

# Is your digital endeavour at risk?



Running a Blockchain Company?



Raising funds through token offerings?



Buying and selling tokens for investment purposes?



Running a brick-and-mortar business but accepting or using virtual currencies as a mode of payment or settlement?

**If your answer is 'yes' to any one of the questions above, are you aware of the following tax, accounting and regulatory implications?**

## Tax Compliance Risks

Tax compliance risks are the most common risks that pertain to an organization's requirement to comply with statutory provisions.

A few examples of tax compliance risks are:

1. Failure to meet statutory deadlines that result in penalties or denial of tax benefits.
2. Incorrect disclosure in tax filings due to inadvertent errors or a lack of understanding of the tax law.
3. Incorrect reporting of taxable revenue due to not understanding the timing of taxation.
4. Failure to register for GST or charge GST when required to do so.

## Accounting Risks

Financial statements are important in helping business owners assess their financial health. An incorrect accounting treatment leads to an inaccurate representation of the business's financial position which may eventually result in poor business decisions being made.

A few examples of accounting risks are:

1. Financial statements not prepared in accordance with the relevant accounting standards.
2. Incorrect recognition and measurement of financial assets and liabilities.
3. Over recognition or under recognition of revenue.

## Regulatory Risks

With the rapid pace of development in financial technology, regulations are also evolving and keeping up. Also, it should be noted that the offering of capital market products is a regulated activity in Singapore.

A few examples of regulatory risks are:

1. Offering of digital tokens that are not compliant with the applicable securities laws.
2. Not registering with the relevant authorities on an offering, when required to do so.
3. Not complying with other regulatory requirements such as those relating to the prevention of money laundering and countering the financing of terrorism.

## Structural Risks

Structural risks relate to the risks faced by an organization from the way its corporate shareholding structure is organized.

A few examples of structural risks are:

1. Inefficient profit repatriation structure.
2. Inappropriate corporate vehicle for the type of business.
3. Structures that are subject to higher scrutiny from authorities.

## Transactional Risks

Almost every transaction has a tax consequence and therefore, a company could face significant transactional risks if it does not have a competent system in place to identify and deal with the potential tax consequences arising from the company's daily transactions.

A few examples of transactional risks are:

1. Non-compliance with withholding tax requirements.
2. Double taxation.
3. Incorrect accounting for GST/VAT and other transactional taxes such as sales tax.

## Functional Risks

Functional risks arise due to the way an organization's operating functions are set up. For example, if a company outsources certain functions to its related companies in foreign jurisdictions, the company's transfer pricing risks will increase due to the scrutiny by tax authorities on the payments made to the foreign related parties.

A few examples of functional risks are:

1. Incorrect pricing of related party transactions resulting in tax adjustments.
2. Lack of documentation.

Staying ahead of regulatory changes to manage compliance risks and unlock opportunities can be complex and challenging.

**Here's how we can help.**



### **Corporate Structure Planning**

We can help in planning an effective corporate structure right at the start to ensure tax efficient income repatriation, compliance with regulations, compliance with transfer pricing rules, smooth succession planning and tax effective divestment. Proper upfront planning avoids costly downstream restructuring later.



### **Accounting Advisory**

With blockchain becoming the world's new ledger, there is growing uncertainty on how to account for digital transactions based on existing accounting standards. Working with accounting and industry experts, we provide recommendations on the accounting treatment of digital transactions, taking into consideration the nature and characteristics of the transactions and the business model.



### **Tax Advisory**

Crossing borders in the digital world is easy but it is this ease of going global that also brings with it the challenges of navigating and complying with the myriad tax regulations that are constantly changing in light of technological advances. Through our global network, we research and keep pace with the global tax developments pertaining to the digital economy to advise you on the tax implications of your transactions in all the countries that you do business in.



### **Compliance**

Our team of multi-disciplinary professionals with deep industry expertise can help you meet your year-to-year compliance obligations through our tax, corporate secretarial, global mobility, regulatory, audit and transfer pricing services.

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