

## **Taxation on income derived from crypto currencies**

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Crypto currency has recently become an intensely discussed topic by different segments of society in many countries. As well as describing it “an investment tool with high yields”, many people qualifying it as Ponzi Scheme or tulip mania also exist. However, it’s a fact that the crypto currencies led by Bitcoin seem to be occupying our agenda for a long time indeed.

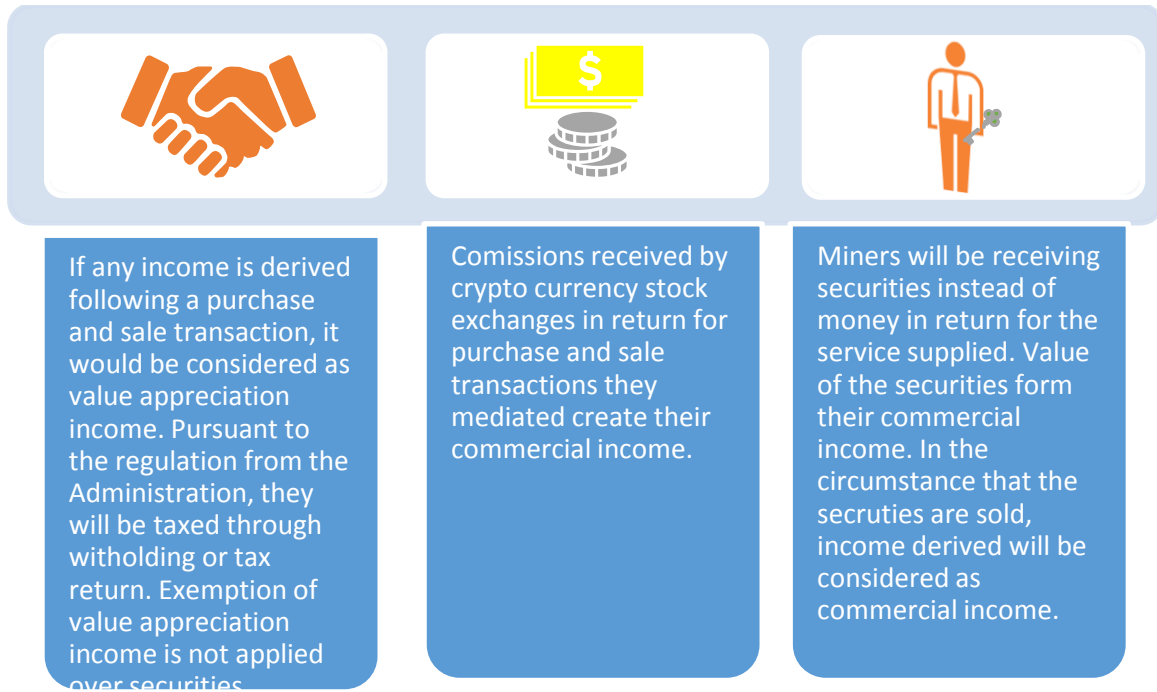
Through a news report emerging out the news agencies in December, we have learned that the Capital Markets Board, Central Bank of Turkey and Ministry of Finance have put the crypto currency on their agenda and initiated study so as to identify the type. There is no doubt that the task of “naming it” will be accompanied by a certain taxational outcome, of course. It’s indicated that the authorities are concentrating on three options (currency, security and commodity) but leaning closer to the commodity option.

Bitcoin in fact is a product of the Blockchain technology with its foundation based on resolving a complicated maths problem within consensus. Every solution provides the formation of a data block while bringing together an award paid as Bitcoin-denominated. People called as “Miners” are performing this task of solving with high processing powered computers, both by winning the award and handling the crypto currency transfer to the “other wallets” from the “wallet” through this data block.

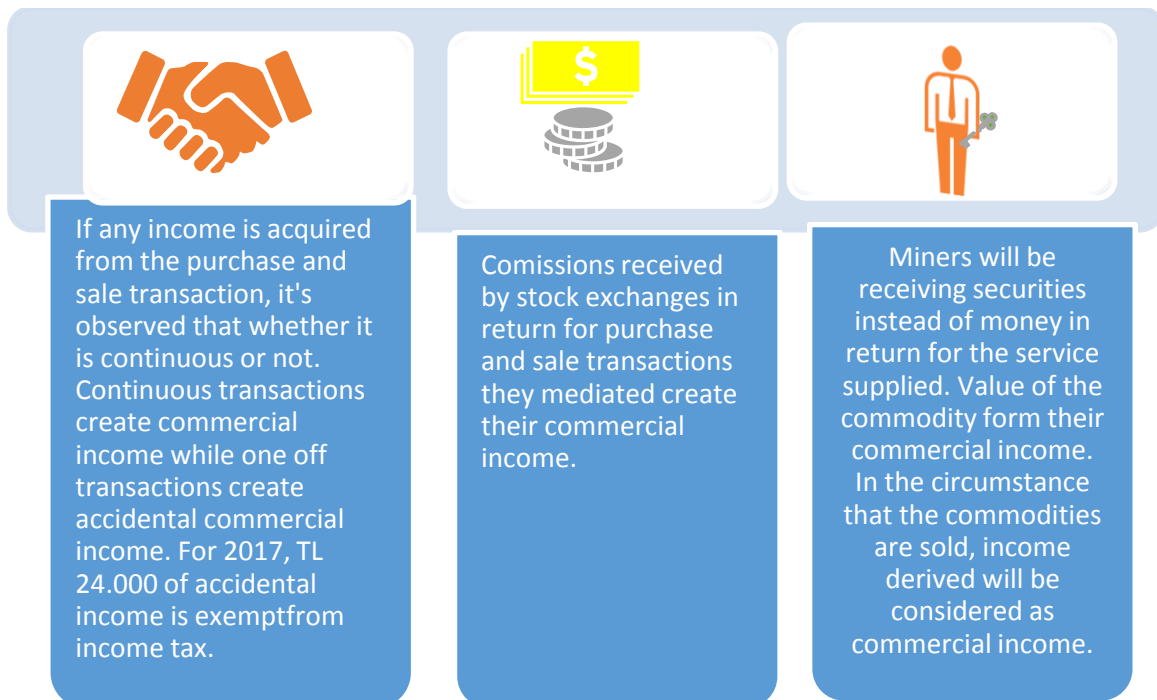
Existing users are accepting the crypto currency as “money” already and they see the income derived during the purchase and sale process as exchange difference. Therefore, they think that they should not be subject to any taxational liabilities. Crypto currency stock exchanges in which crypto currencies are traded are already structured as a company and calculate VAT over the commission they receive while their commissioning revenue stands for the corporate income. Miners are already liable for commercial activity resulting from the service fee they receive in return for awards they obtained and crypto currency transfers.

However, according to the decision to be made by the authorities, taxational positions of parties engaged in crypto currency transactions may be shifting as well.

In the circumstance that they are considered as a security:



If considered as a commodity:



If assessed in terms of a revenue item:

	Money	Security	Commodity
<b>Miners</b>	Commercial income	Commercial income	Commercial income
<b>"Cloud Mining" sites</b>	Security income	Security income	Security income
<b>Crypto currency exchanges</b>	Commercial income	Commercial income	Commercial income
<b>Purchasers and sellers (cont.)</b>	-	Value appreciation income	Commercial income
<b>Purchasers and sellers (once.)</b>	-	Value appreciation income	Accidental commercial income

If considered with regard to VAT:

	Money	Security	Commodity
<b>Miners</b>	Available	Available	Available
<b>"Cloud Mining" sites</b>	None	None	None
<b>Crypto currency exchanges</b>	Available	Available	Available
<b>Purchasers and sellers (cont.)</b>	None	None	Available
<b>Purchasers and sellers (once)</b>	None	None	None

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