

STATE BUDGET 2023 TAX REGIME FOR CRYPTO INVESTMENTS (1/2)

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WHAT DO THEY MEAN BY CRYPTO?

- For tax purposes, crypto assets are any digital representation of value or rights that can be transferred or stored electronically using distributed ledger technology or similar technology, with the exclusion of unique/non-fungible crypto assets (such as NFTs) which are not taxed.

WHAT IS TAXED EXACTLY?



- There are three main types of taxable income deriving crypto asset investments:

Nature of the income	Covered transactions	Tax framework
 Capital income	<ul style="list-style-type: none"> Remuneration received in <u>fiat money*</u> arising from passive investment in crypto assets that don't imply its permanent transfer (e.g. staking delegation or off-chain, loan of crypto assets). 	28% flat tax over the gross remuneration received (electable for taxation at progressive rates between 14,5% and 53%)
 Capital gains	<ul style="list-style-type: none"> <u>Short term</u> (meaning crypto assets owned for less than 365 days) sale of crypto assets for <u>fiat money**</u>. 	28% flat tax over the capital gain (sale value minus acquisition cost) (electable for taxation at progressive rates between 14,5% and 53%, <u>5 year tax loss carrying forward regime available</u>)
 Business income	<ul style="list-style-type: none"> Operations related to the issuance of crypto assets (e.g. mining and validation of crypto assets transactions through consensus mechanisms) when exchanged for <u>fiat money**</u>. Any other transaction (including sale) if done as a business (as opposed to as a passive saving and investment transaction) when exchanged for <u>fiat money**</u>. 	Progressive taxation (14,5% to 53%) over the tax base (tax base will vary greatly depending on the chosen tax regime and actual nature of the income, can be as low as 15% of the gross income - e.g. staking on-chain - and as high as 95% of the gross income - e.g. mining)

* If the remuneration is received in crypto, then the taxation will be deferred to the moment the crypto asset is sold for fiat money and will be taxed as capital gain.

** If the crypto is sold in exchange for other crypto assets (crypto for crypto exchange), then the taxation will be deferred to the moment the crypto assets received are sold for fiat money (but the acquisition cost will not benefit from a step up, meaning that future capital gains will be computed using the historic acquisition cost of the original crypto sold - not the ones received in exchange).



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ANY NUANCES I SHOULD BE ON THE LOOK OUT FOR?



- Yes, the following:

Topic	Nuance
 Blacklisted countries	<ul style="list-style-type: none">▪ Crypto asset transactions with investors residing in blacklisted countries will generally be taxed regardless of whether they are short term or not, or whether they were exchanged for fiat money already or not.▪ Also, tax losses transactions with investors residing in blacklisted countries will not be deductible against tax gains generated in the same year.
 Exit tax	<ul style="list-style-type: none">▪ Departing tax residents will suffer an exit tax (28% flat rate - with option for progressive taxation) on all crypto assets held at the time.▪ The taxable gain will be the difference between the market value on the date of loss of resident status and the acquisition value.

WHEN WILL THIS COME INTO FORCE?

- The tax regime described in this NL will come into force on January 1st, 2023.

