net/blog/blockchain-statistics)

⁴ Source: Medium (via techjury.net/blog/blockchain-statistics)

STEP-BY-STEP GUIDE

You have setup a company in Singapore. You pay, receive or keep in custody and trade **digital/crypto assets**. You now have to comply with local regulation and draft **Financial Statements, Audit and Tax declarations**.

Let us guide you.

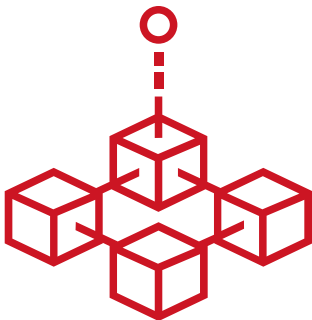


GOING IN-DEPTH

1

Bookkeeping provides an overview of your business with financial statements like; balance sheets, income statements and bank statements. You should keep a proper record of transactions (e.g. date of transaction, no. of units of digital tokens received/sold, value of digital token at the time of transaction, exchange rate used etc.). It is also required by law to keep financial records of your business. You will not be able to prepare financial statements unless you keep track of daily financial transactions. Bookkeeping in Singapore has to be performed according to Singapore Financial Reporting Standards (SFRS).

Fidinam can assist you with bookkeeping for digital assets such as coins, tokens, NFTs, or any other type of cryptocurrency.



Regarding **Financial Statements**, all Singapore-incorporated firms are required by the Companies Act to file annual returns with ACRA in order to keep their information on ACRA's register up to date.

Financial statement filing is not required for every business. However, you are not exempt from preparing financial statements just because your company is not obligated to file them.

Fidinam can assist you with financial statement preparation that includes digital assets.

2

GOING IN-DEPTH

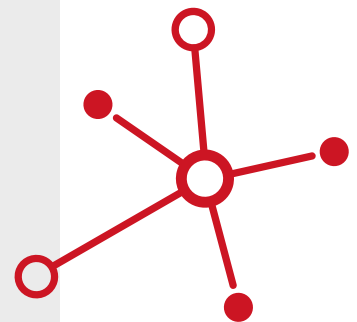
An **audit** is a third-party inspection of a company's financial report, as reported in its annual report, by someone who is not affiliated with the company. Only public accountants or accounting firms that have been approved by the Accounting and Corporate Regulatory Authority (ACRA) in Singapore are permitted to function as company auditors. To prepare audited financial accounts, you must supply the source documents to the auditor. Financial statements, payable and receivable information, invoices, costs, bank statements, and, in the case of crypto assets, printouts of public blockchain transactions and screenshots of centralized crypto exchange reports, among others, are examples of such papers. The techniques and methods used by auditors to determine the quality of financial information provided by their clients are known as audit procedures. These techniques enable auditors to reach a conclusion or express an opinion about their client's financial statements. The methods employed by certified auditors for statutory audits will vary depending on the nature of the client's business and the audit's goals.

Fidinam works with several local CPA companies that specialize in auditing crypto businesses.

3

4

Every year, your business will be required to file a **Profits Tax Return**, with a deadline based on the end of your fiscal year (e.g. if your company's financial year ended 31 December 2021, you are required to file tax returns by 30 November 2022). Audited financial statements and a tax computation are required to file a tax return. Companies pay a flat rate of 17% of their chargeable income in taxes. This applies to both local and foreign companies. Non-Singapore incorporated companies and Singapore branches of foreign companies are controlled and managed by their foreign parent. They are not considered tax residents of Singapore. However, they may still be treated as Singapore tax residents if they can satisfy certain conditions. **Fidinam has established a deep understanding of tax statements regarding money produced from trading, disposing, or receiving cryptocurrency.**



FAQ

How does holding cryptocurrency impact your Financial Statements?

The high volatility of cryptocurrency values has caused some to believe that cryptocurrencies are derivatives and should be valued at fair value through profit or loss (FVTPL). In fact, IFRIC's tentative findings on accounting for cryptocurrencies do not support this approach.

Cryptocurrencies are generally considered intangible assets under IAS 38 Intangible Assets - i.e. non-monetary items with no physical substance that confer economic benefits on their holders.

Measurement would be at cost – or potentially at fair value with movements through other comprehensive income (OCI) if, and only if, there is an active market. If the cryptocurrency is held for sale in the normal course of business – e.g. if you are a broker-trader – then IAS 38 does not apply and, instead, IFRIC proposes that the cryptocurrency would be accounted for as inventory under IAS 2 Inventory.

What is the potential tax impact for holding cryptocurrency?

Taxes in Singapore are based on a territorial basis, with corporate income tax set at 17%. It is taxable in Singapore if it is ordinary in nature and subject to a "revenue account". Capital gains are not taxable.

Deductions are restricted to the generation of Singapore-sourced income or foreign-sourced income received in/remitted in Singapore.

What is the GST treatment for cryptocurrency?

Virtual currencies (e.g. Bitcoins) are not regarded as 'money', 'currency', or 'goods' for GST purposes. Instead, they are treated as services, which are not exempt from GST.

The transaction will be considered a barter trade when virtual currencies are used to buy goods or services.

There are two supplies made – one by the supplier who supplies the goods and services, and another by you who use virtual currencies to pay the supplier.

FAQ

If the **respective supplier is GST-registered**, GST will have to be levied on each supply. However, if you pay a supplier outside of Singapore with virtual currencies, you won't have to charge GST because the supply is zero-rated.

As a concession, if you use virtual currencies to buy virtual goods or services, you need not charge GST until they are exchanged for real monies, goods or services.

If you are a **GST-registered business** and you sell virtual currencies as a principal, you will have to charge GST on the sale of the virtual currencies unless the sale is made to a person belonging outside Singapore.

However, if **you act as an agent for another party** when selling the virtual currencies, you need to charge GST on the commission fees you receive unless the service is supplied to a person belonging outside Singapore. Trading fees charged by a virtual currency exchange located in Singapore are subject to GST if that exchange is GST-registered.

Imported goods purchased with virtual currencies are subject to the same import GST rules and reliefs as goods purchased with real currency.

Do I need a license to set up a cryptocurrency company in Singapore?

The Monetary Authority of Singapore (MAS) implemented a new regulation on 28 January 2020 that all cryptocurrency businesses are required to secure the new Payment Institution license. This license requires all related companies to meet various requirements to conduct cryptocurrency businesses using a Singapore entity.

What are the disadvantages of having a Singapore cryptocurrency company?

Setting up a cryptocurrency in Singapore necessitates a local presence. This is to ensure that cryptocurrency licenses are only given to real business people who intend to run cryptocurrency businesses rather than acting as a licensed broker and reselling the license. Some Singapore banks are still hesitant to accept cryptocurrency start-ups from the country.

CONTACT US

Fidinam is an international firm, providing a wide range of services for companies, entrepreneurs and individuals.

We support the adoption of blockchain technology, helping companies and entrepreneurs to innovate while complying with international tax and accounting standards.

Our clients are individuals, crypto exchanges, funds, proprietary trading and service companies exposed to the use of cryptocurrencies.

Our corporate solutions include accounting, company secretarial, tax filing, HR and payroll. Benefit from our operational advisory and digital solutions to manage your business efficiently.

Furthermore, Fidinam provides international tax advisory as well as wealth and estate planning for individuals and families.

Looking for tailormade service and global resources? **Fidinam can help.**

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of everything else.

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