vereniging voor
Belastingwetenschap

VIRTUAL CURRENCY AND TAXATION

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VERTEX

AGENDA

- Virtual currency
- Tax challenges and regulatory frameworks
- Initial coin offerings
- Blockchain

Virtual currency

VIRTUAL CURRENCY MARKET

2008
Bitcoin

2018
2121 currencies*

Name	Market capitalization	Price
Bitcoin	$ 70 billion	$ 4,022
Ethereum	$ 14 billion	$ 136
XRP	$ 12 billion	$ 0.30

*https://coinmarketcap.com/

VIRTUAL CURRENCY CLASSIFICATION

Virtual currency
digital representation of value without legal tender status

Cryptocurrency
convertible virtual currency protected by cryptography

Coins
means of payment
issued through mining

Tokens
means of investment
issued during initial coin offerings (ICOs)

- Debt tokens
- Equity tokens
- Utility tokens

Tax challenges and regulatory frameworks

TAX CHALLENGES

What is the status of virtual currency?

The same rules for tokens and coins?

Which transactions are VAT exempt?

Tax Compliance

Which income category applies?

Which expenses are deductible?

How to calculate taxable gain?

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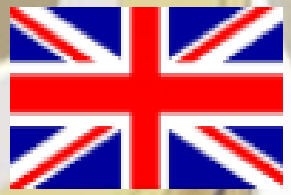
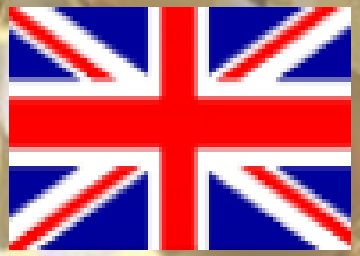
NATIONAL APPROACHES - OVERVIEW



Australia | Germany | US | UK | Austria | Netherlands



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NATIONAL APPROACHES (1)

- User-friendly language
- Links to other sources
- Examples
- Timely issued and frequently updated

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NATIONAL APPROACHES (2)

- Fundamental questions clarified
- Fragmented
- Not easy to find
- No references to other sources
- Not timely issued

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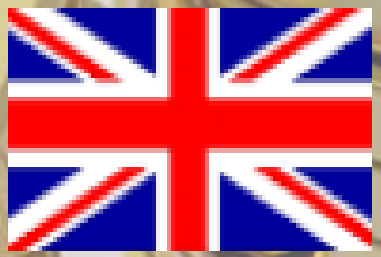
NATIONAL APPROACHES (3)



- Difficult language
- “General rules apply”
- No references to other sources
- Not timely issued

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Initial Coin Offerings

INITIAL COIN OFFERINGS (ICOS)

Form of raising capital : sale of tokens for legal money or other cryptocurrencies

ICO vs. Initial Public Offering (IPO)

Are tokens securities?

Name	Funds raised	Return
EOS	**USD 4.2 billion**	-60%
Telegram	**USD 1.7 billion**	unknown
Petro	**USD 735 million**	not listed
Dragon	**USD 420 million**	-98%

ICOs AND EU VAT

- The issuing of shares/bonds is outside the scope of VAT. Does the same apply to debt/equity tokens?
- Tokens = supplies of (electronic) services? Means of payment?
- Utility token = vouchers?
- VAT exemption: currency transactions, negotiable instruments, securities?

Blockchain

BLOCKCHAIN

Distributed ledger running on interconnected computers that permits value transfer s via the internet in a transparent manner.

- **Distributed database**
- **Pseudoanonimity**
- **Peer-to-peer transmission**
- **Irreversibility of records**

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Blockchain

Traditional database	Private blockchain	Public blockchain	
		Permissioned	Permissionless
Authorized parties can read and write the ledger	Authorized parties can read and write the ledger	Authorized parties can write the ledger Anyone can read the ledger	Anyone can read and write the ledger

BLOCKCHAIN

- Disintermediation
- Immutability
- Transparency
- Security
- Time-stamped

- Environmental impact
- Slow transaction processing
- Legal uncertainty
- Technical complexity
- Security

SUPPLY CHAIN MANAGEMENT

Increased visibility

Real-time data for all parties

Real-virtual interface?

Implementation cost?

IBM | MAERSK

everledger

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Many thanks!

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