A COMPARATIVE REVIEW OF TAXATION POLICIES CONCERNING CRYPTOCURRENCIES

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ABSTRACT

Cryptocurrencies have emerged as a transformative force in the digital currency era, capturing the attention of investors, technologists, and policymakers worldwide. However, the taxation of cryptocurrencies presents a complex challenge for governments due to their decentralized nature and inherent anonymity. This article explores the evolving landscape of taxation policies for cryptocurrencies, examining how jurisdictions classify these assets and the implications for tax treatment. The article delves into the taxation practices of major economies, including the United States, the United Kingdom, Australia, Canada, Germany, Japan, China, and India.

Each country takes a unique approach to taxing cryptocurrencies, considering them as currencies, commodities, or assets. The United States treats cryptocurrencies as property, subjecting them to income tax and capital gains tax. The United Kingdom evaluates tax treatment on a case-by-case basis, while Australia applies capital gains tax to disposal of cryptocurrencies and income tax to exchange services and mining activities. Germany recognizes cryptocurrencies as financial instruments but recently ruled that crypto profits are taxable. Japan recognizes bitcoin as a digital payment method and taxes various crypto-related activities as miscellaneous income. China has banned initial coin offerings and cryptocurrency-related services but taxes profits from crypto investments. India imposes a flat income tax rate and a 1% TDS tax on cryptocurrency asset sales.

As the cryptocurrency market evolves, governments are working towards comprehensive taxation policies that balance innovation and regulation. Individuals and businesses must stay informed about tax regulations in their jurisdictions to ensure compliance and make informed financial decisions.

Keywords: Digital currency, Cryptocurrency, Bitcoin, Crypto assets, taxation, financial regulators.

Introduction

As the world delves deeper into the digital currency era, cryptocurrencies have emerged as a groundbreaking and transformative force. Bitcoin, Ethereum, and many other cryptocurrencies have captured the imagination of investors, technologists, and policymakers alike. However, as these digital assets continue to gain popularity and reshape traditional financial systems, governments around the globe are grappling with the complex issue concerning the taxation policies for such assets. Cryptocurrencies, with their decentralised nature and inherent anonymity, present a unique challenge for taxation authorities worldwide. this article intends to explore the evolving landscape of taxation policies concerning cryptocurrencies, seeking to shed light on the key considerations and approaches taken by various jurisdictions.

The article will examine the fundamental question of how cryptocurrencies are classified for taxation purposes. Are they be treated as currencies, commodities, or securities? The answer to this question has significant implications for the tax treatment of transactions involving cryptocurrencies, including income tax, capital gains tax, and sales tax. The decentralized nature of blockchain technology and the pseudo-anonymity of crypto transactions create hurdles in effectively tracking and taxing cryptocurrency-related activities.

As cryptocurrencies continue to revolutionise the financial landscape, governments are under increasing pressure to develop comprehensive taxation policies that accommodate this rapidly evolving sector. By understanding the nuances of tax policies surrounding cryptocurrencies, individuals and businesses can navigate this complex terrain with clarity and confidence**.** The article looks into the taxation practices of major economies.

Taxation Practices Adopted in Major Economies

In order to build a system that can govern cryptocurrencies, various laws have been adopted by major states worldwide. Multiple countries have adopted opposing positions, with some considering bitcoins as 'money' and thereby exempting tax charges, while others as 'asset' and 'capital property', Thereby charging capital gains tax. This section discusses practices adopted by prominent states.

United States

In the **United States**, the I.R.S. (Internal Revenue System), in its notice regarding the tax treatment of transactions involving cryptocurrency, notified that for federal tax purposes, virtual currency is treated as property which is similar to saying that it is treated like a stock and not as a currency that could generate foreign currency gain or loss.[1]

If an individual pays for services provided in crypto-currency, then the payment is subject to US income tax.[2] Noticeably, cryptocurrency obtained through mining is also considered to be income[3]. The IRS confirmed that new cryptocurrency received due to a hard fork, a permanent change to the rules of a digital currency's blockchain, is ordinary, taxable income.[4] In other words, if an individual receives new cryptocurrency coins due to a hard fork, the I.R.S. treats the value of those coins as regular income subject to taxation. If a taxpayer acquires cryptocurrency, the basis of the cryptocurrency is the price at which both transacting parties are willing to proceed with the transaction when it occurs.[5]

The I.R.S. has been diligently trying to find new ways to tax cryptocurrencies. It has asked Congress for additional statutory authority to examine cryptocurrency transactions for taxation purposes.[6] The I.R.S. has also opted for the route of courts for getting orders to uncover the identities of parties involved in high-value cryptocurrency transactions. A federal court had authorised the Internal Revenue Service (IRS) to issue a "John Doe Summons" on Kraken, a cryptocurrency exchange. This summons aimed to obtain the identities of U.S. taxpayers who have utilised cryptocurrency. Specifically, the IRS was interested in gathering information regarding taxpayers who

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[1] IRS, 'Revenue Procedure 2014-21' (Internal Revenue Service, 31 March 2014) https://www.irs.gov/pub/irs-drop/N-14-21.pdf. accessed 28 June 2023.
[2] Internal Revenue Service, 'Frequently Asked Questions on Virtual Currency Transactions' (IRS, 2022) <https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions> accessed 30 June 2023.
[3] Washington State Department of Revenue, 'Interim Statement Regarding Bitcoin Payments, Mining, and Investment Income' (D*OR,* 2015) <https://dor.wa.gov/interim-statement-regarding-bitcoin-payments-mining-and-investment-income> accessed 30 June 2023.
[4] Internal Revenue Service (n 2)
[5] Corporate Finance Institute. "Fair Market Value." Corporate Finance Institute, 2022, <https://corporatefinanceinstitute.com/resources/knowledge/accounting/fair-market-value/>. Accessed 30 June 2023.
[6] Carla Mozée "IRS Chief Asks Congress for More Authority to Regulate the Crypto Industry." (*Business Insider* India, 7 June 2021) <https://www.businessinsider.in/cryptocurrency/news/irs-chief-asks-congress-for-more-authority-to-regulate-the-crypto-industry/articleshow/83353090.cms>. Accessed 30 June 2023.

had engaged in cryptocurrency transactions amounting to a minimum of $20,000 between the years 2016 and 2020.[7]

The taxation regime in U.S. for cryptocurrencies is in an evolutionary stage. The present administration intends to frame a statutory policy for the taxation of crypto assets; however, its attempts have not yet succeeded. Due to a lack of support in Congress, the Biden administration could not pass a regulation taxing cryptocurrency assets at a rate of 20%.[8] It is highly likely that the US will be able to develop a regulatory framework in the near future as consensus regarding taxation policy begins to grow.

United Kingdom

In the **United Kingdom**, the His Majesty's Revenue & Customs (HMRC) has issued guidance on the U.K. taxation of cryptocurrency, asserting that the sector is "fast-moving and developing all the time."[9] This can be interpreted as saying that the tax treatment will vary with the volatility in the usage of cryptocurrencies. The HMRC will not be tied to any pre-set view of the required tax treatment and instead, be evaluated on a case-by-case basis.

According to HMRC's notice, the tax treatment for individuals and corporations will be different.[10] For businesses, since cryptocurrencies are not considered to be actual currencies, the corporate tax will not be applied to their exchanges.[11] Furthermore, the gains from a trading operation in exchange tokens would be part of its taxable trading income, as specified in the latest HMRC guidance.[12] The services rendered by cryptocurrency exchanges shall not be subjected to VAT, as it does not constitute an economic activity for the purposes of VAT, and there is no direct customer in the mining operation.[13] For individuals, two potential treatments for profits or dividends made on cryptocurrencies are noted in the guidance. According to that, trading profits will be subjected to income tax, and capital gains will be subjected to CGT. It should be noted that the guidance of HMRC is focused on its understanding of current tax laws that have not been built for crypto assets. Thus the tax laws might evolve over time as crypto-asset tax disputes are tested in the courts of law.[14]

UK is proactive in its approach towards figuring out more proper ways of taxing cryptocurrencies. Recently, A UK panel has recommended treating cryptocurrency trading like gambling, suggesting steep taxes on profits. The proposal aims to address the regulatory challenges posed by cryptocurrencies and bring them under existing gambling laws.[15]

Australia

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[7]Reuters "U.S. Court Authorizes IRS to Seek Identities of Taxpayers Who Have Used Cryptocurrency." (*Reuters*, 5 May 2021), <https://www.reuters.com/world/us/us-court-authorizes-irs-seek-identities-taxpayers-who-have-used-cryptocurrency-2021-05-05/>. Accessed 30 June 2023.

[8] Sander Lutz. "White House Tells Congress to Regulate Crypto." (*Decrypt,* 24 June 2021), <https://decrypt.co/120153/white-house-congress-crypto-regulations>. Accessed 30 June 2023.

[9] HM Revenue & Customs. "Cryptoassets for Individuals." (GOV.UK, 19 March 2021,) <https://www.gov.uk/government/publications/tax-on-cryptoassets/cryptoassets-for-individuals>. Accessed 30 June 2023.

[10] Ibid

[11] HM Revenue & Customs. "Cryptoassets Tax for Businesses." (GOV.UK, 19 March 2021), <https://www.gov.uk/government/publications/tax-on-cryptoassets/cryptoassets-tax-for-businesses>. Accessed 30 June 2023.

[12] HM Revenue & Customs. "Cryptoassets Manual." (GOV.UK, 19 March 2021), <https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto20250>. Accessed 30 June 2023.

[13] BDO. "How Cryptoassets Are Treated for Business Tax Purposes." (BDO United Kingdom, 2021), <https://www.bdo.co.uk/en-gb/insights/tax/corporate-tax/how-cryptoassets-are-treated-for-business-tax-purposes>. Accessed 30 June 2023.

[14] BDO. "How Cryptocurrencies Are Taxed for Individuals." (BDO United Kingdom, 2021), <https://www.bdo.co.uk/en-gb/insights/tax/private-client/how-cryptocurrencies-are-taxed-for-individuals>. Accessed 30 June 2023.

[15]Bloomberg feed. "Steep Taxes for Cryptocurrency Trading? UK Panel Recommends Treating It like Gambling." (*Livemint*, 28 December 2021), <https://www.livemint.com/market/cryptocurrency/steep-taxes-for-cryptocurrency-trading-uk-panel-recommends-treating-it-like-gambling-11684284460883.html>. Accessed 30 June 2023.

Similar to the U.K. and USA, considers cryptocurrency to be an asset rather than a currency.[16] Australia equates cryptocurrency transactions to an exchange of digital tokens, and thus they have similar tax consequences.[17] For individuals that pay for products or services in bitcoin, there would be no income tax or GST implications.[18] However, a capital gains tax (CGT) event may occur in case an individual is using bitcoin for investment business purposes and then disposes it, which shall be taxed accordingly.[19] In case of businesses, income tax would be charged on earnings from those businesses that offer an exchange service, purchase and sell digital currency or mine Bitcoin. [20]Businesses paying in Bitcoin would have the amount in assessable business revenue priced in Australian currency. Everyone trading for profit in digital currencies would also be expected to include earnings as part of their observable profits. When they supply digital currency, companies will charge GST and when they purchase digital currency, they will pay GST.[21]

Australia has been cautious in their approach in regulating cryptocurrency. Recently, a new crypto regulation bill was tabled in the Parliament called The Digital Assets and Products Bill. The bill seeked to establish clear guidelines and regulations for digital asset exchanges, custody providers, and stablecoin issuance in the country.[22] As discussions advance, Australia might see a comprehensive framework in the future.

Canada

In terms of tax treatment of cryptocurrencies, **Canada** has given guidelines that are along similar lines as Australia. Canada recognises digital currencies as a commodity for the purposes of income tax. As a consequence, the same rules as to digital token transactions apply to bitcoin transactions, akin to Australia.[23] Therefore, the seller pays income tax on the value of the products or services at the price it would have paid a third party when receiving cryptocurrency as a payment for goods or services in the usual course of business.[24] Similar to Australia, the tax consequences occur during the time of disposition of cryptocurrency. The income generated from disposing of cryptocurrency may be considered a capital gain or business income.[25]

Germany

One of the nations that is most supportive of cryptocurrencies is Germany. In **Germany**, the Bitcoin virtual currency has been recognised as a 'unit of account' by the German Ministry of Finance, meaning that it can be

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[16] Australian Taxation Office. "What Are Crypto Assets?" (AUSTRALIAN TAXATION OFFICE, 2021), <https://www.ato.gov.au/individuals/Investments-and-assets/crypto-asset-investments/what-are-crypto-assets-/>. Accessed 30 June 2023.

[17] Reserve Bank of Australia. "Cryptocurrencies." (RESERVE BANK OF AUSTRALIA, 2021), <https://www.rba.gov.au/education/resources/explainers/cryptocurrencies.html>. Accessed 30 June 2023.

[18] Australian Taxation Office. "GST and Digital Currency." (AUSTRALIAN TAXATION OFFICE, 2021), <https://www.ato.gov.au/Business/GST/In-detail/Your-industry/Financial-services-and-insurance/GST-and-digital-currency/>. Accessed 30 June 2023.

[19] Australian Taxation Office. "Tax Treatment of Crypto-Currencies in Australia - Specifically Bitcoin." AUSTRALIAN TAXATION OFFICE, 2021), <https://www.ato.gov.au/general/gen/tax-treatment-of-crypto-currencies-in-australia---specifically-bitcoin/?anchor=Transactingwithcryptocurrency#Transactingwithcryptocurrency>. Accessed 30 June 2023.

[20] Ibid

[21] ATO (n 18)

[22] Australian Parliament. "Treasury Laws Amendment (2021 Measures No. 2) Bill 2021." (AUSTRALIAN PARLIAMENT, 2021),<https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=s1376>. Accessed 30 June 2023.

[23] Canada Revenue Agency. "Guide for Cryptocurrency Users and Tax Professionals." (CRA,2021) <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency/cryptocurrency-guide.html>. Accessed 30 June 2023.

[24] Bruce Ball. "Taxing Cryptocurrencies." (CPA Canada, 2019), <https://www.cpacanada.ca/en/business-and-accounting-resources/taxation/blog/2019/october/taxing-cryptocurrencies>. Accessed 30 June 2023.

[25] Canada Revenue Agency. "Guide for Cryptocurrency Users and Tax Professionals." Canada Revenue Agency, 2021, <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency/cryptocurrency-guide.html>. Accessed 30 June 2023.

used in the country for tax and trade purposes.[26] The Federal Financial Supervisory Authority of Germany had issued a guidance emphasizing that Bitcoin is a financial instrument, thereby qualifying crypto custodians as financial institutions.[27] Later, the German Federal Authority published its decision not to subject Bitcoin and other cryptocurrency purchases to taxes, citing the 2015 decision of the Court of Justice of the European Union,[28] which set a precedent for all members of the European Union.[29] Guidance on the value-added-tax (VAT) treatment of Bitcoin and other virtual currencies was been issued by the German Federal Ministry of Finance in 2018, determining that conventional currency exchange transactions for Bitcoin or other virtual currencies, and vice versa, constitute taxable supplies of other services for consideration but fall within the limits of the VAT exemption.[30] Bitcoin transactions are not subject to capital gains tax; however, German income taxes apply if the investment is kept for less than one year.[31] However recently, The German Federal Fiscal Court has ruled that *crypto profits* are subject to taxation. The court's decision established that cryptocurrencies should be treated as financial assets, making gains from their sale taxable.[32]

Japan

Japan, on the other hand, has adopted a revolutionary approach towards the taxation of cryptocurrencies. Japan is the first country to recognise bitcoin as a digital payment method.[33] The Japanese National Tax Agency (NTA) has also declared that gains made through the selling or use of Virtual Currency are regarded as 'miscellaneous profits' where the taxpayer cannot use losses to cover the gains made through the selling or use of virtual currency elsewhere.[34] All activities, such as cryptocurrency trading, mining, lending and other income, is classified as miscellaneous income . In addition, inheritance tax would be levied on the estate of a deceased person with regard to the virtual currency owned by that person.[35] All activities, such as cryptocurrency trading, mining, lending and other income, is classified as miscellaneous income.

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[26] Matt Clinch. "Bitcoin Tax Guide: An Introduction." (CNBC, 2014), <https://www.cnbc.com/id/100971898>. Accessed 30 June 2023.
[27] Federal Financial Supervisory Authority. "Crypto Custody Business." (FEDERAL FINANCIAL SUPERVISORY AUTHORITY, 2021),<https://www.bafin.de/EN/Aufsicht/BankenFinanzdienstleister/Markteintritt/Kryptoverwahrgeschaeft/kryptoverwahrgeschaeft_node_en.html>. Accessed 30 June 2023.
[28] Court of Justice of the European Union. "Judgment of the Court (Fourth Chamber) of 22 October 2015." (CJEU, 2015), <https://curia.europa.eu/jcms/upload/docs/application/pdf/2015-10/cp150128en.pdf>. Accessed 30 June 2023.
[29] Veronika Rinecker. "Germany Won't Tax Cryptocurrencies Used to Make Purchases." (*Cointelegraph,* 2021), <https://cointelegraph.com/news/germany-wont-tax-cryptocurrencies-used-to-make-purchases>. Accessed 30 June 2023.
[30]Global Legal Monitor. (2018). Germany: Federal Ministry of Finance Publishes Guidance on VAT Treatment of Virtual Currencies. [online] Available at: <https://www.loc.gov/item/global-legal-monitor/2018-03-13/germany-federal-ministry-of-finance-publishes-guidance-on-vat-treatment-of-virtual-currencies>/ Accessed 30 June. 2023.
[31] Law Library Of Congress, U.S., Global Legal Research Directorate. Regulation of Cryptocurrency Around the World. (*Washington, DC: The Law Library of Congress*, Global Legal Research Center, 2018) Pdf. <https://hdl.loc.gov/loc.law/llglrd.2018298387> (accessed 30 June 2023).
[32] Bundesfinanzhof. Urteil vom 23.10.2013 - II R 37/10. <https://www.bundesfinanzhof.de/de/entscheidung/entscheidungen-online/detail/STRE202310057/> accessed 30 June 2023.
[33] Jonathan Garber. "Bitcoin spikes after Japan says it's a legal payment method." *(Business Insider* 3 April 2017). <https://www.businessinsider.in/bitcoin-spikes-after-japan-says-its-a-legal-payment-method/articleshow/57990540.cms> accessed 30 June 2023.
[34] Mainichi. "Japan's Cabinet approves amendment to allow more foreign workers." (*Mainaich*i, 4 December 2018. <https://mainichi.jp/english/articles/20181204/p2a/00m/0na/010000c> accessed 30 June 2023.
[35] Insights. "Blockchain & Cryptocurrency Regulation 2022 - Japan." (*Global legal insights 2022*). <https://www.globallegalinsights.com/practice-areas/blockchain-laws-and-regulations/japan#chaptercontent6> accessed 30 June 2023.

For corporate entities, there is a 30% corporate tax on profits from digital currencies ownership.[36] However, recently cryptocurrency issuers in Japan have received tax relief measures as unrealised gains from crypto assets issued by companies will no longer be subject to the existing 30% corporate tax.[37]

China

China, taking a step apart from these countries has banned Initial Coin Offerings (ICO) in September, 2017.[38] After the crackdown on ICO, exchange platforms which traded cryptocurrencies or provided facilitation services, were also ordered to be closed.[39] However, interestingly, China has not put a ban on the possession of cryptocurrencies. Beijing Arbitration Commission in an article, said that while it does not recognise bitcoin as "virtual currency," it does recognize it "as a virtual commodity."[40] Cryptocurrencies are in a peculiar situation, as cryptocurrency-related services are banned from being provided by banks and financial institutions, and cryptocurrency exchanges are also prohibited however, local authorities are taxing profits made by crypto investments at the rate of 20% in the form of income taxes.[41]

India,

The regulation, and more importantly, the taxation of cryptocurrency in **India**, has seen consistent addresses from policymakers. The RBI, in 2018 announced that the cryptocurrency is not a legal tender and all the all entities regulated by it shall not deal in virtual currencies or provide services in that regard, which was later rejected by the Indian Supreme Court in March 2020.[42] Before 2022, from the two points of view, income and expenses, any transaction involving bitcoins could be evaluated, It could be taxable under the Income Tax Act, 1961 ('ITA') (in the case of income), or the Central Goods and Services Tax Act, 2017 and other laws (in the case of expenditure) depending on the type and parties to the transaction. However, in 2022, Finance Ministry imposed taxes on profits from transferring cryptocurrencies are now taxed at a 30% flat income tax rate in India.[43] This tax is effective from April 1, 2022. In addition, there is a 1% TDS tax on any cryptocurrency asset sales exceeding ₹50,000 in a single fiscal year.[44]

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[36] Takashi Nakamichi and Nao Sano, "Japan Moves Closer to Easing Tax on Corporate Crypto Holdings." (*Bloomberg* 15 December 2022). https://www.bloomberg.com/news/articles/2022-12-15/japan-moves-closer-to-easing-tax-on-corporate-crypto-holdings (accessed 30 June 2023).

[37] Shashank Bhardwaj, "Japan exempts token issuers from the 30% crypto tax on paper gains." Forbes India 27 June 2023. <https://www.forbesindia.com/article/cryptocurrency/japan-exempts-token-issuers-from-the-30-crypto-tax-on-paper-gains/86153/1> (accessed 30 June 2023).

[38] "Weese, Leonhard. "China's Central Bank Rules Initial Coin Offerings Are Illegal, Orders Return Of Funds." (*For*bes 4 September 2017). <https://www.forbes.com/sites/leonhardweese/2017/09/04/chinas-central-bank-rules-initial-coin-offerings-are-illegal-orders-return-of-funds/?sh=30226f29f216> accessed 30 June 2023.

[39] Reuters. "Explainer: China's bitcoin mining crackdown." 25 May 2021. <https://www.reuters.com/article/us-crypto-currency-china-explainer-idCAKCN2D00NA> (accessed 30 June 2023).

[40]Kevin Helms, "China Never Banned Bitcoin as Commodity, Beijing Arbitration Commission Explains." (Bitcoin News 14 October 2019). https://news.bitcoin.com/china-never-banned-bitcoin-commodity-beijing-arbitration-commission/ accessed 30 June 2023.

[41] Paul Godwin, China's Crypto Tax Provides Clear Regulatory Frameworks For Investors And Businesses." (T*ekedia*,Jan 30, 2023. <https://www.tekedia.com/chinas-crypto-tax-provides-clear-regulatory-frameworks-for-investors-and-businesses/#:~:text=Local%20Tax%20Authorities%20in%20China,regulations%20on%20illegal%20financial%20activities>. accessed 30 June 2023.

[42]ETmarkets.com "SC allows trade in cryptocurrency, quashes RBI curb on use." (*The Economic Times* 4 March 2020). https://economictimes.indiatimes.com/markets/stocks/news/sc-allows-trade-in-cryptocurrency-quashes-rbi-curb-on-use/articleshow/74470078.cms (accessed 30 June 2023).

[43] Vikram Subburaj. "Navigating the complexities of crypto taxation in India." (*HT Livemint,* 10 January 2022). https://www.livemint.com/market/cryptocurrency/navigating-the-complexities-of-crypto-taxation-in-india-11679764005839.html (accessed 30 June 2023).

[44] Abhinav Kaul, Mint. "Tax department issues clarifications on 1% TDS on crypto transactions." (*Livement* 28 June 2022. https://www.livemint.com/market/cryptocurrency/tax-department-issues-clarifications-on-1-tds-on-crypto-transactions-11655913125595.html (accessed 30 June 2023).

Conclusion

The taxation of cryptocurrencies remains a complex and evolving subject across various jurisdictions. Governments worldwide are grappling with the challenge of classifying cryptocurrencies and determining the appropriate tax treatment. Different countries have adopted different approaches, with some considering cryptocurrencies as currencies, commodities, or assets for taxation purposes.

The United States treats virtual currencies as property for federal tax purposes, subjecting them to income tax and capital gains tax. The Internal Revenue Service (IRS) is actively seeking ways to enforce tax compliance in the cryptocurrency space. In the United Kingdom, the tax treatment of cryptocurrencies is evaluated on a case-by-case basis, with trading profits subject to income tax and capital gains tax under specific guidelines. Australia considers cryptocurrencies as assets, subjecting them to capital gains tax upon disposal. Businesses providing exchange services or mining activities are also subject to income tax. Canada follows a similar approach, treating cryptocurrencies as commodities and applying income tax or capital gains tax depending on the circumstances.

Germany has taken a supportive stance toward cryptocurrencies, recognizing Bitcoin as a financial instrument and exempting it from VAT. However, the German Federal Fiscal Court has recently ruled that crypto profits are taxable, treating cryptocurrencies as financial assets. Japan has adopted a progressive approach, recognizing Bitcoin as a digital payment method and applying miscellaneous income tax to various crypto-related activities. The recent tax relief measures for cryptocurrency issuers in Japan exempt gains from corporate tax, providing a boost to the industry. China has adopted an ambiguous approach, whereas India has made cryptocurrencies taxable.

Overall, as the cryptocurrency market continues to evolve, governments are striving to develop comprehensive taxation policies that balance innovation and regulatory oversight. The approaches taken by different countries reflect the ongoing effort to adapt existing tax frameworks to the unique characteristics of cryptocurrencies. It is important for individuals and businesses to stay informed about the tax regulations in their respective jurisdictions to ensure compliance and make informed financial decisions.