

ARISING CHALLENGES IN TAXATION –  
THE TREATMENT OF CRYPTOCURRENCY

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Blockchain technology is a closely followed topic in the financial technology industry. Even though cryptocurrency has been around for a few years now, it still seems not to be well-defined. The global crypto market capitalization has passed 2 trillion dollars, however, there is much uncertainty in the regulation regime worldwide. To some, cryptocurrency is an investment, to others it is property, and some may even say it is a commodity. The governments' attitude towards cryptocurrencies, and in particular towards the underlying technology are very diversified. Different jurisdictions, different approaches. More and more regulators are worrying about criminals who are increasingly using cryptocurrencies for illegitimate activities like money laundering, terrorist financing and tax evasion. It is essential to create favorable conditions for the establishment and development of the sector, while protecting all market participants' interests. Cryptocurrencies require a special tax structure of their own, especially because their decentralized nature was built specifically to ensure non-compatibility with overarching revenue siphoning methodologies. In other words, nations need to consider this futuristic digital asset as a stand-alone economic element that deserves a taxation structure of its own. The presentation will identify key tax policy considerations of cryptocurrencies by overviewing some of the major country treatments focusing on the USA, Latin-America and Europe. The author will also examine the typical "lifecycle" of a unit of virtual currency, emphasizing the key stages in which tax consequences may arise. Last, but not least will highlight common challenges and emerging issues in taxing virtual currencies.

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