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Soon or lated taxes coming for crypto assets

When the era we live in has become "Industry 4.0", virtual reality is fashioned. In this environment, money also becomes digital. The market capitalisation and trading volume of cryptocurrencies is proof of this. According to www.tradingview.com, the total cryptocurrency volume reached 272,850 billion and the total market value reached $ 929,000 billion as of 6.1.2021.

As a tool for value and exchange in goods and services trade, money carries an economic value attributed to it. Through money, the value of assets can be measured, liquidity is provided, and asset values can be preserved. However, despite the market value and volume of cryptocurrencies, virtual currencies have not yet been able to replace government-issued money (especially hard currencies). The reason for that is the confidence in creation, preservation and exchange of virtual money is not yet at the level of central banks.

Also, it is seen that crypto currencies are not similar to the currencies in the international system.

In an OECD publication dated 12.9.2020 and named “Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues”, it is indicated that crypto assets and especially virtual currencies are developing rapidly and tax policy makers are at the first stage of evaluating these assets. In this publication, it is stated that G20 leaders and finance ministers have called on international institutions to analyze the risks posed by crypto financial assets and although the general framework on this issue is so essential, the issues of tax policy and smuggling of crypto financial assets have not been investigated to a great extent.

The fact that the automatic exchange of financial account information does not include "crypto financial asset" information makes it difficult to fight tax evasion and financial crimes particularly.

Many countries allow cryptocurrencies to be used in the purchase and sale of goods and services. However, although many countries emphasize the risks, it is not stated that the use of crypto assets is illegal. Their legality is accepted explicitly or implied through publishing taxation guidelines on the income acquired from them. Crypto or virtual currency is not included in any legislation in Turkey.

According to the OECD publication, in terms of direct taxes, some countries adopt a taxation approach to crypto financial assets as intangible assets, financial instruments, commodities/virtual commodities, money, legal payment method or without specifying a definition. In many countries, the acquisition of virtual currencies obtained from crypto mining is defined as a taxable event and revenue (real person or legal) is considered to be obtained based on their market value.

In terms of indirect taxes (VAT), the determination of the taxable event in the purchase and sale of virtual currencies has difficulties and differences according to countries.

The OECD publication points out that Turkey is among the 50 countries that responded to the questionnaire on direct taxes and VAT, however it was not included in the countries with a taxation approach unveiled.
There is no legal framework and regulation related to the crypto money available in Turkey including the tax legislation.

As explained in the "New Economic Program for the 2021-2023 Period", regulation is expected on crypto financial assets regarding their "acquisition, purchase, sale and transfer" transactions in terms of "wealth, direct (income and corporate tax) and indirect (VAT) taxes" between 2021 and 2023.

Therefore, until a regulation is introduced, income from the trading of crypto financial assets is not taxable and the legal basis for taxation of income from assets such as bitcoin without changes in tax and other laws will be missing.

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