



# PwC Annual Global Crypto Tax Report 2020





# Introduction

## Background

Digital assets are a new and rapidly evolving asset class. While the term is used broadly to cover a wide range of assets that are in digital form, in this report the term refers to digital representations of value recorded on distributed ledgers or Blockchains which can be transferred, stored or traded electronically. These are sometimes also referred to as Digital Financial Assets or Crypto-assets.

Digital assets are commonly grouped into the following categories:

- Payment tokens (alternatively referred to as cryptocurrencies or exchange tokens): Tokens that can be used as a means of exchange for purchasing goods or services;
- Utility tokens: Tokens which provide access to a platform or enable the holder to access a product or service (typically on a Blockchain platform);
- Security tokens: Tokens which have the characteristics of securities because they confer some form of ownership right to an asset, right to future profit or right to repayment.

Digital assets have several characteristics that make them unique from a taxation perspective. They are worthy of consideration, as existing tax rules have not typically been developed with digital assets in mind, and in many cases have not kept up with developments in this space.



## Objectives

This Report aims to evaluate and review the existing digital assets tax guidance globally and identify areas where there are gaps or where guidance may need to be refined and added to as the industry evolves.

While we do not seek to take a view in this report on the relative merits of the uses of digital assets or on how transactions in digital assets should be taxed, it is clear to us from our work that:

1. Digital assets are becoming increasingly common and are being used by a wider range of market participants;
2. There are significant differences between jurisdictions on how such assets are categorised for tax purposes and on the guidance available to market participants seeking to comply with their tax obligations. This can cause issues if, for example, certain tax treatments or concessions are only available to transactions in a defined asset class, but where digital assets do not meet that specific definition;
3. New use cases (such as many of the new Decentralised Finance – or “DeFi” – applications) are constantly being introduced. In many cases tax regulations struggle to keep up with this pace of innovation; and
4. The decentralised business models adopted by many industry participants do not require physical interactions between counterparties or customers. The day to day operations of most are highly automated and display the characteristics of digitally automated services. They could therefore be impacted by Organisation for Economic Co-operation and Development (OECD) proposals (sometimes collectively referred to as BEPS 2.0) that would shift taxing rights away from the location where such services are delivered, to the location of the customer<sup>1</sup>.

In particular the report looks at survey participants' views of the development of tax guidance internationally to date and to obtain a tax jurisdiction by jurisdiction view on:

1. Digital assets as a means of exchange
2. Digital assets as an investment class
3. Trading and crypto exchanges
4. Crypto lending, mining and issuance
5. Tax reporting

To achieve this, PwC sought input from tax specialists working at over 30 international PwC member firms<sup>2</sup> on the development of digital asset tax regulations in their respective jurisdictions.

While this report focuses solely on taxation issues, it should also be noted that there are some jurisdictions where transacting in crypto assets may be heavily restricted under local laws and regulations. We have not included such jurisdictions in this survey – not least because they are unlikely to have issued detailed guidance on taxation.

Please note that this content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors etc.

<sup>1</sup> Please refer to the OECD Report to the G20 <http://www.oecd.org/tax/oecd-secretary-general-tax-report-g20-finance-ministers-july-2020.pdf>

<sup>2</sup> PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

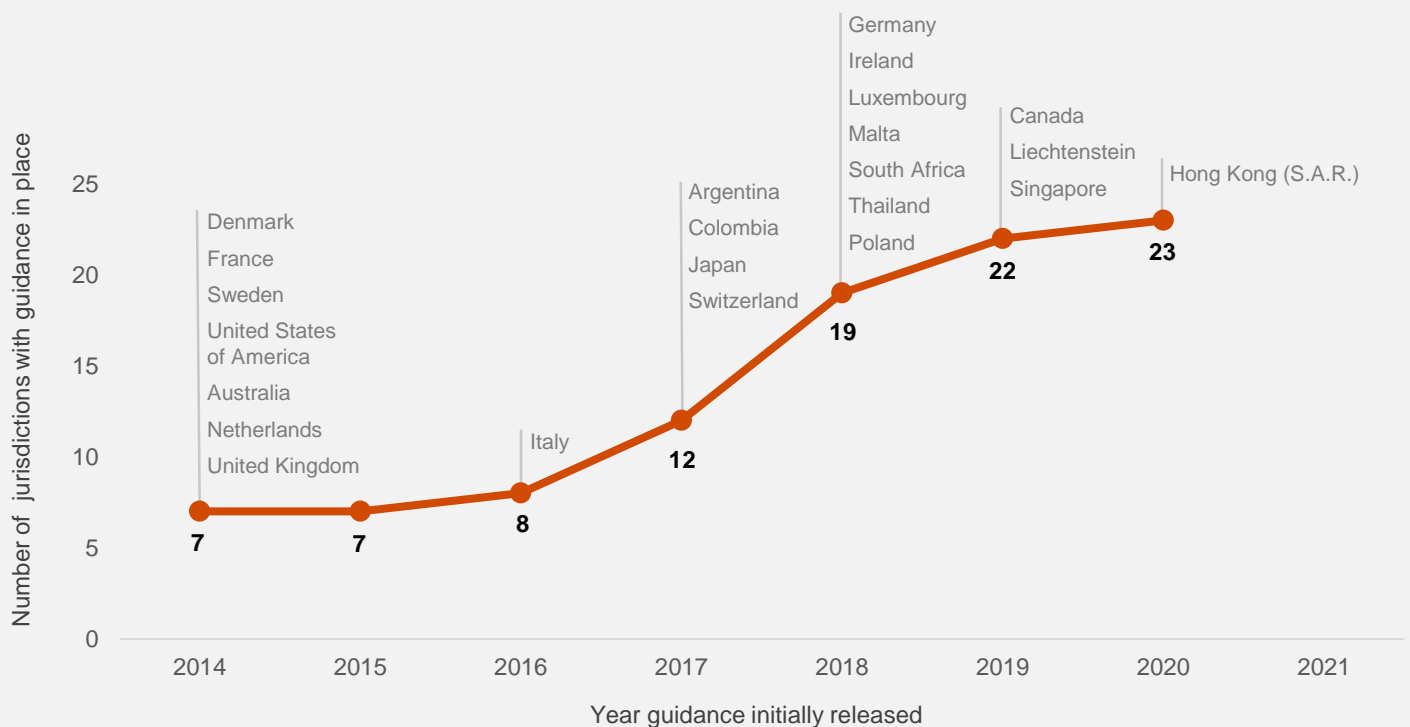


# An overview of the development of tax guidance internationally

While Bitcoin was launched in 2009, our research shows that it took a further five years for tax authorities to begin issuing substantive tax guidance on digital assets. The USA, Sweden and the UK took the lead in 2014. As the digital assets industry has continued to evolve, we have seen a noticeable uptick in the number of jurisdictions that have issued tax guidance, particularly in 2017-18 (see Figure 1).

**Figure 1: Publications of tax guidance on digital assets**

## Guidance issued timeline

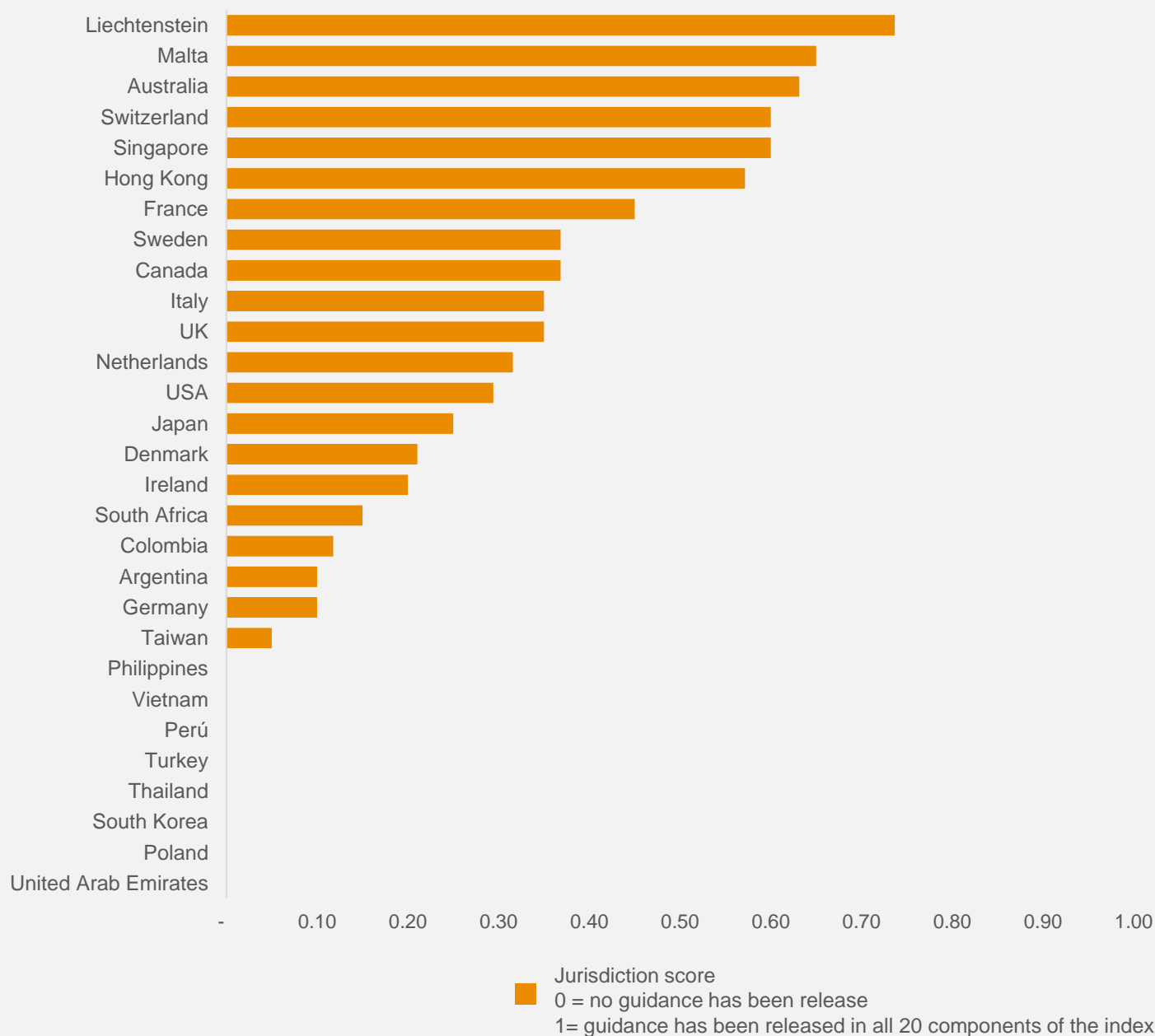


## How do countries compare?

While the timeline above shows the speed at which jurisdictions have issued guidance, what is perhaps more instructive is how comprehensive that guidance is. To help compare between jurisdictions we have developed the **PwC Crypto Tax Index**.

The index measures whether jurisdictions have issued guidance in twenty different areas relevant to the taxation of crypto assets. An average score for each jurisdiction is then calculated. Not all questions are relevant to all jurisdictions (for example, Hong Kong does not charge any form of indirect tax such as value-added tax “VAT”, goods and services tax “GST” or sales tax). In such cases, the index is calculated based on the average of the areas that are relevant for that jurisdiction. It should also be noted that the index simply measures whether a particular issue is covered in the existing guidance of each jurisdiction. It does not give any view as to the usefulness, quality or comprehensiveness of the guidance.

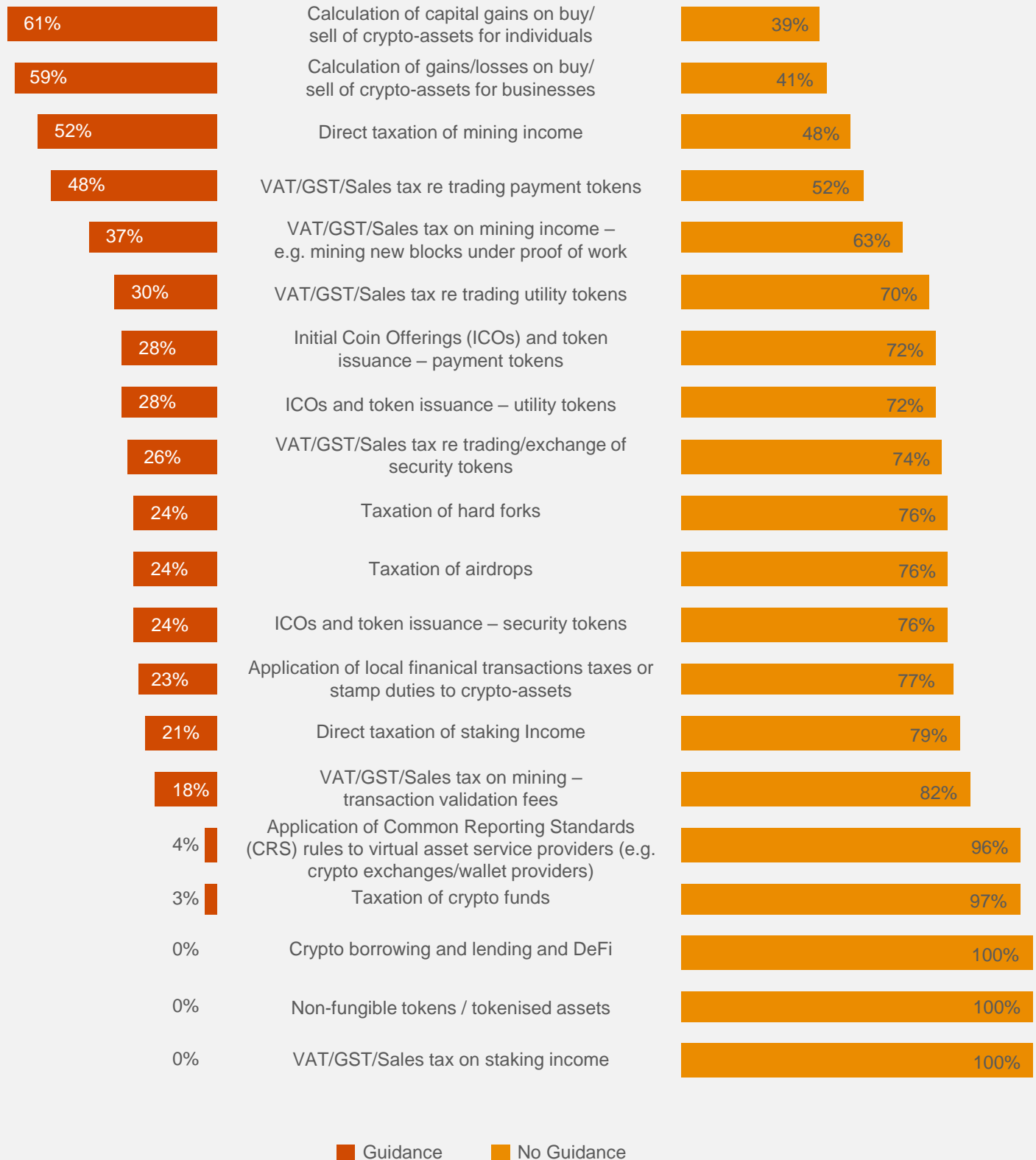
PwC Crypto Tax Index



## What has guidance been issued on?

The guidance that has been issued to date is often focused on how to apply existing tax laws or policies to transactions, situations and structures that are unique to digital assets — rather than passing new legislation.

Percentage of jurisdictions with guidance issued for each of the components of the PwC Crypto Tax Index





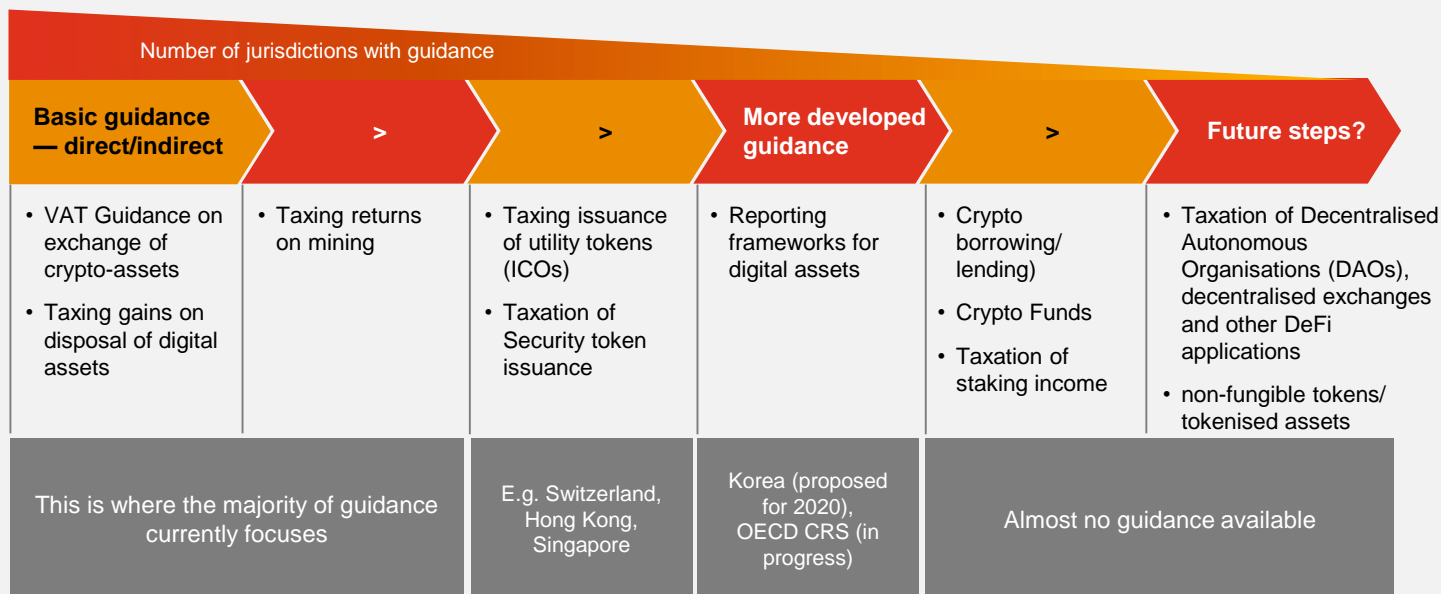
Of the 20 areas included in the PwC Crypto Tax Index, we note that much of the available guidance lags a number of years behind the industry. For example, most of it focuses almost exclusively on payment tokens, such as Bitcoin. It deals with capital gains and VAT issues around the spending and exchange of such tokens, as well as the taxation of proof of work mining income.

It is only since late 2018 that we have started to see guidance on the taxation of token issuance — most likely spurred on by the ICO boom of 2017. However, this is still

rare.

The result is that businesses that are pushing the boundaries of this technology to explore new business models — especially when it is cross-border — are often faced with significant tax uncertainty. Consequently, they will have to go back to first principles to predict how policy makers and tax authorities are likely to react in 3-4 years' time. This can be very challenging for a start-up.

**Figure 2: The breadth and sophistication of the available guidance**



The next areas where tax authorities will need to focus — and where there does not appear to be any comprehensive guidance — include (among others):

- The taxation of proof of stake mining and transaction validation income. This should include whether the income has aspects of a financial return or is services income, the international allocation of taxing rights between source and residency of such payments, as well as VAT;
- Principles-based guidance on the VAT implications of selling different utility tokens. Currently there are potential differences in VAT treatment country by country and token by token, which makes compliance difficult;
- The taxation of DeFi. This should include how income from DeFi platforms is taxed at the recipient level and whether jurisdictions may seek to tax payments at source (similar to how withholding taxes are commonly applied to interest payments in traditional finance);
- The taxation of security and asset-backed tokens — especially when these have aspects of hybridity between security and utility tokens (with corresponding implications for direct tax, VAT and transactions taxes);

- The tax reporting obligations and responsibilities of digital asset exchanges (See section on Reporting below); and
- The taxation of Decentralised Autonomous Organisations (DAOs) that operate across borders without the need for human involvement or where human involvement/oversight is decentralised and therefore not easily attributed to a jurisdiction.

We are aware that individual governments, as well as international bodies such as the OECD<sup>3</sup> are actively considering the taxation implications of Blockchain technology and are looking to address some of these challenges.

Given the pace of change in the industry and the range of uses for digital financial assets, it is important that future guidance is principles-based and not overly prescriptive. This will avoid it going out of date before it's released and prevent tax from holding back the development of exciting new business models that may not yet be conceived by policy makers. In addition, as the business models in this industry are so international and there is a relatively clean slate to work from when it comes to tax and Blockchain, there is definitely a role for policy coordination between tax authorities.

<sup>3</sup> <https://www.youtube.com/watch?v=ZiOwRSq65w0> — as released by the OECD Global Blockchain Policy Centre

## In some areas tax law is clear — but has unintended consequences for the development of the ecosystem

One of the main observations from survey respondents is that a lack of guidance or laws specifically targeted towards digital assets creates uncertainty. But there are also some situations where the law is clear that certain tax treatments are only available for transactions in specific assets (e.g. currency or securities). Many digital assets do not meet these definitions, which were drafted many years before the advent of Blockchain technology. Examples which clearly have an impact on players in the sector — whether intended or not — include:

### 1. Crypto funds

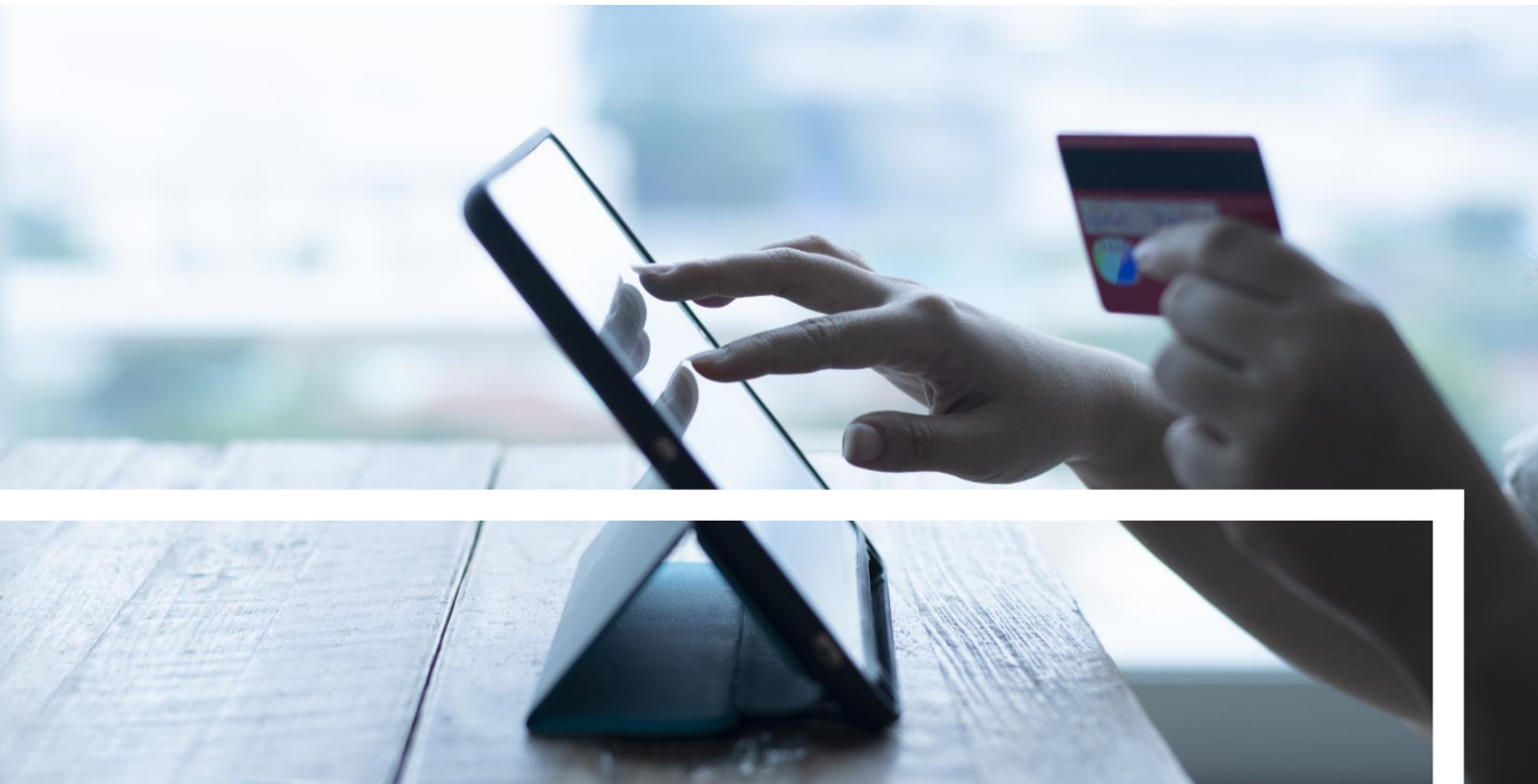
Tax exemptions or trading safe harbours for investment funds exist in many jurisdictions. The policy objective is to tax investment income and gains in the hands of fund investors rather than taxing the fund itself in the location where it is managed. These exemptions are often drafted to only include funds investing in specific asset classes — crypto assets are often not included. This may significantly slow the development of crypto funds in many jurisdictions as they may be subject to an additional layer of tax compared to traditional funds, which would typically qualify for these exemptions or safe harbours;

### 2. Crypto lending

The lending of money and its subsequent repayment does not generally create a taxable event — it is the interest on the loan that would typically be taxed. However, in countries where crypto assets are not considered equivalent to money, there is a risk that a borrower or lender may be taxed at the point of borrowing or repaying a loan denominated in a crypto asset — for example, the loan is treated as a taxable disposal by the lender when crypto loan principal is extended with a subsequent repurchase at a later date. Some jurisdictions also have specific rules / dispensations on securities lending which seek to ensure that the lender is only taxed on the lending fee, not on any appreciation or depreciation of securities lent — even when there has been a legal transfer of title. However, where these exist, many common crypto assets do not meet the definition of a security and often don't qualify.

### 3. Crypto savings and pensions

Many countries offer tax-efficient wrappers for individual saving — whether for pensions, education or other purposes. There are a number of situations where direct investments in crypto assets may not qualify. However, with the advent of more sophisticated investment products, it may still be possible for investors to gain exposure to such products.





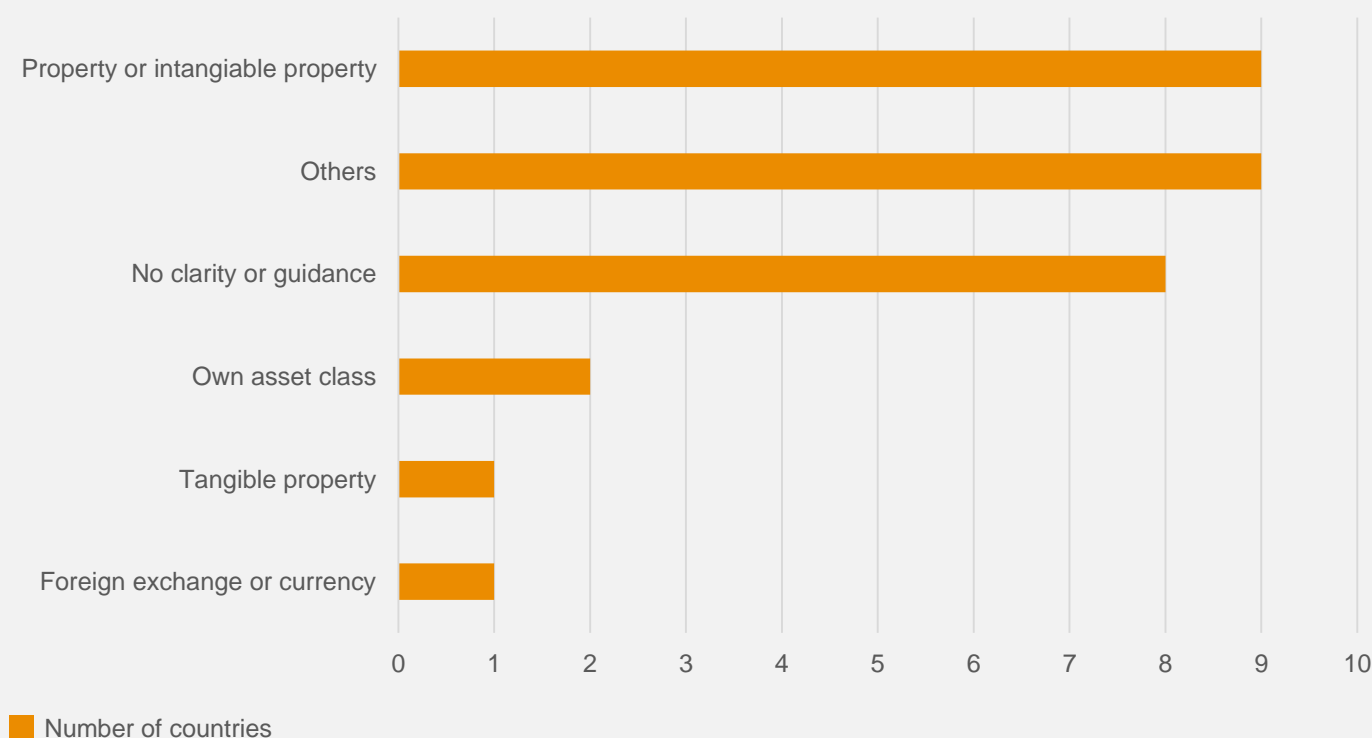
# Direct Tax

## Digital assets as a means of exchange

One of the original use cases proposed for crypto-assets such as Bitcoin, was as a means of exchange. While there are many practical benefits associated with using crypto assets in this way, the tax implications have often not been fully accounted for by market participants.

Very few jurisdictions equate digital assets with money or currency for tax purposes. Instead, many of those that have issued guidance view cryptocurrencies as some form of “property”. This is important as, in most jurisdictions, the disposal of property is considered akin to a barter transaction and so results in a gain or loss that could be subject to tax.

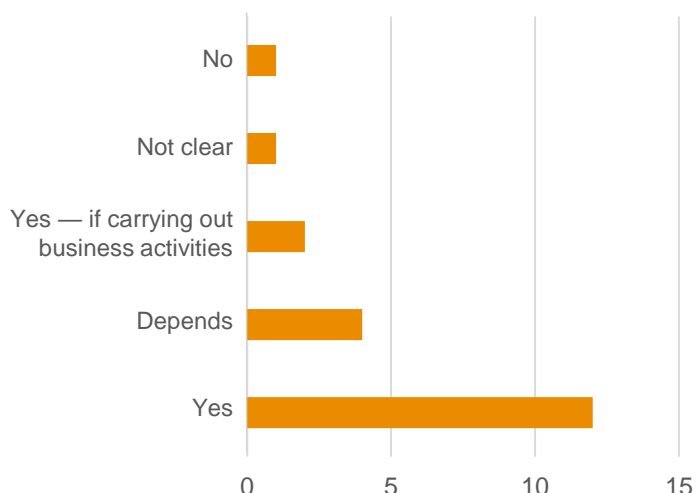
Figure 3: Categorisation of digital assets for tax purposes



Triggering a tax charge every time an individual spends using digital assets could be problematic. First, most consumers are not equipped to calculate the gains or losses arising from each of their daily transactions. Using fiat currency to buy a coffee or a pizza does not generally lead to a taxable event requiring reporting. But it would if you use Bitcoin in many jurisdictions. This represents an immense barrier to mass adoption of cryptocurrencies as a means of exchange.

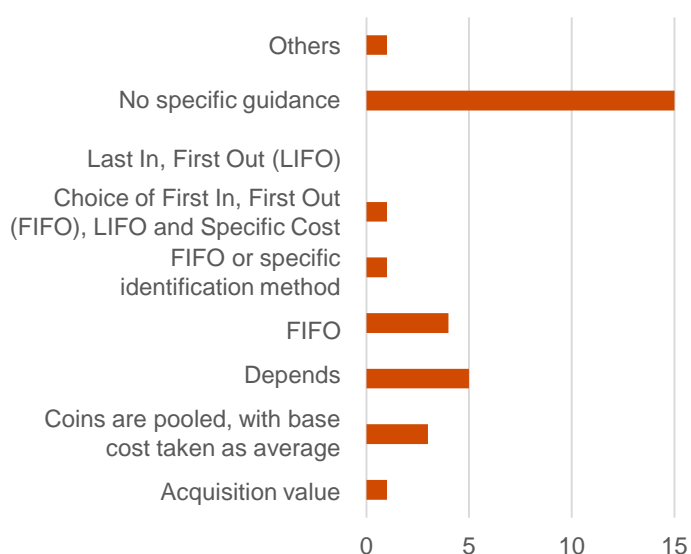
**Figure 4: Taxation of spending of digital assets**

Does spending digital assets for purposes of acquiring goods and services lead to a tax charge for individuals in your jurisdiction?



Based on our survey results, a clear majority of jurisdictions seek to tax gains or losses arising from the disposal or spending of digital assets — an even greater number seek to do this if the individual is carrying out a business. But how these gains or losses are calculated varies widely, as each country has its own unique approach to determining such things as tax basis or holding period — which can affect the rate of tax. For example, certain jurisdictions, such as France and Germany, have specific guidance in place that provides relief for individuals based on criteria such as the holding period of the digital asset and the annual digital asset trading turnover of the individual.

**Figure 5: Different approaches to calculating base costs for gains on disposal of digital assets**



This wide variety of approaches makes it difficult to create a standardised solution for tracking disposals that is scalable at an international level. Technology solutions are primarily only available in the larger markets, such as the US, where there is scale to support local vendors — although we are seeing this evolve.

## PwC observations

As we have identified, there are often significant tax implications in using digital assets as a means of exchange. It is, however, unlikely in our view that governments will change their policies on taxing capital gains just because of tax events triggered by cryptocurrency spending. Therefore, if digital assets are going to become a useful means of exchange, the industry will likely need to adapt in the following ways:

- Increased development of software that can track consumers' crypto spending and calculate their tax liabilities, thus relieving them of the administrative burden of tax reporting.
- Increased adoption of stable coins. Digital assets are often volatile compared to fiat currency, leading to the capital gains issue. The problem of consumers having to account for taxes on every item of cryptocurrency spending could be mitigated by increased adoption of stable coins. If these track a local currency, it would significantly reduce volatility and thus avoid the need for complex tax calculations.





## Digital assets as an investment class

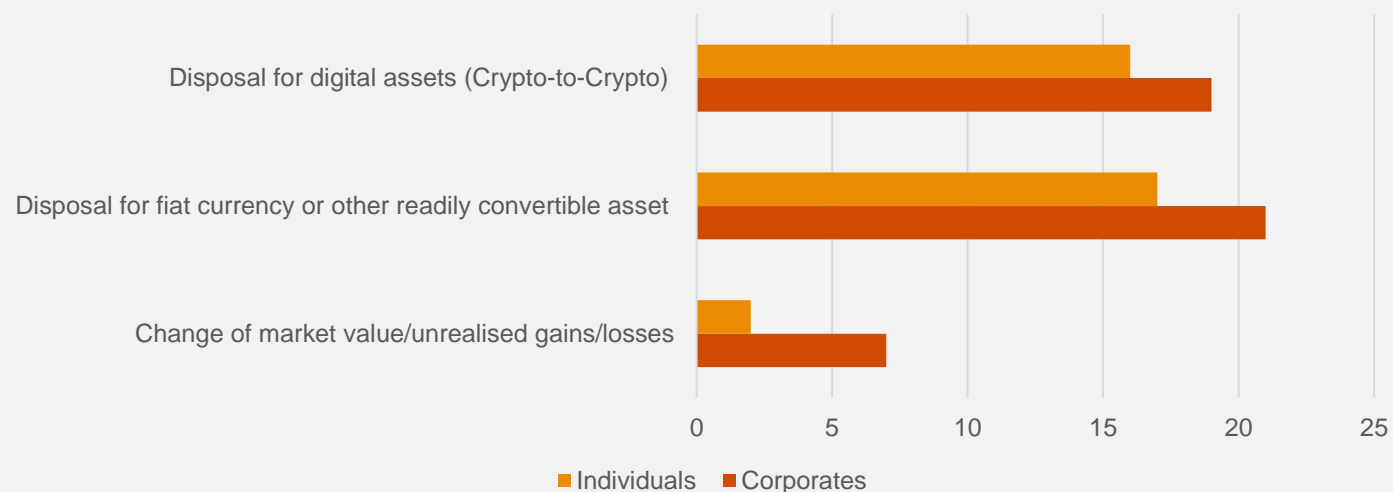
It is clear that there are investors who wish to hold digital assets in their portfolios, either as part of a diversification strategy, because they wish to benefit from investment in the growth of a new technology, or even for speculation. The scope of this paper is not to discuss the merits or otherwise of investing in digital assets, but rather to focus on the tax implications for those that choose to do so.

As mentioned in the previous section, the majority of jurisdictions surveyed have some form of capital gains tax on digital assets — but they differ in their application. Some jurisdictions (e.g. Hong Kong, Singapore) have no capital gains tax at all, whereas others (e.g. Malta, Portugal) do not tax capital gains on certain digital assets, such as payment tokens<sup>4</sup>.

Other jurisdictions tax capital gains and losses, but not on crypto-to-crypto transactions. An example of this is France. This effectively defers the tax date until the digital asset is converted to fiat currency or spent on goods or services. However, most jurisdictions will tax crypto-to-crypto disposals as well as crypto-fiat disposals.

The graph below shows events that are expected to crystallise a tax charge for individuals and corporates, according to survey respondents across various jurisdictions. Corporates are more likely to face tax consequences for all events, given that they are often subject to tax on their accounting profits — a concept which is not commonly applicable to individuals.

**Figure 6: Events that would crystallise a tax charge**



Whether the transaction leads to a taxable event may also depend on the classification of the underlying asset and whether the transaction arose as a result of trading or business activities.



<sup>4</sup> E.g. for Malta there should not be any income tax on gains of a capital nature derived from the transfer of coins as defined in the Guidelines published by the Maltese tax authorities.



## Taxation of income from digital assets

Many digital assets are not income generating. However, this is changing, and we are seeing more and more situations where income may arise. Sometimes the tax characteristics of this income may be clear based on current tax law and practice (e.g. dividend/interest income). At other times it may be less easy to neatly define the income. Examples include:

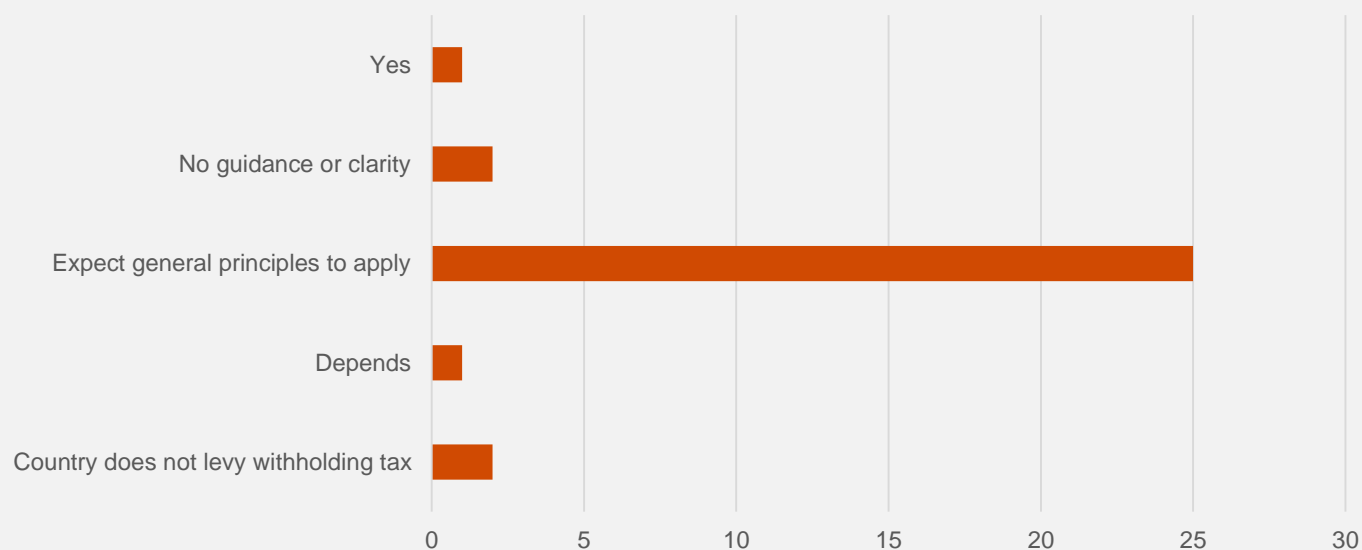
## Security and asset backed tokens

Security tokens are designed as tradeable assets that are held for investment purposes and classified as a security (or equivalent) under applicable laws.

There is a general lack of guidance on the tax treatment of these assets. However where guidance is available, there is a common theme that security tokens which are in substance tokenised equity or debt, can expect to be taxed accordingly in many jurisdictions.

**Figure 7:**

Does your jurisdiction have any specific guidance regarding withholding tax associated with digital assets?



However, problems may arise for security tokens that have hybrid features and therefore cannot be neatly compared to non-digital securities. For example, some tokens may grant the recipient access to some form of utility, or to receive royalty or rental income from a tokenised asset.

In fact, asset-backed tokens may enable the direct fractional ownership of an asset without the need for a corporate wrapper. The tax implications for the holders of such assets, particularly if they are in a different jurisdiction from the underlying asset, can be complex. They can be even more complex if the tax jurisdiction of the asset itself cannot be clearly defined (e.g. a non-fungible token representing an income-generating asset in a video game). More guidance would be welcomed as these instruments become increasingly common and sophisticated.

In addition to general principles on how to characterise the receipt of different forms of income, further guidance should cover issues such as mechanisms for withholding income at source (e.g. in cases where an issuer in one jurisdiction has to make some form of payment to a recipient overseas).

This issue could be more acute in the context of digital assets, as governments often task the collection of withholding taxes to centralised counterparties such as custodians, banks, payment/letting agents or trustees — these may not be required in a decentralised environment involving Blockchain.

## Staking income

Tokens that provide for “proof of stake” mining and validation enable the owners of tokens to stake those tokens. This gives them the right to validate transactions on the Blockchain in exchange for a chance to earn staking income. The staked tokens are typically locked up for a period of time and are also at risk if the staking party fails to perform their validation functions properly.

This is a considerably less resource and energy-intensive method of transaction validation than traditional proof of work crypto mining and is becoming increasingly common.

We found very little guidance in any of the jurisdictions on the taxation of staking income. Tax issues that remain to be resolved include:

1. Does staking income represent payment for services, or some other kind of passive financial reward for tax purposes? This may impact its tax treatment, depending on the jurisdiction.
2. What is the taxation point of staking income? — for example should this be taxed at the point of receipt of the staking reward in native tokens, or not taxed until those tokens are disposed of.
3. Which jurisdictions may claim taxing rights to transactions on a Blockchain that involve cross border transfers of value from users (who will often have to pay to execute transactions on a Blockchain), to those validating transactions and staking tokens who receive staking rewards?

## Tax incentives for savings

In many countries, capital gains held in certain recognised savings or retirement schemes can be exempted from tax or have the tax deferred (e.g. until retirement). However, crypto-assets directly held by individuals may not be considered as qualifying investments in the majority of countries surveyed.

The reasons for this may be both practical and legal.

- **Practical** — many retirement plans must be administered by a nominated third-party trustee or administrator that holds the assets or property on behalf of the owner. The administrator acts in a fiduciary capacity to help operate the plan in line with tax and regulatory requirements, including ensuring the custody of assets held in the plan. This is required as, in many cases, there are restrictions placed on such plans to ensure that they are true retirement savings plans and that the owner cannot access the assets until retirement without losing the preferential tax treatment. Many of the traditional trustees/administrators of such plans are not set up to manage digital assets.
- **Legal** — in many cases, the laws governing such retirement schemes are very specific on how contributions or schemes can qualify. For example, in the UK employers cannot make a contribution to a registered pension scheme with payment tokens. This is because Her Majesty's Revenue and Customs (HMRC) does not consider such assets to be currency or money<sup>5</sup>. In addition, UK Individual Savings Accounts can only invest in cash, stocks or shares.

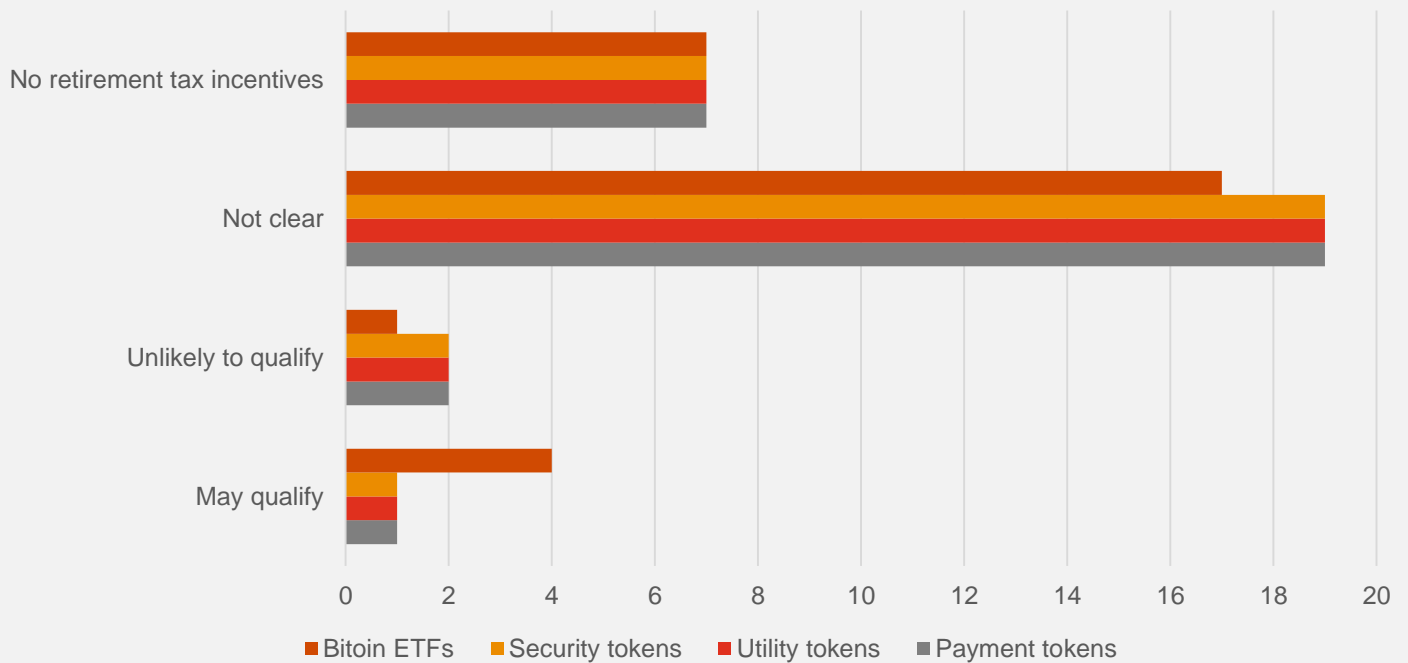
A key observation is that there is often no clarity as to whether a crypto asset can qualify for retirement savings plan incentives (see graph below). However, funds holding digital assets, such as bitcoin Exchange-traded funds (ETFs), may be more likely to qualify in some jurisdictions than direct crypto holdings. This likely explains the push by many providers to bring Bitcoin ETFs and other investment products to market in recent years.

<sup>5</sup> <https://www.gov.uk/government/publications/tax-on-cryptoassets/cryptoassets-tax-for-businesses>



**Figure 8:**

Number of jurisdictions that allow digital assets to qualify for retirement savings schemes.



## PwC observations

- Most jurisdictions are trying to fit digital assets into existing capital gains tax regimes.
- There is very little guidance on how to treat the income arising from digital assets. In particular, the situations when withholding may or may not be required are not clear. In many cases, when transactions take place on a Blockchain, the mechanisms for the collection of withholding taxes and/or making tax treaty claims for the reduction of withholding tax are not yet developed. More clarity in this area is needed. In fact ironically – some form of Blockchain solution allowing tax payers to validate their tax residency information/attributes to parties that would not otherwise have the means of independently validating this information could actually be a natural solution to this problem.
- Investment products are coming to market in spite of a lack of regulatory guidance and clarity. This poses a challenge to both providers and customers in understanding their associated compliance requirements.



# Indirect tax on the trading and exchange of digital assets

## Indirect tax

### VAT/GST

Governments with a VAT/GST regime in place would typically consider cryptocurrency and related transactions to be within that taxing regime.

In the European Union (EU), the VAT treatment of key exchange transactions was established in 2014. EU tax authorities issued guidance in response to a case taken to the European Court of Justice concerning the VAT liability of exchange transactions.

However, there continue to be variations between all jurisdictions on the level and breadth of guidance issued by tax authorities across the jurisdictions surveyed. In many cases, the available guidance has not kept pace with industry development and does not consider newer token types, such as security or utility tokens, or complex transactions.

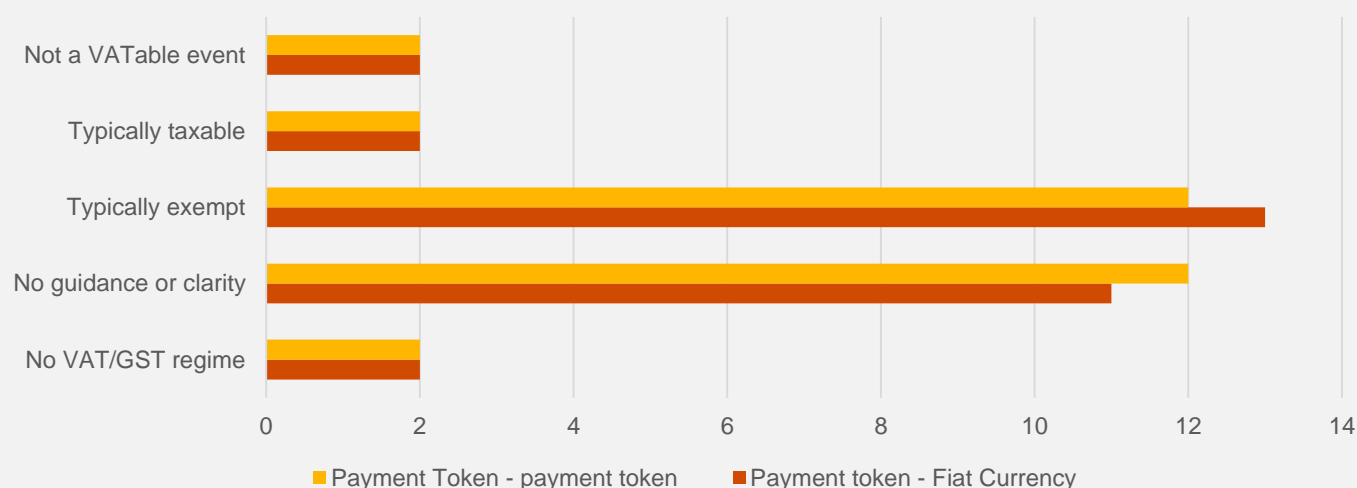
The lack of comprehensive guidance, together with increased complexity and diversity in the digital assets supply chain, makes it difficult for suppliers, purchasers, intermediaries and other trading infrastructure service providers to determine the VAT liability of their services — particularly where these are supplied cross-border.

Complications also arise between the contrasting direct and indirect treatment of cryptocurrency exchange transactions. For example, within indirect tax, the trading/exchange of cryptocurrency for fiat or another cryptocurrency is often seen as akin to a transaction in money or securities. In many jurisdictions this leads to the application of the financial services VAT exemption, meaning that the exchange does not need to charge VAT to its customers. But this also means that it is not possible to reclaim input VAT.

However, for crypto-to-crypto trades involving utility tokens (especially relevant given that many utility token trading pairs offered on exchanges are with Bitcoin or Ethereum), the position is much less certain and there is little guidance on how the VAT rules in most jurisdictions should be applied.

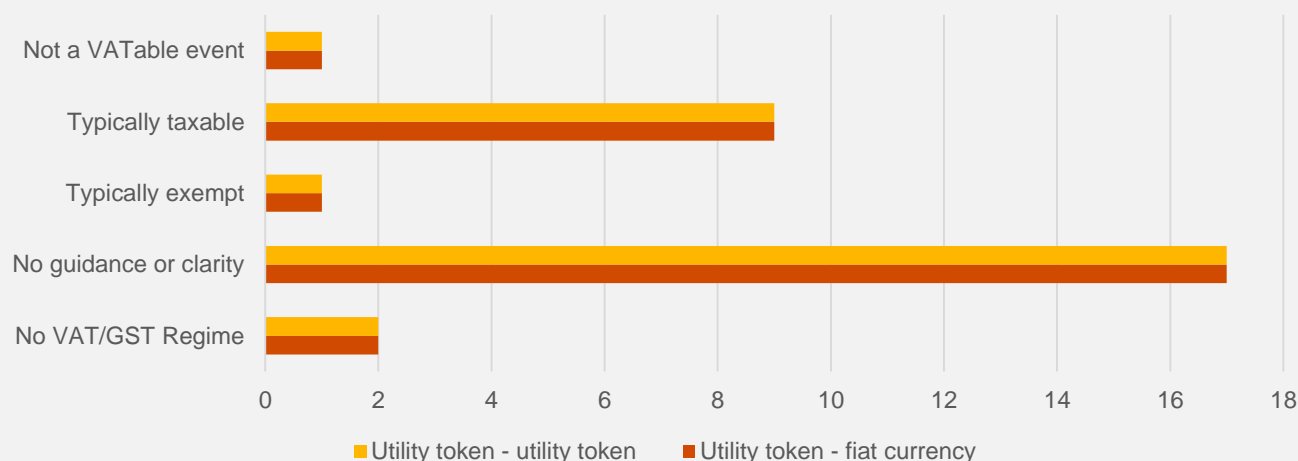
Figure 9:

VAT/GST treatment of the exchange of payment tokens between a buyer and seller located in same jurisdiction.



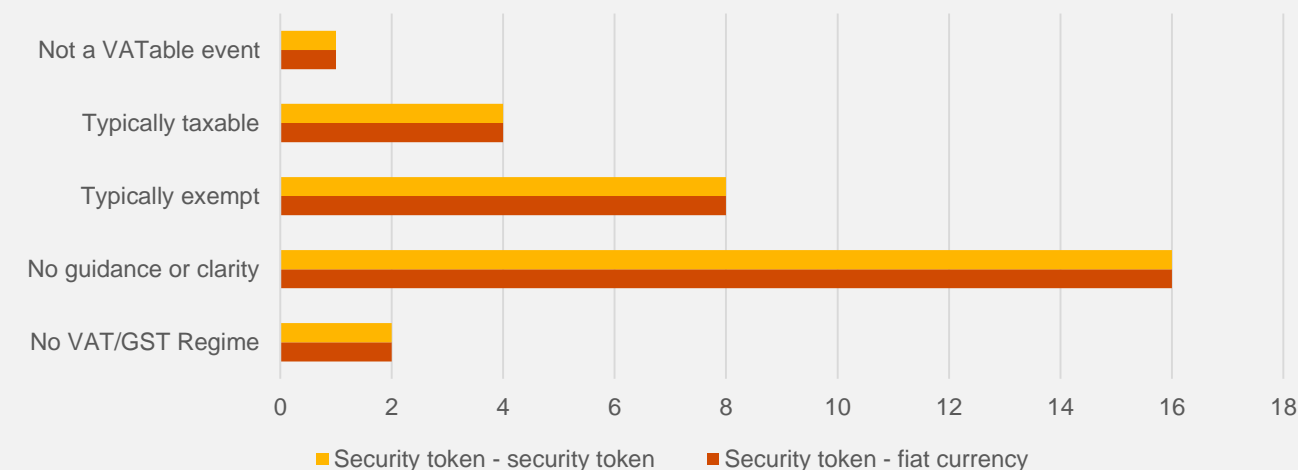
**Figure 10:**

VAT/GST treatment of the exchange of utility tokens between a buyer and seller located in same jurisdiction.



**Figure 11:**

VAT/GST treatment of the exchange of security tokens between a buyer and seller located in same jurisdiction.



## US Sales Tax

In the United States, there is a lack of guidance on the application of U.S. sales and use tax to cryptocurrency and related transactions. Historically, U.S. sales and use tax has been limited to transactions involving tangible personal property and certain limited services as specifically defined by state taxing authorities. Although most states provide a definition of “digital goods”, the scope of this definition does not generally contemplate cryptocurrency.

Few state jurisdictions have issued guidance on the taxability of cryptocurrency, and the limited guidance issued by state jurisdictions generally only contemplates payment tokens. For example, in 2018, Minnesota released a statement summarizing the state’s position that, with respect to sales tax, payment tokens are considered another form of currency and are not otherwise subject to tax. Similarly, in 2019, Washington released a statement regarding bitcoin transactions. The statement did not consider the actual application of sales tax to payment tokens. However, it implied that the state considered payment tokens to be consideration for a transaction, as opposed to a taxable product or service.

State jurisdictions have yet to issue guidance with respect to utility or security tokens. There is uncertainty as to whether the state jurisdictions will consider these tokens to be intangibles or if they will look-through to the underlying assets.

## Stamp/transaction taxes

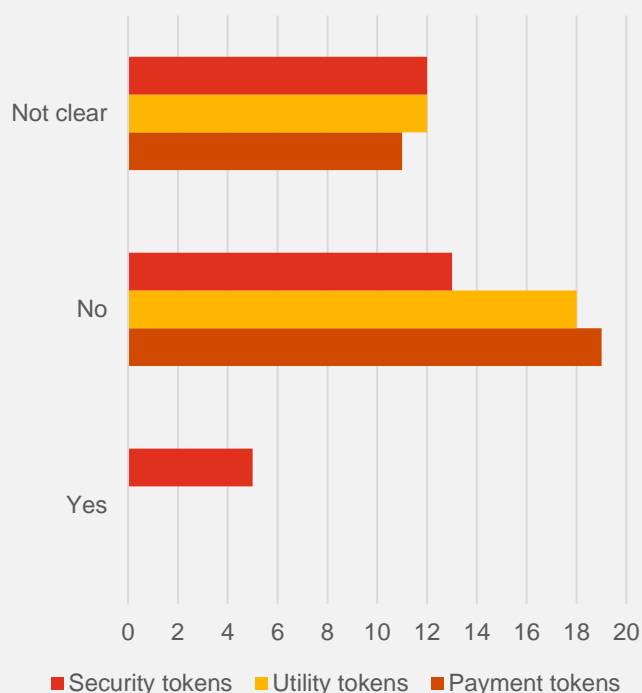
Stamp duties and transactions taxes are a type of indirect tax which may be levied by governments on certain transactions that involve the transfer of certain types of property — for example, real estate or shares.

Compared to payment and utility tokens, securities tokens present a unique consideration in terms of stamp/transaction taxes in that their transfer may attract stamp duty charges.

To the extent that security tokens meet the definition of a “security”, jurisdictions including Taiwan, Switzerland and Hong Kong many expect them to attract stamp duty/securities transaction tax on trading in certain circumstance. In July 2019, Taiwan’s Financial Supervisory Commission (FSC) officially defined security tokens fulfilling certain criteria as a type of security under the Securities and Exchange Act, and thus they are subject to securities transaction tax (STT).

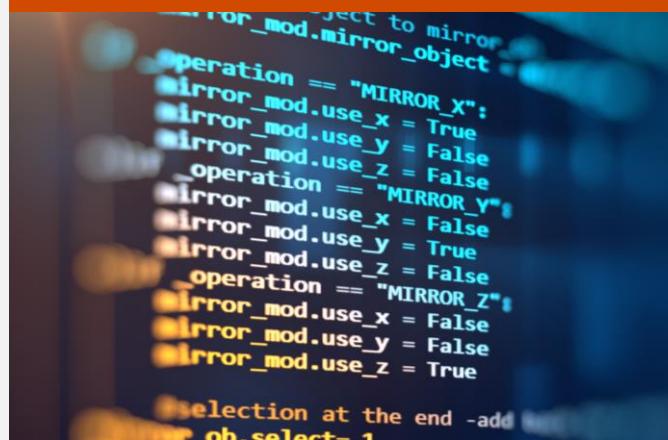
**Figure 12:**

**Does your jurisdiction charge stamp duty or any other form of transactions tax on the trading of the following?**



## PwC observations

- Guidance from tax authorities remains limited to straightforward transactions (i.e. trading of payment tokens for payment tokens or fiat) and has not kept up with industry developments.
- Indirect tax considerations arise not just on the seller/buyer in a trade or exchange transaction, but will also concern intermediaries and support service providers in the supply chain.
- Those in the supply chain will find it difficult to determine a single tax treatment for a supply, as it differs by jurisdiction or is simply unpublished. While certain exemptions are currently available for transactions in cryptocurrency, this is by no means certain and could on occasion give rise to the application of VAT.
- There is very little guidance on the application of stamp duties and transactions taxes to digital assets. However, in some cases such taxes may apply depending on the situation and the nature of the underlying asset (particularly if this is deemed to be a security under local law).





# Token issuance

An Initial Coin Offering (ICO) or token sale is an event in which a new cryptocurrency project sells tokens in exchange for money or crypto-assets such as Bitcoin or Ethereum. ICOs provide a way for cryptocurrency project creators to raise money for their operations. They came to prominence in 2017 and early 2018 but have since become far less common as a means of raising capital — primarily due to increased regulatory scrutiny.

In recent years, there has been increased interest in regulated security token issuances, which are still in their infancy. In addition, we are also seeing some tokens issued via so-called Initial Exchange Offerings (IEOs). IEOs are seen as less risky than ICOs as the token sale is conducted via a trusted platform (usually an exchange) that can perform due diligence on the project team. This helps reduce the risk of fraud, provides a trusted customer interface through which the associated token is purchased and brings AML/KYC benefits.

From a tax perspective, the treatment of the proceeds from a token sale will largely depend on the nature of the token being sold — for example whether the token is a payment token, utility token or security token. Tax issues that need to be considered in a token sale can include:

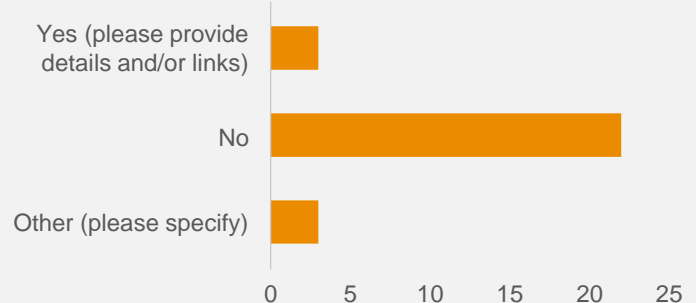
1. The taxability and timing of taxation on the sales proceeds for direct income tax purposes;
2. VAT issues associated with the sale of tokens; and
3. Employment-related and payroll tax issues when granting tokens to project team members as remuneration.

## Direct tax implications

While token sales came to prominence in 2017, there is still a lack of clear guidance in the area from most jurisdictions. The majority of survey participants responded that tax authorities have not issued guidance on the taxation of ICOs.

**Figure 13:**

**Have tax authorities in your jurisdiction issued guidance on the taxation of ICOs?**



While there has been relatively little formal guidance issued, our survey respondents indicated that a majority of jurisdictions would expect the income arising from the ICO of a utility token to be taxable. There are some differences between jurisdictions in terms of expected timing of taxation (e.g. cash basis or accruals basis).

Conversely most expect the tax treatment of a security token sale to depend on how the token that is being issued is characterised — i.e. as debt, equity or property — all of which will have different tax consequences for both issuers and holders. It should also be noted that even fewer jurisdictions have issued comprehensive guidance on the taxation of security token issuances to date.

For utility tokens, most respondents expect the tax point to be determined based on accounting principles. This is helpful if the token sales proceeds are considered to be deferred revenue and are taken to the profit and loss account at the same time that the utility of the token is realised. In addition to deferring the tax point, such a treatment would also assist in ensuring that tax deductions for the build out of the project have a maximum chance of being deductible.

In our experience, taxing the proceeds of an ICO on a cash basis can be problematic. ICOs are often carried out to fund future development work and thus paying tax on a cash basis is likely to cause difficulties in obtaining tax deductions for future expenses.

## Indirect tax

Guidance by tax authorities on the indirect tax treatment of token issuance is sparser than that available for token trading or exchange.

Existing tax rules are expected to apply depending on the type of token issued. The issuance of a payment token is not likely to be taxed if it is treated as analogous to the issue of a security.

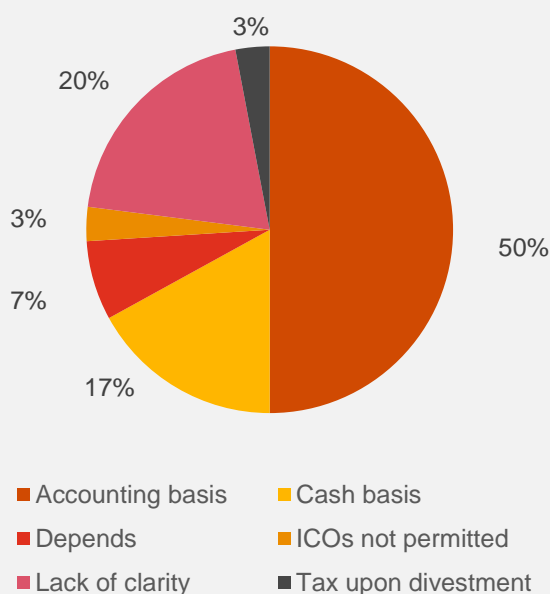
The indirect tax treatment of the issuance of security and utility tokens will be determined by the security, or rights to goods/services represented by the token.

The taxation of utility tokens is particularly unclear, as it will depend on the (level of) rights awarded to the token holder. Several jurisdictions believe that if the token affords the holder the same rights as a voucher, those rules (which mainly affect when VAT is due) may apply.

Uncertainty for the issuer of the VAT liability may also affect their ability to recover VAT incurred on the costs of the issue. This can be a problematic area — a number of projects have ended up with large unintended VAT liabilities.

**Figure 14: Expected taxation point for a utility token sale**

### Expected application of tax rules to ICOs



## PwC observations

- There is relatively little guidance published on the taxation of token sales. However, generally it should be assumed that token proceeds will be taxable in most jurisdictions, although there may be differences in the timing of taxation.
- VAT on the sale of utility tokens can be a complex area, for which there is very little guidance or precedent to date.





# Tax reporting

Tax information reporting is often an important tool for tax authorities to manage tax compliance within their jurisdiction. The quality of the information obtained by tax authorities is dependent on third parties collecting accurate information.

Blockchain transactions create both challenges and opportunities for tax authorities: On the one hand, all the transaction data is publicly available and visible to anybody that has the technology to review the audit trail stored on the ledger. This would definitely not be the case in an off-chain environment. However, on the other hand, there is often little information on the identity of the users/wallet holders — although this can sometimes be determined with a bit of detective work and forensics.

Digital asset transactions pose unique compliance challenges to tax authorities that are heavily reliant on self-assessment to collect tax. This is because of the relative anonymity with which transactions in many crypto assets can be performed.

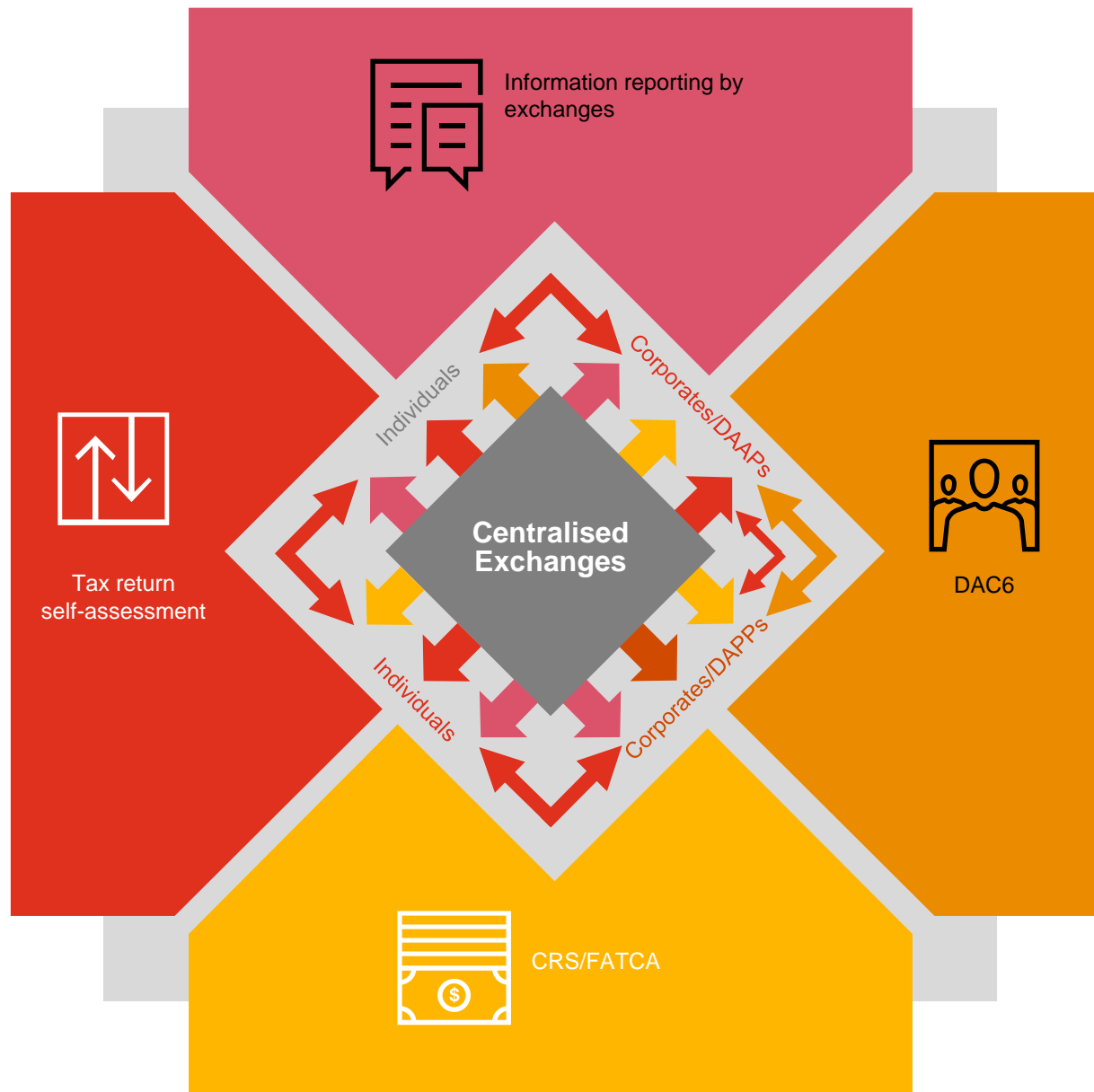
Currently, there are two global third-party information reporting requirements that apply broadly to financial transactions.

The Foreign Account Tax Compliance Act (known as FATCA) requires US and non-US financial institutions to report payments and balances received and maintained by certain US account holders.

The Common Reporting Standard (CRS) is the other tax information reporting requirement. It applies to non-US financial institutions and requires reporting on payments and balances received and maintained by account holders that are resident in participating jurisdictions. The OECD sets the broad requirements for CRS, with each jurisdiction implementing conforming legislation and regulations. Historically, digital assets (earnings, balances etc.) have not been included in either FATCA or CRS information reporting obligations. However, this is changing quickly — a number of tax reporting requirements have recently been enacted or are in the pipeline which will give tax authorities significantly more information about the identity and tax residence of wallet holders.



**Figure 15: Tax reporting implications will depend on the counterparties to a transaction**



The exact requirements for reporting and who has the reporting obligation depends on the facts and circumstances of the transaction. For example, individuals transacting peer to peer may have no formal reporting requirements other than to disclose the relevant income/gains in their tax returns. However, there may be different requirements placed on intermediaries such as exchanges, as well as on wallet providers and custodians. These different aspects of reporting are summarised in the diagram above.

Specific examples of reporting requirements include:

- For transactions where one party is carrying on a business in the EU, the EU Directive on Administrative Cooperation (DAC) 6 may apply. DAC6 imposes mandatory reporting for cross border transactions by taxpayers and intermediaries to the tax authorities if those transactions have certain hallmarks. It also mandates the automatic exchange of information among EU member states. Transactions in crypto assets may trigger some of these hallmarks particularly in circumstances where the intermediary has reason to believe the transaction in question is a cross-border one resulting in a tax benefit.

- **CRS** — While we have seen evidence of some exchanges gathering CRS related information, it does not appear to be common practice currently. However, there is also a large proportion of the industry where the application of the rules in their current form do not appear to apply and/or their jurisdiction is unclear. Therefore, many exchanges have decided not to incur the administrative burden of reporting. Because of this, the OECD is currently looking at how to expand CRS to cover virtual asset service providers, including digital asset exchanges. However, details of exactly how, and what will be caught, as well as the timing of any changes, are not currently publicly available.
- **FATCA** — imposes rigorous reporting, withholding and compliance requirements on entities registered on the Internal Revenue Service (IRS) Foreign Financial Institution (FFI) list. FATCA is imposed on FFIs and US financial institutions that have custody of assets belonging to US taxpayers. The US IRS has published guidance that crypto assets are treated as undifferentiated property. FATCA reporting is often conditioned on the relevant account holders holding cash or financial assets. If FATCA is changed to apply to digital assets, some companies may be required to register with the IRS and comply with FATCA requirements.
- Some recent developments identified with respect to reporting include:
  - **The United States** — there are tax information reporting and withholding obligations imposed under the US Income Tax Code. These requirements follow general income tax concepts that apply broadly to certain transactions and payees. These requirements are not specific to the unique characteristics of crypto assets. In 2019, the US IRS indicated that it is formulating specific tax information reporting and withholding obligations that will apply broadly to crypto assets. This forthcoming guidance is expected to focus on gross proceeds reporting from transactions engaged in by certain US payees.
  - **Taiwan** — in July 2019, Taiwan issued comprehensive reporting requirements for crypto exchanges conducting trading in securities tokens. In the same month, Taiwan's FSC officially defined security tokens fulfilling certain criteria as a type of security under the Securities and Exchange Act. However, for the exchange and management of a digital wallet for other forms of digital assets (e.g. payment tokens/utility tokens), it is not yet clear if these would be defined as financial assets. Consequently, so far there is no guidance as to whether these would be subject to CRS reporting requirements.
  - **Korea** — in July 2020, Korea announced new rules requiring local exchanges to withhold 20% tax on all crypto-currency trading gains.

## PwC observations

- Currently, most tax authorities rely on voluntary self-assessment and reporting of income tax liability. In order to maintain compliant tax systems, tax authorities often rely on third-party tax information reporting and, potentially, withholding. Specific third-party tax information reporting on crypto asset transactions is not currently required by most tax authorities, but more jurisdictions are introducing requirements.
- The introduction of CRS rules targeted at crypto exchanges, and additional requirements being implemented in the US, will likely be a game changer, as this is expected to provide tax authorities with the identity and tax residence of the customers of the digital asset exchanges that will be required to report. When combined with the transaction level data that are already publicly available on many public Blockchains, this is likely to give tax authorities significantly greater visibility of the trading activities of market participants that are within their tax jurisdiction and has the potential to greatly enhance tax enforcement.



# Summary and conclusions

Digital assets have several characteristics that make them unique from a taxation perspective and therefore worthy of consideration, as existing tax rules have not typically been developed with digital assets in mind.

This paper shows that significant work has been done over the last few years by tax authorities to provide guidance to taxpayers. However, we have also observed that the guidance that has been issued has not kept up to date with recent developments in the industry.

What this means is that those businesses that are pushing the boundaries of the technology to explore new business models — especially those that transcend national boundaries — are often faced with significant tax uncertainty. They will have to go back to first principles and predict the likely reaction of policy makers and tax authorities in 3-4 years time. This can be very difficult for a start-up organisation.

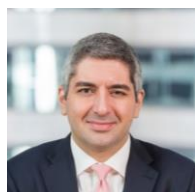
Given the rate of change in the industry, as well as the breadth of applications for digital financial assets, it will be important that future guidance issued is principles-based and not overly prescriptive. This will avoid the guidance becoming out of date before it's released and prevent tax from holding back the development of exciting new business models that may not yet be conceived by policy makers. In addition, given the fact that business models in this industry are so international and that there is a relatively clean slate to work from when it comes to tax and Blockchain, there is definitely a role for policy coordination between tax authorities.

## Key contributors

Editorial team:



Peter Brewin | Tax  
Tel: +852 2289 3650  
p.brewin@hk.pwc.com



Henri Arslanian | Global Crypto Leader  
Tel: +852 2289 2490  
henri.arslanian@hk.pwc.com



Mazhar Wani | Tax  
Tel: +1 (415) 515 4451  
mazhar.wani@pwc.com



Nadia Fediaeva | Tax  
Tel: +852 2289 8842  
nadia.fediaeva@hk.pwc.com

Individual PwC member firm contributors from each jurisdiction are listed in the Appendix.



# Appendix — Selected Survey results by jurisdiction and PwC contacts

## Argentina

Direct Tax	
Guidance issued	Yes
Link & Other comments	N/A
How are Digital Asset tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Their own asset class (e.g., Crypto-asset)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	FIFO

Indirect Tax	
Guidance issued	No guidance
Link & Other comments	N/A

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
Typically exempt	No guidance/clarity	Typically exempt

## Contacts

### Ignacio Rodríguez

Partner  
PwC Argentina  
Tel: +54 11 4850 6714  
ignacio.e.rodriguez@pwc.com

### Juan José Glusman

Senior Associate  
PwC Argentina  
Tel: +54 11 4850 0000  
juan.jose.glusman@pwc.com

### Juan Manuel Magadan

Director  
PwC Argentina  
Tel: +54 11 4850 6847  
juan.manuel.magadan@pwc.com

### Francisco Puncini

Associate  
PwC Argentina  
Tel: +54 11 4850 0000  
francisco.puncini@pwc.com

### Mauricio Mesas

Senior Manager  
PwC Argentina  
Tel: 54 11 4850 0000 ext. 4912  
mauricio.mesas@pwc.com

# Australia

Direct Tax	
Guidance issued	Yes
Link & other comments	Non-binding guidance has been issued by the Australian Tax Office (ATO). In addition, 3 Taxation Determinations were released in 2014 with respect to the treatment of bitcoin for specific parts of the Australian tax legislation. <a href="https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-bitcoin/">https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-bitcoin/</a>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Dependent on the features of the token - for token raises typically treated as equity interests akin to shares; otherwise for cryptocurrency businesses, tokens are treated as trading stock.
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance from the ATO so in practice this is subject to taxpayer discretion.

Indirect Tax		
Guidance issued	Yes	
Link & other comments	<a href="https://www.ato.gov.au/business/gst/in-detail/your-industry/financial-services-and-insurance/gst-and-digital-currency">https://www.ato.gov.au/business/gst/in-detail/your-industry/financial-services-and-insurance/gst-and-digital-currency</a>	
What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Exempt	Depends	Exempt

## Contacts

### Direct Tax

#### Sarah Hickey

Partner  
PwC Australia  
Tel: +61 417 311 860  
sarah.a.hickey@pwc.com

### Indirect Tax

#### Matthew Strauch

Partner  
PwC Australia  
Tel: +61 408 180 305  
matthew.strauch@pwc.com

# Canada

Direct Tax	
Guidance issued	Yes
Link & other comments	<p>To date, there is no federal or provincial tax legislation in Canada specific to crypto currencies or transactions involving crypto currencies. Additionally, the Canadian Department of Finance has not provided any indication as to when legislation may be forthcoming. Canada Revenue Agency ("CRA"), the agency responsible for administering taxes in Canada, has provided some administrative guidance on federal income tax considerations associated with crypto currencies, however the guidance is quite high level, and not particularly favorable to taxpayers.</p> <p><a href="https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency/cryptocurrency-guide.html">https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency/cryptocurrency-guide.html</a></p>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Commodity
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	<p>Determining the tax basis of digital assets will depend on whether they are considered inventory or capital property. If the cryptocurrencies are considered to be inventory, use one of the following two methods of valuing inventory consistently from year to year: (i) value each item in the inventory at its cost when it was acquired or its fair market value at the end of the year, whichever is lower (ii) value the entire inventory at its fair market value at the end of the year (generally, the price that you would pay to replace an item or the amount that you would receive if you sold an item). If the cryptocurrencies are considered to be capital property, the adjusted cost base (ACB) must be tracked, which is usually the cost of a property plus any expenses to acquire it, such as commissions and legal fees. Special rules can sometimes apply that will allow you to consider the cost of the capital property to be an amount other than its actual cost.</p>

Indirect Tax		What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Guidance issued	Yes			
Link & other comments	<p>On 17 May 2019, the Department of Finance released a set of draft legislative proposals relating in part to the application of GST/HST to digital assets. Based on proposed changes, digital assets that meet qualifying conditions will be considered as "virtual payment instruments" and "financial instruments". As such, their use, exchange or supply would generally qualify as a financial service. These proposed amendments would be deemed to have come into force on 18 May 2019.</p>	Payment Token	Utility Token	Security Token
		Depends	Depends	Typically exempt

## Contacts

### Direct Tax

**Spence McDonnell**  
 Partner  
 PricewaterhouseCoopers LLP  
 Tel: +1 416 869 2328  
[spence.n.mcdonnell@pwc.com](mailto:spence.n.mcdonnell@pwc.com)

**Ryan Hoday**  
 Director  
 PricewaterhouseCoopers LLP  
 Tel: +1 416 815 5226  
[ryan.w.hoday@pwc.com](mailto:ryan.w.hoday@pwc.com)

### Indirect Tax

**Brent Murray**  
 Partner  
 PricewaterhouseCoopers LLP  
 Tel: 416-947-8960  
[brent.f.murray@pwc.com](mailto:brent.f.murray@pwc.com)

**Mario Seyer**  
 Partner  
 PricewaterhouseCoopers LLP  
 Tel: 514-205-5285  
[mario.seyer@pwc.com](mailto:mario.seyer@pwc.com)



# Colombia

Direct Tax	
Guidance issued	Yes
Link & other comments	According to Ruling 20436 of 2017 of the Colombian Tax Office, cryptocurrencies are considered as assets where the owner is the user.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	FIFO, LIFO

Indirect Tax	
Guidance issued	Yes
Link & other comments	Ruling 20436 of 2017

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
Not a VATable event	Not a VATable event	Not a VATable event

## Contacts

### Carlos Chaparro

Partner  
PricewaterhouseCoopers SLT Ltda.  
Tel: +57 6340555  
carlos.chaparro@pwc.com

### Manuel Rubio

Tax Manager  
PricewaterhouseCoopers SLT Ltda.  
Tel: +57 6340555 ext. 10446  
manuel.rubio@co.pwc.com

# Denmark

Direct Tax	
Guidance issued	Yes
Link & other comments	In accordance with Danish tax legislation, bitcoins and other cryptocurrencies are considered ordinary assets subject to gains taxation provided that there is speculative intention (i.e. intent of re-sale). As a main rule the purchase of cryptocurrencies will be considered speculation from a Danish tax perspective.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Tangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	FIFO

Indirect Tax	
Guidance issued	Yes
Link & other comments	It is stated in the official VAT guideline from the Danish tax authorities that transactions to exchange the virtual currency for traditional currencies is VAT exempt with reference to the ECJ case C264/14

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
Typically exempt	No guidance/clarity	No guidance/clarity

## Contacts

### Lasse Jensen

Director  
PwC Denmark  
Tel: +45 24464570  
lasse.glyngo.jensen@pwc.com

### Alex Antonescu

Senior Manager  
PwC Denmark  
Tel: +45 29383374  
alexandru.a.antonescu@pwc.com

# France

Direct Tax	
Guidance issued	Yes
Link & other comments	Article 150 VH bis of the French tax code (FTC), Article 1649 bis C (reporting requirements), Article 41 duovicies J and K, Article 344 G decies and undecies, Appendix III of the French tax code.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	FIFO

Indirect Tax	
Guidance issued	Yes
Link & other comments	Administrative guidelines (BOI-RES-000054-20190807) on VAT applicable to ICOs

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
Typically taxable	Typically taxable	Typically taxable

## Contacts

### Direct Tax

#### Jessica Castro-Oudni

Director  
PwC Société d'Avocats  
Tel: +33 (0) 7 86 06 23 60  
jessica.castro-oudni@avocats.pwc.com

#### Virginie Louvel

PwC Société d'Avocats  
virginie.louvel@avocats.pwc.com

### Indirect Tax

#### Anne Christine Bossler

PwC Société d'Avocats  
anne-christine.bossler@avocats.pwc.com



# Germany

Direct Tax	
Guidance issued	Limited
Link & other comments	Statements have been issued by the government, which declare the aim to set rules for regulation of digital assets. There is also a statement by the federal ministry of finance on the regulation of digital assets. However, they do not yet imply tax rules.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	General opinion FIFO; other opinion average

Indirect Tax	
Guidance issued	27/02/2018
Link & other comments	N/A

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

### Dr. Mathias Link

Partner, Financial Services  
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft  
Office: +49 69 95856171  
Mobile: +49 15 163309968  
mathias.link@pwc.com

### Stefanie Latrovalis

Manager, Financial Services  
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft  
Office: +49 21 19817886  
Mobile: +49 17 15513164  
stefanie.latrovalis@pwc.com

# Gibraltar

Direct Tax	
Guidance issued	No
Link & other comments	
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	No clarity/guidance
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax		
Guidance issued	N/A	
Link & other comments	N/A	
What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No VAT/GST regime	No VAT/GST regime	No VAT/GST regime

## Contacts

### Patrick Pilcher

Partner, Tax  
PricewaterhouseCoopers Limited  
Direct: +350 20066842 Ext 309  
patrick.pilcher@pwc.com

### Luke Walsh

Director, Accounting Advisory Services  
PricewaterhouseCoopers Limited  
Direct: +350 20066842 Ext 205  
Mobile: +350 54008565  
luke.walsh@pwc.com

### Paul McGonigal

Senior Manager  
PricewaterhouseCoopers Limited  
Direct: +350 20066842 Ext. 303  
paul.mcgonigal@pwc.com

# Hong Kong S.A.R.

Direct Tax	
Guidance issued	Yes
Link & other comments	<a href="https://www.ird.gov.hk/eng/pdf/dipn39.pdf">https://www.ird.gov.hk/eng/pdf/dipn39.pdf</a>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Virtual Commodity
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance, but generally we would expect tax to follow the accounting treatment.

Indirect Tax	
Guidance issued	N/A
Link & other comments	N/A

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No VAT/GST regime	No VAT/GST regime	No VAT/GST regime

## Contacts

### Peter Brewin

Partner  
PricewaterhouseCoopers Limited  
Tel: +852 2289 3650  
p.brewin@hk.pwc.com

### Jesse Kavanagh

Partner  
PricewaterhouseCoopers Limited  
Tel: +852 2289 1100  
Jesse.Kavanagh@hk.pwc.com

### Tommy Hui

Senior Manager  
PricewaterhouseCoopers Limited  
Tel: +852 2289 3990  
tommy.hui@hk.pwc.com

### Gwenda Ho

Partner – Corporate Tax Services  
PricewaterhouseCoopers Limited  
Tel: +852 2289 3857  
gwenda.kw.ho@hk.pwc.com

### Jacqueline Yan

Senior Manager  
PricewaterhouseCoopers Limited  
Tel: +852 2289 3530  
jacqueline.yan@hk.pwc.com

### Philip Moralee

Senior Manager  
PricewaterhouseCoopers Limited  
Tel: +852 2289 3580  
philip.r.moralee@hk.pwc.com



# Ireland

Direct Tax	
Guidance issued	Yes
Link & other comments	Revenue Guidance: Taxation of cryptocurrency transactions (May 2018) <a href="https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-02/02-01-03.pdf">https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-02/02-01-03.pdf</a>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Guidance not definitive. While may not be a financial asset, treated similar to foreign currency.
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	FIFO for non-trading transactions, whereas transactions taxable as part of a trade are taxed in line with statutory financial statements.

Indirect Tax	
Guidance issued	Yes
Link & other comments	<a href="https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-02/02-01-03.pdf">https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-02/02-01-03.pdf</a>

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
Exempt	No guidance/clarity	No guidance/clarity

## Contacts

### Direct Tax

#### Antoinette Ryan

Director  
PwC Ireland  
Tel: +353 87 820 8669  
antoinette.ryan@pwc.com

#### Pat Convery

Director  
PwC Ireland  
Tel: +353 87 280 9810  
pat.convery@pwc.com

### Indirect Tax

#### Emma O'Dea

Partner  
PwC Ireland  
Tel: +353 87 292 6795  
emma.odea@pwc.com

#### Avril McDowell

PwC Ireland  
Tel: +353 85 102 8381  
avril.mcdowell@pwc.com

# Italy

Direct Tax	
Guidance issued	Other
Link & other comments	The Italian tax authority released several tax rulings addressing specific cases. Only two of them have been published. The first ruling published in 2016 refers only to bitcoin transactions and leverages on the European Court of Justice position. Accordingly, it qualifies bitcoin as foreign currencies and extends to bitcoin the Italian tax rules provided for this case. The second ruling published in 2018 deals with the tax issues generated by the issuance through an initial coin offering and the assignment of an utility token.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	For individual direct taxation - Payment tokens (bitcoin and similar) are assimilated and treated as foreign currencies (according to and following the conclusions reached by the ECJ in C-264/14).  For corporate direct taxation - the qualification should depend on accounting standards but it is uncertain.
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	For individuals - No guidance has been provided, so general rules should be applicable. The taxable basis depends on the type of the tokens.  For corporates - No guidance has been provided, so general rules should be applicable. The taxable basis is determined through tax adjustments to the accounting value.

Indirect Tax	
Guidance issued	Yes
Link & other comments	Resolution no. 72/E of 2 <sup>nd</sup> September, 2016

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

### Direct Tax

#### Dario Sencar

Partner  
TLS Associazione Professionale di Avvocati e Commercialisti  
Direct: +39 02 91605038  
Mobile: +39 346 1368643  
dario.sencar@pwc.com

#### Giovanni Falsitta

Director  
PwC TLS Avvocati e Commercialisti  
Direct: +39 02 91605253  
Mobile: +39 348 1565354  
giovanni.falsitta@pwc.com

### Indirect Tax

#### Alessia Angela Zanatto

Partner  
PwC TLS Avvocati e Commercialisti  
Direct: +39 02 91605728  
Mobile: +39 3480010291  
alessia.zanatto@pwc.com

#### Luca Lavazza

Partner  
PwC TLS Avvocati e Commercialisti  
Direct: +39 02 91605701  
Mobile: +39 349 6509210  
luca.lavazza@pwc.com

# Japan

Direct Tax	
Guidance issued	Yes
Link & other comments	FAQ in 2017, updated FAQ in 2018 and 2019, tax reform in 2019 FAQ, Income Tax Law, Corporation Tax Law, tax reform in March 2019 on individual income taxation and corporate taxation.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Their own asset class (e.g., Crypto-asset)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	Coins are pooled with base cost taken as average

Indirect Tax	
Guidance issued	Yes
Link & other comments	Consumption Tax Law

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Not a taxable event	No guidance/clarity	No guidance/clarity

## Contacts

### Kenji Nakamura

Partner, Financial Services & Real Estate

PwC Tax Japan

Tel: + 81 (0) 3 5251 2589

kenji.nakamura@pwc.com

# Liechtenstein

Direct Tax	
Guidance issued	Yes
Link & other comments	<a href="https://www.llv.li/files/online/eschalter/Dokument-3212.pdf">https://www.llv.li/files/online/eschalter/Dokument-3212.pdf</a> <a href="https://www.llv.li/files/online/eschalter/Dokument-3160.pdf">https://www.llv.li/files/online/eschalter/Dokument-3160.pdf</a>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	Income from wealth is exempt from income tax for individuals, however subject to wealth tax.

Indirect Tax		
Guidance issued	Yes	
Link & other comments	N/A	
What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Typically exempt	Typically taxable	Typically exempt

## Contacts

### Martin A Meyer

Partner  
PricewaterhouseCoopers AG  
Office: +41 58 792 42 96  
Mobile: +41 79 348 36 13  
martin.meyer@ch.pwc.com

### Yves Stadler

Senior Manager, Tax and Legal Services  
PricewaterhouseCoopers AG  
Office: +41 58 792 7455  
Mobile: +41 76 570 0509  
yves.stadler@ch.pwc.com



# Luxembourg

## Direct Tax

Guidance issued	Yes
Link & other comments	The circular of the Luxembourg tax authorities dated 26 July 2018 essentially provides that virtual currencies, like Bitcoin, should be seen as intangible assets for Luxembourg tax purposes and should be taxed accordingly. Circular dated 26 July 2018 from the Luxembourg tax authorities: <a href="https://impotsdirects.public.lu/dam-assets/fr/legislation/legi18/circulaireLIR14-5-99-3-99bis-3du26072018.pdf">https://impotsdirects.public.lu/dam-assets/fr/legislation/legi18/circulaireLIR14-5-99-3-99bis-3du26072018.pdf</a>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	The average weighted acquisition cost method is a default method applicable only where the tax payer cannot establish the acquisition date of the asset accurately. Long-term capital gains (more than 6 months) derived by individuals from the disposal of digital assets are exempt from income tax in Luxembourg provided certain conditions are met. Capital gains derived by certain Luxembourg corporate entities from the disposal of digital assets are exempt from income tax and net wealth tax in Luxembourg provided certain conditions are met.

## Indirect Tax

Guidance issued	Yes
Link & other comments	The Luxembourg VAT authorities published a circular letter on 11 June 2018 following the Hedqvist case from the Court of Justice of the EU. The Luxembourg VAT authorities confirmed that the VAT exemption applicable to fiat as per article 135, 1, e of the VAT directive was also applicable to digital currency such as bitcoins, provided that these digital currencies can only be used for payment and are considered as an alternative to a legal tender.

## What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?

Payment Token	Utility Token	Security Token
Typically exempt	No guidance/clarity	No guidance/clarity

## Contacts

### Frederic Wersand

Partner  
PwC Luxembourg  
Office: +352 49 48 3111  
frederic.wersand@lu.pwc.com

### Marc Meurant

Director, Direct Tax  
PwC Luxembourg  
Office: +352 49 48 3348  
marc.meurant@lu.pwc.com

# Malta

Direct Tax	
Guidance issued	Yes
Link & other comments	<p>The Maltese Commissioner for Revenue issued guidelines on the Income Tax Treatment of transactions or arrangements involving DLT assets:</p> <p><a href="https://cfr.gov.mt/en/inlandrevenue/legal-technical/Documents/Guidelines%20-%20DLTs%20Income%20tax.pdf">https://cfr.gov.mt/en/inlandrevenue/legal-technical/Documents/Guidelines%20-%20DLTs%20Income%20tax.pdf</a></p>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	<p>The classification of an asset does not determine the direct tax treatment. Having said this, the tax treatment of digital asset payment tokens is identical to the tax treatment of transactions involving fiat currencies.</p>
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax	
Guidance issued	Yes
Link & other comments	<p><a href="https://cfr.gov.mt/en/vat/guidelines_to_certain_VAT_Procedures/Documents/Guidelines%20-%20DLTs%20VAT.pdf">https://cfr.gov.mt/en/vat/guidelines_to_certain_VAT_Procedures/Documents/Guidelines%20-%20DLTs%20VAT.pdf</a></p>

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
Typically exempt	Typically taxable	Typically exempt

## Contacts

### Mirko Rapa

Partner  
PwC Malta  
Tel: +356 2564 6738  
mirko.rapa@pwc.com

### Michael Borg

Senior Manager  
PwC Malta  
Tel: +356 2564 2427  
michael.borg@pwc.com

# Netherlands

Direct Tax	
Guidance issued	Yes
Link & other comments	May 28, 2018 ( <a href="https://www.rijksoverheid.nl/documenten/kamerstukken/2018/05/28/beantworing-vragen-vaste-cie-financien-fiscale-aspecten-cryptovaluta">https://www.rijksoverheid.nl/documenten/kamerstukken/2018/05/28/beantworing-vragen-vaste-cie-financien-fiscale-aspecten-cryptovaluta</a> ), November 30, 2017 ( <a href="https://www.ndfr.nl/NTFR/Details/NTFR2017-2912">https://www.ndfr.nl/NTFR/Details/NTFR2017-2912</a> ), August 1, 2013 ( <a href="https://www.ndfr.nl/NTFR/Details/NTFR2013-1520">https://www.ndfr.nl/NTFR/Details/NTFR2013-1520</a> ), March 20, 2014 ( <a href="https://www.ndfr.nl/NTFR/Details/NTFR2014-917">https://www.ndfr.nl/NTFR/Details/NTFR2014-917</a> ).
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Foreign exchange / currency
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	From a tax perspective, Crypto is classified as either stock or assets, which should be valued at the purchase price or the lower market value (in case there is a substantial difference between purchase price and the lower market value).

Indirect Tax		Which of the following best describes VAT/GST on the exchange of Tokens between a buyer & seller both located in your jurisdiction?		
Guidance issued	No guidance			
Link & other comments				
		Payment Token	Utility Token	Security Token
		Typically exempt	Typically taxable	Typically exempt

Contacts	
<b>Direct Tax</b>  <b>Stan Berings</b> Partner PricewaterhouseCoopers Belastingadviseurs N.V. Tel: +31 (0) 88 7921156 stan.berings@pwc.com  <b>Kevin Dubbeld</b> Senior Associate PricewaterhouseCoopers Belastingadviseurs N.V. Tel: +31 (0) 88 7922643 kevin.x.dubbeld@pwc.com	<b>Indirect Tax</b>  <b>Edwin van Kasteren</b> Director PricewaterhouseCoopers Belastingadviseurs N.V. Tel: +31 (0) 61 0934258 edwin.van.kasteren@pwc.com  <b>Gijs van de Wouw</b> Senior Associate PricewaterhouseCoopers Belastingadviseurs N.V. Tel: +31 (0) 63 0021542 gijs.van.de.wouw@pwc.com

# Peru

Direct Tax	
Guidance issued	No
Link & other comments	N/A
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	No Clarity/Guidance
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax		
Guidance issued	No guidance	
Link & other comments	N/A	
What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

### Carlos Rodriguez Summers

Partner

PricewaterhouseCoopers\ Gaveglío Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada

Tel: +51 922 905 998

carlos.rodriguez.summers@pwc.com



# Philippines

Direct Tax	
Guidance issued	No
Link & other comments	N/A
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	The Philippines tax authority (BIR) has not yet issued any specific rules and regulations applicable to cryptocurrency (e.g., Bitcoin). Some interpretations however, treat cryptocurrency as property or assets and if the same is adopted by the BIR, there would be income tax consequences on the gain/loss upon sale/transfer or exchange of such assets.
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax	
Guidance issued	No guidance
Link & other comments	N/A

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

**Jaffy Azarraga**  
 Director  
 PwC Philippines  
[jaffy.y.azarraga@pwc.com](mailto:jaffy.y.azarraga@pwc.com)

# Singapore

Direct Tax	
Guidance issued	4/17/2020
Link & other comments	<a href="https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguide_CIT_Income%20Tax%20Treatment%20of%20Digital%20Tokens.pdf">https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguide_CIT_Income%20Tax%20Treatment%20of%20Digital%20Tokens.pdf</a>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	No Clarity/Guidance
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax	
Guidance issued	11/19/2019
Link & other comments	<a href="https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/e-Tax%20Guide_GST_Digital%20Payment%20Tokens.pdf">https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/e-Tax%20Guide_GST_Digital%20Payment%20Tokens.pdf</a>

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Typically exempt	Typically taxable	Typically exempt

## Contacts

### Rose Sim

Partner  
PwC Singapore  
Tel: +65 9623 9817  
rose.sim@pwc.com

### Seok Hong Seow

Director  
PwC Singapore  
Tel: +65 9816 0634  
seok.hong.seow@pwc.com

# South Africa

Direct Tax	
Guidance issued	Yes
Link & other comments	<p><a href="https://www.sars.gov.za/Media/MediaReleases/Pages/6-April-2018---SARS-stance-on-the-tax-treatment-of-cryptocurrencies-.aspx#:~:text=As%20such%2C%20cryptocurrencies%20are%20not,assets%20of%20an%20intangible%20nature.&amp;text=(i)%20A%20cryptocurrency%20can%20be,through%20so%20called%20%E2%80%9Cmining%E2%80%9D">https://www.sars.gov.za/Media/MediaReleases/Pages/6-April-2018---SARS-stance-on-the-tax-treatment-of-cryptocurrencies-.aspx#:~:text=As%20such%2C%20cryptocurrencies%20are%20not,assets%20of%20an%20intangible%20nature.&amp;text=(i)%20A%20cryptocurrency%20can%20be,through%20so%20called%20%E2%80%9Cmining%E2%80%9D</a></p> <p>As cryptocurrencies are neither official South African tender nor widely used and accepted in South Africa as a medium of payment or exchange, cryptocurrencies are not regarded by the South African revenue authority (SARS) as a currency for income tax purposes or capital gains tax. The tax treatment of any transaction must be considered on a case by case basis.</p>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Financial asset/security
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	FIFO

Indirect Tax	
Guidance issued	Yes
Link & other comments	VAT exempt financial service

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Typically exempt	Typically exempt	Typically exempt

## Contacts

### Asif Joosub

Associate Director  
PwC South Africa  
Tel: +27 (21) 529 2305  
asif.joosub@pwc.com

### Annemarié Janse van Rensburg

Senior Manager  
PwC South Africa  
Tel: +27 (71) 326 5925  
annemarie.janse.van.rensburg@pwc.com

# South Korea

Direct Tax	
Guidance issued	No guidance
Link & other comments	It is currently expected that the Korean government will announce tax laws to specifically deal with certain aspects of cryptocurrency transactions in the second half of 2020.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	No Clarity/Guidance
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax	
Guidance issued	No guidance
Link & other comments	N/A

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

**Changho Jo**  
 Partner  
 Samil PricewaterhouseCoopers  
 Tel: +822 3781 3264  
 changho.jo@pwc.com



# Sweden

Direct Tax	
Guidance issued	Yes
Link & other comments	<p>Guidance from the Swedish Tax Agency on 23 April 2014: <a href="https://www4.skatteverket.se/rattsligvagledning/327766.html">https://www4.skatteverket.se/rattsligvagledning/327766.html</a> and 24 April 2015 <a href="https://www4.skatteverket.se/rattsligvagledning/338713.html?date=2015-04-24&amp;q=mining">https://www4.skatteverket.se/rattsligvagledning/338713.html?date=2015-04-24&amp;q=mining</a></p> <p>Verdict from the Supreme Administrative Court of Sweden from 4 December 2018: <a href="https://www.domstol.se/globalassets/filer/domstol/hogstaforvaltningsdomstolen/avgoranden/2018/hfd-2018-ref.-72.pdf">https://www.domstol.se/globalassets/filer/domstol/hogstaforvaltningsdomstolen/avgoranden/2018/hfd-2018-ref.-72.pdf</a></p>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	According to case law they shall be treated as "other assets" for Swedish income tax purposes.
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	Coins are pooled with base cost taken as average.

Indirect Tax	
Guidance issued	Yes
Link & other comments	<p>Tax Agency guidelines for trading of crypto currency were issued in 2017, and later replaced by updated guidelines in 2018, see link: <a href="https://www4.skatteverket.se/rattsligvagledning/372981.html">https://www4.skatteverket.se/rattsligvagledning/372981.html</a>.</p> <p>Further, yet another update was published 7 July 2020: <a href="https://www4.skatteverket.se/rattsligvagledning/edition/2020.9/322322.html#update_20200629143346">https://www4.skatteverket.se/rattsligvagledning/edition/2020.9/322322.html#update_20200629143346</a></p>

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Typically exempt	No guidance/clarity	No guidance/clarity

## Contacts

### Direct Tax

#### Daniel Glückman

Partner  
PwC Sweden  
Tel: +46 729 80 91 77  
daniel.gluckman@pwc.com

#### Simon Jisander

Manager  
PwC Sweden  
Tel: +46 725 80 04 68  
simon.jisander@pwc.com

### Indirect Tax

#### Jesper Oberg

Partner  
PwC Sweden  
Tel: +46 725 84 95 53  
jesper.oberg@pwc.com

#### Jonas Fagerhäll

Senior Manager  
PwC Sweden  
Tel: +46 725 80 05 88  
jonas.fagerhall@pwc.com

# Switzerland

Direct Tax	
Guidance issued	Yes
Link & other comments	Working paper released regarding cryptocurrencies and ICOs, IITOs as a subset of income and profit tax, wealth tax, withholding tax and stamp duties.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Foreign exchange / currency
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax	
Guidance issued	Yes
Link & other comments	N/A

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Typically exempt	Typically taxable	Typically exempt

## Contacts

### Direct Tax

**Martin Burri**  
Senior Manager  
PricewaterhouseCoopers AG  
Tel: +41 58 792 45 00  
martin.burri@ch.pwc.com

### Indirect Tax

**Marcella Dzienisik**  
Senior Manager | VAT for financial services  
PricewaterhouseCoopers AG  
Tel: +41 58 792 4938  
marcella.dzienisik@ch.pwc.com

# Taiwan

Direct Tax	
Guidance issued	No guidance
Link & other comments	No guidance issued by the tax authority; however, according to regulator's position toward Bitcoin, it is deemed as "virtual commodity."
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax	
Guidance issued	No guidance
Link & other comments	Taiwan's FSC has officially defined security tokens fulfilling certain criteria as a type of securities under Securities and Exchange Act. According to the Article 1 & 2 of Securities Transaction Tax Act, trading of securities, with the exceptions of government-issued bonds, shall be subject to securities transaction tax (STT); the seller of securities shall pay STT for each transaction at 0.1%.

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
No guidance/clarity	Typically taxable	Typically taxable

## Contacts

### Jessie Chen

Partner  
PricewaterhouseCoopers Taiwan  
Tel: +886 2 2729 5360  
jessie.chen@pwc.com

### Yu-Chen Hu

Director  
PricewaterhouseCoopers Taiwan  
Tel: +886 2 2729 6666 #23634  
yu-chen.hu@pwc.com

### Ellen Kuo

Partner  
PricewaterhouseCoopers Taiwan  
Tel: +886 2 2729 6717  
ellen.kuo@pwc.com

### Alicia Wang

Manager  
PricewaterhouseCoopers Taiwan  
Tel: +886 2 2729 6666 #23132  
alicia.h.wang@pwc.com

# Thailand

Direct Tax	
Guidance issued	5/14/2018
Link & other comments	The Revenue Code (the main tax law in Thailand) was amended to include within the definition of “assessable income” (i) dividends/profits shares derived from ownership of digital tokens and (ii) capital gains derived from the transfer of digital tokens or currency.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax	
Guidance issued	No guidance
Link & other comments	N/A

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

**Paul Stitt**  
 Partner  
 PwC Thailand  
[paul.stitt@pwc.com](mailto:paul.stitt@pwc.com)



# Turkey

Direct Tax	
Guidance issued	No guidance
Link & other comments	N/A
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	No Clarity/Guidance
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No specific guidance

Indirect Tax		
Guidance issued	No guidance	
Link & other comments	N/A	
What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

### Direct Tax

#### Umurcan Gago

Partner  
PwC Turkey  
Office: +90 212 326 60 98  
Mobile: +90 533 309 60 21  
umurcan.gago@pwc.com

#### Deniz Agac

Manager  
PwC Turkey  
Office: +90 212 326 39 53  
Mobile: +90 533 457 8605  
deniz.agac@pwc.com

### Indirect Tax

#### Baris Dikici

Consultant  
PwC Turkey  
Office: +90 212 326 60 60  
Mobile: +90 531 930 4323  
baris.dikici@pwc.com

#### Ahmet Solmaz

Tax Technology Coordinator  
PwC Turkey  
Office: +90 212 326 6927  
Mobile: +90 506 827 5667  
ahmet.solmaz@pwc.com

# United Arab Emirates

Direct Tax	
Guidance issued	No guidance
Link & other comments	No guidance
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	No guidance
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No guidance

Indirect Tax		
Guidance issued	No guidance	
Link & other comments	N/A	
What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

**Darsha Murugan**  
 Senior Associate  
 PricewaterhouseCoopers  
 Tel: +971 54 793 3468  
 darsha.murugan@pwc.com

# United Kingdom

Direct Tax	
Guidance issued	Yes
Link & other comments	<a href="https://www.gov.uk/government/publications/tax-on-cryptoassets">https://www.gov.uk/government/publications/tax-on-cryptoassets</a>
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property (Intangible)
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	Coins are pooled with base cost taken as average.

Indirect Tax	
Guidance issued	Yes
Link & other comments	<a href="https://www.gov.uk/government/publications/tax-on-cryptoassets/cryptoassets-tax-for-businesses">https://www.gov.uk/government/publications/tax-on-cryptoassets/cryptoassets-tax-for-businesses</a>

**What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?**

Payment Token	Utility Token	Security Token
Typically exempt	No guidance/clarity	No guidance/clarity

## Contacts

### Direct Tax

#### Graham T Robinson

Partner  
PricewaterhouseCoopers LLP  
Tel: +44 (0)7725 707297  
graham.x.robinson@pwc.com

#### Nick Chouksey

Director  
PricewaterhouseCoopers LLP  
Tel: +44 (0)7841 803594  
nikhil.chouksey@pwc.com

### Indirect Tax

#### Andrew Millin

Director  
PricewaterhouseCoopers LLP  
Tel: +44 (0)7887 833566  
andrew.g.millin@pwc.com

#### Helen Mellor

Senior Manager  
PricewaterhouseCoopers LLP  
Tel: +44 (0)7483 399289  
helen.mellor@pwc.com

# United States

Direct Tax	
Guidance issued	Yes
Link & other comments	Notice 2014-21, RR 2019-24
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	Property
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	FIFO, Specific cost

Indirect Tax	
Guidance issued	Yes
Link & other comments	For Sales Tax - see multiple states such as New York, California, Texas, Colorado, Wyoming, Ohio, New York

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
Typically exempt	No guidance/clarity	No guidance/clarity

Contacts			
Overall	Direct Tax	Indirect Tax	Information Reporting
<b>Mazhar Wani</b> Partner PricewaterhouseCoopers LLP Tel: +1 (415) 515 4451 mazhar.wani@pwc.com	<b>Rebecca Lee</b> Partner PricewaterhouseCoopers LLP Tel: +1 202 280 5721 rebecca.e.lee@pwc.com	<b>Dorothy Lo</b> Director PricewaterhouseCoopers LLP Tel: +1 415 652 7156 dorothy.lo@pwc.com	<b>Candace Ewell</b> Partner PricewaterhouseCoopers LLP Tel: +1 202 280 9278 candace.b.ewell@pwc.com

# Vietnam

Direct Tax	
Guidance issued	No guidance
Link & other comments	Crypto assets are not legal in Vietnam so no tax guidance exists.
How are Digital Asset payment tokens (e.g. Bitcoin) classified for the purposes of determining their direct tax treatment	No Clarity/Guidance
Does your jurisdiction have any guidance regarding tax basis/base cost determination for digital assets disposed of for income or capital gains tax purposes?	No guidance

Indirect Tax	
Guidance issued	No guidance
Link & other comments	N/A

What is the best description of the VAT/GST outcome on the exchange of fiat for payment, utility and security tokens between a buyer & seller both located in your jurisdiction?		
Payment Token	Utility Token	Security Token
No guidance/clarity	No guidance/clarity	No guidance/clarity

## Contacts

**Dinh Thi Quynh Van**  
 Partner  
 PwC (Vietnam) Limited  
 Tel: +84 2439462246  
 dinh.quynh.van@pwc.com



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