



INLAND REVENUE
AUTHORITY
OF SINGAPORE

IRAS e-Tax Guide

GST: Digital Payment Tokens



Published by
Inland Revenue Authority of Singapore

Published on 19 Nov 2019

Disclaimers: IRAS shall not be responsible or held accountable in any way for any damage, loss or expense whatsoever, arising directly or indirectly from any inaccuracy or incompleteness in the Contents of this e-Tax Guide, or errors or omissions in the transmission of the Contents. IRAS shall not be responsible or held accountable in any way for any decision made or action taken by you or any third party in reliance upon the Contents in this e-Tax Guide. This information aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.

© Inland Revenue Authority of Singapore

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

Table of Contents

1	Aim.....	4
2	At a Glance	4
3	Glossary.....	5
4	Background.....	6
5	Characteristics of a Digital Payment Token	7
6	Supply of Digital Payment Tokens	11
7	Value of Supply.....	12
8	Time of supply.....	14
9	Determining where the customer belongs.....	15
10	Mining	16
11	Digital Payment Token Intermediaries	17
12	Claiming of Input Tax and Reverse Charge	18
13	Frequently Asked Questions.....	18
	Appendix A - Overview of GST treatment of Digital Payment Tokens (DPT) Before 1 Jan 2020 and From 1 Jan 2020.....	22

1 Aim

- 1.1 This e-Tax guide sets out the GST treatment of transactions involving digital tokens or cryptocurrencies that function or are intended to function as a medium of exchange (henceforth referred to as “digital payment tokens”), which will take effect from 1 Jan 2020.
- 1.2 You should read this guide if you transact in digital payment tokens, including:
- (i) Buying and selling digital payment tokens; or
 - (ii) Using digital payment tokens as payment/consideration; or
 - (iii) Making loans of digital payment tokens; or
 - (iv) Charging a fee or commission to facilitate the transfer, purchase or sale of digital payment tokens; or
 - (v) Issuing digital payment tokens, such as through an Initial Coin Offering (ICO).

2 At a Glance

- 2.1 With effect from 1 Jan 2020, supplies of digital payment tokens will no longer be subject to GST. Specifically:
- (i) The use of digital payment tokens as payment for goods or services will no longer give rise to a supply¹ of those tokens. That is, if you use digital payment tokens to pay for the purchase of goods or services, you need not account for GST on the use.²
 - (ii) A supply of digital payment tokens in exchange for fiat currency or other digital payment tokens, and the provision of any loan, advance or credit of digital payment tokens will be exempt from GST. Therefore, the supply of such tokens, being an exempt supply, will not contribute to your annual taxable turnover for the determination of your liability for GST registration.
- 2.2 The GST treatment for digital tokens/virtual currencies/cryptocurrencies that do not qualify as digital payment tokens remain unchanged³. That is, supplies of such tokens will continue to be regarded as taxable supplies of services,

¹ Where the digital payment tokens are provided as consideration in a transaction other than for a supply of money or digital payment tokens, the provision of those tokens will be treated as neither a supply of goods nor a supply of services under the GST (Excluded Transactions) Order.

² The seller of the goods or services, if GST-registered, would have to charge and account for GST—there is no change in this position.

³ For example, the transfer of non-fungible tokens such as those that represent ownership rights to specific property (e.g. intellectual property, digital artwork) will remain a taxable supply of services as such tokens are not fully interchangeable for use as consideration.

unless they fall under the prescribed list of exempt financial services⁴ under Part I of the Fourth Schedule to the GST Act.

- 2.3 This guide focuses on the GST treatment that will take effect from 1 Jan 2020. Nevertheless, the sections on time of supply, mining and digital payment token intermediaries remain relevant to transactions involving digital payment tokens that take place before 1 Jan 2020. For a comparison of the GST treatment of digital payment token transactions before 1 Jan 2020 and that applicable from 1 Jan 2020, please refer to the table at Appendix A.

3 Glossary

3.1 Digital token

A digital token refers to any cryptographically-secured digital representation of value that can be transferred, stored or traded electronically.

3.2 Digital payment token

A digital payment token is a digital token that has the following characteristics:

- (a) it is expressed as a unit;
- (b) it is designed to be fungible;
- (c) it is not denominated in any currency, and is not pegged by its issuer to any currency;
- (d) it can be transferred, stored or traded electronically; and
- (e) it is, or is intended to be, a medium of exchange accepted by the public, without any substantial restrictions on its uses as consideration.

but does not include:

- (f) money;
- (g) anything which, if supplied, would be an exempt supply under Part I of Fourth Schedule to the GST Act for a reason other than being a supply of a digital token(s) having the characteristics of (a) to (d);
- (h) anything which gives an entitlement to receive or to direct the supply of goods or services from a specific person or persons and ceases to function as a medium of exchange after the entitlement has been used.

3.3 Digital payment token broker

A platform or entity that provides services to its customers to facilitate their purchase or sale of digital payment tokens on an Over the Counter (OTC) basis. While serving a similar function as exchanges (see below), brokers do not publicly list bid-ask quotes from buyers and sellers for the tokens.

⁴ For example, security tokens that grant the holder shares in the issuer's company will be exempt under paragraph 1(f) of Part I of the Fourth Schedule.

3.4 Digital payment token exchange

A digital marketplace where traders can buy and sell digital payment tokens for fiat currencies or other digital payment tokens. It is an online platform that acts as an intermediary between buyers and sellers of digital payment tokens and publicly lists bid-ask quotes from buyers and sellers for the various digital payment tokens.

3.5 Digital payment token wallet

A software program that stores private and public keys and interacts with various blockchains to enable users to send and receive digital payment tokens and monitor their balance.

3.6 Initial Coin Offering (ICO)

The first issue of a digital token to the general public.

3.7 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.

3.8 Security Token

A digital token that provides security (e.g. equity or bond) investment in an entity.

3.9 Utility Token

A digital token that represents a right to a good or a service.

4 **Background**

4.1 Prior to 1 Jan 2020, the supply of virtual currencies (including cryptocurrencies such as Bitcoin) is treated as a taxable supply of services. Therefore, a person who supplies virtual currencies (such as selling them on cryptocurrency exchanges) in the course or furtherance of a business will be liable for GST registration if the annual turnover from the virtual currencies transactions exceeds \$1 million. Once registered, the person would have to account for GST on his supplies of virtual currencies⁵. Should he use the virtual currencies to pay for goods or services, a barter trade situation would arise — he would be regarded as supplying the virtual currencies in return for the supply of the goods or services received. Thus, he would have to account for GST on his supply of virtual currencies and concurrently, if the

⁵ Where the supply is contractually to and directly benefitting a person belonging outside Singapore, the supply will be zero-rated.

supplier of the goods or services is GST-registered, the supplier would have to charge him GST on the supply of goods or services (unless the supply is exempt).

- 4.2 Global development and growth in the use of cryptocurrencies have caused tax jurisdictions to review their GST position on cryptocurrencies transactions. Similarly, IRAS has reviewed its GST position to keep up to date with these developments. In particular, IRAS recognises that taxing cryptocurrencies that function or are intended to function as medium of exchange (that is, digital payment tokens) results in two tax points — once on the purchase of the cryptocurrency and again on its use as payment for other goods and services subject to GST. To better reflect the characteristics of digital payment tokens, with effect from 1 Jan 2020, the supply of such tokens will no longer be subject to GST. The change in GST treatment does not represent IRAS' endorsement of cryptocurrency investments.
- 4.3 With the change, businesses that trade in digital payment tokens are no longer liable for GST registration even if the annual turnover from the trade exceeds \$1million, as the supplies of the tokens are exempt supplies. However, GST-registered businesses that make both taxable supplies and exempt supplies of digital payment tokens will become partially exempt and may have to apportion their input tax. These businesses may also be subject to reverse charge.

5 Characteristics of a Digital Payment Token

- 5.1 A digital payment token is a digital representation of value that has all of the following characteristics:
- (a) it is expressed as a unit;
 - (b) it is designed to be fungible;
 - (c) it is not denominated in any currency, and is not pegged by its issuer to any currency;
 - (d) it can be transferred, stored or traded electronically;
 - (e) it is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, without any substantial restrictions on its use as consideration;

but does not include:

- (f) money;
- (g) anything which, if supplied, would be an exempt supply under Part I of Fourth Schedule to the GST Act for a reason other than being a supply of one or more digital representations of value having the characteristics mentioned in (a) to (e);
- (h) anything which gives an entitlement to receive or to direct the supply of goods or services from a specific person or persons and ceases to function as a medium of exchange after the entitlement has been used.

5.2 Examples of digital payment tokens are Bitcoin, Ether, Litecoin, Dash, Monero, Ripple and Zcash.

5.3 Paragraphs 5.4 to 5.10 explain in detail some of the characteristics of a digital payment token while paragraphs 5.11 to 5.13 explain the exclusions.

Is designed to be fungible

5.4 To qualify as a digital payment token, a digital token/cryptocurrency must be designed to be used interchangeably as consideration.

5.5 For example, fiat currency notes have unique serial numbers, but this does not stop them from being used interchangeably as consideration. On the other hand, virtual collectibles such as CryptoKitties and digital artwork are not fungible as they are not fully interchangeable for use as consideration. Therefore, they do not qualify as digital payment tokens.

Is not denominated in any currency, and is not pegged by its issuer to any currency

5.6 A digital payment token must not have a value that is based on the value of anything else. Therefore, any digital token that is denominated in any fiat currency or with a value pegged to any fiat currency (e.g. stablecoins) will not qualify as a digital payment token.

5.7 Instead, tokens that are pegged to or backed by any fiat currency, a basket of currencies, commodities or other assets are derivatives⁶ that are currently exempt under paragraph 1(j) of Part I of the Fourth Schedule to the GST Act. Supplies of these tokens continue to be GST exempt.

Is, or is intended to be, a medium of exchange accepted by the public/a section of the public without any substantial restrictions on its use as consideration

5.8 Digital tokens that are not designed in a way such as to function, without substantial restrictions, as a medium of exchange accepted by the public or a section of the public, are not digital payment tokens. Examples of digital tokens with substantial restrictions on their use as a medium of exchange (and thus, would not qualify as digital payment tokens) include:

- Game credits or “currencies” that cannot be used outside of the context of the online game under the terms under which the game credit/ ‘currency’ is made available.

⁶ Derivative is defined in paragraph 1 of Part III to the Fourth Schedule as “any financial instrument that derives its value from an underlying financial asset, index or other investment, and includes options, swaps and credit default swaps”.

- Loyalty points issued by retailers, merchants or online platform operators as such points can only be used to redeem goods and services by the issuer of the points or merchants who have agreed to participate in the loyalty programme⁷.
- 5.9 Minor impediments or restrictions to the use of digital tokens or cryptocurrencies as a medium of exchange will not disqualify them from being regarded as digital payment tokens. Examples of restrictions that are generally not substantial include restrictions imposed by the laws of foreign governments and practical difficulties in using digital tokens without internet access.
- 5.10 While a digital token or cryptocurrency must be suitable for use as a medium of exchange in order to be regarded as a digital payment token, there is no minimum level of use required to meet the definition. For example, when a cryptocurrency is first launched via an Initial Coin Offering (ICO), there may be few, if any, parties that initially accept it as payment, but it can still be a digital payment token provided the design and features of the cryptocurrency allow it to be used in this way.

Example 1 – A digital payment token

IdealCoin is a digital token utilising a blockchain that has been designed to be used as consideration in a related smart contract framework, IdealContract, but it can also be freely used outside this framework.

IdealCoins are issued by Ideal Pte Ltd via an ICO to fund the development of the IdealContract framework. Other than holding a number of IdealCoins for itself, Ideal Pte Ltd issues the tokens to its partners during the ICO. Miners also receive IdealCoins that are automatically created by the blockchain when they verify transactions on the blockchain. Entities that miss the ICO but wish to transact in IdealCoins can still purchase the tokens from IdealCo Pte Ltd, its partners, entities that participated in the ICO, or miners.

The fact that IdealCoin is designed to be the only form of consideration suitable for use in the IdealContract framework does not affect its value as a medium of exchange – the IdealContract framework is just one context in which IdealCoin is used as consideration.

Therefore, IdealCoin is a digital payment token as it is generally available to the public for use as consideration.

Does not include money or anything which if supplied, would be an exempt supply under Part I of the Fourth Schedule to the GST Act

⁷ The issuance of loyalty points as incentives to subscribe to an ICO is not considered a restriction on the use of the token.

- 5.11 Money and financial instruments, the supply of both which are exempt under Part I of the Fourth Schedule to the GST Act, are excluded from the definition of digital payment token. Currently, IRAS is not aware of any digital token that would qualify as money or a financial instrument under the Fourth Schedule and yet still satisfy all the characteristics of a digital payment token. However, it is possible that this could change in future. The exclusion is to prevent any overlapping and to clarify that there is no change in GST position for such supplies. For example, a security token that represents a share in a company or a debt instrument is currently exempt under paragraph 1(e) and 1(f) of Part I of the Fourth Schedule to the GST Act and thus, is excluded from the definition of digital payment token. Similarly, an exchange of money or fiat currency is already exempt under paragraph 1(b) of Part I of the same schedule.

Does not include “anything which gives an entitlement to receive... goods or services...and ceases to function as a medium of exchange after the entitlement has been used.”

- 5.12 Issuers who issue digital tokens/cryptocurrencies via an ICO to fund the development of certain products, services or infrastructure may promise that the tokens/cryptocurrencies can be used as consideration for products and services on the funded ecosystem. If the token has all other characteristics of a digital payment token and it can still be used as a medium of exchange (e.g. the token can be traded on exchanges or used to purchase goods or services outside the ecosystem) even after it has been used to obtain a product or service on the ecosystem, the token will qualify as a digital payment token.

Example 2 – A digital payment token used to receive specified services and can be used as a medium of exchange

StoreX is a digital token that has been designed to be the exclusive payment method for Company X’s distributed file storage network. Under the terms of issue of its ICO, StoreX grants holders the permanent right to a specified amount of file storage. The token can also be used as payment for other merchant’s goods and services. Company X’s platform, even after the right to the specific amount of file storage is exercised.

StoreX will qualify as a digital payment token assuming all other conditions of a digital payment token are met.

Example 3 – A digital payment token used to redeem specified services and cannot be used as a medium of exchange after redemption

StoreY is a digital token that has been designed to be the exclusive payment method for Company Y’s distributed file storage network. Under the terms of issue of its ICO, StoreY grants holders the permanent right to a specified amount of file storage. Once the token is used to redeem the specified amount of file storage, the token will be immediately burnt (i.e.

removed from circulation). StoreY will not qualify as a digital payment token.

- 5.13 Utility tokens that cease to function as a medium of exchange after they have been used to redeem goods or services (i.e. “after the entitlement has been used”), are akin to vouchers. These tokens do not qualify as digital payment tokens and will be subject to the same GST treatment as vouchers. For more information on the GST treatment of vouchers, please refer to the IRAS e-Tax Guide “GST Treatment of Vouchers”.

6 Supply of Digital Payment Tokens

Use of digital payment token as payment

- 6.1 The use/provision of digital payment tokens as payment for anything (other than for fiat currency or other digital payment tokens) is disregarded as a supply for GST purposes.
- 6.2 If you are **paying** digital payment tokens in return for goods and services, you need not account for output tax.
- 6.3 If you are **receiving** digital payment tokens in return for your supply of goods or services and you are GST-registered, you would have to account for output tax on your supply of goods or services (unless the supply is an exempt, zero-rated or out-of-scope supply).

Example 4 – Use of digital payment tokens as payment

GST-registered company A uses Bitcoin to purchase software from GST-registered company B. With effect from 1 Jan 2020, Company A will not be considered as making any supply of Bitcoins and thus, will not need to account for output tax. Company B will have to account for output tax on its supply of software.

Exchange of digital payment token for fiat currency or other digital payment token

- 6.4 The exchange of digital payment tokens for fiat currency or other digital payment tokens is an exempt supply.

Example 5 – Exchange of one digital payment token for another:

GST-registered company C exchanges Bitcoin for Ether from GST-registered company D. With effect from 1 Jan 2020, both companies' supplies are exempt from GST— C's exempt supply of Bitcoin and D's exempt supply of Ether. They do not have to charge or account for output tax. Instead, they will report the net realised gain/loss from their exchange transactions as exempt supplies in their GST returns.

Example 6 – General ICO scenario:

GST-registered company E issues Digital Payment Token X to the public via an ICO, in exchange for Singapore dollars. With effect from 1 Jan 2020, E will report the proceeds received for the Digital Payment Token X as its exempt supplies in its GST return.

Loan of digital payment token

- 6.5 The provision of any loan, advance or credit of digital payment tokens is an exempt supply.

Example 7 – Loan of digital payment token scenario:

GST-registered company F makes loans of Digital Payment Token Z in return for interest income. With effect from 1 Jan 2020, E will report the interest received as its exempt supplies in its GST return.

7 Value of Supply

Receiving digital payment token as consideration

- 7.1 When you receive digital payment tokens as consideration for your supply of goods or services, you should report the open market value⁸ of the goods or services as the value of your supply in your GST return.

Exchange of digital payment tokens for fiat currency or other digital payment tokens

- 7.2 When you exchange digital payment tokens for fiat currency or other digital payment tokens, you may report as the value of supply, either:

⁸ Open market value is the value the supply would have fetched "if the supply were for consideration in money as would be payable by a person who has no relationship with any person which would affect that consideration" —section 17(5) of the GST Act. Put simply, open market value is the arm's-length price for a supply between unrelated parties.

- (a) the realised gain/loss from the exchange. This is similar to the current reporting for exchange of fiat currencies; or
 - (b) the proceeds received.
- 7.3 You need not seek prior approval of the Comptroller to use either (a) or (b), but whichever method chosen should be consistently applied for GST purposes.
- 7.4 As you must report the value in Singapore currency, if the consideration that you receive is in a foreign currency or digital payment token, you would need to convert it to Singapore currency using an acceptable exchange rate prevailing at the time of supply.
- 7.5 For information on the acceptable exchange rates to convert foreign currency to Singapore currency, please refer to the e-Tax Guide, “GST: Exchange Rates for GST Purpose”.
- 7.6 If you exchange a digital payment token for another digital payment token (i.e. you receive your consideration in digital payment token), to convert the value of the digital payment token to Singapore currency, you may, for the purpose of GST only, use the exchange rates from:
- (a) any bona fide digital payment token exchange; or
 - (b) any bona fide provider of digital payment token exchange rates (e.g. Google Finance, Reuters); or

In the event the exchange rate for the digital payment token is not available from either sources, you may then use the agreed exchange rate stated in any written agreement between you and your customer.

- 7.7 If the digital payment token exchange rate from the sources (see paragraph 7.6) is only quoted in a foreign currency, after obtaining the value of the digital payment token in the foreign currency amount, on the same day, convert the amount expressed in the foreign currency to Singapore currency using an acceptable exchange rate (see paragraphs 7.4 and 7.5).

Example 8 – Digital token exchange rate is only quoted in foreign currency:

Xcoin is quoted only in USD in digital payment token exchanges. On 1 Jan 2020, 1 Xcoin is quoted as worth USD100. On the same day, the Reuters exchange rate for USD to SGD is USD1 to SGD1.45. Therefore, the Singapore currency equivalent of Xcoin is SGD145.

- 7.8 The digital payment token exchange rates used to arrive at the value of your supply in Singapore currency should rightfully be the exchange rate prevailing at the time of supply. You may, however, use exchange rates on

dates other than the time of supply such as the token exchange rates on a particular day of the month (e.g. last working day of the previous month) or an average rate over a specific period (e.g. average of the daily rates for the previous month). You need not seek prior approval of the Comptroller if the rate is a good approximation of the daily exchange rate, but the rate must be consistently used for GST purposes.

Loan of digital payment token

- 7.9 When you make loans of digital payment tokens, the value of supply is the interest income received.

8 Time of supply

- 8.1 The general time of supply rule based on the earlier of the date of invoice or date of receipt of consideration also applies to digital payment token transactions.
- 8.2 If you supply goods or services in return for consideration in the form of digital payment tokens, you may regard the date of receipt of consideration as the date when the payment is validated on the blockchain by miners.

Example 9:

GST-registered company Full Digital Pte Ltd launched an ICO for Digital Token X at the price of 2 Bitcoins for 1 Token X. GST-registered company Semi Digital Pte Ltd used 20 Bitcoins to purchase 10 Token X from Full Digital Pte Ltd.

Semi Digital Pte Ltd transferred 20 Bitcoins to Full Digital Pte Ltd on the block chain and this transaction was validated by miners on 29 Jun 2018. Both companies did not issue any invoices for the transaction.

At the close of the ICO on 5 Jul 2018, Full Digital Pte Ltd transferred 10 Token X to Semi Digital Pte Ltd on the block chain.

The date of supply of Full Digital Pte Ltd's supply of Token X to Semi Digital Pte Ltd is 29 Jun 2018, the date Full Digital Pte Ltd received the payment of Bitcoins for the Tokens (based on the date of validation of the payment).

The date of supply of Semi Digital Pte Ltd's supply of Bitcoins is 5 Jul 2018, the date Semi Digital Pte Ltd received the payment of Token X for the Bitcoins (based on the date of validation of the payment).

9 Determining where the customer belongs

9.1 While the supply of digital payment tokens is an exempt supply, you can zero-rate the supply if the supply is contractually made to a person who belongs in a country outside Singapore and directly benefits a person belonging outside Singapore or a GST-registered person in Singapore⁹.

9.2 The current GST rules on determining the belonging status of a recipient of services will continue to apply for issuers, transferors and sellers of digital payment tokens to determine if a customer belongs in Singapore:

- For a **corporate entity**, the customer is treated as belonging in Singapore if:
 - (i) he has a business establishment (“BE”) (i.e. an agency or a branch in Singapore) or fixed establishment (“FE”) only in Singapore; or
 - (ii) he has a BE or FE both in Singapore and outside Singapore and the services are most directly used or to be used by his establishment in Singapore; or
 - (iii) he does not have a BE or FE in any country but his usual place of residence (i.e. place of incorporation or place of legal constitution) is in Singapore.
- For an **individual**, the customer is treated as belonging in Singapore if his usual place of residence is in Singapore. An individual’s “usual place of residence” is in Singapore if:
 - (i) he resides in Singapore for a settled purpose, such as to pursue a course or study or due to employment; and
 - (ii) his stay in Singapore has some degree of continuity, apart from temporary or occasional absence, such that it forms part of the regular and habitual pattern of his life.

Generally, the residential address of an individual is regarded as his usual place of residence if there are no indicators suggesting otherwise.

9.3 Given that digital payment token transactions are generally transacted over the internet with limited information available in some instances, issuers, transferors and sellers of the tokens may not be able to verify the belonging status of the customer they are transacting with. In instances where you are unable to reasonably verify the belonging status of your customer, as an administrative concession, you can use the following proxy indicators to determine the belonging status of your customer.

⁹ Section 21(3)(j) of the GST Act. The person also must not be in Singapore when the service is performed.

- 9.4 You are required to obtain and maintain at least two pieces of non-conflicting evidence of your customer's belonging status, based on the following three proxy categories:
- (i) Payment Proxy (e.g. credit card information based on BIN number¹⁰, bank account details)
 - (ii) Residence Proxy (e.g. billing address, home address)
 - (iii) Access Proxy (e.g. name of Internet Service Provider, IP address)
- 9.5 The proxy indicators listed are non-exhaustive, and you may use other commercially available information that are aligned with any of the three proxy categories for the determination of where your customer belongs.
- 9.6 If you are unable to maintain the records described above to show that your customer belongs overseas, you should assume that your customer belongs in Singapore.
- 9.7 For other proxy categories, please seek approval from the Comptroller in writing by explaining how the proxy reasonably indicates the belonging status of the customer.

Transacting through a digital payment token intermediary

- 9.8 If you are transacting in digital payment tokens through an intermediary such as an exchange, wallet, or broker, where you are not able to identify your customer or request for evidence of your customer's belonging status, you may use the intermediaries' belonging status as a proxy for the belonging status of your customer. For example, if you sell your digital payment tokens on an overseas exchange, you can zero-rate the supply as it would be regarded as made to and directly benefitting a person who belongs overseas.

10 Mining

- 10.1 In the mining process, there is generally no close nexus between the service provided by the miner to the persons whose transactions are verified, and the mined tokens that the miner received from the blockchain ecosystem (e.g. the block reward). The parties paying the mined tokens are also not identifiable. Therefore, the mining of digital payment tokens does not constitute a supply for GST purposes.
- 10.2 However, if a miner provides services to an **identifiable** party or parties, in return for a consideration (e.g. a commission or transaction fee), this constitutes a taxable supply of services. The miner, if GST-registered has to charge and account for GST, unless zero-rating applies. If the miner is not

¹⁰ Bank identification number (BIN), also known as the Issuer Identification Number, is the first 6 digits of a credit card number. It identifies the institution that issued the card to the card holder.

able to determine the belonging status of the transacting party, the miner should standard-rate its supply of services and account for GST.

- 10.3 The subsequent sale or transfer of the mined digital payment tokens to a customer belonging in Singapore by the miner will be an exempt supply if the supply takes place on or after 1 Jan 2020. If the mined digital payment tokens are exchanged for goods or services on or after 1 Jan 2020, the miner will not be regarded as making a supply of the tokens.

11 Digital Payment Token Intermediaries

- 11.1 Services provided by intermediaries remain taxable even if these are in relation to digital payment token transactions. These intermediaries may also trade in digital payment tokens. Whether these intermediaries (if GST-registered) have to report the sales of the digital payment tokens as their supplies in their GST returns would depend on whether they have acted as an agent or a principal.
- 11.2 If you are a GST-registered intermediary selling digital payment tokens as a principal, you have to report the sale as your supply in your GST return. On the other hand, if you are selling the tokens as an agent on behalf of your customer, you should not report the sale as your supply. Instead, you should report the fee or margin that you earn on the transaction as your supply and account for output tax on the fee/margin (unless your supply can be zero-rated).
- 11.3 You should self-assess whether you are acting as a principal or agent in each transaction, taking into account the following indicators:

Indicators	You are a principal if	You are an agent if
Contractual liability and assumption of responsibilities and risks	You have contracted for the supply of digital payment tokens in your own name or capacity.	You have arranged for the supply of digital payment tokens on behalf of another party and you are not a party to the contract.
Legal obligations to make payment	You have the legal obligation to make payment for the purchase of the digital payment token	You do not have the legal obligation to pay for the purchase but is authorised by another party to make payment to the third party supplier on his behalf.

Price determination	You can determine the price you wish to transact at	Unless authorised to do so by the other party, you cannot determine the price you wish to transact at
Ownership	You own the digital payment tokens being transacted.	You do not own the digital payment tokens being transacted as they belong to the party whom you are acting on behalf.

12 Claiming of Input Tax and Reverse Charge

- 12.1 Generally, you can only claim input tax incurred in the course or furtherance of your business to the extent that the input tax is incurred for the making of taxable supplies. Input tax incurred for the making of exempt supplies (e.g. digital payment tokens in exchange for fiat currency or other digital payment tokens) is not claimable. Input tax incurred for the making of both taxable and exempt supplies or for the overall operation of business may need to be apportioned.
- 12.2 Therefore, if you make both taxable supplies and exempt supplies of digital payment tokens, you will need to attribute and apportion the input tax claim like any other partially exempt businesses (unless you satisfy the De Minimis Rule). The supplies of digital payment tokens can be treated as incidental exempt supplies where they meet the qualifying conditions stated in the e-Tax Guide, "GST: Partial Exemption and Input Tax Recovery". Please refer to the same guide for detailed information on the De Minimis Rule, apportionment and attribution of input tax.
- 12.3 In addition, as a partially exempt business, you may also be subject to reverse charge on services that you acquire from overseas suppliers. For more information on reverse charge, please refer to the e-Tax Guide, "Taxing imported services by way of reverse charge".

13 Frequently Asked Questions

Q1 Will my token still qualify as a digital payment token if some of the tokens are burnt?

- A1 If the token meets all the characteristics of a digital payment token, it will still qualify as a digital payment token, even if some of the tokens are burnt i.e. permanently removed from circulation.

Q2 Does the definition of “money” include electronic money (i.e. “e-money”)? If my token is pegged to fiat currency, is it “e-money”?

A2 “Money” for GST purposes includes both physical and electronic forms of fiat currency. Tokens which are pegged to fiat currency are not e-money, instead they are derivatives which are exempt under paragraph 1(j) in Part I of the Fourth Schedule to the GST Act.

Q3 I am issuing a new digital payment token as a result of a hard fork¹¹. Are there any GST implications?

A3 The issuance of the new token will give rise to an exempt supply if you receive a consideration for the token. However, if the token is issued for free, there is no supply.

Q4 What is the GST treatment for a digital payment token airdrop?

A4 Airdrop is the distribution of tokens without compensation (i.e. for free), generally undertaken with a view to increasing awareness of a new token, and to increase liquidity in the early stages of a new token project. There is no supply for GST purposes.

Q5 A trader of digital payment tokens is listed in regulation 34 of the GST (General) Regulations¹². In what circumstances would a person who transacts in digital payment tokens be regarded as a trader?

A5 Regulation 34 businesses are businesses which make predominantly exempt supplies on a regular basis. These businesses are not allowed to attribute their regulation 33 exempt supplies to the making of taxable supplies for the purpose of input tax claims.

Traders of digital payment tokens are those whose core business involves the supply of digital payment tokens in exchange for fiat currency or other digital payment tokens, and/or the provision of any loan, advance or credit of digital payment tokens.

Value of Supplies

Q6 I make loans of digital payment tokens and the title of the tokens will be transferred to the borrower and returned after the loan period. Do I have

¹¹ A hard fork is the splitting of an existing token to create a second token which operates separately from and alongside the original token.

¹² Please refer to the e-Tax Guide, “GST: Partial Exemption and Input Tax Recovery” for more information.

to report the value of the tokens in my GST returns in addition to the interest income?

Due to price fluctuation of the tokens during the loan period, there are gains or losses recognised. How do I report the gain or loss?

A6 If the transfer of digital payment tokens is made under a loan arrangement, you are making a loan of the tokens. You should report the interest that you receive for the loan as the value of your exempt supply.

You should also report any realised gains or losses arising from the loan arrangement as an exempt supply.

Q7 Can I use the gains or losses recorded for accounting purposes, including unrealised gains or losses, for GST reporting?

A7 If you do not track which gains or losses arising from the exchange of digital payment tokens are realised or unrealised, as an administrative concession, you are allowed to report total gains or losses (whether realised or unrealised) as the value of exempt supplies.

Q8 If I have gains or losses arising from different digital payment token trades, can the gains or losses be offset against each other for GST reporting purposes? For example, can business net off the loss from the exchange of Ether for Bitcoin against the gain from the exchange of Bitcoin for fiat currency.

A8 Yes, you should net the gains or losses for all types of digital payment token trades for each accounting period and report the absolute amount.

Example: For the accounting period from Jan 2020 to Mar 2020

Month/Year	Exchange gain (loss) for digital payment tokens
Jan 2020	(1300)
Feb 2020	800
Mar 2020	300
Realised exchange gain (loss) for the period	(1300) + 800 + 300 =(200)
Value of exempt supplies	{(200)} =\$200

If you have other categories of exempt supplies, each category is treated as distinct and separate. You should obtain the sum of the absolute values of exempt supplies from each category to report in your GST return.

Category of exempt supplies for the accounting period from Jan 2020 to Mar 2020	Exchange gain (loss) for digital payment tokens
Exchange gain (loss) for digital payment tokens	(200)
Exchange gain (loss) for foreign currency	400
Interest received from deposit with banks	300
Value of exempt supplies	$ (-200) + 400 + 300$ = \$900

Q9 Can I report the value of supply of digital payment tokens issued during my ICO based on the proceeds received, and then report the value of supply for subsequent transactions based on realised gain or loss?

A9 Yes, you may report the proceeds received as the value of supply for ICO transactions. For subsequent exchanges of the tokens for fiat currency or other digital payment tokens, you may choose to report the realised gain or loss. This is allowed as long as you apply the method chosen consistently.

Appendix A - Overview of GST treatment of Digital Payment Tokens (DPT) Before 1 Jan 2020 and From 1 Jan 2020

Description	Before 1 Jan 2020	From 1 Jan 2020
Provision of DPT as payment	Treated as a taxable supply of services	Will be disregarded as a supply
Exchange of DPT for fiat currency or other DPT	Subject to GST (standard-rate/zero-rate)	GST-exempt (zero-rated if supplied to an overseas person and directly benefitting an overseas person or a GST-registered person in Singapore).
Loans of DPT	Subject to GST (standard-rate/zero-rate)	GST-exempt (zero-rated if supplied to an overseas person and directly benefitting an overseas person or a GST-registered person in Singapore).
Supplies of services by intermediaries	Taxable.	No change i.e. remain taxable.
Mining services	Not a supply unless services are made to identifiable parties for a consideration.	No change.
Time of supply	Supply takes place at the earlier of when invoice is issued or consideration is received.	No change.
Value of supply a) Supply of DPT as payment b) Supply of DPT for money c) Supply of DPT for other digital tokens (services) d) Supply of DPT for other DPT.	a) OMV of DPT b) Money received less GST chargeable c) OMV of DPT supplied d) OMV of DPT supplied	a) Nil (as no longer regarded as a supply) b) Money received or realised exchange gain/loss c) Nil (regarded as payment – same as a)) d) OMV of DPT received or realised exchange gain/loss

Determining where the customer belongs	See paragraph 9.2.	No change.
---	--------------------	------------