

Legal peculiarities of cryptocurrency in Singapore

There has been a significant increase in popularity interest and the use of cryptocurrencies in recent times. For a proper use of crypto currency a person must be aware of the legal regime of its regulation in one or another part of the world. Both among startups and successful business with a million-dollar profit, Singapore's jurisdiction is considered one of the most attractive for business maintenance. That is why, the issue of regulation of cryptocurrencies in Singapore is extremely relevant to the public.

For today, the Monetary Authority of Singapore (the “MAS”) does not recognize cryptocurrencies as a legal means of payment and there is no special legislation regulating the market of it. In Singapore, under the state regulation falls only the Initial Coin Offering (the “ICO”), which equates to the Initial Public Offering of shares (the “IPO”).

However, despite the fact that the cryptocurrencies remain outside the legal field, the Inland Revenue Authority of Singapore (the “IRAS”) has defined rules of taxation on Bitcoin and other virtual currencies. Here are the main principles:

1. Companies involved in the purchase and sale of bitcoins will be subject to standard income tax. Simultaneously, long-term investment in bitcoins will be considered an investment in capital, and there will be no taxation.
2. In cases where bitcoins are accepted as payments for goods or services will be charged value added tax, which in Singapore is named as Goods and Services Tax (the “GST”) and is 7%. Such transactions are treated as barter exchanges.
3. If the bitcoins are used to exchange for virtual goods or services (*e.g.* in-app purchases) such transactions will not be taxed.
4. The amount of GST charged on companies depends on whether they act as an agent or principal in the transaction. If the company acts on behalf of a third party, *i.e.* is an agent and only assists in the Bitcoin trade, then GST is chargeable only on the commission fees received. If the company acts as a principal (*i.e.* acquires and sells Bitcoins to the buyer directly), the GST is chargeable on the amount received from the sale, as well as the amount of the commission.

The above mentioned should be applied only for companies registered in Singapore, if they are not, their act of supplying bitcoins shall be treated as being made outside the country and therefore does not fall under the GST.

Hence, the authority of Singapore does not prohibit companies accepting bitcoins as a means of payment for their goods or services, but only regulates their taxation.

It is important to note that in carrying out business activities associated with crypto currencies, the company may face the issue of opening a bank account. Due to the uncertainty of the legal status of cryptocurrencies, not all banks are willing to open accounts for conducting transactions with such a currency, and some banks, including Singapore's, close accounts that served bitcoins. Today, the widest spread numbers of banks that cooperate with cryptocurrencies are in the United States, the United Kingdom and Switzerland, where a person or a company can get the right level of service.