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PORTUGUESE TAX AUTHORITY ISSUES RULING ON ICO AND VAT: EXPERT TAKE

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Regulation | 0 ● | ★★★★★



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VAT implications of virtual products are still somewhat unestablished, leaving room for interpretation.

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Transactions involving cryptocurrencies are raising interesting questions and concerns in the field of taxation. The supply of electronic goods and services has implications in the field of consumption taxation, which has been harmonized in the European Union through the implementation of the value added taxation (VAT) system. Following a recent tax ruling issued by the Portuguese Tax Authority (PTA), this article discusses VAT-related implications of cryptocurrencies, tokens, and initial coin offerings (ICO).

On the nature of tokens and VAT system

Tokens have an essential role in initial coin offerings, where tokens may be used as a medium of exchange with a function similar to a fiduciary currency, e.g. Bitcoin (currency or value tokens). However, tokens can also be used in several other contexts and leverage functionalities enabled by smart contracts. Thus, they may embody various functions and characteristics depending on the specific circumstances in question. For instance, tokens can be used as smart contracts related to financial instruments and securities, including stock, loans, and derivatives (securities and equity tokens), they can provide access to a product or a service, or permit the contribution and participation in a certain job (usage or work tokens; utility tokens), and may correspond to an underlying physical asset such as gold or