



TAX

Digital Assets Tax Services

A new value chain has emerged through the introduction of blockchain and cryptocurrency. Understanding the key value drivers and advantages enables us to mitigate risk and identify opportunities for optimization.

With digital assets becoming an increasingly popular asset class for investors in the Asia Pacific region, it is likely that the tax treatment of such assets will become a key focus of tax authorities in the region. It is important that individuals and businesses in this space assess the potential tax risks on the outset and develop a robust tax investment structure such that the full potential of digital currency can be harnessed.



A&M ASIA ADVISES THE FOLLOWING TYPES OF DIGITAL ASSETS CLIENTS:

- Funds investing in digital assets
- Digital assets fund managers / investment advisors
- Digital assets carry participants
- Proprietary digital assets trading companies / lending platforms
- Individual / corporate investors investing in digital assets Funds
- Cryptocurrencies exchanges



TAX ISSUES TO CONSIDER:

Availability of
Tax Benefits



Permanent
Establishment Risk



Cash/Profit
Repatriation Strategy



Asset Classification
for Tax Purposes



SHORT TERM

- Review investment structure and operating model to identify tax risks and opportunities

MEDIUM TERM

- Feasibility analysis to assess options to optimize returns along the value chain and achieve optimal tax outcomes
- Recommend ways to mitigate tax risks and leakages

LONG TERM

- Assist with implementation of investment structure and operating model to drive synergies and optimal tax outcome

Why contact A&M Tax

A&M Tax professionals address the demands and needs of organizations to effectively manage operational and tax risk in the digital assets space. Our service offerings focus on providing solutions in a practical and compliant manner that mitigates risk and optimizes tax efficiency.

Case Studies



TAX STRUCTURING FOR A DIGITAL ASSETS FINANCIAL SERVICE PROVIDER

Facts: The client is engaged in the business of digital assets lending and borrowing and has established legal entities in various jurisdictions including the Cayman Islands, Singapore, Hong Kong SAR and BVI to carry out its digital assets finance activities. Given the founders, senior management and certain personnel are based in Singapore and Hong Kong SAR, the client was exposed to the risk of creating a taxable presence in Singapore and Hong Kong SAR.

Scope: Develop operating protocols to mitigate tax presence risk in Singapore and Hong Kong SAR, and implement a robust transfer pricing model to reduce tax risks and leakages.

Results:

- Mitigated the risk of creating a taxable presence in Singapore and Hong Kong SAR
- Created strong transfer pricing documentation to support the allocation of profits between group entities in the Cayman Islands, Singapore, Hong Kong SAR and BVI



TAX STRUCTURING FOR A GAMING TOKENS INVESTMENT FUND

Facts: The client is setting up an investment fund (the “Fund”) to raise capital from external and internal investors (including management) to invest in gaming tokens and traditional securities. Since the Fund may have board of directors in Hong Kong SAR and there is a staff secondment arrangement from the service provider to the Fund, the Fund was exposed to the risk of creating a taxable presence in Hong Kong SAR, as well as transfer pricing risk in respect of the intercompany services.

Scope: Develop operating protocols to mitigate tax presence risk in Hong Kong SAR and implement efficient transfer pricing models to reduce tax risks and leakages.

Results:

- Created strong transfer pricing documentation to support intercompany business models
- Reduced tax presence risk and regulatory compliance burden in Hong Kong SAR

A&M TAX ASIA CONTACTS



Yvette Chan
Managing Director
+852 6908 2595 / 9329 6614
ychan@alvarezandmarsal.com



Ansel Yip
Senior Director
+852 6512 5086
ayip@alvarezandmarsal.com



Phoenix Wei
Senior Manager
+852 6932 8909 / 6909 9676
pwei@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL TAX

Alvarez & Marsal Tax, part of Alvarez & Marsal (A&M), a leading global professional services firm, is an independent tax group made up of experienced tax professionals dedicated to providing customized tax advice to clients and investors across a broad range of industries. Its professionals extend A&M's commitment to offering clients a choice in advisors who are free from audit-based conflicts of interest, and bring an unyielding commitment to delivering responsive client service. A&M Tax has global presence in major metropolitan markets throughout the Americas, EMEA, and APAC.

Alvarez & Marsal Tax is a founder of Taxand, the world's largest independent tax organization, which provides high quality, integrated tax advice worldwide, and represents the Global Network in the US and UK. Taxand professionals, including 770+ partners and more than 3,000+ advisors in 48 countries, grasp both the fine points of tax and the broader strategic implications, helping you mitigate risk, manage your tax burden and drive the performance of your business.

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