

## NAVIGATING NFTS, DAO AND GAMEFI

**00:00:26**

**Himendra**

Hi listeners, thanks for tuning into the Greater Countess Podcast.

I'm Himendra, the CEO of Mystige Group and also the Head of Strategy at Chapter 3. 3. Today we have Boon Tan who is the managing director at CST Tax Advisors Singapore.

We are going to get a little bit more technical talking about investment in tax.

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**Himendra**

Before we start, could we get a quick introduction to what CST Tax Advisors Singapore does and what are your USP's in the market?

**00:00:49**

**Boon Tan**

Sure, thanks for the intro. So, CST is an international tax and accounting practice. We have offices in Sydney, Singapore, London, and Los Angeles.

And specifically for the Web3 space, the services we provide are CFO style services, so we do the bookkeeping, reconcile wallet, prepare financial statements, management account, help the management team with strategic thinking in regards to how to structure transactions, how to structure the entire platform really and working together with the founders as well on an individual level to help them manage their personal affairs.

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**Himendra**

Great, so I think one of the things that you mentioned earlier is that you also do WebTree right and a lot of accountants so far have spoken to never touched it before.

Every time I look at them they're like you know maybe it's not something I want to do. So is that one of your key US pieces?

**00:01:37**

**Boon Tan**

Absolutely, I've personally been in this space for five years and beyond starting out with the crypto space but beyond that we've taken the firm as a whole has taken a view of learning about blockchain technology specifically and One thing we quickly worked out is that cryptocurrencies are a very small and narrow application of blockchain, albeit they are the loudest at the moment in the current world.

And two, because of the decentralized nature of a lot of blockchain companies and projects, our expertise in international tax and accounting is kind of a very nice fit into the industry.

**00:02:11**

**Boon Tan**

So a year and a half ago, we started a specialist division of CST focused on Web3 projects around the world.

**00:02:19**

**Himendra**

Great, so thanks for giving a very detailed introduction.

So right now I've prepared a few questions and I'm just going to start with the one that probably a lot of people are thinking about.

What are the tax implications for trading NFTs and whether it's within an investment or community within Web 3?

**00:02:33**

**Boon Tan**

Yeah, good question.

A lot of people seem to think that because things are done on blockchain and I guess the valuations of some of these transactions are very high that there is some different way of accounting and dealing with the tax but it's really quite simple.

**00:02:49**

**Boon Tan**

I mean the fundamental principles of taxation which apply to shares, right? Everyone is very comfortable with ideas regarding investments and trading in shares.

It's the same concept and principles which you can apply to Web3 applications like NFTs and cryptocurrencies.

So, you know, if you buy a cryptocurrency at a certain price and then sell it for a profit later in time, then depending on how long you've held it for and your characteristics of trading in Singapore, at least, you know, speaking from a Singapore perspective, it's either going to be taxable because you're a trader or it's going to be non-taxable because it's a capital gate.

The answer is really getting a key understanding of what is the transaction you've undertaken, what are the attributes to it, why did you undertake the transaction and then applying the rules in the tax law around it.

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**Boon Tan**

At the moment, there are no real key areas of tax where IRAS has said, look, if you are this kind of person buying and selling NFTs, these are the rules that apply.

Now, because there isn't something like that, the default position has to be okay.

If I'm buying and selling an asset and at the end of the day crypto, NFTs, they're a different class of asset, it's a digital asset.

So the principles regarding buying and selling an asset would apply and until those IRF comes out and announces changes that that's the way to move forward.

**00:04:21**  
**Himendra**

So in summary we don't need to complicate it for now right?

**00:04:24**  
**Boon Tan**

Not really, no.

**00:04:25**  
**Boon Tan**

I think a lot of people really over complicate it unnecessarily.

**00:04:29**  
**Himendra**

Okay great, so I think that question has been expanded well.

So now the next thing that's trending quite a bit and I've seen a couple of DAOs popping up, so they're called Decentralized Autonomous Organizations.

What does someone who is looking to get into a DAO should know, especially if you talk from a financial gain standpoint?

**00:04:47**  
**Boon Tan**

Sure, another way of looking at a DAO or giving a old world analogy is effectively a DAO as a partnership.

So, if you go into a partnership group of other people and you pool your money together to go and make investments, whether it's buying shares, purchasing property, it's the same concept.

**00:05:07**  
**Boon Tan**

You will have decisions that the partnership needs to make but the key difference is with a DAO you're using the blockchain to record your investment, to record your vote in regards to a should we invest in these opportunities.

We have a number of clients in the portfolio who are investment DAOs ranging from a small group of the concept goes back to the collective group of people who have decided to pool their money and invest together.

The returns of that investment are the same.

**Himendra**

If you get a distribution, is it a capital distribution? Is it an income distribution?

**00:05:52**

**Boon Tan**

That will determine how that income is going to be taxed.

**00:05:55**

**Himendra**

So once again going back to the first point right it's we don't need to complicate it for now and especially in how we look at financial gains but the DAO itself I mean how do you feel is it game changing the way people are doing investments as a collective?

**00:06:07**

**Boon Tan**

Yeah absolutely I think it is I think especially in the digital world I think the DAOs are going to be a game changer because it's not just DAOs built to have digital partnership to invest in digital assets, but you've got DAO set up to run organizations, committees, communities, etc.

**Himendra**

A lot of games fundamentally run by DAOs, right?

**Boon Tan**

So the concept is, you know, I build a game, I mint utility tokens that I use in the game, and as the game grows and my community grows, I use a DAO to effectively make decisions, right?

So I give the power back to my users rather than myself. So the applications again are very wide and varied.

**00:06:54**

**Himendra**

Thanks Boon Tan, that's a very good insight to those.

So the next thing I think I want to talk about and also something that has trended last year, this year has been slower, the whole play to earn, walk to earn, now you have sleep to earn, it's gone a little bit out of hand.

So for someone who does this full-time, how should they see this opportunity? Is it a full-time role?

And if they do, then as you mentioned, right, if it's a full-time trader, you would be paying tax for your gains from crypto or stock trading. How does this work for GameFi or DeFi?

**00:07:22**

**Boon Tan**

Yeah, very good question.

I guess the answer in short is that if you view each relationship you have with a platform as a contractor style relationship, right?

So, I am earning income by interacting with this particular platform and I have multiple platforms because as you said, play to earn, walk to learn, sleep to earn.

Each different attribute will generate different income and it could be okay well every time you achieve a mile stone in a game you're issued token in that game or if you're sleeping then okay we will give you Ethereum if you like something or that sort of stuff.

Each time you receive the reward, it is a distribution of income or value from the platform to yourself.

So, if you are doing that full time, then you're generating an income stream off that to live off, then that's going to be your taxable income.

**00:08:21**

**Himendra**

I guess that would be something similar to like doing grab or exactly a food panda delivery exactly yeah so I'm an independent driver I have the grab I got gojek I've got tada it's all the same thing but it's different sources of revenue great I really like this part here what I'm gonna ask you is.

**00:08:38**

**Himendra**

What do you feel about the sustainability of earning from game five for example Because there was this huge game last year, I'm not sure if you've heard of it, it's called Axie Infinity.

I personally actually had 500 teams. We hired a lot of people and Philippines actually gave them employment to cover their school fees and all, but that whole thing ended in three months actually, when you went to peak and then you went all the way down to zero.

So, I want to get your thoughts from someone who comes from a very different background from myself. What do you think about this whole play to win world?

**00:09:05**

**Boon Tan**

I think the play to I think play to earn model presents a way as a byproduct, inadvertently presents an opportunity for people who don't normally have access to income generating platforms, right?

If you think about the traditional world to the digital world, if you just use the grab analogy, right? Well, I need a car first before I can even think about getting a grab revenue stream, okay.

Now, Axie Infinity, League of Legends, whatever games are out there where there's token, again, value. Most people these days have a phone, phones are now very affordable.

Most countries now have a decent telecommunication network where you can be online constantly.

**00:09:50**

**Boon Tan**

Well, my view is that I think it's actually a positive, right?  
You mentioned employing 500 people, school fees, actually infinity not there or a similar platform, you can't do that and those kids can't do that, right?

So, the key will be there's always going to be another game that comes, right?

The sustainability is going to be around, okay, well, if you are building the community, if you have a DAO, what are you doing to keep that interest going? Because the risk, and this could be, you know, what happened with Axie Infinity, if you don't innovate consistently, obviously another game, technology changes very quickly, another game is going to come along and, oh, this game actually gives me better.

Again, why did you stop using Grab?

**00:10:36**

**Boon Tan**

Well, Gojek is new and they've got all these incentives, so you shift. Axie Infinity, this game is new, I'm going to shift.

So really the key lesson for sustainability for gaming platforms is innovation. You're always going to have loyal followers, I get that.

But the majority of your players and users are going to be those that are riding the crest. And if something looks a lot fancier, their attention is going to get shifted.

**00:11:07**

**Boon Tan**

And that's just the way humans are.

**00:11:09**

**Himendra**

Yeah, and it happens in traditional environments as well.

**00:11:12**

**Boon Tan**

Exactly.

**00:11:13**

**Himendra**

Cool. So I think that gives us a good perspective as well.

Something a little bit different from what I might be thinking of as well.

**00:11:19**

**Himendra**

So last and obviously the most relevant question every time when I guess someone comes up to you, they're going to ask you, okay, I made money from crypto, I made money from NFTs.

This goes back to your question similar earlier. How should we properly manage it?

Do we declare everything? Do we keep it in? Because from what I understand from my point of view is, if you keep it on the chain or in your platform that's not in fiat currency, would you still need to pay tax on that digital earnings?

**00:11:45**  
**Himendra**

Because it hasn't been realized, right?  
Or at least that would be my perspective of it. What do you think?  
Is this something?

**00:11:52**  
**Boon Tan**

I guess the key element here to remember is realization is not having cash in hand, it's having value transferred to you, okay?

So, if we use an example of an artist, okay, I paint a picture or I take a photograph and I have a gallery and I sell it, okay.

Now, how do people pay?  
Well, they might just use Paypal and, you know, transfer it into my bank account. That transfer, once that's transferred into the bank account, the person takes the picture.

There's absolutely no question that you've earned income and you're gonna have to pay tax of Let's look at it in the Web3 world. I'm a bit bored tonight. I might just mint a NFT and then I'll just put it on OpenSeas and I get half an Ethereum for it.

As soon as that Ethereum moves into my wallet, it's like someone paying me cash into my bank account. You've earned income, that NFT is no longer yours, you've transferred it to the purchaser's wallet, so it's the same transaction, just on a different medium.

**00:12:59**  
**Himendra**

So that part leads to my second question that I'm gonna ask that's currently not in my list.

Now that you, for example, you made 0.5 Ethereum, so that roughly translates to about \$700 now. Yeah.

Sorry, it moves so quickly sometimes.

**00:13:11**  
**Boon Tan**

Yeah, exactly.

**00:13:12**  
**Himendra**

So it's about \$650, \$700 as we speak right now. What if it goes down even more?

And because you pay tax, for example, in fiat currency, right? So for example, in Singapore, you pay in Singapore dollars.

**00:13:23**  
**Boon Tan**

Yeah.

**00:13:23**  
**Himendra**

Do you pay based on what you earned that day?

**Boon Tan**

Yeah, correct.

**Himendra**

Or based on the current value?

**00:13:28**  
**Boon Tan**

No, no.

So your income is the value of the 0.5 Ethereum at the time you get it.

**00:13:33**  
**Boon Tan**

Now if Ethereum then moves up but you still hold that, so let's say you have 0.5 Ethereum, it's your first transaction.

You then get the 0.5, so you got 0.5 in your wallet and that value is 700. 700. 700 is what you'll get taxed on.

Now if that 0.5 value moves up to 7000, 7000, Now, you're not going to be taxed on that unless you do something with that 0.5. 0.5. Okay, so and that could be either buying something with the 0.5 or converting it to fiat 0.5. But the key point is the taxable event is when you change the asset you hold. So the start of my example was I had an NFT.

I then sold that NFT and instead of the NFT I got 0.5 Ethereum.

**00:14:25**  
**Boon Tan**

\$700 is the value of that when I got. Then it moves to \$7000 and I decide to go and buy someone else's NFT. As soon as I swap that 0.5 to NFT, I then have to realize a profit of \$6300.

Now, the interesting question is, or the thing that the key analysis is, Are you going to be taxable on that as a trader or is that actually a capital gain? \$6300.

**00:14:52**  
**Boon Tan**

And again you got to look at your characteristics and things like that.

Right, so the one only concern I've seen so far is it does look like some of it can become a little bit hard to track for example because the prices of crypto right now changes so fast like maybe in the last 10 minutes when we were speaking it could have changed a few hundred dollars as well

**00:15:10**  
**Boon Tan**

and with that right I always wonder like What if you just declare it as you and you like, is that going to be a problem?

Because let's say for example it's gone down and now I feel actually it's cheaper now if I declare my text now for example it's cheaper. Will that ever you see foresee being a problem?

**00:15:54**  
**Boon Tan**

So those things are things that people need to be mindful of and really from a financial perspective it's why I think blockchain is a game changer because it takes away that ability to manipulate and fudge things.

**00:16:08**  
**Boon Tan**

That's interesting, right?

Most people and even the government always thinks crypto is created to do more bad.

But now that you think about it, actually, if you use it the right way, it actually becomes something that makes things a lot easier, right?

Because people don't have time to know when they got money at what point. And now with the chain, yeah, there's a snapshot.

If I'm not wrong, every time you make a transfer, there's a snapshot of the value that translates to.

**00:16:24**  
**Himendra**

Cool, thanks so much Boon Tan for appearing on today's Greater Encounters podcast.

That comes to the end of this segment, so now we just have one last thing that we need to do.

**Boon Tan**

Sure.

**Himendra**

Okay, so BoonTan, I'm just gonna get you to pick a card from this deck of cards, it's gonna ask you a random question.

So this is a card from the Greater Card Game, it's to just liven up this session a little bit.

**00:16:49**  
**Boon Tan**

Alright.

**Himendra** Tell us about your best scar story. Scar?

**Boon Tan** Okay, very interesting.

I think the most memorable scar I have was on my knee which I sustained probably 15 years ago.

I was in Malaysia on holiday with my, she was my fiancé at that point in time and we were walking back after dinner one night along the street in Penang.

**00:17:14**

**Boon Tan**

I was a bit laxed, I had my backpack on in a way that kind of made it a bit attractive for someone to come and try and snatch it off me and next thing you knew I knew I was face planted onto the foot onto the pavement because a scooter had come onto the pavement to try and grab my bag so they didn't get it and I fell over because the momentum pushed me forward but that gave me a nice little scar on the knee.

**00:17:39**

**Himendra**

Wow, when I got you a bigger scar they didn't expect you to hear such a story. But Glad, you're okay.

**Boon Tan**

Thank you.

**Himendra**

Thanks for giving us a quick share on that.

**00:17:46**

**Himendra**

Thanks Boon Tan for giving us a very insightful sort of look into how you look at taxes within Web3 and also sharing a little bit about your perspective of the whole earning systems in Web3.

So we will come to the end of our session. Thank you so much.