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Taxation of virtual currency

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The Information Age has created a new concept of money – virtual currencies existing solely in the cyberspace in the form of intangible computer code. The most prominent virtual currency scheme, Bitcoin, grabbed the public attention as its value skyrocketed at the beginning of 2012. Whereas Bitcoin has many properties that could make it an ideal currency for mainstream consumers and merchants, its main drawback is lack of clarity regarding its legal status and tax treatment.

The European Central Bank predicts that the use of virtual currencies will increase in the future. Therefore, it is important both tax authorities and taxpayers are prepared to deal with those currencies and to incorporate them into the existing legal framework.

This book describes the phenomenon and nature of virtual currencies, and provides a detailed analysis of tax implications that result from trade in, and mining of, virtual currencies. It seeks to answer three questions: (1) how virtual currency should be taxed; (2) how it is actually treated under income and indirect tax laws of selected countries; and (3) how the current situation can be improved.

This is a volume in the series of the Meijers Research Institute and Graduate School of the Leiden Law School of Leiden University. This study is part of the Law School's research programme Limits of Tax Jurisdiction.



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