

Kuzey YMM ve Bağımsız Tel: +90 212 315 3000 Denetim A.Ş. Eski Büyükdere Cad. Orjin Maslak No:27 Maslak, Sarıyer 34398 İstanbul - Turkev

Fax: +90 212 234 1067 ey.com

Ticaret Sicil No: 479919 Mersis No: 0-6010-2772-0400010

Taxation on income derived from crypto currencies Tamer Türkyılmaz

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 Bitcoindenominated. 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 any income is derived following a purchase and sale transaction, it would be considered as value appreciation income. Pursuant to the regulation from the Administration, they will be taxed through witholding or tax return. Exemption of value appreciation income is not applied

Comissions received by crypto currency stock exchanges in return for purchase and sale transactions they mediated create their commercial income.

Miners will be receiving securities instead of money in return for the service supplied. Value of the securities form their commercial income. In the circumstance that the secruties are sold, income derived will be considered as commercial income.

If considered as a commodity:



If any income is acquired from the purchase and sale transaction, it's observed that whether it is continuous or not. Continuous transactions create commercial income while one off transactions create accidental commercial income. For 2017, TL 24.000 of accidental income is exemptfrom income tax.



Comissions received by stock exchanges in return for purchase and sale transactions they mediated create their commercial income



Miners will be receiving securities instead of money in return for the service supplied. Value of the commodity form their commercial income. In the circumstance that the commodities are sold, income derived will be considered as commercial income.



If assessed in terms of a revenue item:

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

If considered with regard to VAT:

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

Explanations in this article reflect the writer's personal view on the matter. EY and/or Kuzey YMM ve Bağımsız Denetim A.Ş. disclaim any responsibility in respect of the information and explanations in the article. Please be advised to first receive professional assistance from the related experts before initiating an application regarding a specific matter, since the legislation is changed frequently and is open to different interpretations.